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CHAPTER ONE

1.0 Introduction

1.1 The State Debt Sustainability Analysis (S-DSA) Toolkit was developed by Debt Management Office, Nigeria and reviewed by the World Bank to analyze the trends and patterns in the State's public finances during the period of 2017 - 2021 while also evaluating the ability of the State to sustain its debt in the long term (2022 – 2031).

The Debt Sustainability Analysis carried out by Oyo State's Technical Team appraised recent Revenue, Expenditure, State Public debt trends, and related policies adopted by the State Government, while considering the policy thrust of the State.

A sub-national sustainability assessment was conducted using baseline scenarios and sensitivity analysis in order to evaluate the prospective performance of the State's public finances going forward. The intention is to assist the Oyo state Government in striking a balance between the State's programmes execution and new borrowings by utilizing recent trends in the State's public finances.

A sustainable debt provides confidence that the government will be able to borrow and pay potential creditors. Unsustainable debt levels, on the other hand, present risks to government expenditures on development and social programmes since a large proportion of revenue would be diverted to debt service.

1.2 SUMMARY OF FINDINGS

The results of the Oyo State S-DSA show that the State's debt portfolio appears to be sustainable in the long term. The State has made giant strides in IGR mobilization through the recently introduced, improved, tax administration reforms and automation of revenue collection. The State's revenue office is now autonomous with more competent personnel to follow through on the state's vision with the assistance of up-to-date technology. Also worthy of mention is the Land Used Charge as a new revenue head embedded with motivators to reduce tax defaulters, and the recently signed MOU with Park Management System (PMS) in the area of

tax which is bound to have a positive effect on State Revenue. Given the State's forecasts for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is a 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 astronomically. The dwindling revenue accrued to Federation Account Allocation Committee (FAAC) is attributed to massive crude oil theft and pipeline vandalism which affected Nigeria's ability to meet its Organization of Petroleum Exporting Countries (OPEC) production quota, issues such as fuel subsidies payment, continued allocation to revenue generating agencies, low tax revenue should be quickly resolved by the Federal Government, if the government wants to come out of its present quagmire.

CHAPTER TWO

2.0 OYO STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms in the Last 4 to 6 years

The State fiscal reforms essentially focus on expanding the Internally-Generated Revenue and reducing debt stock and liability. Specifically, the State has carried out a number of strategic reforms in the areas of restructuring and strengthening of Revenue Generating Institutions, Amendment of Debt Management Agency's Law and Development of Domestic Arrears Clearance Framework, Adoption of Treasury Single Account (TSA) and IPSAS cash basis and accrual methods, Automation of Payroll System and Public Procurement reforms as well as Alternative Project Funding Approach- Contractor's financing method among others. Furthermore, the State is on the verge of having her Development Plan, Investment Plan and Pensions system reforms through the adoption of the Contributory Pension Scheme.

2.2 Oyo State Approved 2022 Budget and Medium-Term Expenditure Framework (MTEF), 2022-2025

2.2.1 Approved 2022 Budget

The Year 2022 budget was derived from Oyo State Accelerated Development Road Map put in place by the present administration and the State had developed Medium-Term Expenditure Framework (MTEF) while the State Development Plan is being finalized for launching. The State continued to mitigate against the effect of Covid-19 by prioritizing her finances for on-going projects and programs, particularly those that would boost Human Capital Development, Infrastructure Development, Agriculture, Poverty Alleviation and Social Inclusion, Grassroots Development and Social Services, Employment Generation, Qualitative Basic Education, Quality Healthcare Service Delivery as a catalyst for the exponential growth of the State's economy.

Item	2022	2023	2024	2025
National Inflation	16.11%	17.16%	16.21%	17.21%
National Real GDP Growth	3.55%	3.75%	3.30%	3.46%
State Inflation	19.64%	20.40%	18.96%	17.50%
State Real GDP Growth				
State GDP Actual	4,052,399,000,000	4,477,480,000,000	4,869,528,000,000	5,306,227,000,000
Oil Production Benchmark (MBPD)	1.6000	1.6900	1.8300	1.8300
Oil Price Benchmark	\$73.00	\$70.00	\$66.00	\$62.00
NGN:USD Exchange Rate	410.15	435.57	435.92	437.57
Other Assumptions				
Mineral Ratio	35%	38%	38%	36%

Fiscal Framework

Item	2022	2023	2024	2025
Opening Balance	3,178,260,498	3,337,173,523	3,504,032,199	3,679,233,809

Recurrent Revenue				
Statutory Allocation	61,349,413,580	71,825,031,313	76,320,020,904	75,425,901,122
Derivation				
VAT	46,161,859,152	51,166,169,687	57,408,141,365	64,938,352,832
IGR	65,038,996,973	78,408,886,923	99,517,036,963	123,457,976,796
Excess Crude / Other Revenue	0	0	0	0
Total Recurrent Revenue	172,550,269,705	201,400,087,923	233,245,199,232	263,822,230,749

Recurrent Expenditure

Personnel Costs	66,598,154,294	73,865,016,632	83,419,052,891	94,771,359,118
Social Contribution and Social Benefit	17,743,964,957	17,047,959,576	16,111,118,346	14,999,558,934
Overheads	19,153,306,959	19,153,306,959	19,153,306,959	19,153,306,959
Grants, Contributions and Subsidies	0	0	0	0
Public Debt Service	20,000,000,000	20,000,000,000	20,000,000,000	20,000,000,000
Total	123,495,426,210	130,066,283,167	138,683,478,197	148,924,225,011

Transfer to Capital Account	52,233,103,993	74,670,978,279	98,065,753,234	118,577,239,547
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Capital Receipts

Grants	8,486,914,426	7,198,988,234	8,218,544,141	8,115,000,279
Other Capital Receipts	27,846,731,194	27,846,731,194	28,846,731,194	28,846,731,194
Total	36,333,645,620	35,045,719,428	37,065,275,334	36,961,731,473

Reserves

Contingency Reserve	2,635,927,953	3,071,058,922	3,551,238,471	4,012,521,968
Planning Reserve	2,635,927,953	3,071,058,922	3,551,238,471	4,012,521,968
Total Reserves	5,271,855,906	6,142,117,843	7,102,476,943	8,025,043,937

Capital Expenditure	109,944,893,707	165,024,579,863	159,978,551,625	179,463,927,083
Discretionary Funds	86,457,979,281	142,825,591,629	136,760,007,485	156,348,926,804
Non-Discretionary Funds	23,486,914,426	22,198,988,234	23,218,544,141	23,115,000,279

Financing (Loans)	26,650,000,000	61,450,000,000	31,950,000,000	31,950,000,000
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Total Revenue (Including Opening Balance)	238,712,175,823	301,232,980,874	305,764,506,765	336,413,196,031
Total Expenditure (including Contingency Reserve)	238,712,175,823	301,232,980,874	305,764,506,765	336,413,196,031

Closing Balance				
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Ratios				
Growth in Recurrent Revenue	-18.29%	16.72%	15.81%	13.11%
Growth in Recurrent Expenditure	28.42%	5.32%	6.63%	7.38%
Capital Expenditure Ratio	47.16%	55.80%	53.48%	54.54%
Deficit (Financing) to Total Expenditure	11.16%	20.40%	10.45%	9.50%
Deficit (Financing) to GDP Ratio	1%	1%	1%	1%

Based on the foregoing fiscal assumptions and parameters. The Oyo State total revenue available to fund the 2022 Budget is estimated at ₦294.705 billion. This includes Internally Generated Revenue, Statutory Allocation, Value Added Tax, Other Statutory Revenue, Domestic Grants, Foreign Grants, Opening Balance, Domestic Loans, Foreign Loans and Sale of Government Assets, respectively.

An aggregate expenditure of ₦294.705 billion is proposed by the Oyo State Government in 2022. The 2022 proposed Expenditure comprises, Debt Repayment (Interest and Principal) of ₦20 billion, Personnel of ₦69.112 billion, Overhead ₦27.939 billion, Recurrent Expenditure of ₦22.975 billion, and Capital Expenditure of ₦154.678 billion, respectively.

2.3 Medium Term Budget Forecast: The State has been developing the Medium -Term-Expenditure Framework which provided a projection of revenue and expenditure of the Government. The assumptions are described below.

1. **Statutory Allocation** - the estimation for Statutory Allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2022-2025 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP growth, inflation data and mineral data (oil price and production benchmarks and a mineral ratio).
2. **VAT** - is based on five year moving average using the combined change in GDP growth and Inflation Rate. The estimate for 2022-2025 is in line with the current rate of collections.
3. **Other Federation Account Distributions** - the estimation is based on the current receipt (i.e. from January to July, 2022).

4. **Internally Generated Revenue (IGR)** - the estimation is based on five years moving average which is calculated based on the State's historical revenue performances, with due consideration for outliers and extreme values during the period.
5. **Grants** - the internal grants are based on the actual receipts for 2022 and performance from January to April 2022 and on signed grant agreements with the World Bank, UNICEF etc.
6. **Expenditure Assumptions - Personnel:** Personnel Cost has been projected using five-year moving average based on actual historical cost. However, the implementation of the new minimum wage and possible new recruitment will necessitate a review.
7. **Overheads** - Overhead has been projected using own value. It is therefore anticipated that the status quo will definitely remain stable; therefore, we adopted the four-year moving average techniques.
8. **Capital Expenditure** - this is based on the balance from the recurrent account plus capital receipts, less than planning and contingency reserve as outlined above.

