



ONDO STATE GOVERNMENT

2021-2023

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

Economic and Fiscal Update (EFU),

Fiscal Strategy Paper (FSP) and

Budget Policy Statement (BPS)

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Abbreviations

BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CPIA	Country Policy and Institutional Assessment
CRF	Consolidated Revenue Fund
DMD	Debt Management Department
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FRL	Fiscal Responsibility Law
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
HRM	Human Resource Management
IGR	Internally Generated Revenue
IMF	International Monetary Fund
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
ODA	Official Development Assistance
ODBIR	Ondo State Board of Internal Revenue
ODBPP	Ondo State Bureau of Public Procurement
ODSG	Ondo State Government
OECD	Organisation for Economic Cooperation and Development
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PMS	Premium Motor Spirit (Petrol)
ShoA	State House of Assembly
VAT	Value Added Tax
G11	A group of eleven countries - specifically Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea, and Vietnam
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 statutory provision requiring the State Government to prepare 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. Key elements of MTEF are 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. 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) determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.

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 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 2021-2023.
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 the 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 2021-2023 which constitutes the MTSS.
8. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis in order to inform the budget planning process. It is aimed primarily at budget

policy makers and decision takers in the Ondo State Government, including the State legislature. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:

- Overview of Global, Africa, National and State Economic performance;
 - Overview of the Petroleum Sector;
 - Trends in budget performance over the last few years.
9. The FSP is a key element in the ODSG Medium Term Expenditure Framework (MTEF) process and the annual budget process. As such, it determines the resources available to fund the Government's growth and poverty reduction programme 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 2021 budget preparation cycle for all of the key stakeholders, specifically:
- Ondo State House of Assembly (SHoA);
 - 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 by Ondo State Government's MYBF (EFU-FSP-BPS) Work Group using data collected from International, National and State organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM¹

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. Section 120 and 121 of the Constitution provides 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 Ondo State shall prepare and lay expenditure proposals for the coming financial year before the SHoA, and the SHoA 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 CRF².
13. Apart from the Nigerian Constitution, Ondo State has a set of laws and regulations that regulate its budget preparation and implementation. The laws are:
- Ondo State Finance Management Law, 2017 with provisions for the control and management of finances of Ondo State.

¹ Based on 2014 PEFA Assessment for Ondo State

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

- 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 and general, 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 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.
 - 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 his executive powers 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 capital and recurrent. 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 policy. The Ministry also coordinates and manages the State's fiscal policies and all revenue and expenditure profile of 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 Department. Debt Management Department manages Ondo State public debt as well as liaising with the Debt Management Office at the Federal level. The Ministry of Finance has two important quasi-

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

autonomous agencies, the Office of the Accountant General for the State (OAGS) and the Board of Internal Revenue (BIR).

18. Specific functions of the 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; and formulate and implement the accounting policy of the State Government.
19. The Board of Internal Revenue is responsible for generation of government revenue. The Board formulates and executes Joint Tax Board (JTB) policies on taxation, stamp duties and motor vehicle licensing.
20. Another important institutional framework in the circle of financial management in the State is the Bureau of Public Procurement. The Bureau plays a significant role in ensuring that all MEDAs adhere to the best practices in procurement.
21. 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

22. 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	September/October	MEPB and MoF
Update of MTSSs by 5 Pilot Sectors	October	MEDAs
Preparation and Issuance of Budget Call Circular	September	MEPB
Citizens Engagement	October	MEPB
Budget Preparation Workshop	October	MEPB and MEDAs
Preparation of MEDAs Budget and on-line Submissions	October/November	MEDAs
Pre-Treasury Board Meetings	November	MEPB and MEDAs
Compilation of Draft Budget	November	MEPB
Treasury Board Meeting	November	ExCo
Presentation of Draft Budget to the SHoA	November	Governor
Review 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

23. More than one million lives have been lost to COVID-19 since the start of the year and the toll continues to rise. Many more have suffered serious illness. Close to 90 million people are expected to fall into extreme deprivation this year.
24. These are difficult times, yet there are some reasons to be hopeful. Testing has been ramped up, treatments are improving, and vaccine trials have proceeded at an unprecedented pace, with some now in the final stage of testing. International solidarity has strengthened along some dimensions, from rolling back trade restrictions on medical equipment to enhancing financial assistance for vulnerable countries. And recent data suggest that many economies have started to recover at a faster pace than anticipated after reopening from the Great Lockdown.
25. We are projecting a somewhat less severe though still deep recession in 2020, relative to our June forecast. The revision is driven by second quarter GDP outturns in large advanced economies, which were not as negative as we had projected; China's return to growth, which was stronger than expected; and signs of a more rapid recovery in the third quarter. Outturns would have been much weaker if it weren't for sizable, swift, and unprecedented fiscal, monetary, and regulatory responses that maintained disposable income for households, protected cash flow for firms, and supported credit provision. Collectively these actions have so far prevented a recurrence of the financial catastrophe of 2008-09.
26. While the global economy is coming back, the ascent will likely be long, uneven, and uncertain. Indeed, compared to our forecast in June, prospects have worsened significantly in some emerging market and developing economies where infections are rising rapidly. Consequently, emerging market and developing economies, excluding China, are projected to incur a greater loss of output over 2020-21 relative to the pre-pandemic projected path when compared to advanced economies. These uneven recoveries significantly worsen the prospects for global convergence in income levels.
27. Preventing further setbacks will require that policy support is not prematurely withdrawn. The path ahead will require skilful domestic policies that manage trade-offs between lifting near-term activity and addressing medium-term challenges. The October 2020 Global Financial Stability Report highlights such trade-offs for monetary policy. Sustaining the recovery will also require strong international cooperation on health and financial support for countries facing liquidity shortfalls. Finding the right policy mix is daunting, but the experience of the past few months provides grounds for cautious optimism that the priorities laid out in this report can be achieved.
28. A key aspect of combating the health crisis is to ensure that all innovations, be they in testing, treatments, or vaccines, are produced at scale for the benefit of all countries. Advance purchase commitments for vaccines under trial can help spur this process for manufacturers who may otherwise hesitate to bear the upfront cost. This effort should include a strong multilateral component to help distribute doses to all countries at affordable prices. More generally, the global community will need to continue helping countries with limited health care capacity through sharing equipment, know-how, and through financial support from international health agencies.
29. At the national level, governments have already responded with a variety of fiscal countermeasures that include efforts to cushion income losses, incentivize hiring, expand social assistance, guarantee credit, and inject equity into firms. These measures have prevented widespread firm bankruptcies and have helped employment rebound partially. Employment and labor force participation, however, remain well below pre-pandemic levels,

and many more millions of jobs are at risk the longer this crisis continues. To preserve jobs, it is important for governments, where possible, to continue to support viable but still vulnerable firms with moratoria on debt service and equity-like support. Over time, once the recovery has taken a strong hold, policies should shift gradually to facilitating reallocation of workers from sectors likely to shrink on a long-term basis (travel) to growing sectors (e-commerce). Along the transition, workers will need to be supported, including through income transfers, retraining, and reskilling programs.

30. Advanced economies have generally been able to deliver larger direct spending and liquidity support relative to GDP than others constrained by elevated debt and higher borrowing costs. Those constrained countries will need to create room for immediate spending needs by prioritizing crisis countermeasures and reducing poorly targeted subsidies. Some will require additional help from creditors and donors through debt restructuring, grants, and concessional financing, building on important initiatives under way. The IMF has been central to these initiatives through its joint call with the World Bank on debt service suspension for low-income countries, its call for reform of the international debt architecture, and its extension of funding at unprecedented speed to several member countries.
31. Further complicating the task that countries face is the need to address challenges coming out of the pandemic. In this report we are releasing medium term growth projections for the first time since the crisis started. While uncertainty remains substantial, growth is expected to moderate significantly, following the projected rebound in global activity in 2021. Both advanced and emerging market economies are likely to register significant losses of output relative to their pre-pandemic forecasts. Small states as well as tourism-dependent and commodities-based economies are in a particularly difficult spot.

Table 2: Real GDP Growth - Selected Countries

	2019	Projections	
		2020	2021
World Output	2.8	-4.4	5.2
Advanced Economy	1.7	-5.8	3.9
United States	2.2	-4.3	3.1
Euro Area	1.3	-8.3	5.2
Germany	0.6	6.0	4.2
France	1.5	-9.8	6.0
Italy	0.3	-10.6	5.2
Spain	2.0	-12.8	7.2
Japan	0.7	-5.3	2.3
United Kingdom	1.5	-9.8	5.9
Canada	1.7	-3.8	3.6
China	6.1	1.9	8.2
India	4.2	10.3	8.8
Brazil	1.1	-5.8	2.8
Sub-Saharan Africa	3.2	-3.0	3.1
Nigeria	2.2	-4.3	1.7
South Africa	0.2	-8.0	3.0

In year 2020 every country of the world excluding China is projected to have negative growth though with differences, occasioned by the Covid-19 pandemic. This negative projection is expected to give in to positive in 2021 if the second wave of the pandemic which has started in the Europe and United States is short-lived.

Source: IMF's WEO, October 2020

Table 3: Inflation (CPI) - Selected Countries

	Projections		
	2020	2021	2022-2026
United States	1.3	2.8	2.3
Euro Area	0.3	0.9	1.9
Germany	0.5	1.1	2.3
France	0.5	0.6	1.7
Italy	0.1	0.6	1.4
Spain	0.2	0.8	1.7
Japan	-0.1	0.3	1.2
United Kingdom	0.8	1.2	2.0
Canada	0.7	1.3	1.9
China	2.9	2.7	2.9
India	4.9	3.7	4.0
Brazil	1.1	-5.8	2.8
Nigeria	12.8	12.7	11.4
South Africa	3.3	3.9	5.1

Source: PwC Uk, National Statistical Authority, IMF, Consensus Economics

32. Only Nigeria is expected to have inflation of two digits for the next 6 years. In 2021, Brazil is expected to have negative inflation rate with a growth rate of 2.8%. Nigeria should strive to diversify her economy rather relying on Crude as her mainstay.

2.A.2 Sub-Saharan Africa

33. The COVID-19 pandemic represents an unprecedented health and economic crisis for sub-Saharan Africa. Within months, the spread of the virus has jeopardized years of development and decades-long gains against poverty in the region while threatening the lives and livelihoods of millions of people
34. In the last [Regional Economic Outlook](#) released by IMF projected -3 percent growth in sub-Saharan Africa's GDP in 2020, representing the worst outcome on record for the region. The drop will be even larger for economies dependent on tourism and commodity exports. Growth in the region should rebound modestly in 2021 to 3.1 percent, but for many countries, a return to 2019 levels won't occur until 2022–24.
35. Countries in the region acted swiftly to protect their people from the worst of the crisis, but lockdown measures came with high economic and social costs. Policymakers in sub-Saharan Africa now face the added challenge of rekindling their economies with fewer resources and more difficult choices.
36. As the region looks toward the future, uncertainty over the path of the pandemic continues to loom over an enduring recovery.
37. The current outlook for 2020–21 is broadly unchanged from the June update, with activity in 2020 projected to contract by 3.0 percent, still the worst outcome on record. For 2021, regional growth should recover modestly to 3.1 percent.

38. This outlook is subject to some key downside risks, particularly regarding the path of the COVID-19 pandemic and the resilience of the region's health systems
39. This outlook is subject to some key downside risks, particularly regarding the path of the COVID-19 pandemic and the resilience of the region's health systems.
40. These risks are compounded by uncertainty on the availability of external financing, with associated needs estimated at about \$900 billion over 2020–23, the sources of which between \$130 billion and \$410 billion are unidentified. Overall, the region's outlook will be shaped by the availability of additional financing and the transformative domestic reforms to promote resilience (including revenue mobilization, digitalization, and fostering better transparency and governance), lift medium-term growth, create opportunities for a wave of new job seekers, and progress toward the Sustainable Development Goals (SDGs)

