

2024

**Ogun State Debt Sustainability Analysis and
Debt Management Strategy
(OGSG DSA-DMS)**

Table of Content

- 1.0 Introduction**
- 2.0 The State Fiscal and Debt Framework**
- 3.0 The State Revenue, Expenditure, and Public Debt Trends (2019-2023)**
- 4.0 Debt Sustainability Analysis**
- 5.0 Debt Management Strategy**
- 6.0 Annex I. Table of Assumptions**
- 7.0 Annex II. Historical and projections of the S1_Baseline Scenario**

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND

The Ogun State Debt Sustainability Analysis (S-DSA) Toolkit was developed by Debt Management Office, Nigeria and reviewed by the World Bank to analyse the trend and patterns in the State's public finances during the period of 2019- 2023 while also evaluating the ability of the State to sustain its debt in the long term (2024-2033). The DSA carried out by the Ogun State Team highlights the recent trends in Revenue, Expenditure, public debt, and related policies adopted by the State Government, while considering the policy thrust of the State. A sub-national sustainability assessment was conducted, including baseline scenarios and sensitivity analysis in order to evaluate the prospective performance of the State's public finances going forward.

The intention and main objectives of the debt strategy is to ensure that the Ogun State Government's financing needs and payment obligations are met at the lowest possible cost, with a prudent degree of risk. Consequently, for the four Debt Management Strategies (DMS), the Ogun State Team calculates costs of carrying public debt, and measures risks associated to macroeconomic and fiscal shocks to assist the Ogun State Government in striking a balance between the State's programs execution and new borrowings, utilizing recent trends in the State's public finances.

1.2 SUMMARY OF FINDINGS

The State exhibits a debt position that is sustainable in the medium term i.e. year 2024, 2025, 2026, 2027 and 2028 but the debt position is unsustainable in the outer years (2029 to 2033). However, the State is expected to generate more revenue from the Federal Allocation (FAAC) and Internally Generated Revenue (IGR) in the outer years as a result of improvement in the daily production of crude oil, State reforms such as tax administration reforms and better management of recurrent expenditure growth among others. Given the State's own forecast for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt which appears unsustainable now might fizzle away in the outer years.

Ogun State pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance, including external concessional loans and domestic low-cost financing. By the State projections revenue is expected to rise from **N265,204 billion** in 2023 to **N2,067,972 trillion** in 2033. Expenditure is also anticipated to move from **N325,331 billion in 2023** to **N4,813,541 trillion** in 2033. The resulting deficit is to be financed by a combination of domestic and external loans.

The debt stock of the State as at year 2023 stood at **N467,495 billion** with the component being 67.5% domestic while the external debt share is 32.5%. the debt stock is expected to rise from **N467,495** in 2023 to **N8,953,810 trillion** in 2033. This increase is huge considering the fact that the State is embarking on huge infrastructural development in the medium to long term. Projects that are expected to impact positively on growth in GDP are to be embarked upon.

The debt stock to State GDP is projected to remain favorable between 2024 and 2029, debt to revenue is projected to remain favorable between 2024 and 2028 and debt service to revenue is projected to remain favorable between 2024 and 2029. Even though there are concerns majorly about the debt stock as a share of revenue performance indicators, if the State aggressively pursues fiscal discipline as planned, the risk that comes with this indicator will be mitigated against.

The outlook of the Nigerian economy which is the basis of the assumptions for the DSA-DMS exercise is expected to improve marginally based on the following economic indicator. For 2024, the national GDP is expected to grow at 3.3%, oil price benchmark set at \$75, oil production per day is expected to be 1.6mbpd while inflation is projected at 24.44% and exchange rate at 750/\$1 and the global recovery on the Covid-19 pandemic, FAAC allocations are projected to increase in the present and future years due to removal of fuel subsidy since May, 2023.

Given the State's own forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies, the State is expected to generate more revenue from the Federal Allocation (FAAC) and Internally Generated Revenue (IGR) in the outer years as a result of improvement in the daily production of crude oil and various State reforms going forward through the development of an Aerotropolis (Aircraft City) which comprises of Cargo and Passenger airport and other zones such as Special Agro-industrial professing Zone (SAPZ); Greenhouse Agric Zone; Residential & Commercial real estate; logistics & Distribution Zone etc, will increase the IGR of the state. The long-term outlook for the public debt which appears unsustainable would fizzle away in the outer years in order to achieve the State's debt management objectives.

CHAPTER TWO

2.0 OGUN STATE FISCAL AND DEBT FRAMEWORK

2.1 FISCAL REFORMS IN THE LAST 3 TO 5 YEARS

The Fiscal Reforms being implemented by the Ogun State Government in the last three to five years include the Public Financial Management (PFM) and Human Resources Management (HRM) which are sub-divided into Budget reform, Audit reform, Public Procurement reform, Tax Administration reform, and Civil Service & Pension reforms. These reforms led to the enactment of State Fiscal Responsibility Law, 2020 and other relevant laws; that regulates implementation of Fiscal Policies in the State.

These reforms have also helped in the upgrading of the Central Department of Statistics to Bureau of Statistics with the appointment of the first Statistician-General in the State, reinforcement of State Debt Management Office and Central Department of Monitoring and Evaluation, establishment of the State Public Private Partnership Office as an MDA with the appointment of a Director-General, establishment of Bureau of Public Procurement in the State and the enactment of the State Public Procurement (Amendment) Law, 2020 with the appointment of the first Director-General and the Newly launched Ogun State Land Administration and Revenue Management System (OLARMS).

The State Fiscal Responsibility Law, 2020 for instance, provides for prudent management of the State's resources, ensure long-term macro-economic stability of the State economy, secure greater accountability and transparency in fiscal operations within a medium-term fiscal policy framework. Most importantly, the fiscal law spelt out procedures on how public expenditure should be incurred, borrowing process, transparency and accountability in governance and principles of sound financial management.

2.2 Ogun State 2024 Budget and the Proposed Medium-Term Expenditure Framework (MTEF), 2025-2027

2.2.1 2024 Approved Budget

Based on the foregoing reforms, Ogun State total revenue available to fund the 2024 Approved Budget is estimated at **N703.03 billion**. This includes Internally Generated Revenue of **N240.54 billion**, Statutory Allocation of **N65.79 billion**, Value Added Tax of **N57.78 billion**, Other Statutory Revenue (eg Excess Crude Oil) of **N58.49 billion**, Capital Receipts of **N240.24 billion**, Opening Balance of **N40.20 billion**.

An aggregate approved expenditure for Ogun State Government in 2024 is **N703.03 Billion**. The 2024 approved Expenditure comprises of Personnel Cost of **N95.05 Billion**, Overhead Cost of **N105.79 Billion**, Debt Repayment (Interest and Principal) of **N59.09 billion**, other recurrent Expenditure **N27.44 Billion**, Stabilization Fund of **N12.03 Billion** and Capital Expenditure of **N403.63 Billion**

2.2.2 Indicative Three-Year Fiscal Framework

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

Ogun State Proposed Medium Term Fiscal Framework

| Particulars | Proposal 2025 | Proposal 2026 | Proposal 2027 |
|-------------|---------------|---------------|---------------|
| MDAS | N' M | N' M | N' M |

| | | | |
|--------------------------------------|---------------------|---------------------|---------------------|
| Internally Generated Revenue (OGIRS) | 120,967.54 | 145,161.04 | 174,193.25 |
| Internally Generated Revenue (MDAs) | 186,745.57 | 211,910.60 | 248,428.42 |
| Sub-Total (IGR) | 307,713.11 | 357,071.65 | 422,621.67 |
| EXTERNAL LOANS | 202,933.00 | 62,969.90 | 36,663.05 |
| INTERNAL LOANS | 51,706.34 | 201,020.69 | 208,724.23 |
| SUB-TOTAL LOANS | 254,639.31 | 263,990.59 | 245,387.27 |
| TOTAL GRANTS | 225,128.27 | 357,632.72 | 467,100.83 |
| TOTAL CAPITAL RECEIPTS | 479,767.57 | 621,623.32 | 712,488.11 |
| STATUTORY ALLOCATION | 68,400.42 | 73,676.70 | 82,678.86 |
| VAT | 80,798.27 | 93,152.32 | 120,260.14 |
| Share OF Other FAAC Revenue | 78,855.60 | 79,179.53 | 74,654.84 |
| TOTAL FAAC | 228,054.29 | 246,008.56 | 277,593.84 |
| OPENING BALANCE | 39,007.05 | 40,746.91 | 42,564.36 |
| GRAND TOTAL | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |

| PARTICULARS | PROPOSED BUDGET, 2025 | PROPOSED BUDGET, 2026 | PROPOSED BUDGET, 2027 |
|---|-----------------------|-----------------------|-----------------------|
| FUNDING | N' M | N' M | N' M |
| Opening Balance | 39,007.05 | 40,746.91 | 42,564.36 |
| Internally Generated Revenue (Other MDAs) | 186,745.57 | 211,910.60 | 248,428.42 |
| Internally Generated Revenue (OGIRS) | 120,967.54 | 145,161.04 | 174,193.25 |
| Other Internal Revenue | - | - | - |
| Total IGR | 307,713.11 | 357,071.65 | 422,621.67 |
| Statutory Allocation | 68,400.42 | 73,676.70 | 82,678.86 |
| Value Added Tax | 80,798.27 | 93,152.32 | 120,260.14 |
| Share OF Other FAAC Revenue | 78,855.60 | 79,179.53 | 74,654.84 |
| Excess Crude | - | - | - |
| Paris Club Refund | - | - | - |
| Extra Ordinary Income (CAPEX F.G Roads Refund)) | - | - | - |
| TOTAL FGN RECEIPTS | 228,054.29 | 246,008.56 | 277,593.84 |
| Capital Receipts | 479,767.57 | 621,623.32 | 712,488.11 |
| Grand Total Available Funding | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |

| | | | |
|------------------------------------|------------------------------|------------------------------|------------------------------|
| | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |
| | | | |
| PARTICULARS | PROPOSED BUDGET, 2025 | PROPOSED BUDGET, 2026 | PROPOSED BUDGET, 2027 |
| Expenditure | N' M | N' M | N' M |
| Personnel Cost | 119,281.06 | 120,289.39 | 124,376.38 |
| Consolidated Revenue Charges | 35,963.10 | 38,381.70 | 41,138.53 |
| Overhead Cost | 198,636.67 | 273,883.18 | 356,800.97 |
| Public Debts Charges | 76,073.13 | 68,996.51 | 63,383.78 |
| Total Recurrent Expenditure | 429,953.96 | 501,550.78 | 585,699.66 |
| Capital Expenditure | 609,202.41 | 746,046.06 | 848,437.25 |
| Public Debts Charges (Capital) | - | - | - |
| Stabilisation Fund | 15,385.66 | 17,853.58 | 21,131.08 |
| Total Capital Expenditure | 624,588.06 | 763,899.65 | 869,568.33 |
| Total Expenditure | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |
| Financing Requirement | | | |
| Aggregate Revenue | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |
| Total Expenditure | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |

Ogun State Expenditure Projections (2025 – 2027)

| PARTICULARS | PROPOSAL 2025 | PROPOSAL 2026 | PROPOSAL 2027 |
|------------------------------------|----------------------|----------------------|----------------------|
| Expenditure | N' M | N' M | N' M |
| Personnel Cost | 119,281.06 | 120,289.39 | 124,376.38 |
| Overhead Cost | 198,636.67 | 273,883.18 | 356,800.97 |
| Consolidated Revenue Cost | 35,963.10 | 38,381.70 | 41,138.53 |
| Public Debts Charges | 76,073.13 | 68,996.51 | 63,383.78 |
| Total Recurrent Expenditure | | | |

| | | | |
|----------------------------------|---------------------|---------------------|---------------------|
| | 429,953.96 | 501,550.78 | 585,699.66 |
| Capital Expenditure | 264,750 | 277,933 | 296,186 |
| Stabilization Fund | 15,385.66 | 17,853.58 | 21,131.08 |
| Total Capital Expenditure | 624,588.06 | 763,899.65 | 869,568.33 |
| Total Expenditure | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |

| PARTICULARS | PROPOSED BUDGET, 2025 | PROPOSED BUDGET, 2026 | PROPOSED BUDGET, 2027 |
|------------------------------------|------------------------------|------------------------------|------------------------------|
| Expenditure | N' M | N' M | N' M |
| Personnel Cost | 119,281.06 | 120,289.39 | 124,376.38 |
| Consolidated Revenue Charges | 35,963.10 | 38,381.70 | 41,138.53 |
| Overhead Cost | 198,636.67 | 273,883.18 | 356,800.97 |
| Public Debts Charges | 76,073.13 | 68,996.51 | 63,383.78 |
| Total Recurrent Expenditure | 429,953.96 | 501,550.78 | 585,699.66 |
| Capital Expenditure | 609,202.41 | 746,046.06 | 848,437.25 |
| Public Debts Charges (Capital) | - | - | - |
| Stabilisation Fund | 15,385.66 | 17,853.58 | 21,131.08 |
| Total Capital Expenditure | 624,588.06 | 763,899.65 | 869,568.33 |
| Total Expenditure | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |
| Financing Requirement | | | |
| Aggregate Revenue | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |
| Total Expenditure | 1,054,542.02 | 1,265,450.42 | 1,455,267.99 |

2.2.2 The Key Objectives of 2024 Approved Budget

- i. Gradual ease of the global lockdown measures, flattening the pandemic curve coupled with the gradual increase in economic activities and the herald of the new financial system in the public service that ensures adherence and financial discipline.
- ii. Considerate limits for expenditure to ensure low fiscal deficits and sustainable levels of public debts
- iii. Creating a framework in which public funds are allocated optimally and cost-effectively to meet Government's policy aims, thus ensuring improvement of key performance indicators in Ogun State.
- iv. Creation of enabling environment with focus on transparent public financial management system; to attract both local and foreign investments and encourage Public-Private Sector Partnership with sustained Finance and Economic investment
- v. The present administration's strategic imperatives and implementation road map on five main development pillars (ISEYA);
 - Infrastructure (ICT, Power, Transport, Industrialization);

- **Social Welfare and Well Being** (Healthcare, Housing, environment and Physical Planning, Water and Waste Management);
- **Education** (Human Capital Development);
- **Youth Empowerment** (Sports, Entrepreneurship, Creative Arts, Entertainment); &
- **Agriculture** (Food Security, Cash and food Crops, Plantations, Forestry, Fisheries).

2.2.3 Medium Term Policy Objectives and Targets

The overall medium-term policy objectives are;

1. The 2025 - 2027 fiscal objectives will continue with its year 2024 fiscal strategy which will be to intensify increased revenue to direct resources to most productive and growth- enhancing sectors while upholding social safeguards.
2. Government will also take advantage of private capital to supplement capital allocations from the Budget. The highlights of Government fiscal strategy include:
 - i. The revenue driven budget approach through the Medium-Term Revenue Strategy (MTRS) is expected to assist the State Fiscal Sustainability drive and endear potential investors to the State economy
 - ii. Enhancing economic growth and ensuring inclusiveness.
 - iii. Promoting economic diversification
 - iv. Maintaining macroeconomic stability
 - v. Increasing revenue generation
 - vi. Re-balancing the distribution of Government spending
 - vii. Improving quality of spending
 - viii. To tilt capital investment funds towards Government Key priority areas.
 - ix. To use the budget to deepen the goals of job creation, poverty eradication and wealth creation.
 - x. To sustain the Modified Zero-Based Budgeting (Modified ZBB) & MTSS across all MDAs and Budget profiling for cash management.

Despite the increasing capital receipts over the medium term, the State remains sustainable and viable. Firstly, the State is ranked 1st in 2023 State of the States Budget on revenue generation (Index A1) which extensively means less reliance on allocations from federal government. The revenue drive will continue in view of the digital/automation of payment procedure to forestall leakages, improve tax administration and collection efficiency as well as expanding the tax base over the years. Secondly, the State's IGR over the medium term, due to increasing revenue generation potentials, is adequate to take care of recurrent expenditure (personnel and overhead), reflecting the state's fiscal sustainability over the medium term. Most importantly, the Debt Sustainability Analysis (DSA) key performance indicators (KPIs) in the State 2025 – 2027 guarantee the State's fiscal sustainability over the medium term – fiscal deficit to GDP is 3%, capital receipt to total revenue is 89% and capital receipt to total funding – 47%. All within threshold.

