ONDO STATE GOVERNMENT

2025-2027

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

Economic and Fiscal Update (EFU),

Fiscal Strategy Paper (FSP) and

Budget Policy Statement (BPS)

December, 2024

Document Control

Document Version Number:	v1
Document Prepared By:	EFU-FSP-BPS Work Group which comprises the Economic Planning and Coordination Office, Budget Office, Ministry of Finance, Office of Accountant-General, Debt Management Office, Bureau of Statistics and Ondo State Internal Revenue Service.
Document Approved By:	
Date of Approval:	
Date of Publication:	
Distribution List:	

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Abbreviations

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

Section 1 Introduction and Background

1.A Introduction

1. The Ondo State Fiscal Responsibility Law (2017) requires the State Government to develop a Medium-Term Expenditure Framework (MTEF). This MTEF is a three-year planning document that outlines the total resources available to the government and how these resources will be allocated to achieve economic, social, and developmental goals. It includes strategies for meeting these objectives, details the assumptions underpinning revenue forecasts, and sets out the strategic goals for expenditure and fiscal targets for the medium term.
2. The MTEF is organized into three key sections: The Economic and Fiscal Update (EFU), the Fiscal Strategy Paper (FSP), and the Budget Policy Statement (BPS). The Economic and Fiscal Update (EFU) delivers economic and fiscal analysis essential for budget planning. Its primary audience includes policymakers and decision-makers within the Ondo State Government, including the State legislature. Additionally, the EFU evaluates budget performance (both historical and current) and identifies major factors influencing implementation.
3. Conversely, the Fiscal Strategy Paper (FSP) and the Budget Policy Statement (BPS) are crucial components of both the MTEF and the annual budget process, as they outline the resources available for funding government projects and programs in a fiscally sustainable manner. The FSP details the overarching budget direction for the medium term, focusing on sectoral priorities by emphasizing policies and projects within specific sectors. Meanwhile, the BPS sets out the strategic priorities and policy objectives that will guide all levels of government in preparing their budgets for the upcoming year and the medium term.

1.A.1 Budget Process

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

1.A.2 Summary of Document Content

6. In line with international best practices in budgeting, the preparation of a unified Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP), and

Budget Policy Statement (BPS) marks the initial phase of the budget preparation cycle for the Ondo State Government (ODSG) for the period 2025-2027.

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

   i. To offer a retrospective overview of significant economic and fiscal trends that will impact future public expenditure – Economic and Fiscal Update;

   ii. To define medium-term fiscal objectives and targets, covering areas such as tax policy, revenue mobilization, public expenditure levels, deficit financing, and public debt – as outlined in the Fiscal Strategy Paper and MTF; and

   iii. Provide indicative sector envelopes for the period 2025-2027 which constitutes the MTSS.

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

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

9. The FSP is a central component of the ODSG Medium-Term Expenditure Framework (MTEF) and the annual budget process. It outlines the State's policies and priorities for the medium term and defines the broad fiscal objectives that will guide the 2025 budgetary process from a fiscally sustainable perspective.

1.A.3 Preparation and Audience

10. The purpose of this document is to offer a well-informed foundation for the 2025 budget preparation cycle, specifically for all key stakeholders, including:

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

11. This document is prepared before the 2025 budget preparation period by the Ondo State Government's MYBF (EFU-FSP-BPS) Work Group. This group consists of the Ministry of Economic Planning and Budget, the Ministry of Finance, the Office of the Accountant-General, the Debt Management Office, the Bureau of Statistics, and the Ondo State Internal Revenue

Service. It utilizes data collected from international, national, and state organisations.

1.B Background

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

12. **Legislative Framework for PFM in Ondo State** - The 1999 Constitution, as amended, is the fundamental law governing public financial management in Nigeria, including Ondo State. According to Sections 120 and 121, all revenues received by the Ondo State Government must be deposited into a Consolidated Revenue Fund (CRF) managed by the Government. Revenues cannot be allocated to any other fund unless specifically authorized by the State House of Assembly (SHoA) for designated purposes. Withdrawals from the CRF require authorization from the SHoA through the annual budget or appropriation process. The Governor is responsible for preparing and presenting expenditure proposals for the upcoming financial year to the SHoA, which must approve these proposals by passing an Appropriation Law. This law authorizes the executive branch to withdraw and utilize the specified funds from the CRF.

13. Besides the Nigerian Constitution, Ondo State has a range of laws and guidelines that oversee its budget preparation and implementation processes. These include:

- Ondo State Finance Management Law, 2017 with provisions for the control and management of finances of Ondo State.
- The Ondo State Government Financial Regulations and Store, 2017, issued under the Finance Management Law, 2017, provide a detailed framework for financial management. These regulations outline procedures and guidelines for financial authorities, including the management of sub-accounting officers' cash books and monthly accounts. They cover a wide range of areas such as revenue management, expenditure authorization and classification, payment procedures, adjustments, bank accounts, and cheques. They also address the custody of public money, stamps, security documents, receipts, and license books. Additionally, the regulations detail procedures for imprest, self-accounting ministries and extra-ministerial departments, accounting procedures and equipment, boards of survey, handling losses and shortages in public funds, deposits, advances, salaries, internal audit functions, government vehicles, and store management. They include instructions on books and forms of accounts, supervision and custody of stores, and procedures for receipts, issues, returns, and acquisition of stores. The regulations also cover government contracts, tenders, store inspections, allocated and unallocated stores, court accounts, pension procedures, and other miscellaneous matters.

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[1] Based on 2014 PEFA Assessment for Ondo State

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

14. **Institutional Framework for PFM in Ondo State** - The Constitution grants the executive powers of the State to the Governor. It stipulates that "the Governor shall prepare and present to the House of Assembly, before the start of each financial year, estimates of the State's revenues and expenditures for the upcoming financial year". In Ondo State, the Governor exercises these powers either directly or through the Deputy Governor, Commissioners, Special Advisers, Permanent Secretaries, and other state public service officials.

15. Specifically, the Ondo State Executive Council (ExCo) is responsible for formulating the State Government's policies, reviewing and recommending the State's budget to the House of Assembly. Once the budget is passed, the Governor signs the appropriation bill into law.

16. The State Ministry of Economic Planning and Budget is responsible for preparing the budget, both revenue and expenditure. It also manages long- and medium-term planning, establishes the overall development agenda, and oversees statistical functions. As the principal body of the Executive Council (ExCo) for developing and implementing fiscal policies, the Ministry plays a key role in coordinating and managing the State's fiscal policies and overseeing all government revenue and expenditure profiles.

17. The Ministry of Finance is responsible for key treasury functions, including revenue and expenditure management, accounting, and cash and fund management. A key department within the Ministry is the Debt Management Office (DMO), which handles public debt for Ondo State and coordinates with the Federal Debt Management Office. Additionally, the Ministry oversees the Office of the Accountant General for the State (OAGS), a quasi-autonomous agency with several specific responsibilities. These include accounting for all State Government receipts and payments, supervising the accounts of State Ministries, Extra-Ministerial Departments, and Agencies (MEDAs), and preparing statutory and other required financial statements. The OAGS also maintains and operates accounts for the Consolidated Revenue Fund, development fund, and other public funds, provides cash backing for State Government operations, manages the State

Government's accounts, conducts routine and detailed inspections of account books to ensure compliance with regulations, and develops and implements the State Government's accounting policies.

18. The State Internal Revenue Service (IRS) is responsible for coordinating the collection of government revenue within the State. The Service develops and implements Joint Tax Board (JTB) policies related to taxation, stamp duties, motor vehicle licensing, and other revenue-generating activities.

19. An essential component of the State's financial management framework is the Bureau of Public Procurement (BPP). The Bureau ensures that all Ministries, Extra-Ministerial Departments, and Agencies (MEDAs) follow best practices in procurement.

20. The State Government grants line agencies a degree of autonomy in managing their expenditures. Line ministries and agencies develop their budgets according to guidelines set by the Executive Council (ExCo) through the Ministry of Economic Planning and Budget. Expenditures are categorized into three main areas: personnel costs, overhead costs, and capital expenditure. Payroll is centrally managed by the Head of Service (HoS) and the Office of the Accountant General of the State (OAGS). MEDAs receive regular monthly disbursements for general overhead costs and additional funds as needed for specific overhead expenses. While MEDAs are responsible for executing their capital programs, capital funds are disbursed on a project-by-project basis by the OAGS.

1.B.2 Overview of Budget Calendar

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

Table 1: Budget Calendar

Stage	Date (s)	Responsibility
Preparation and Publication of EFU-FSP-BPS	June-August	MYBF Work-Group
Update of MTSSs by 10 pilot sectors	August-September	MEDAs
Preparation and Issuance of Budget Call Circular	September	MEPB
Citizens Engagement	September	MEPB
Budget Preparation Workshop	September	MEPB and MEDAs
Preparation of MEDAs Budget and on-line Submissions	September-October	MEDAs
Pre-Treasury Board Meetings	October	MEPB and MEDAs
Compilation of Draft Budget	October	MEPB
Treasury Board Meeting	October	ExCo
Presentation of Draft Budget to the SHoA	October	Governor
Budget Defence by MEDAs before the House	November	SHoA
Debate and Approval of Budget by SHoA	November-December	SHoA
Signing Appropriation Bill	December	Governor

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

22. The global economy has faced a series of challenges over the past few years, including the aftermath of the COVID-19 pandemic, the ongoing Russia-Ukraine war, and their resulting impacts on global energy and food markets. These issues have contributed to hyperinflation, elevated interest rates, low productivity, and socio-economic upheavals. However, recent developments indicate some improvement. The Russia-Ukraine war remains a critical issue, with ongoing tensions affecting global stability. China, having lifted many of its COVID-19 restrictions, is experiencing a robust economic rebound, contributing positively to global economic sentiment. Supply chain disruptions, although not fully resolved, are easing as the immediate effects of the conflict on food and energy markets begin to wane. Inflation remains a major concern, but the coordinated efforts by central banks worldwide to tighten monetary policy are expected to gradually bring inflation rates closer to target levels. Despite these challenges, there is cautious optimism as the global economy adjusts and stabilizes, albeit with ongoing risks and uncertainties.
23. The latest World Economic Outlook report, published in September 2024, forecasts that global growth will reach approximately 3.1% in 2024, a modest increase from the 2.8% growth rate recorded in 2023, which was one of the lowest annual rates since the global financial crisis, excluding the 2020 pandemic period. For 2025, global growth is expected to improve slightly further to around 3.3%, driven by continued recovery in key economies and stabilization in global trade and investment. Global inflation is projected to decrease from 7.0% in 2023 to about 5.5% in 2024, reflecting easing supply chain disruptions and the effects of tighter monetary policies. Looking ahead to 2025, inflation is anticipated to further moderate to approximately 4.2%, as the impact of past economic shocks fades and central banks continue to manage inflationary pressures effectively.
24. Emerging markets and developing economies are showing notable resilience, with growth rates expected to rise from 4.5% in 2023 to around 5.0% in 2024, driven by robust economic activity and recovery in key sectors. In contrast, advanced economies, particularly the euro area and the United Kingdom, have faced significant challenges. The euro area is projected to see growth of approximately 0.8% in 2024, while the UK is expected to experience modest growth of about 1.5%. For 2025, advanced economies are forecast to recover gradually, with growth rates projected to reach 1.9% for the euro area and 2.2% for the United Kingdom. Emerging markets and developing economies are anticipated to maintain a strong growth trajectory, with rates expected to approach 5.2%, supported by continued economic expansion and improving global trade conditions.

25. Inflationary pressures have proven more persistent than initially anticipated. Despite a general decline in global inflation rates, much of this decrease has been driven by fluctuations in energy and food prices, which are notoriously volatile. Core inflation, which excludes these volatile components, remains elevated in many countries and has not yet peaked. This persistent core inflation reflects ongoing underlying pressures in the economy, such as labour market tightness and persistent supply chain issues.

26. Recent developments have intensified financial market volatility and introduced further uncertainties into the global economic outlook. The challenges observed in 2022 such as central banks' stringent monetary policies to control inflation, limited fiscal space due to high debt levels, volatile commodity prices, and the geopolitical impacts of Russia's war in Ukraine—have continued into 2024. Additionally, concerns about financial stability have been exacerbated by recent upheavals in the financial sector and increased global economic fragmentation. China's economic reopening has brought some positive momentum but also introduced new uncertainties, including potential disruptions in global supply chains. As the global economy enters 2025, the risk of a hard landing for major economies has increased, with authorities facing complex trade-offs between curbing persistent inflation, sustaining economic growth, and maintaining financial stability. The interplay of these factors suggests that navigating the global economic landscape will remain challenging, with heightened risks of economic instability and slower growth.

27. Private and public debt levels across most economies have surged to highs not seen in decades due to the pandemic and the subsequent economic disruptions over the past three years, and they remain elevated. Tighter monetary policies, especially in large advanced economies, have significantly increased borrowing costs, raising concerns about the sustainability of debt in some countries. In 2024, while sovereign spreads among emerging markets and developing economies experienced some volatility, they have generally stabilized compared to the previous year. However, recent financial market turbulence, including concerns over potential tightening of global financial conditions, could lead to renewed increases in sovereign spreads for these economies. The risk of financial distress remains substantial, with many economies still vulnerable to fiscal shocks in the absence of effective policy interventions. If global financial conditions tighten further, emerging and developing economies could face significant challenges, requiring careful management of fiscal and monetary policies to mitigate potential adverse effects.

28. The prospects for the global economy to return to its pre-turmoil growth trajectory are increasingly uncertain. Since the beginning of Russia's invasion of Ukraine, the war in the Middle East (Israel-Palestine and their allies) and the emergence of new, more contagious COVID-19 variants, many economies continue to grapple with the lingering effects of these shocks. The recent tightening of global financial conditions, including elevated interest rates and increased borrowing costs, further complicates

the recovery process. Income growth is anticipated to remain subdued in several economies in 2024, with persistent high unemployment levels contributing to slower economic activity. Central banks, despite their efforts to combat inflation through aggressive interest rate hikes, face a challenging path to achieving sustained price stability. The combination of these factors suggests that, over the medium term, growth prospects are less optimistic compared to previous decades, with ongoing economic uncertainties and structural challenges weighing on the global recovery.

