OYO STATE

2021 DEBT SUSTAINABILITY ANALYSIS (DSA)-
DEBT MANAGEMENT STRATEGY

DECEMBER, 2021

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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 2016 - 2020 while also evaluating the ability of the State to sustain its debt in the long term (2021 – 2030).

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 programs 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 reduce the deficit which can disrupt the forecast by increasing Debt Stock and Debt Service payment astronomically. The Covid-19 pandemic with its attendant impact on the price of crude oil will most likely reduce the statutory allocation to the State from the Federation Accounts Allocation Committee (FAAC).

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 2021 Budget and Medium-Term Expenditure Framework (MTEF), 2021-2024

2.2.1 Approved 2021 Budget

The Year 2021 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.

Based on the foregoing fiscal assumptions and parameters. The Oyo State total revenue available to fund the 2021 Budget is estimated at N268,770 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 N268,770 billion is proposed by the Oyo State Government in 2021. The 2021 proposed Expenditure comprises, Debt Repayment (Interest and Principal) of N4.8 billion, Personnel of N51.7 billion, Overhead N14.3 billion, Recurrent Expenditure of N53.32 billion, and Capital Expenditure of N32.3 billion, respectively.

The Covid-19 pandemic redirected the focus of Year 2020 budget which culminated into downward review of the budget size from N213billion to N174billion. Capital Expenditure decreased from N103.36B in the original Budget to N64.29b while Overhead Cost was reduced from N31.16B in Approved Budget to N30.94b. Similarly, there was a decrease in C.R.F.C. from N40.86B in the original Approved Budget to N34.51b. However, the Personnel Cost increased from N38.45b from original Approved to N39.52b in the reviewed Budget to accommodate payment of the minimum wage and employment of additional medical staff.

The State IGR initially budgeted at N62.64 billion was reviewed downward to N53.56 billion in the revised budget. This downward review was occasioned by the lockdown caused by COVID-19 during which businesses and other sources of IGR were affected especially in the second and third quarter of Year 2020.

Based on the revised 2020 Budget, more than 15% of the budget was provided for funding of COVID-19 related activities.

2.3 The State does not have Medium-Term Debt Management Strategy but efforts are being put in place to ensure that it is developed before the end of 2021.

4.1 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.

Recurrent Revenue	**2021**	**2022**	**2023**	**2024**
Statutory Allocation	43,052,072,004	57,974,577,719	71,244,941,288	71,491,001,378
Net Derivation				
VAT	14,831,771,242	16,492,022,485	17,709,087,849	18,953,978,665
IGR	53,136,272,091	66,712,831,355	80,617,252,450	102,626,759,407
Excess Crude / Other Revenue	11,626,693,160	11,626,693,160	11,626,693,160	11,626,693,160
Total Recurrent Revenue	**122,646,808,497**	**152,806,124,719**	**181,197,974,747**	**204,698,432,610**
Recurrent Expenditure				
Personnel Costs	57,107,310,877	68,780,939,648	84,142,128,112	99,202,786,143
Social Contribution and Social Benefit	33,184,436,741	34,844,011,112	35,142,026,784	35,685,409,692
Overheads	15,787,164,393	16,749,077,410	17,540,383,667	17,848,475,424
Grants, Contributions and Subsidies				
Public Debt Service	0	0	0	0
Total	**106,078,912,011**	**120,374,028,170**	**136,824,538,563**	**152,736,671,258**
Transfer to Capital Account	**16,567,896,486**	**32,432,096,549**	**44,373,436,184**	**51,961,761,351**
Capital Receipts				
Grants and Loans	67,922,795,912	75,937,449,813	87,082,059,693	101,215,262,077
Other Capital Receipts	0	0	0	0
Total	**67,922,795,912**	**75,937,449,813**	**87,082,059,693**	**101,215,262,077**
Reserves				
Contingency Reserve	5,805,873,915	7,406,347,406	9,076,877,779	10,819,614,275
Planning Reserve	4,443,927,806	5,370,019,526	6,367,241,883	7,382,579,135
Total Reserves	**10,249,801,721**	**12,776,366,932**	**15,444,119,661**	**18,202,193,411**
Capital Expenditure	**105,867,676,579**	**135,350,581,194**	**166,093,435,909**	**198,190,092,095**
Discretional Funds	37,944,880,667	59,413,131,380	79,011,376,217	96,974,830,018
Non-Discretional Funds	67,922,795,912	75,937,449,813	87,082,059,693	101,215,262,077
Financing	31,626,785,902	39,757,401,763	50,082,059,693	63,215,262,077
Total Budget Size	**222,196,390,311**	**268,500,976,296**	**318,362,094,134**	**369,128,956,764**
Ratios				
Growth in Recurrent Revenue	10.56%	24.59%	18.58%	12.97%
Growth in Recurrent Expenditure	6.84%	13.48%	13.67%	11.63%
Capital Expenditure Ratio	49.65%	52.41%	54.17%	55.69%
Deficit to Total Expenditure	14.23%	14.81%	15.73%	17.13%

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 2022-2024 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).

2. **VAT -** 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. However, due to COVID-19 pandemic, it can be revisited if there are any changes to the VAT rates as the basis for projection is flexible-elasticity.

3. **Other Federation Account Distributions** - the estimation is based on the current receipt (i.e. from January to May, 2021).

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 2020 and performance from January to April 2021 and on signed grant agreements with the World Bank, UNICEF etc.

6. **Expenditure Assumptions - Personnel:** Personnel Cost has been projected using three-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 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.

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

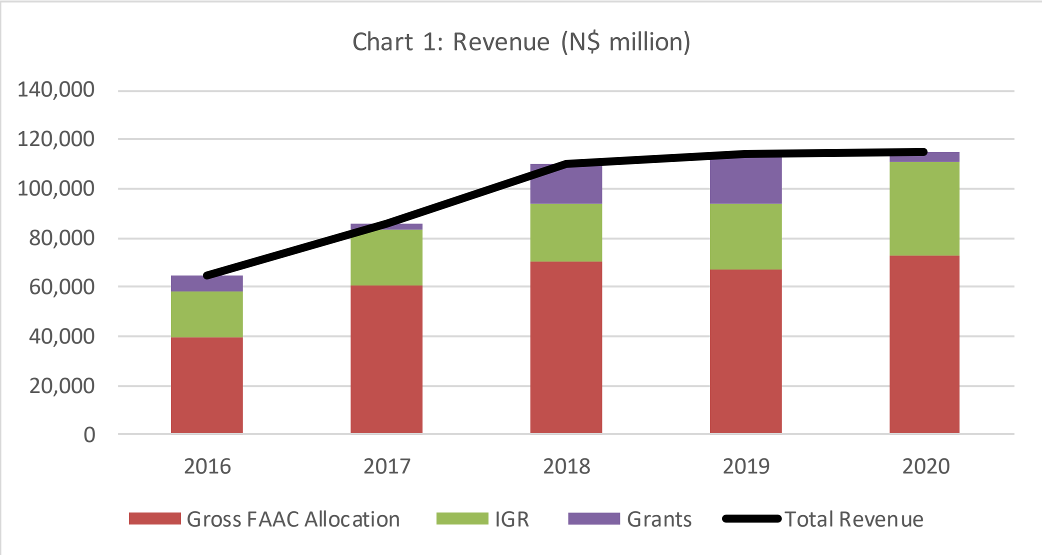
3.0 **REVENUE, EXPENDITURE AND PUBLIC DEBT TREND (2016– 2020)**

3.1 Revenue, Expenditure and Fiscal Performance, 2016-2020

3.1.1 Oyo State's Revenue stood at ₦115.628 billion in 2020 compared to N124.012 billion in the period of 2019, which represent a decrease of N8. 384 billion or 7.25 percent. The Revenue has shown improvements from 2016 to 2020, 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 declined from N97.426 billion in 2019 to N77.585 billion in 2020, which present a declined of N19.841 billion or 20.37%, the decline was due to slow in financial activities during the Coronavirus Pandemic Period in 2020.

Oyo State's Internally Generated Revenue (IGR) shows a growth during the period under review, the IGR shows a significant grew from N18.585 billion in 2016 to N38.042 billion in 2020. 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.