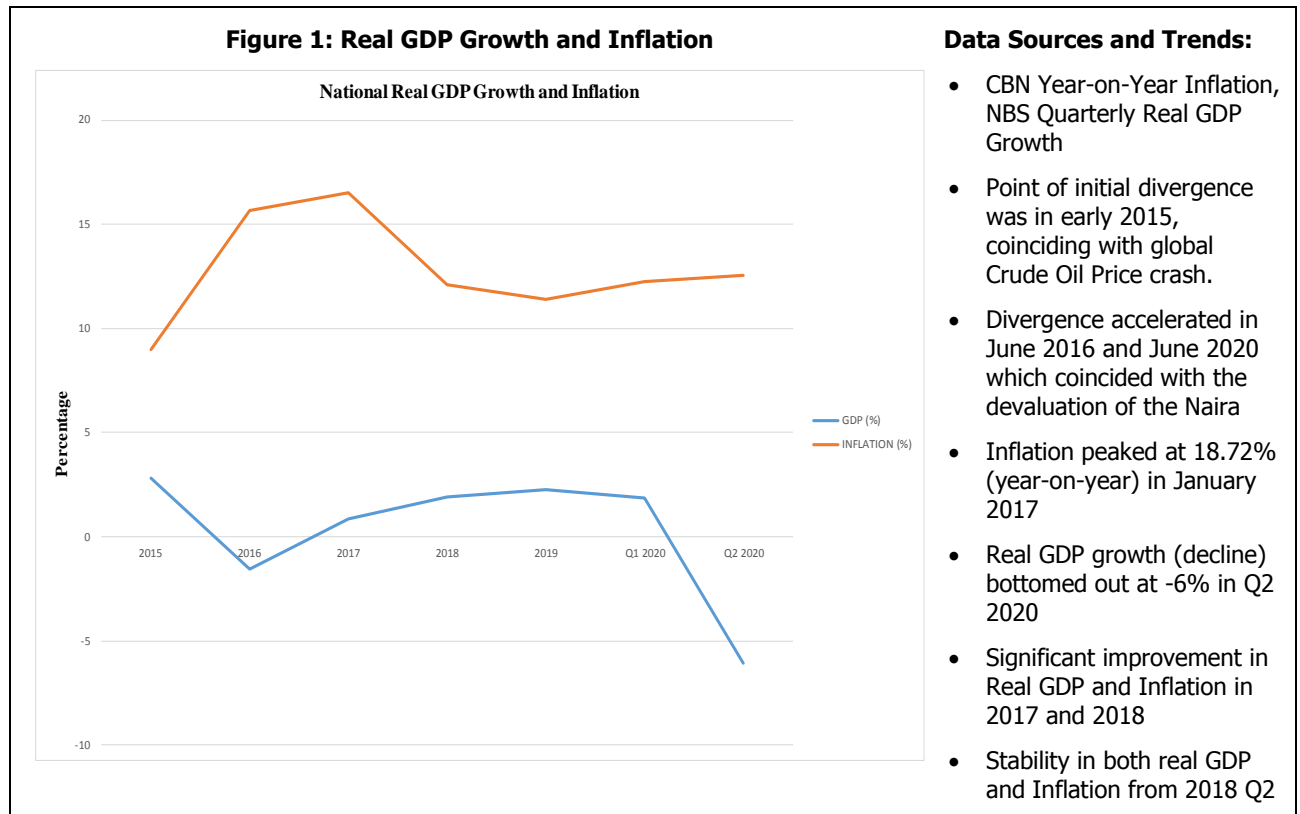
2.A.3 Nigerian Economy⁴

41. The Nigerian Government has begun addressing macroeconomic imbalances and structural impediments through the implementation of policies underpinning the Economic Recovery and Growth Plan. Supported by recovering oil prices, the new Investor and Exporter foreign exchange window have increased investor confidence and provided impetus to portfolio inflows, which have helped to increase external buffers to a four-year high and contributed to reducing the parallel market premium.
42. Also, persisting structural and policy challenges continue to constrain growth to levels below those needed to reduce vulnerabilities, lessen poverty and improve weak human development outcomes, such as in health and education. A large infrastructure gap, low revenue mobilization, governance and institutional weaknesses, continued foreign exchange restrictions, and banking sector vulnerabilities are dampening long-term foreign and domestic investment and keeping the economy reliant on volatile oil prices and production.
43. The above scenario persisted until the emergence of Covid-19 pandemic which worsened all the macroeconomic variables and dumped the country to another recession.
44. **Real GDP** – The overall real GDP in 2019 was 2.27% after it grew at 2.55% in the fourth quarter (Q4) of the year. This gives a 0.36% point higher than 2018 overall growth. However, the earliest effect of global disruptions caused by Covid-19 pandemic, especially in the oil price crash and restricted international trade caused the real GDP to decline to 1.87% in Q1 of 2020. This was worsened in Q2 when the economy sank by 6.1%, the first contraction since the Q1 of 2017 and the steepest since the Q1 of 2004. Nigerian real GDP is projected to decline by 4.42% in 2020, while it will increase by 3.0%, 4.68% and 3.86% in 2021, 2022 and 2023 respectively.
45. Services sector is the largest sector of the economy, accounting for about 50 percent of total GDP. One of the fastest growing segments in Services are Information and Communication, which together account for about 10 percent of the total output. Agriculture, which in the past was the biggest sector, now weights around 23 percent. Crude Petroleum and Natural Gas constitute only 11 percent of total GDP, while being the main exports. Industry and Construction account for the remaining 16 percent of GDP
46. **Inflation (CPI)** was stable at 11-11.9% for the first-four quarter of 2019 as broad money supply (M3) continues to expand. This is after a profound spike in 2016 as a result of the devaluation of the NGN:USD rate from 197 to 305 and significantly higher rates on the parallel market. IMF earlier saw the current rate persisting over the next five years (fluctuating between 11% and 12%) with the hope that it would help erode the real value of the national debt stock and increase nominal revenues. However, with the outbreak of Covid-19 in China in December, 2019 and its spread to the entire world from January,

⁴ Sources: IMF WEO, April 2019, NBS Reports, CBN Reports, NNPC Reports, OPEC Reports and US Energy Information Administration Reports.

2020, inflation in Nigeria has jumped over 12% since January 2020, being 13.71% in September 2020, from the average of 11.39% in 2019. Meanwhile, as Covid-19 pandemic continues to spread, NBS has predicted that the country's inflation at 14.13% by the end of 2020. In the medium term, it is projected to fall to 11.95%, 10.94% and 11.02% in 2021, 2022 and 2023 respectively.

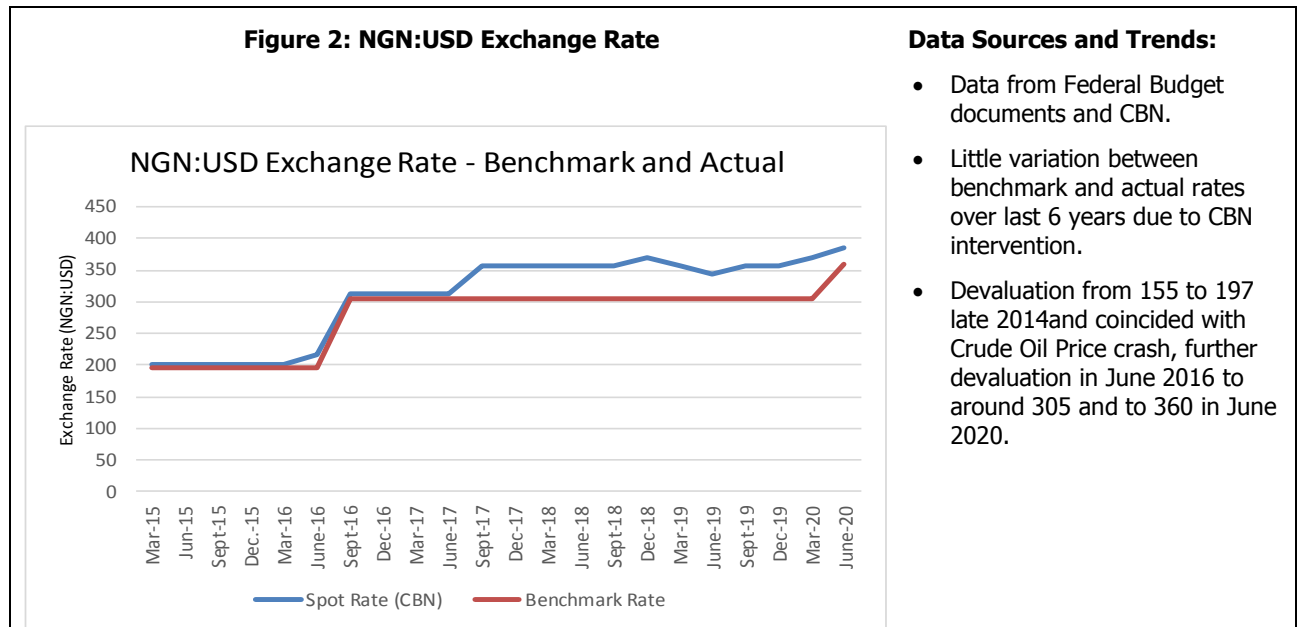
47. The national quarterly real GDP growth and year on year inflation rates from years 2015 to 2019 and Q1 and Q2 of 2020 are shown in figure 2 below.



48. **Foreign Exchange Rate** – the NGN:USD rate was devalued from 197 to 305 in mid-2016 as a result of militant attacks in the Niger River delta destroyed oil pipelines and slump in oil prices led to a decline in government revenues and a shortage of foreign reserves. The aftermath of the devaluation was increase in foreign exchange reserves in 2017 which almost doubled from a low of US \$24 billion in October 2016 to a high of US \$47.8 billion in June 2018 (thanks to improving crude oil prices and the FGN dollar denominated Eurobond issuances in 2017 and 2018). This helped the official NGN:USD rate to stabilise and the convergence of the various official and unofficial rates (the difference is now less than N60).
49. The convergence of foreign exchange windows accelerated in 2017 and 2018 resulted in moving the retail and wholesale rate closer to the rate in the Investor and Exporter window. This window represents 70-80 percent of the transactions and stayed relatively stable at around N360-N365 to a dollar. The CBN's increasing intervention in the market—effectively moving from being a net purchaser earlier in the year to selling in the latter part of 2018 about 35-40 percent of the foreign exchange traded in the Investor and Exporter window—helped keep the rate in check. However, market segmentation remains through the CBN's official window of N305 per dollar (mainly for petroleum imports and in limited predetermined quantities for some banks), increased sales to invisibles, SMEs, and Bureau de Change (BDCs) (mainly at N360 to a dollar) and the retail SMIS window (N330-N345 to a dollar), distorting economic decision making.
50. The unprecedented decrease in crude oil prices and lack of sales of oil output occasioned by Covid-19 pandemic, NGN:USD has been devalued from 305 to 360.

This might enhance the convergence of the official and unofficial rates if there is improvement in the crude oil prices. Part of the negative effects of the crude oil price fall occasioned by the pandemic is depletion in foreign exchange reserve which was reduced from \$45.12bn in June 2019 to \$36.38bn in June 2020.

51. The NGN:USD exchange rate, which is a key crude oil revenue parameter, for the period of 2015 to 2019 and June 2020 along with the benchmarks assumed in the Federal Government budgets over the same period, are shown in Figure 2 below.



52. **Crude Oil Price** – After a sustained increase in prices over the 30 months from early 2016 to late 2018 (bar a small blip in mid-2017), Bonny Light was trading at marginally more than \$80 per barrel. Another unanticipated supply and demand mismatch caused a 20% drop in prices in January-February 2019, and also remain around that level until the end of Q1 of 2020 when there was a terrible plunge in oil prices to less than \$20 per barrel, following a disagreement between Russia and Saudi Arabia over a deeper production cut and Covid-19 outbreak which resulted in total lockdown and indeed nil demand by the buyer nations like China and Europe. This only serves to remind authorities of the delicacies and un-predictabilities that reinforce the rationale for a benchmark that is set marginally below the current/forecast price.
53. \$55 was used to forecast in the aborted 2020 budget, but was later reviewed downward to \$25 as a result of Covid-19 pandemic and its attendant consequences. Since the price of crude oil (Bonny Light) has been hovering just a little above \$40 per barrel, the projected price for 2021, 2022 and 2023 has been fixed at \$40 per barrel.
54. **Crude Oil Production** was projected at 2.18 million barrels per day (MBPD) in the original 2020 budget, but later reviewed downwards to 1.7MBPD in the face of Covid-19 pandemic. Actual production has ever been below the production benchmark (though, production data is not readily available). Notwithstanding, the projected benchmark production in the medium term are 1.86, 2.09 and 2.38mbpd for 2021, 2022 and 2023 respectively. A
55. Given the aforementioned lack of buffer against price shocks, a rate of 1.86 seems more reasonable as a basis for 2021 budget estimates, potentially increasing to 2.09 in 2022 and 2.38 in 2023 (full passage and implementation of the PIB should help encourage more investment in the crude oil sector).

Table 4: 2020(Revised)-2023 Macroeconomic Outlook

Year	2020 (Revised)	2021	2022	2023
National Inflation	14.13%	11.95%	10.94%	11.02%
National Real GDP Growth	-4.42%	3.0%	4.68%	3.86%
Oil Price Benchmark	\$25.0	\$40.0	\$40.0	\$40.0
Oil Production Benchmark (MBPD)	1.70	1.86	2.09	2.38
NGN:USD Exchange Rate (Benchmark)	360	379	379	379
Mineral Ratio	27%	36%	36%	36%

2.A.4 Ondo State Economy

56. 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, 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 industrial revolution being spearheaded by the present administration.
57. Ondo State has enjoyed impressive GDP performance over the years, although not quite as high as the national average since Ondo does not benefit directly from the mineral sector.
58. The Ondo State economy from the perspective of the GDP growth rate was 2.58, according to the National Bureau of Statistics, 2017 report. The contribution of Agriculture to the State's GDP was 42.7% while Industry and Services contributed 20.8% and 36.5% respectively. 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.
59. 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.
60. 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). Although the trend of IGR in the State over the years has been varied, the present administration has demonstrated strong determination to change the prevailing situation of the State's IGR.

61. Following the Covid-19 pandemic, the economy of the state is affected as a result of a drop in the FAAC allocation and other sources of revenue. To nip these negative effects in the bud, government would have to improve her internally generated revenue drive; build capacity of the MSMEs and agricultural sector; and work on her industrialisation drive with a view to strengthening the economy. She must, as well, improve the healthcare facilities so as to confront the health challenges being caused by Covid-19 pandemic.

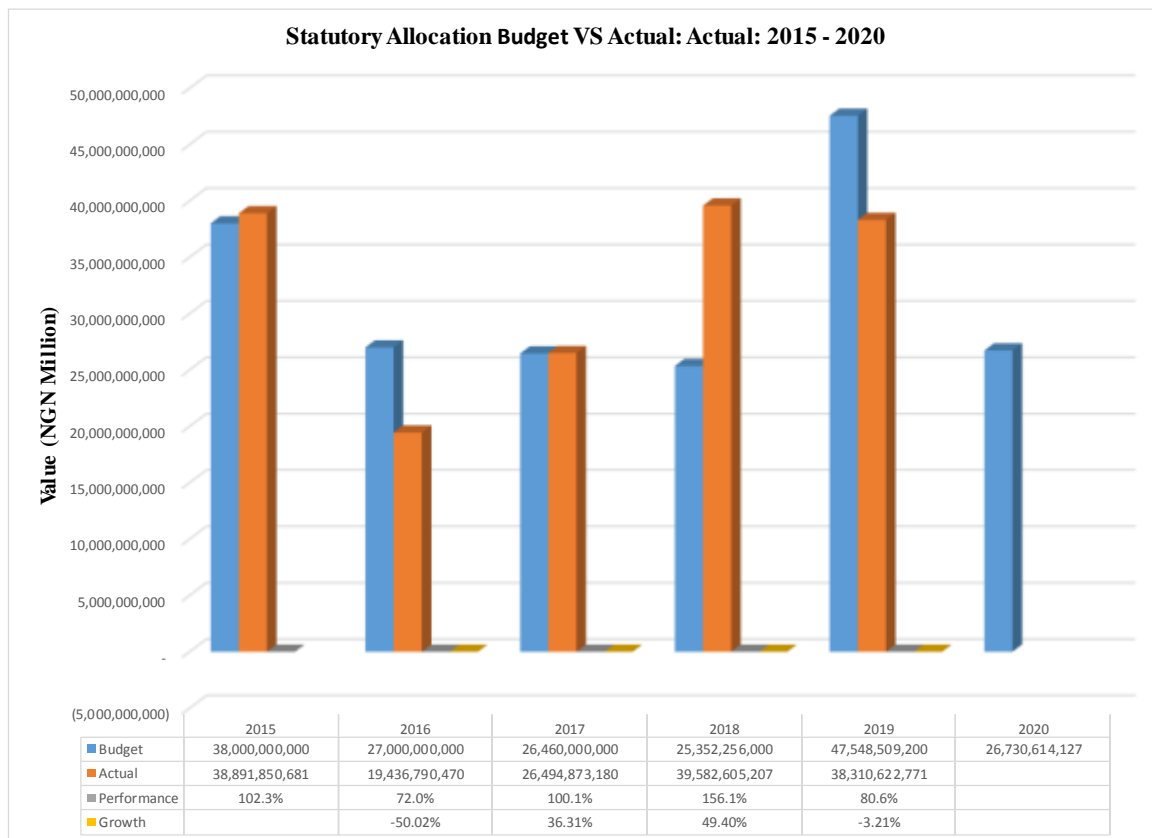
2.B Fiscal Update

2.B.1 Historic Trends

Revenue Side

62. On the revenue side, the document looks at Statutory Allocation, Value Added Tax (VAT), IGR, Mineral Derivation, and Capital Receipts – budget versus actual for the period 2015-2019 (five year historic) and 2020 budget.