Essentially, significant part of our loan component of the projected capital receipts are Disbursement Link Indicators (DLIs). OGSTEP and RAAMP represent 40% of the projected

CHAPTER THREE

3.0 REVENUE, EXPENDITURE, FISCAL AND DEBT TREND, 2019-2023

3.1 Revenue

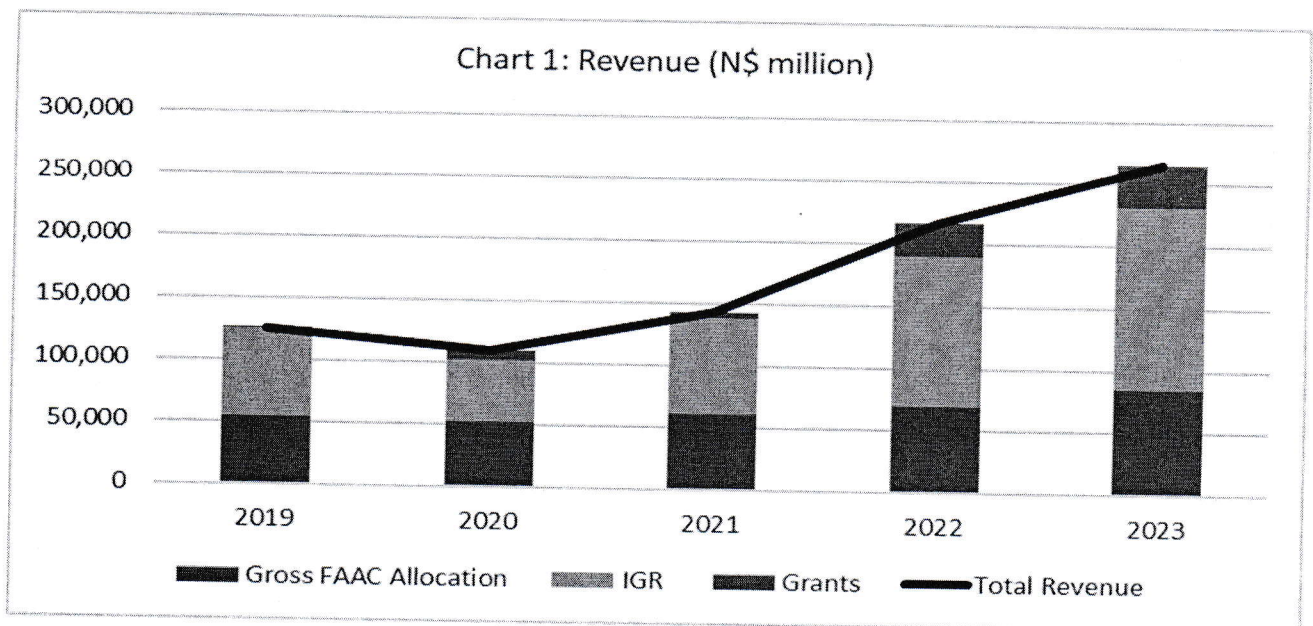
The Ogun State's total revenue declined from N125,690 Billion in 2019 to N109,693 Billion in 2020 by -12.7% but continued to increase thereafter to N143,219 Billion in 2021 by 30.6%, N216,632 Billion in 2022 by 51.3% and N265,204 Billion in 2023 by 22.4%

The Gross FAAC Allocation that comprises the Statutory allocation, derivations, VAT allocation, exchange rate gain, augmentation among others declined from N53,781 Billion in 2019 to N51,528 Billion in 2020 by -4.21% but continued to increase thereafter to N60,371 Billion in 2021 by 17.2%, N69,578 Billion in 2022 by 15.3% and N84,723 Billion in 2023 by 21.8%

Ogun State's Internally Generated Revenue (IGR) showed a growth between 2020 and 2023 while there was a decline between 2019 and 2020. The IGR increased from N50,697 Billion in 2020 to N78,169 Billion in 2021 by 54.2%, to N119,828 Billion in 2022 by 53.3% and N146,016 Billion in 2023 by 21.9%

The Grants increased from N907 Million in 2019 to N7,468 Billion in 2020 by 723.2%, reduced to N4,679 Billion in 2021 by -37.3% and thereafter increased to N27,226 Billion in 2022 by 481.9% and N34,464 Billion in 2023 by 26.6%

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------|---------|---------|---------|---------|---------|
| Total Revenue | 125,690 | 109,693 | 143,219 | 216,632 | 265,204 |
| Gross FAAC Allocation | 53,781 | 51,528 | 60,371 | 69,578 | 84,723 |
| IGR | 71,002 | 50,697 | 78,169 | 119,828 | 146,016 |
| Grants | 907 | 7,468 | 4,679 | 27,226 | 34,464 |

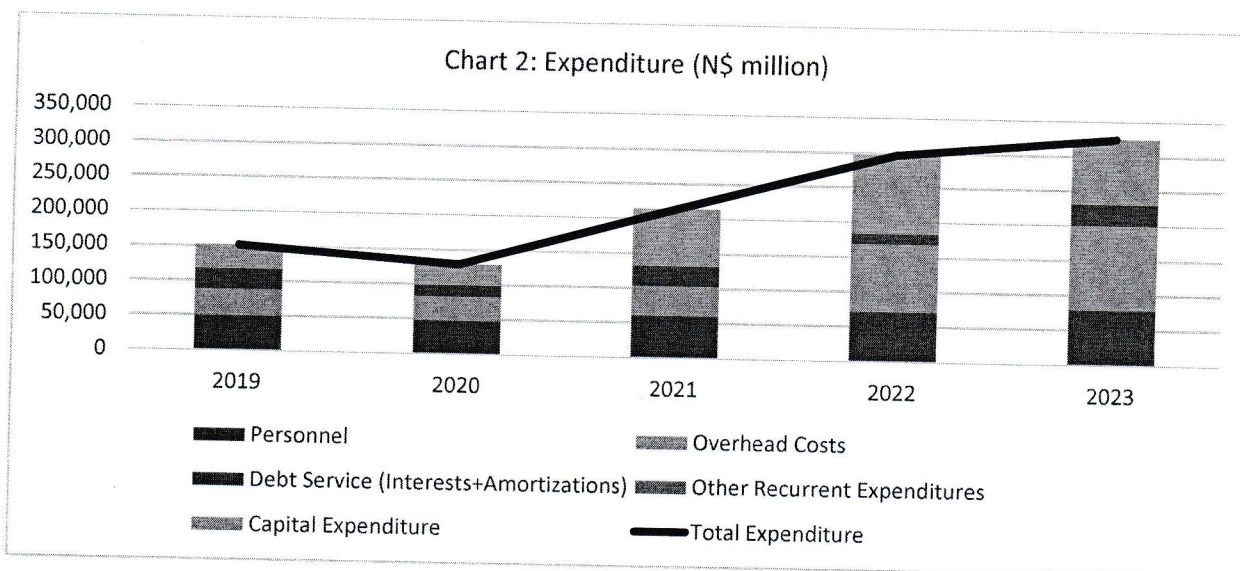


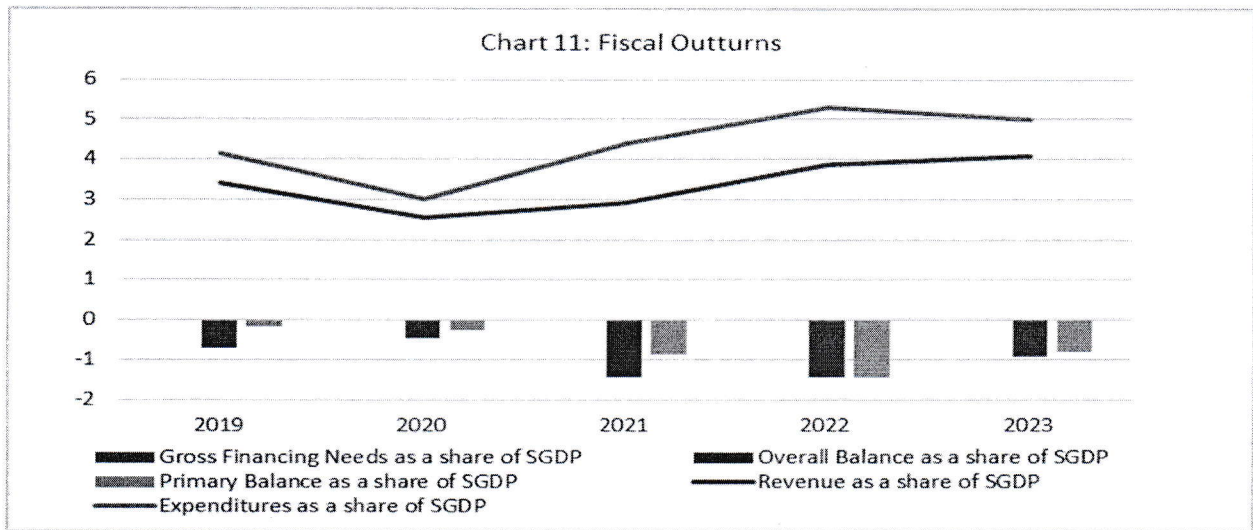
3.2 Expenditure Performance

The State's Total Expenditure includes Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2023 Ogun State total expenditure amounted N325,332 billion compared to N152,090 billion as at end-December 2019, which represent a growth of N173.24 billion

or 113.9 percent. The personnel cost stood at N50,415 billion in 2019, N48,220 billion in 2020, N60,176 billion in 2021, and N70,626 billion in 2022 and N78,786 in 2023 respectively. The overhead cost stood at N121,169 billion in 2023 compared to N97,874 billion in 2022. Capital expenditure amounted to N94,257 in 2023, N113,686 billion in 2022, N82,381 billion in 2021, N30,487 billion in 2020, and N35,418 billion in 2019 respectively. The Total debt service that comprises the interest payment and principal repayment stood at N31,118 billion as at end-December 2023 compared to N29,291 billion as at end-December 2019.

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|----------------|----------------|----------------|----------------|----------------|
| Total Expenditure | 152,090 | 129,288 | 214,182 | 297,678 | 325,331 |
| Personnel | 50,415 | 48,220 | 60,176 | 70,626 | 78,786 |
| Overhead Costs | 36,965 | 33,960 | 43,336 | 97,874 | 121,169 |
| Debt Service (Interests+Amortizations) | 29,291 | 16,621 | 28,290 | 15,492 | 31,118 |
| Other Recurrent Expenditures | 0 | 0 | 0 | 0 | 0 |
| Capital Expenditure | 35,418 | 30,487 | 82,381 | 113,686 | 94,257 |





3.3 STATE DEBT PORTFOLIO, 2019 - 2023

Ogun State's Debt stock amounted to N467,495 billion as at end-December 2023 compared to N361,027 billion as at end-December 2022, representing an increase of N106,468 billion or 29.5%. The increase in the Total Debt stock was reflected in both Domestic and External Debt components. The external debt stock increased from N67,614 billion in 2022 to N151,847 billion in 2023, while the domestic debt stock significantly increased to N315,648 billion in 2023 from N293,414 billion in 2022.

PUBLIC DEBT PORTFOLIO

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Outstanding Debt (Old + New) | 173,465 | 192,817 | 286,078 | 361,027 | 467,495 |
| External | 31,569 | 39,326 | 49,679 | 67,614 | 151,847 |
| Domestic | 141,896 | 153,491 | 236,399 | 293,414 | 315,648 |

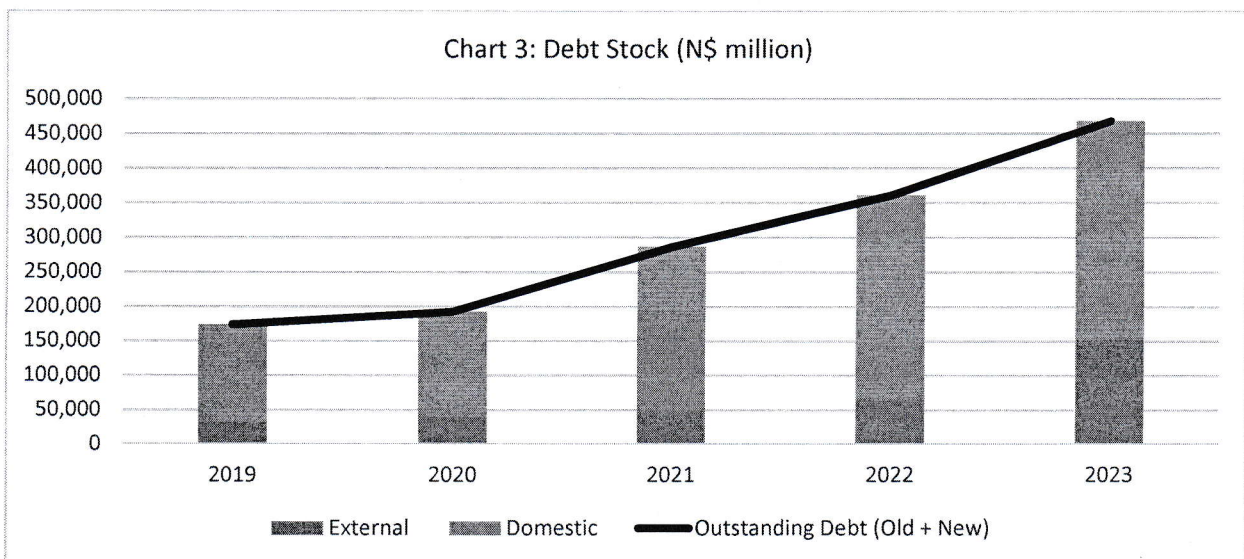


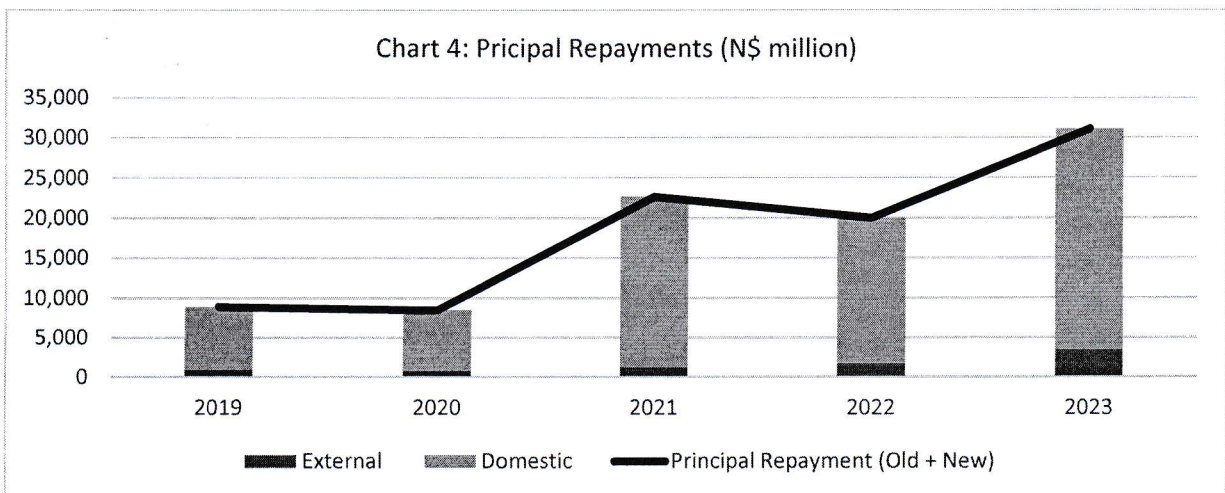
Chart 3: shows a sharp increase in the Debt Stock from N173,465 billion in 2019 to N467,495 billion in 2023, due to receipt of the Differentiated Cash Reserve Requirement (DCRR), Excess Crude Account Backed Loan and Budget Support and infrastructure loans alongside with the Salary arrears Bailout Loan.

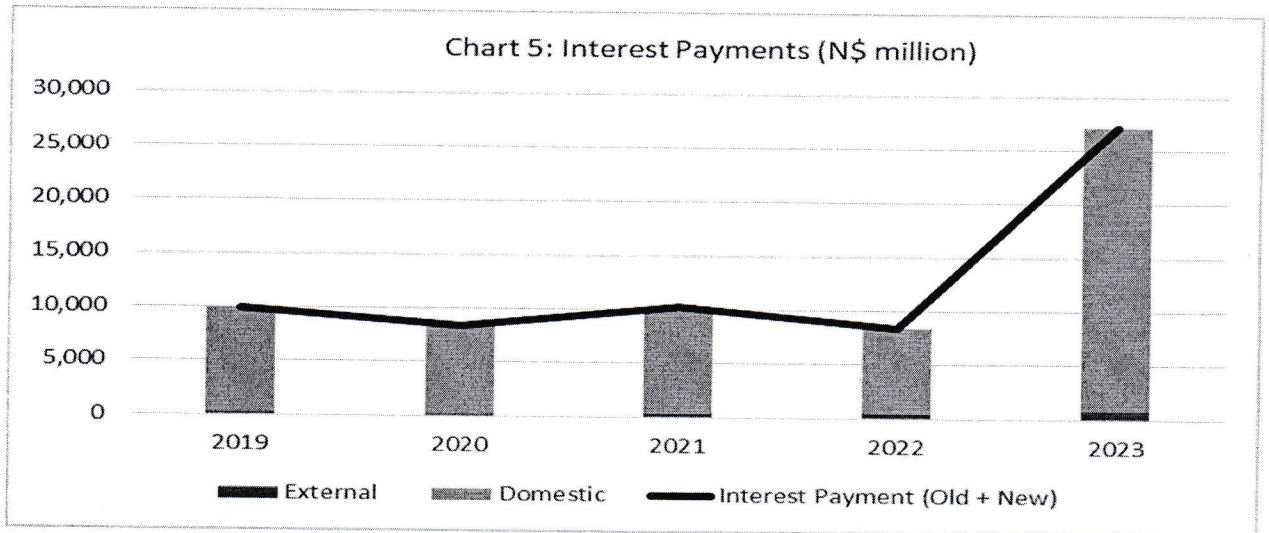
Ogun State Debt Portfolio as at the end of 2023 consists of external debt N151,847 billion or 32.5% and Domestic debt was amounted to N315,648 billion or 67.5% respectively. Ogun State holds a medium cost and medium risk debt portfolio which is sustainable. The debt portfolio has an average domestic interest rate of 22.75% and average external interest of 2.0% in 2023. The State debt portfolio is relatively exposed to currency, rollover, and interest rate risks. An Exposure to currency fluctuations is vital because the foreign currency-denominated loan is 32.5% of total debt stock in 2023. Most all the loans in Ogun State are fixed-rate obligations, thus not affected by changes in interest rates. A large portion of these loans have maturities ranging from 10 to 35 years and include financing from the Federal Government and Multilateral organizations. Therefore, rollover/refinancing risk associated with potential deterioration of domestic financial conditions is reasonably negligible.