	2016	2017	2018	2019	2020
Total Revenue	84,751.7	97,589.2	118,288.8	124,012.6	115,628.2
Gross FAAC Allocation	39,316.4	60,707.0	70,397.5	67,035.6	72,885.4
IGR	18,585.2	22,442.5	23,480.7	26,585.8	38,042.7
Grants	26,850.1	14,439.7	24,410.6	30,391.2	4,700.0



3.1.2 FAAC ALLOCATION

3.1.2.1 There has been a steady increase in Statutory Allocation since 2016/2017 economic recession from N23.6 Billion in 2016 to N47.6 Billion in 2018 before declining to N38Billion in 2020. The increase in Years 2016-2018 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).

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. We experienced a decline in the Statutory Allocation at the end of the first quarter through to the second quarter of 2020 due to the supply glut in the global oil market and the effect of the Novel COVID-19 pandemic which caused global oil prices to crash below $20/barrel.

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%. This will potentially increase revenue that will accrue to Government. However, the lockdown caused by the COVID-19 Pandemic has slowed down economic activities and this is expected to cause a drop in VAT.

3.1.3 **Internally Generated Revenue**

Oyo state experienced a 42.23% year-on-year growth from ₦26.75bn in 2019 to ₦38.04bn in 2020. There is no doubt that this growth was faster than the 8.57% year-on year growth recorded between 2018 and 2019 when its Internally Generated Revenue (IGR) grew from ₦24.64bn to ₦26.75bn. Pertinent analysis of a 5-year point of view revealed that Oyo State's 2020 IGR depicted a 101.51% increase from the ₦18.88bn recorded in 2016 which was amazing especially in the wake of COVID-19 pandemic that had negative impact on IGR of several other states in the country.

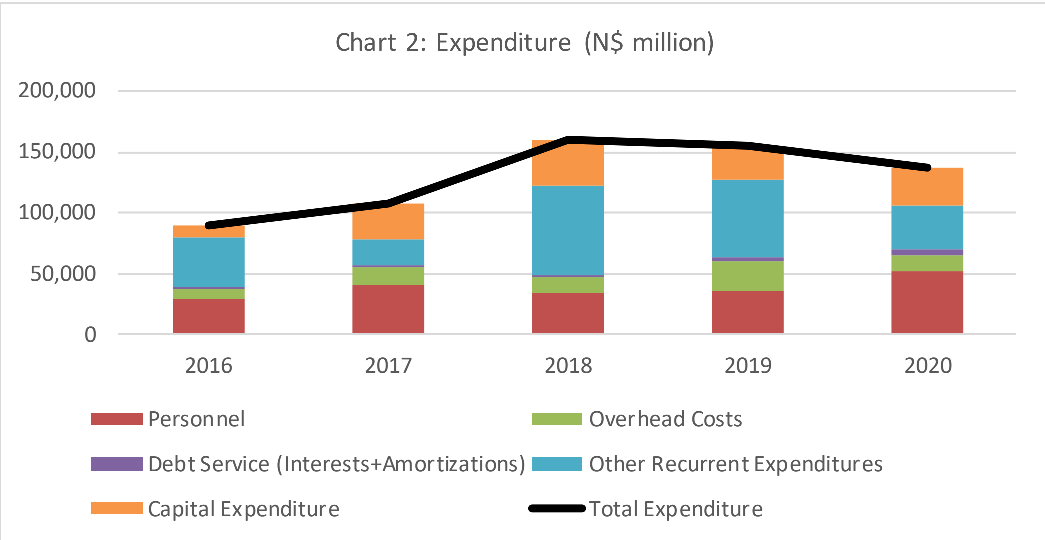
The enhanced in Revenue is largely due to restructuring in IGR collection process. This include the review of Commissions pay to Revenue Consultants, tax administration reforms aimed at improving collection rates and broadening the tax revenue based through the informal sector.

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 2020 Oyo State total expenditure amounted ₦136.886 billion compared to ₦88,758.37 billion as at end-December 2016, which represent a growth of ₦48.127 billion or 35.15 percent. The personnel cost stood at ₦28.684

billion in 2016,₦40.155 billion in 2017, ₦33.073 billion in 2018, ₦35.592 billion in 2019, and ₦51.484 billion in 2020, respectively. The overhead cost stood at ₦8.828 billion in 2020 compared to ₦14.214 billion in 2020. Capital expenditure amounted to ₦31.278 billion in 2020, ₦28.973 billion in 2019, ₦37.573 billion in 2018, ₦28.777 billion in 2017, and ₦8.461 billion in 2016, respectively. The Total debt service that comprises the interest payment and principal repayment stood at N3,974 billion as at end-December 2020 compared to N1,599 billion as at end-December 2016.

	2016	2017	2018	2019	2020
Total Expenditure	88,758.37	133,046.40	140,558.20	155,639.05	136,886.09
Personnel	28,684.68	40,155.66	33,073.76	35,592.31	51,484.14
Overhead Costs	8,828.27	14,743.32	14,090.54	24,399.61	14,214.23
Debt Service (Interest + Amortization)	1,599.3	1,778.0	1,949.0	3,192.6	3,974.1
Other Recurrent Expenditure	41,184.96	21,748.70	72,731.19	63,481.30	35,934.72
Capital	8,461.16	28,777.96	37,573.01	28,973.23	31,278.90



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 re-structuring of the Civil Service in 2016 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 effect of COVID - 19, 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, 2016 -2020

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 N126.218 billion as at end-December 2020 compared to N134.098 billion as at end-December 2019, representing a decrease of N7.874 billion or 6.24 percent. The decrease in the Total Debt stock was reflected in both Domestic and External Debt components. The external debt stock decreased from N32.665 billion in 2019 to N31.722 billion in 2020, while the domestic debt stock significantly increased to N94.496 billion in 2020 from N91.567 billion in 2019.

	2016	2017	2018	2019	2020
Outstanding Debt (Existing + New)	134,093.42	141,914.59	127,402.23	110,329.68	119,460.18
External	18,206.87	28,505.39	32,182.50	32,665.20	31,722.30
Domestic	115,886.55	129,213.60	91,515.76	91,567.94	94,496.18