29. Recent events have highlighted significant vulnerabilities in the banking systems of the United States and other countries, which have the potential to cause financial sector instability. The combination of unrealized losses, reflecting the rapid and severe tightening of monetary policy, and heavy reliance on uninsured or wholesale financing has exposed key fragilities in the financial system. These vulnerabilities could lead to further shocks that might have substantial repercussions for the global economy. Additionally, a notable shift has occurred in global trade dynamics: China has recently lost its status as the largest trading partner of the United States after holding that position for over two decades. This change reflects broader shifts in international trade patterns and economic realignments, which may further influence global economic stability and growth prospects.

Table 2: GDP and Inflation rates (CPI) of some selected countries in the world from 2021-2027

	Gross Domestic Product Rate (%)							Inflation Rate (%)						
Country	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Netherlands	6.2	4.3	0.1	0.6	1.3	1.9	1.9	2.8	11.6	4.1	2.7	2.1	2.0	2.0
Mexico	5.7	3.9	3.2	2.4	1.4	1.9	2.1	5.7	7.9	5.5	4.0	3.3	3.0	3.0
Germany	3.2	1.8	-0.3	0.2	1.3	1.5	1.1	3.2	8.7	6.0	2.4	2.0	2.0	2.0
China	8.5	3.0	5.2	4.6	4.1	3.8	3.6	0.9	2.0	0.2	1.0	2.0	2.0	2.0
Brazil	4.8	3.0	2.9	2.2	2.1	2.1	2.0	8.3	9.3	4.6	4.1	3.0	3.1	3.0
Nigeria	3.6	3.3	2.9	3.3	3.0	3.0	3.3	17.0	18.8	24.7	26.3	23.0	16.0	15.4
Belgium	6.9	3.0	1.5	1.2	1.2	1.2	1.2	3.2	10.3	2.3	3.6	2.0	1.9	1.9
Russia	6.0	-1.2	3.6	3.2	1.8	1.3	1.3	6.7	13.8	5.9	6.9	4.5	4.0	4.0
South Africa	4.7	1.9	0.6	0.9	1.2	1.4	1.4	4.6	6.9	5.9	4.9	4.5	4.5	4.5
Sweden	6.1	2.7	-0.2	0.2	2.2	2.2	2.2	2.7	8.1	5.9	2.6	2.0	2.0	2.0
United Kingdom	8.7	4.3	0.1	0.5	1.5	1.7	1.7	2.6	9.1	7.3	2.5	2.0	2.0	2.0
United States	5.8	1.9	2.5	2.7	1.9	2.0	2.1	4.7	8.0	4.1	2.9	2.0	2.1	2.1
Ghana	5.1	3.1	2.3	2.8	4.4	4.9	5.0	10.0	31.7	37.5	22.3	11.5	8.0	8.0

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

30. All the selected countries have positive GDP in 2023 except Germany and Sweden. This is because both countries were affected by overlapping global economic challenges, including high energy prices, inflationary pressures, and geopolitical tensions. The combination of these factors created a difficult economic environment, leading to contractions in their economies. GDP rates are set to be positive over the next three years as countries are set to find measures to overcome the negative effects of the Russian/Ukraine war. Nigeria and Ghana were among the countries with double-digit inflation rates in 2021. They are still maintaining same level in 2024, even at higher percentages.

2.A.2 Africa and Sub- Saharan Economies

31. African economies continue to remain resilient in the face of several, overlapping shocks, with average GDP forecast to stabilize at 4.0 percent in 2024–2025, nearly a percentage point higher than the 3.1 percent predicted in 2023. Growth projections for 2024–2025 differ by African area and economic grouping, considering differences in economic structure, commodity dependence, and domestic policy measures to mitigate the impact of these shocks. Inflation is expected to decline from 7.1% in 2023 to 4.9% in 2024. Fiscal balances are improving as governments cut expenditures and raise revenues, but high debt service costs remain a challenge.

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

33. The African Economic Outlook 2024 emphasises how urgent it is to move on with green transitions and climate action in order to promote inclusive and sustainable growth on the continent. The dynamics of Africa's macroeconomic fundamentals have remained mixed amid considerable challenges.

34. Sub-Saharan Africa is part of the African continent with vast arable lands, mineral and human resources. Many of these resources which have the capacity to produce inclusive growth remain untapped and those tapped are mismanaged owing to a number of factors that include poor leadership, corruption, low technological know-how, neocolonialization, among others. According to World Bank (2024), the continent has a population of about 1.39 billion people and a Gross Domestic Product of about US$3.14 trillion.

35. The continent's growth is still unequal. West Africa is anticipated to expand from 3.3% in 2023 to 3.9% in 2024, while East Africa is anticipated to accelerate from 1.7% in 2023 to 2.2% in 2024. Overall, the poorer-than-average performance of the continent's larger nations continues to impede SSA's economic progress. While Nigeria's economy has grown modestly due to difficulties in its oil sector, South Africa's economic activity is still hindered by energy and transportation limitations. Furthermore, wars and military takeovers in nations like Sudan, Niger, and Gabon are probably going to impede the expansion of the Central African Economic and Monetary Community as well as certain Sahelian countries.

36. According to the 2024 April edition of World Economic Outlook, persistent global inflation and tighter monetary policies have led to higher borrowing costs for sub-Saharan African countries and have placed greater pressure on exchange rates. The interest burden on public debt is rising, owing to a greater reliance on expensive market-based funding combined with a long-

term decline in aid budgets. The lack of financing affects a region that is already struggling with elevated macroeconomic imbalances. Public debt and inflation are at levels not seen in decades, with double-digit inflation present in about half of the countries—eroding household purchasing power and striking at the most vulnerable. Amid a global slowdown, activity is expected to decelerate for a second year in a row. Hence, growth in sub-Saharan Africa is projected to decline to 3.6 percent this year. Still, this headline figure masks significant variation across the region. The funding squeeze will also impact the region's longer-term outlook. A shortage of funding may force countries to reduce resources for critical development sectors like health, education, and infrastructure, weakening the region's growth potential.

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

38. However, in 2023, rising food and energy prices contributed to significant inflationary pressures, as was the situation globally. Even as governments increased social expenditure to protect vulnerable populations from the effects of rising prices, inflation remained high across the continent and reached double digits in numerous African countries, further taxing state budgets.

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

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

41. The expected increase in North Africa is 4.1 percent in 2023, 4.6 percent in 2024, and 4.4 percent in 2025. The increase in 2024 will primarily result from Morocco and Libya making robust recoveries from their respective terrible droughts and fluctuating oil output, respectively.

42. The growth rate in Southern Africa is anticipated to slow down by 1.1 percentage points, from an estimated 2.7 percent in 2023 to 1.6 percent in 2024. However, with the appropriate policy changes, growth might bounce back to 2.7% in 2025. The projected sharp decline in 2024 largely reflects continued growth weakness in South Africa, the region's largest economy and trading partner, from an estimated 2.0 percent in 2022 to 0.2 percent in 2024, as it struggles with the effects of high interest rates and persistent power outages on economic activity.

43. Despite macroeconomic difficulties in several of the region's major economies, it is anticipated that growth in West Africa will increase from an estimated 3.8 percent in 2023 to 3.9 percent in 2024 and 4.2 percent in 2025. This optimistic prognosis is the result of stronger growth in the local small economies. Eight of the nine nations with forecast growth rates of 5 percent or more in 2024 are small economies, making up 15% of the region's GDP and 22% of the growth that is anticipated.

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

45. African nations have the chance to strengthen their fiscal and debt sustainability by utilizing the potential of their natural resources. During the low-carbon transition, sub-Saharan Africa economies can benefit greatly from natural resources like minerals, oil, and gas.

46. The global financial architecture has been very beneficial in recent decades, but it has also failed to supply resources at scale to meet Africa's financing needs for structural transformation. The size of resources needed to support Africa's structural transformation and the shortcomings in the global financial architecture have led to calls for institutional governance reforms in the multilateral institutions to make their governance more responsive, inclusive, and nimble in order to mobilize resources at scale and on affordable terms.

2.A.3 Nigerian Economy

47. Among Africa's top producers of gas and oil is Nigeria. Additionally, the nation is home to proven deposits and reserves of a variety of mineral resources. More than 1,000 kilometres of coastline and about 279 billion cubic meters of surface water are among the nation's unrealized agricultural and natural resources, which could support irrigated farming, the growth of the blue economy, and tourism. From 2000 to 2014, Nigeria's economy grew broadly, with an annual growth rate of 7%. However, a number of factors, including monetary and exchange rate policy distortions and an increase in the fiscal deficit, caused the growth rate to decline and GDP per capita to flatten between 2015 and 2024.

48. Currently Nigeria is facing significant challenges, including: Inflation which has reached a 24-year high of 33.88% in October 2024. Poverty rate has been estimated to be 38.9% in 2023 with 87 million Nigerians living below the poverty line. In addition to the challenges highlighted above are insecurity such as banditry, kidnappings and insurgencies in the North East region. The economy is also bedevilled with infrastructural gaps which give limited access to electricity and hindered domestic economic integration.

Despite these challenges the present administration has initiated bold reforms to stabilize the economy. These include: petrol subsidy elimination, foreign exchange reform, monetary policy tightening efforts to reduce inflation and social safety nets.

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

50. Real GDP Nigeria's economy grew by 3.19% year-on-year in Q2 2024, accelerating from 2.98% in the previous three-month period. The crucial oil sector expanded by 10.15% in Q2, much faster than 5.70% in the previous period, driven by increased oil output. Average daily crude oil production reached 1.41 million barrels per day in Q2, slightly down from 1.57 million bpd in Q1 2024 but notably higher than 1.22 million bpd in the same period last year. Additionally, the non-oil sector maintained solid growth at 2.80%, consistent with the pace in Q1, primarily driven by robust performance in the services sector, which expanded by 3.79% and accounted for 58.76% of GDP. Key contributors included Financial and Insurance services (28.79%) and Information and Communication, particularly telecommunications, which grew by 5.17%.

51. Meanwhile, the industrial sector advanced by 3.53% and the agricultural sector rose by 1.41%. On a quarterly basis, the GDP was almost flat in Q2, following a 16.1% decline in Q1. The economy grew by 3.19% year-on-year in Q2 2024, accelerating from 2.98% in the previous three-month period. The crucial oil sector expanded by 10.15% in Q2, much faster than 5.70% in the previous period, driven by increased oil output. Average daily crude oil production reached 1.8 million as at November, 2024. Nigeria's Gross Domestic Product (GDP) grew by 3.19% (year-on-year) in real terms in the second quarter of 2024. This growth rate is higher than the 2.51% recorded in the second quarter of 2023 and higher than the first quarter of 2024 growth of 2.98%. source: National Bureau of Statistics, Nigeria.

52. According to NBS, the non-oil sector contributed 93.62 percent to Nigeria's Gross Domestic Product (GDP) growth in the first quarter of 2024. The (NBS) disclosed this in its GDP report for Q1 2024. The bureau revealed that the country's economy slowed to 2.98 percent during the period. This rate was lower than 3.30% and 4.34% recorded in Q1 and Q4 of 2022 respectively. The performance of non-oil sector was driven by services sector which contributed 57.76% to the aggregate GDP and grew by 4.35%.

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

53. The highest performance in the service sector was from information and communication which contributed 13.23% to total nominal GDP in 2023 Q1 which represents ₦2.508 trillion in monetary value. The bureau noted that the GDP performance was driven mainly by the services sector which recorded a growth of 4.32 percent and contributed 58.04 percent to the aggregate GDP. Comparatively, "The oil sector contributed 5.70 per cent to the total real GDP in Q2 2024, up from the figure recorded in the corresponding period of 2023 and down from the preceding quarter, where it contributed 5.34 per cent and 6.38 per cent respectively.

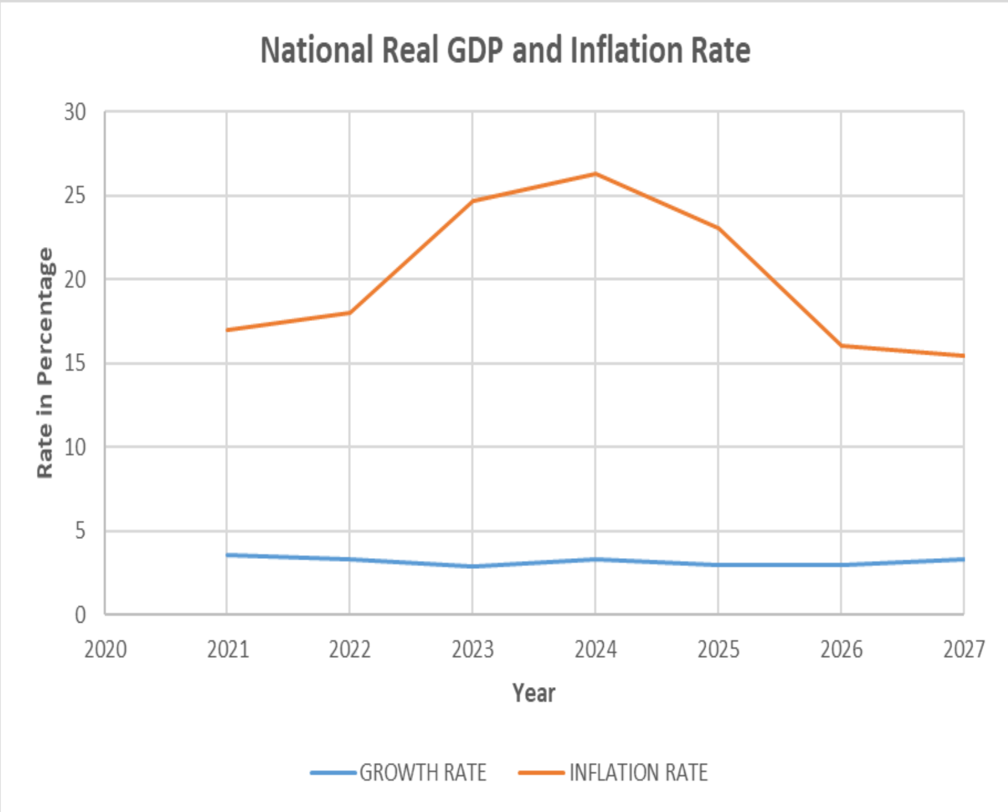
54. **(CPI)** - Inflation in Nigeria was 32.70% in September 2024 relative to the August 2024 headline inflation rate of 32.15%. Looking at the movement, the September 2024 Headline inflation rate showed an increase of 0.55% compared to the August 2024 Headline inflation rate. On a year-on-year basis, the Headline inflation rate was 5.98% points higher compared to the rate recorded in September 2023 (26.72%). This shows that the Headline inflation rate (year-on year basis) increased in September 2024 when compared to the same month in the preceding year.