CHAPTER THREE

3.0 REVENUE, EXPENDITURE AND PUBLIC DEBT TREND (2016– 2020)

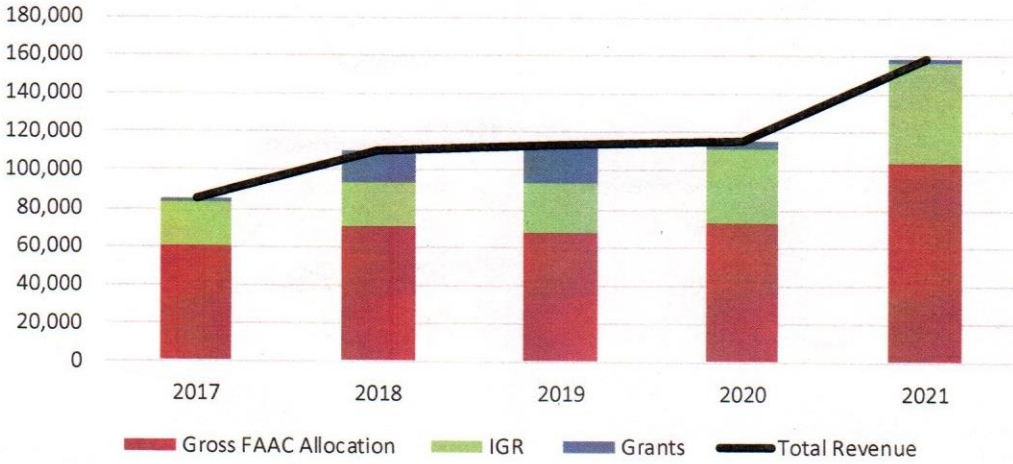
3.1 Revenue, Expenditure and Fiscal Performance, 2017-2021

3.1.1 Oyo State's Revenue stood at ₦158.401 billion in 2021 compared to ₦115.332 billion in the period of 2020, which represent an increase of ₦43.069 billion or 27.19 percent. The Revenue has shown improvements from 2017 to 2021, due to the growth increased in the financial resources to the real sector of the economy, and effective implementation of the Economic Policies in the State. The Gross FAAC allocation that comprises the Statutory allocation, derivations, VAT allocation, exchange rate gain, augmentation among others increased from ₦72.885 billion in 2020 to ₦104.5 billion in 2021, which present an increase of ₦31.615 billion or 30.25%, the increase was due to the Federal Government interventions and increase in non-oil revenue.

Oyo State's Internally Generated Revenue (IGR) shows a growth during the period under review, the IGR shows a significant grew from ₦22.442 billion in 2017 to ₦52.158 billion in 2021. The improvement in IGR was mainly because of tax administration reforms. These reforms covered legal, institutional, and operational frameworks. Accordingly, several reform activities were instituted to strengthen the IGR collection. Specifically, as a bedrock for other reforms, new Revenue Administration law was passed, among other things, to consolidate state revenue code covering all state IGR sources. Collections were thereafter enhanced with improvement on all electronic platforms and payment gateways used by the State Internal Revenue Service. The state also expanded its Taxpayer database and developed an electronic taxpayer database system. Revenue sources were expanded to include Introduction of Land Use Charge and all revenue leakages were blocked through automation processes.

	2017	2018	2019	2020	2021
Total Revenue	85,460	109,989	113,844	115,332	158,401
Gross FAAC Allocation	60,707	70,397	67,036	72,885	104,500
IGR	22,442	23,481	26,586	38,043	52,159
Grants	2,310	16,111	20,223	4,404	1,742

Chart 1: Revenue (N\$ million)



3.1.2 FAAC ALLOCATION

3.1.2.1 There has been a steady increase in Statutory Allocation since 2016/2017 economic recession from ₦31.8 Billion in 2017 to ₦47.6 Billion in 2018 before declining to ₦46.1 Billion in 2019, ₦38.01 Billion in 2019 and ₦39.71 Billion in 2021. The increase in Years 2017-2018 is as a result of the rise of global oil prices, stability in crude oil production owing to the improved security in the oil rich Niger Delta Region and improved economic activities which directly affects Company Income Tax (CIT) and Excise Duties (C&E), while, the declined observed between Years 2018-2021 was as a result oil theft in the Niger Delta region and Covid -19 pandemic.

Other factors leading to the improved Statutory Allocation include the Federal Government's zeal to improve the non-mineral revenue to reduce its over-dependence on oil and gas as its major revenue sources. Significant reforms were introduced mainly in FIRS (Federal Inland Revenue Service) and Nigerian Custom Service which yields positive results.

VAT has consistently surged since the country exited recession in 2017 despite continued high level of Consumer Price inflation. This trend is expected to continue following the signing into law of the Finance Bill 2019 which effectively raised the VAT rate from 5% to 7.5%. The implementation of this policy had consistently increased the State VAT receipt from ₦18.9 Billion in 2019 to ₦39.6 Billion in 2021 which represent an increase of ₦20.7 Billion or 52.27 percent.

3.1.3 Internally Generated Revenue

Oyo witnessed modest growth and significant improvement in the State IGR, where the IGR grew from ₦22.4 billion in 2017, ₦23.4 billion in 2018, ₦26.5 billion in 2019, ₦38.04 billion in 2020, and ₦52.15 billion in 2021, respectively.

Oyo state experienced a 37.11% year-on-year growth from ₦38.04bn in 2020 to ₦52.16bn in 2021.

The enhanced in Revenue is largely due to restructuring in IGR collection process. This include the review of Commissions pay to Revenue Consultants, tax administration reforms aimed at improving collection rates and broadening the tax revenue based through the informal sector.

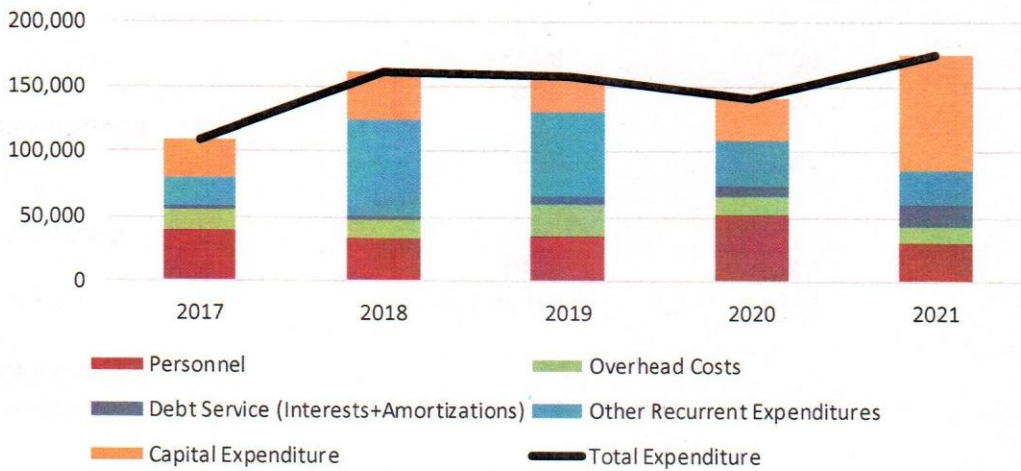
3.1.4 Expenditure Performance

The State's Total Expenditure includes Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2021 Oyo State total expenditure amounted ₦174.402 billion compared to ₦108.981 billion as at end-December 2017, which represent a growth of ₦65.420 billion or 37.51 percent. The personnel cost stood at ₦40.155

billion in 2017, ₦33.073 billion in 2018, ₦35.592 billion in 2019, ₦51.484 billion in 2020, and ₦57.015 in 2021 respectively. The overhead cost stood at ₦13.05 billion in 2021 compared to ₦14.7 billion in 2017. Capital expenditure amounted to ₦88.48 billion in 2021, ₦31.28 billion in 2020, ₦28.97 billion in 2019, ₦37.57 billion in 2018 and ₦28.78 billion in 2017, respectively. The Total debt service that comprises the interest payment and principal repayment stood at ₦15.85 billion as at end-December 2021 compared to ₦3.56 billion as at end-December 2017.

	2017	2018	2019	2020	2021
Total Expenditure	108,982	161,367	158,832	140,860	174,402
Personnel	40,156	33,074	35,592	51,484	57,016
Overhead Costs	14,743	14,091	24,400	14,214	13,052
Debt Service (Interest + Amortization)	3,556	3,898	6,385	7,948	15,850
Other Recurrent Expenditure	21,749	72,731	63,481	35,935	12,682
Capital	28,778	37,573	28,973	31,279	88,484

Chart 2: Expenditure (N\$ million)



3.1.5 Main Expenditure Variations Personnel

Remunerations due to the employees of the State which is paid centrally by the Ministry of Finance and make up the overall Personnel Cost. With the restructuring of the Civil Service in 2018 by the State Government, the State recorded a sizeable decline in the number of staff from the service. This further contributed to the decrease in the Personnel Cost. In addition to this, the introduction and implementation of the IPSAS Chart of Account where some Components of the Personnel Cost are now being captured as Overheads further explains the decrease in the actual as against the budgeted.

OVER HEAD

Overhead Costs, often referred to as overhead or operating expenses are those expenses associated with running the government that cannot be linked to creating or producing a product or service. They are the expenses the government incurs in the day-to-day running of the government. As part of the efforts of the State Government to militate against the hyper-inflation in the country, the State Government cut non-essential spending especially on overheads such as the 50% reduction in running cost to Ministries, Departments and Agencies in the State.

3.2 STATE DEBT PORTFOLIO, 2017 -2021

The public debt includes the explicit financial commitments - like loans and securities - that have paper contracts instrumenting the government promises to repay. The State shall use this standard definition of public debt, which considers non-contingent debt and thus the obligation to repay them is independent of the circumstances, as well as excludes contingent liabilities (i.e. guarantees, state own enterprises, non-guaranteed liabilities).”

Oyo State’s Debt stock amounted to ₦174.878 billion as at end-December 2021 compared to ₦121.782 billion as at end-December 2020, representing an increase of ₦53.096 billion or 30.36 percent. The increase in the Total Debt stock was reflected in both Domestic and External Debt components. The external debt stock increased from ₦27.286 billion in 2020 to ₦32.316 billion in 2021, while the domestic debt stock significantly increased to ₦142.562 billion in 2021 from ₦94.496 billion in 2020.