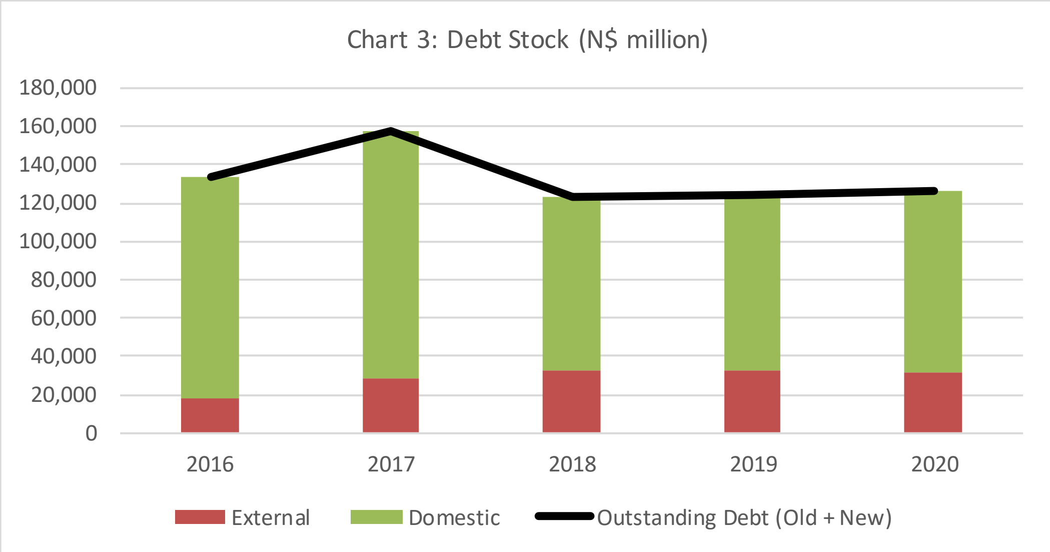


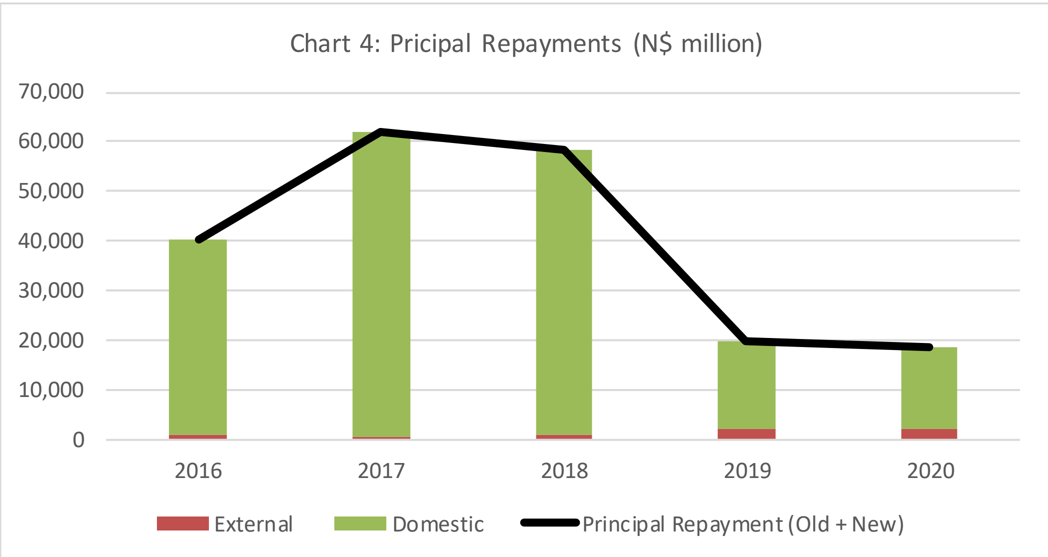
Chart 3: shows a decline in the Debt Stock from N134.093 billion in 2016 to N126.218 billion in 2020, due to sharp decline in the indebtedness of the State in Restructured Commercial Bank Loan (FGN Bond), State Bonds, Judgement Debt, Contractors Arrears, Pensions and Gratuities, Salary Arrears (Bail-out) and Other Debt from 2016 to 2018. Other loans like Commercial Bank Loan, Commercial Agriculture Credit Scheme (CACS) and Budget Support Facilities grew from 2016 to 2020.

Oyo State Debt Portfolio as at the end of 2020 consist of external N31.722 billion or 25.13 percent and Domestic debt was amounted to N94.496 billion or 74.87 percent, respectively.

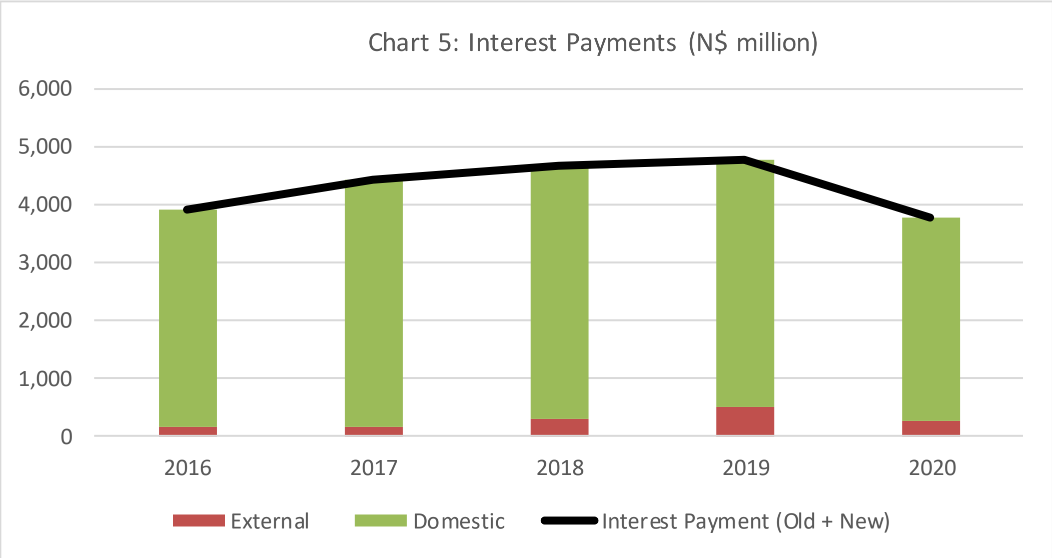
Oyo State holds a low cost and low risk debt portfolio. The debt portfolio has an average domestic interest rate of 11.93 percent and average external interest of 1.03 Percent in 2020. The State debt portfolio is minimally exposed to currency, rollover, and interest rate risk. Exposures to currency fluctuations is limited because the foreign currency – denominated loans are only 25.13 percent of the total debt stock in 2020. 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 ₦40.406 billion, ₦61.843 billion ₦58.493 billion, ₦19.783 billion and ₦18,377 billion for 2016, 2017, 2018, 2019 and 2020 respectively. The principal repayment stood at ₦40,406 billion in 2016 compared to ₦18.377 billion in 2020 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. While the Interest Payment amounted to ₦3.919 billion in 2016 compared to ₦3.785 billion in 2020. The principal repayments and Interest payment were on both External Debt and Domestic Debt (see Chart 4 and 5)

	2016	2017	2018	2019	2020
Principal Repayment (Old + New)	40,406.58	61,843.85	58,493.34	19,783.90	18,377.51
External	1,053.46	680.47	974.79	2,204.38	1,929.11
Domestic	39,353.12	61,163.38	57,518.55	17,579.52	16,448.40



	2016	2017	2018	2019	2020
Interest Repayment (Old + New)	3,919.42	4,439.66	4,681.32	4,786.80	3,785.64
External	159.51	149.84	313.57	492.26	253.93
Domestic	3,759.91	4,289.82	4,367.75	4,294.54	3,531.71



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 gradual decline trend from 2016 to 2030. Even though the ratio has continued to decrease steadily over the period under review peaking at a value of 7.31 percent in 2016 which declined to 4.57 percent in 2030, 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 18 percent in 2021 to 37 percent in 2030, Interest Payment as a percentage of Revenue revealed that, the maximum exposure of the State Interest towards Revenue is 12 percent 2030 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 3 percent in year 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 2021-2024, 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 2021-2024, with real GDP expanding at an average annual rate of 4 percent and domestic inflation decreasing below 10.94 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.

Oyo State Debt burden indicators as at end-2020

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	4.06
Debt as % of Revenue	200%	109.16
Debt Service as % of GDP	40%	3.43
Personnel Cost as % of Revenue	60%	44.52
Debt Service as % of FAAC Allocation	Nil	10.4
Interest payment as % of Revenue	Nil	0.97
External Debt Service as % of Revenue	Nil	1.65

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

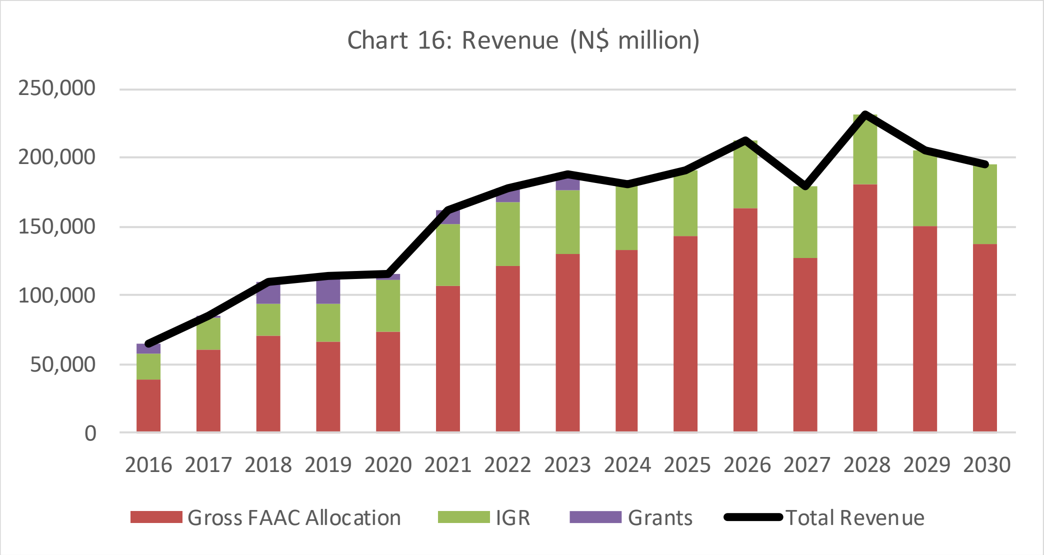
Oyo state government intends to finance its new borrowing from 2021 to 2030 mainly through Commercial Bank Loans (maturity 1-5 years) with an average of 37.65 percent, Commercial Bank Loans (maturity 6 year above) estimated at 25.11 percent, State Bonds (maturity 1-5 years) at 11.48 percent, State Bonds (maturity 6 years above) at 8.06 percent, Other Domestic financing at 17.67 percent, over projection period, compared with External financing – Concessional financing which was estimated at 30 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