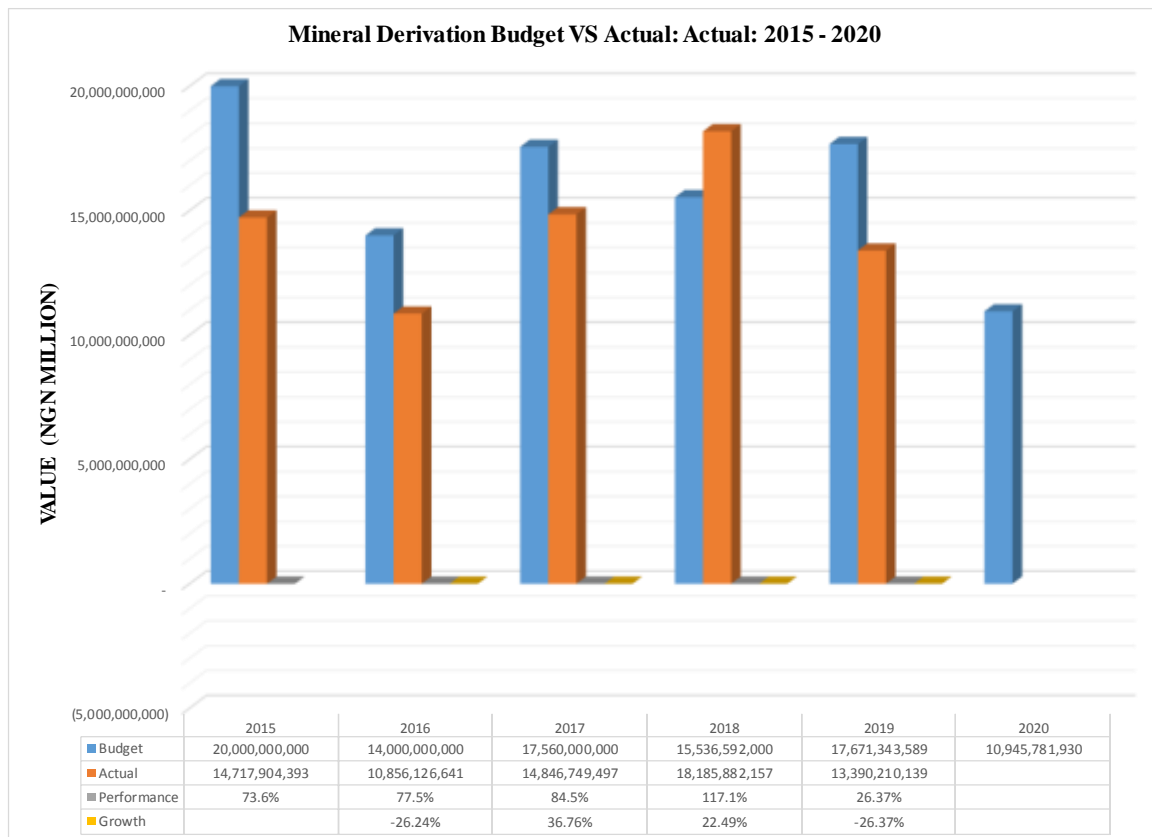
Figure 9: Statutory Allocation



63. Statutory Allocation is a transfer from the Federation Allocation Accounts Committee (FAAC) and is based on the collection of mineral (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 sharing ratios.

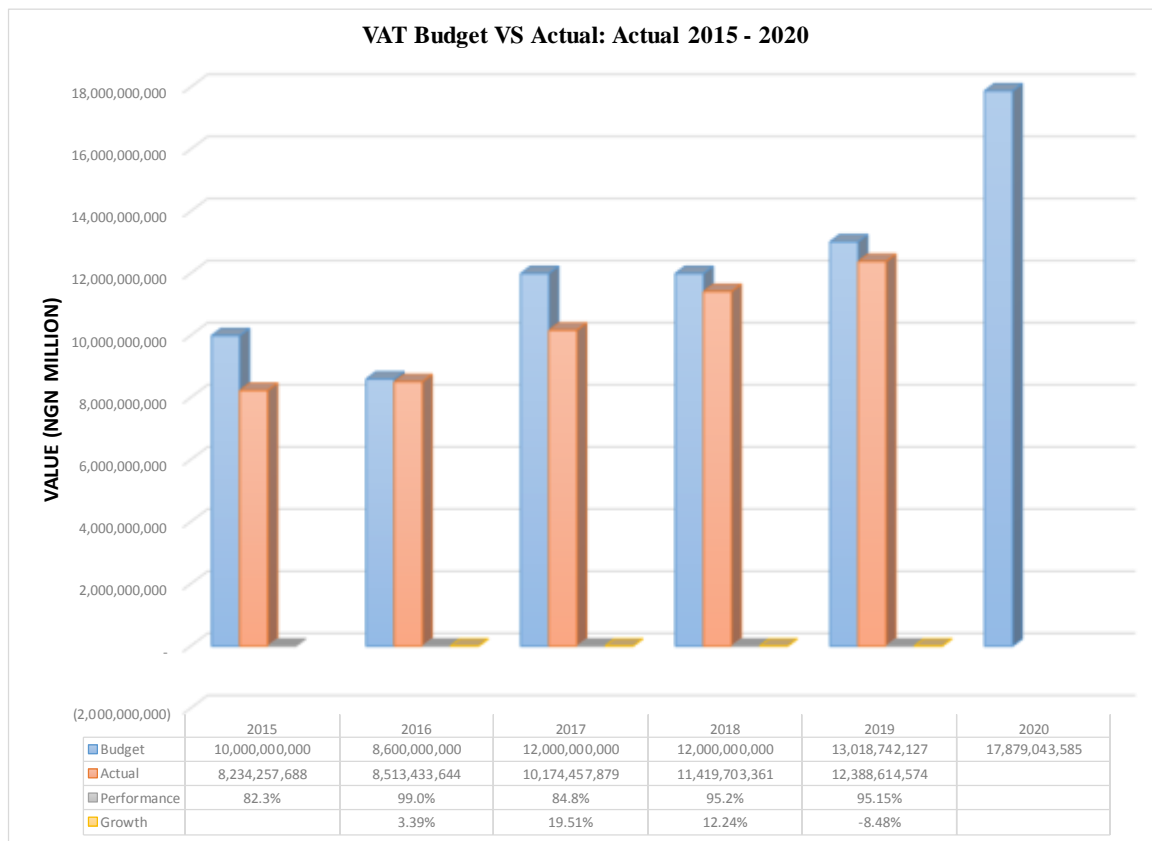
64. Actual receipts have been zigzag since 2015. It declined drastically (by 50%) in 2016 after which it picked up from 2017 to 2018 at 36.3% and 49.4% respectively. It also declined by -3.21% in 2019. The reason for the drastic fall of statutory allocation in 2016 and the light fall in 2019 was as a result of the drop in global oil price and drop in oil production in Nigeria.
65. Going forward, it is important to take into consideration the crude oil benchmark production and prices, particularly in the light of the challenges posed to the oil prices by Covid-19 pandemic regular pronouncement by OPEC to reduce daily supply and instability in prices.

Figure 10: Mineral Derivation



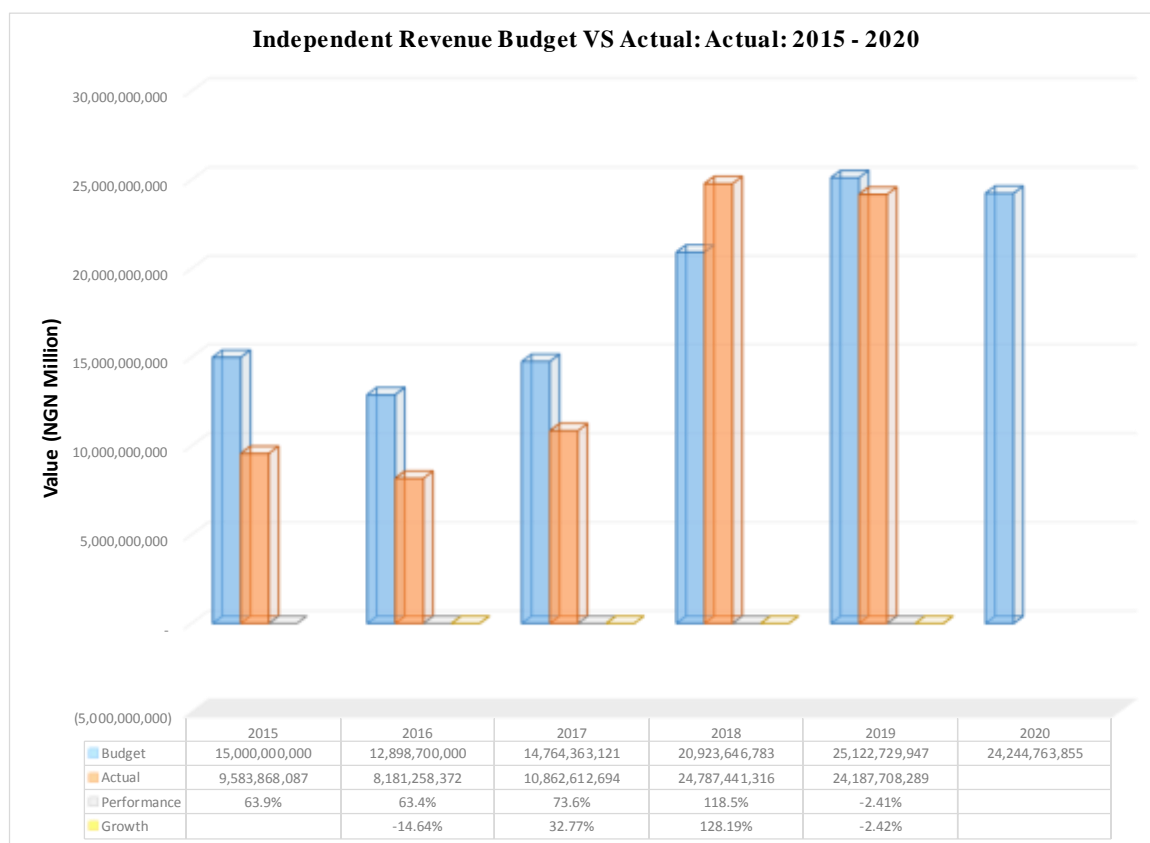
79. Mineral Derivation is also a transfer from the Federation Accounts. It is informed by the volume and prices of oil in the global market as well as actual output attributable to the State.
80. Actual receipts on Mineral Derivation increased with a performance rate of 73.6%, 77.5% 84.5%, and 117.1% in 2015, 2016 and 2017 and 2018 respectively but decreased with 26.37% in 2019. However, growth was at decline in 2016 (by -26.24%) and 2019 (by -26.37%) attributable to the fall in the price of crude oil in the global market.

Figure 11: VAT



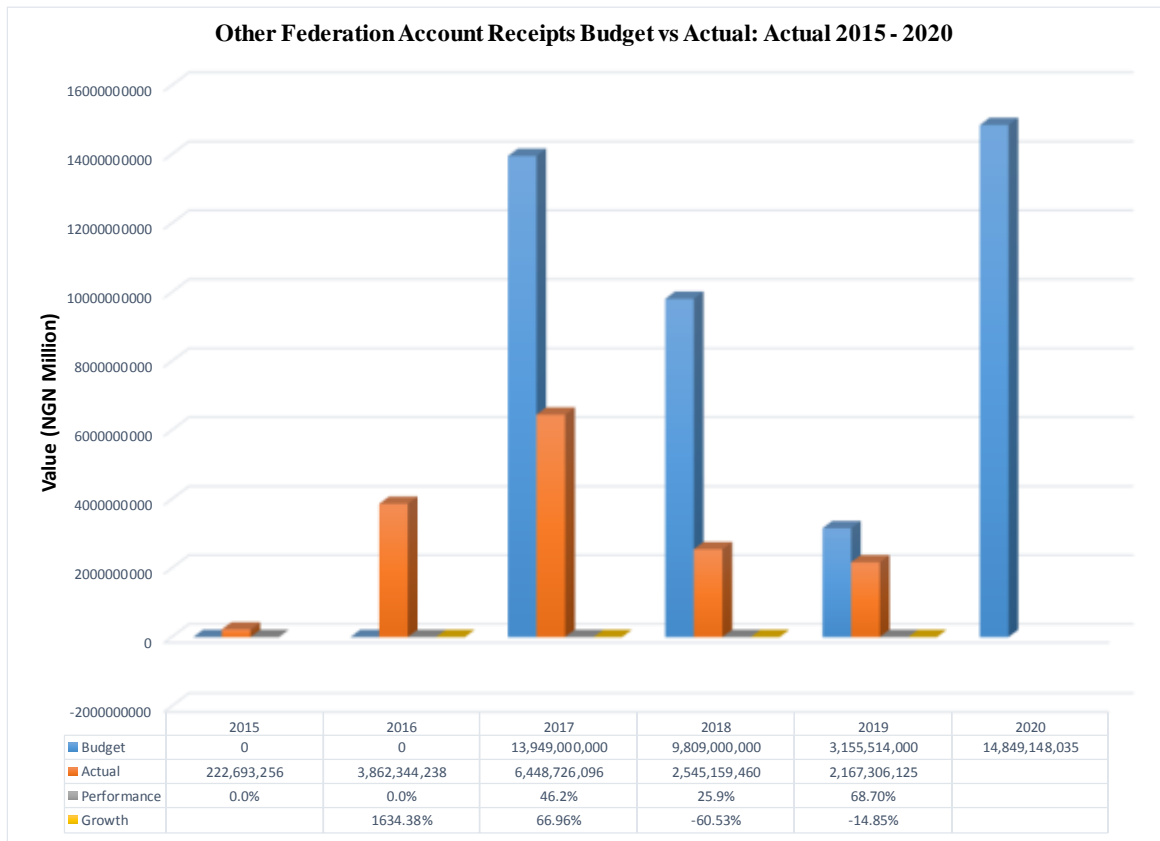
81. VAT is an ad valorem tax on most goods and services which was at a rate of 5% until May 2020 when it was increased to 7.5%. It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government on a monthly basis – partially based on set ratios, and partially based on the amount of VAT a particular State generated. States receive 50% of the total VAT collections nationally, from which Ondo gets around 2.2% of the States’ allocation.
82. VAT receipts increased absolutely from years 2016 to 2018 largely due to the growth in nominal economic activity in Nigeria. Performance relative to budget (i.e. budget accuracy) has been good – no more than 10% above or below over the period. Though the growth during the period was positive, it has been decreasing since 2018. Forecasts should take into consideration the possible implications of the oil prices on economic activity in Nigeria – elasticity forecasting will enhance this.