55. In the current year, Nigeria's month-on-month inflation rate, inflation rate was 32.70% in September 2024 relative to the August 2024 inflation rate of 32.15%. Looking at the movement, the September 2024 inflation rate showed an increase of 0.55% compared to the August 2024 Headline inflation rate. On a year-on-year basis, the Headline inflation rate was 5.98% points higher compared to the rate recorded in September 2023 (26.72%). This shows that the inflation rate (year-on year basis) increased in September 2024 when compared to the same month in the preceding year**.** According to NBS, the increase in inflation was caused by an increase in food prices attributable to the disruption in the supply of food products; cost of transportation arising from fuel subsidy removal; and an increase in import costs as a result of increased exchange rate caused by the removal of multiple exchange rates. A combination of high inflation and modest wage increases being undertaken by various governments would lead to falling real wages. Many governments have been rolling out extensive support to cushion the effects of high energy and food prices on households.

56. For years, Nigeria's inflation rate has been higher above the average for African and Sub-Saharan nations. It even surpassed the outrageous 16 percent rate in 2017, and there hasn't been any discernible drop in the rate. Its instability is the main issue. A jumping inflation rate like this one typically indicates a faltering economy, which leads to price fluctuations, rising unemployment, and poverty.

57. The national real GDP growth and year-on-year inflation rates from years 2017 to 2023 are shown in figure 1 below.

Figure 1: Real GDP Growth and Inflation Rate



Inflation started rising from 2021 with 17.0% (year-on-year) to 18.8% in 2022, thereafter a wide leap to 24.7% in 2023. It then reached the peak in 2024 with 26.3%. Inflation starts dropping to 23.0% in 2025, 16.0% in 2026 and dropped relatively to 15.4% in 2027.

This could be as a result of rapid inflation driven by external factors like: higher global commodity prices, weakening naira, global energy crises and continued domestic challenges.

Real GDP was positive from 2021 to 2027 with relative difference.

Data Sources and Trends: IMF's World Economic outlook update, April 2024

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

59. **Exchange Rate** – Multiple exchange rate regime was a major distortion to the workings of the market, such that there was no level playing field for many actors. In a view to addressing the distortion, the Bola Ahmed Tinubu administration has abrogated the multiple exchange rate to allow market forces to determine the value of the naira. Foreign currencies can now be bought and sold at rates determined by the market – not by the central bank. This has led to a surge in naira to dollar exchange rate. As at October 2024 the exchange rate ranges between 1631.71 and 1646.42 NGN per

USD. This, hopefully, will reduce later in the year considering the various measures being taken by the CBN to contain the freefall of the naira.

60. **Crude Oil Price** – Brent crude oil is a major benchmark price for purchases of oil worldwide. The price began to increase in February 2022 when Russia invaded Ukraine, now $74 per barrel in October 2024. Global oil prices fell for the third straight day, extending a drop of almost 5% since July 4. Growing concerns about weakening demand, particularly from China, have fed the decline.

61. Despite the projection, crude oil prices have been fluctuating since June 2023 to less than $80 in the current year. The projected oil price of the Federal Government of $78/barrel for year 2024 as contained in the 2024-2026 Federal MTEF is less than the current global oil prices. Brent Crude Oil Price in International Commodity Markets in June 2024 is about 74.89 dollars per barrel. In the Previous Month, May 2023, Brent crude oil worth was 75.70 dollars per barrel.

62. Global oil demand is set for a new record growth The NBS said this rate was lower by 0.78 per cent points compared to the rate recorded in the same quarter of 2023 which was 3.58 per cent and relatively same with the 2.80 per cent recorded in the first quarter of 2024. This sector was driven in the second quarter of 2024 mainly by financial and insurance (financial institutions); information and communication (telecommunications); In May, world oil production fell by 660 kb/d to 100.6 mb/d. Deeper cuts from some OPEC+ producers began to have effects while output from Iraq's northern Kurdish region and some Canadian Oil Sands remained shut in. Saudi Arabia, with its voluntary cut of 500 kb/d agreed in April, led the monthly drop in world supply, but the overall decline was stemmed by a seasonal 330 kb/d rise in biofuels along with higher flows from Nigeria and elsewhere. The Kingdom has promised to slash output by a further 1 mb/d in July to a two-year low of 9 mb/d.

63. World oil demand growth continues to slow, with 2024 gains now seen at 960 kb/d, 100 kb/d below last month's forecast. Weak OECD deliveries pushed global demand into a narrow y-o-y contraction in March. Subpar growth of 1 mb/d in 2025 is held back by a muted economy and accelerating clean energy technology while oil demand is expected to continue to rise, both seasonally and structurally over the remainder of the year, only a marginal increase in supply is foreseen.

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

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

2.A.4 Ondo State Economy

66. The economy of Ondo State is the seventh largest in Nigeria and is dominated by crude oil and crop production with a GDP of N5.10 trillion (State of States 2022 Edition, Budgit.org). Ondo State has multi-dimensional poverty level of 27%, which is the lowest in Nigeria (NBS, 2022). Agriculture is the mainstay of the State's economy in that it provides employment for majority of the people. The chief products are cocoa, rubber, timber (teak and hardwoods) and palm oil and kernels. Ondo is Nigeria's chief cocoa-producing state, producing more than 75,000 tons annually and the produce is cultivated for export. Other crops include rice, yams, corn (maize), coffee, taro, cassava (manioc), vegetables, and fruits. Mineral deposits include petroleum, bitumen, coal, etc. Since the state has become part of the oil producing states in Nigeria, petroleum has taken over from cocoa by becoming the major source of revenue for the state. However, this narrative is expected to change going by the level of industrial revolution being spearheaded by the outgoing administration; that make the State investment friendly by making it secured, conducive business environment coupled with the approval of Ondo Sea Port and the Ondo Investment Summit held in July 2023. Though the State has the largest Bitumen deposit in Africa and the longest coast line in Nigeria of about 180km, it is yet to derive benefits from them.

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

68. The State exports agricultural products to other States, but it continues to import commodities and services. Produce transportation is not accurately recorded or calculated to show a significant impact to the state economy. In spite of the steady progress in economic growth and development, available data indicate that agriculture, especially crops and livestock, and fisheries as well as SMEs, which have the potential to generate large scale employment opportunities, are not currently doing so. However, these areas are undergoing transformation.

69. Subsistence and non-mechanized agriculture are the most common in the state. Large-scale agricultural production and agro-based industrial production are therefore key components of the agricultural value chain, and their further transformation is necessary for the State's economy to flourish. Through the Ondo State Investments Promotion Agency (ONDIPA), the current administration is making a concerted attempt to draw in big investments. Despite the fact that the State's IR trend has fluctuated

throughout time, the current administration has shown a significant commitment to altering the status quo.

70. The State economy experienced significant stability as a result of the State Security Network's (Amotekun) operations. They are credited with halting the insurgents' activities and preserving property and life security, which allowed farmers to return to their fields and produce food, thereby ensuring the stability of the state economy.

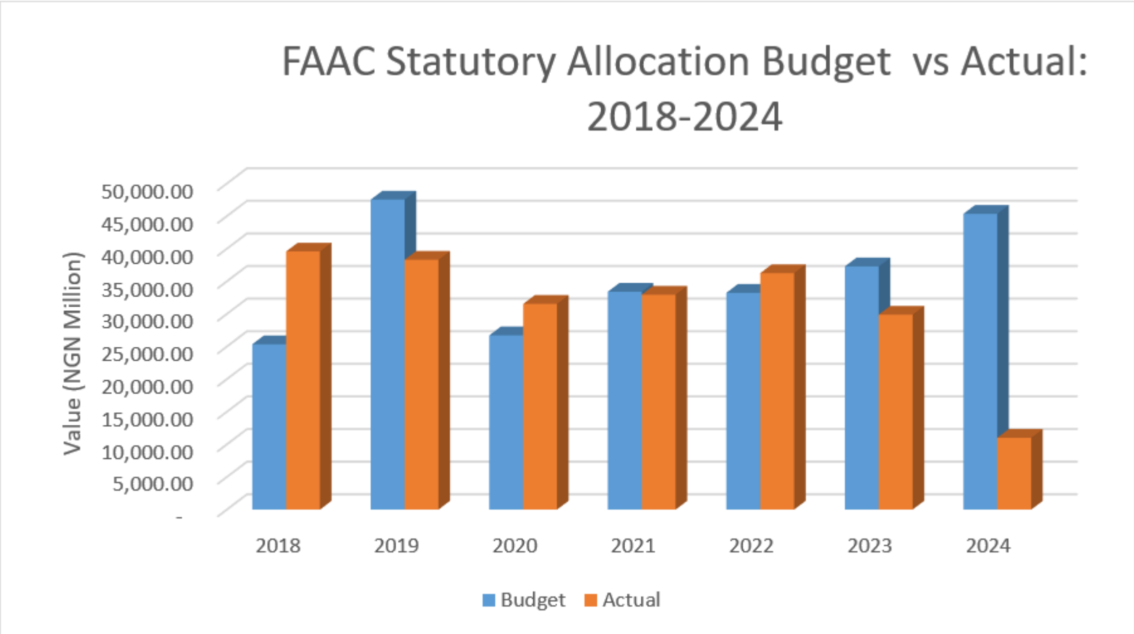
2.B Fiscal Update

2.B.1 Historic Trends

Revenue

71. On the revenue side, the document looks at Statutory Allocation, Value Added Tax (VAT), IR, Mineral Derivation, and Capital Receipts – budget versus actual for the period 2018-2023 (six years historic) and 2024 budget.

Figure 2: Statutory Allocation



	2018	2019	2020	2021	2022	2023	2024
Budget	25,352,256,000.00	47,548,509,200.00	26,730,614,126.83	33,413,267,659.00	33,242,755,920.00	37,298,844,991.00	45,367,453,580.00
Actual	39,582,605,207.00	38,310,622,771.00	31,549,178,886.71	32,958,772,166.52	36,265,401,539.79	29,899,618,471.40	11,007,890,252.10
Performance	156.13	80.57	118.03	98.64	109.09	80.16	24.26
Growth		-3.2	-17.6	4.5	10.0	-17.6	-63.2

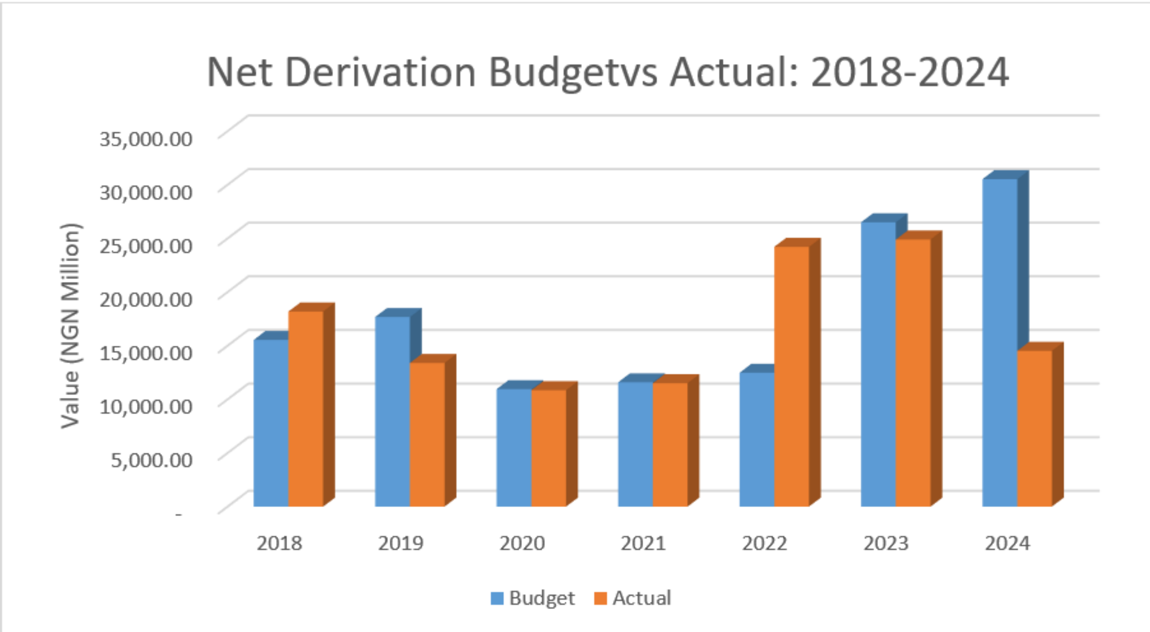
72. Statutory Allocation is a transfer from the Federation Accounts Allocation Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies' income tax, custom and excise duties) at the national level, which is then shared between the three tiers of government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

73. Actual receipts decreased by -3.2% from 2018 to 2019, and further declined by -17.6% in 2020. However, they saw a slight increase of 4.5% in 2021, followed by a 10.0% growth in 2022. In 2023, there was another decline of

-17.6%, with a sharp drop of -63.2% recorded by September 2024. The reason for the drastic fall of statutory allocation in 2020 was as a result of COVID-19 pandemic which ravaged the world and further plummeted the global oil price. Also, in 2023 was as a result of oil subsidy removal which affected virtually all sectors of the Economy and the resultant effect is the sharp reduction in the statutory allocation in 2024. The increase in the allocation in 2018 and 2021 can be attributed to high revenue from the non-oil sources.

74. Going forward, it is important to note that allocation from the source will continue to reduce as contribution from oil will decline because of the removal of oil subsidy.