Ogun State Debt Service amounted to N18,863 billion, N16,860 billion, N32,949 billion, N28,392 billion and N58,254 for 2019, 2020, 2021, 2022 and 2023 respectively. The principal repayment stood at N31,103 billion in 2023 compared to N19,999 billion in 2022. While Interest Payment amounted to N27,151 billion in 2023 compared to N8,393 billion in 2022. The principal repayments and Interest Payment made were on both External Debt and Domestic Debt.

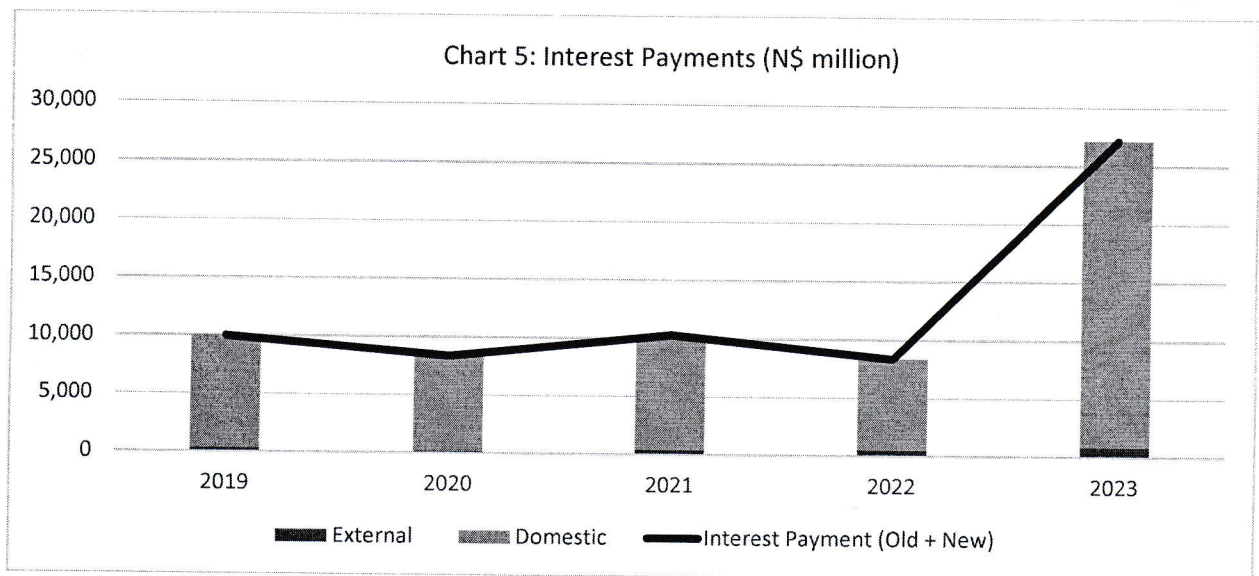
(See Chart 4 and 5).

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------------|--------------|---------------|---------------|---------------|
| Principal Repayment (Old + New) | 8,882 | 8,464 | 22,629 | 19,999 | 31,103 |
| External | 905 | 766 | 1,208 | 1,645 | 3,418 |
| Domestic | 7,977 | 7,698 | 21,421 | 18,354 | 27,684 |





| | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------|-------|-------|--------|-------|--------|
| Interest Payment (Old + New) | 9,981 | 8,396 | 10,320 | 8,393 | 27,151 |
| External | 258 | 101 | 354 | 455 | 833 |
| Domestic | 9,723 | 8,295 | 9,966 | 7,938 | 26,318 |



CHAPTER FOUR

4.0 DEBT SUSTAINABILITY ANALYSIS

A Debt Sustainability Analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. The concept of debt sustainability refers to the ability of the Government to honour its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debts, which could eventually cause the Government to take action to address the unwanted consequences of a heavy debt burden. Government therefore should endeavour to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the state leading to serious financial crisis.

OGUN STATE DEBT SUSTAINABILITY ANALYSIS

Chart 21 shows Debt as a percentage of State GDP (with indicative threshold 25%) The sustainability position of the State's Total debt portfolio in the fiscal block fluctuates between 2019 and 2023 and shows a gradual ascending trend from 2023 to 2033 in chart 21. The ratio was within the threshold of 25% between 2019 and 2022 but above threshold afterwards, 2023 was 26%, 2024 was 31%, 2025 was 36% and 2033 was 42% respectively.

Based on this, the State's GDP calls for more economic activities by the residents in order to have GDP that will accommodate the State's debt stock.

Chart 22 shows the Debt stock as a percentage of revenue. The percentage is below the threshold in 2019, 2020, 2022, 2023, 2025, 2026, 2027 and 2028. It was equal to threshold in 2021 but was above threshold in 2024, 2029, 2030, 2031, 2032 and 2033

Debt Service as a percentage of revenue. The percentage was below threshold from 2019 to 2029 but was above threshold between 2030 and 2033.

Debt Service as a percentage of Gross FAAC Allocation (without any indicative threshold) estimated to increase from 35% 2019 to 298% in 2033.

Interest payment as a percentage of revenue is estimated to increase from 8% in 2019 to 37% in 2033 due to continuous increase in the Monetary Policy Rate (MPR) by the Central Bank of Nigeria (CBN)

Looking at the External Debt Service as a percentage of revenue, it is estimated that it will increase from 1% in 2019 to 7% in 2033 due to floating/devaluation of Naira

4.1 MEDIUM -TERM BUDGET FORECAST

Debt sustainability analysis of the State is predicated on the continuation of recent efforts to grow the IGR of the State annually by average of 19% in the medium term.

The economy is expected to gradually recover from 2021-2024, with real GDP expanding at an average annual rate of 4.2%. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT. The Tax Administration reforms adopted by the State Government will also strengthen resources provided by IGR, as well as numerous industries that are being attracted to the State through industrialization drive, which are expected to continue in the next few years.

The State's 2024 figures are from the annual budget and 2025-2027 figures are from Medium Term Expenditure framework (MTEF) which cannot be changed being State's approved policy documents. Outer years 2028 - 2033 figures are based on projection i.e.

Revenue from FAAC, VAT, Grants and IGR is projected at 10%. More so, the projected Capital Receipts (Grants and Loans) are more of grants (i.e. TETFUND, Infrastructure Fund, etc.) than loans over the medium terms. Expenditures such as Personnel, Overhead etc. are projected at 7%, Public Debt Charges is based on amortization schedule and Capital Expenditure projections are based on 20%.

Persistent rise in inflation rate, triggered by the waning but still present negative effects of subsidy removal and FX unification, has indeed increased project cost and reduced the purchasing power of people. As a responsible government, the vision is to invest more in socioeconomic activities to cushion the inflation effects, boost the demand side of the State's economy, stimulate employment and redistribute income. This will benefit the economy immensely.

Ogun State Debt burden as at end -2023

| INDICATORS | THRESHOLD | RATIO |
|-------------------------------|------------------|--------------|
| Debt/SGDP | 25% | 7% |
| Debt/Revenue | 200% | 176% |
| Debt Service/Revenue | 40% | 22% |
| Personnel Cost/Revenue | 60% | 30% |
| Debt Service/FAAC Allocation | - | 69% |
| Interest Payment/Revenue | - | 10% |
| External Debt Service/Revenue | - | 2% |

The State has put in various Tax Administration reforms to strengthen its IGR in order to sustain its debt, these include the enactment of new Revenue Administration Law, Land Use Charge Administration Law; with these new reforms adopted by the State Government, the IGR of the State is expected to grow in the next few years and this will benefit the State towards overall economic recovery. On the other hand, is the Civil Service Reform policies being implemented with regards to personnel and overhead cost, which are likely to decline from their historical trends.

4.2 BORROWING OPTIONS

Ogun State Government intends to finance its new borrowing from 2024 to 2033 mainly through Commercial Bank Loans (maturity 1 to 5 years) estimated at 32%, Commercial Bank Loans (maturity 6 years or longer, including CBN Intervention Loans: DCRR) estimated at 9%, State Bonds (maturity 1 to 5 years) at 18%, and Other Domestic Financing at 32% over projection period, compared with External financing- concessional financing which was estimated at 2%. External financing loans is facing challenges of limited funding envelopes with long processing time required from the Multilateral and Bilateral Creditors.

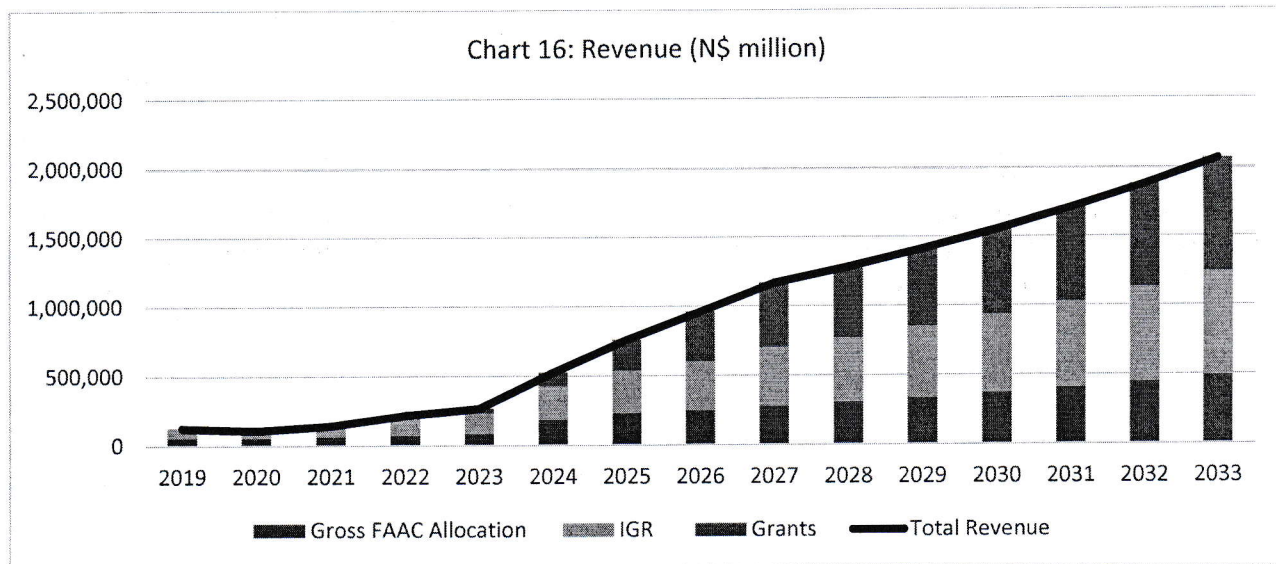
4.3 DSA SIMULATION RESULTS

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenue sources. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium -term target is to increase the Revenue-to- GDP ratio to average of 5%. Higher revenue collections will enable government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

Ogun State Total Revenue (including grants and excluding other capital receipts) is expected to increase from N265,204 billion in 2023 to N2,067,972 Trillion in 2033 representing an increase of N1,802,769 Trillion or 679.77% over the projection period. Gross FAAC Allocation projected to grow from N84,723 billion in 2023 to N491,774 billion in 2033 which is expected to increase by N407,051 billion or 480.44% and Grants increased from N34,464 billion in 2023 to N827,498 billion in 2033. The projections were

sources from the Ogun State Audited Financial Statement, Approved 2024 Budget; MTEF 2025-2027 as estimated by the Ministry of Budget and Economic Planning and 2028-2033 projections.

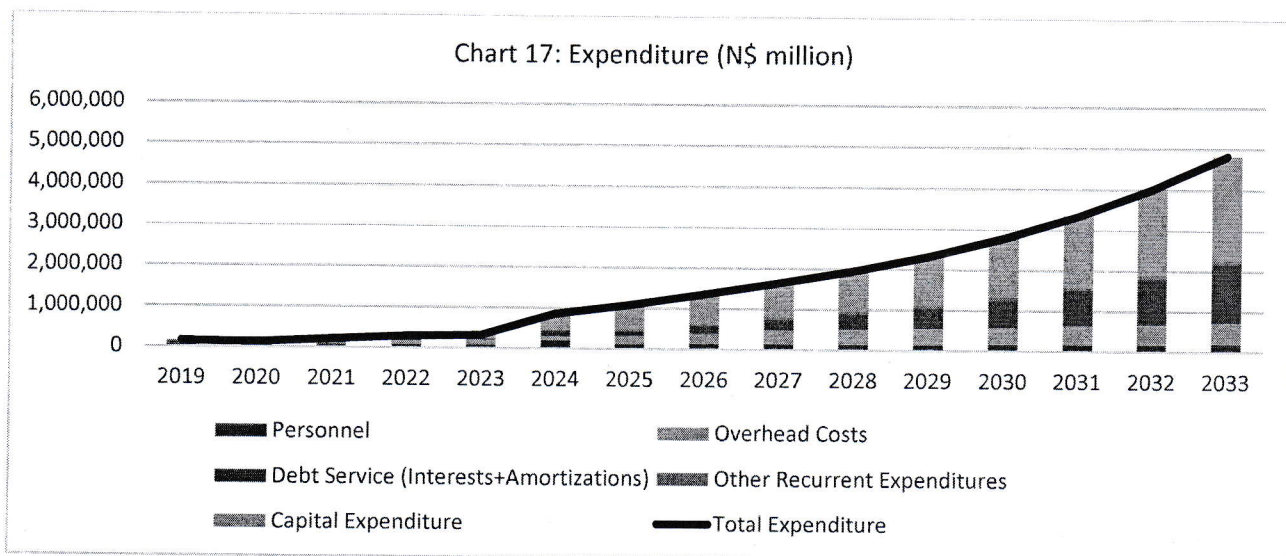
The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection, efficiency, enhancing compliance and reorganizing the business practices of revenue agencies in the State as well as employing appropriate technology. In addition, efforts will be made to bring more businesses in the informal sector into the tax net. IGR estimated to grow by N602,684 billion or 412.75% (from N146,016 billion in 2023 to N748,700 billion in 2033). The projections were sources from the Ogun State Audited Financial Statement, Approved 2024 Budget; MTEF 2025-2027 as estimated by the Ministry of Budget and Economic Planning and 2028-2033 projections.



Total Expenditure projected at N325,331 billion in 2023, N861,137 billion in 2024, N1,090,451 Trillion in 2025, N1,365,349 Trillion in 2026, N1,653,917 Trillion in 2027, N1,958,588 Trillion in 2028, N2,332,464 Trillion in 2029, N2,791,928 Trillion in 2030, N3,346,656 trillion in 2031, N4,012,516 trillion in 2032 and N4,813,541 Trillion in 2033 respectively indicating stability in the State growth stability.