	2017	2018	2019	2020	2021
Outstanding Debt (Existing + New)	152,816	123,623	122,279	121,782	174,878
External	23,602	32,108	30,711	27,286	32,316
Domestic	129,214	91,516	91,568	94,496	142,562

Chart 3: Debt Stock (N\$ million)

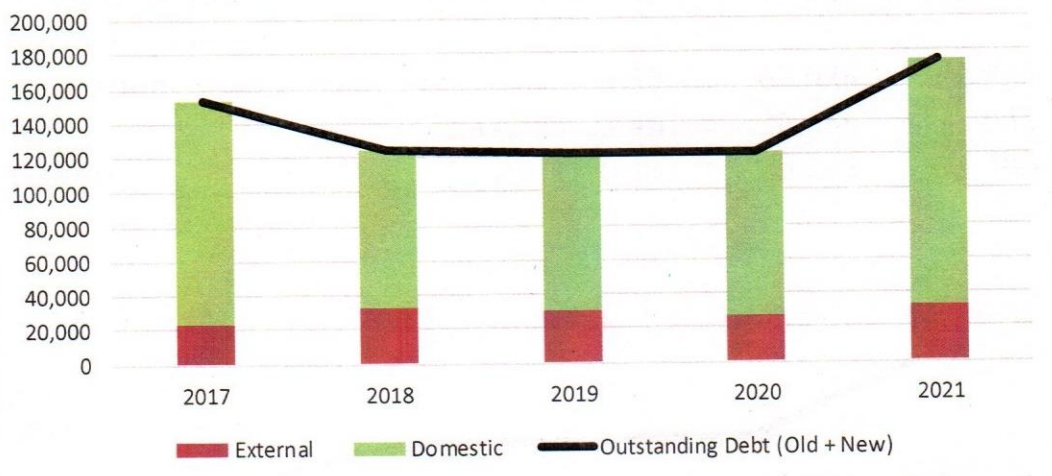


Chart 3: shows an increase in the Debt Stock from ₦152.816 billion in 2017 to ₦174.878 billion in 2021, due to Central Bank of Nigeria Intervention on Covid-19, Differentiated Cash Reserve Requirement and FGN Bridge Financing facilities accessed by the State in 2021. The sharp increase in the exchange rate accounted for the increase in the External loan of the State from ₦27.286 Billion in 2020 when the exchange rate was ₦326 per dollar to ₦32.316 Billion in 2021 when the exchange rate was ₦379 per dollar.

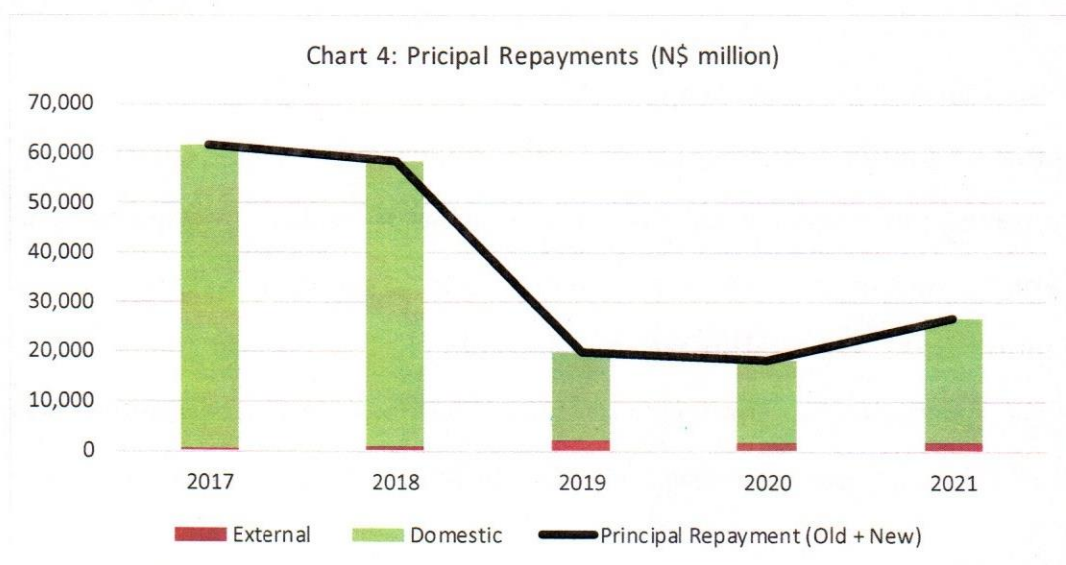
Oyo State Debt Portfolio as at the end of 2021 consist of external ₦32.316 billion or 18.48 percent and Domestic debt was amounted to ₦142.496 billion or 81.52 percent, respectively.

Oyo State holds a low cost and low risk debt portfolio. The debt portfolio has an average domestic interest rate of 9.67 percent and average external interest of 1.03 Percent in 2021. The State debt portfolio is minimally exposed to currency, rollover, and interest rate risk. Exposures to currency fluctuations is limited because the foreign currency – denominated loans are only 18.48 percent of the total debt stock in 2021. Most all the loans in Oyo State are fixed- rate obligations, thus not affected by changes in interest rates. A large portion of these loans have maturities ranging from 20 to 40 years and include financing from the Federal Government and

Multilateral organizations. Therefore, rollover/refinancing risk associated with the potential deterioration of domestic financial conditions is reasonably negligible.

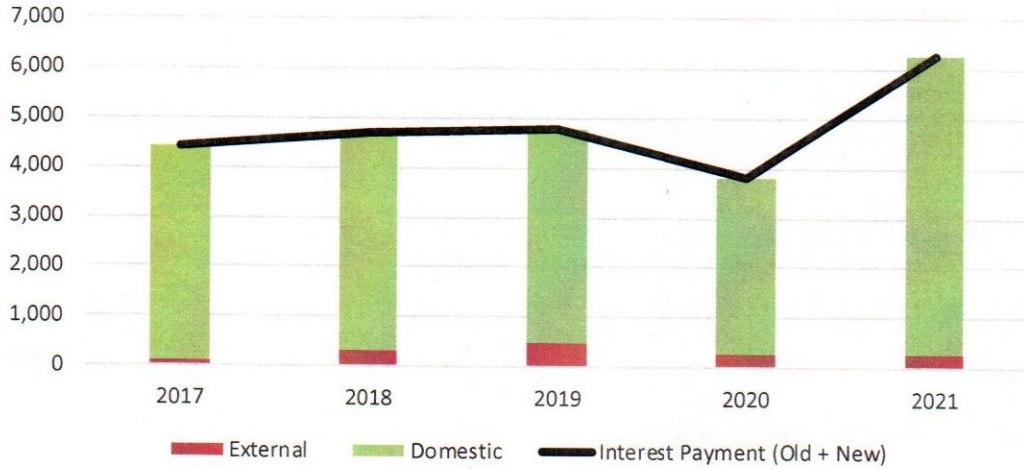
Oyo State Debt Service amounted to ₦66.140 billion, ₦63.171 billion, ₦24.409 billion, ₦21.900 and ₦32.682 billion for 2017, 2018, 2019, 2020 and 2021 respectively. The principal repayment stood at ₦61.727 billion in 2017 compared to ₦26.413 billion in 2021 as a result of payment of Federal Government Intervention Facilities (Budget Support Facility, Excess Crude Account-Backed Loan and Salary Arrears Bail-Out Facility kept in abeyance to cushion the effect of Covid-19 Pandemic on States and moratorium on Central Bank of Nigeria Intervention on Covid-19, Differentiated Cash Reserve Requirement and FGN Bridge Financing facilities accessed by the State in 2021 . While the Interest Payment amounted to ₦4,414 million in 2017 compared to ₦6,270 million in 2021. The principal repayments and Interest payment were on both External Debt and Domestic Debt (see Chart 4 and 5)

	2017	2018	2019	2020	2021
Principal Repayment (Old + New)	61,727	58,491	19,652	18,108	26,413
External	563	973	2,073	1,659	1,899
Domestic	61,163	57,519	17,580	16,448	24,514



	2017	2018	2019	2020	2021
Interest Repayment (Old + New)	4,414	4,681	4,757	3,793	6,270
External	124	313	463	261	265
Domestic	4,290	4,368	4,295	3,532	6,004

Chart 5: Interest Payments (N\$ million)



CHAPTER FOUR

CONCEPT OF DEBT SUSTAINABILITY, ASSUMPTIONS, RESULTS ANALYSIS AND FINDINGS

4.0 Introduction-Concept of Debt Sustainability

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 honor 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 debt, which could eventually cause the Government to take action to address the unwanted consequences of a heavy debt burden. Government therefore should endeavor 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.

OYO STATE DEBT SUSTAINABILITY ANALYSIS

Chart 21 shows to the Debt as a percentage of State GDP (with indicative threshold of 25%). The sustainability position of the State's Total debt portfolio in the fiscal block shows a relative descending trend from 2017 to 2031. Even though the ratio has continued to decline steadily over the period under review peaking at a value of 6 percent in 2017, 2024, 2025 and 2026, it is well within the threshold insinuating room for additional further borrowing under the right circumstances.

Based on this, the State's GDP have potentials for growth and can also accommodate the State's debt stock, with minimal effect on the State economy.

Chart 22-24 shows the Debt as a percentage of revenue, Debt Service as a percentage of Revenue and Personnel Costs are below the threshold to the end of projection period. The Government is coming up with various reforms, in its revenue drive. Debt Service as percentage of Gross FAAC Allocation (without and indicative threshold) estimated to increase from 14 percent in 2022 to 18 percent in 2031. Interest Payment as a percentage of Revenue revealed that, the maximum exposure of the State Interest towards Revenue is 7.84 percent in year 2028 with overall positive outlook. Looking at the External Debt Service as a percentage of Revenue, the maximum exposure of the State Revenue towards External Debt shows that the External debt of the State was properly managed, peaking at 2 percent in years 2022,2023 and 2024.

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 7 percent in the medium term. The economy is expected to gradually recover from 2022-2024, with real GDP expanding at an average annual Debt sustainability analysis of the State is predicated on the continuation of recent efforts to grow the IGR of the State annually by 7 percent in the medium term. The economy is expected to gradually recover from 2022-2024, with real GDP expanding at an average annual rate of 4 percent and domestic inflation increasing above 15 percent by 2022. 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. This will benefit the economy immensely.

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	4.78
Debt as % of Revenue	200%	110.4
Debt Service as % of GDP	40%	21
Personnel Cost as % of Revenue	60%	36
Debt Service as % of FAAC Allocation	Nil	31
Interest payment as % of Revenue	Nil	4
External Debt Service as % of Revenue	Nil	1

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 Reforms Policies being implemented with regard to personnel and overhead cost, which are likely to decline from their historical trends.