Figure 12: IR



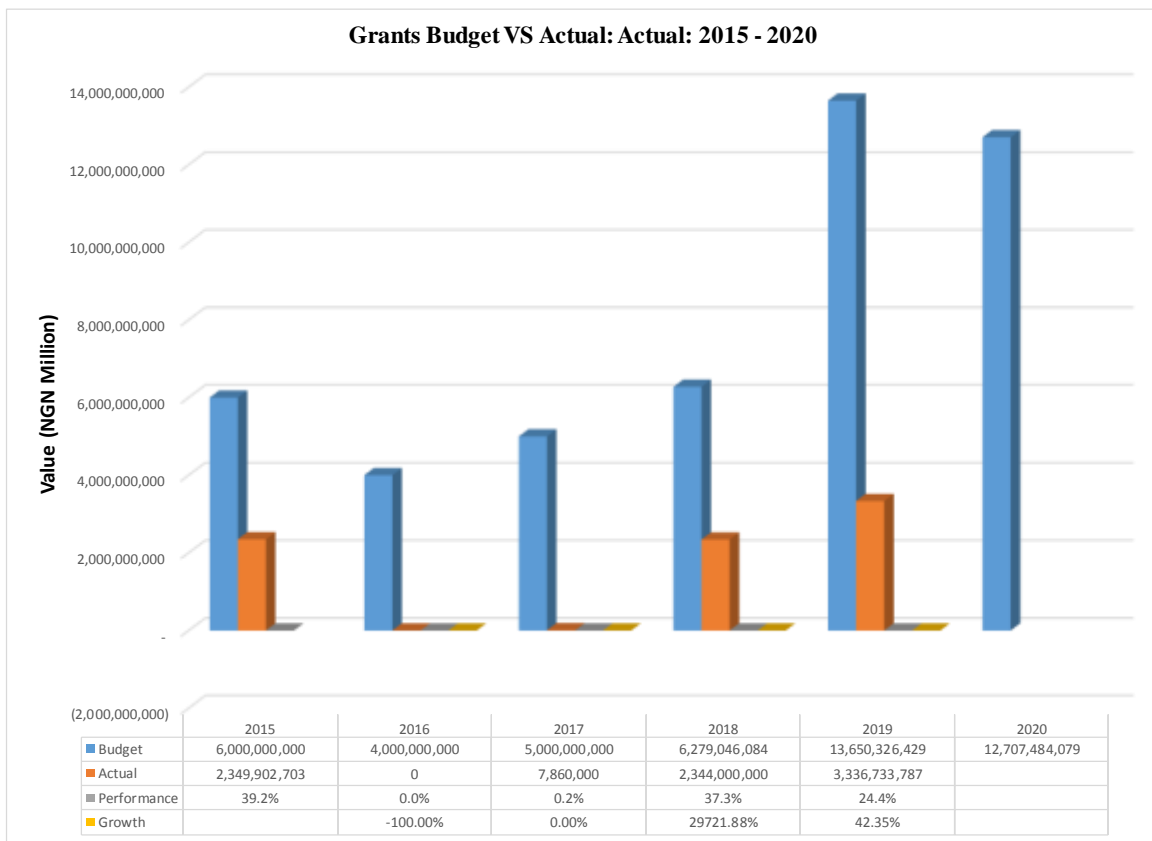
84. Internally Generated Revenue (IGR) also known as Independent Revenue (IR) is revenue collected within Ondo State related to income tax (PAYE represents the highest contributor to IGR), fines, levies, fees and other sources of revenue within the State.
85. IR collections declined marginally in 2016 and grew again by 32.8% in 2017. In 2018, it increased astronomically beyond budget at 118%, occasioned largely by the various reforms being carried out by the State Government in the Ondo State Board of Internal Revenue and lately the increase in economic activity and the price level in the State.

Figure 13: Other Federation Account Receipts



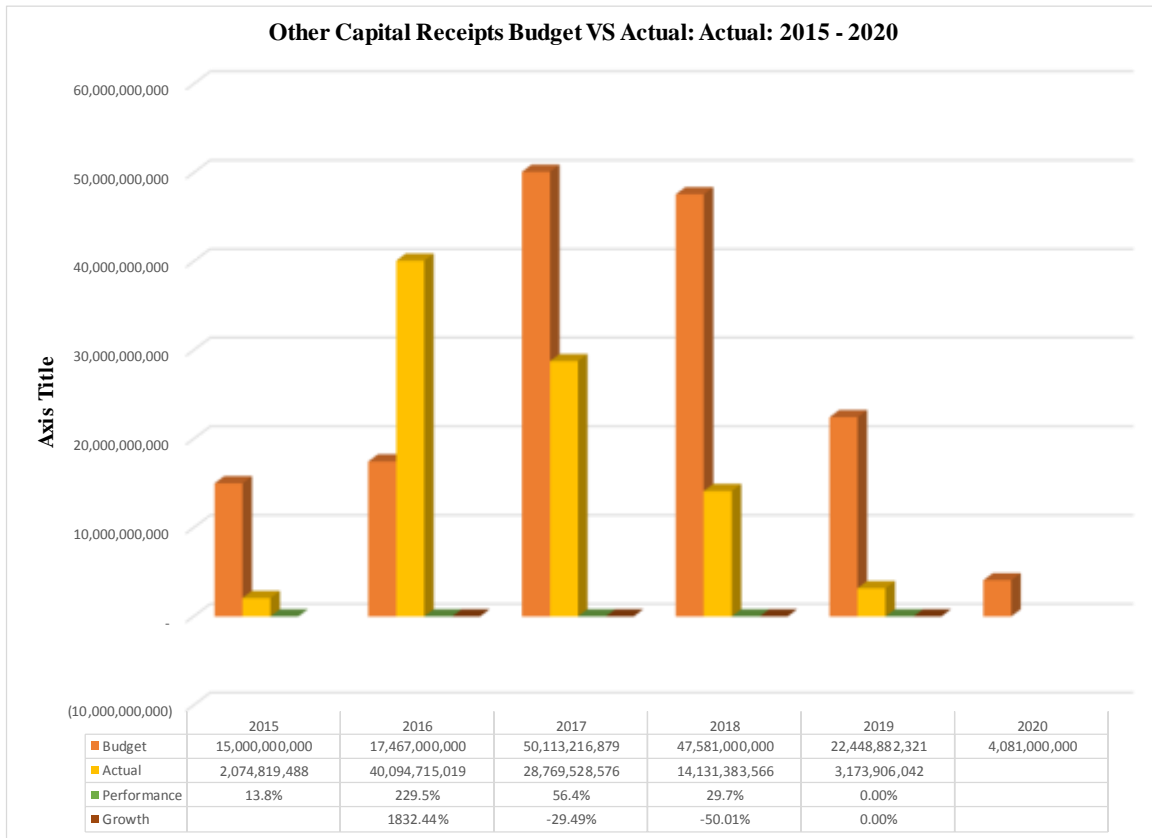
86. Other Federation Account Receipts are other receipts from Federation Accounts which include Exchange Gain, NNPC refund, Augmentation, etc.
87. The State had receipts in 2015 and 2016 when it did not have a budget for it. Receipts from this source have been unsteady since 2013. In 2016, 2017 and 2018 receipts were 46.2%, 25.9% and 68.7% respectively.

Figure 14: Grants



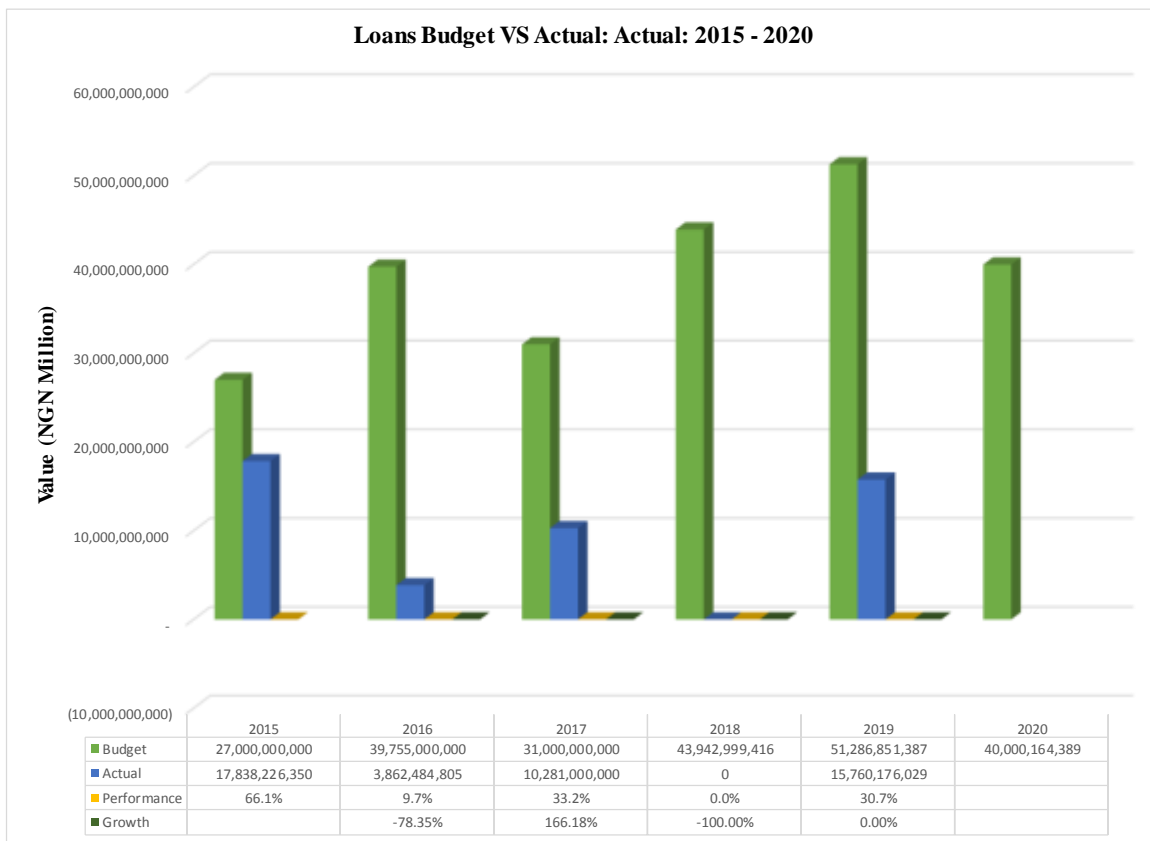
88. Grants are receipts from both internal and external sources such as Federal Government MDGs Conditional Grants Scheme, as well as grants from the international development partners (including UK - Department for International Development (DFID), European Union (EU) and United Nations Children’s Fund (UNICEF). Ondo State has proactively included as much grant expenditure “on-budget” as possible, even if the funds don’t travel through the State treasury.
89. Actual receipts have been sporadic having nothing in the years 2016 and 2017. In those years when there were receipts, they were far from the budget, due largely to the over-ambitiousness on the part of some MEDAs intermediating between the State and the donor partners and inconsistency in the implementation of signed agreements.
90. Grant estimates going forward should be consistent with signed agreements; any “blue-sky” should be specifically linked to the implementation of specific projects.

Figure 15: Other Capital Receipts



91. Other capital receipts here include refund on federal roads constructed by the State, budget support, Excess Paris Club deduction refund and refunds from withholding tax. In 2013, 2014 and 2016, the State received more than anticipated from this source, but less in the remaining years. The State could not, many times, decide when the funds were to be released; so, the inconsistency in the budget.

Figure 16: Loans/Financing

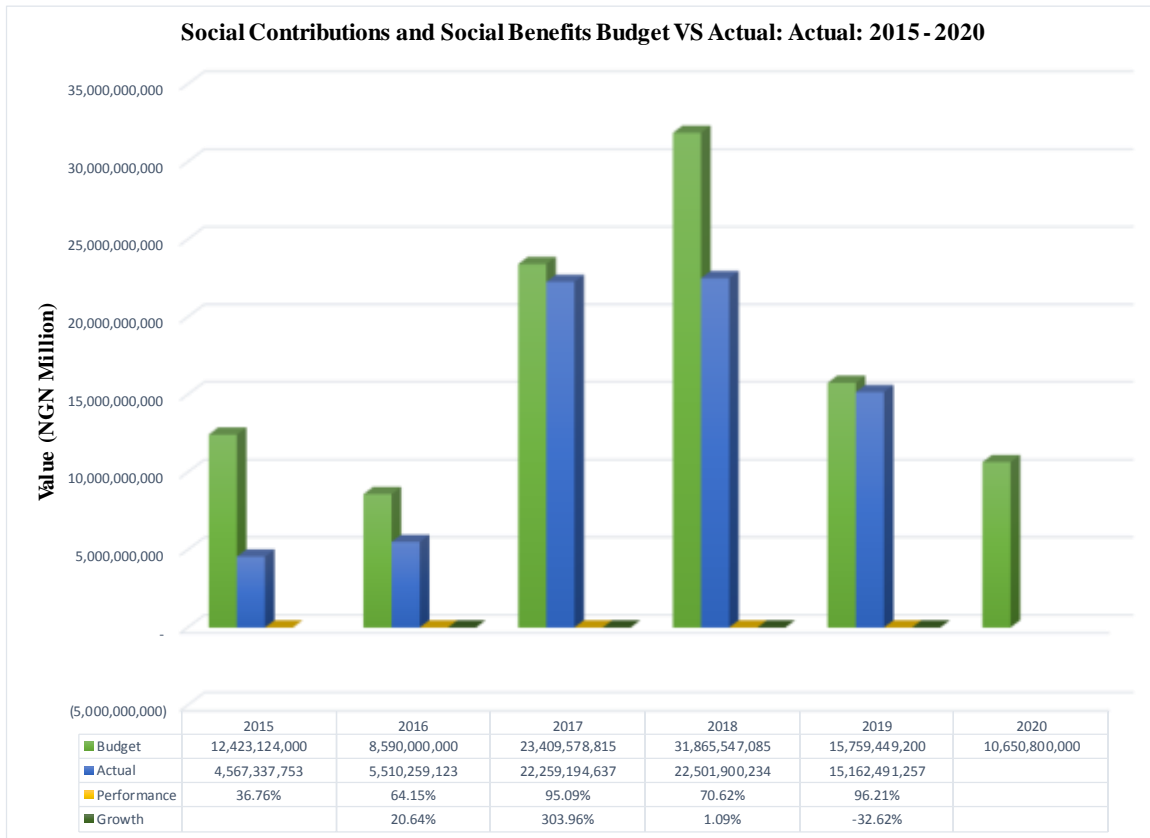


92. Besides some short-term borrowing from banking facilities, financing has come in the form of various World Bank programmes (FADAMA, Health and Education sector support).
93. The poor performance in all the years was based on anticipated internal loans that we never eventually floated and un-concretized agreement reached with the creditors by the States MEDAs. The ability of the State to draw down more loans is discussed later in this chapter.