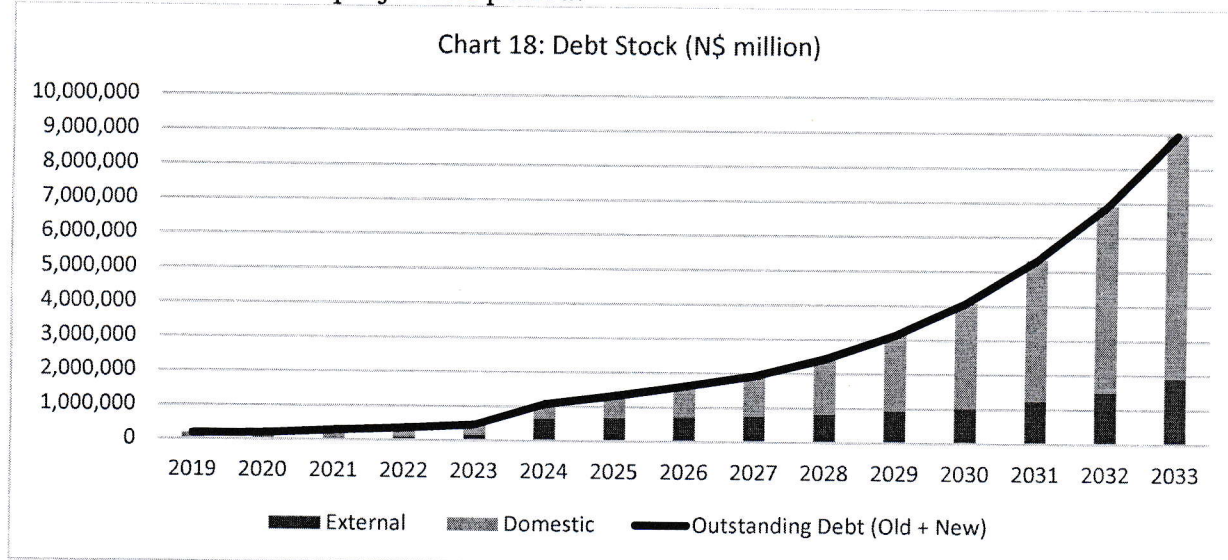
The Recurrent Expenditure (i.e., Personnel Costs, Overhead Costs, Debt Service and Other Recurrent Expenditures) estimated to increase from N231,084 billion in 2023 to N457,508 billion in 2024, N481,249 billion in 2025, N619,303 billion in 2026, N805480 billion in 2027, N940,464 billion in 2028, N1,110,714 Trillion in 2029, N1,325,828 Trillion in 2030, N1,587,337 Trillion in 2031, N1901,332 Trillion in 2032 and N2,280,121 Trillion in 2033

Capital Expenditure estimated to increase over the projection period from N94,257 Billion in 2023 to N403,629 Billion in 2024, N609,202 Billion in 2025, N746,046 Billion in 2026, N848,437 Billion in 2027, N1,018,125 Trillion in 2028, N1,221,750 Trillion in 2029, N1,466,100 Trillion in 2030, N1,759,319 Trillion in 2031, N2,111,183 Trillion in 2032 and N2,533,420 Billion in 2033 respectively, over the projection period as provided in the Ogun State Audited Financial Statement, Approved 2024 Budget; MTEF 2025-2027 as estimated by the Ministry of Budget and Economic Planning and 2028-2033 projections



As a result of the State’s modest increase in GDP, great improvement in IGR, increase in Personnel, Overhead costs, and Capital Expenditure. The increased in projected expenditure increase the debt through Primary Balance.

Ogun State’s Debt Stock estimated to increase from N467,495 billion in 2023 to N8,953,810 trillion in 2033, representing an increase of N8,486,315 trillion or 1815.27% over the projection period. External Debt projected to grow by N1,739,579 trillion or 1145.61% between 2023 and 2033 and Domestic Debt to increase by N6,746,736 trillion or 2137.42% over the projection period.



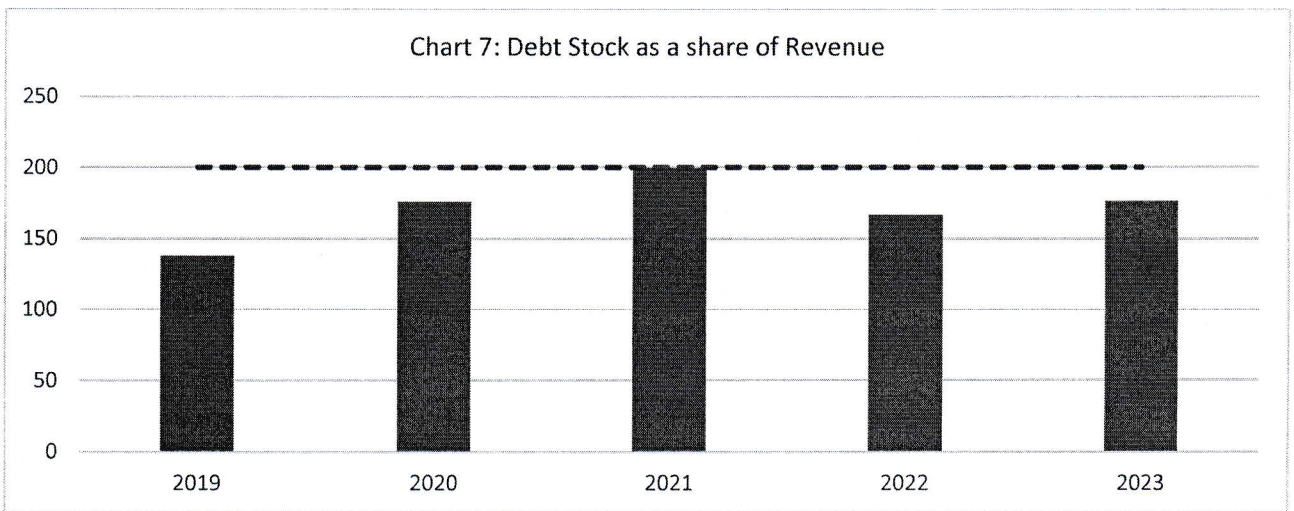
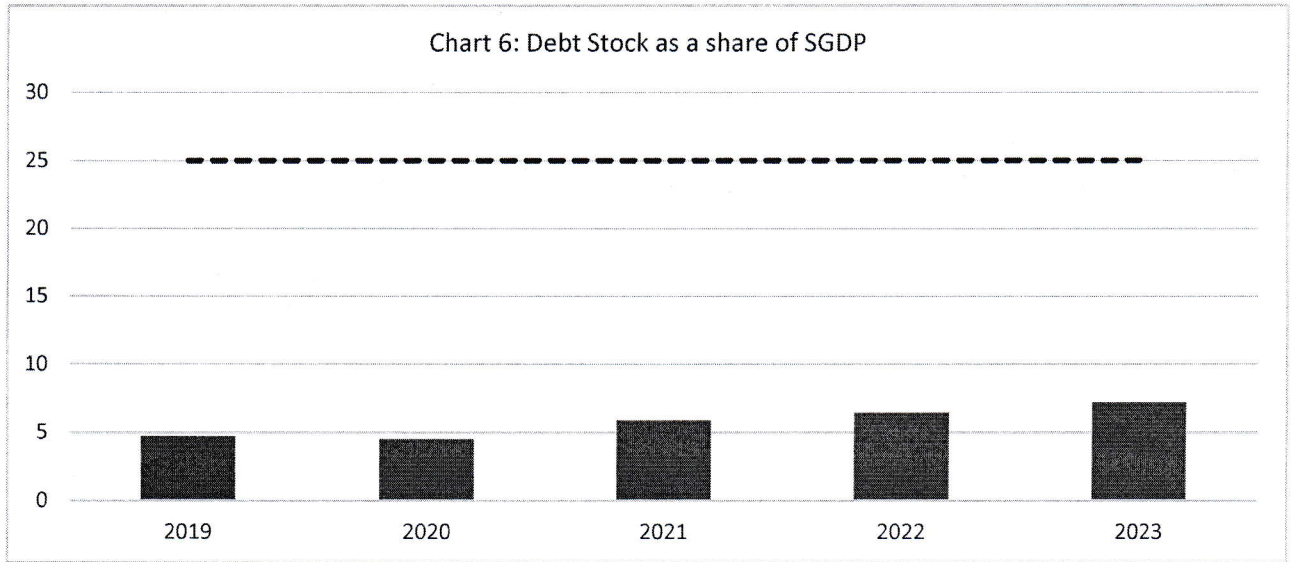
OGUN STATE MAIN FINDING

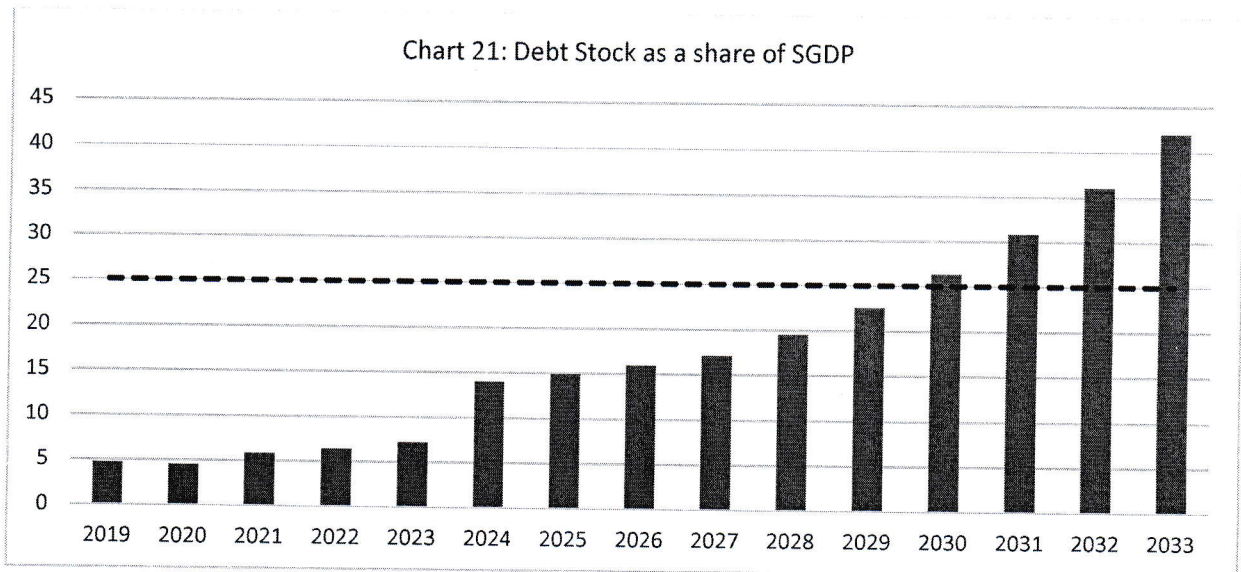
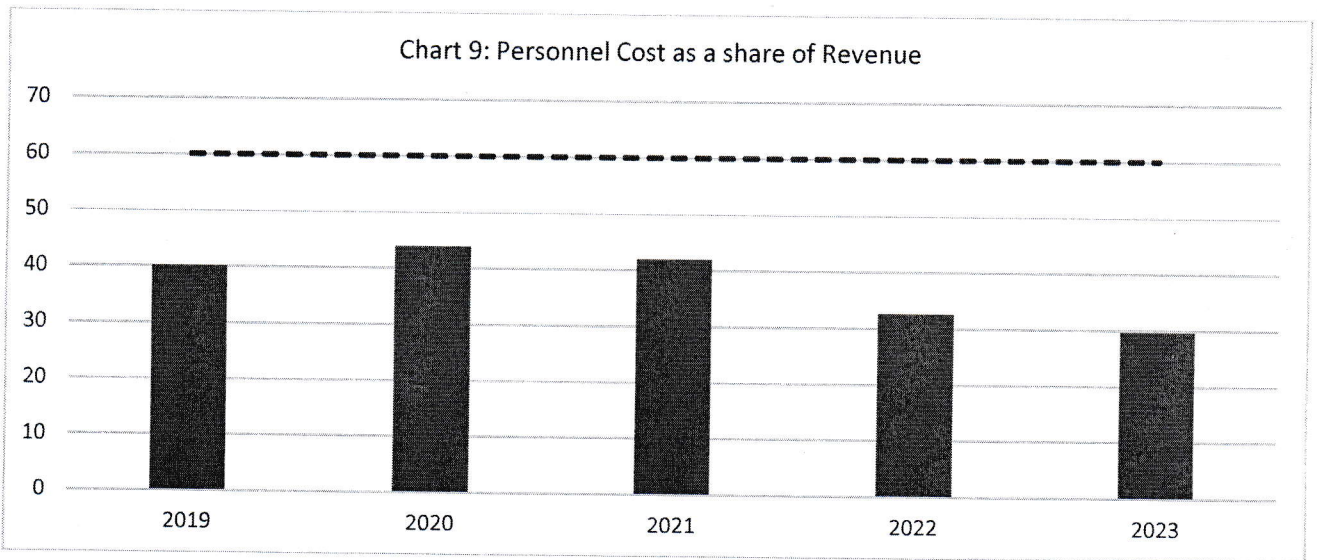
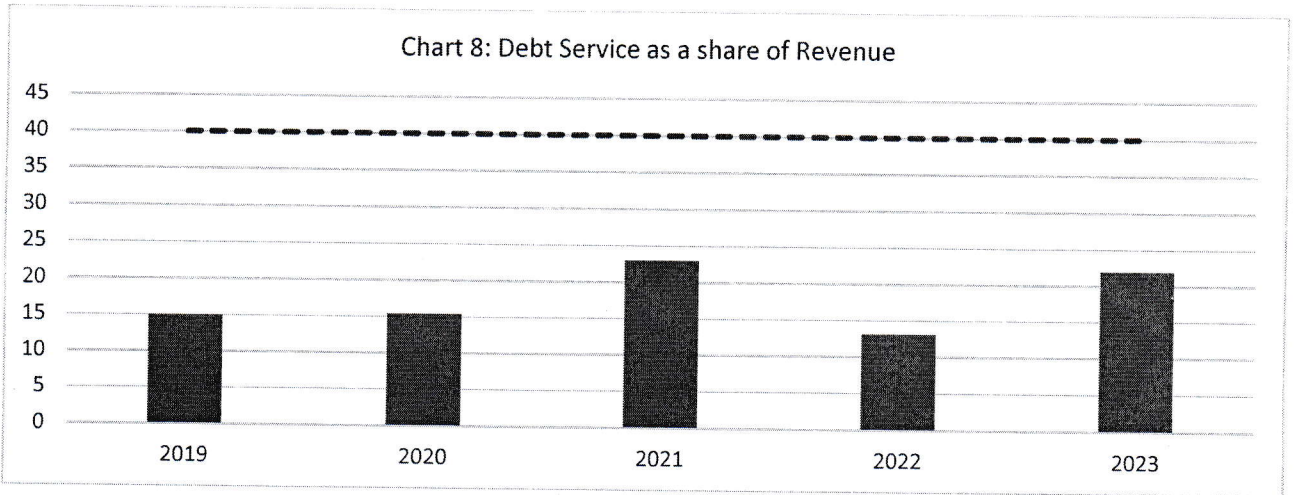
The Baseline Scenario results shows that the ratio of Debt as a % of GDP is projected at 7% in 2023, 14% in 2024, 15% in 2025, 16% in 2026, 17% in 2027, 20% in 2028, 23% in 2029, 26% in 2030, 31% in 2031, 36% in 2032 and 42% in 2033 respectively, as against the indicative threshold of 25%.