4.2 BORROWING OPTIONS

Oyo state government intends to finance its new borrowing from 2022 to 2031 mainly through other domestic financing of usually single digit interest rate from the Federal Government through the Central Bank of Nigeria with an average of 88.30 percent, Commercial Bank Loans (maturity 1-5 years) with an average of 17 percent, Commercial Bank Loans (maturity 6 year above) estimated at 15.5 percent, State Bonds (maturity 1-5 years) at 16 percent and State Bonds (maturity 6 years above) at 14 percent over projection period, compared with External financing – Concessional financing which was estimated at 22.56 percent and bilateral financing projected at 15.54 percent. For external financing was due to the limited funding

envelopes from the external borrowing with long processing time required loans from Multilateral loans from World Bank and Africa Development Bank.

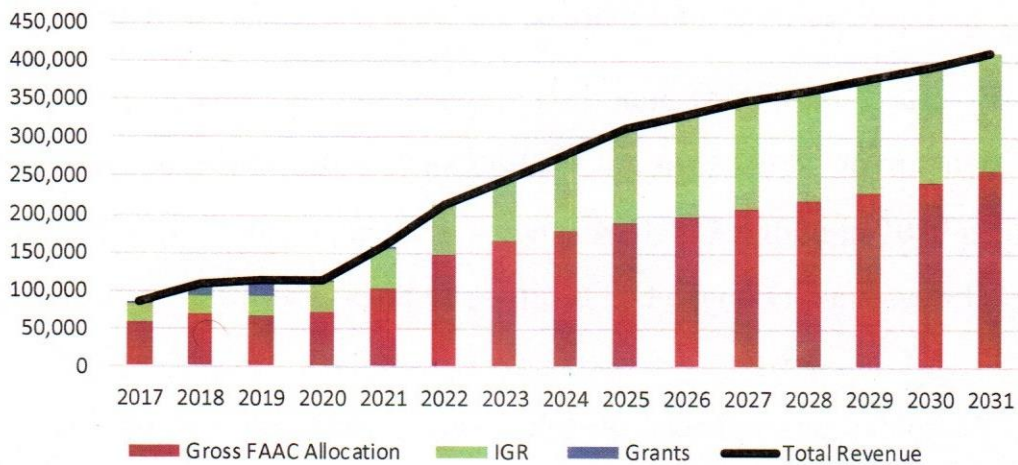
4.3 DSA SIMULATION RESULTS

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 15%. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

Oyo State Total Revenue (including grants and excluding other capital receipts) is expected to increase from ₦215.351 billion in 2021 to ₦430.908 billion in 2031, representing an increase of ₦215,557.2 billion or 50.02 percent over the projection period. Gross FAAC Allocation projected to grow from 61.349 billion in 2022 to 87.466 billion in 2031. The projections were sources from the Approved 2022 Budget; MTEF, 2022-2025; 2026-2031 projections as estimated by the Ministry of Budget and Economic Planning.

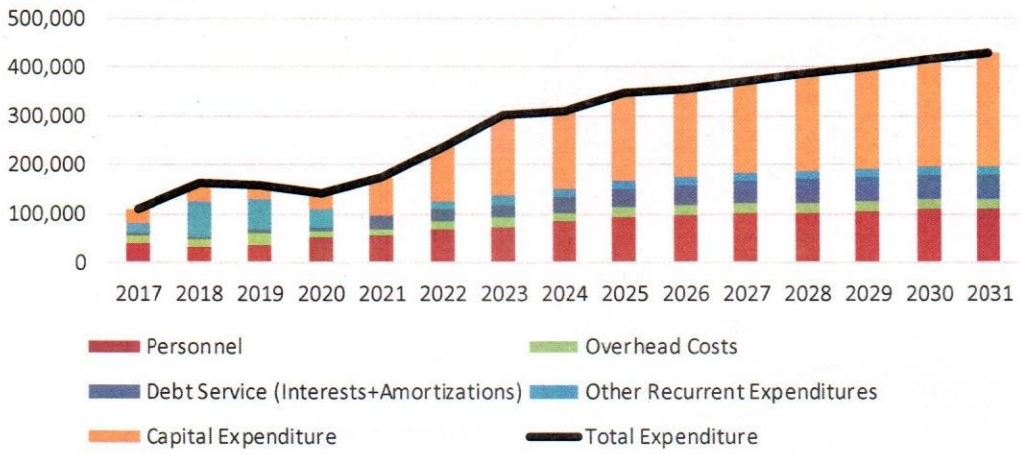
The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the state as well as employing appropriate technology. In addition, efforts will be made to bring more businesses in the informal sector into the tax net. IGR estimated to grow by ₦102.272 billion or 66.22 percent (from ₦52.159 billion in 2021 to ₦154.431 billion in 2031), over the projection period of the Approved 2022 Budget; MTEF, 2022-2025; 2026-2031 projections as estimated by the Ministry of Budget and Economic Planning.

Chart 16: Revenue (N\$ million)



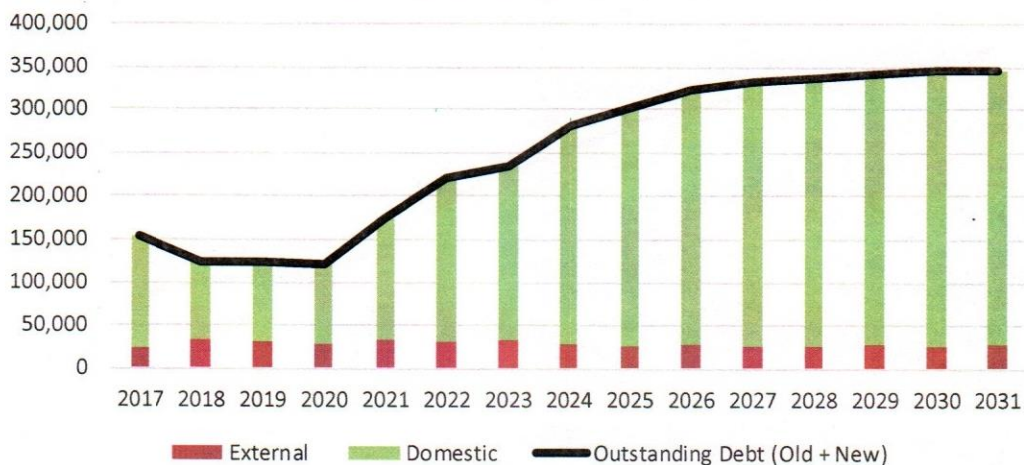
Total expenditure projected at ₦234.951 billion in 2022, ₦ 301.5 billion in 2023, ₦309.723 billion in 2024, ₦344.624 billion in 2025, ₦354.559 billion in 2026, ₦371.396 billion in 2027, ₦387.377 billion in 2028, ₦400.001 billion in 2029, ₦414.152 billion in 2030 and ₦427.074 billion in 2031, respectively, indicating stability in the state growth recovery. Personnel Cost, Debt Service, Overhead Cost, Other Recurrent Expenditure and Capital Expenditure estimated to increase over the projection period. Personnel cost is expected to increase from ₦66.598 billion in 2022 to ₦109.905 billion, Overhead Cost increase from ₦19.153 in 2022 to ₦21.569 billion in 2031, Debt Service increases from ₦21.510 billion in 2022 to ₦47.37 billion in 2031, Capital Expenditure ₦109.944 billion in 2022 to ₦231.336billion while Other Recurrent Expenditure was projected to decline over the projection period from ₦ 17.743 billion to ₦16.891 billion as provided in the Approved 2022 Budget, MTEF stipulated by the projections estimated by the Ministry of Budget and Economic Planning.

Chart 17: Expenditure (N\$ million)



As a result of the State’s modest increase in GDP, great improvement in IGR, increase in Capital Expenditure, Overhead costs, Personnel Cost, Other Recurrent Expenditure and Debt Services. The increased in projected expenditure increase the debt through Primary Balance. Oyo State’s Debt Stock estimated to increase from ₦174.878 billion in 2021 to ₦ 346.523 billion in 2031, representing an increase of ₦171.645 billion or 98.15 percent over the projection period. External Debt projected to decline by ₦4.166 billion or 12.89 percent and Domestic Debt is expected to increase by ₦175.811 billion or 123.32 percent.

Chart 18: Debt Stock (N\$ million)



OYO STATE MAIN FINDING

The Baseline Scenario results shows that the ratio of Debt as % of GDP is projected at 5.47 percent in 2022, 5.76 percent in 2024, 5.25 percent in 2027, 4.52 percent in 2029 and 3.9 percent in 2031, respectively, as against the indicative threshold of 25 percent. The ratio of Debt as % of Revenue estimated at 103.46 percent in 2022, 100.54 percent in 2024, 94.96 percent in 2027, 90.37 percent in 2029 and 84 percent in 2031, respectively, the ratio of Debt as % of Revenue remain below the threshold over the projection period. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2022 to 2031, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively.