Expenditure Side

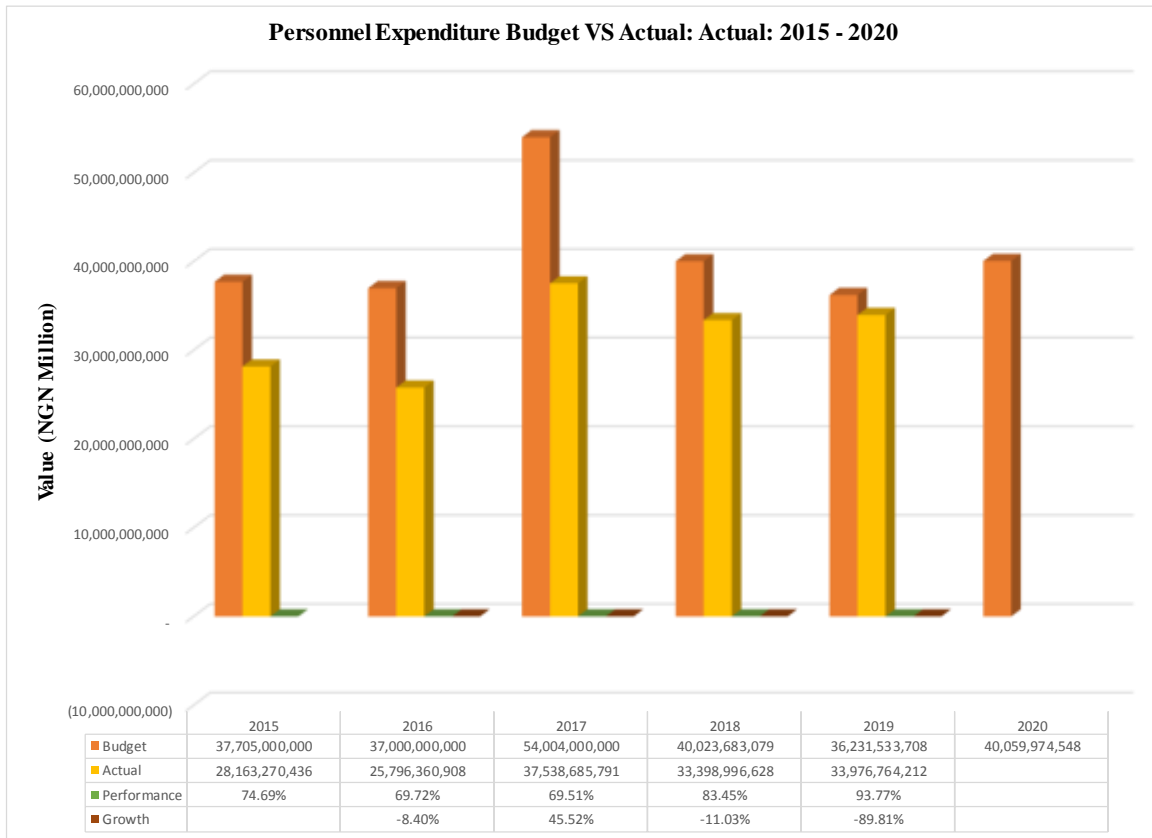
94. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2013-2018 (six years) and 2019 budget.

Figure 17: Social Contributions and Social Benefits Figure



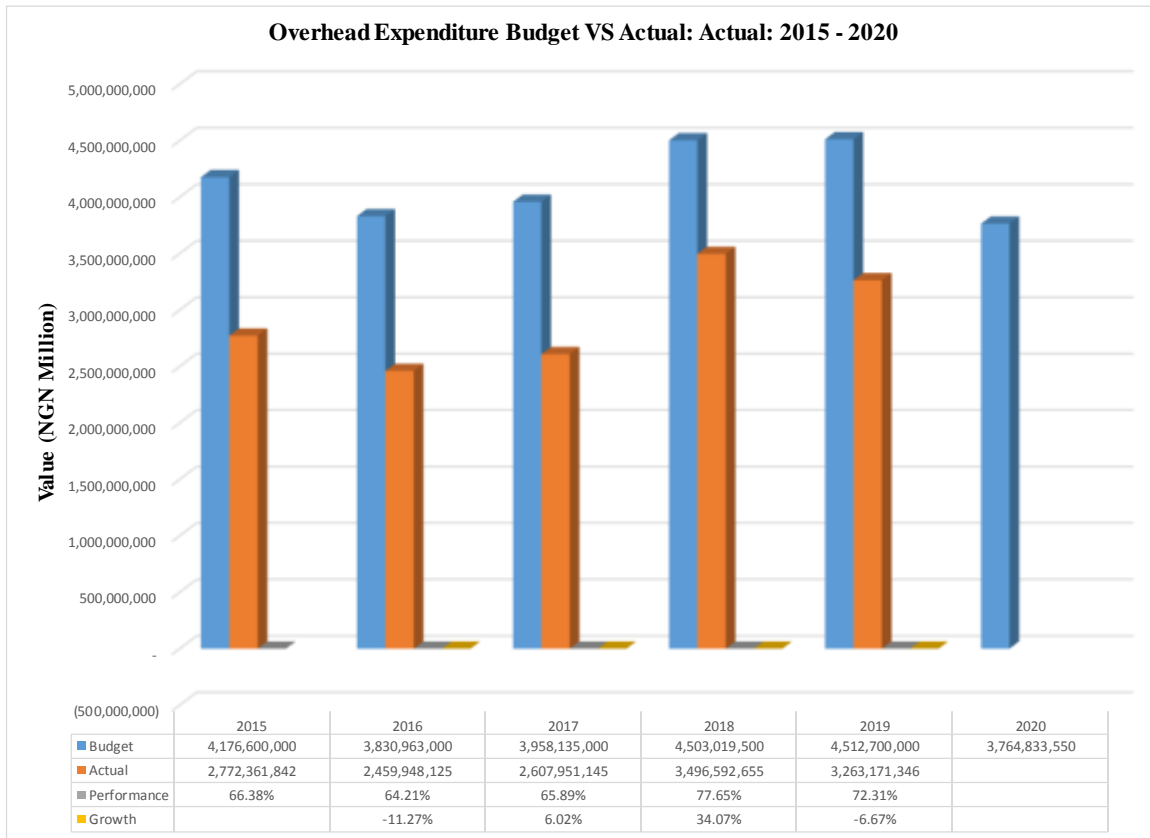
95. CRF (Consolidated Revenue Fund) charges for the purpose of this analysis is restricted to pension, gratuities, and public debt service. Due to a strong public debt system the debt servicing costs have been well estimated over the period.
96. The actual figures have been on a steady increase since 2013 due largely to regular retirement of workers leading to high burden of pension and gratuities. Strong forecasting ability, to ensure equality in both budget and actuals, should provide for accurate estimates going forward assuming the debt data is kept up-to-date and regularly reconciled with the federal Debt Management Office (DMO).

Figure 18: Personnel



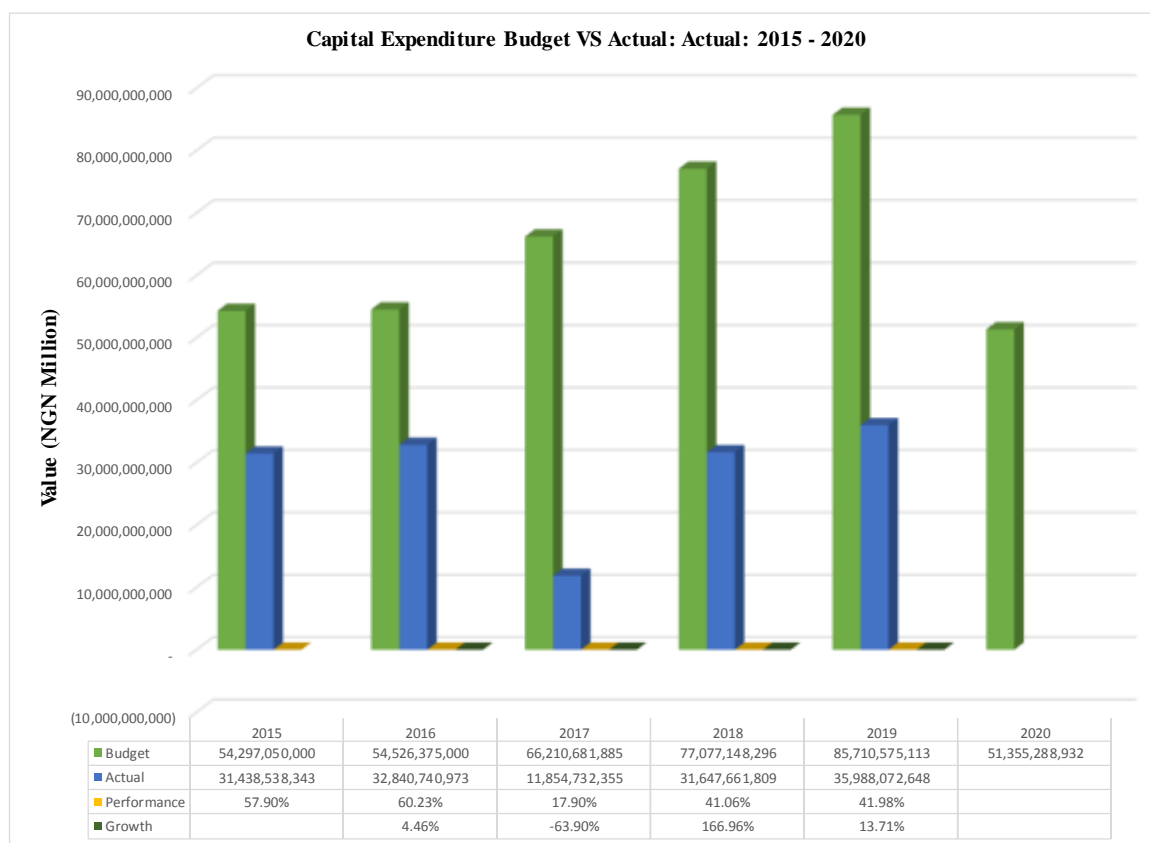
97. Personnel expenditure includes salaries, allowances and benefits of core civil servants of the State. Personnel costs have risen year on year since 2013 at an average rate of 8.2% per annum, with particularly large increase in 2017. This was largely due to the fact that five out of the seven months' salary arrears owed workers by the immediate past administration were paid.
98. Actual expenditure has been close to budget in all years except 2016 – This was the year Nigeria slipped into recession, leading to sharp drop in the revenue that accrued to the State in that same year.

Figure 19: Overheads



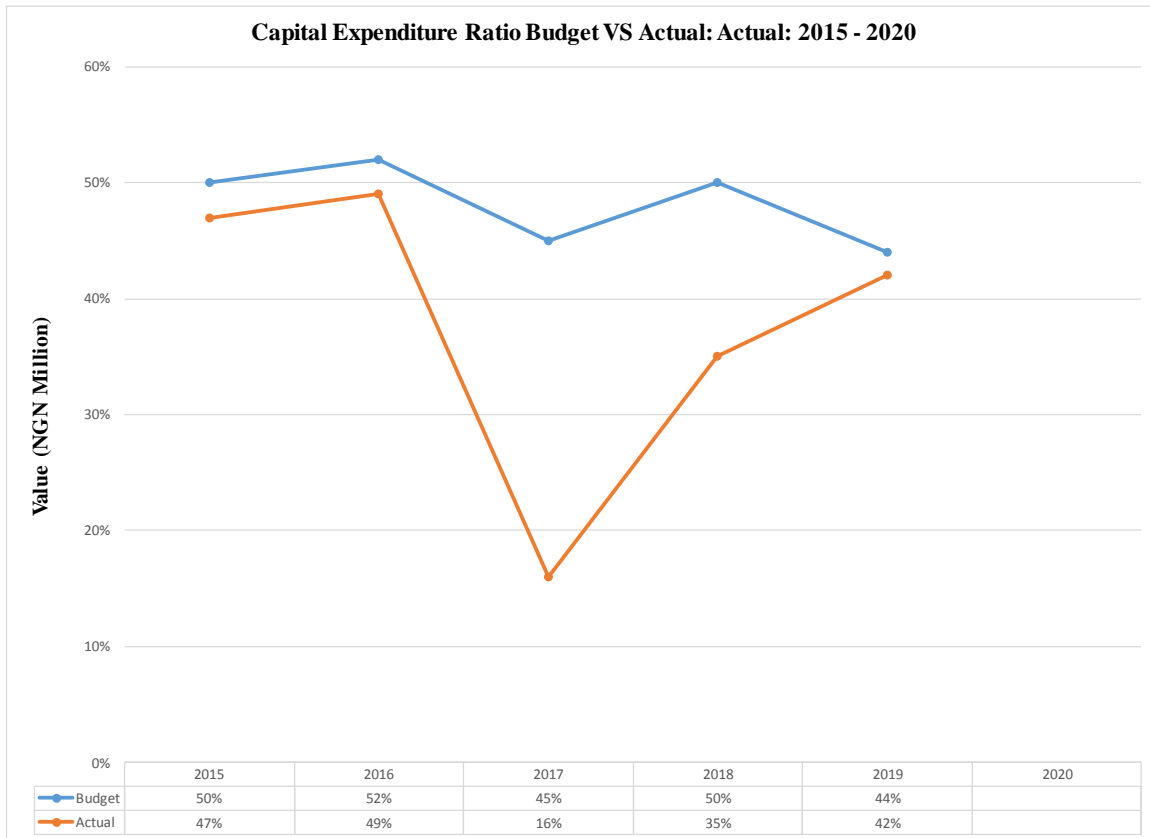
99. Overheads comprise mainly of operational and maintenance costs for running day-to-day activities of the Government. Overhead allocations are transferred to MEDAs on a monthly basis subject to warrants and availability of fund.
100. Overhead expenditure was reduced significantly in the year under review – Deliberate steps were taken in the year 2016 and 2017 by reducing cost of running government so as to free up more funds for capital projects in the State.
101. Not surprisingly, performance against budget has been poor occasioned by dwindling fortune of the revenue year-on-year. Going forward, overhead expenditure must be brought under control, to ensure that cost of governance is not more than necessary.

Figure 20: Capital Expenditure



102. Capital expenditure refers to projects that generate State assets (e.g. roads, schools, hospitals).
103. Except for 2018, Capital Expenditure dwindled from years 2012 to 2017 owing to increase in recurrent expenditure which could not correspondingly matched by the total revenue of the State. However, the change in the negative trend in capital expenditure in 2018 was due to one, the increase in the both internal and external revenue of the State in the year and two, the deliberate move by the present government to address the infrastructural decay that dotted the entire State.
104. 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 21: Capital Expenditure Ratio



105. The actual capital expenditure ratio was relatively stable from 2016 (between 45% and 49%) and dropped sharply to 16% in 2017. However, the ratio increased to 35% in 2018.
106. It will be observed that in all the years reviewed (i.e. 2013 – 2018) the actual capital expenditure ratio was lower than capital budget ratio.