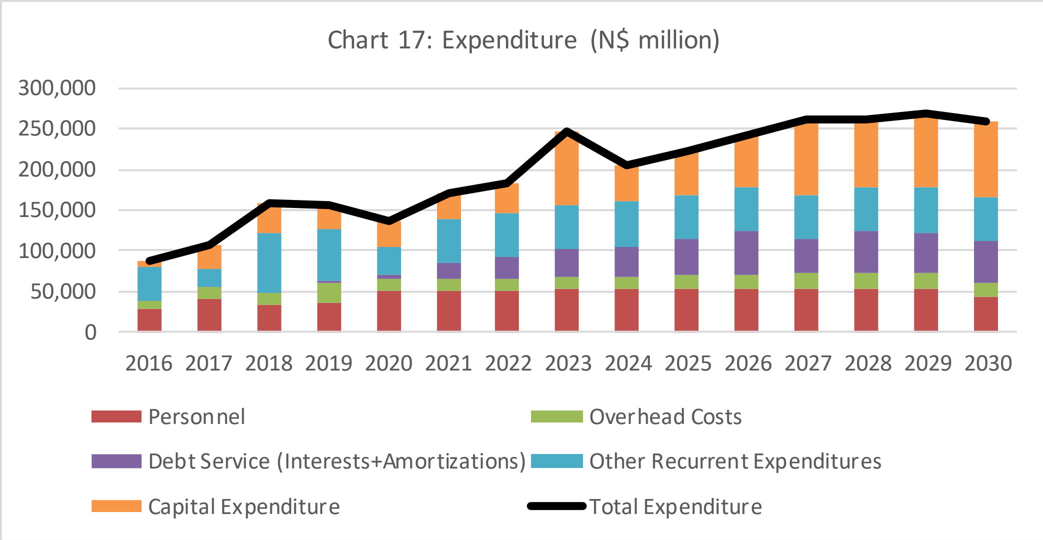
Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenue sources. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The 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 N110.928 billion in 2020 to N194.984 billion in 2030, representing an increase of N84,056.1 billion or 43.11 percent over the projection period. Gross FAAC Allocation projected to grow from 61.073 billion in 2020 to 137482billion in 2030. The projections were sources from the Approved 2021 Budget; MTEF, 2021-2023; 2024-2030 projections as estimated by the Ministry of Budget and Economic Planning.

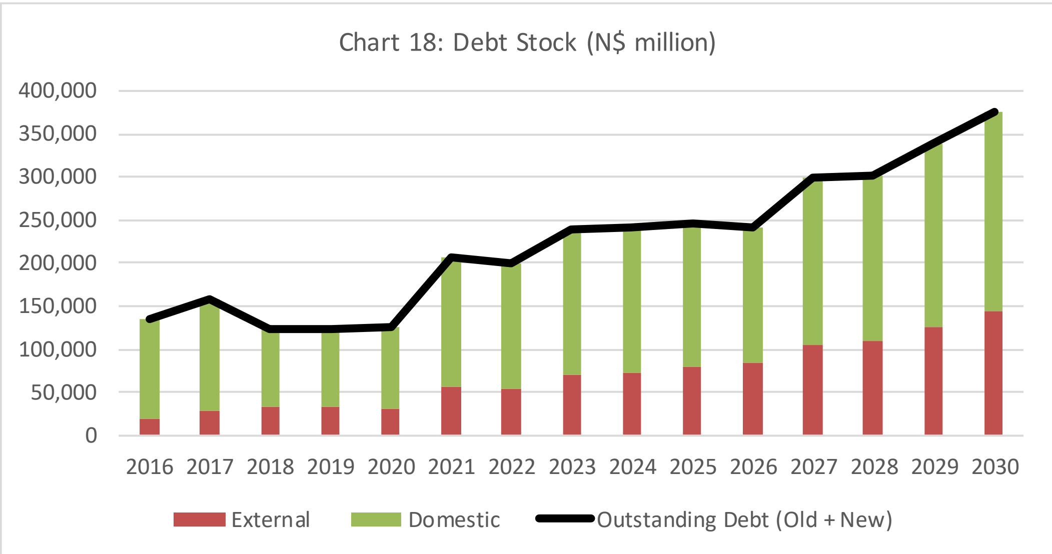
The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the state as well as employing appropriate technology. In addition, efforts will be made to bring more businesses in the informal sector into the tax net. IGR estimated to grow by N19.459 billion or 51.15 percent (from N38.042 billion in 2020 to N57.501 billion in 2030), over the projection period of the Approved 2021 Budget; MTEF, 2021-2023; 2024-2030 projections as estimated by the Ministry of Budget and Economic Planning.



Total expenditure projected at ₦170.588 billion in 2021, ₦ 183.214 billion in 2022, ₦248.141 billion in 2023, ₦204.420 billion in 2024, ₦221.921 billion in 2025, ₦241.488 billion in 2026, ₦262.134 billion in 2027, ₦261.208 billion in 2028, ₦269.466 billion in 2029 and N259.803 billion in 2030, respectively, indicating stability in the state growth recovery. Overhead Costs, Debt Service and Capital Expenditure estimated to increase over the projection period while Other Recurrent Expenditures and Personnel Costs are projected to decline over the projection period. Capital Expenditure estimated to increase over projection period from ₦31.278 billion in 2020, ₦37.015 billion in 2022, ₦44.242 billion in 2025, ₦92.975 billion in 2027 and ₦94.707 billion in 2030, respectively. Overhead Costs Expenditure estimated to increase from ₦14.356 billion in 2021 to ₦17.169 billion in 2030 and Debt Services ₦6.368 billion in 2020 to ₦ 15.250 billion in 2030, expect Other Recurrent Expenditure and Personnel Cost Expenditure which were estimated to decline from ₦ 53.381 billion in 2020 to ₦52.832 billion in 2030 and ₦51.741 billion in 2020 to ₦44.172 in 2030 as stipulated by the projections estimated by the Ministry of Budget and Economic Planning.



As a result of the State's modest increase in GDP, great improvement in IGR, increase in Capital Expenditure, Overhead costs and Debt Services. The increased in projected expenditure increase the debt through Primary Balance. Oyo State's Debt Stock estimated to increase from ₦126.218 billion in 2020 to ₦ 376.536 billion in 2030, representing an increase of N250.317 billion or 198.02 percent over the projection period. External Debt projected to grow by N112.968 billion or 356.19 percent and Domestic Debt to increase by N137.35 billion or 145.35 percent.



OYO STATE MAIN FINDING

The Baseline Scenario results shows that the ratio of Debt as % of GDP is projected at 5.67 percent in 2021, 5.33 percent in 2023, 4.17 percent in 2026, 4.37 percent in 2028 and 4.57 percent in 2030, respectively, as against the indicative threshold of 25 percent. The ratio of Debt as % of Revenue estimated at 128.04 percent in 2021, 127.44 percent in 2023, 128.93 percent in 2025, 130.67 percent in 2028 and 193.11 percent in 2030, 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 2021 to 2030, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively.

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 sub-sections. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

The 2021 DSA analysis shows that Oyo remains at moderate risk of debt distress under sensitivity analysis. The State DSA analysis shows deteriorate related to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock, that would lead to increase Gross Financing Needs over the projection period. The shocks apply breached the threshold under debt as percent of GDP from 2028 to 2030 under historical shocks. The debt as percent of Revenue breached the benchmarks from 2026 to 2030 through Revenue shocks, Expenditure Shocks as well as Historical shocks. Debt service as percentage of Revenue breached the threshold under revenue and Expenditure Shocks from 2029- 2030. There is, an 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 farreaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.