Chart 21: Debt Stock as a share of SGDP

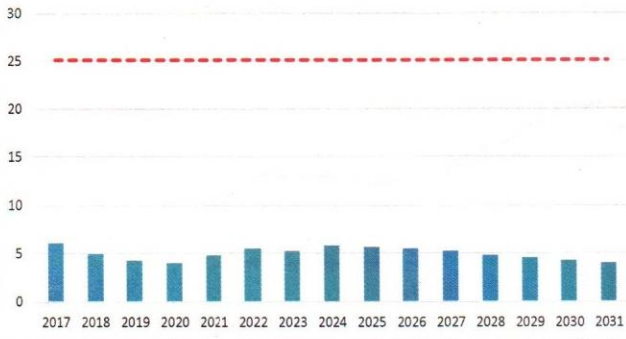


Chart 6: Debt Stock as a share of SGDP

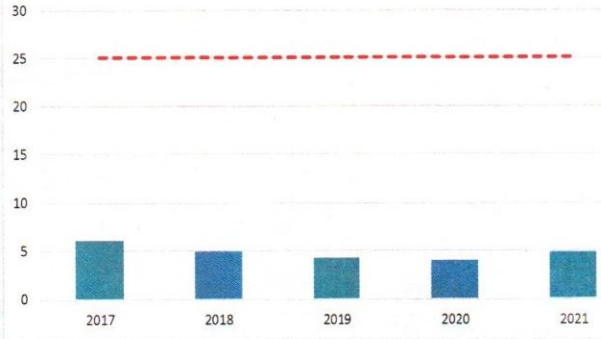


Chart 22: Debt Stock as a share of Revenue

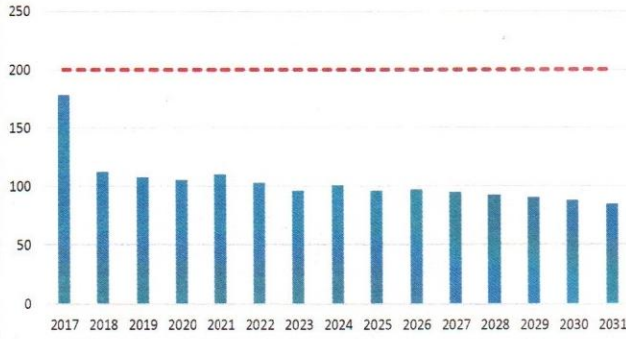


Chart 7: Debt Stock as a share of Revenue

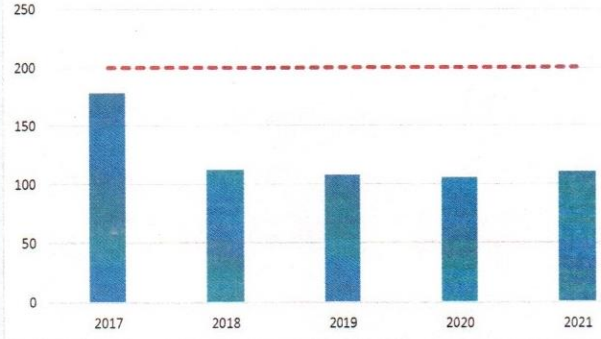


Chart 23: Debt Service as a share of Revenue

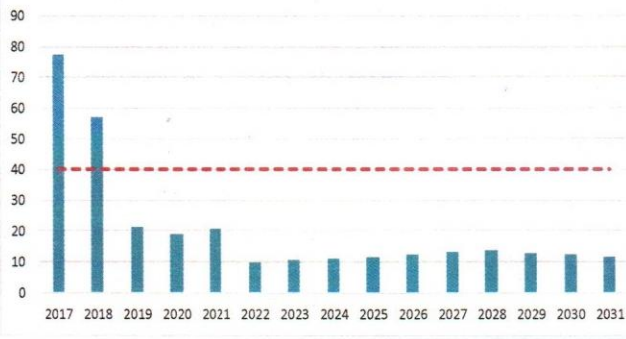


Chart 8: Debt Service as a share of Revenue

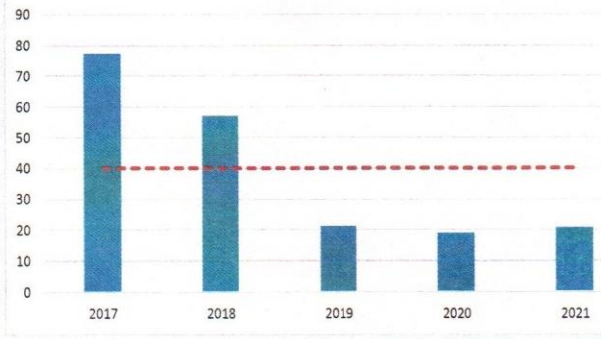


Chart 24: Personnel Cost as a share of Revenue

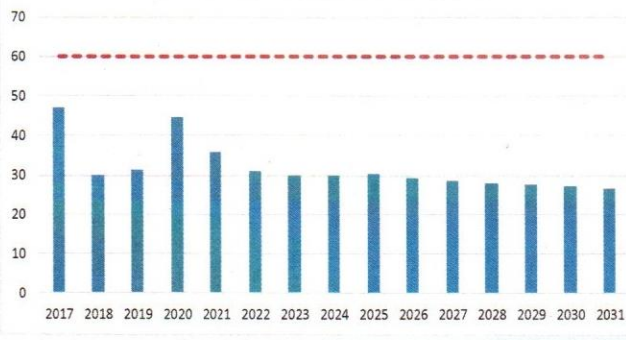
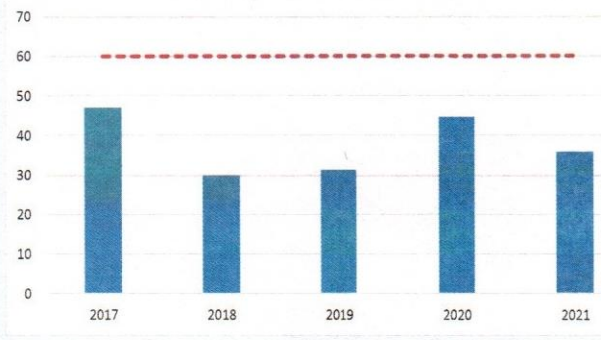


Chart 9: Personnel Cost as a share of Revenue



CONCLUSION

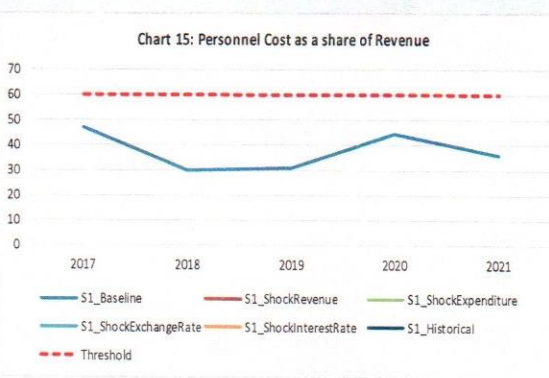
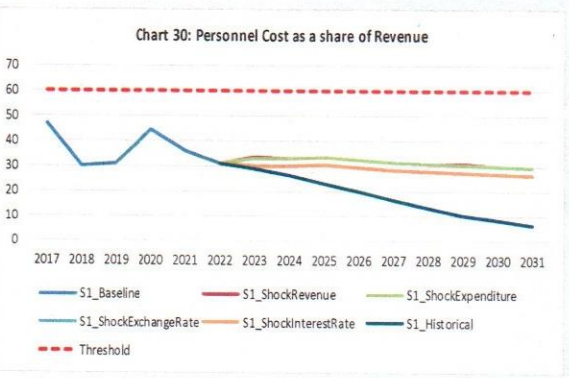
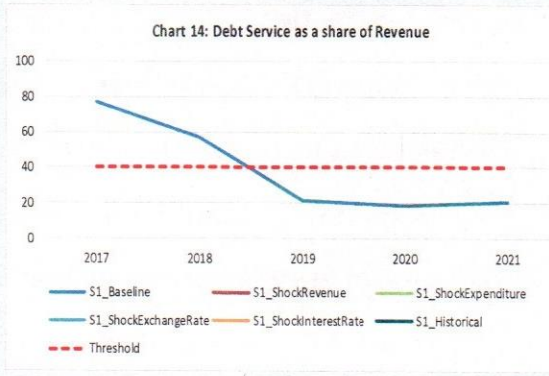
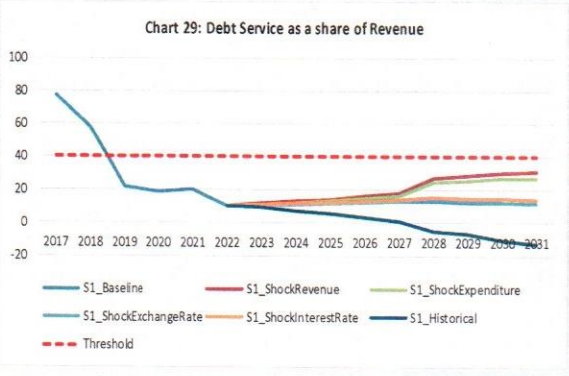
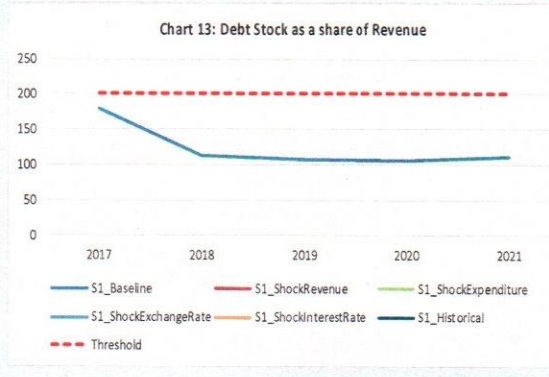
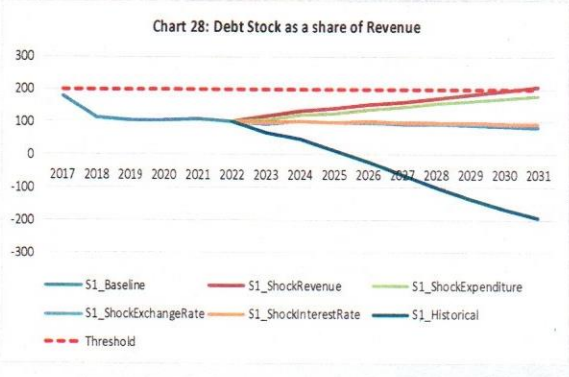
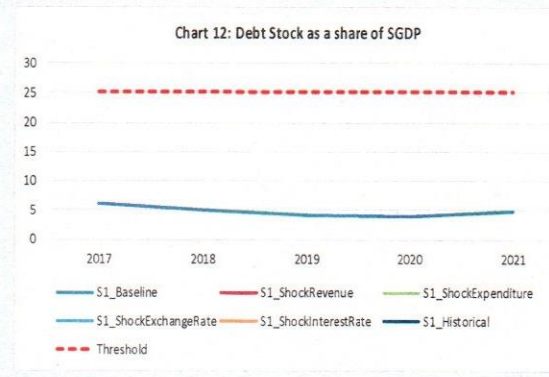
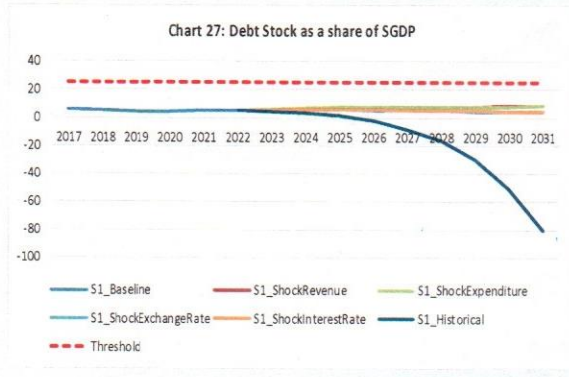
Oyo State DSA result shows that, the State remains at the Low Risk of Debt Distress. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output, does not result to a proportionate increase in revenue. There is, therefore, the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.