Figure 3: Mineral Derivation



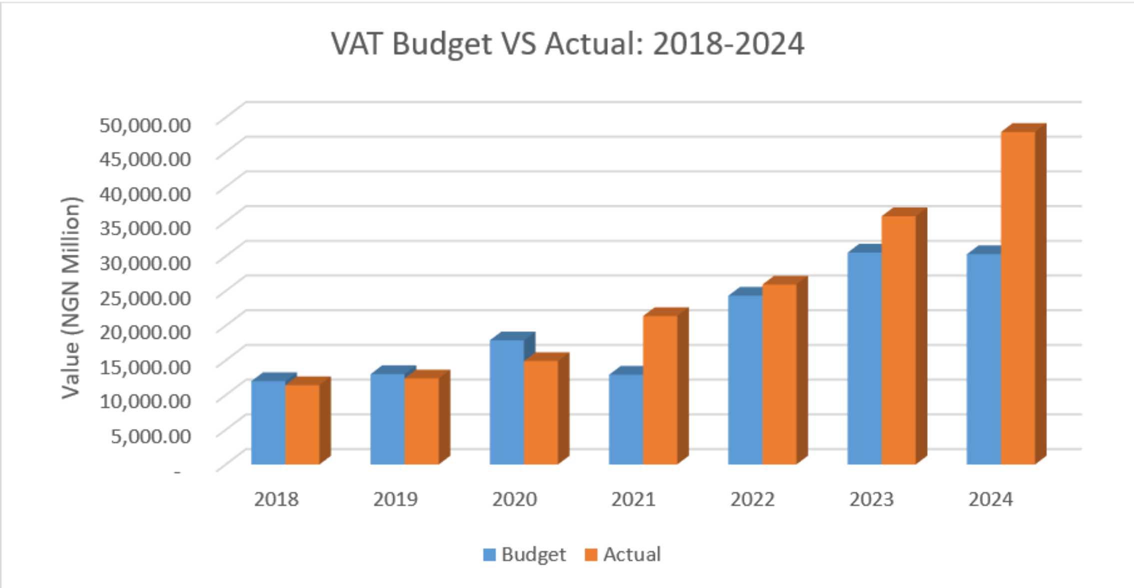
	2018	2019	2020	2021	2022	2023	2024
Budget	15,536,592,000.00	17,671,343,589.00	10,945,781,930.00	11,583,777,563.00	12,480,288,528.00	26,499,522,348.00	30,524,211,875.00
Actual	18,185,882,157.00	13,390,210,139.00	10,852,424,806.00	11,504,678,077.00	24,213,005,987.00	24,896,741,647.26	14,519,374,729.72
Performance	117.05	75.77	99.15	99.32	194.01	93.95	47.57
Growth		-26.4	-19.0	6.0	110.5	2.8	-41.7

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

76. Actual receipts on Mineral Derivation decreased at a growth rate of -26.4% in 2019 and further declined in 2020 to -19.0% but slightly increased in 2021 to 6.0%, astronomically increased to 110.5% in 2022 and slight increase of 2.8% in 2023. However, there was a sharp decreased as at September 2024 to -41.7%. The negative and low performance was attributable to the falls in the price of crude oil in the global market, while

the more-than 100% performance in 2022 was because of extra-ordinary allocations on the item released by the Federal Government to oil producing States.

Figure 4: VAT

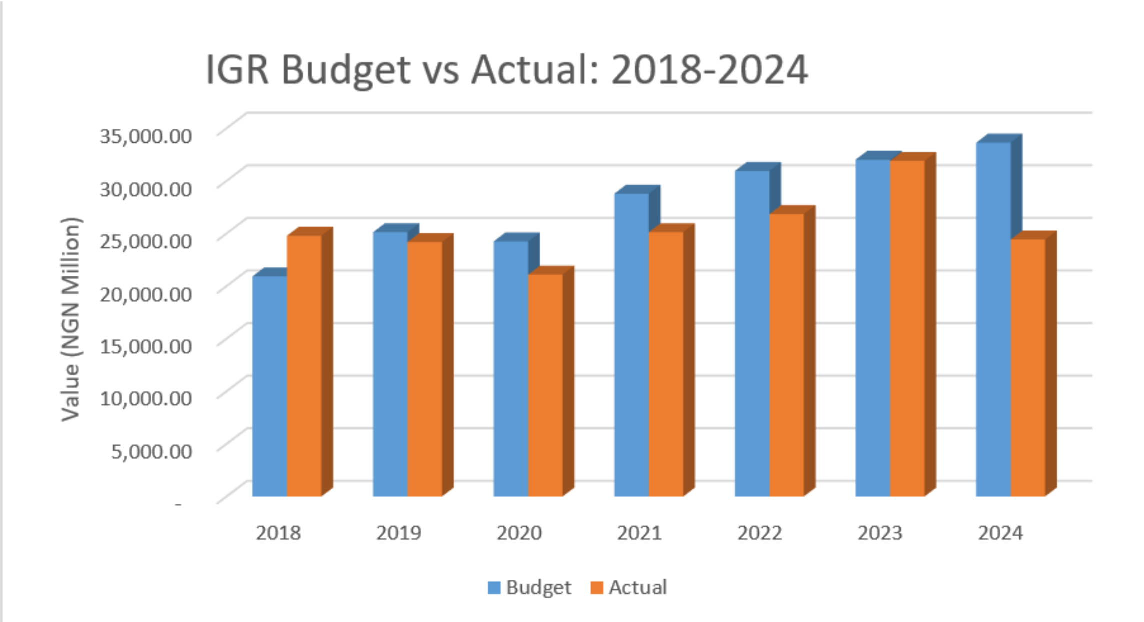


	2018	2019	2020	2021	2022	2023	2024
Budget	12,000,000,000.00	13,018,742,127.00	17,879,043,585.00	12,925,776,176.00	24,320,000,000.00	30,528,948,522.00	30,301,829,040.00
Actual	11,419,703,361.00	12,388,614,574.00	14,892,602,066.00	21,386,339,168.27	25,925,646,253.34	35,761,745,683.09	47,905,432,920.16
Performance	95.16	95.16	83.30	165.45	106.60	117.14	158.09
Growth		8.5	20.2	43.6	21.2	37.9	34.0

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

78. VAT receipt has been on the increase consistently from 2018 to 2024 largely due to the growth in nominal economic activities in Nigeria. Performance relative to budget (i.e. budget accuracy) has been on the increase since 2018, and eventually higher than the budget figures in 2021, 2022, 2023 and 2024.

Figure 5: Independent Revenue

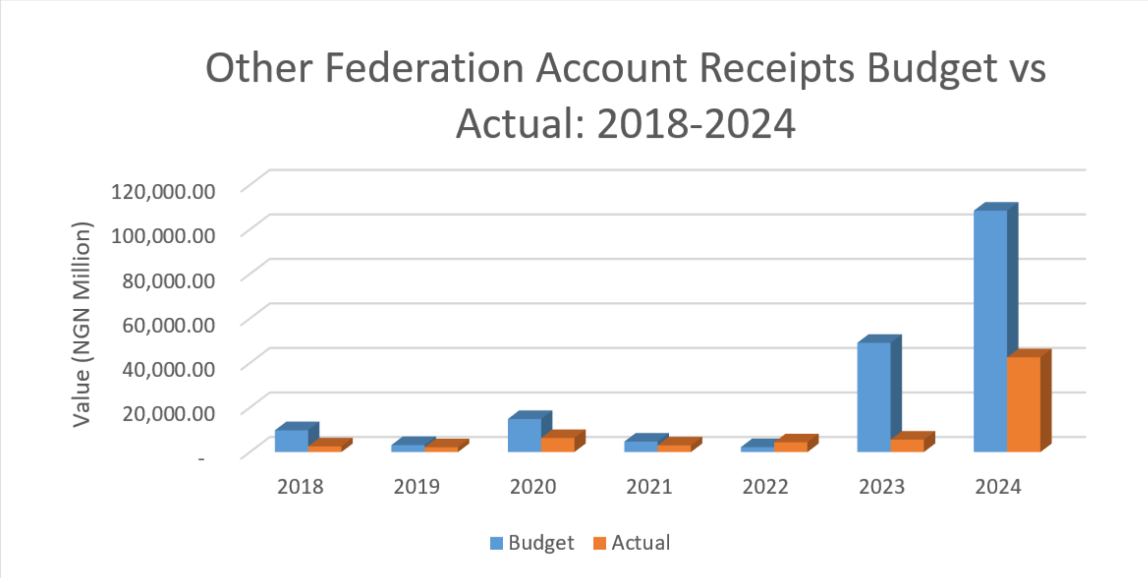


	2018	2019	2020	2021	2022	2023	2024
Budget	20,923,646,783.00	25,122,729,947.00	24,244,763,855.00	28,778,132,248.00	30,945,804,155.00	32,009,919,000.00	33,639,332,950.00
Actual	24,787,441,316.00	24,187,708,289.00	21,094,342,131.00	25,124,731,349.00	26,847,940,991.00	31,899,311,244.57	24,433,252,761.77
Performance	118.47	96.28	87.01	87.30	86.76	99.65	72.63
Growth		-2.4	-12.8	19.1	6.9	18.8	-23.4

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

80. Independent Revenue actual collections have been on the increase since 2021 when the present administration came on board. This is occasioned largely by the various reforms introduced by the State Government to the Ondo State Internal Revenue Service, particularly the autonomy granted the Service which started yielding positive result 2021. Notwithstanding the increase, except for 2018, Independent Revenue actual collections were lower than the budget. To improve on its achievement, there is the need for the Service to work on its collection drive by increasing the revenue base and harnessing the power of technology.

Figure 6: Other Federation Account Receipts

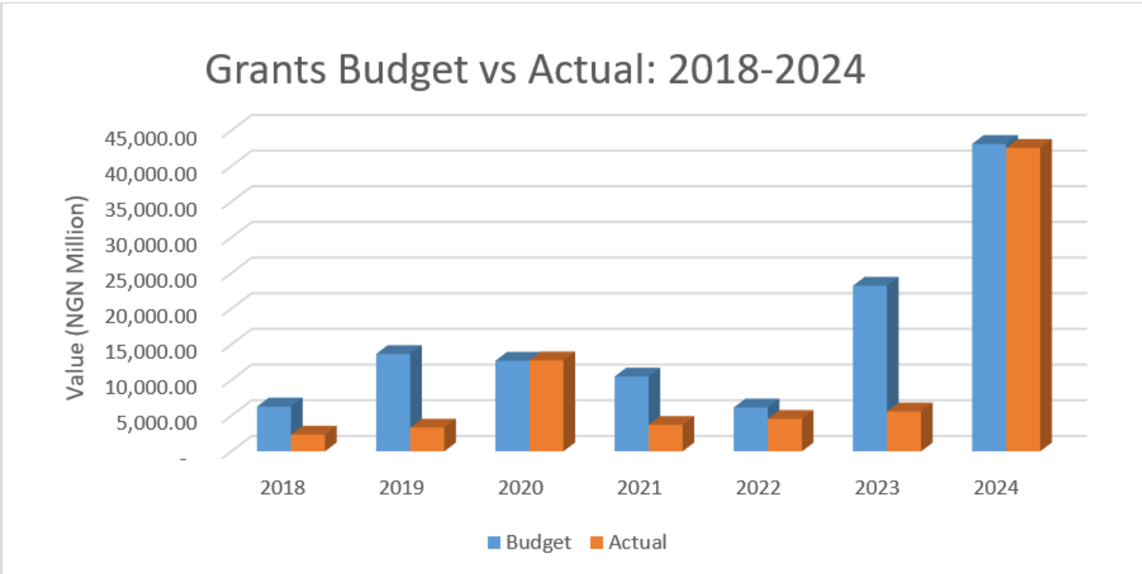


	2018	2019	2020	2021	2022	2023	2024
Budget	9,809,000,000.00	3,155,514,000.00	14,849,148,035.37	4,690,000,000.00	2,200,000,000.00	49,085,000,000.00	108,439,986,002.80
Actual	2,545,159,460.00	2,167,297,125.00	6,315,824,902.00	2,984,664,770.00	4,355,722,518.00	5,587,785,601.51	42,553,780,291.70
Performance	25.95	68.68	42.53	63.64	197.99	11.38	39.24
Growth		-14.8	191.4	-52.7	45.9	28.3	661.5

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

82. Receipts from this source have been unsteady since 2018. In 2018, 2019, 2020, 2021 and 2022 receipts were 25.95%, 68.68%, 42.53%, 63.64 and 197.99% respectively.

Figure 7: Grants



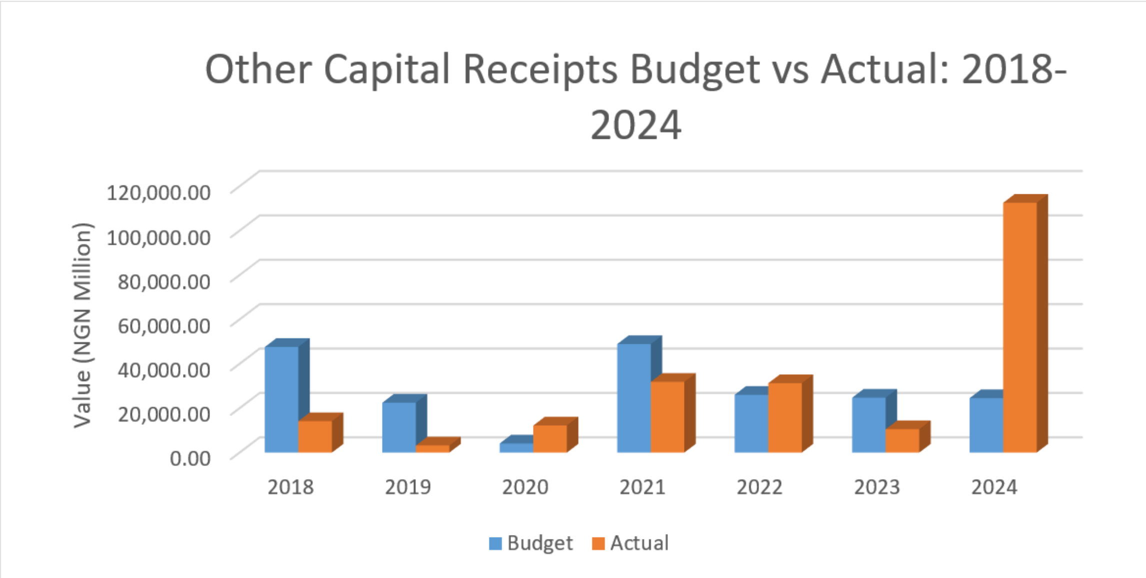
	2018	2019	2020	2021	2022	2023	2024
Budget	6,279,046,084.00	13,650,326,429.00	12,707,484,079.00	10,475,715,003.00	6,154,515,000.00	23,216,200,000.00	43,110,000,000.00
Actual	2,344,000,000.00	3,336,733,787.00	12,759,734,016.00	3,714,239,895.00	4,541,836,443.00	5,587,785,601.51	42,553,780,291.70
Performance	37.33	24.44	100.41	35.46	73.80	24.07	98.71
Growth		42.4	282.4	-70.9	22.3	23.0	661.5

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

84. Since 2018, actual receipts have been irregular. When there were receipts, they were substantially below the budget, partly because several MEDAs acting as middlemen between the State and the donor partners were overly ambitious and inconsistent in putting signed agreements into practice. However, as at September 2024 actual receipt was impressive.