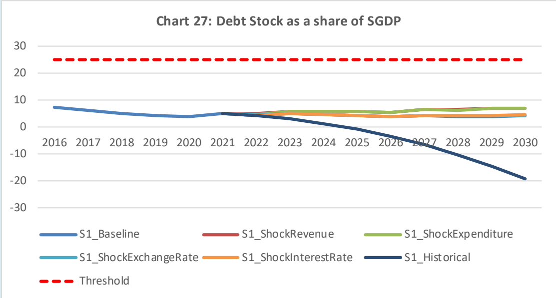


Chart 27: Debt Stock as a share of SGDP
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

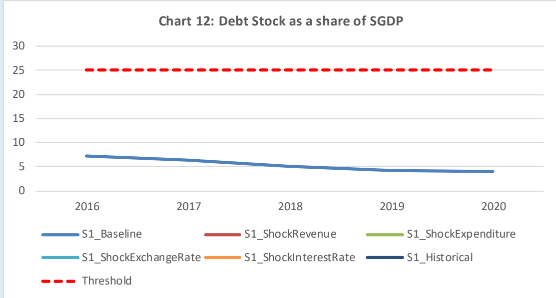


Chart 12: Debt Stock as a share of SGDP
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

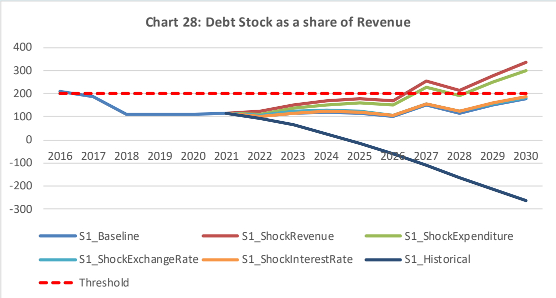


Chart 28: Debt Stock as a share of Revenue
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

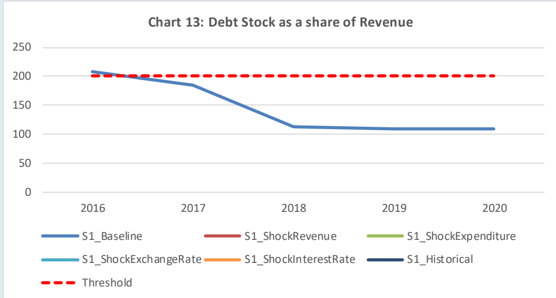


Chart 13: Debt Stock as a share of Revenue
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

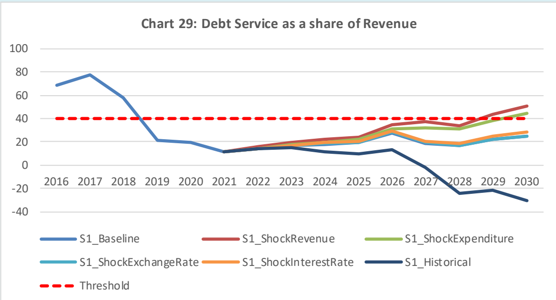


Chart 29: Debt Service as a share of Revenue
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

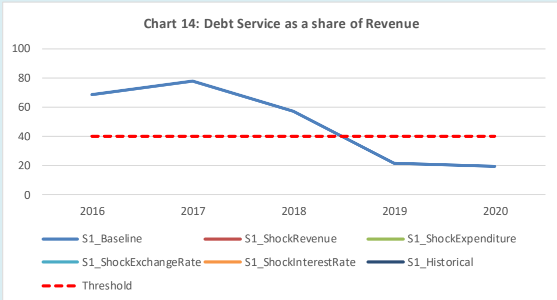


Chart 14: Debt Service as a share of Revenue
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

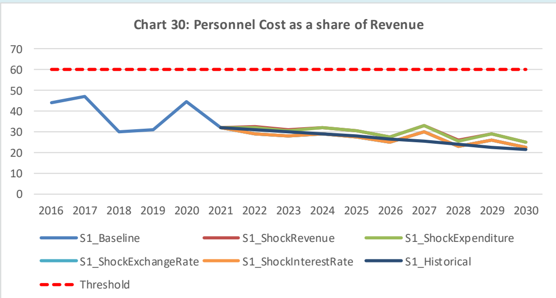


Chart 30: Personnel Cost as a share of Revenue
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

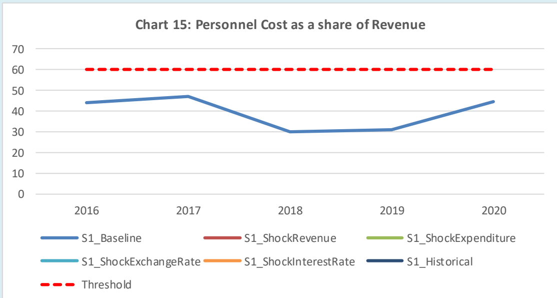


Chart 15: Personnel Cost as a share of Revenue
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

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, 2021-2025, 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 2025, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2025 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 2021 and MTEF, 2021-2023. External gross borrowing under Concessional loans accounts on average 30 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 37.65 percent, Commercial Bank loans (maturity above 6 years) accounts on average 25.11 percent, state bond (maturity of 1-5 years) accounts 11.48, state bond (maturity above 6 years) accounts for 8.06 and Other Domestic Financing accounts on average of 17.67 percent over the DMS period of 2021 to 2025.

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 2021 to 2025, the state government will focus its financing through commercial bank loans with average 39.42 percent under maturity of 1-5 years and 26.69 percent under maturity of above 6 years over the strategic period, state bond (maturity of 1-5 years) accounts 11.16, state bond (maturity above 6 years) accounts for 9.04 compared to other domestic financing needs that accounted for 13.67 percent.

Strategy (S3) focus its financing through domestic debt market. In strategy 3, the government decided to focus more of its financing from 2021 to 2025, 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 38.46 percent, 25.12 percent, 15.12 percent, 6.78 percent and Other Domestic financing accounts 14.50 percent. This strategy considers the scenario where proportions of external and domestic debt instruments in 2021 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 2021 as its in strategy 1. The remaining of borrowing distributions from 2021 to 2025, the state government will focus its financing through commercial bank loans with average 29.55 percent under maturity of 1-5 years and 11.22 percent under maturity of above 6 years over the strategic period and other domestic financing needs that accounted for 59.22 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 increase from 128 percent in 2021 to 128.9 percent. Strategy 2 where the Cost ratio of Debt to Revenue estimated to increase from 128 percent in 2021 to 130.3 percent 2025 and Strategy 3 the Cost ratio of Debt to Revenue estimated to increase from 128.9 percent in 2021 to 131.1 to 2025 respectively. While Strategy 4 shows decline from 128 percent in 2021 to 127.6
- ➢ Analysis using this debt indicator of debt to revenue shows that S4 is the least costly and riskier which was estimated at 127.6 percent and 62.3 percent compared to Strategy 1 (128.9 percent and 62.5 percent), Strategy 2 (130.3 percent and 62.6 percent), respectively. On the other hand, Strategy 3 is the costliest and riskiest strategy which was estimated as 131.1 percent and 62.7 percent, which concentrated mainly on state bonds than commercial bank loan and other domestic borrowing bearing in mind that the proportion of external financing over the DMS period of 2021-2025 is constant.