4.4 DSA SENSITIVITY ANALYSIS

The State faces important sources of fiscal risks associated to the possibility of adverse country wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. 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 subsections. 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 2022 DSA analysis shows that Oyo remains at low risk of debt distress under sensitivity analysis. The State DSA analysis shows improve related to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock, that would lead to decrease Gross Financing Needs over the projection period. The shocks apply breached the threshold under debt as percent of GDP from 2031 under historical shocks. The debt as percent of Revenue, Debt service as percentage of Revenue is well below the threshold. There is, need for the authorities to sustain the current efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far reaching policies that

will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.



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 macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities 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 Oyo 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 strategies are assessed by the government. The Oyo's Debt Management Strategy, 2022-2026, analyses the debt management strategies outcomes of the three 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 2026, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2026 caused by an un-expected 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 2022 and MTEF, 2022-2024. External gross borrowing under Concessional loans accounts on average 2 percent over the strategic period mainly through World Bank, African Development Bank and BADE, respectively. The Domestic gross financing comprises commercial bank loans, State bonds and other domestic financing. The Domestic Financing under the

Commercial Bank loans (maturity of 1-5 years) accounts on average 3.39 percent, Commercial Bank loans (maturity above 6 years) accounts on average 3.25 percent, state bond (maturity of 1-5 years) accounts 2.31, state bond (maturity above 6 years) accounts for 2.35 percent and Other Domestic Financing accounts on average of 88.68 percent over the DMS period of 2022 to 2026.

Strategy 2 (S2) focus more financing through commercial bank loans: In this strategy it has been assumed the distribution between external and domestic borrowing remains the same in 2021 as its in strategy 1. The remaining of borrowing distributions from 2022 to 2026, the state government will focus its financing through commercial bank loans with average 35.64 percent under maturity of 1-5 years and 39.89 percent under maturity of above 6 years over the strategic period, state bond (maturity of 1-5 years) accounts 5.02 percent, state bond (maturity above 6 years) accounts for 4.46 percent compared to other domestic financing needs that accounted for 14.94 percent.

Strategy (S3) focus its financing through domestic debt market. In strategy 3, the government decided to focus more of its financing from 2022 to 2026, through State Bonds (1-5 years), State Bonds (above 6 years), Commercial Bank loans (1-5 years), Commercial Bank loans (above 6) with an average of 37.09 percent, 33.50 percent, 5.7 percent, 4.6 percent and Other Domestic financing accounts 19.01 percent. This strategy considers the scenario where proportions of external and domestic debt instruments in 2022 remains the same with strategy 1.

Strategy (S4) focus its financing through other domestic financing. In this strategy it has been assumed the distribution between external and domestic borrowing remains the same in 2022 as its in strategy 1. The remaining of borrowing distributions from 2022 to 2026, the state government will focus its financing through commercial bank loans with average 4.99 percent under maturity of 1-5 years and 10.00 percent (maturity above 6 years), state bond (maturity of 1-5 years) accounts 12.00 percent, state bond (maturity above 6 years) accounts for 22.99 under

maturity of above 6 years over the strategic period and other domestic financing needs that accounted for 50.00 percent.

5.2 DMS Simulation Results

Analysis of strategies & outcomes of the analysis. The cost risk trade off charts illustrate the performance of the alternative strategies with respect to four debt burden indicators.

a. Debt as a share Revenue:

➤ Strategy 1 shows the Cost ratio of Debt to Revenue estimated to decrease from 103.5 percent in 2022 to 97.5 percent, as against Strategy 4 (100.9 percent), strategy 3 (105.3 percent) and strategy 2 (103.9 percent), over the DMS period of 2026, compared with the Risks measured of strategy 1 (54.6 percent), strategy 4 (55.0 percent), strategy 3 (55.4 percent) and strategy 3 (55.5 percent), respectively.

➤ Analysis using this debt indicator of debt to revenue shows that S1 is the least costly and riskier which was estimated at 97.5 percent and 54.6 percent compared to Strategy 4 (100.9 percent and 55.0 percent), Strategy 3 (103.9 percent and 55.4 percent), respectively. On the other hand, Strategy 2 is the costliest and riskiest strategy which was estimated as 105.3 percent and 55.5 percent, which concentrated mainly on commercial bank loan over the DMS period of 2022-2026.

Chart 33. Debt Stock as a share of Revenue

(including grants and excluding other capital receipts)



Chart 34. Cost-Risk Trade Off

(Cost in vertical axis, Risk in horizontal axis)



b. Debt Service as a share of Revenue:

➤ In terms of Debt Service to Revenue, Strategy 1 has the lowest costs of 10.0 percent in 2022 to 12.5 percent in 2026 and lowest risks of 3.8 percent compared to Strategy 4 (costs at 16.2 percent and risks at 4.2 percent), Strategy 3 (costs at 20.01 percent and risks at 4.7 percent) and Strategy 2 has the highest cost at 21.5 percent and risks at 4.81 percent), respectively, as at end of the strategic period of 2026.

➤ Strategy 1 has the lowest costs at 12.5 percent and minimum risks at 3.8 percent under the Debt Service to Revenue, followed by Strategy 4 costs at 16.2 percent and risks at 4.7 percent. But the strategy 2 is followed by Strategy 3 costs at 27.3 percent and a risk of 5.5 percent. But the Strategy 2 is the costliest and riskiest strategy with a cost of 16.2 percent and risk of 4.7 percent as the commercial bank loans.

Chart 37. Debt Service as a share of Revenue

(including grants and excluding other capital receipts)

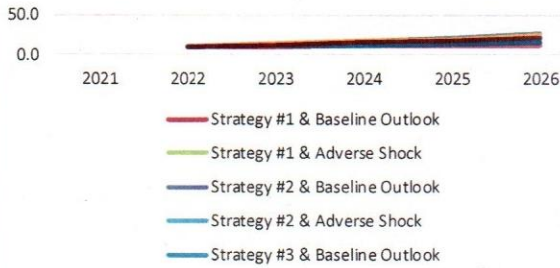
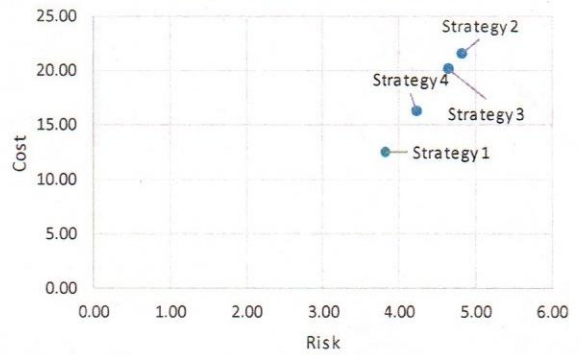


Chart 38. Cost-Risk Trade Off

(Cost in vertical axis, Risk in horizontal axis)



Interest as a share of Revenue

Strategy 1 is the least costs with regards Interest to Government revenues, which projected to increase from 3.9 percent in 2022 to 7.4 percent in 2026 and Risks at 3.2 percent, whilst Strategy 2 is the most costly and risky strategy at 10.6 percent, compared to strategy 4 with moderate costs and risks of 8.7 percent and 3.4 percent and strategy 3 with estimated costs and risks of 10.0 percent and 3.5 percent, as at end of the strategic period of 2026.

➤ The ratios of Interest as percent of Revenue analysis shows that S1 yield the lowest costs and risks due to high other domestic funding having a single digit interest rate Compared to S4 and S3 with the moderate costs and risks. S2 is the most costly and risky strategy.

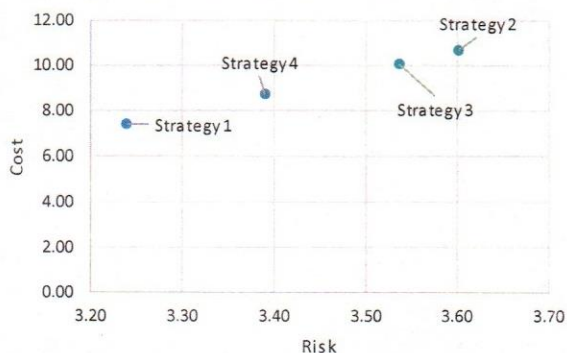
Chart 41. Interest as % of Revenue

(including grants and excluding other capital receipts)



Chart 42. Cost-Risk Trade Off

(Cost in vertical axis, Risk in horizontal axis)



5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of cost and risk would suggest that the recommended strategy be S1 these results were just marginally better when compared with Strategy S4. And though S4 did not meet the targeted Debt Service to Revenue, it was considered that S1 is the most feasible of the strategies to implement in the short-term and it would still greatly improve the portfolio's debt position relative to the base year 2021.

