



**Medium Term Budget Framework (Economic and
Fiscal Update (EFU),
Fiscal Strategy (FS) and
Budget Policy Statement (BPS)**

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Abbreviations

BPS	Budget Policy Statement
BRICS	Brazil, Russian India China and South Africa
BRINCS	Brazil, Russia India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CPIA	Country Policy and Institutional Assessment
DMD	Debt Management Department
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FSP	Fiscal Strategy Paper
G20	Group of Twenty
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
IMF	International Monetary Fund
MBEP	Ministry of Budget and Economic Planning
MDA	Ministry, Department and Agencies
MINT	Mexico, Indonesia, Nigeria, and Turkey
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
N-11	Next Eleven
NBS	National Bureau of Statistics
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAG	Office of the Accountant General
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PMS	Petroleum
SHoA	State House of Assembly
VAT	Value Added Tax
WEO	World Economic Outlook

Section 1 Introduction and Background

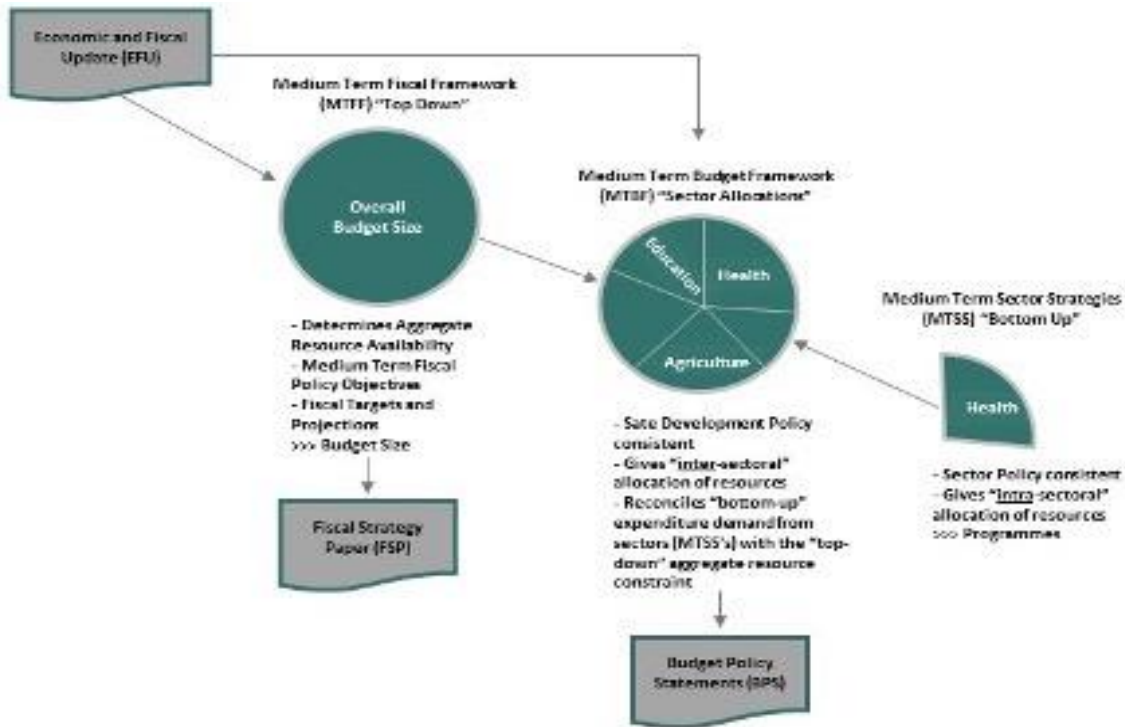
1.A Introduction

1. This Medium Term Budget Framework (MTBF) document containing Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS), is prepared to assist Oyo State to adopt the best practice and use the most effective approach in allocating resources to facilitate achievement of the Government's policy objectives. It basically recommends how sectoral allocation of resources should be done within the context of budget preparation using a medium term perspective. Consequently, it provides an opportunity for the State Executive Council (EXCO) to deliberate over the inter-sectoral allocation of resources in the 2022 budget and the outer years of 2023 and 2024 and intimate the legislature of the medium term perspective of resource availability and allocation to ensure efficient and effective service delivery. In producing this document, a Technical Working Group (TWG) comprising of 18 members drawn from relevant Ministries, Departments and Agencies (MDAs) was set up.
2. This Medium Term Budget Framework (MTBF) document provides economic and fiscal analyses which present pivotal basis for budget planning process. It goes further to determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective. This is consistent with the Government's macroeconomic objectives that determine the amount of overall resources that are expected to be available to the Treasury for the budget over the medium term. It also provides an analysis of the Government's key policy priorities to which resource allocation will be aligned and then goes on to develop indicative resource envelopes for the sectors over the medium-term planning horizon. These envelopes are consistent with the aggregate resource availability determined by the Medium-Term Fiscal Framework (MTFF).