By Sector

107. Performance by sector varied over the period 2013-2018 - only Infrastructural Development performed above average (i.e. 51%), while Information and Environment and Sewage Management sectors performed at the level of 48.08% and 45.45% respectively. The remaining 10 sectors did not perform well.
108. 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 activity in the State.
109. The performance of personnel and overhead are detailed in table 5a and 5b while performance of capital expenditure is detailed in table 6 below.

Table 5: Sector Recurrent Expenditure – Budget Vs Actual

5a

Personnel Expenditure by Sector												
No.	Sector	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	Performance	Average Budget	Average Actual
1	ADMINISTRATION OF JUSTICE	1,842,357,685	1,531,577,456	1,597,698,559	1,042,836,239	1,730,148,657	1,741,985,188	2,000,111,257	1,419,429,612	79.99%	4.33%	4.23%
2	AGRICULTURAL DEVELOPMENT	1,489,913,094	961,319,231	1,438,279,032	693,391,109	1,197,548,881	1,087,688,788	1,372,349,452	1,190,401,005	71.53%	3.32%	2.90%
3	EDUCATION	17,895,844,074	13,278,850,330	17,769,460,586	9,372,001,521	16,890,567,520	2,313,890,181	17,343,821,887	16,549,698,693	59.39%	42.18%	30.63%
4	ENVIRONMENT AND SEWAGE MANAGEMEN	337,239,958	240,236,710	331,388,436	162,923,495	283,977,572	278,863,838	283,977,572	317,038,788	80.79%	0.75%	0.74%
5	GENERAL ADMINISTRATION	2,101,192,840	1,620,135,264	2,185,251,228	7,704,924,888	18,588,960,879	27,083,316,583	6,637,515,182	5,243,270,743	141.13%	17.81%	30.74%
6	HEALTH	9,048,342,483	6,406,997,876	8,720,184,640	4,497,858,491	7,866,772,912	7,984,002,376	7,866,772,912	8,404,463,870	81.47%	20.21%	20.14%
7	INFORMATION	529,625,209	427,421,453	533,678,510	255,605,905	510,646,348	393,851,437	510,646,348	357,887,704	68.83%	1.26%	1.06%
8	INFRASTRUCTURAL DEVELOPMENT	1,833,940,499	1,805,187,866	1,878,934,884	830,021,235	1,679,206,298	1,202,543,760	1,720,182,474	1,477,173,974	74.73%	4.29%	3.92%
9	LEGISLATIVE ADMINISTRATION	446,265,810	280,332,035	436,877,963	217,305,558	400,448,739	365,004,433	400,448,739	377,694,699	73.65%	1.02%	0.92%
10	PUBLIC FINANCE	1,213,351,988	899,404,925	1,146,469,533	582,728,190	1,099,540,817	1,105,433,641	1,230,630,879	1,100,874,853	78.64%	2.83%	2.72%
11	REGIONAL DEVELOPMENT	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%
12	COMMUNITY DEVELOPMENT	617,192,057	440,263,943	641,158,383	282,264,374	489,056,563	593,563,218	445,064,262	395,725,300	78.08%	1.32%	1.26%
13	TRADE AND INDUSTRY	349,734,303	271,543,346	320,618,247	154,769,902	267,124,813	239,287,238	212,162,117	331,302,298	86.71%	0.69%	0.74%
	Total	37,705,000,000	28,163,270,436	37,000,000,000	25,796,630,908	51,004,000,000	44,389,430,682	40,023,683,079	37,164,961,537	81.77%	100.00%	100.00%

5b

Overhead Expenditure by Sector												
No.	Sector	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	Performance	Average Budget	Average Actual
1	ADMINISTRATION OF JUSTICE	507,800,000	382,083,258	451,021,000	372,076,651	460,460,000	355,672,699	500,664,000	402,187,634	78.75%	1.02%	2.26%
2	AGRICULTURAL DEVELOPMENT	140,300,000	70,050,500	134,780,000	78,793,166	153,250,000	61,092,655	217,735,000	96,993,587	47.51%	0.34%	0.46%
3	EDUCATION	1,477,400,000	618,496,775	893,378,000	563,696,800	8,921,868,000	5,053,844,491	7,336,310,886	7,628,268,152	74.42%	9.92%	20.68%
4	ENVIRONMENT AND SEWAGE MANAGEMEN	219,800,000	187,813,000	200,854,000	122,230,000	170,600,000	97,030,964	200,800,000	159,694,700	71.56%	0.42%	0.85%
5	GENERAL ADMINISTRATION	24,993,474,000	3,111,882,714	18,916,999,000	6,935,231,342	22,781,158,700	3,289,180,654	9,905,188,678	3,184,412,952	21.57%	40.79%	24.65%
6	HEALTH	651,650,000	558,285,378	487,054,000	421,228,461	582,750,000	340,876,738	601,471,300	138,068,333	62.79%	1.24%	2.18%
7	INFORMATION	1,101,500,000	568,356,843	1,009,653,000	483,413,966	311,000,000	229,685,568	566,980,000	349,553,369	54.56%	1.59%	2.43%
8	INFRASTRUCTURAL DEVELOPMENT	788,920,000	647,064,972	712,678,000	566,798,988	866,500,000	654,910,062	1,040,130,000	497,652,427	69.43%	1.81%	3.53%
9	LEGISLATIVE ADMINISTRATION	2,195,000,000	1,215,092,938	2,085,500,000	887,866,622	2,173,500,000	21,839,262	2,501,000,000	1,429,242,375	39.69%	4.77%	5.30%
10	PUBLIC FINANCE	5,789,056,000	1,782,710,987	5,839,522,000	4,548,944,201	14,906,451,415	4,396,718,724	39,481,235,043	7,373,055,748	27.42%	35.15%	27.01%
11	REGIONAL DEVELOPMENT	0	0	0	0	0	4,307,435,985	0	0	0.00%	0.00%	6.43%
12	COMMUNITY DEVELOPMENT	658,950,000	300,234,333	1,351,646,000	630,392,665	811,800,000	245,523,619	1,563,200,000	1,255,437,415	55.44%	2.34%	3.63%
13	TRADE AND INDUSTRY	474,100,000	158,071,000	111,240,000	52,778,500	142,560,000	37,419,626	408,994,000	157,847,679	35.72%	0.61%	0.61%
	Total	38,997,950,000	9,600,142,697	32,194,325,000	15,663,451,362	52,281,898,115	19,091,231,045	64,323,708,908	22,672,414,369	35.69%	100.00%	100.00%

Note: The Overhead cost in table 5b is inclusive of Special Programmes

Table 6: Sector Capital Expenditure – Budget Vs Actual

Capital Expenditure by Sector												
No.	Sector	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	Performance	Average Budget	Average Actual
1	ADMINISTRATION OF JUSTICE	358,000,000	158,395,789	317,600,000	144,328,000	190,000,000	24,548,750	1,457,000,000	213,519,055	23.28%	0.92%	0.70%
2	AGRICULTURAL DEVELOPMENT	1,568,840,000	261,869,561	1,315,500,000	206,282,956	7,677,000,000	48,189,370	7,459,785,000	641,454,524	6.42%	7.15%	1.50%
3	EDUCATION	4,535,000,000	1,646,980,657	6,922,000,000	240,634,397	12,381,700,000	258,988,806	14,092,586,368	8,143,693,812	27.13%	15.05%	13.35%
4	ENVIRONMENT AND SEWAGE MANAGEMENT	2,472,000,000	1,514,583,199	689,000,000	441,149,838	220,000,000	33,931,801	1,378,000,000	173,404,837	45.45%	1.89%	2.81%
5	GENERAL ADMINISTRATION	1,729,750,000	295,180,492	1,772,975,000	268,801,013	3,175,000,000	823,407,721	6,597,830,083	2,212,942,470	27.12%	5.27%	4.67%
6	HEALTH	3,575,000,000	1,823,724,459	4,968,200,000	1,765,883,753	9,793,919,811	113,084,355	7,503,661,045	491,104,170	16.23%	10.25%	5.44%
7	INFORMATION	337,000,000	174,462,500	326,600,000	127,215,170	379,500,000	113,851,396	448,500,000	301,690,771	48.08%	0.59%	0.93%
8	INFRASTRUCTURAL DEVELOPMENT	12,196,330,000	5,862,800,128	9,859,800,000	6,807,739,350	12,279,557,006	4,143,784,503	24,183,160,000	13,291,301,476	51.45%	23.21%	39.06%
9	LEGISLATIVE ADMINISTRATION	511,700,000	0	499,900,000	0	850,500,000	5,000,000	513,489,000	44,745,051	2.09%	0.94%	0.06%
10	PUBLIC FINANCE	14,833,830,000	91,388,517	16,686,900,000	82,424,787	5,567,439,750	90,389,784	2,490,500,000	548,426,176	2.05%	15.70%	1.05%
11	REGIONAL DEVELOPMENT	7,680,000,000	7,043,642,332	7,500,000,000	4,152,497,031	7,024,000,000	4,062,000,000	6,214,636,800	5,318,974,573	72.41%	11.27%	26.70%
12	COMMUNITY DEVELOPMENT	1,649,600,000	474,914,731	2,079,900,000	199,488,669	4,290,065,318	41,108,141	2,433,000,000	12,834,226	6.97%	4.15%	0.95%
13	TRADE AND INDUSTRY	2,850,000,000	244,185,163	1,588,000,000	927,411,610	2,382,000,000	111,158,436	2,305,000,000	852,737,519	23.40%	3.62%	2.77%
	Total	54,297,050,000	19,592,127,526	54,526,375,000	15,363,856,573	66,210,681,885	9,869,443,063	77,077,148,296	32,246,828,660	30.57%	100.00%	100.00%

2.B.2 Debt Position

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

Table 7: Debt Position as at 31st December 2019

Debt Sustainability Analysis		
A DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2019
Solvency Ratios		Percentage
1 Total Domestic Debt/Total Recurrent Revenue	50%	74.63%
2 Total Domestic Debt/IGR	150%	279.08%
3 Total External Debt/Total Revenue	50%	33.10%
4 Total Public Debt/Total Revenue	100%	107.73%
5 Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
Liquidity Ratios		
6 External Debt Service/Total Revenue	10%	0.90%
7 Total Debt Service/Total Revenue	15%	16.98%
8 Domestic Debt Service/IGR	10%	60.13%
		2019 Actual
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2019		Naira
1 Total Domestic Debt		67,502,414,614
2 Total External Debt		29,935,930,987
3 Total Public Debt		97,438,345,601
4 Total Domestic Debt Service 2019		14,543,179,657
5 Total External Debt Service in 2019		812,522,939
6 Total Public Debt Service		15,355,702,595
C STATE GDP FOR 2019		
1 State GDP		0

111. By December 2019, the State's total public debt was N97,438,345,601 broken into N67,502,414,614 for domestic debt and N29,935,930,9873 for external debt. In general, the State is not faring well in all the analyses particularly those related to IGR. Specifically, domestic debt to IGR solvency ratio is almost double the required threshold, and domestic debt service to IGR liquidity ratio is more than six times worse. This is largely due to a low IGR base which must be increased in the short-medium term. Once IGR is at a more appropriate level compared to the level of economic activity in the State, more domestic borrowing will be possible.
112. In the interim, although foreign exchange represents a risk, foreign loans represent a more affordable solution to borrowing.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

113. The Macroeconomic framework is based on IMF’s national real GDP growth and inflation forecasts from the October 2020 World Economic Outlook document, and mineral benchmarks (oil price, production and NGN:USD exchange rate) from the 2020-2021 Federal Fiscal Framework.

Table 8: Macroeconomic Framework

Macro-Economic Framework			
Item	2021	2022	2023
National Inflation	11.95%	10.94%	11.02%
National Real GDP Growth	3.00%	4.68%	3.86%
Oil Production Benchmark (MBPD)	1.8600	2.0900	2.3800
Oil Price Benchmark	\$40.00	\$40.00	\$40.00
NGN:USD Exchange Rate	379	379	379
Other Assumptions			
Mineral Ratio	36%	36%	38%

3.B Fiscal Strategy and Assumptions

Policy Statement

114. Ondo State’s mission is to mobilize the people of the State to harness all its God-given resources, create and use wealth for the ends of individual happiness, collective fulfilment and peaceful cohabitation in a safe and secure environment of transparent and honest leadership. The State’s fiscal policy is envisaged to control and enforce compliance with established spending and budgeting system, which include aggregate fiscal discipline, allocative efficiency and effective spending.

Objectives and Targets

115. The key targets for Ondo State Government from a fiscal perspective are to:

- i. consolidate and improve on the provision of functional education strategy already embarked upon in the State, with emphasis on technical and technological aspects;
- ii. sustain and improve the State’s healthcare delivery system;
- iii. enhance the overall improvement in human capital development such that will empower youths, artisans and market women for wealth and jobs creation;
- iv. ensure security of lives and properties of the residents of the State;
- v. combat the spread of Covid-19 and ameliorate the effects of same on people, SMEs and MSMEs across the State;
- vi. ensure the completion of the on-going capital projects and also sustain the current investment in infrastructural facilities;
- vii. sustain and intensify the current efforts in Independent Revenue generation;
- viii. combat gender-based violence and facilitate social inclusion through target spending on the vulnerable and other marginalised group;
- ix. improve the state’s public financial management to entrench transparency, accountability and integrity; and

- x. Strategic diversification of the state's economy using the Public Private Partnership (PPP) model.