In comparison to the current debt position, Oyo State debt portfolio stood at ₦174.878 billion as at end-2021, which expected an increase to ₦346.523 billion under S1 during the strategic period, compared to S2 (₦466.023 billion), S3 (₦440.249 billion), and S4 (₦391.263 billion). 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 2022-2026. The Debt Management Strategy, 2022-2026 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2022 budget. The cost-risk trade-

off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Annex I: Baseline Assumptions

Assumptions:

Economic activity	State GDP (at current prices)	The Stae GDP according to NBS 2013-2017 Report recorded average Growth Rate of 2.2%. The World Bank Group projections for the State GDP was used for years 2018- 2031 as supplied by the DMO, Abuja.	Debt Management Office, Abuja
Revenue	Revenue	<p>The estimation for Statutory Allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2022-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP growth, inflation data and mineral data (oil price and production benchmarks and a mineral ratio)</p> <p>The estimation for Statutory Allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2022-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP growth, inflation data and mineral data (oil price and production benchmarks and a mineral ratio)</p> <p>Explained in Chapter two of the DSA-DMS Report</p> <p>the estimation is based on the current receipt (i.e. from January to July, 2022)</p> <p>is based on elasticity forecast using the combined change in GDP growth and Inflation Rate. The estimate for 2022- 2024 is in line with the current rate of collections.</p> <p>the estimation is based on five years moving average which is calculated based on the State's historical revenue performances, with due consideration for outliers and extreme values during the period</p> <p>the internal grants are based on the actual receipts for 2021 and performance from January to July 2022 and on signed grant agreements with the World Bank, UNICEF etc.SFTAS: the fund is already secured; it is however a Performance for Result (P4R) initiative and the State is expected to get the result as indicated;</p> <p>Financial Statement figures were used for actuals, while MTEF were used for 2022 – 2024. 2024 figure was used from 2024 - 2031</p> <p>Financial Statement figures were used for actuals, while MTEF were used for 2022 – 2024. 2024 figure was used from 2024 - 2031</p> <p>Financial Statement figures were used for actuals, while MTEF were used for 2022 – 2024. 2024 figure was used from 2024 - 2031</p>	<p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p>
Expenditure	Expenditure	<p>Personnel Cost has been projected using three-year moving average based on actual historical cost.</p> <p>Overhead has been relatively stable over the years to date. It is therefore anticipated that the status quo will definitely remain stable; therefore, we adopted the four-year moving average techniques.</p> <p>recurrent expenses was sustained and the 2022 -2024 MTEF Projection</p> <p>recurrent expenses was sustained and the 2022 -2024 MTEF Projection</p> <p>Capital expenses were incurred in the provision of critical infrastructure that would generate further revenue to the State (i) The MTEF 2021 -2024 average projection 12% is based on the gradual improvement of the economy in the third quarter of 2022 and the need to provide welfare and social protection to the citizens and the existing infrastructural deficit within the State .(ii) In view of fiscal sustainability, the State is poised to achieve an average capital expenditure target of N188b (i.e 33% performance) for the MTEF 2021 -2023 while the out years 2024 -2031 capital projection is constant in view of change of government and other macro economic indicators .</p>	<p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p> <p>Approved 2022 Budget and State MTEF 2022-2025</p>
Closing Cash and Bank Balance	Closing Cash and Bank Balance	of the Accountant-General with the General Purpose Financial Statement	Financial Statement

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2

Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2

New Domestic Financing in Million Naira

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025
State Bonds (maturity 1 to 5 years)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
State Bonds (maturity 6 years or longer)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
Other Domestic Financing	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025

New External Financing in Million US Dollar

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
External Financing - Bilateral Loans		
Other External Financing		

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3

Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3

New Domestic Financing in Million Naira

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025
State Bonds (maturity 1 to 5 years)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
State Bonds (maturity 6 years or longer)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
Other Domestic Financing	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025

New External Financing in Million US Dollar

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
External Financing - Bilateral Loans		
Other External Financing		

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4

Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4

New Domestic Financing in Million Naira

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025
State Bonds (maturity 1 to 5 years)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
State Bonds (maturity 6 years or longer)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
Other Domestic Financing	1st line charge deductions from FAAC allocation (ii) IGR	Approved 2022 Budget and State MTEF 2025

New External Financing in Million US Dollar

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	1st line charge deductions from FAAC allocation	Approved 2022 Budget and State MTEF 2025
External Financing - Bilateral Loans		
Other External Financing		

Debt Amortization and Interest Payments

Debt Outstanding at end-2021

External Debt - amortization and interest

1st line charge deductions from FAAC allocation

Approved 2022 Budget and State MTI
2025

Domestic Debt - amortization and interest

1st line charge deductions from FAAC allocation (ii) IGR

Approved 2022 Budget and State MTI
2025

New debt issued/contracted from 2022 onwards

New External Financing

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

1st line charge deductions from FAAC allocation

Approved 2022 Budget and State MTI
2025

External Financing - Bilateral Loans

Other External Financing

New Domestic Financing

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)

1st line charge deductions from FAAC allocation (ii) IGR

Approved 2022 Budget and State MTI
2025

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)

1st line charge deductions from FAAC allocation (ii) IGR

Approved 2022 Budget and State MTI
2025

State Bonds (maturity 1 to 5 years)

1st line charge deductions from FAAC allocation

Approved 2022 Budget and State MTI
2025

State Bonds (maturity 6 years or longer)

1st line charge deductions from FAAC allocation

Approved 2022 Budget and State MTI
2025

Other Domestic Financing

1st line charge deductions from FAAC allocation (ii) IGR

Approved 2022 Budget and State MTI
2025

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1

Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1

New Domestic Financing in Million Naira

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)

1st line charge deductions from FAAC allocation (ii) IGR

Approved 2022 Budget and State MTI
2025

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)

1st line charge deductions from FAAC allocation (ii) IGR

Approved 2022 Budget and State MTI
2025

State Bonds (maturity 1 to 5 years)

1st line charge deductions from FAAC allocation

Approved 2022 Budget and State MTI
2025

State Bonds (maturity 6 years or longer)

1st line charge deductions from FAAC allocation

Approved 2022 Budget and State MTI
2025

Other Domestic Financing

1st line charge deductions from FAAC allocation (ii) IGR

Approved 2022 Budget and State MTI
2025

New External Financing in Million US Dollar

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

1st line charge deductions from FAAC allocation

Approved 2022 Budget and State MTI
2025

External Financing - Bilateral Loans

Approved 2022 Budget and State MTI
2025

Other External Financing

Annex II: Oyo State Baseline Scenarios, 2022-2031

Indicator	Actuals					Projections									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
BASELINE SCENARIO															
Economic Indicators															
State GDP (at current prices)	2,506,754.00	2,485,417.00	2,895,495.00	3,111,007.00	3,654,742.00	4,052,399.00	4,477,480.00	4,869,528.00	5,306,227.00	5,793,339.00	6,325,167.00	6,905,818.00	7,539,772.00	8,231,923.00	8,885
Exchange Rate NGN/US\$ (end-Period)	253.19	305.79	306.50	326.00	379.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	
Fiscal Indicators (Million Naira)															
Revenue	102,722.45	122,267.05	128,091.58	121,407.56	215,351.20	271,584.74	270,784.99	340,186.82	347,774.57	367,764.41	378,471.14	388,141.88	400,933.16	417,435.19	430
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	31,802.44	47,691.95	46,183.49	38,017.65	39,715.91	61,349.41	71,825.03	76,320.02	75,425.90	76,934.42	78,473.11	80,434.94	82,445.81	84,919.18	87
1.a. of which Net Statutory Allocation ('net' means of deductions)	24,100.51	39,796.36	34,799.03	26,588.93	23,759.43	44,463.31	52,934.70	55,425.47	52,527.13	52,031.42	51,565.89	51,523.49	51,530.14	51,999.30	52
1.b. of which Deductions	7,701.93	7,895.60	11,384.45	11,428.71	15,956.49	16,886.11	18,890.33	20,894.55	22,898.77	24,903.00	26,907.22	28,911.44	30,915.66	32,919.89	34
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3. Other FAAC transfers (exchange rate gain, augmentation, others)	12,725.21	5,431.68	1,946.42	11,626.69	25,095.45	41,701.71	43,786.80	45,976.14	48,274.94	50,688.69	53,223.12	55,884.28	58,678.49	61,612.42	64
4. VAT Allocation	16,179.33	17,273.85	18,905.66	23,241.09	39,688.60	46,161.86	51,166.17	57,408.14	64,938.35	69,808.73	75,044.38	81,047.93	87,531.77	96,284.95	105
5. IGR	22,442.48	23,480.68	26,585.81	38,042.73	52,158.86	65,039.00	78,408.89	99,517.04	123,457.98	132,717.33	142,671.12	145,524.55	148,435.04	151,403.74	154
6. Capital Receipts	19,573.00	28,388.90	34,470.20	10,479.40	58,692.40	57,332.76	25,598.10	60,965.48	35,677.40	37,615.24	29,059.41	25,250.19	23,842.05	23,214.90	18
6.a. Grants	2,310.10	16,110.60	20,222.60	4,403.60	1,742.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
6.b. Sales of Government Assets and Privatization Proceeds	3,874.64	0.00	0.00	296.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
6.c. Other Non-Debt Creating Capital Receipts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	13,388.20	3,978.30	4,049.10	2,889.70	56,950.40	57,332.76	25,598.10	60,965.48	35,677.40	37,615.24	29,059.41	25,250.19	23,842.05	23,214.90	18
Expenditure	108,981.64	161,366.50	158,831.65	140,860.19	174,402.20	234,951.28	301,500.62	309,723.53	344,624.86	354,559.39	371,396.73	387,377.88	400,001.96	414,152.09	427
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	40,155.66	33,073.76	35,592.31	51,484.14	30,380.50	66,598.15	73,865.02	83,419.05	94,771.36	97,140.64	99,569.16	102,058.39	104,609.85	107,225.09	109
2. Overhead costs	14,743.32	14,090.54	24,399.61	14,214.23	13,051.96	19,153.31	19,153.31	19,153.31	19,153.31	19,536.37	19,927.10	20,325.64	20,732.16	21,146.80	21
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	1,778.00	1,949.00	3,192.60	3,974.10	8,368.12	8,325.51	13,906.21	16,060.58	21,294.69	24,291.38	26,658.68	28,433.27	29,286.39	29,790.42	30
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	641.32	755.52	953.43	1,044.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3.b. of which Interest deducted from FAAC Allocation	1,136.68	1,193.48	2,239.17	2,929.40	8,368.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	21,748.70	72,731.19	63,481.30	35,934.72	26,635.00	17,743.96	17,047.96	16,111.12	14,999.56	15,299.55	15,605.54	15,917.65	16,236.00	16,560.73	16
5. Capital Expenditure	28,777.96	37,573.01	28,973.23	31,278.90	75,801.81	109,944.89	165,024.58	159,978.55	179,463.93	181,258.57	190,321.49	199,837.57	209,829.45	220,320.92	231
6. Amortization (principal) payments	1,778.00	1,949.00	3,192.60	3,974.10	7,482.38	13,185.45	12,503.55	15,000.92	14,942.02	17,032.88	19,314.76	20,805.36	19,308.11	19,108.13	16
Budget Balance ('+' means surplus, '-' means deficit)	-6,259.19	-39,099.45	-30,740.07	-19,452.63	40,949.00	36,633.46	-30,715.63	30,463.28	3,149.71	13,205.01	7,074.41	764.00	931.21	3,283.10	3
Opening Cash and Bank Balance	18,780.50	12,521.30	-26,578.10	-57,318.20	-76,770.80	-35,821.80	811.66	-29,903.98	559.31	3,709.02	16,914.03	23,988.44	24,752.44	25,683.65	28
Closing Cash and Bank Balance	12,521.30	-26,578.10	-57,318.20	-76,770.80	-35,821.80	811.66	-29,903.98	559.31	3,709.02	16,914.03	23,988.44	24,752.44	25,683.65	28,966.75	32
Financing Needs and Sources (Million Naira)															