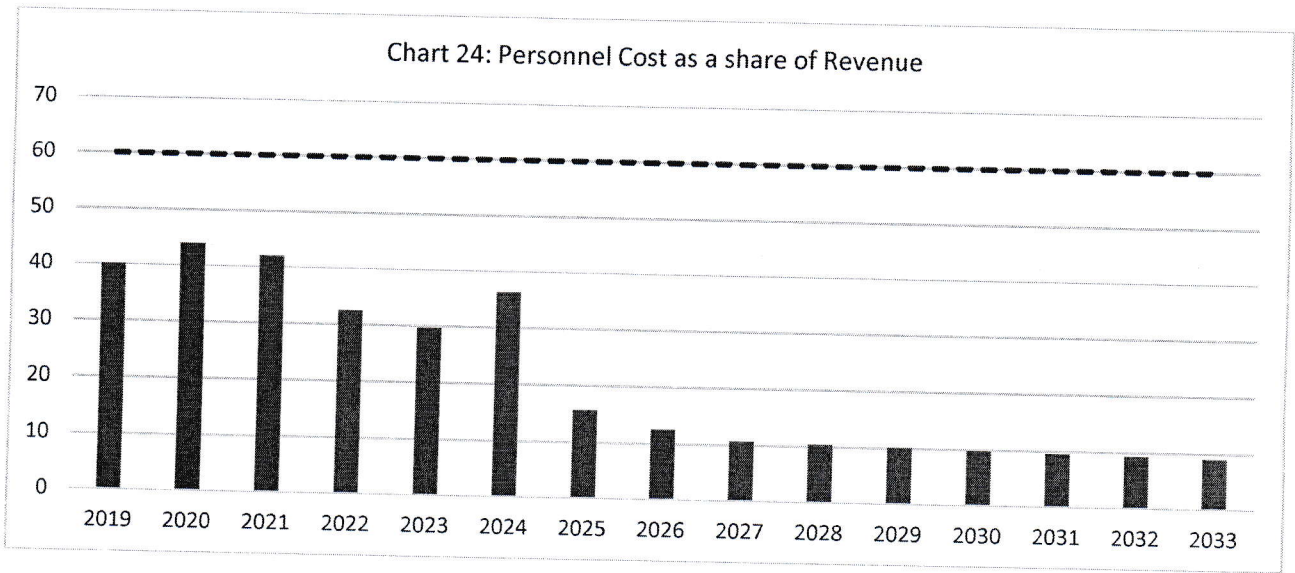
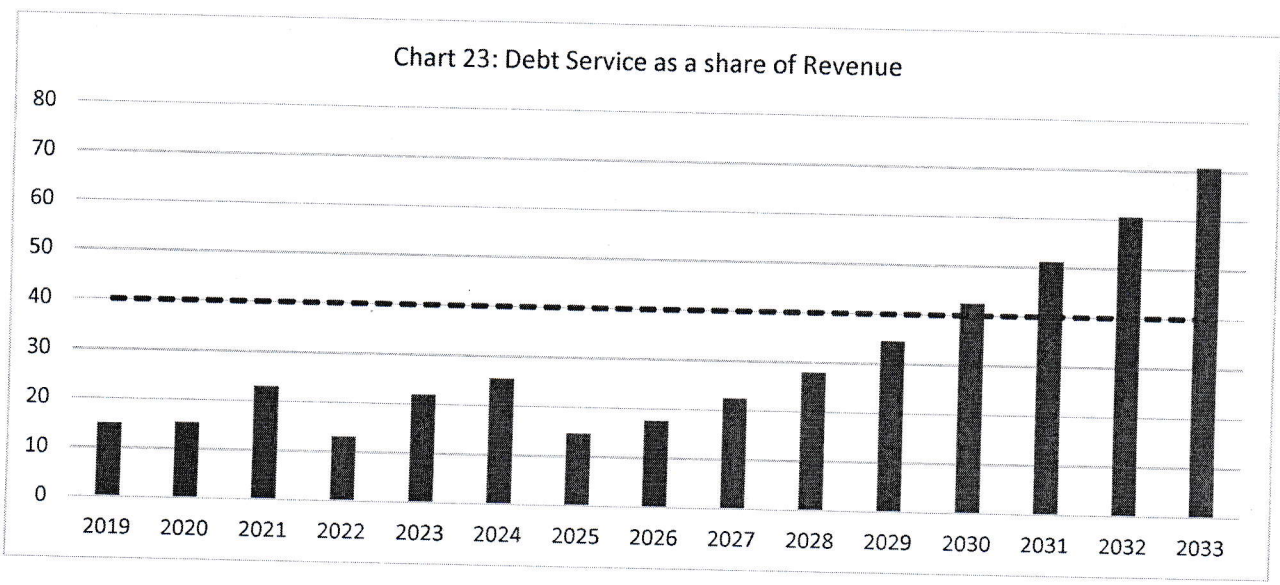
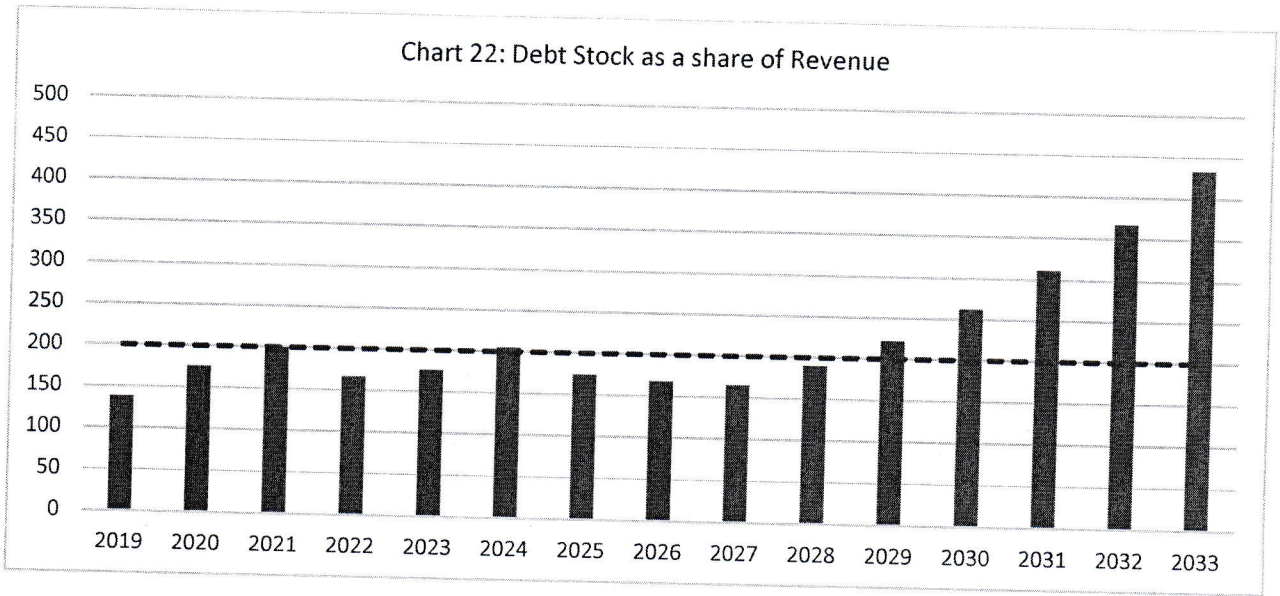
The ratio of Debt as percentage of Revenue estimated at 176% in 2023, 205% in 2024, 174% in 2025, 168% in 2026, 165% in 2027, 190% in 2028, 222% in 2029, 262% in 2030, 311% in 2031, 367% in 2032 and 433% in 2033.

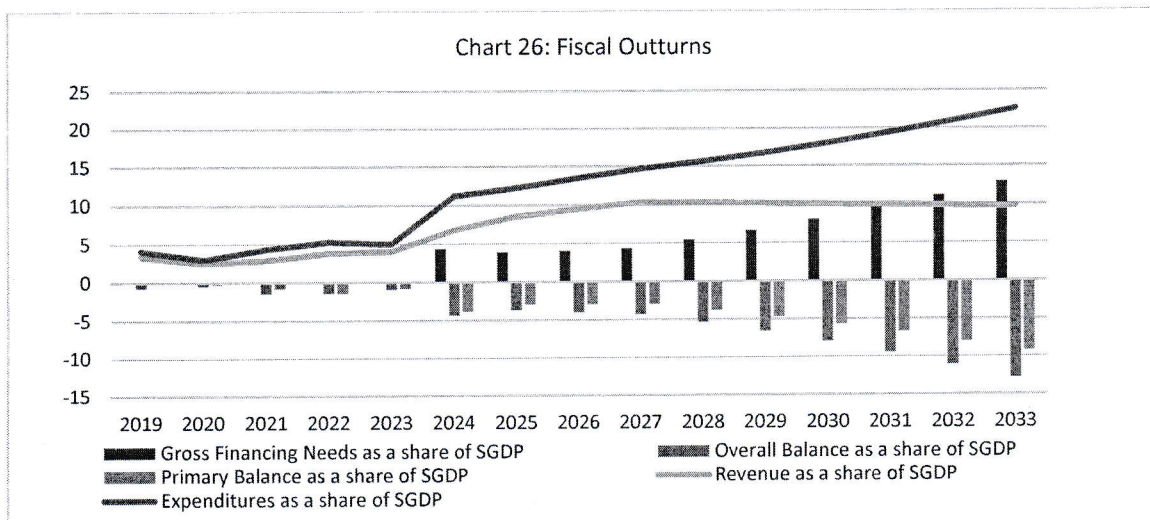
The ratios of Debt Service to Revenue between 2019 and 2029 are within the threshold but 42% in 2030, 51% in 2031, 61% in 2032 and 71% in 2033 as against the threshold of 40%

Meanwhile, the Personnel Cost to Revenue trends remain within the threshold over the projection period from 2024 to 2033, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.









CONCLUSION

Ogun State DSA result shows that, the debt of the State is sustainable in the medium term (2025-2027). The Debt as a share of GDP performance indicator remains favourable to the State because the State did not breach the threshold set at 25%, ditto for Debt Stock as a share of revenue because the State did not breach the threshold from 2025-2027 which are the MTEF years in the projection years. Debt Service to Revenue indicator did not also breach the threshold.

State Government will intensify efforts to mitigate the debt risk in the subsequent years (2029-2033) which superseded the threshold with more revenue accruing to the State.

In order to keep the debt profile of the State moderate, the State is putting together the underlisted reforms and actions to greatly improve the Internally Generated Revenue (IGR) and reduce projected borrowings in the medium to the long term;

- i. Introduction of Ogun State Land Administration and Revenue Management System (OLARMS) which allows citizens of the State to regularize their land title/documents online. This has a lot of multiplier effect on the IGR of the State in form of income from Stamp Duty, Building Permit, Survey, PAYE etc.
- ii. The loans obtained/to be obtained are geared towards major infrastructure development e.g. Ijebu-Ode/Epe Road which would be outsourced for toll collection from motorists under Public Private Partnership.
- iii. Concession of Government Assets and Sales of government building by the Ministry of Housing.
- iv. Expanding Land Use Charges to cover all the Local Governments,
- v. Giant strides in IGR mobilization through the recently introduced, improved, tax administration reforms.
- vi. The State's revenue office is now autonomous with more competent personnel to follow through on the State's vision with the assistance of the up-to-date technology in order to surpass the projected revenue estimates in outer years.
- vii. Also, the State Government has signed Memorandum of Understanding (MoU) with the Labour Union to liquidate all arrears of Staff claims in the next four (4) years. It is also part of the MoU that Gross Salary would henceforth, be paid which will prevent further owing of staff claims; this will reduce ratio of debt to revenue.
- viii. The State is also embarking on various reforms to block revenue leakages.
- ix. Staff Verification Exercise is being done as to reduce personnel cost and by extension recurrent expenditure, Implementation of Medium -Term Revenue Strategy (MTRS) a movement from the traditional expenditure -based budget to a revenue driven budget by identifying few major revenues generating Ministries,

Departments and Agencies (MDAs) as Cash Cow on improving revenue generation and most importantly blocking revenue leakages. Also, is the Land Used Charge as a new revenue head embedded with motivators to reduce tax defaulters.

The Ogun State government is taking a strategic and deliberate approach to invest in capital projects, focusing on key areas such as road infrastructure, rural accessibility, healthcare, education, electrification, water, and sanitation. This approach is designed to capitalize on the state's unique development opportunities, driven by its proximity to Lagos State and its role as a trade corridor to the southwestern region of Nigeria.

The proposed capital projects (i.e. construction of Redline Metro Rail Extension, Agbado – Kajola, Blueline Metro Rail Extension at Okokomaiko-Agbara/Lusada and Purple line Metro Rail extension at Mowe-Iperu, construction Kajola Inland Dry Port project, reconstruction of Abeokuta - Lagos and Sagamu-Ore Federal Highways, construction of 150km rural access roads, construction of Fire Stations across the State reconstruction of Eight Technical Colleges, resuscitation of Lomiro and Apoje Farm Settlements, digital infrastructure, concession of 250-bed hospital, renovation of 80 PHCs and procurement of laboratory and medical equipment, etc.) are expected to have a significant impact on the state's economy, creating jobs to reduce poverty, stimulating local economic activity, and increasing the state's GDP.

The State's 2024 figures are from the annual budget and 2025-2027 figures are from Medium Term Expenditure framework (MTEF) which cannot be changed being State's approved policy documents. Outer years 2028 - 2033 figures are based on projection i.e. Revenue from FAAC, VAT, Grants and IGR is projected at 10%. More so, the projected Capital Receipts (Grants and Loans) are more of grants (i.e. TETFUND, Infrastructure Fund, etc.) than loans over the medium terms. Expenditures such as Personnel, Overhead etc. are projected at 7%, Public Debt Charges is based on amortization schedule and Capital Expenditure projections are based on 20%.

Persistent rise in inflation rate, triggered by the waning but still present negative effects of subsidy removal and FX unification, has indeed increased project cost and reduced the purchasing power of people. As a responsible government, the vision is to invest more in socioeconomic activities to cushion the inflation effects, boost the demand side of the State's economy, stimulate employment and redistribute income. This will benefit the economy immensely.

The State exhibits a debt position that is sustainable in the medium term i.e. year 2024, 2025, 2026, 2027 and 2028 but the debt position is unsustainable in the outer years (2029 to 2033). However, the State is expected to generate more revenue from the Federal Allocation (FAAC) and Internally Generated Revenue (IGR) in the outer years as a result of improvement in the daily production of crude oil, State reforms such as tax administration reforms and better management of recurrent expenditure growth among others. Given the State's own forecast for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt which appears unsustainable now might fizzle away in the outer years.

Additionally, the project will address the state's infrastructure deficit, making it more attractive to businesses and investors. By investing in these critical sectors, the government aims to stimulate economic growth, improve the quality of life for citizens, and establish Ogun State as a major industrial hub, complementing Lagos State as a hub for business and investment.

To ensure the sustainability of these projects, the government is exploring various financing options, including increased capital receipts, revenue generation and private

sector participation amongst others. These initiatives will help to promote financial, socioeconomic, and environmental sustainability, ultimately driving long-term growth and development in Ogun State.

4.4 DSA SENSITIVITY ANALYSIS

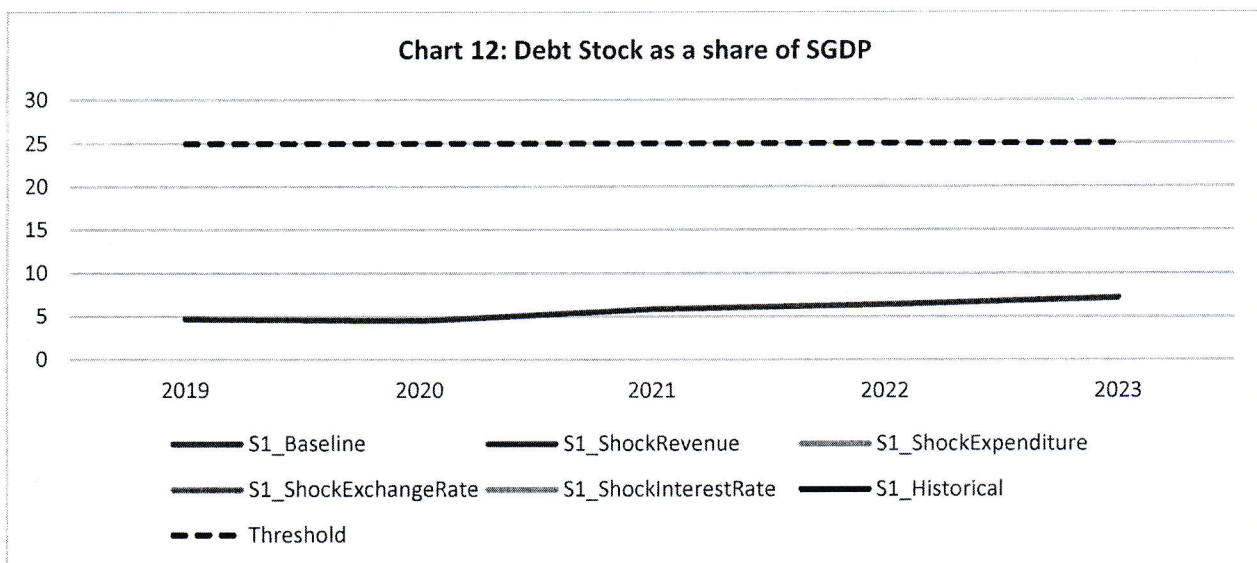
The State faces important sources of fiscal risk associated to the possibility of adverse country wide macroeconomic conditions. A sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenarios discussed in the previous sub-sections. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

The 2024 DSA analysis shows that the State’s debt is sustainable from 2024 to 2029 but unsustainable between 2030 and 2033 under sensitivity analysis. The State DSA analysis deteriorates from 2029 to 2033 relative to revenue shocks, from 2030-2033 for expenditure shocks, exchange rate shocks and interest shocks. This would lead to increase Gross Financing Needs over the projection period. The Exchange Rate and Interest Rate shocks scenario are below threshold from 2025 to 2029 likewise the Expenditure shock scenario, while revenue shock scenario is below the threshold from 2023 to 2028.

In the Debt stock as a share of revenue indicator, the historical scenario is not factored into the analysis,

In Debt Service as a percentage of Revenue indicator, revenue shock breached the threshold from 2029 to 20233 while expenditure, Exchange rate and Interest rate shocks breached the threshold from 2030 to 2033.

Nonetheless, there is need for the State Government to further diversify the sources of revenue, coupled with the fact that there is increase in the FAAC allocation due to removal of fuel subsid, by implementing far-reaching policies that will bolster IGR into the State in order to tackle the effects of revenue shock in the debt stock as a percentage of revenue.