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

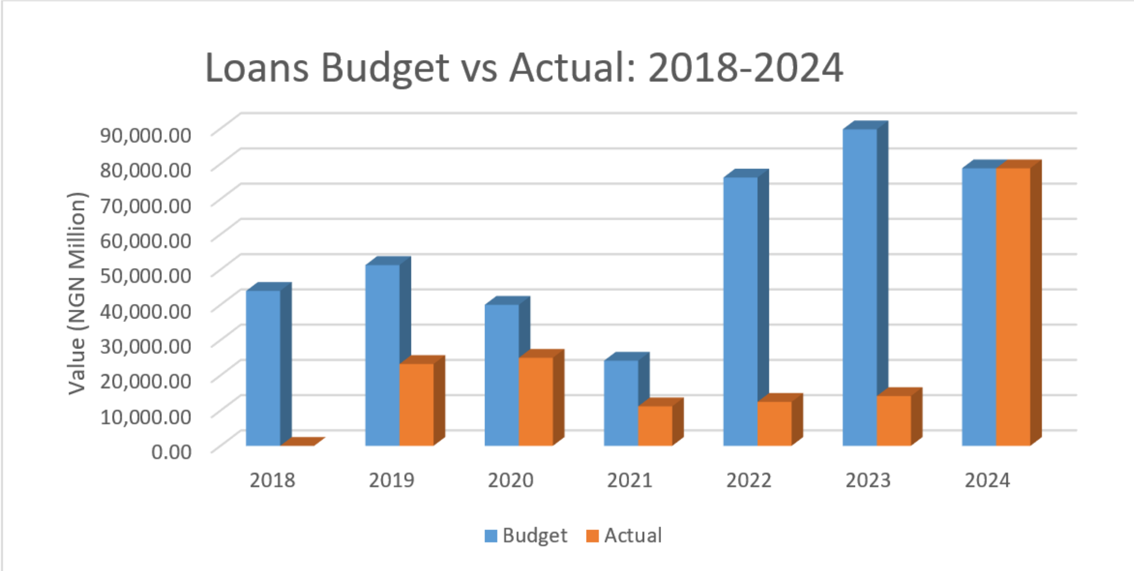
Figure 8: Other Capital Receipts



	2018	2019	2020	2021	2022	2023	2024
Budget	47,581,000,000.00	22,448,882,321.03	4,081,000,000.00	48,863,282,735.00	26,030,564,549.00	24,722,191,122.00	24,537,786,552.20
Actual	14,131,383,566.47	3,173,906,042.16	12,188,266,900.44	31,843,775,684.33	31,235,567,554.03	10,525,496,619.85	112,537,786,674.20
Performance	29.70	14.14	298.66	65.17	120.00	42.58	458.63
Growth		-77.5	284.0	161.3	-1.9	-66.3	969.2

86. Other capital receipts in this context include reimbursements for federal roads built by the State, budgetary assistance, Excess Crude Refunds, Special FAAC Allocations, Stabilization Funds and reimbursements for withholding tax. Except 2022 and 2024, the State has been getting less than the budget. It is shown in the table that the budget performance has been inconsistent because the State has no control on when the fund would be released.

Figure 9: Loans/Financing



	2018	2019	2020	2021	2022	2023	2024
Budget	43,942,999,416.00	51,286,851,387.38	40,000,164,389.23	24,143,354,140.32	76,108,508,848.31	89,784,300,000.00	78,746,400,000.00
Actual	-	23,209,914,419.16	24,986,738,912.08	11,202,176,899.00	12,472,166,871.87	14,128,831,336.08	78,746,400,000.00
Performance	0.00	45.26	62.47	46.40	16.39	15.74	100.00
Growth		-	7.7	-55.2	11.3	13.3	457.3

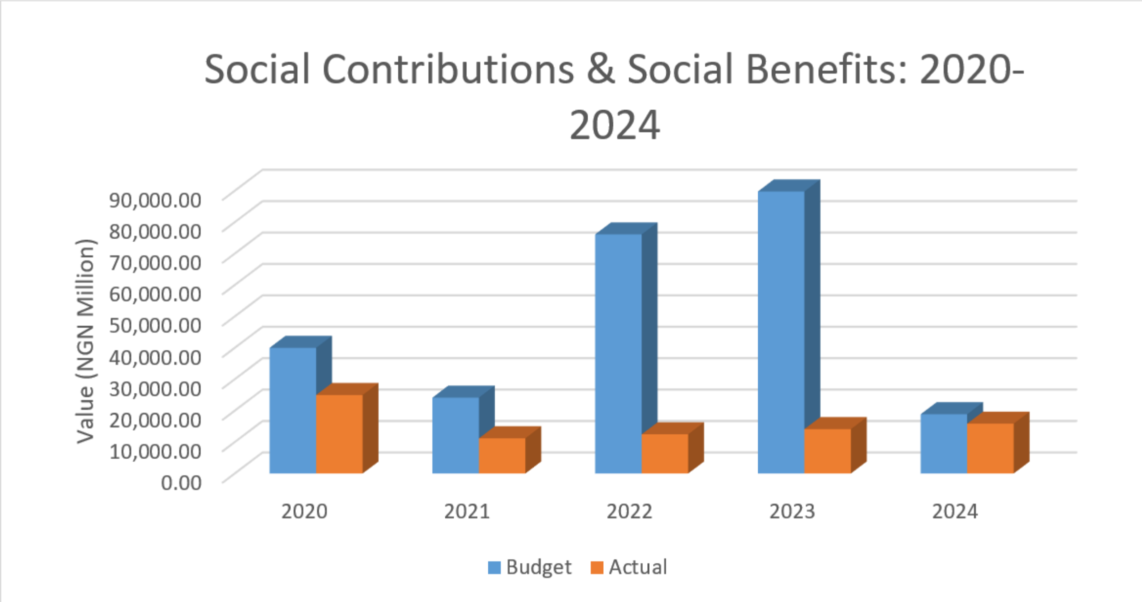
87. Financing has been provided in the form of several World Bank programs in addition to some short-term borrowings through banking facilities (FADAMA, Health and Education sectors support).

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

Expenditure

50. On the expenditure side, the document looks at Social Contribution and Social Benefits, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2018-2023 (six years) and 2024 budget.

Figure 10: Social Contributions and Social Benefits Figure

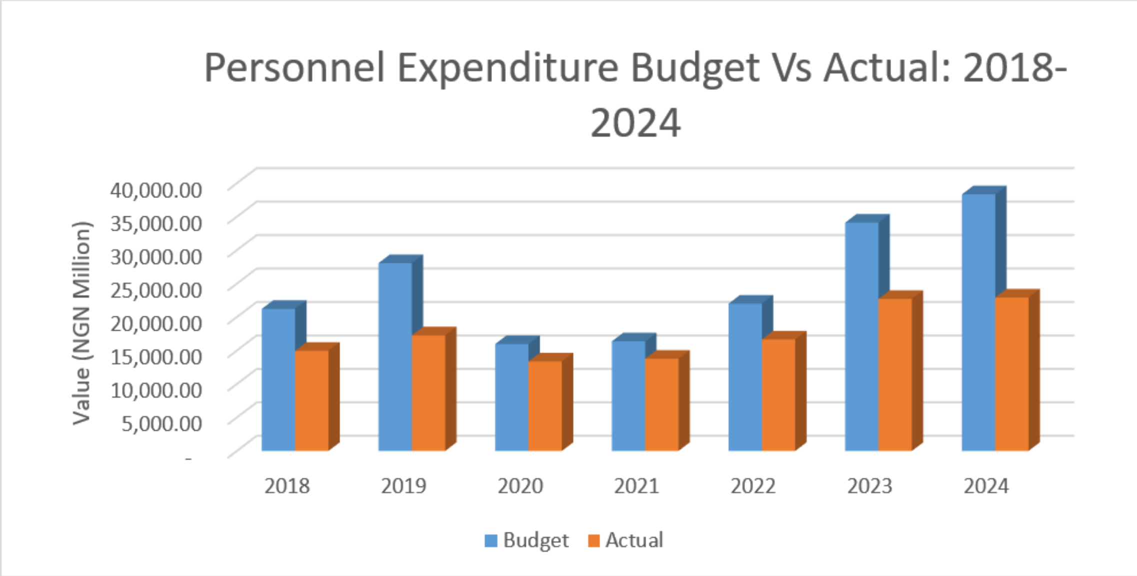


	2020	2021	2022	2023	2024
Budget	10,650,800,000.00	10,915,880,000.00	14,932,000,000.00	17,663,662,518.22	18,864,602,824.00
Actual	10,550,349,211.78	9,883,577,384.33	13,532,863,180.13	18,396,077,373.06	15,853,484,988.71
Performance	99.06	90.54	90.63	104.15	84.04
Growth		-6.3	36.9	35.9	-13.8

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

90. The performance of Social Contributions and Social Benefits have been considerably high over the years in view, it performs 99.06%, 90.54%, 90.63% and 104.15% in the years 2020, 2021, 2022 and 2023 respectively. While 84.04% was recorded as at September 2024. This is because the State government prioritises the payment of pensions and gratuities to retirees in the State.

Figure 11: Personnel

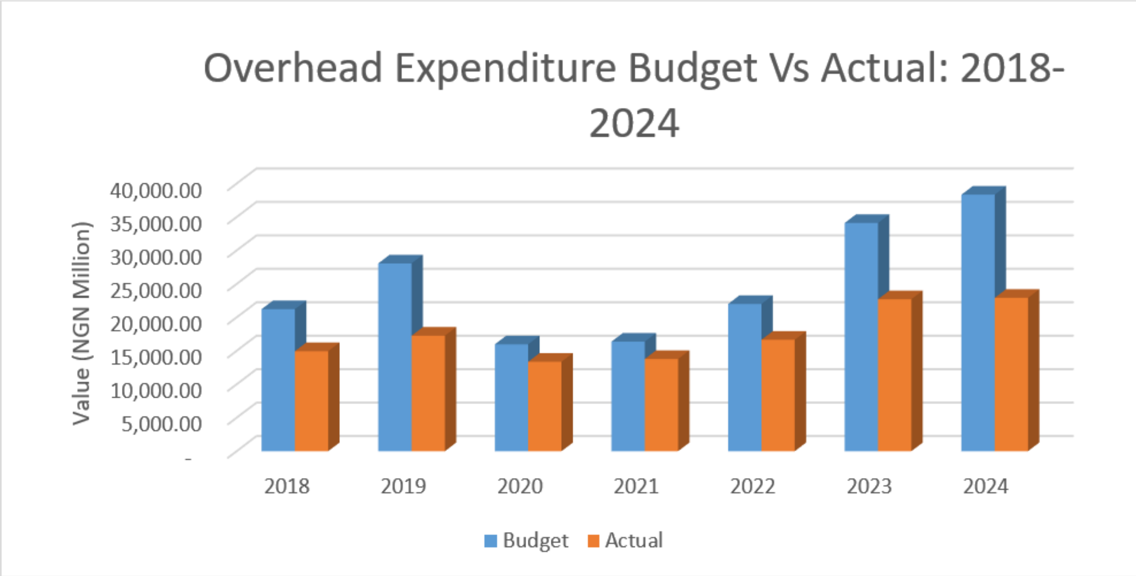


	2018	2019	2020	2021	2022	2023	2024
Budget	40,023,683,079.25	36,191,533,708.16	40,059,974,547.92	42,227,913,104.57	45,262,253,262.40	50,544,156,314.78	57,015,556,112.00
Actual	33,398,996,628.30	33,976,764,212.03	37,163,627,334.65	31,188,334,305.44	43,017,435,134.42	43,130,371,960.42	33,471,817,725.41
Performance	83.45	93.88	92.77	73.86	95.04	85.33	58.71
Growth		1.73	9.38	-16.08	37.93	0.26	-22.39

91. Salary and wages include salary, wages of adhoc staff, consolidated revenue fund charge as well as clearance of salary arrears of core civil servants of the State.

92. Actual expenditure has been close to budget in all the years being analysed except 2021 and 2024 (As at September) because some months' salaries earlier provided for were not paid as envisaged.