3.C Indicative Three-Year Fiscal Framework

116. The indicative three-year fiscal framework for the period 2020-2023 is presented in the table below.

Table 9: Ondo State Medium Term Fiscal Framework

Macro-Economic Framework			
Item	2021	2022	2023
National Inflation	11.95%	10.94%	11.02%
National Real GDP Growth	3.00%	4.68%	3.86%
Oil Production Benchmark (MBPD)	1.8600	2.0900	2.3800
Oil Price Benchmark	\$40.00	\$40.00	\$40.00
NGN:USD Exchange Rate	379	379	379
Other Assumptions			
Mineral Ratio	36%	36%	38%
Recurrent Revenue			
	2021	2022	2023
Statutory Allocation	33,413,267,658.54	39,427,655,837	46,524,633,888
Net Derivation	11,583,777,563.23	13,016,180,165	15,645,711,512
VAT	12,925,776,175.98	14,187,472,237	15,295,413,282
IGR	28,581,307,400	34,297,568,880	41,157,082,656
Total Recurrent Revenue	86,504,128,798	100,928,877,119	118,622,841,338
Recurrent Expenditure			
Personnel	42,227,913,104.68	46,381,070,586	51,111,939,786
Overheads	3,849,449,620.00	3,995,735,378	3,596,161,840
Social Contribution and Social Benefits	10,915,880,000.11	13,099,056,000	15,718,867,200
Special Programmes	10,667,243,853.61	15,022,291,541	16,022,291,541
Grants and Contributions	9,488,050,500.00	8,429,500,000	9,429,500,000
Public Debt Charge	13,632,855,034.70	13,383,766,564	13,041,772,631
Transfer to Local Government	2,330,470,016.12	2,767,764,019	3,292,516,823
Transfer to Internal Revenue Services	5,276,607,239.05	6,619,928,686.86	8,231,914,424.23
Total	98,388,469,368	109,699,112,775	120,444,964,246
Transfer to Capital Account	-11,884,340,570	-8,770,235,656	-1,822,122,908
Capital Receipts			
Grants	12,500,715,004	2,772,286,400	2,872,286,400
Other Capital Receipts	42,072,462,969	14,790,000,000	8,790,000,000
Total	54,573,177,973	17,562,286,400	11,662,286,400
Transfer to OSOPADEC	4,633,511,025.29	5,206,472,066	6,258,284,605
Reserves			
Contingency Reserve	0	0	0
Planning Reserve	0	0	0
Total Reserves	0	0	0
Capital Expenditure			
	56,774,132,267	11,199,878,678	12,196,178,888
Discretionary Funds	38,148,989,619	223,292,278	119,592,488
Non-Discretionary Funds	18,625,142,648	10,976,586,400	12,076,586,400
Financing	18,718,805,890	7,614,300,000	8,614,300,000
Total Budget Size	159,796,112,660.95	126,105,463,519	138,899,427,738
Ratios			
Growth in Recurrent Revenue	8.40%	16.68%	17.53%
Growth in Recurrent Expenditure	5.00%	11.50%	9.80%
Capital Expenditure Ratio	38.43%	13.01%	13.29%
Deficit to Total Expenditure	11.71%	6.04%	6.20%

117. The capital receipts expected in the State for the period 2021-2023 is presented in the table below.

Table 10: Capital Receipts

DETAILS OF CAPITAL RECEIPTS				
CAPITAL RECEIPT PAGE				
ITEM	2021	2021 Counterpart	2022	2023
Internal Grants				
IG & MRU FG Conditional Grant	250,000,000	250,000,000	0	0
State Fiscal Transparency Accountability and Sustainability Program for Results (SFTAS)	6,400,000,000			
SUBEB (UBEC)	1,510,664,675.00	1,510,664,675.00	1,700,000,000.00	1,800,000,000
Contributory Health Scheme	256,000,000.00	600,000,000	256,000,000	256,000,000
FGN Grant:N-CARES Fund- Cash Transfer and Public Workfare	780,800,000	0		
FGN Grant:N-CARES Fund-FADAMA	995,400,000	0		
FGN Grant:N-CARES Fund- Commerce and Microcredit	378,000,000	0		
FGN Grant:N-CARES Fund- Community & Social Devt	365,400,000	0		
Basic Health Care Provision Fund -PH/CDB	251,500,000	62,875,000		
Basic Health Care Provision Fund -Emergency Response Agency	13,500,000	0		
Sub-Total Internal Grant	11,201,264,675	2,423,539,675	1,956,000,000	2,056,000,000
External Grants				
UNICEF	200,000,000	0	16,286,400	16,286,400
National Urban Water Supply Reform Project	349,850,833	0	800,000,000	800,000,000
REDD+ Project (World Bank Supported)	40,000,000	40,000,000		
National Primary Healthcare Fund				
Partnership for Expansion of Water Supply and Sanitation and Hygiene (PEWASH)	559,599,496.00	400,000,000		
Malaria Control-AFDB Funded	150,000,000	10,000,000	0	0
Sub-Total External Grant	1,299,450,329.22	450,000,000.00	816,286,400.00	816,286,400.00
Grant Balancing Item / Blue Sky				
Total Grants	12,500,715,004	2,873,539,675	2,772,286,400	2,872,286,400
Loans				
Internal Loans/Borrowings BOND	5,000,000,000.00		0	
Internal Loans/Borrowings	7,504,505,890			
Accelerated Agricultural Development Scheme (AADS)	100,000,000	0		
Export Facilitation Initiative (OSAEC)	0		2,000,000,000	2,000,000,000
Cocoa Development Initiative (Cocoa Revo)	250,000,000			
National Livestock Transformation Fund (OSAEC)	1,000,000,000	0	1,000,000,000	1,000,000,000
Total	13,854,505,890.00	-	3,000,000,000.00	3,000,000,000.00
Loans 2				
RAAMP	1,500,000,000	500,000,000	2,500,000,000	3,500,000,000
African Development Bank (AFDB) Water Facility	1,000,000,000	150,000,000.00		
Ondo State Erosion and Watershed Management Project (NEWMAP)	1,250,000,000	300,000,000	1,000,000,000	1,000,000,000
Livestock Productivity and Resilience Support (L-PRES)	600,000,000.00	80,000,000	600,000,000.00	600,000,000.00
LIFE-ND project (Min of Agric)	514,300,000.00	80,000,000	514,300,000.00	514,300,000.00
Total	4,864,300,000	1,110,000,000	4,614,300,000	5,614,300,000
Loan Balancing Item / Blue Sky				
Total Loans	18,718,805,890	1,110,000,000	7,614,300,000	8,614,300,000
Other Capital Receipts				
Roll-Over Fund -State Treasury	3,100,000,000.00		2,100,000,000.00	2,100,000,000.00
Roll-Over Fund- OSAEC (CACCS)	520,306,813.00			
Roll-Over Fund- Water Corporation (AFD Draw down)	1,465,732,111.40			
Roll-Over Fund- Water Corporation (AFD- GCC)	146,573,211.14			
Roll-Over Fund- Water Corporation (National Urban Water Supply Sector Reform)-GCC	49,850,833.22			
Gain on Disposal of Asset-Investment Property	5,500,000,000.00			
Refund from FGN on Roads(contri health Scheme Bal)	118,000,000.00		5,000,000,000.00	-
Excess Crude	2,100,000,000.00		2,100,000,000.00	2,100,000,000.00
Refund on Excess Crude	26,600,000,000.00		4,000,000,000.00	3,000,000,000.00
Contributory Health Scheme- Insurance Premium	472,000,000.00		590,000,000.00	590,000,000.00
Exchange Gain	2,000,000,000.00		1,000,000,000.00	1,000,000,000.00
Excess Petroleum Profit Tax	-			
Forex Account Stabilisation/Excess Bank Charges Refund	-			
Withholding Tax Refund from FGN	-			
AADS Rollover Fund	-			
STATE GOVT COVID-9 INTERVENTION FUND	-			
FEDERAL GOVT COVID-9 INTERVENTION FUND:				
i. Health				
ii. Agric				
iii. Environment and Sewage				
iv. Education/Broadband Penetration				
v. Water and Sanitation				
vi. Gen. Admin. (Social Safety Net)				
Total Other Capital Receipt	42,072,462,969	0	14,790,000,000	8,790,000,000
OCR Balancing Item / Blue Sky				
Total Other Capital Receipts	42,072,462,969	0	14,790,000,000	8,790,000,000

3.C.1 Assumptions

118. **Statutory Allocation** – Own value estimation is used for statutory allocation.
119. **Net Derivation** – the estimation of net derivation is based on an elasticity forecast using the assumptions adopted for statutory allocation.
120. **VAT** – the estimation of net derivation is based on an elasticity forecast using the assumptions adopted for statutory allocation.
121. **Other Federation Account Distributions** – the estimation is based on the current receipt (i.e. from January to October 2020). Furthermore, it is anticipated that new administrations will press FAAC for excess crude distributions in 2020 to assist in funding the challenges brought about by Covid-19.
122. **Independent Revenue (IR)** – the current administration introduced measures to grow IR. These measures have started yielding results as actual IR increased by 28% in 2018. It is anticipated that IR will continue to increase by 20% every year from 2021 and start to stabilise from 2023. Own Percentage is therefore used to forecast IGR for 2020 – 2022.
123. **Grants** – The internal grants are based on the actual receipts for 2019 and performance from January to September 2020. External grants are based on signed grant agreements with the development partners
124. **Financing (Net Loans)** – Ondo State intends to secure an internal loan/borrowing of about N6.0 billion (inclusive of N5.0 billion bond) in 2020. All other internal and external loans are projections based on signed agreements.
125. **Personnel** – It is anticipated that the intending recruitment expected to be carried out in 2021 will impact on the wage bill from 2021. So, the projection is that total wage bill will increase by 9.84% both in 2020 and 2021 and 10.2% in 2022.
126. **Overheads** – Overhead has been relatively stable over the last five years. It is anticipated that the status quo will remain. Consequently, own value method is used to forecast overhead for 2020, 2021 and 2022.
127. **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.
128. **Special Programme** – The figure for Special programme is to remain the same in 2021 as in the current year 2020. This is expected to increase by 23.1% in 2022 and marginally by 6.7% in 2023.
129. **Grants and Contributions** – Grants and contribution is estimated to increase by 10% in 2021, reduce by 8.1% in 2022 and later increase by 11.86 in 2023.
130. **Public Debt Charge** – is based on the projected principal and interest repayments for 2020, 2021 and 2022.
131. **Transfer to Internal Revenue Services** – is 10% of total IGR for 2020, 2021 and 2022.
132. **Transfer to Local Governments** – is 10% of total IGR (after deduction of cost of collection) for 2020, 2021 and 2022.
132. **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

133. Based on the above assumptions, plus actual revenue and expenditure figures for 2015-2019 (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 22: Ondo State Revenue Trend

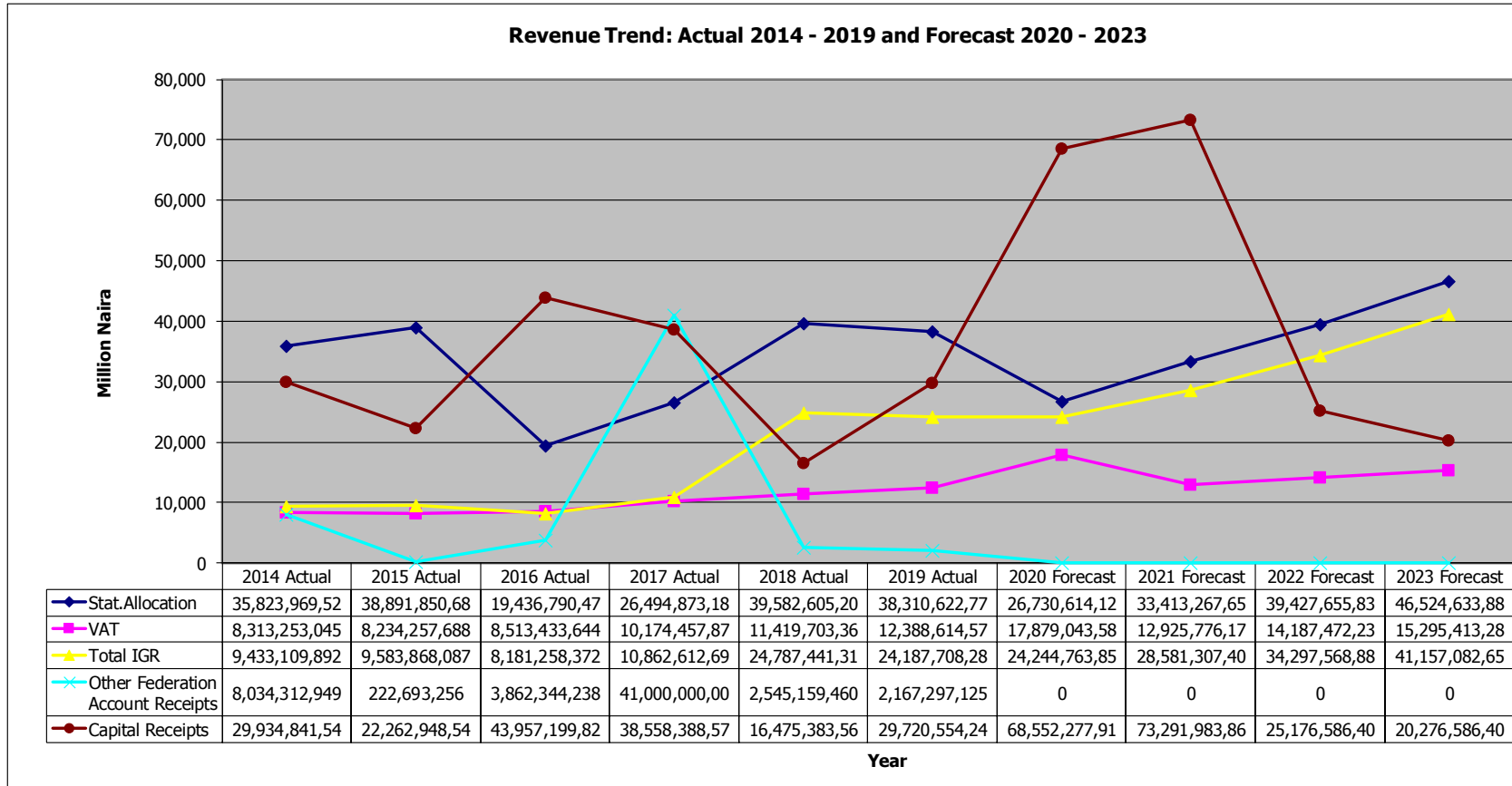
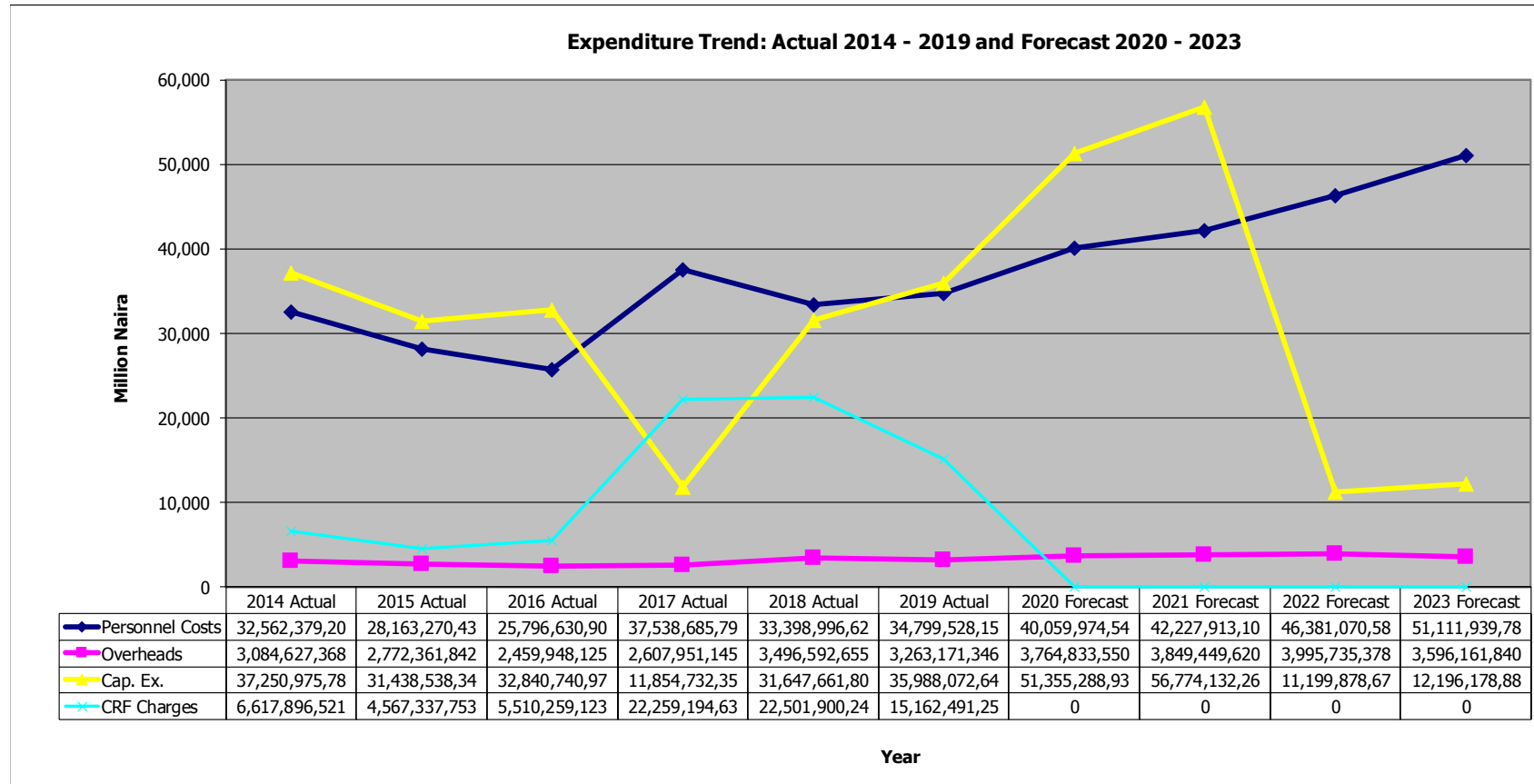