1.A.1 Budget process

3. 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).
4. It commences with the conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget.
5. The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

6. In line with international best practice in budgeting, the production of a combined EFU, FSP and BPS is the first step in the budget preparation cycle for Oyo State Government (OYSG) for the period 2022-2024.
7. The purpose of this document is three-fold:
 - i. To provide a backward looking summary of key economic and fiscal trends that can affect the public expenditure in the future - Economic and Fiscal Update;
 - ii. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing; and public debt - Fiscal Strategy; and
 - iii. Provide indicative sector envelopes for the period 2022-2024 – Budget Policy Statement.
8. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis in order to inform the budget planning process. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:
 - Overview of Global, National and State economic performance;
 - Overview of the Petroleum Sector; and
 - Trends in budget performance over the last six years.

9. The FSP and BPS, in Sections 3 and 4 respectively, are indispensable elements in the Medium Term Expenditure Framework (MTEF) and annual budget process as they determine the resources available to fund government prioritized projects and programmes in a sustainable manner, with justification for the estimation for medium-term major Revenue and Expenditure aggregates as well as other important components of the MTEF Process in terms of fiscal targets, fiscal constraints, assessment of fiscal risks and sectoral allocation of resources.

1.A.3 Preparation and Audience

10. The purpose of this document is to provide an informed basis for the 2022-2024 budget preparation cycles for all of the key Stakeholders, specifically:
 - State Executive Council (EXCo);
 - State House of Assembly (SHoA);
 - Ministry of Budget and Economic Planning;
 - Ministry of Finance;
 - All Ministries, Departments and Agencies (MDAs); and
 - Civil Society Organizations (CSOs).
11. The document is prepared within the first two quarters of the year prior to the annual budget preparation period. It is prepared by Macro-Economic Planning Department of Oyo State Ministry of Budget and Economic Planning (MBEP) in collaboration with MTBF Technical Working Group (TWG) using data collected from International, National and State organizations.

1.B Background

1.B.1 Legislative and Institutional arrangement for Public Financial Management (PFM)

12. Legislative Framework for PFM in Oyo State –

Extant legislations that provide legal and regulatory framework for Public Financial Management (PFM) system in Oyo State are summarized below:

- i. Constitution of the Federal Republic of Nigeria (as amended):

The 1999 constitution contains the fundamental rules for PFM across all States in the Federation. Sections 120 – 129 as well as 162 and 163 of the constitution make provisions for the management of public revenue, intergovernmental fiscal relations, taxation, appropriation of public funds, annual accounts, audit of accounts and investigation by the State Legislature. For instance, sections 120 (i) and (ii) of the Constitution of the Federal Republic of Nigeria, 1999 stipulates that "...all revenues or other

moneys raised or received by a State...shall be paid into and form one Consolidated Revenue Fund of the State "and that "...No moneys shall be withdrawn from the Consolidated Revenue Fund of the State except to meet expenditure that...has been authorized by an Appropriation Law..." The Governor is required by the Constitution to prepare and lay expenditure proposals or an Appropriation Bill for the coming year before the State Legislature.

ii. The Fiscal Responsibility Act, 2007:

The FRA specifically part I-IV makes provisions for Public Financial Management. It seeks to ensure strategic prioritization and resource allocation through the budget process as well as the promotion of accountability, transparency and prudence in the entire PFM process. The law also provides for multi-year fiscal planning, including aggregate revenue forecasts and expenditure estimates. Oyo State is on the verge of domesticating this law.

iii. The Personal Income Tax Act, 1993 and Value Added Tax (VAT) Act, 1993 as amended:

The Personal Income Tax Act and Value Added Tax Act provide guidance on the assessment and collection of Personal Income Tax and Value Added Tax respectively.

iv. Oyo State Revenue Administration Law, 2015; as amended, 2020:

It is a law that makes provisions for the administration and collection of revenue due to the government of Oyo State and Local Governments to establish the relevant administrative structures and for connected purposes;

v. Oyo State Public Procurement Law (2010):

The law was enacted to institutionalize a culture of efficiency, transparency, integrity, accountability, competence and competitiveness in the procurement process to ensure fairness, competition, transparency and value for money in Oyo State Government's procurements. The law established the Oyo State Bureau of Public Procurement (BPP) which is responsible for the monitoring and oversight of public procurement, harmonizing the existing government policies and practices by regulating, setting standard, developing the legal framework and professional capacity for public procurement in Oyo State for related matters.

13. Institutional Framework for PFM in Oyo State –

- i. The Executive arm of the government, through various MDAs, proposes the budget and implements it after legislative approval. MDAs assist the Executive to perform these functions and secure approval of the Governor to commence project execution. The Governor's express authorization is necessary for MDAs to award contracts despite prior approval in the current

budget. The EXCo also considers the MTBF document and presents it to the State House of Assembly (SHoA) for due consideration before the preparation of the annual budget.