Figure 12: Overheads



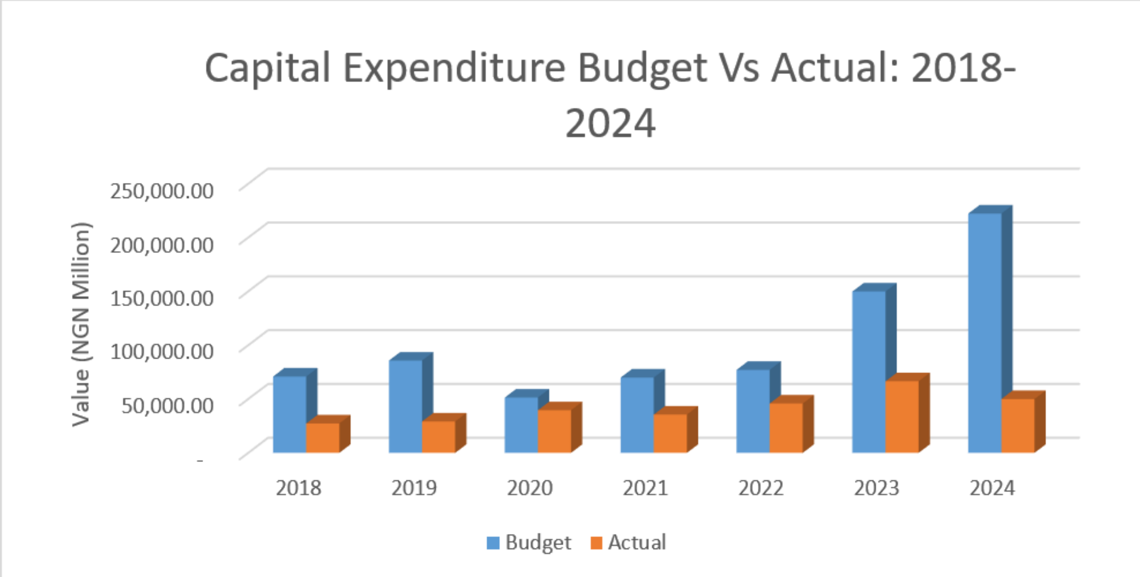
	2018	2019	2020	2021	2022	2023	2024
Budget	21,224,357,458.82	28,062,010,296.00	15,970,672,857.00	16,382,184,750.00	22,000,628,600.00	34,120,946,500.00	38,338,746,600.00
Actual	14,946,394,122.80	17,265,748,315.02	13,372,805,188.14	13,783,647,204.46	16,656,700,214.34	22,718,824,999.15	22,918,532,533.70
Performance	70.42	61.53	83.73	84.14	75.71	66.58	59.78
Growth		15.52	-22.55	3.07	20.84	36.39	0.88

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

94. In the year 2018, overhead budget jumped to an unprecedented height. This was because budget head called Special Programme was added to overhead cost and was later phased out in year 2022. Similarly, some recurrent related items in Capital Expenditure were moved to this budget head.

95. The performance against budget has been unstable over the years under review, in the year 2018, it performed at 70.42%, 61.53% in year 2019, 83.73% in year 2020, 84.14% in year 2021, 75.71% in year 2022, 66.58% in the year 2023 and 59.78% as at September, 2024. Going forward, overhead expenditure must be brought under control, to ensure that cost of governance is not more than necessary.

Figure 13: Capital Expenditure



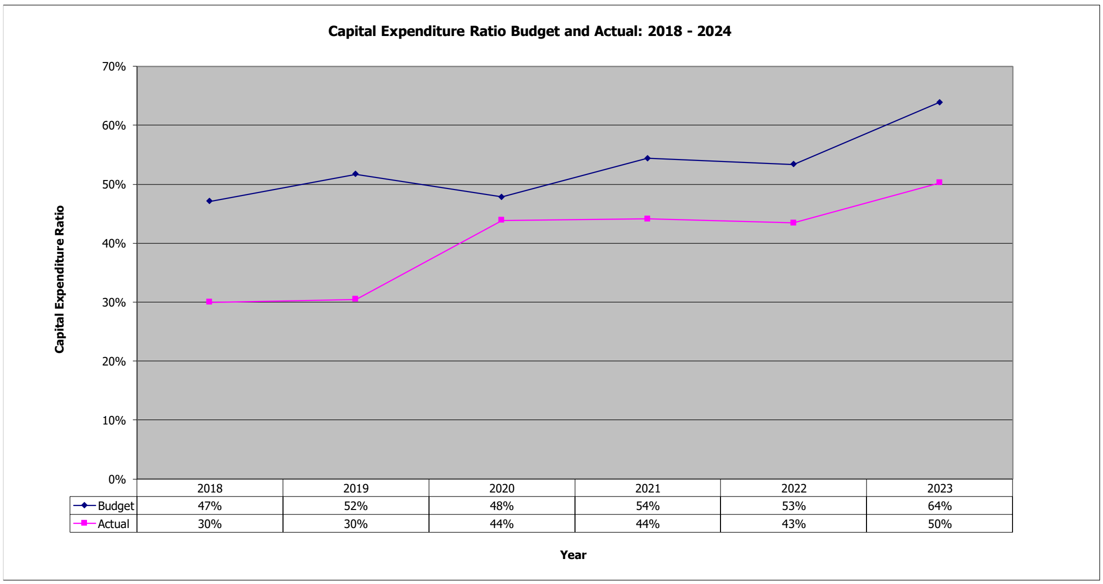
	2018	2019	2020	2021	2022	2023	2024
Budget	70,862,511,495.93	85,710,575,112.86	51,355,288,931.88	69,915,484,355.59	77,034,938,726.60	149,896,795,650.00	222,259,827,500.00
Actual	27,271,729,893.17	29,108,046,301.57	39,537,366,976.30	35,495,548,343.29	45,856,071,567.97	66,495,695,905.78	49,956,885,711.81
Performance	38.49	33.96	76.99	50.77	59.53	44.36	22.48
Growth		6.73	35.83	-10.22	29.19	45.01	-24.87

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

97. In the years under review, actual Capital Expenditures in relation to budget were low. This was owing to the variation in the parameters used in crafting year 2024 Budget which leads to the poor performance of the Budget.

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

Figure 14: Capital Expenditure Ratio



99. Capital expenditure ratio measures both the ratio of capital budget projection to total budget figure and the ratio of actual capital figure to capital budget figure. The actual capital expenditure ratio in the years under consideration was above 45%, but in 2018 the performance was at 30%. However, the ratio was relatively stable from 2020 to 2022 at around 44%.

100. It will be observed that in all the years reviewed (i.e. 2018 – 2023) the actual capital expenditure ratio was lower than capital budget ratio.

By Sector

101. The emphasis of expenditure of the current administration has been on infrastructure which was, up till 2018, in a State of dis-repair. The allocations of high percentage of capital expenditure reflect this and the investment in this sector is expected to ultimately boost economic activities in the State.

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

Table 3: Sector Recurrent Expenditure – Budget Vs Actual

3a

Personnel Expenditure by Sector							
No.	**Sector**	**% 2025**	**2025 Allocation**	**% 2026**	**2026 Allocation**	**% 2027**	**2027 Allocation**
1	**ADMINISTRATION OF JUSTICE**	5.69%	5,843,142,228	5.69%	6,018,436,495	5.69%	6,138,805,225
2	**AGRICULTURAL DEVELOPMENT**	2.78%	2,854,547,546	2.78%	2,940,183,972	2.78%	2,998,987,652
3	**EDUCATION**	42.33%	43,508,220,627	42.33%	44,813,467,246	42.33%	45,709,736,591
4	**ENVIRONMENT AND SEWAGE MANAGEMEN**	1.01%	1,033,686,086	1.01%	1,064,696,668	1.01%	1,085,990,602
5	**GENERAL ADMINISTRATION**	5.99%	6,153,795,279	5.99%	6,338,409,138	5.99%	6,465,177,320
6	**HEALTH**	23.78%	24,436,223,691	23.78%	25,169,310,401	23.78%	25,672,696,609
7	**INFORMATION**	1.01%	1,041,461,694	1.01%	1,072,705,545	1.01%	1,094,159,656
8	**INFRASTRUCTURAL DEVELOPMENT**	3.60%	3,699,273,939	3.60%	3,810,252,157	3.60%	3,886,457,200
9	**LEGISLATIVE ADMINISTRATION**	0.96%	982,483,809	0.96%	1,011,958,324	0.96%	1,032,197,490
10	**PUBLIC FINANCE**	10.67%	10,962,093,113	10.67%	11,290,955,907	10.67%	11,516,775,025
11	**REGIONAL DEVELOPMENT**	0.03%	27,030,665	0.03%	27,841,585	0.03%	28,398,417
12	**COMMUNITY DEVELOPMENT**	1.16%	1,195,721,475	1.16%	1,231,593,120	1.16%	1,256,224,982
13	**TRADE AND INDUSTRY**	1.01%	1,034,419,480	1.01%	1,065,452,065	1.01%	1,086,761,106
	Total	**100.00%**	**102,772,099,633**	**100.00%**	**105,855,262,622**	**100.00%**	**107,972,367,875**

3b

Overhead Expenditure by Sector							
No.	**Sector**	**% 2025**	**2025 Allocation**	**% 2026**	**2026 Allocation**	**% 2027**	**2027 Allocation**
1	**ADMINISTRATION OF JUSTICE**	0.0465	2,336,676,352	4.65%	2,570,343,987	4.65%	2,827,378,386
2	**AGRICULTURAL DEVELOPMENT**	0.0119	597,033,132	1.19%	656,736,445	1.19%	722,410,090
3	**EDUCATION**	0.0455	2,289,427,895	4.55%	2,518,370,684	4.55%	2,770,207,753
4	**ENVIRONMENT AND SEWAGE MANAGEMENT**	0.0087	437,067,579	0.87%	480,774,337	0.87%	528,851,771
5	**GENERAL ADMINISTRATION**	0.1943	9,767,877,743	19.43%	10,744,665,517	19.43%	11,819,132,069
6	**HEALTH**	0.0199	1,003,128,481	1.99%	1,103,441,329	1.99%	1,213,785,462
7	**INFORMATION**	0.0265	1,330,207,905	2.65%	1,463,228,696	2.65%	1,609,551,565
8	**INFRASTRUCTURAL DEVELOPMENT**	0.0513	2,580,869,904	5.13%	2,838,956,895	5.13%	3,122,852,584
9	**LEGISLATIVE ADMINISTRATION**	0.1493	7,504,922,058	14.93%	8,255,414,264	14.93%	9,080,955,690
10	**PUBLIC FINANCE**	0.3822	19,218,687,410	38.22%	21,140,556,151	38.22%	23,254,611,766
11	**REGIONAL DEVELOPMENT**	0.0017	83,821,424	0.17%	92,203,567	0.17%	101,423,923
12	**COMMUNITY DEVELOPMENT**	0.0499	2,506,888,518	4.99%	2,757,577,370	4.99%	3,033,335,107
13	**TRADE AND INDUSTRY**	0.0125	626,466,131	1.25%	689,112,744	1.25%	758,024,018
	Total	**100.00%**	**50,283,074,533**	**100.00%**	**55,311,381,986**	**100.00%**	**60,842,520,185**

Table 4: Sector Capital Expenditure – Budget Vs Actual

Capital Expenditure by Sector		Discretionary Funds						Non-Discretionary Funds			Total Capital Envelope					
No.	Sector	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation	2025 Allocation	2026 Allocation	2027 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation
1	ADMINISTRATION OF JUSTICE	4.00%	8,226,658,359	4.00%	6,344,386,328	4.00%	7,055,590,169	0	10,000,000,000	0	2.0%	8,226,658,359	5.0%	16,344,386,328	2.4%	7,055,590,169
2	AGRICULTURAL DEVELOPMENT	10.00%	20,566,645,898	10.00%	15,860,965,821	10.00%	17,638,975,423	11,443,133,492	6,176,098,492	8,162,800,000	7.7%	32,009,779,390	6.8%	22,037,064,313	8.7%	25,801,775,423
3	EDUCATION	15.00%	30,849,968,848	15.00%	23,791,448,731	15.00%	26,458,463,134	8,500,000,000	4,000,000,000	4,500,000,000	9.5%	39,349,968,848	8.5%	27,791,448,731	10.4%	30,958,463,134
4	ENVIRONMENT AND SEWAGE MANAGEMENT	13.00%	26,736,639,668	13.00%	20,619,255,567	13.00%	22,930,668,050	2,500,000,000	3,000,000,000	3,000,000,000	7.0%	29,236,639,668	7.3%	23,619,255,567	8.7%	25,930,668,050
5	GENERAL ADMINISTRATION	5.50%	11,311,655,244	5.50%	8,723,531,201	5.50%	9,701,436,483	0	0	0	2.7%	11,311,655,244	2.7%	8,723,531,201	3.3%	9,701,436,483
6	HEALTH	15.00%	30,849,968,848	15.00%	23,791,448,731	15.00%	26,458,463,134	8,930,000,000	16,300,000,000	8,300,000,000	9.6%	39,779,968,848	12.3%	40,091,448,731	11.7%	34,758,463,134
7	INFORMATION	1.50%	3,084,996,885	1.50%	2,379,144,873	1.50%	2,645,846,313	0	0	0	0.7%	3,084,996,885	0.7%	2,379,144,873	0.9%	2,645,846,313
8	INFRASTRUCTURAL DEVELOPMENT	9.00%	18,509,981,309	9.00%	14,274,869,239	9.00%	15,875,077,881	148,715,000,000	82,570,000,000	68,570,000,000	40.3%	167,224,981,309	29.7%	96,844,869,239	28.3%	84,445,077,881
9	LEGISLATIVE ADMINISTRATION	6.00%	12,339,987,539	6.00%	9,516,579,492	6.00%	10,583,385,254	0	10,000,000,000	0	3.0%	12,339,987,539	6.0%	19,516,579,492	3.6%	10,583,385,254
10	PUBLIC FINANCE	5.00%	10,283,322,949	5.00%	7,930,482,910	5.00%	8,819,487,711	13,580,000,000	18,526,000,000	9,915,600,000	5.8%	23,863,322,949	8.1%	26,456,482,910	6.3%	18,735,087,711
11	REGIONAL DEVELOPMENT	0.00%	0	0.00%	0	0.00%	0	8,500,000,000	8,925,000,000	9,371,250,000	2.0%	8,500,000,000	2.7%	8,925,000,000	3.1%	9,371,250,000
12	COMMUNITY DEVELOPMENT	10.00%	20,566,645,898	10.00%	15,860,965,821	10.00%	17,638,975,423	6,572,200,682	7,122,200,682	8,940,390,000	6.5%	27,138,846,580	7.1%	22,983,166,503	8.9%	26,579,365,423
13	TRADE AND INDUSTRY	6.00%	12,339,987,539	6.00%	9,516,579,492	6.00%	10,583,385,254	400,000,000	400,000,000	800,000,000	3.1%	12,739,987,539	3.0%	9,916,579,492	3.8%	11,383,385,254
	Total	**100.00%**	**205,666,458,983**	**100.00%**	**158,609,658,207**	**100.00%**	**176,389,754,229**	**209,140,334,174**	**167,019,299,174**	**121,560,040,000**	**100.00%**	**414,806,793,157**	**100.00%**	**325,628,957,381**	**100.00%**	**297,949,794,229**

2.B.2 Debt Position

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

Table 5: Debt Position as at 31st December 2023

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2023**
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	35.83%
2	Total Domestic Debt/IGR	150%	224.15%
3	Total External Debt/Total Revenue	50%	36.14%
4	Total Public Debt/Total Revenue	100%	71.97%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	0.70%
7	Total Debt Service/Total Revenue	15%	14.67%
8	Domestic Debt Service/IGR	10%	87.42%
			2023 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2023**		**Naira**
1	Total Domestic Debt		71,502,242,508
2	Total External Debt		72,137,144,110
3	**Total Public Debt**		**143,639,386,618**
4	Total Domestic Debt Service 2023		27,886,909,224
5	Total External Debt Service in 2023		1,400,414,530
6	**Total Public Debt Service**		**29,287,323,754**
C	**STATE GDP FOR 2023**		
1	**State GDP**		0

104. The total public debt of the State as at December 2022 was ₦143,639,386,618.00, divided into ₦71,502,242,508.00 and ₦72,137,144,110.00 for Domestic and External Debts respectively. In the year, the State spent the sum of ₦29,287,323,754.00 to finance both debts. Under solvency ratios, total external debt/total revenue and total public debt/total revenue ratios were less than the sustainability threshold, others were higher than the required sustainability threshold. The worst is the domestic debt to IR ratio, at 224.15% which is 74.15% higher than the required threshold of 150%. This culminated into higher domestic debt service/IR ratio under liquidity ratios. This was largely due to a low IR base which must be increased in the short-medium term. Once IR is at a more appropriate level compared to the level of economic activity in the State, more domestic borrowing will be possible.