Financing Needs	57,332.76	25,598.10	60,965.48	35,677.40	37,615.24	29,059.41	25,250.19	23,842.05	23,214.90
i. Primary balance	811.66	-29,903.98	559.31	3,709.02	16,914.03	23,988.44	24,752.44	25,683.65	28,966.75
ii. Debt service	21,510.96	26,409.76	31,061.50	36,236.71	41,324.26	45,973.44	49,238.63	48,594.50	48,898.55
Amortizations	13,185.45	12,503.55	15,000.92	14,942.02	17,032.88	19,314.76	20,805.36	19,308.11	19,108.13
Interests	8,325.51	13,906.21	16,060.58	21,294.69	24,291.38	26,658.68	28,433.27	29,286.39	29,790.42
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)	36,633.46	-30,715.63	30,463.28	3,149.71	13,205.01	7,074.41	764.00	931.21	3,283.10
Financing Sources	57,332.76	25,598.10	60,965.48	35,677.40	37,615.24	29,059.41	25,250.19	23,842.05	23,214.90
i. Financing Sources Other than Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings	57,332.76	25,598.10	60,965.48	35,677.40	37,615.24	29,059.41	25,250.19	23,842.05	23,214.90
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	1,719.98	1,036.72	0.00	1,427.10	1,828.10	1,743.56	1,022.63	0.00	928.60
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	2,293.31	1,244.07	1,828.96	0.00	1,218.73	1,162.38	1,227.16	579.33	0.00
State Bonds (maturity 1 to 5 years)	0.00	1,866.10	0.00	2,140.64	0.20	0.00	1,840.74	0.00	1,392.89
State Bonds (maturity 6 years or longer)	1,719.98	0.00	4,267.58	0.00	0.00	0.00	0.00	1,351.84	0.00
Other Domestic Financing	51,599.48	16,588.60	54,868.93	32,109.66	27,421.90	26,153.47	16,362.62	17,380.46	20,893.41
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.00	4,862.60	0.00	0.00	7,146.30	0.00	4,797.00	4,530.50	0.00
External Financing - Bilateral Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing	0.00	0.01	0.00	0.00	0.01	0.00	0.04	-0.08	0.00

Debt Stocks and Flows (Million Naira)

Debt (stock)	152,815.95	123,623.31	122,279.24	121,782.38	174,878.31	221,668.91	234,763.46	280,728.02	301,463.39	322,045.76	331,790.41	336,235.24	340,769.18	344,875.95
External	23,602.34	32,107.55	30,711.30	27,286.20	32,316.43	31,447.77	32,790.82	29,103.42	25,415.71	29,038.73	25,515.43	26,789.13	28,433.70	25,283.81
Domestic	129,213.60	91,515.76	91,567.94	94,496.18	142,561.88	190,221.14	201,972.64	251,624.60	276,047.68	293,007.03	306,274.98	309,446.10	312,335.48	319,592.14
Gross borrowing (flow)	57,332.76	25,598.10	60,965.48	35,677.40	37,615.24	29,059.41	25,250.19	23,842.05	23,214.90					
External	0.00	4,862.60	0.00	0.00	7,146.30	0.00	4,797.00	4,530.50	0.00					
Domestic	57,332.76	20,735.50	60,965.48	35,677.40	30,468.94	29,059.41	20,453.19	19,311.55	23,214.90					
Amortizations (flow)	61,726.81	58,491.07	19,652.04	18,107.74	26,412.85	13,185.45	12,503.55	15,000.92	14,942.02	17,032.88	19,314.76	20,805.36	19,308.11	19,108.13
External	563.43	972.52	2,072.52	1,659.34	1,898.79	3,511.95	3,687.41	3,687.70	3,523.29	3,523.29	3,523.30	2,885.93	3,149.89	
Domestic	61,163.38	57,518.55	17,579.52	16,448.40	24,514.06	9,673.50	8,984.00	11,313.52	11,254.32	13,509.59	15,791.46	17,282.06	16,422.18	15,958.25
Interests (flow)	4,413.88	4,680.59	4,757.36	3,792.51	6,269.50	8,325.51	13,906.21	16,060.58	21,294.69	24,291.38	26,658.68	28,433.27	29,286.39	29,790.42
External	124.06	312.84	462.82	260.80	265.30	574.00	697.00	876.25	917.25	999.25	1,224.18	1,306.18	1,402.12	1,530.95
Domestic	4,289.82	4,367.75	4,294.54	3,531.71	6,004.20	7,751.51	13,209.21	15,184.32	20,377.44	23,292.13	25,434.50	27,127.09	27,884.27	28,259.47
Net borrowing (gross borrowing minus amortizations)	44,147.31	13,094.55	45,964.55	20,735.38	20,582.36	9,744.65	4,444.83	4,533.94	4,106.77					
External	-3,511.95	1,343.05	-3,687.41	-3,687.70	3,623.01	-3,523.29	1,273.70	1,644.57	-3,149.89					
Domestic	47,659.26	11,751.50	49,651.96	24,423.08	16,959.35	13,267.94	3,171.13	2,889.37	7,256.66					

Debt and Debt-Service Indicators

Debt Stock as % of SGDP	6.10	4.97	4.22	3.91	4.78	5.47	5.24	5.76	5.68	5.56	5.25	4.87	4.52	4.19
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	178.82	104.51	98.58	103.01	110.40	103.46	95.75	100.54	96.59	97.55	94.96	92.65	90.37	87.48
Debt Service as % of SGDP	0.53	0.59	0.64	0.68	0.71	0.73	0.71	0.73	0.71	0.73	0.71	0.64	0.59	
Debt Service as % of Revenue (including grants and excluding other capital receipts)	10.04	10.77	11.12	11.61	12.52	13.16	13.57	12.89	12.40					
Interest as % of SGDP	0.21	0.31	0.33	0.40	0.42	0.41	0.39	0.36						
Interest as % of Revenue (including grants and excluding other capital receipts)	3.89	5.67	5.75	6.82	7.36	7.63	7.84	7.77	7.56					
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)	31.08	30.13	29.88	30.37	29.42	28.50	28.12	27.74	27.20					

Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026

For Debt Stock as % of SGDP the adverse shock is: Expenditure	Expenditure
Debt Stock as % of SGDP	5.47 5.86 6.95 7.43 7.83 8.01 8.09 8.18 8.25
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	103.46 117.50 133.36 139.35 152.19 161.33 172.10 183.40 194.05
For Debt Service as % of SGDP the adverse shock is: Expenditure	Expenditure
Debt Service as % of SGDP	0.53 0.59 0.68 0.77 0.84 0.89 1.31 1.28 1.29
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue
Debt Service as % of Revenue (including grants and excluding other capital receipts)	10.04 11.97 13.14 14.45 16.33 17.93 26.88 28.45 30.16
For Interest as % of SGDP the adverse shock is: Expenditure	Expenditure
Interest as % of SGDP	0.21 0.31 0.38 0.49 0.55 0.59 0.61 0.62 0.63
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue
Interest as % of Revenue (including grants and excluding other capital receipts)	3.89 6.30 7.17 9.13 10.60 11.79 13.01 13.95 14.75

Indicator1_baseline
Indicator2_baseline
Indicator3_baseline
Indicator4_baseline
Indicator5_baseline
Indicator6_baseline

Indicator1_shock

Indicator2_shock

Indicator3_shock

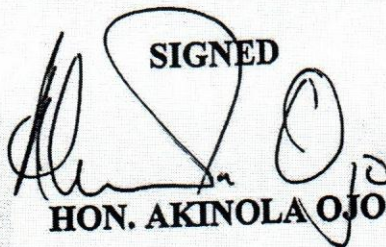
Indicator4_shock

Indicator5_shock

Indicator6_shock

LIST OF PARTICIPANT

1. MR. TAJUDEEN ADEMOLA OLAYIWOLA - DIRECTOR (DEBT MANAGEMEN), MINISTRY OF FINANCE
2. MR. BABATUNDE AMUZAT GIWA - DEPUTY DIRECTOR (DEBT MANAGEMENT), MINISTRY OF FINANCE
3. MR. SAHEED ADEBAYO ALLI - DEPUTY DIRECTOR (FUND), OFFICE OF THE ACCOUNTANT GENERAL
4. MRS. EUNICE OMOLARA AKINLABI - ADMINISTRATIVE OFFICER (DEBT MANAGEMENT), MINISTRY OF FINANCE

A handwritten signature in black ink, appearing to read 'Akinola Ojo', is written over a large, irregularly shaped 'SIGNED' stamp. The stamp is a simple outline of the word 'SIGNED' in a bold, sans-serif font.

SIGNED

HON. AKINOLA OJO

**HONOURABLE COMMISSIONER OF FINANCE,
OYO STATE**