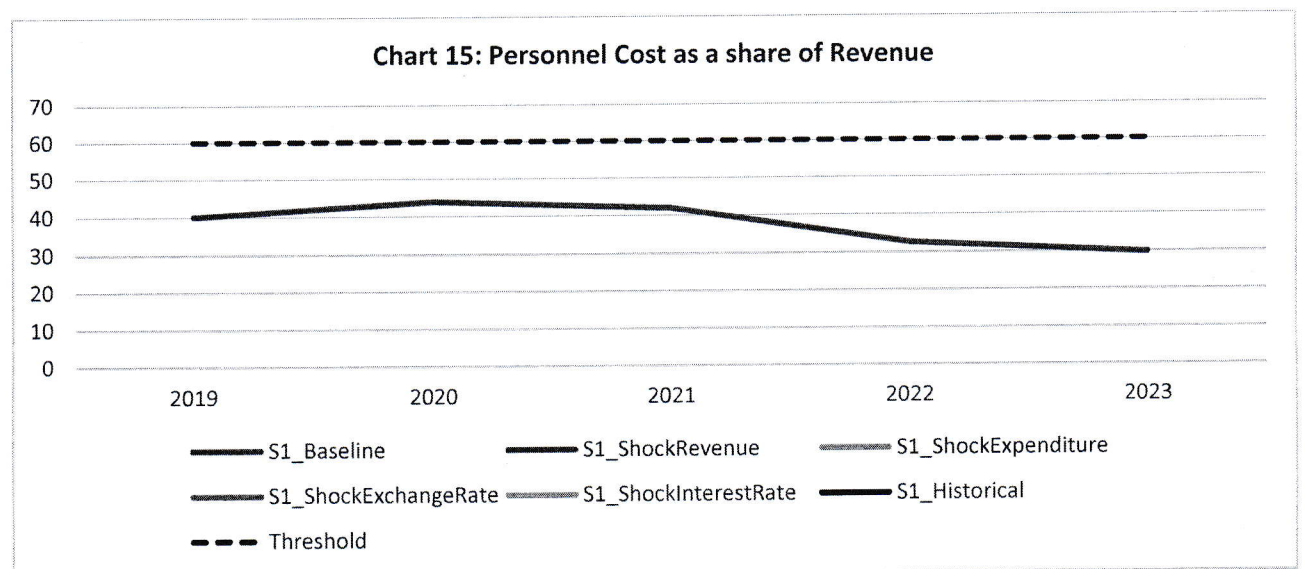
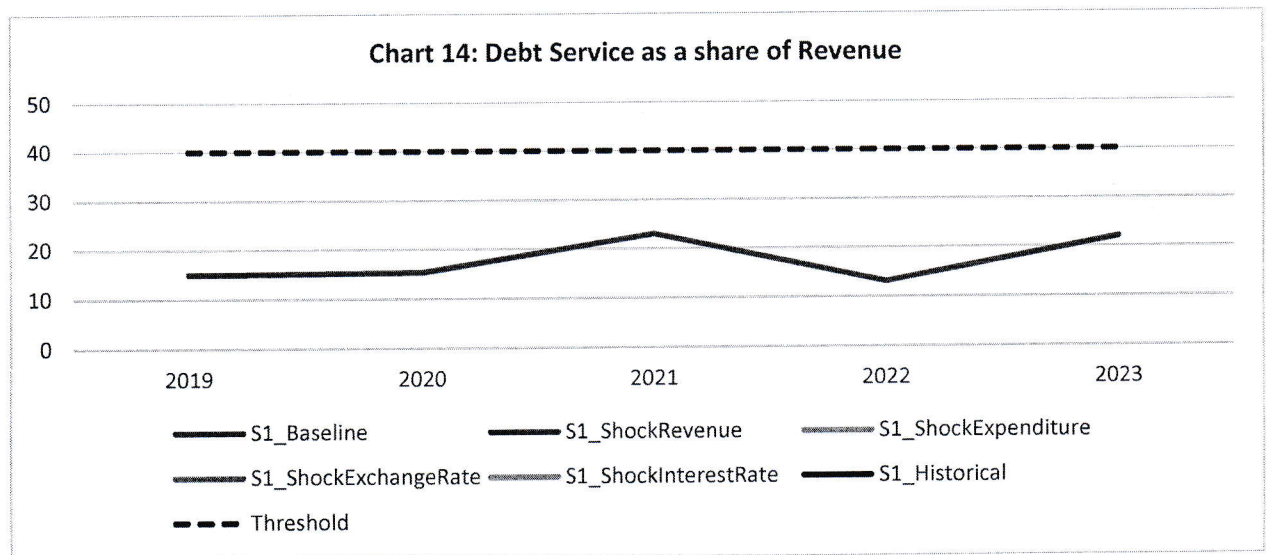
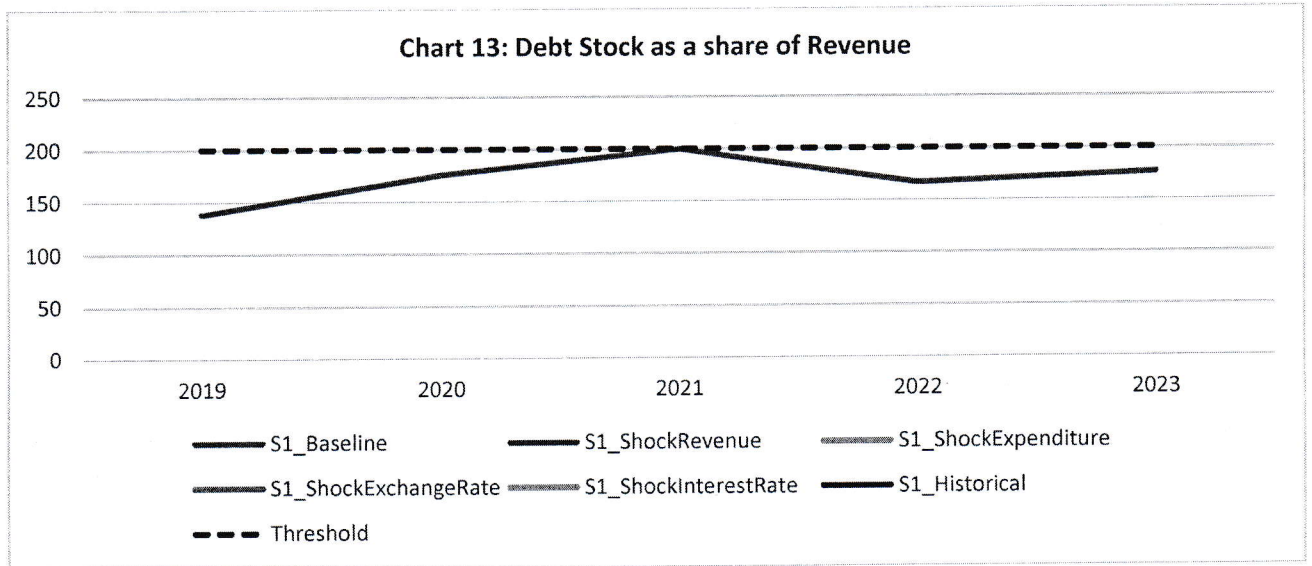


Chart 27: Debt Stock as a share of SGDP

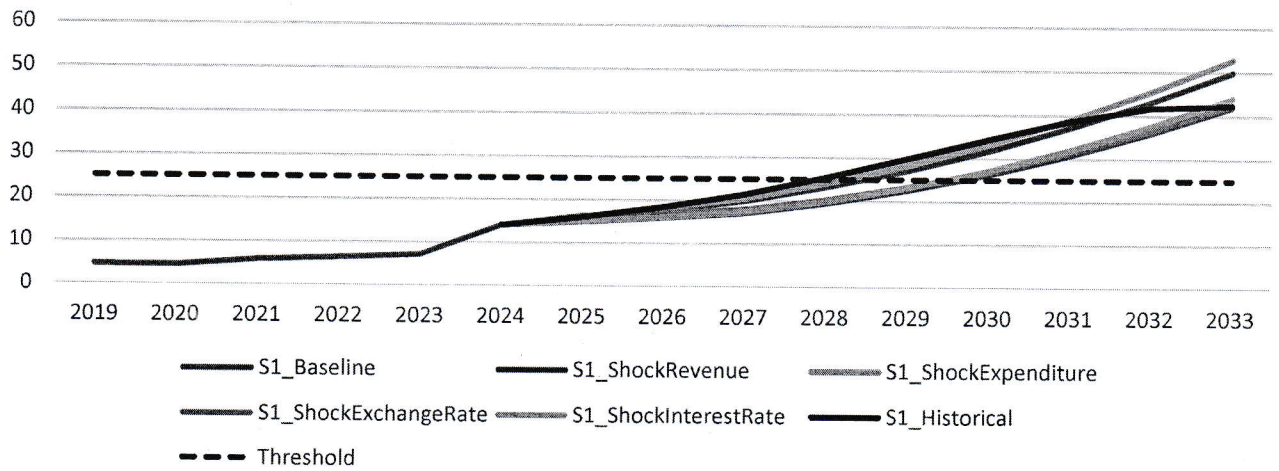


Chart 28: Debt Stock as a share of Revenue

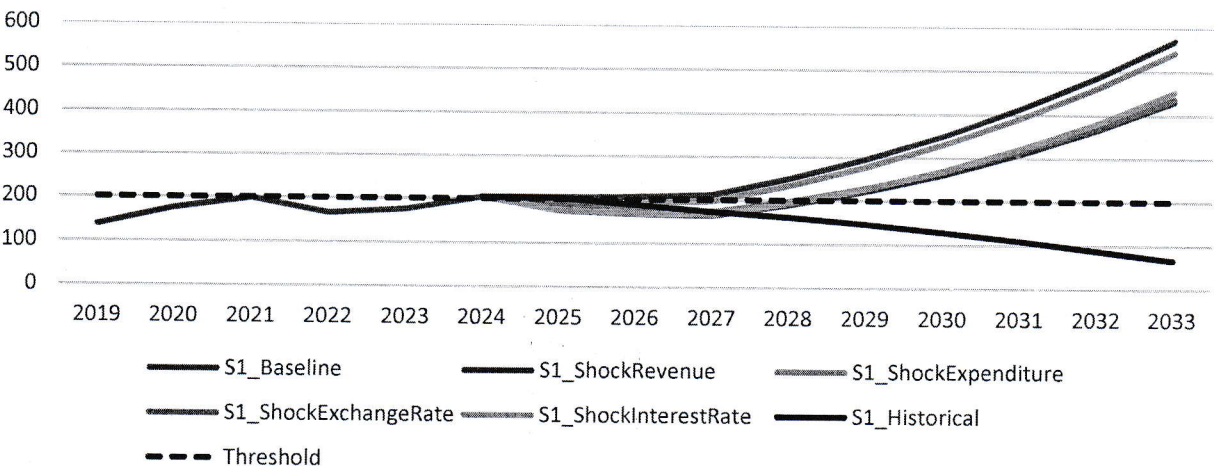
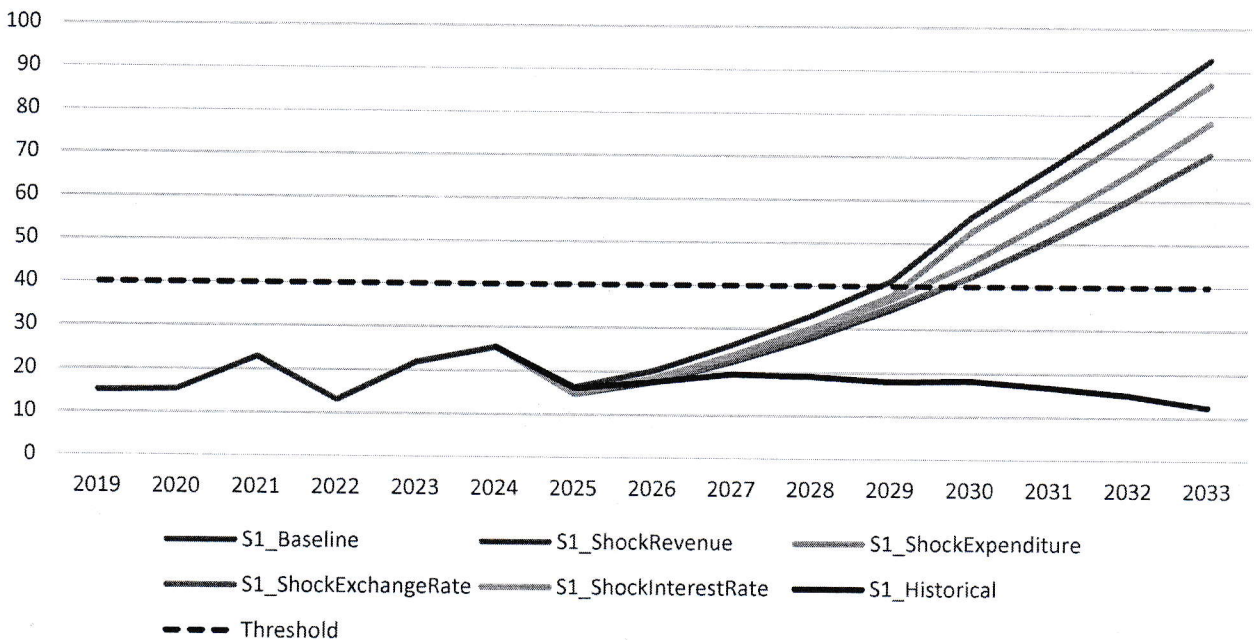
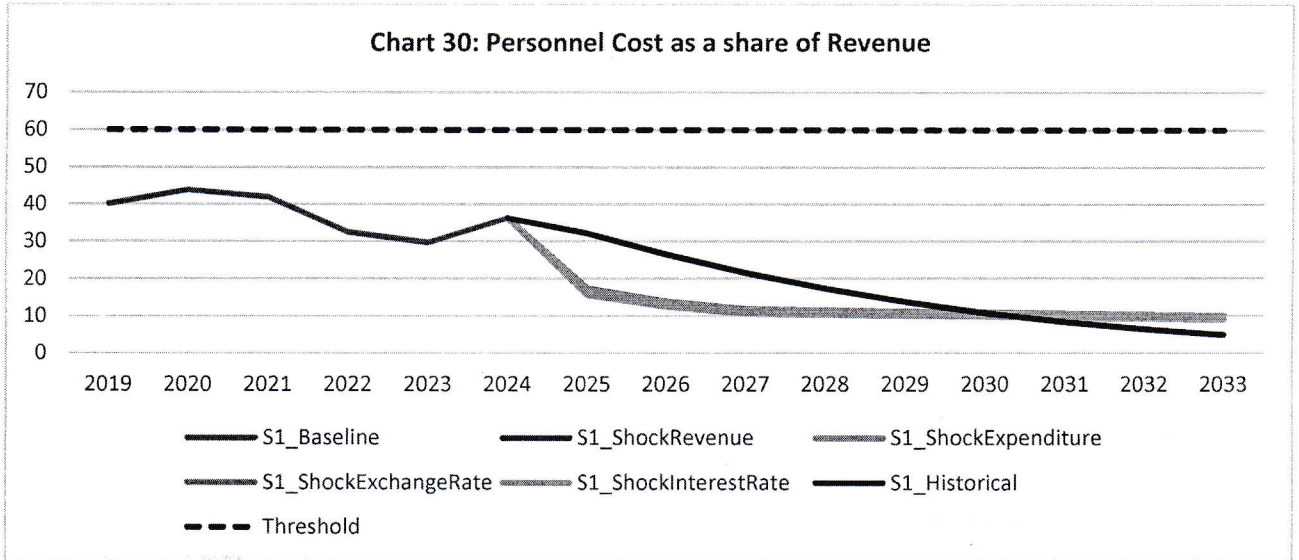


Chart 29: Debt Service as a share of Revenue





Given the State's forecasts for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is the need to cut down on recurrent expenditure in order to reduce the deficit which can disrupt the forecast by increasing Debt Stock and Debt Service payment automatically. The Covid-19 pandemic with its attendant impact on the price of crude oil. However, the State will witness increase in the statutory allocation from the Federation due to removal of fuel subsidy in May, 2023.

5.0 DEBT MANAGEMENT STRATEGY

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, considering factors such as the macroeconomics and financial market environment, the availability of financing from different creditors and markets, and vulnerability that may have an impact on future borrowing requirements and debt service costs.

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Ogun State. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. Following four (4) strategies are assessed by the government. The Ogun State's Debt Management Strategy, 2023-2027, analyses the debt management strategies outcomes of the three (3) debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2028, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2028 caused by an -unexpected shock, as projected in the most adverse scenario.

5.1 Alternative Borrowing Options

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2024 and MTEF 2025-2027.

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMED) accounts for average of 16.4% over the strategic period.

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) account for 40.4%.

State Bonds (maturity 1 to 5 years) account for 15.1% and External Financing - Concessional Loans (e.g., World Bank, African Development Bank) account for 28.1% over the DMS period of 2023-2027

Strategy 2 (S2) focus more on financing through External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

In strategy 2, government decided to focus its financing from 2023 to 2027, through External Financing - Concessional Loans (e.g., World Bank, African Development Bank) 100 %.

Strategy 3 (S3) focus more on financing through Commercial Bank loan (maturing 1 to 5 years) Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) and other domestic financing

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMED) accounts for average of 43.3% over the strategic period.