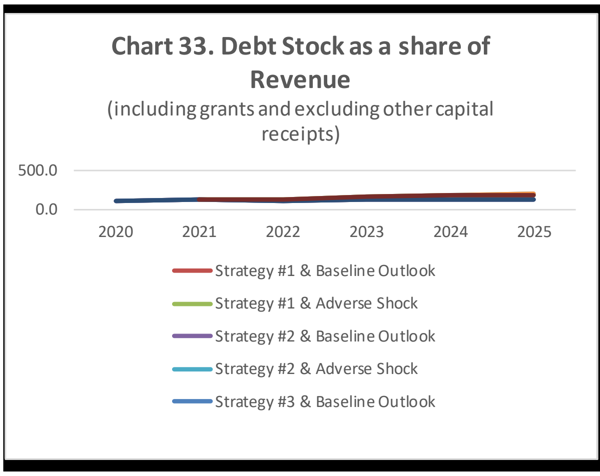


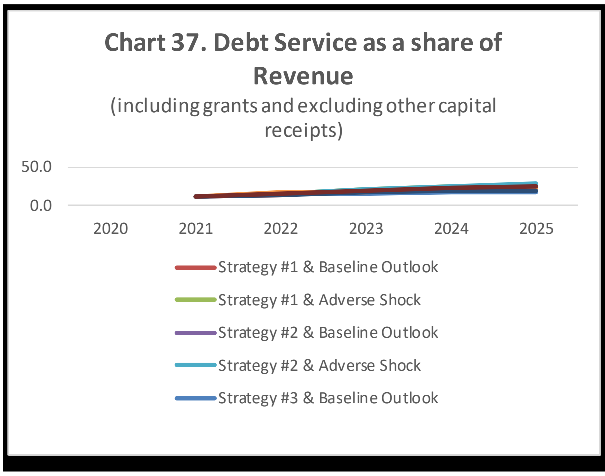
Chart 33. Debt Stock as a share of Revenue (including grants and excluding other capital receipts)

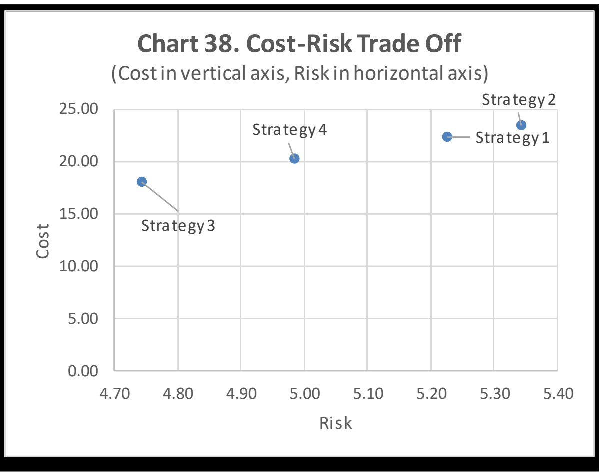
Chart 34. Cost-Risk Trade Off (Cost in vertical axis, Risk in horizontal axis)

b. **Debt Service as a share of Revenue:**

➢ In terms of Debt Service to Revenue, Strategy 3 has the lowest costs of 11.7 percent in 2021 to 18.0 percent in 2025 and lowest risks of 4.7 percent compared to Strategy 4 (costs at 20.2.3 percent and risks at 5.0 percent), Strategy 1 (costs at 22.3 percent and risks at 5.2 percent) and Strategy 2 has the highest cost at 23.4 percent and risks at 5.3 percent), respectively, as at end of the strategic period of 2025.

➢ Strategy 3 has the lowest costs at 18 percent and minimum risks at 4.7 percent under the Debt Service to Revenue, followed by Strategy 4 costs at 120.2 percent and risks at 5.0 percent. But the Strategy 2 is the costliest and riskiest strategy as the domestic debt financing considered more bond borrowing.

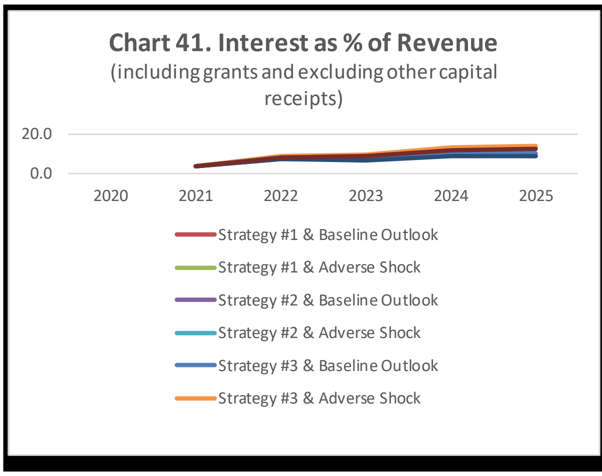


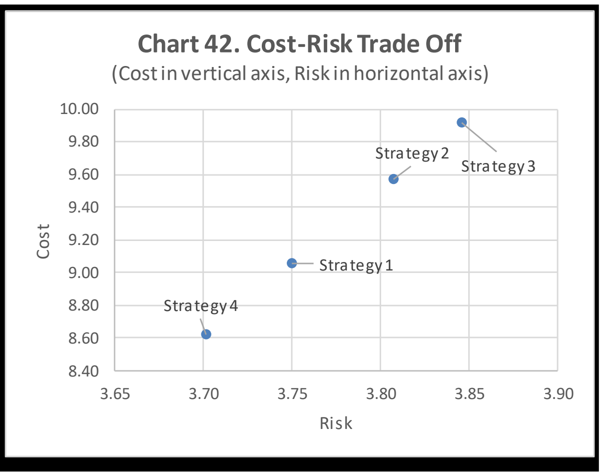


Interest as a share of Revenue

Strategy 4 is the least costs with regards Interest to Government revenues, which projected to increase from 3.9 percent in 2021 to 9.1 percent in 2025 and Risks at 3.7 percent in 2025, whilst Strategy 3 is the most costly and risky strategy at 3.9 percent in 2021 and 13.4 percent and a risk of 3.8, compared to Strategy 1 with moderate costs and risks of 3.9 percent in 2021 and 9.1 percent in 2025 and Risk at 3.8 and Strategy 2 with estimated costs and risks of 3.9 percent in 2021 and 12.8 percent , as at end of the strategic period of 2025.

➢ The ratios of Interest as percent of Revenue analysis shows that S4 yield the lowest costs and risks due to high other domestic funding due to low interest rate, longer maturity and grace period in it financing. Compared to S1 and S2 with the moderate costs and risks. S3 is the most costly and risky strategy as domestic debt financing considered more State bonds.





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 costs and risks would suggest that the recommended strategy be S4 these results were just marginally better when compared with Strategy S1, Other domestic financing are financing from the Central Bank of Nigeria which are often intervention funds that are not always readily available. Strategy 1 was considered as the most feasible of the strategies to implement in the short to medium-term and it would still greatly improve the portfolio's debt position relative to the base year 2020.

In comparison to the current debt position, Oyo State debt portfolio stood at N126.218 billion as at end-2020, which expected an increase to N250,317.94 billion under Strategy 1 to the end of the strategic period, compared to Strategy 2 (N260.914 billion), Strategy 3 (N268.288 billion), and Strategy 4 (N243.009 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 2021-2025.

The Debt Management Strategy, 2021-2025 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 2021 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

ASSUMPTION

ANNEXURES I

Assumptions:		Projection Methodolog	Source
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 2018-2029 as supplied by the DMO, Abuja.	Approved 2020 revised budget
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The estimation for Statutory Allocation is based on an elasticity forecast taking into conside	Approved 2020 revised budget/ Propsed 2021 - 2024 MTEF (ii) the outer years of 2024 to 2029 was based on the projection for States GSA (share of fedration account revenues)
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	the estimation is based on the current receipt (i.e. from January to May, 2021)	
	4. VAT Allocation	is based on elasticity forecast using the combined change in GDP growth and Inflation Rate	revised budgetProposed 2021 -2023 MTEF
	5. 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 t	
	6. Capital Receipts	the internal grants are based on the actual receipts for 2020 and performance from J	evised budget and proposed 2021- 2024 MTEF
	6.a. Grants		
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel Cost has been projected using three-year moving average based on actual historical cost. However, the implementation of the new minimum wage and possible new recruitment will necessitate a review.	
	2. Overhead costs	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 tec	
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	recurrent expenses on covid_19 related matters especially in the health sectors and emergency relief/intervention was sustianed and the 2021 -2024 MTEF Projection	
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Capital expenses were incurred in the Health sector to curb the spread of the pandemic (i) The MTEF 2021 -2024 average projection 12% is based on the gradual improvement of the economy ir	
	5. Capital Expenditure	this is based on the balance from the recurrent account plus capital receipts, less than planning and contingency reserve as outlined above.	
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	of the Accountant-General with the General Purpose Financial Statement	
Debt Amotization and Interest Payments	**Debt Outstanding at end-2020**		
	External Debt - amortization and interest	1st line charge deductions from FAAC allocation	:embly, DMO Abuja, Approved Budget and State MTEF 2021-2024
	Domestic Debt - amortization and interest	1st line charge deductions from FAAC allocation (ii) IGR	:embly, DMO Abuja, Approved Budget and State MTEF 2021-2024
	New debt issued/contracted from 2021 onwards		
	New External Financing	Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	1st line charge deductions from FAAC allocation	:embly, DMO Abuja, Approved Budget and State MTEF 2021-2024
	External Financing - Bilateral Loans		
	Other External Financing		
	New Domestic Financing	Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSME	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and I	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 1 to 5 years)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 6 years or longer)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Other Domestic Financing	1st line charge deductions from FAAC allocation (ii) IGR	Assembly, DMO Abuja, Office of the State Accountant- General
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, and MSME	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and I	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 1 to 5 years)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 6 years or longer)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Other Domestic Financing	1st line charge deductions from FAAC allocation (ii) IGR	Assembly, DMO Abuja, Office of the State Accountant- General