Figure 23: Ondo State Expenditure Trend



3.D Fiscal Risks

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

Table 12: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Militancy/Pipeline vandalism that could lead to reduction in daily oil production	Medium	High	Dependence on Statutory allocation and Mineral derivation is crucial to the budget, however, 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.)
Security situation countrywide could affect economic activity and oil production, resulting in risk to VAT and Statutory Allocation	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

136. It should be noted however that no budget is without risk. The ongoing implementation of the 2019 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

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

- Create efficiencies in Personnel and overhead expenditure to allow greater resource for capital development;
- Grow IR by a minimum of 20% every year from 2021-2023;
- To harness the public, corporate and private individual grants to boost the State's revenue;
- Give priority to cushioning the effects of coronavirus pandemic through agricultural re-engineering and provision of healthcare facilities, palliatives and economic rebound initiatives like Micro-Credit loans;
- Grow the economy through targeted spending in areas of comparative advantage;
- Sustaining the regime of peace being enjoyed in the State through provision or requisite support to security agencies for Crime Control and Prevention; and
- Have a long term target of Funding all Recurrent Expenditure with Recurrent Revenue (IR, VAT and Non Mineral Compact of Statutory Allocation).

4.B Sector Allocations (3 Year)

138. The total forecast budget size for the 2021 fiscal year as explained in Section 3.C above is **₦159,796,112,660.73** of which the sums of **₦79,148,712,078.29** will be for recurrent expenditure (i.e. Personnel, Overhead, Social Contributions, Special Programmes, Grants & Contributions), **₦56,774,132,267.39** will be for capital expenditure and **₦12,240,588,280.46** as Statutory Transfers to OSOPEDEC, 10% share of State IGR to Local Government and Transfers to Internal Revenue Service. The capital component of the budget is derived from discretionary and non-discretionary funds. Discretionary fund of **₦38,148,989,619.00** will be distributed to all MEDAs while non-discretionary capital fund of **₦18,625,142,648.00** is specifically earmarked for special projects. The non-discretionary fund is in the form of loans and grants.

139. The indicative overhead and capital allocation (envelope) to the sectors for 2021-2023 are based on the combined proportion of budget and actual expenditure as shown in tables 12 and 13 below.

Table 13: Indicative Sector Expenditure Ceilings 2020-2022 – Overhead

Overhead Expenditure by Sector									
No.	Sector	2020 Budget	2020 Budget %	% 2021	2021 Allocation	% 2022	2022 Allocation	% 2023	2023 Allocation
1	ADMINISTRATION OF JUSTICE	1.41%	52,964,773	1.41%	54,155,176	1.41%	56,213,167	1.41%	50,591,850
2	AGRICULTURAL DEVELOPMENT	0.37%	13,970,743	2.15%	82,763,167	2.15%	85,908,311	2.15%	77,317,480
3	EDUCATION	17.90%	673,874,051	4.21%	162,061,829	4.21%	168,220,459	4.21%	151,398,413
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.44%	16,742,440	0.44%	17,118,732	0.44%	17,769,274	0.44%	15,992,347
5	GENERAL ADMINISTRATION	24.29%	914,633,804	24.29%	935,190,548	24.29%	970,729,410	24.29%	873,656,469
6	HEALTH	1.22%	46,050,424	1.75%	67,365,368	1.75%	69,925,369	1.75%	62,932,832
7	INFORMATION	1.41%	53,205,691	1.41%	54,401,509	1.41%	56,468,860	1.41%	50,821,974
8	INFRASTRUCTURAL DEVELOPMENT	2.23%	83,893,850	2.23%	85,779,397	2.23%	89,039,162	2.23%	80,135,246
9	LEGISLATIVE ADMINISTRATION	4.48%	168,711,230	4.48%	172,503,079	4.48%	179,058,495	4.48%	161,152,645
10	PUBLIC FINANCE	39.96%	1,504,462,246	39.96%	1,538,275,609	39.96%	1,596,732,748	39.96%	1,437,059,473
11	REGIONAL DEVELOPMENT	2.65%	99,657,763	0.00%	0	0.00%	0	0.00%	0
12	COMMUNITY DEVELOPMENT	3.18%	119,773,657	3.18%	122,465,616	3.18%	127,119,522	3.18%	114,407,570
13	TRADE AND INDUSTRY	0.45%	16,892,878	1.35%	51,967,570	1.35%	53,942,428	1.35%	48,548,185
	Total	100%	3,764,833,550	86.87%	3,849,449,620	86.87%	3,995,735,378	86.87%	3,596,161,840

Table 14: Indicative Sector Expenditure Ceilings 2020-2022 – Personnel

Personnel Expenditure by Sector																				
No.	Sector	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	Performance	Average Budget	Average Actual	2020 Budget	2020 Budget %	% 2021	2021 Allocation	% 2022	2022 Allocation	% 2023	2023 Allocation
1	ADMINISTRATION OF JUSTICE	1,597,698,559	1,042,836,239	1,730,148,657	1,741,985,188	2,000,111,257	1,419,429,612	2,100,116,819	1,838,419,073	81.35%	4.52%	4.28%	1,762,199,908	4.40%	4.40%	1,857,565,449	4.40%	2,040,258,868	4.40%	2,248,365,273
2	AGRICULTURAL DEVELOPMENT	1,438,279,032	693,391,109	1,197,548,881	1,087,688,788	1,372,349,452	1,190,401,005	1,440,966,925	1,205,370,080	76.65%	3.32%	2.96%	1,256,449,166	3.14%	3.14%	1,324,444,831	3.14%	1,454,705,304	3.14%	1,603,085,245
3	EDUCATION	17,769,460,586	9,372,001,521	16,890,567,520	2,313,890,181	17,343,821,887	16,549,698,693	18,211,012,981	16,424,887,761	63.61%	42.75%	31.60%	37,176	14.891,696,899	37.17%	15,697,595,660	37.17%	17,241,469,891	37.17%	19,000,099,820
4	ENVIRONMENT AND SEWAGE MANAGEMENT	331,388,436	162,923,495	283,977,572	278,863,838	283,977,572	317,038,788	298,176,450	320,593,333	90.14%	0.73%	0.76%	299,010,249	0.75%	0.75%	315,191,883	0.75%	346,191,319	0.75%	381,502,834
5	GENERAL ADMINISTRATION	2,185,251,228	7,704,924,888	18,588,960,879	27,083,316,583	6,637,515,182	5,243,270,743	1,095,489,291	873,009,309	143.49%	17.36%	28.94%	9,273,489,946	23.15%	23.15%	9,775,346,390	23.15%	10,736,761,483	23.15%	11,831,911,154
6	HEALTH	8,720,184,640	4,497,858,491	7,866,772,912	7,984,002,376	7,866,772,912	8,404,463,870	8,341,071,055	9,289,466,439	92.01%	19.97%	21.35%	8,275,771,168	20.66%	20.66%	8,723,633,744	20.66%	9,581,611,847	20.66%	10,558,936,255
7	INFORMATION	533,678,510	255,605,905	510,646,348	393,851,437	510,646,348	357,887,704	536,178,666	359,509,288	65.36%	1.27%	0.97%	448,717,991	1.12%	1.12%	473,001,408	1.12%	519,521,569	1.12%	572,512,769
8	INFRASTRUCTURAL DEVELOPMENT	1,878,934,884	830,021,235	1,679,206,298	1,202,543,760	1,720,182,474	1,477,173,974	1,898,763,144	1,503,849,003	69.86%	4.37%	3.55%	1,585,745,139	3.96%	3.96%	1,671,561,420	3.96%	1,835,961,157	3.96%	2,023,229,195
9	LEGISLATIVE ADMINISTRATION	436,877,963	217,305,558	400,448,739	365,004,433	400,448,739	377,694,699	420,471,148	373,742,839	80.43%	1.01%	0.94%	391,237,056	0.98%	0.98%	412,409,758	0.98%	452,970,670	0.98%	499,173,678
10	PUBLIC FINANCE	1,146,469,533	582,728,190	1,099,540,817	1,105,433,641	1,230,630,879	1,100,874,853	1,292,162,423	1,056,208,474	80.63%	2.90%	2.72%	1,126,489,970	2.81%	2.81%	1,187,452,591	2.81%	1,304,239,740	2.81%	1,437,272,194
11	REGIONAL DEVELOPMENT	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0	0.00%	0
12	COMMUNITY DEVELOPMENT	641,158,383	282,264,374	489,056,563	593,563,218	445,064,262	395,725,300	374,354,587	427,045,175	87.12%	1.19%	1.20%	478,478,433	1.19%	1.19%	504,372,405	1.19%	553,977,935	1.19%	610,483,685
13	TRADE AND INDUSTRY	320,618,247	154,769,902	267,124,813	239,287,238	212,162,117	331,302,298	227,700,219	304,563,439	100.72%	0.62%	0.73%	270,688,624	0.68%	0.68%	285,337,568	0.68%	313,400,303	0.68%	345,367,585
	Total	37,000,000,000	25,796,630,908	51,004,000,000	44,389,430,682	40,023,683,079	37,164,961,537	36,231,533,708	33,976,764,212	86.04%	100.00%	100.00%	40,059,974,548	100.00%	100.00%	42,227,913,105	100.00%	46,381,070,586	100.00%	51,111,939,786

Table 15: Indicative Sector Expenditure Ceilings 2020-2022 – Capital

Sector	Discretionary Funds						Non-Discretionary Funds			Total Capital Envelope					
	% 2021	2021 Allocation	% 2022	2022 Allocation	% 2023	2023 Allocation	2021 Allocation	2022 Allocation	2023 Allocation	% 2021	2021 Allocation	% 2022	2022 Allocation	% 2023	2023 Allocation
ADMINISTRATION OF JUSTICE	2.71%	1,034,000,000	2.71%	6,052,171	2.71%	3,241,465	0	0	0	1.8%	1,034,000,000	0.1%	6,052,171	0.0%	3,241,465
AGRICULTURAL DEVELOPMENT	3.68%	1,404,000,000	3.68%	8,217,842	3.68%	4,401,371	6,220,006,813	6,614,300,000	7,614,300,000	13.4%	7,624,006,813	59.1%	6,622,517,842	62.5%	7,618,701,371
EDUCATION	7.72%	2,946,499,999	7.72%	17,246,347	7.72%	9,236,923	3,021,329,350	1,700,000,000	1,800,000,000	10.5%	5,967,829,349	15.3%	1,717,246,347	14.8%	1,809,236,923
ENVIRONMENT AND SEWAGE MANAGEMENT	3.15%	1,200,000,000	3.15%	7,023,796	3.15%	3,761,855	1,550,000,000	1,000,000,000	1,000,000,000	4.8%	2,750,000,000	9.0%	1,007,023,796	8.2%	1,003,761,855
GENERAL ADMINISTRATION	9.84%	3,754,947,912	9.84%	21,978,325	9.84%	11,771,309	1,280,800,000	0	0	8.9%	5,035,747,912	0.2%	21,978,325	0.1%	11,771,309
HEALTH	3.72%	1,419,375,000	3.72%	8,307,834	3.72%	4,449,570	1,488,000,000	846,000,000	846,000,000	5.1%	2,907,375,000	7.6%	854,307,834	7.0%	850,449,570
INFORMATION	1.96%	748,000,000	1.96%	4,378,166	1.96%	2,344,890	0	0	0	1.3%	748,000,000	0.0%	4,378,166	0.0%	2,344,890
INFRASTRUCTURAL DEVELOPMENT	48.37%	18,452,166,709	48.37%	108,003,551	48.37%	57,845,320	4,121,606,485	800,000,000	800,000,000	39.8%	22,573,773,194	8.1%	908,003,551	7.0%	857,845,320
LEGISLATIVE ADMINISTRATION	0.56%	212,000,000	0.56%	1,240,871	0.56%	664,594	0	0	0	0.4%	212,000,000	0.0%	1,240,871	0.0%	664,594
PUBLIC FINANCE	8.77%	3,345,000,000	8.77%	19,578,832	8.77%	10,486,172	200,000,000	16,286,400	16,286,400	6.2%	3,545,000,000	0.3%	35,865,232	0.2%	26,772,572
REGIONAL DEVELOPMENT	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
COMMUNITY DEVELOPMENT	2.23%	851,000,000	2.23%	4,981,042	2.23%	2,667,783	365,400,000	0	0	2.1%	1,216,400,000	0.0%	4,981,042	0.0%	2,667,783
TRADE AND INDUSTRY	7.29%	2,782,000,000	7.29%	16,283,501	7.29%	8,721,235	378,000,000	0	0	5.6%	3,160,000,000	0.1%	16,283,501	0.1%	8,721,235
Total	100.00%	38,148,989,619	100.00%	223,292,278	100.00%	119,592,488	18,625,142,648	10,976,586,400	12,076,586,400	100.00%	56,774,132,267	100.00%	11,199,878,678	100.00%	12,196,178,888

4.C Considerations for the Annual Budget Process

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

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

Section 5 Summary of Key Points and Recommendations

141. 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, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for.
- b. The 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 \$40 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.
- c. The State should strive to reduce her recurrent expenditure so as to much funds for capital development. Efforts should also be made to discourage borrowing in the next fiscal year, and if there is going to be borrowing at all, external source should be the option.