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) account for 37.0%.

Other domestic financing account for 19.7% over the DMS period of 2023-2027

Strategy 4 (S4) focus its on financing through Financing Mix (External Concessional Loans and Domestic Loans)

This Strategy (S4) considers financing mix of external and domestic debt instruments but not in the same proportion as Strategy one (S1). Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) account for 63.3%,

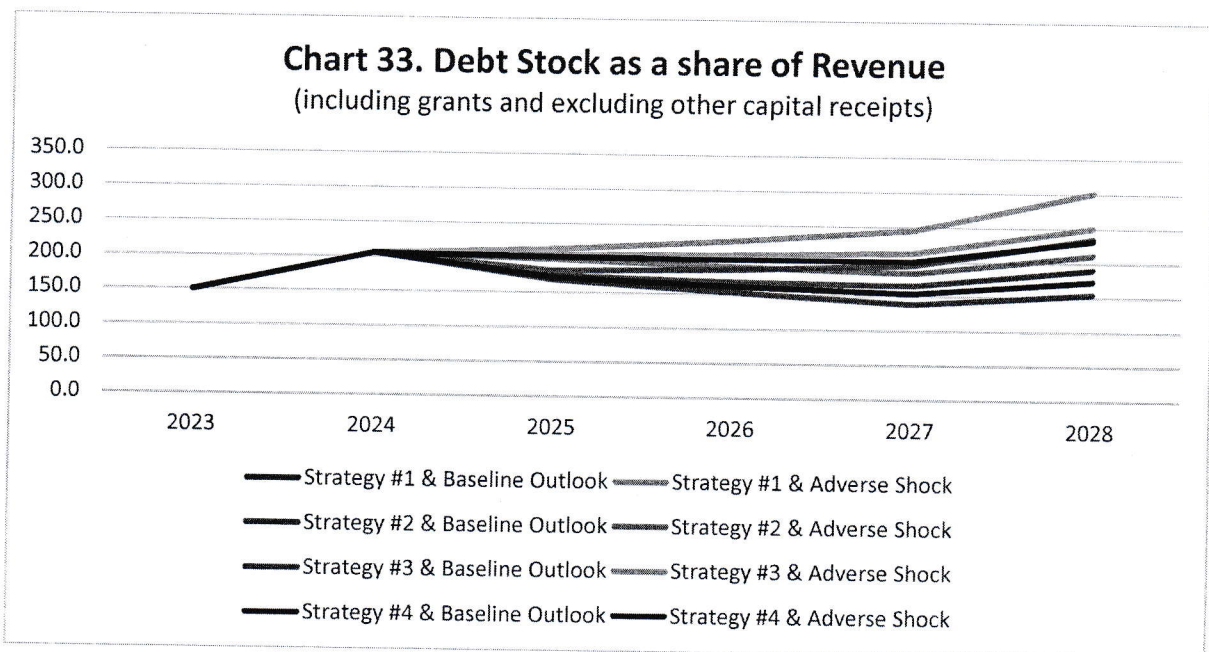
while External Financing - Concessional Loans (e.g., World Bank, African Development Bank) represents 36.7% respectively.

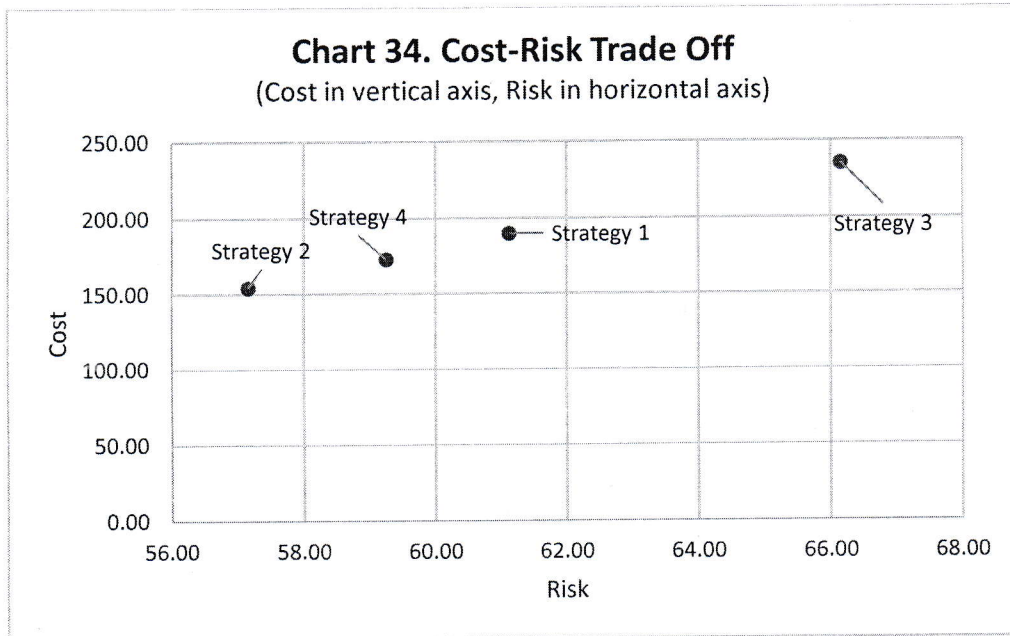
5.2 DMS Simulation Results

Analysis of strategies and outcomes of the analysis. The cost-risk trade off charts illustrates the performance of the alternative strategies with respect to four (4) debt burden indicators.

a) Debt Stock as a share of Revenue:

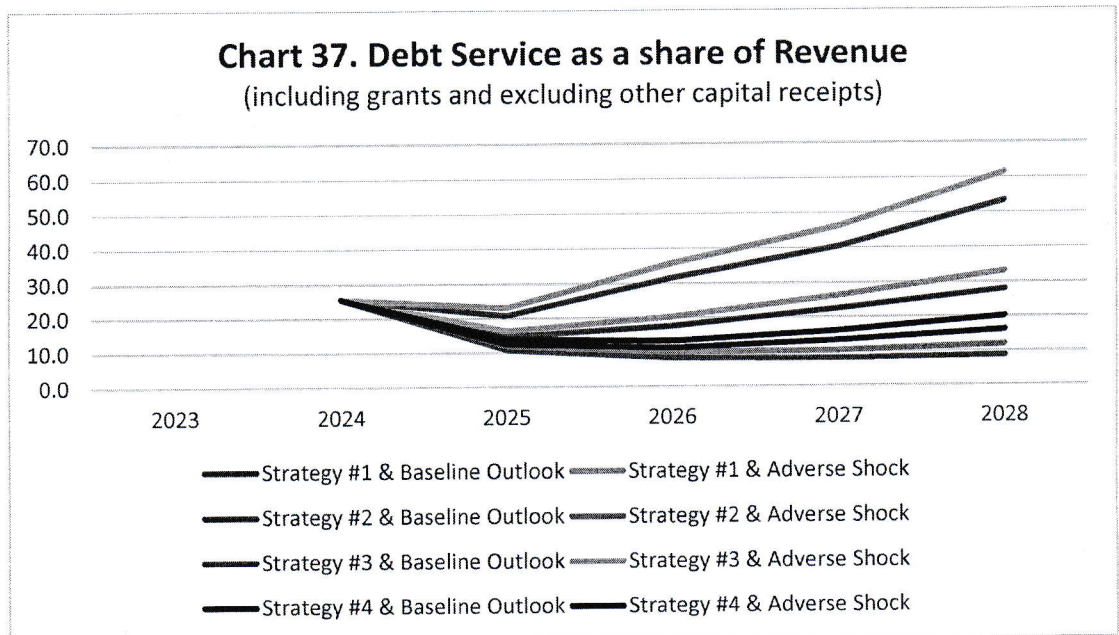
- Strategy 2 shows the cost ratio of Debt to Revenue estimated to increased from 149.4% in 2023 to 154.3% as against Strategy 4 (173.2%), Strategy 1 (190.1%), Strategy 3 (235.3%), over the DMS period of 2028, compared with the risks measured of Strategy 2 (57.2%), Strategy 4 (59.3%), Strategy 1 (61.10%), Strategy 3 (66.2%) respectively.
- Analysis using this debt indicator of debt to revenue shows that S2 is the least costly and riskier which was estimated at 154.3% and 57.2% compared to Strategy 4 (173.2% and 59.3%), Strategy 1(190.1% and 61.1%) and Strategy 3 (235.3% and 66.2%), respectively. On the other hand, Strategy 3 is the costliest and the riskiest strategy which was estimated at 235.3% and 66.2%, which concentrated on financing through Domestic Loans alone over the DMS period of 2023-2027.

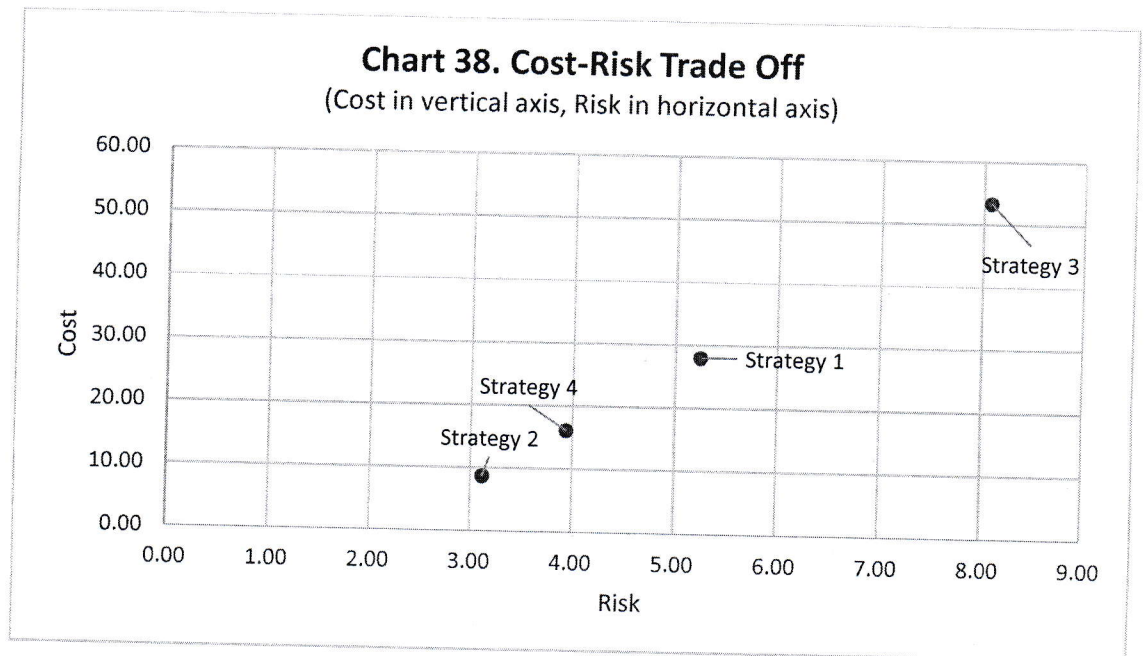




b) Debt Service as a share of Revenue:

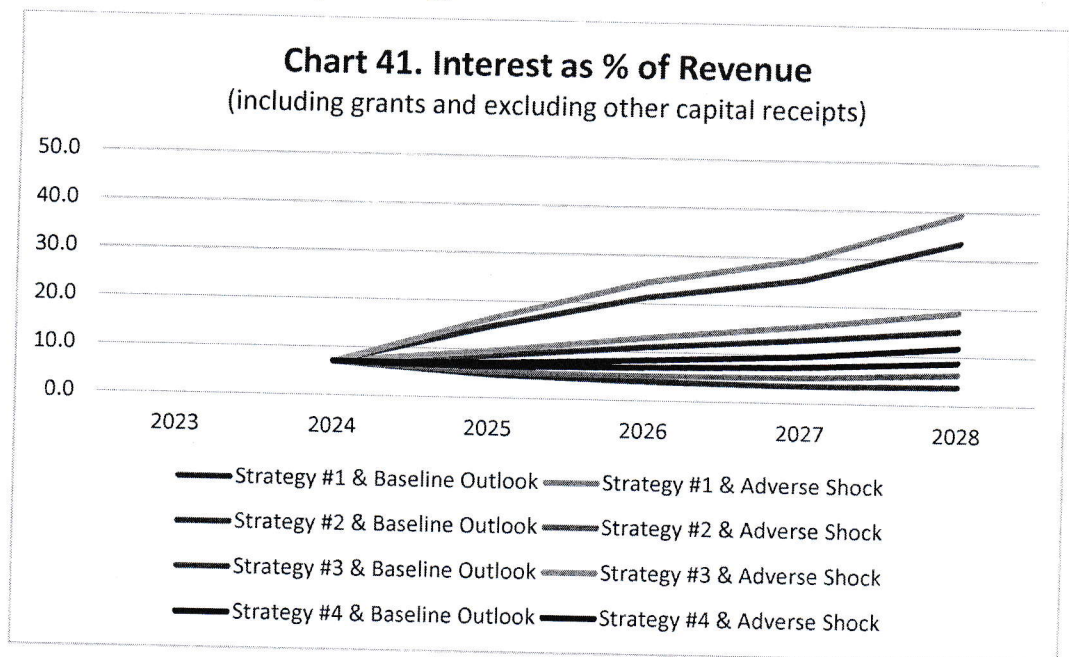
- In terms of Debt Service to Revenue, Strategy 2 has the lowest costs of 8.8% and lowest risk of 3.1% compared to Strategy 4 (cost at 16.2% and risk of 3.9%), Strategy 1 (cost at 28% and risk of 5.2%) and Strategy 3 (cost at 53.4% and risk of 8.1%) respectively as at end of the strategic period of 2028.
- Strategy 2 has the lowest costs at 8.8% and lowest risk of 3.1% under the Debt Service to Revenue followed by Strategy 4 (cost 16.2% and risk of 3.9%) and Strategy 1 (cost at 28% and risk at 5.2%). But the Strategy 3 is the costliest and riskiest with 53.4% cost and 8.1% risk as the financing through Domestic Loans alone over the DMS period of 2023-2027.

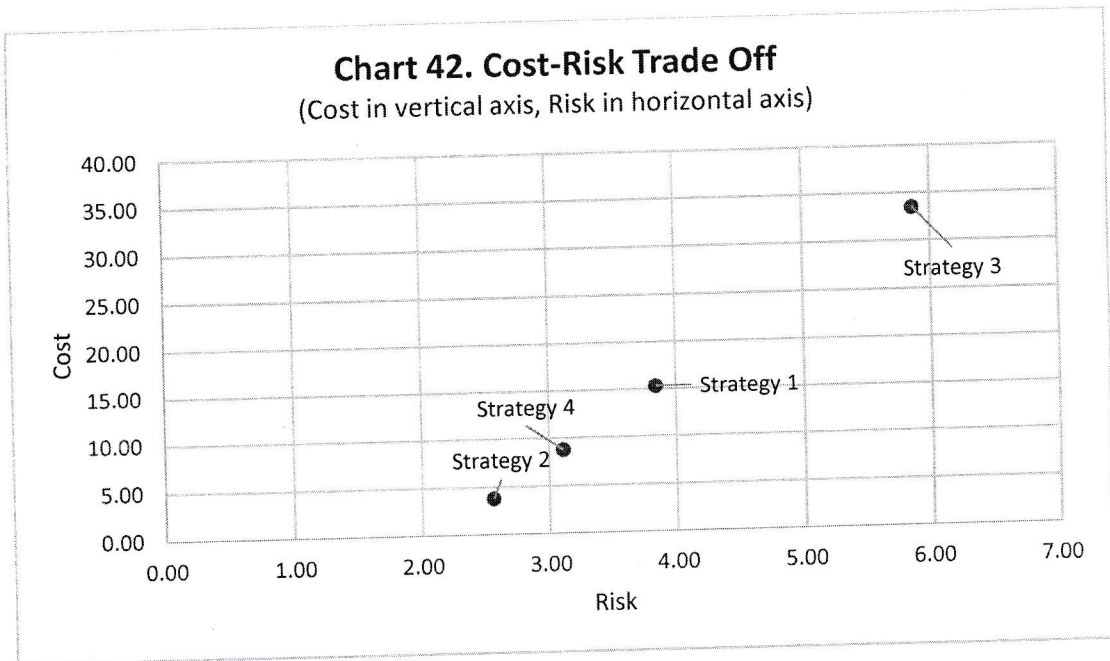




c) Interest as a share of Revenue

- Strategy 2 is the least costs with regards to Interest to Government revenues of 3.8% in 2028 and risk at 2.6%, whilst Strategy 3 is the most costly and risky strategy at 33.5% and 5.9%, compared to Strategy 4 with moderate cost and risk of 8.7% and 3.1% and Strategy 1 with estimated cost and risk of 15.3% and 3.8% as at end of the strategic period 2026.
- The ratios of Interest as % of Revenue analysis show that S2 yield the lowest cost and risk due to solely external financing because external debt service has low interest rate, longer maturity and grace period in concessional external financing. Compared to S1 and S3 with the moderate costs and risks. S4 is the most costly and risky strategy.