		Projection Methodolog	Source
Assumptions:			
	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	embly, DMO Abuja, Approved Budget and State MTEF 2021-2024
	External Financing - Bilateral Loans		
	Other External Financing		
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, and MSME	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and M	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 1 to 5 years)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 6 years or longer)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Other Domestic Financing	1st line charge deductions from FAAC allocation (ii) IGR	Assembly, DMO Abuja, Office of the State Accountant- General
	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	embly, DMO Abuja, Approved Budget and State MTEF 2021-2024
	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, and MSME	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and M	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 1 to 5 years)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 6 years or longer)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Other Domestic Financing	1st line charge deductions from FAAC allocation (ii) IGR	Assembly, DMO Abuja, Office of the State Accountant- General
	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	embly, DMO Abuja, Approved Budget and State MTEF 2021-2024
	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, and MSME	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and M	1st line charge deductions from FAAC allocation (ii) IGR	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 1 to 5 years)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	State Bonds (maturity 6 years or longer)	1st line charge deductions from FAAC allocation	Budget, DMO Abuja, State MTEF 2021-2024 Office of the State Accountant- General
	Other Domestic Financing	1st line charge deductions from FAAC allocation (ii) IGR	Assembly, DMO Abuja, Office of the State Accountant- General
	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	embly, DMO Abuja, Approved Budget and State MTEF 2021-2024
	External Financing - Bilateral Loans		
	Other External Financing		

ANNEXURES II

	Actuals					Projections									
Indicator	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	1,833,824.00	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
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
Fiscal Indicators (Million Naira)															
Revenue	**84,751.70**	**97,589.20**	**118,288.80**	**124,012.60**	**115,628.16**	**255,135.16**	**183,214.02**	**248,141.79**	**204,420.48**	**222,421.13**	**241,588.64**	**262,084.03**	**261,308.01**	**269,266.71**	**259,853.89**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	22,864.06	31,802.44	47,691.95	46,183.49	38,017.65	56,589.00	65,202.00	67,290.00	63,762.00	65,574.00	77,906.00	40,067.00	76,970.00	36,028.00	35,178.40
1.a. of which Net Statutory Allocation ('net' means of deductions)	15,730.19	24,100.51	39,796.36	34,799.03	26,588.93	45,503.13	54,001.33	55,856.83	52,219.30	53,839.83	66,000.83	9,923.83	64,722.83	23,610.00	22,589.17
1.b. of which Deductions	7,133.87	7,701.93	7,895.60	11,384.45	11,428.71	11,085.87	11,200.67	11,433.17	11,542.67	11,734.17	11,905.17	12,076.17	12,247.17	12,418.17	12,589.17
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	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	4,261.77	12,725.21	5,431.68	1,946.42	11,626.69	11,626.69	11,626.69	11,626.69	11,626.69	11,626.69	11,626.69	5,000.00	11,626.69	11,626.69	0.00
4. VAT Allocation	12,190.52	16,179.33	17,273.85	18,905.66	23,241.09	38,637.00	45,175.00	51,347.00	57,951.00	65,403.00	73,143.00	81,799.00	91,479.00	102,304.00	102,304.00
5. IGR	18,585.24	22,442.48	23,480.68	26,585.81	38,042.73	44,724.81	45,769.31	46,531.69	47,694.99	48,887.36	50,109.54	51,863.38	50,678.60	55,557.35	57,501.85
6. Capital Receipts	26,850.13	14,439.74	24,410.60	30,391.19	4,700.00	103,557.65	15,441.02	71,346.41	23,385.80	30,930.08	28,803.40	83,354.65	30,553.72	63,750.67	64,869.63
6.a. Grants	6,775.60	2,310.10	16,110.60	20,222.60	4,403.60	10,163.79	10,367.07	10,574.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.b. Sales of Government Assets and Privatization Proceeds	0.00	3,874.64	0.00	0.00	296.40	0.00	0.00	0.00	0.00	500.00	0.00	0.00	0.00	500.00	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	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	0.00	0.00	0.00	0.00	93,393.86	5,073.95	60,772.00	23,385.80	30,430.08	28,803.40	83,354.65	30,553.72	63,250.67	64,869.63
Expenditure	**88,758.37**	**107,203.64**	**159,417.50**	**155,639.05**	**136,886.09**	**170,588.13**	**183,214.02**	**248,141.79**	**204,420.48**	**221,921.13**	**241,488.64**	**262,134.03**	**261,208.01**	**269,466.71**	**259,803.89**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	28,684.68	40,155.66	33,073.76	35,592.31	51,484.14	51,741.56	52,000.27	52,260.27	52,521.57	52,784.18	53,048.10	53,313.34	53,579.91	53,847.81	44,117.05
2. Overhead costs	8,828.27	14,743.32	14,090.54	24,399.61	14,214.23	14,356.37	14,499.94	16,263.94	16,426.58	18,070.10	18,160.45	18,942.53	19,037.24	20,069.52	17,169.87
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	0.00	0.00	0.00	0.00	0.00	6,368.14	13,315.41	13,381.42	16,793.15	17,334.53	17,765.78	17,114.99	21,863.31	21,552.89	24,171.27
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	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	0.00
3.b. of which Interest deducted from FAAC Allocation	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	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	41,184.96	21,748.70	72,731.19	63,481.30	35,934.72	53,381.77	53,648.68	53,916.93	54,186.51	54,457.44	54,729.73	55,003.38	55,278.40	55,554.79	52,832.56
5. Capital Expenditure	8,461.16	28,777.96	37,573.01	28,973.23	31,278.90	32,217.27	37,015.18	90,895.04	44,242.84	53,820.36	63,397.88	92,975.41	82,552.93	92,130.45	94,707.97
6. Amortization (principal) payments	1,599.30	1,778.00	1,949.00	3,192.60	3,974.10	12,523.01	12,734.54	21,424.19	20,249.83	25,454.51	34,386.69	24,784.39	28,896.24	26,311.25	26,805.17
Budget Balance (' + ' means surplus, ' - ' means deficit)	**-4,006.67**	**-9,614.44**	**-41,128.70**	**-31,626.45**	**-21,257.93**	**84,547.03**	**0.00**	**0.00**	**0.00**	**500.00**	**100.00**	**-50.00**	**100.00**	**-200.00**	**50.00**
Opening Cash and Bank Balance	**22,787.25**	**18,780.50**	**9,466.10**	**-31,662.60**	**-63,289.10**	**-84,547.03**	**0.00**	**0.00**	**0.00**	**0.00**	**500.00**	**600.00**	**550.00**	**650.00**	**450.00**
Closing Cash and Bank Balance	**18,780.50**	**9,166.10**	**-31,662.60**	**-63,289.10**	**-84,547.03**	**0.00**	**0.00**	**0.00**	**0.00**	**500.00**	**600.00**	**550.00**	**650.00**	**450.00**	**500.00**