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

Section 3 Fiscal Strategy Paper

106. Fiscal Strategy Paper highlights the macroeconomic and fiscal policy objectives of the State Government over the medium-term period of 2025-2027 and the strategies to be implemented to achieve the objectives.

3.A Macroeconomic Framework

107. The Macroeconomic framework is based on key macroeconomic Indicators which are usually used to evaluate the performance of an economy. The Macroeconomic framework reflects the mineral sector benchmarks (production, price and NGN:USD exchange rate) as laid out in the Federal Government Medium Term Expenditure Framework for the period 2025-2027. Real GDP growth and Inflation (CPI) are as per the Nigeria Governors' Forum (NGF). The figures represent a prudent macro-economic framework from which the Ondo State Medium Term Expenditure Framework is drawn.

Table 6: Macroeconomic Framework

Item	2024	2025	2026	2027
National Inflation	21.40%	27.00%	21.00%	0.19
National Real GDP Growth	0.0376	0.03	0.031	0.032
Oil Production Benchmark (MBPD)	1.78	1.65	1.7	1.8
Oil Price Benchmark	77.96	75	75	75
NGN:USD Exchange Rate	750	1500	1200	1200
Mineral Ratio	0.34	0.18	0.2	0.22

3.B Fiscal Strategy and Assumptions

Policy Statement

<u>Policy Thrust and Priorities for the 2025 Budget</u>

108. The policy thrust and priorities of Government in the next fiscal year is aimed at streamlining sectorial programmes and projects within the framework of the Medium-Term Expenditure Framework (MTEF). The varying competing needs of different sectors should be prioritized and programmes/projects necessary to address them be properly aligned within the Medium-Term Sector Strategy (MTSS). To this end, the main objectives of 2025 Budget are to:

i. Achieve sustained food security;

ii. Sustenance of Human Capital Development drive of the current administration;

iii. Increased investment in infrastructure;

iv. Refocused drive on Independent Revenue (IR) generation;

v. Resilient Community Development Initiative;

vi. Facilitate social inclusion and social security; and

vii. Diversification of the State's economy.

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

i. Development of Agricultural value chain through easy access route and enhance rural security;

ii. Ensure provision of farm inputs and encouragement of mechanised farming;

iii. To have healthy, educated and productive citizens through strategic allocation and management of resources;

iv. Aggressive road rehabilitation and maintenance;

v. Grow IR by a minimum of 20% every year from 2025-2027;

vi. Prioritizing community-based utilities and transforming rural economy through massive construction of rural amenities;

vii. Combating gender-based violence and give support to people with special needs;

viii. Strengthening the State's security architecture; and

ix. Drive establishment of Port-Ondo.

3.C Indicative Three-Year Fiscal Framework

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

Table 7: Ondo State Medium Term Fiscal Framework

Macro-Economic Framework

Item	2025	2026	2027
National Inflation	27.00%	21.00%	19.00%
National Real GDP Growth	3.00%	3.10%	3.20%
Oil Production Benchmark (MBPD)	1.6500	1.7000	1.8000
Oil Price Benchmark	$75.00	$75.00	$75.00
NGN:USD Exchange Rate	1500	1400	1400
Mineral Ratio	18%	20%	22%

Recurrent Revenue	2025	2026	2027
Statutory Allocation	28,753,049,516	28,700,368,126	28,313,208,813
Net Derivation	21,250,000,000	22,312,500,000	23,428,125,000
VAT	71,559,000,000	67,224,590,000	58,267,081,800
Independent Revenue (IR)	40,500,261,000	43,499,957,000	47,228,958,000
Signature Fund	60,000,000,000	55,000,000,000	52,000,000,000
Exchange Gain	50,000,000,000	53,000,000,000	48,000,000,000
ECOLOGICAL FUND	5,000,000,000	6,100,000,000	7,200,000,000
Electronic Money Transfer Levy (EM	5,001,050,000	5,401,134,000	5,671,190,700
Total Recurrent Revenue	**282,063,360,516**	**281,238,549,126**	**270,108,564,313**

Recurrent Expenditure

Salary and Wages	102,772,099,633	105,855,262,622	107,972,367,875
Overheads	50,283,074,533	55,311,381,986	60,842,520,185
Social Contribution and Social Benef	29,149,120,000	30,606,576,000	32,136,904,800
Grants and Contributions	26,429,950,001	26,958,549,001	27,497,719,981
Public Debt Charge	22,026,631,374	16,659,585,530	17,009,436,826
Transfer to Local Government	2,859,769,967	3,471,746,711	3,757,015,287
Transfer to Internal Revenue Servic	6,902,561,335	8,782,489,895	9,658,805,130
Total	**240,423,206,843**	**247,645,591,745**	**258,874,770,084**

Capital Receipts

Grants	31,493,200,000	25,886,000,000	27,466,000,000
Other Capital Receipts	147,415,939,484	58,000,000,000	105,100,000,000
Total	**178,909,139,484**	**83,886,000,000**	**132,566,000,000**

Transfer to OSOPADEC	**8,500,000,000**	**8,925,000,000**	**9,371,250,000**
Reserves			
Contingency Reserve	0	0	0
Planning Reserve	0	0	0
Total Reserves	**0**	**0**	**0**

Capital Expenditure	**406,306,793,157**	**316,703,957,381**	**288,578,544,229**
Discretional Funds	188,858,661,483	193,609,658,207	161,389,754,229
Non-Discretional Funds	217,448,131,674	123,094,299,174	127,188,790,000

Financing	194,257,500,000	208,150,000,000	154,150,000,000

Total Budget Size	**655,230,000,000**	**573,274,549,126**	**556,824,564,313**

Ratios			
Growth in Recurrent Revenue	40.67%	-0.29%	-3.96%
Growth in Recurrent Expenditure	49.53%	3.00%	4.53%
Capital Expenditure Ratio	63.31%	56.80%	53.51%
Deficit to Total Expenditure	29.65%	36.31%	27.68%

111. The capital receipts expected in the State for the period 2025-2027 is presented in the table below.

Table 8: Capital Receipts

CAPITAL RECEIPT PAGE				
ITEM	**2025**	**2025 GCC**	**2026**	**2027**
Internal Grants				
IG & MRU FG Conditional Grant	300,000,000.00	300,000,000.00	200,000,000.00	200,000,000.00
Shore Protection Grant FGN	5,000,000,000.00	-	-	-
National Gas Expansion Programme	70,000,000.00	30,000,000.00	70,000,000.00	70,000,000.00
Infrastructural Development Grant from FGN	20,000,000,000.00		20,000,000,000.00	20,000,000,000.00
Universal Basic Education (UBEC) -SUBEB	4,250,000,000.00	4,250,000,000.00	4,000,000,000.00	4,500,000,000.00
Basic Health Care Provision Fund from FGN (Contributory Health Scheme)	440,000,000.00	-	300,000,000.00	300,000,000.00
Youth Employment and Social Support Operations (NASSCO/SOCU	120,000,000.00	100,000,000.00	120,000,000.00	150,000,000.00
Sub-Total Internal Grant	**30,180,000,000.00**	**4,680,000,000.00**	**24,690,000,000.00**	**25,220,000,000.00**
External Grants				
UNICEF	450,000,000.00	100,000,000.00	496,000,000.00	546,000,000.00
Clinton Health Access Initiative -CHAI (Contributory Health Scheme)	10,000,000.00		-	-
Global Environment Facility/FAO-GEF7	803,200,000.00	750,000,000.00	700,000,000.00	700,000,000.00
REDD+ Project (World Bank Supported)-Co-Financing	50,000,000.00	50,000,000.00	-	-
Food and Agric Organisation Support (FAO)	-		-	
Sub-Total External Grant	**1,313,200,000.00**	**900,000,000.00**	**1,196,000,000.00**	**2,246,000,000.00**
Grant Balancing Item / Blue Sky				
Total Grants	**31,493,200,000.00**	**5,580,000,000.00**	**25,886,000,000.00**	**27,466,000,000.00**
Internal Loans				
Bond	70,000,000,000.00		50,000,000,000.00	50,000,000,000.00
Internal Loans/Borrowings	32,667,000,000.00	-	50,000,000,000.00	10,000,000,000.00
Commercial Agricultural Credit Scheme (CACS)	-	-	1,000,000,000.00	1,000,000,000.00
Accelerated Agricultural Development Scheme (AADS) OSAEC	-	-	1,000,000,000.00	1,000,000,000.00
AUDA NEPAD (OSAEC)	5,230,000,000.00		-	-
Assisted Sustainable Urban Renewal & Rural Water Supply, Sanitation and Hygiene (SURWASH) -RUWASSA	1,500,000,000.00	500,000,000.00	15,000,000,000.00	15,000,000,000.00
Livestock Productivity and Resilience Support (L-PRESS)	600,000,000.00	60,000,000.00	600,000,000.00	600,000,000.00
LIFE-ND	1,550,000,000.00	50,000,000.00	1,550,000,000.00	1,550,000,000.00
Total	**111,547,000,000.00**	**610,000,000.00**	**119,150,000,000.00**	**79,150,000,000.00**
Loans 2				
O-CARES -Public Work Fare	1,321,700,826.00		1,321,700,826.00	7,677,210,000.00
O-CARES Cash Transfer	800,000,000.00		800,000,000.00	1,000,000,000.00
O-CARES Commerce	400,000,000.00		400,000,000.00	800,000,000.00
O-CARES Human Capital Devt	7,000,000,000.00	-	7,000,000,000.00	8,369,600,000.00
O-CARES Hqtr	800,000,000.00		800,000,000.00	1,000,000,000.00
O-CARES CSDP	1,122,200,682.00	-	1,122,200,682.00	2,940,390,000.00
O-CARES FADAMA	1,326,098,492.00	-	1,326,098,492.00	3,212,800,000.00
O-CARES SOCU	230,000,000.00	-	230,000,000.00	-
	-	-	-	-
Immunization Plus and Malaria Progress by Accelerating Coverage and Transforming Services (IMPACT)	4,230,000,000.00	-	3,000,000,000.00	3,000,000,000.00
Youth Employment and Social Support Operations (YESSO)/NASSCO/SOCU				
Nigeria for Women Project (NFWP)	5,000,000,000.00	450,000,000.00	6,000,000,000.00	6,000,000,000.00
SABER Loan	5,500,000,000.00	-	6,500,000,000.00	10,500,000,000.00
REDD+ Project (World Bank Supported)-Co-Financing			-	-
French Development Agency(AFD) Water Facility	13,084,500,000.00	2,028,097,500.00	10,000,000,000.00	5,000,000,000.00
RAAMP	25,000,000,000.00	3,500,000,000.00	12,500,000,000.00	12,500,000,000.00
African Development Bank (AfDB) Water Facility	14,896,000,000.00	2,979,200,000.00	35,000,000,000.00	10,000,000,000.00
Ondo State Erosion and Watershed Management Project (NEWMAP)	2,000,000,000.00	500,000,000.00	3,000,000,000.00	3,000,000,000.00
Total	**82,710,500,000**	**9,457,297,500**	**89,000,000,000**	**75,000,000,000**
Loan Balancing Item / Blue Sky	-	-	-	-
Total Loans	**194,257,500,000**	**10,067,297,500**	**208,150,000,000**	**154,150,000,000**
Other Capital Receipts				
Roll-Over Fund (Treasury)	122,172,604,483.52		55,000,000,000.00	100,000,000,000.00
Roll-Over Fund- OSAEC (CACS & AADS)	973,835,000.00	-	-	100,000,000.00
Roll-Over Fund (Water)	20,019,500,000.00	-	-	-
Contributory Health Scheme (Insurance Premium) -Formal & Informal Sectors	4,250,000,000.00	-	3,000,000,000.00	5,000,000,000.00
Total Other Capital Receipt	**147,415,939,484**	**0**	**58,000,000,000**	**105,100,000,000**
OCR Balancing Item / Blue Sky				
Total Other Capital Receipts	**147,415,939,484**	**0**	**58,000,000,000**	**105,100,000,000**

3.C.1 Assumptions

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

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

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

115. Other Federation Account Distributions – the estimation is based on the current receipt (i.e. from January to September 2024). Furthermore, it is anticipated that governments will press FAAC for excess crude distributions in 2025 to assist in funding the challenges brought about by fuel subsidy removal.

116. Independent Revenue (IR) – the current administration introduced measures to grow IR. These measures have started yielding results as actual IR has been on the increase since 2018. It is anticipated that IR will continue to increase by 20% every year from 2021 and start to stabilise from 2025. Own Value is therefore used to forecast IGR for 2025 – 2027.

117. Grants – The internal grants are based on the actual receipts for 2023 and performance from January to September 2024. External grants are based on signed grant agreements with the development partners

118. Financing (Net Loans) – Ondo State intends to secure an internal loan/borrowing of about ₦194.258 billion in 2025. All other internal and external loans are projections based on signed agreements.