5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all the four (4) strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results are not feasible due to the restriction placed on States by the Federal Government in accessing the international market to borrow. Still considering cost and risk, S1 becomes the next being the strategy that is feasible and can be implementable in the short to medium-term. It also has a balanced mix of both domestic and external loans.

In comparison to the current debt position, Ogun State debt portfolio stood at N467.495 billion as at end -2023, which expected an increase to N1,926 Trillion under Strategy 1 to the end of the strategic period in 2027, compared to Strategy 2 (N1,615 Trillion), Strategy 3 (N2,273 Trillion and Strategy 4 (N1,793 Trillion). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2023-2027.

The Debt Management Strategy, 2023-2027 represents a robust framework for prudent debt management, as it provides a systemic approach to decision making on the appropriate composition of external and domestic borrowing to finance 2024 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Assumptions

| | | |
|---------------------------------|---|---|
| <p>Economic activity</p> | <p>State GDP (at current prices)</p> <p>Ogun State as one of the Industrial hub in the country, continued to experience growing economic output over the years due to the emergence of more industries in the state. The historical data according to the National Bureau of Statistics (NBS) on the State Nominal Gross Domestic Product 2018 showed that Ogun State percentage contribution to the National GDP from 2019-2023 rose steadily from 16.18% in 2019 to 18.12% in 2023. The State GDP at the end of 2033 was projected by world bank to be above twenty one Billion Naira (N21 Billion) if the above trend was maintained during the period under review. Ogun State as the "Gateway State" provides corridor to other States in the Country that link the Country's most Commercial State "Lagos State" also share International border with the Republic of Benin. This has made the State a destination for economic active population due to access to inexpensive space to these areas. The historical data according to National Population Commission revealed that her population rose from 2,333,726 in 1991 Census to 3,751,140 in 2006 census reflecting population growth of 60.74% while the official national annual growth rate was 3.18%. At the end of 2033, World Bank projection was N21,317,890 as the Ogun State GDP, all things being equal, the growing economic active population assures availability of human capital for the State to continue to enjoy robust economic output during the period under review. The creation of more infrastructures like Agro-cargo Airport, Railway, Housing, Information Technology, Road, etc through the various agenda implemented by the government help the State to record more GDP in the sectors compared to the nil economic output recorded by the State in the past years as revealed by the National Bureau of Statistics (NBS) on the State Nominal Gross Product 2018 Report. Farming is the predominant occupation in the State because it was endowed with abundant arable land for agriculture. The farmers were encouraged through various programmes implemented by the government to ensure full security and earn foreign exchange through their produce. Other key microeconomic projection assumptions are: reduced and stabilised inflation rate, Stabilizing Naira to US Dollar exchange Rate, increase Crude Oil production rate, increase crude oil benchmark price and Export of Mineral Resources. However, the World Bank SGDP figures recommended was adopted.</p> | <p>The World Bank Suggested Forecast figure was used from 2019 to 2033.</p> |
|---------------------------------|---|---|

Revenue

| | | |
|---|--|--|
| | <p>Revenue</p> <p>Statutory Allocation is a transfer from the Federal Allocation Accounts Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies income tax, customs and (excise) duties at the national level, which is then shared between the three tiers of government using a predetermined sharing ratio. It is envisaged that the uptick in global economic activities will increase the crude oil sales and eventually brings more revenue in the outer years. It is important to take into consideration the crude oil benchmarks, the global effect of the pandemic and the envisaged gradual economic uptick that will increase economic activities globally. The crude oil price has continued to be on the rise from the approved \$46 to over \$70 pb while global trade has brought about increase revenue from excise duties and other revenue components that makes the statutory allocation, also the fuel subsidy was removed in May, 2023 which makes monies accruing to the federation account to increase. In essence, year 2024 is expected to bring about increase in statutory allocation to the State. The State Revenue Projection of years 2027 to 2033 from Federal Allocation was based on percentage increase of 10%.</p> <p>Other FAAC Receipts contained the calculated Exchange Gains, Excess Crude, NNLD Dividend and Stamp Duty shared among the three tiers of Government. The State Revenue Projection of years 2027 to 2033 from Other FAAC was based on percentage increase of 10%.</p> <p>Value Added Tax (VAT) is the tax calculated according to value on goods and services at a rate of 7.5% (as it increased from 5% to 7.5% on February 1st, 2020 by the Federal Government). 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 of ratios, and partially based on the amount of VAT individual states generated. States receive 50% of the total VAT collections nationally, from which Ogun State gets around 2.45% of the VAT distribution to States. The State Revenue Projection of years 2027 to 2033 from VAT was based on percentage increase of 10%.</p> <p>Internally Generated Revenue is revenue collected within the state, this relates to income tax (PAYE represents the highest contributor to IGR), withholding taxes, direct assessment fines, levies, fees, and other sources of revenue collectable within the state by the Ogun State Internal Revenue Service (OGIRS). IGR has grown at a steady pace year on year since 2017 and witnessed little drop in year 2019 with major setback in year 2020; a reflection of the Covid-19 pandemic that clamped down almost all the economic activities not only in Nigeria but in the entire globe. The State's projection for 2024 is predicated on the plan to expand the tax base and improve collection methods to boost IGR from the lowest end of N50 billion as of 31st December 2020 to N323 billion in 2024 based on the expectation that the State's economy will be more active before the end of Q4, 2024 and bounce back to pre-COVID -19 era of years 2017-2018. Most importantly, the MTRS initiative is expected to boost the existing internally generated revenue. It is of great significance to mention that the outcome of the planned Ogun Investment Summit, ISEYA21 with the theme Ogun State 'Becoming Africa's Model Industrial & Logistics Hub' is expected to showcase the investment opportunities in the State and position the State comfortably among the comity of State that drive Nigerian's economy a major prerequisite for revenue generation. The IGR shows the amount of revenue generated by the State as contained in the State Audited Financial Statement for the period (2019-2023). The 2024 figure reflects the revenue expected to be generated by the State following the MTRS in the Approved Budget. The MTRS is a movement from traditional expenditure-based budget approach to revenue driven budget approach. 2024-2026 revenue projections are extracted from the MTEF documents because the 2025-2027 mtef figures are not ready yet while the 2027-2033 projections were based on percentage increase of 10%.</p> <p>Grants are receipts from federal government and international development partners (including UK - Department for International Development (DFID), European Union (EU) and United Nations Children's Fund (UNICEF) etc. The State is ready to key into programs that will benefit the State both Technical and financial wise. projection for 2027 to 2033 was based on percentage increase of 10%.</p> <p>Actual receipts/performance has been on a very low side, the trend continues to drop even in 2019 when the State was so optimistic in getting N30 billion but generated less than N1 billion. For this reason, performance against budget has also been poor as budgets have tended to pick up all anticipated grants whereas accounts may not reflect all activities. Grant estimates going forward should be consistent with signed agreements, any "blue-sky" should be specifically linked to the implementation of specific projects. However, the State has been a beneficiary of the World Bank Group assistance to improve, strengthen and consolidate the Fiscal Sustainability Plan (FSP) to shield the State's finances against fiscal crisis. The grants for the period of 2019-2023 were obtained from the State Audited Financial Statements. 2024 - 2026 figures are internal grants expected to be received from SOCU, TETFUND. The 2027-2033 projections were based on percentage increase of 10%.</p> | <p>Ogun State Audited Financial Statements from 2019 to 2023, 2024 Approved Budget, MTEF Figures from 2025-2027, Projections were made using percentage increase of 10% from 2028 to 2033.</p> <p>Ogun State Audited Financial Statements from 2019 to 2023, 2024 Approved Budget, MTEF Figures from 2025-2027, Projections were made using percentage increase of 10% from 2028 to 2033.</p> <p>Ogun State Audited Financial Statements from 2019 to 2023, Also, 2024 Approved Budget, MTEF Figures from 2025-2027, Projections were made using percentage increase of 10% from 2028 to 2033.</p> <p>Ogun State Audited Financial Statements from 2019 to 2023, 2024 Approved Budget, MTEF Figures from 2025-2027, Projections were made using percentage increase of 10% from 2028 to 2033.</p> <p>Ogun State Audited Financial Statements from 2019 to 2023, 2024 Approved Budget, MTEF Figures from 2025-2027, Projections were made using percentage increase of 10% from 2028 to 2033.</p> |
| <p>1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)</p> | | |
| <p>1.a. of which Net Statutory Allocation ('net' means of deductions)</p> | | |
| <p>1.b. of which Deductions</p> | | |
| <p>2. Derivation (if applicable to the State)</p> | | |
| <p>3. Other FAAC transfers (exchange rate gain, augmentation, others)</p> | | |
| <p>4. VAT Allocation</p> | | |
| <p>5. IGR</p> | | |
| <p>6. Capital Receipts</p> | | |
| <p>6.a. Grants</p> | | |
| <p>6.b. Sales of Government Assets and Privatization Proceeds</p> | | |
| <p>6.c. Other Non-Debt Creating Capital Receipts</p> | | |

| Expenditure | Expenditure | | |
|--|---|---|--|
| 1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other) | Personnel cost represents the wage bill of the State Government workers, funded from the revenue accruable to the State. This budgeted value has been on the increase from the year 2016 to year 2019, while the actual figure witnessed a decrease in year 2018 but rose again in year 2019. The sharp increase of over N7b is evident by the absolute increase in the actual personnel costs in year 2019 which could be ascribed to the review of Health workers salaries, recruitment of teachers and continuous recruitment of staff as well as pension obligations and payment of backlog on pension liabilities which were appropriately budgeted for. The above decision was necessary in the spirit of continuity and sustaining social responsibility to the people of the State. The present administration's absorption of new workers recruited by the immediate past administration, new recruitment across the health sector prior/post - COVID-19 crisis etc. This also explains the increase experienced in the budgeted personnel cost in 2021. The 2024 personnel figure was projected based on the new minimum wage of seventy thousand naira (N70,000.00). Projection of years 2027 to 2033 was based on average increase of 5%. | Ogun State Audited Financial Statements from 2019 to 2023. Also, 2024 Approved Budget, MTEF Figures from 2025-2027. While Projections from 2028 to 2033 were made using 7% percentage increase. | |
| 2. Overhead costs | Overheads comprise mainly of operational and maintenance costs for running day-to-day activities of the Government. Overhead allocations are transferred to MDAs on a monthly basis subject to warrants and availability of fund. The actual overhead costs have been below the budget limit since 2019, this will be sustained in the medium term. There should be concerted efforts to prune down the cost of governance, a necessary line of action in an inflationary environment. Hence, the government must review downward (depress overhead costs) the MDAs overhead expenses substantially, but at reasonable percentages viz-a-viz revenue generation prospects of each MDA in the State. The State Overhead Cost. Projection of years 2027 to 2033 was based on average increase of 2% to 30%. | Ogun State Audited Financial Statements from 2019 to 2023. Also, 2024 Approved Budget, MTEF Figures from 2025-2027. While Projections from 2028 to 2033 were made using 7% percentage increase. | |
| 3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation) | The Public Debt Charges comprise of both principal and interest repayment for domestic and external loans. Pension and Gratuity arrears 2027 - 2033 is based on simple average of outstanding amount as at 2026 for period of 8 years. Most of the domestic loans will be fully repaid by 2026 which result to reduction in loan repayment in the outer years. | Ogun State Audited Financial Statements from 2019 to 2023. Also, 2024 Approved Budget, MTEF Figures from 2025-2027. While Projections from 2028 to 2033 were made using amortization schedule | |
| 4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments) | Consolidated revenue charges was added to overhead cost | | |
| 5. Capital Expenditure | Capital expenditure represents the commitment of Government towards infrastructure development. The State Capital Expenditure Projection of years 2027 to 2033 was based on average increase of 2% to 25%. The larger percentage of resource allocation to Capital Projects is to align with the best practice that bring about growth in the State Economy. | Ogun State Audited Financial Statements from 2019 to 2023. Also, 2024 Approved Budget, MTEF Figures from 2025-2027. While Projections from 2028 to 2033 were made using 20% percentage increase | |
| Closing Cash and Bank Balance | Closing Cash and Bank Balance | The closing Cash and Bank balance figures for 2027 to 2033 are computed using percentage increase. The closing Cash and Bank Balance represent the addition of budget Balance (which is Total Revenue minus Total Expenditure) and opening Cash and Bank Balance (which is gotten from the Annual Financial Statement). | Ogun State Audited Financial Statements from 2019 to 2023. Also, 2024 Approved Budget, MTEF Figures from 2025-2027. While Projections from 2028-2033 were made using 5% percentage increase. |
| Debt Amortization and Interest Payments | Debt Outstanding at end-2023 | | |
| | External Debt - amortization and interest | 1st line charge deductions from FAAC allocation | DMO Abuja |
| | Domestic Debt - amortization and interest | 1st line charge deductions from FAAC allocation (ii) IGR in line with the propose repayment schedule | Ogun State DMD's Report |
| | New debt issued/contracted from 2024 onwards | | |
| | New External Financing | Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#) | |
| | External Financing - Concessional Loans (e.g, World Bank, African Development Bank) | OGSTEP, 2% interest, Maturity (20 Years) and 5 years grace period | Ogun State DMD's Report |
| | External Financing - Bilateral Loans | | |
| | Other External Financing | | |
| | New Domestic Financing | Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#) | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | Commercial Bank Loans, Interest Rate of 27%, Maturity (4 Years) and Grace period (1 year) | |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | | |
| | State Bonds (maturity 1 to 5 years) | The Intervention facilities from CBN via Deposit Money Banks are always a single digit interest of 9% with longer repayment periods. | Approval from Federal Ministry of Finance, Abuja |
| | State Bonds (maturity 6 years or longer) | State Bonds (Maturity 1-5 years) Interest of 18%, Maturity (4 Years) and Grace period (1 year) | |
| | Other Domestic Financing | State Bonds (Maturity 6 Years or Longer) Interest of 18%, Maturity (10 Years) and Grace period (3 years) | |
| | | Other Domestic Financing, Interest of 27%, Maturity (5 Years) and Grace period (2 Year) | |

| | | | | |
|---|---|---|---|---|
| <p>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1</p> | <p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1</p> <p>New Domestic Financing in Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing in Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p> | <p>Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)</p> | <p>The State is presently implementing Strategy 1. That is, the State can access funds from Commercial Banks at a prevailing interest rate regulated by Central Bank of Nigeria at 27%</p> <p>The Intervention facilities from CBN via Deposit Money Banks are always a single digit interest of 9% with longer repayment periods.</p> <p>The State has issued a private placement bond of Thirty Billion naira at 18%. This is redeemable for five years.</p> <p>Other Borrowing windows is also opened to the State, such as Contractor Finance Facilities at 27%</p> <p>The State Government will access OGSTEP WORLD BANK Loan at 2% for a period of 20 years with a moratorium of 5 years. In year 2027-2028, it is the only loan left that is been drawn down. However, there could be additional in the outer years.</p> | <p>Ogun State DMD's Report</p> <p>Ogun State DMD's Report</p> <p>Ogun State DMD's Report</p> <p>Ogun State DMD's Report</p> |
| <p>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2</p> | <p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2</p> <p>New Domestic Financing in Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing in Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p> | <p>Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)</p> | <p>The Intervention facilities from Central Bank of Nigeria via Deposit Money Banks are always a single digit interest of 9% with longer repayment periods.</p> | <p>Ogun State DMD's Report</p> |
| <p>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3</p> | <p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3</p> <p>New Domestic Financing in Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing in Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p> | <p>Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)</p> | <p>Strategy 3 mainly consist of domestic borrowings. That is, the State can access funds from Commercial Banks at a prevailing interest rate regulated by Central Bank of Nigeria at 27%</p> <p>The Intervention facilities from CBN via Deposit Money Banks are always a single digit interest of 9% with longer repayment periods.</p> <p>The State has issued a private placement bond of Thirty Billion naira at 18%. This is redeemable for five years.</p> <p>Other Borrowing windows is also opened to the State, such as Contractor Finance Facilities at 27%</p> | <p>Ogun State DMD's Report</p> <p>Ogun State DMD's Report</p> <p>Ogun State DMD's Report</p> |
| <p>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4</p> | <p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4</p> <p>New Domestic Financing in Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing in Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p> | <p>Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)</p> | <p>Strategy 4, consists of domestic loans of six years longer and external borrowings. That is, the State can access funds from central bank via Commercial Banks at a prevailing interest rate regulated by Central Bank of Nigeria at 27%</p> <p>The State Government will access OGSTEP WORLD BANK Loan at 2% for a period of 20 years of maturity with a moratorium of 5 years.</p> | <p>Ogun State DMD's Report</p> <p>Ogun State DMD's Report</p> |

SIGNATURE PAGE

Name : OLADAPO OKUBADEJO

Signature : 

Date : 30-12-2024

Designation : HONOURABLE COMMISSIONER FOR FINANCE / CHIEF ECONOMIC ADVISER