Financing Needs and Sources (Million Naira)															
Financing Needs						**93,393.86**	**5,073.95**	**60,772.00**	**23,385.80**	**30,930.08**	**28,803.40**	**83,354.65**	**30,553.72**	**63,750.67**	**64,869.63**
i. Primary balance						10,044.32	20,976.00	-25,966.38	13,657.18	12,358.96	23,449.07	-41,505.27	20,305.82	-16,086.52	-13,843.19
ii. Debt service						18,891.15	26,049.95	34,805.62	37,042.98	42,789.04	52,152.47	41,899.38	50,759.54	47,864.15	50,976.45
Amortizations						12,523.01	12,734.54	21,424.19	20,249.83	25,454.51	34,386.69	24,784.39	28,896.24	26,311.25	26,805.17
Interests						6,368.14	13,315.41	13,381.42	16,793.15	17,334.53	17,765.78	17,114.99	21,863.31	21,552.89	24,171.27
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						84,547.03	0.00	0.00	0.00	500.00	100.00	-50.00	100.00	-200.00	50.00
Financing Sources						**93,393.86**	**5,073.95**	**60,772.00**	**23,385.80**	**30,930.08**	**28,803.40**	**83,354.65**	**30,553.72**	**63,750.67**	**64,869.63**
i. Financing Sources Other than Borrowing						0.00	0.00	0.00	0.00	500.00	0.00	0.00	0.00	500.00	0.00
ii. Gross Borrowings						93,393.86	5,073.95	60,772.00	23,385.80	30,430.08	28,803.40	83,354.65	30,553.72	63,250.67	64,869.63
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						24,942.14	1,355.07	15,920.90	6,245.51	8,126.78	7,692.35	22,261.03	8,159.80	16,891.98	17,069.70
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						16,560.97	899.73	10,776.33	4,146.86	5,395.98	5,107.53	14,780.78	5,417.91	11,215.86	11,502.94
State Bonds (maturity 1 to 5 years)						7,072.80	447.50	4,514.39	1,737.19	2,543.60	2,529.80	7,325.10	2,684.70	5,557.50	4,818.78
State Bonds (maturity 6 years or longer)						5,277.13	286.70	3,433.86	1,553.00	1,719.42	1,627.51	4,709.87	1,726.41	3,573.92	3,665.39
Other Domestic Financing						11,657.80	633.35	7,585.80	2,919.11	3,798.40	3,595.36	10,404.66	3,813.84	7,895.20	8,097.29
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						27,883.03	1,451.57	18,540.68	6,784.10	8,845.86	8,250.83	23,873.21	8,751.11	18,116.20	19,715.58
External Financing - Bilateral Loans						0.00	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	0.00
Residual Financing						0.00	0.03	0.03	0.03	0.03	0.02	0.00	-0.04	0.01	-0.05
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**134,093.42**	**157,718.99**	**123,698.26**	**124,233.14**	**126,218.48**	**207,089.33**	**199,428.74**	**238,776.55**	**241,912.52**	**246,888.09**	**241,304.81**	**299,875.07**	**301,532.55**	**338,471.96**	**376,536.42**
External	18,206.87	28,505.39	32,182.50	32,665.20	31,722.30	56,358.92	54,557.05	69,689.13	73,064.35	78,653.32	83,647.25	104,263.55	110,475.36	125,808.27	144,690.05
Domestic	115,886.55	129,213.60	91,515.76	91,567.94	94,496.18	150,730.41	144,871.69	169,087.42	168,848.17	168,234.78	157,657.56	195,611.51	191,057.18	212,663.70	231,846.38
Gross borrowing (flow)						**93,393.86**	**5,073.95**	**60,772.00**	**23,385.80**	**30,430.08**	**28,803.40**	**83,354.65**	**30,553.72**	**63,250.67**	**64,869.63**
External						27,883.03	1,451.57	18,540.68	6,784.10	8,845.86	8,250.83	23,873.21	8,751.11	18,116.20	19,715.58
Domestic						65,510.83	3,622.38	42,231.32	16,601.70	21,584.22	20,552.57	59,481.44	21,802.61	45,134.47	45,154.05
Amortizations (flow)	**40,406.58**	**61,843.85**	**58,493.34**	**19,783.90**	**18,377.51**	**12,523.01**	**12,734.54**	**21,424.19**	**20,249.83**	**25,454.51**	**34,386.69**	**24,784.39**	**28,896.24**	**26,311.25**	**26,805.17**
External	1,053.46	680.47	974.79	2,204.38	1,929.11	3,246.41	3,253.44	3,408.60	3,408.88	3,256.89	3,256.90	3,256.90	2,539.30	2,783.30	833.80
Domestic	39,353.12	61,163.38	57,518.55	17,579.52	16,448.40	9,276.60	9,481.10	18,015.59	16,840.95	22,197.61	31,129.79	21,527.49	26,356.94	23,527.95	25,971.37
Interests (flow)	**3,919.42**	**4,439.66**	**4,681.32**	**4,786.80**	**3,785.64**	**6,368.14**	**13,315.41**	**13,381.42**	**16,793.15**	**17,334.53**	**17,765.78**	**17,114.99**	**21,863.31**	**21,552.89**	**24,171.27**
External	159.51	149.84	313.57	492.26	253.93	486.34	838.20	922.51	1,176.11	1,311.01	1,467.25	1,617.54	1,856.79	1,902.50	2,248.27
Domestic	3,759.91	4,289.82	4,367.75	4,294.54	3,531.71	5,881.80	12,477.22	12,458.91	15,617.05	16,023.52	16,298.53	15,497.45	20,006.51	19,650.40	21,923.01
Net borrowing (gross borrowing minus amortizations)						**80,870.85**	**-7,660.59**	**39,347.80**	**3,135.98**	**4,975.57**	**-5,583.29**	**58,570.26**	**1,657.48**	**36,939.41**	**38,064.46**
External						24,636.62	-1,801.87	15,132.08	3,375.22	5,588.97	4,993.93	20,616.31	6,211.81	15,332.90	18,881.78
Domestic						56,234.23	-5,858.72	24,215.73	-239.25	-613.40	-10,577.22	37,953.95	-4,554.33	21,606.51	19,182.68
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	**7.31**	**6.29**	**4.98**	**4.29**	**4.06**	**5.67**	**4.92**	**5.33**	**4.97**	**4.65**	**4.17**	**4.74**	**4.37**	**4.49**	**4.57**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**158.22**	**168.30**	**104.57**	**100.18**	**109.44**	**128.04**	**111.95**	**127.44**	**133.63**	**128.93**	**113.40**	**167.78**	**130.67**	**164.69**	**193.11**
Debt Service as % of SGDP						**0.52**	**0.64**	**0.78**	**0.76**	**0.81**	**0.90**	**0.66**	**0.74**	**0.63**	**0.62**
Debt Service as % of Revenue (including grants and excluding other capital receipts)						**11.68**	**14.62**	**18.58**	**20.46**	**22.35**	**24.51**	**23.44**	**22.00**	**23.29**	**26.14**
Interest as % of SGDP						**0.17**	**0.33**	**0.30**	**0.34**	**0.33**	**0.31**	**0.27**	**0.32**	**0.29**	**0.29**
Interest as % of Revenue (including grants and excluding other capital receipts)						**3.94**	**7.47**	**7.14**	**9.28**	**9.05**	**8.35**	**9.58**	**9.47**	**10.49**	**12.40**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						**31.99**	**29.19**	**27.89**	**29.01**	**27.56**	**24.93**	**29.83**	**23.22**	**26.20**	**22.63**

LIST OF PARTICIPANTS:

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. WASIU ADEWALE TIAMIYU	-	DEPUTY DIRECTOR (MICRO ECONOMIC PLANNING), MINISTRY OF BUDGET AND ECONOMIC PLANNING
4.	MR. SAHEED ADEBAYO ALLI	-	DEPUTY DIRECTOR (FUND), OFFICE OF THE ACCOUNTANT GENERAL
5.	ABOSEDE ADEBOLA AMOO	-	DIRECTOR (INFORMAL SECTOR), OYO STATE INTERNAL REVENUE SERVICE
6.	MR. LUKMAN ADEBAYO MUSTAPHA	-	CHIEF INSPECTOR OFFICER OF TAXES, OYO STATE INTERNAL REVENUE SERVICE

SIGNED

HON. AKINOLA OJO

HONOURABLE COMMISSIONER OF FINANCE,

OYO STATE