119. Personnel – Implementation of new minimum wage which takes effect from November 2024 will impact on the wage bill in the year 2025. So, the projection is that total wage bill will increase in 2025, 2026 and 2027 as a result of new minimum wage and workers' yearly increment.

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

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

122. Public Debt Charge – is based on the projected principal and interest due for repayments in 2025, 2026 and 2027.

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

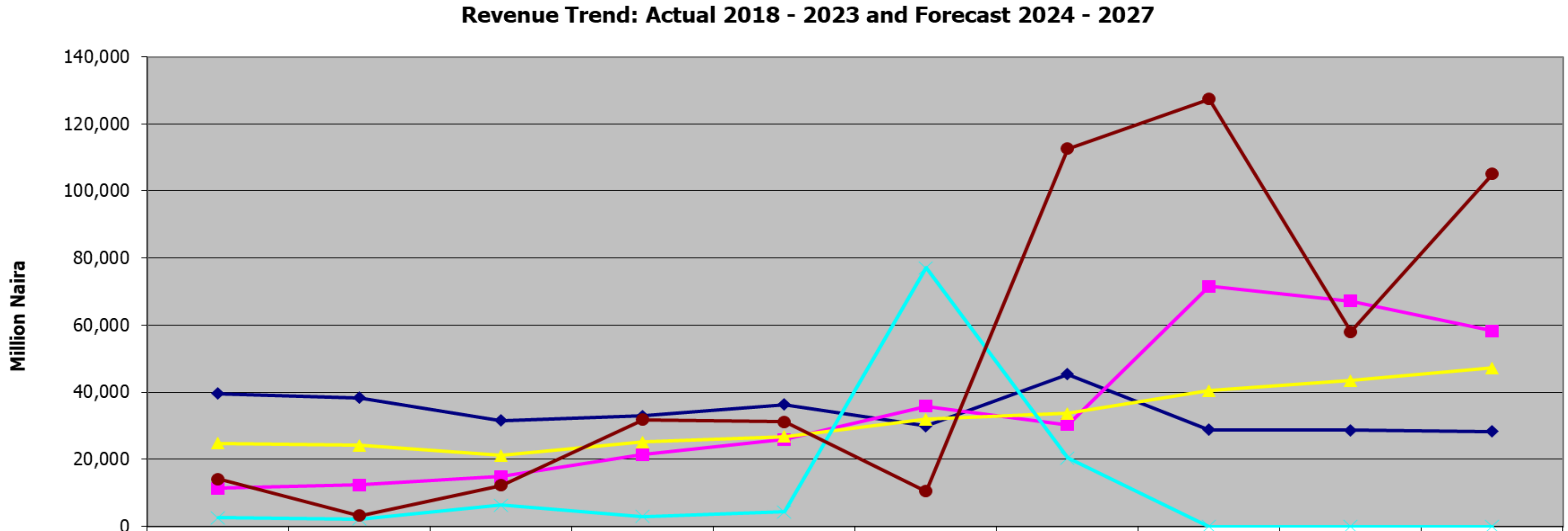
124. Transfer to Local Governments – is 10% of total IGR (after deduction of cost of collection) for 2025, 2026 and 2027.

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

3.C.2 Fiscal Trends

126. Based on the above assumptions, plus actual revenue and expenditure figures for 2018-2023 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and expenditure in the line graphs below.

Figure 15: Ondo State Revenue Trend



	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Stat.Allocation	39,582,605,20	38,310,622,77	31,549,178,88	32,958,772,16	36,265,401,54	29,899,618,47	45,367,453,58	28,753,049,51	28,700,368,12	28,313,208,81
VAT	11,419,703,36	12,388,614,57	14,892,602,06	21,386,339,16	25,925,646,25	35,761,745,68	30,301,829,04	71,559,000,00	67,224,590,00	58,267,081,80
Total IGR	24,787,441,31	24,187,708,28	21,094,342,13	25,124,731,34	26,847,940,99	31,899,311,24	33,639,332,95	40,500,261,00	43,499,957,00	47,228,958,00
Other Federation Account Receipts	2,545,159,460	2,167,297,125	6,315,824,902	2,984,664,770	4,355,022,518	77,127,921,73	20,439,986,00	0	0	0
Capital Receipts	14,131,383,56	3,173,906,042	12,188,266,90	31,843,775,68	31,235,567,55	10,525,496,62	112,537,786,6	127,396,439,4	58,000,000,00	105,100,000,0

Year

Figure 16: Ondo State Expenditure Trend

3.D Fiscal Risks

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

Table 10: Fiscal Risks

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

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

Section 4

Budget Policy Statement

129. The 2025 Budget is to harness the State's resources to birth healthy, knowledgeable and prosperous citizens through prioritised investment in agriculture, infrastructure, human capital development and rural economy in a secure environment.

4.A Budget Policy Thrust

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

- Achieve sustained food security;
- Sustenance of Human Capital Development drive of the current administration;
- Increased investment in infrastructure;
- Refocused drive on Independence Revenue (IR) generation;
- Resilient Community Development Initiative;
- Facilitate social inclusion and social security; and
- Diversification of the State's economy.

4.B Sector Allocations (3 Year)

The total forecast budget size for the 2024 fiscal year as explained in Section 3.C above is ₦655,230,000,000.00 of which the sum of ₦240,423,206,843.00 will be for recurrent expenditure (i.e. Personnel, Overhead, Social Contributions, Grants & Contributions Public Debt Charge, Transfer to Internal Revenue Service and Transfer to Local Governments), ₦406,306,793,157.00 will be for capital expenditure and ₦8,500,000,000.00 as transfer to OSOPADEC. The capital component of the budget is derived from discretionary and non-discretionary funds. Discretionary fund of ₦205,666,458,983.00 will be distributed to all MEDAs while non-discretionary capital fund of ₦200,640,334,174.00 is specifically earmarked for special projects. The non-discretionary fund is in the form of loans and grants.

131. The indicative overhead and capital allocation (envelope) to the sectors for 2025-2027 are based on the combined proportion of budget and actual expenditure as shown in tables 11 (a and b) and 12 below.

11a

Personnel Expenditure by Sector							
No.	**Sector**	**% 2025**	**2025 Allocation**	**% 2026**	**2026 Allocation**	**% 2027**	**2027 Allocation**
1	ADMINISTRATION OF JUSTICE	5.69%	5,843,142,228	5.69%	6,018,436,495	5.69%	6,138,805,225
2	AGRICULTURAL DEVELOPMENT	2.78%	2,854,547,546	2.78%	2,940,183,972	2.78%	2,998,987,652
3	EDUCATION	42.33%	43,508,220,627	42.33%	44,813,467,246	42.33%	45,709,736,591
4	ENVIRONMENT AND SEWAGE MANAGEMEN	1.01%	1,033,686,086	1.01%	1,064,696,668	1.01%	1,085,990,602
5	GENERAL ADMINISTRATION	5.99%	6,153,795,279	5.99%	6,338,409,138	5.99%	6,465,177,320
6	HEALTH	23.78%	24,436,223,691	23.78%	25,169,310,401	23.78%	25,672,696,609
7	INFORMATION	1.01%	1,041,461,694	1.01%	1,072,705,545	1.01%	1,094,159,656
8	INFRASTRUCTURAL DEVELOPMENT	3.60%	3,699,273,939	3.60%	3,810,252,157	3.60%	3,886,457,200
9	LEGISLATIVE ADMINISTRATION	0.96%	982,483,809	0.96%	1,011,958,324	0.96%	1,032,197,490
10	PUBLIC FINANCE	10.67%	10,962,093,113	10.67%	11,290,955,907	10.67%	11,516,775,025
11	REGIONAL DEVELOPMENT	0.03%	27,030,665	0.03%	27,841,585	0.03%	28,398,417
12	COMMUNITY DEVELOPMENT	1.16%	1,195,721,475	1.16%	1,231,593,120	1.16%	1,256,224,982
13	TRADE AND INDUSTRY	1.01%	1,034,419,480	1.01%	1,065,452,065	1.01%	1,086,761,106
	Total	**100.00%**	**102,772,099,633**	**100.00%**	**105,855,262,622**	**100.00%**	**107,972,367,875**

11b

Overhead Expenditure by Sector							
No.	**Sector**	**% 2025**	**2025 Allocation**	**% 2026**	**2026 Allocation**	**% 2027**	**2027 Allocation**
1	ADMINISTRATION OF JUSTICE	0.0465	2,336,676,352	4.65%	2,570,343,987	4.65%	2,827,378,386
2	AGRICULTURAL DEVELOPMENT	0.0119	597,033,132	1.19%	656,736,445	1.19%	722,410,090
3	EDUCATION	0.0455	2,289,427,895	4.55%	2,518,370,684	4.55%	2,770,207,753
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.0087	437,067,579	0.87%	480,774,337	0.87%	528,851,771
5	GENERAL ADMINISTRATION	0.1943	9,767,877,743	19.43%	10,744,665,517	19.43%	11,819,132,069
6	HEALTH	0.0199	1,003,128,481	1.99%	1,103,441,329	1.99%	1,213,785,462
7	INFORMATION	0.0265	1,330,207,905	2.65%	1,463,228,696	2.65%	1,609,551,565
8	INFRASTRUCTURAL DEVELOPMENT	0.0513	2,580,869,904	5.13%	2,838,956,895	5.13%	3,122,852,584
9	LEGISLATIVE ADMINISTRATION	0.1493	7,504,922,058	14.93%	8,255,414,264	14.93%	9,080,955,690
10	PUBLIC FINANCE	0.3822	19,218,687,410	38.22%	21,140,556,151	38.22%	23,254,611,766
11	REGIONAL DEVELOPMENT	0.0017	83,821,424	0.17%	92,203,567	0.17%	101,423,923
12	COMMUNITY DEVELOPMENT	0.0499	2,506,888,518	4.99%	2,757,577,370	4.99%	3,033,335,107
13	TRADE AND INDUSTRY	0.0125	626,466,131	1.25%	689,112,744	1.25%	758,024,018
	Total	**100.00%**	**50,283,074,533**	**100.00%**	**55,311,381,986**	**100.00%**	**60,842,520,185**

Table 12: Sector Capital Expenditure – Budget

Capital Expenditure by Sector		Discretionary Funds						Non-Discretionary Funds			Total Capital Envelope					
No.	Sector	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation	2025 Allocation	2026 Allocation	2027 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation
1	ADMINISTRATION OF JUSTICE	4.00%	8,226,658,359	4.00%	6,344,386,328	4.00%	7,055,590,169	0	10,000,000,000	0	2.0%	8,226,658,359	5.0%	16,344,386,328	2.4%	7,055,590,169
2	AGRICULTURAL DEVELOPMENT	10.00%	20,566,645,898	10.00%	15,860,965,821	10.00%	17,638,975,423	11,443,133,492	6,176,098,492	8,162,800,000	7.7%	32,009,779,390	6.8%	22,037,064,313	8.7%	25,801,775,423
3	EDUCATION	15.00%	30,849,968,848	15.00%	23,791,448,731	15.00%	26,458,463,134	8,500,000,000	4,000,000,000	4,500,000,000	9.5%	39,349,968,848	8.5%	27,791,448,731	10.4%	30,958,463,134
4	ENVIRONMENT AND SEWAGE MANAGEMENT	13.00%	26,736,639,668	13.00%	20,619,255,567	13.00%	22,930,668,050	2,500,000,000	3,000,000,000	3,000,000,000	7.0%	29,236,639,668	7.3%	23,619,255,567	8.7%	25,930,668,050
5	GENERAL ADMINISTRATION	5.50%	11,311,655,244	5.50%	8,723,531,201	5.50%	9,701,436,483	0	0	0	2.7%	11,311,655,244	2.7%	8,723,531,201	3.3%	9,701,436,483
6	HEALTH	15.00%	30,849,968,848	15.00%	23,791,448,731	15.00%	26,458,463,134	8,930,000,000	16,300,000,000	8,300,000,000	9.6%	39,779,968,848	12.3%	40,091,448,731	11.7%	34,758,463,134
7	INFORMATION	1.50%	3,084,996,885	1.50%	2,379,144,873	1.50%	2,645,846,313	0	0	0	0.7%	3,084,996,885	0.7%	2,379,144,873	0.9%	2,645,846,313
8	INFRASTRUCTURAL DEVELOPMENT	9.00%	18,509,981,309	9.00%	14,274,869,239	9.00%	15,875,077,881	148,715,000,000	82,570,000,000	68,570,000,000	40.3%	167,224,981,309	29.7%	96,844,869,239	28.3%	84,445,077,881
9	LEGISLATIVE ADMINISTRATION	6.00%	12,339,987,539	6.00%	9,516,579,492	6.00%	10,583,385,254	0	10,000,000,000	0	3.0%	12,339,987,539	6.0%	19,516,579,492	3.6%	10,583,385,254
10	PUBLIC FINANCE	5.00%	10,283,322,949	5.00%	7,930,482,910	5.00%	8,819,487,711	13,580,000,000	18,526,000,000	9,915,600,000	5.8%	23,863,322,949	8.1%	26,456,482,910	6.3%	18,735,087,711
11	REGIONAL DEVELOPMENT	0.00%	0	0.00%	0	0.00%	0	8,500,000,000	8,925,000,000	9,371,250,000	2.0%	8,500,000,000	2.7%	8,925,000,000	3.1%	9,371,250,000
12	COMMUNITY DEVELOPMENT	10.00%	20,566,645,898	10.00%	15,860,965,821	10.00%	17,638,975,423	6,572,200,682	7,122,200,682	8,940,390,000	6.5%	27,138,846,580	7.1%	22,983,166,503	8.9%	26,579,365,423
13	TRADE AND INDUSTRY	6.00%	12,339,987,539	6.00%	9,516,579,492	6.00%	10,583,385,254	400,000,000	400,000,000	800,000,000	3.1%	12,739,987,539	3.0%	9,916,579,492	3.8%	11,383,385,254
	Total	**100.00%**	**205,666,458,983**	**100.00%**	**158,609,658,207**	**100.00%**	**176,389,754,229**	**209,140,334,174**	**167,019,299,174**	**121,560,040,000**	**100.00%**	**414,806,793,157**	**100.00%**	**325,628,957,381**	**100.00%**	**297,949,794,229**

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

4.C Considerations for the Annual Budget Process

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

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

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

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

Section 5 Summary of Key Points and Recommendations

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

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

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

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