- ii. The House of Assembly considers the MTBF document; approves annual budget and appropriates expenditure in the budget; maintains oversight over budget execution; and enforces audit findings. The Auditor-General reviews and reports on budget implementation.
- iii. While the aforementioned institutions are approving authorities, the Ministry of Budget and Economic Planning (MBEP) coordinates strategic planning and the budget preparation; Ministry of Finance (MoF) manages public finances using Office of Accountant-General (OAG) and the Debt Management Office (DMO) as semi-autonomous and professional arms, each charged with specific functions of treasury and accounting, and public debt management respectively. Treasury and accounting functions include receipt of revenue, expenditure management, financial reporting and internal audit. The OAG deploys personnel to run the finance and internal audit departments of MDAs while MDAs prepare monthly returns of transcripts and bank reconciliation statements to the Accountant General. The Board of Internal Revenue(BIR)performsthe functions of revenue administration, and the Bureau of Public Procurement (BPP) regulates public procurement and ensures compliance with State Procurement Law. The Office of the Auditor General, as the Supreme Audit Institution, plays an important role in providing oversight and accountability in monitoring the use of public fund and reviewing the quality and accuracy of government’s financial report.

1.B.2 Overview of Budget Calendar

14. Indicative Budget Calendar for Oyo State Government is presented below:

Table 1: Budget Calendar

S/N	Stage	Activity	Date(s)	Responsibility
1	Conclusion on Y2020 & Inception of Y2021 Budget	a. Issuance of Budget Operational Guideline b. Y2020 Budget Analysis	2 nd January 6 th January	MBEP
2	Budget Performance Appraisal	a. 4 th Quarter / full Y2020 Budget Performance Appraisal b. 1 st Quarter Y2021 Budget Performance Appraisal c. 2 nd Quarter/ Mid- Year Review of Y2021 Budget Performance d. 3 rd Quarter Budget Performance Appraisal e. Y2021 Budget Performance Appraisal for the 4 th quarter/ full year	28 th January, 28 th April, 28 th July, 28 th October, 28 th Jan 2022 (Quarterly)	MBEP

			Annual	
3	Implementation of the Y2021 Budget	<ul style="list-style-type: none"> a. Publishing citizen’s Budget b. Publishing of Abridged Budget Document c. Monthly Budget Implementation Committee Meeting d. Analysis of Expenditure returns 	<p>Jan. 2021</p> <p>Jan. 2021</p> <p>2nd week of Every month</p> <p>Jan –Dec, 2021</p>	Budget Dept.
4	Commencement of Y2022 Budget Preparation	<ul style="list-style-type: none"> a. Meeting with Major Revenue Generating Agencies and Ministry of Establishment Training & Pensions on Fiscal Strategy Y2022-Y2024 b. Preparation and Adoption of Fiscal & Sector Strategy for Y2022- Y2024 c. Presentation of Y2022-Y2024 Economic & Fiscal Update/MTBF to EXCO d. Presentation of Y2022-Y2024 Economic & Fiscal Update/MTBF to HOA e. Sectors’ Budget Disaggregation Meeting f. Submission of Sectors agreed figure g. Citizens Consultative Forum 	<p>May 2021</p> <p>May 2021</p> <p>June 2021</p> <p>June 2021</p> <p>July 2021</p>	<p>Technical Committee on Budget</p> <p>Macro Economic Planning Department MBEP</p> <p>Executive Governor</p> <p>MBEP/MDAs</p> <p>MDAs</p> <p>MBEP</p>
5	Preparation of Y2022 Budget Estimates	<ul style="list-style-type: none"> a. Workshop for Budget Officers in MDAs b. Submission of Budget Proposals c. Evaluation of Proposals d. Bilateral Budget discussions 	July - Aug 2021	Budget Department
6	Collation of Bilaterally Agreed Budget Figures	<ul style="list-style-type: none"> a. Compilation of Revenue, Personnel cost, overhead cost, capital costs etc. b. Production of Budget summary table 	Sept 2021	Budget Department
7	Y2022 Draft Budget	<ul style="list-style-type: none"> a. Submission for Y2022 draft budget to His Excellency b. Presentation of Y2022 Draft Budget to the State Treasury Board 	Sept 2021	Budget Department

		<ul style="list-style-type: none"> c. Presentation of Y2022 Draft Budget to the State Executive Council d. Exco Legislative Parley on Y2022 Budget 		
8	Legislative Processes	<ul style="list-style-type: none"> a. Presentation of Draft Y2022 Budget to the HOA b. Consideration of Budget proposal by the House c. Passing of Y2022 Appropriation Bill 	<p>Sept 2021</p> <p>Oct – Dec 2021</p>	Budget Department & State House of Assembly
9	Appropriation Law	<ul style="list-style-type: none"> a. Printing of appropriation law b. Assent to Y2021 budget by the Governor c. Publishing of Y2021 Approved Budget on the State Website 	<p>Dec 2021</p> <p>5th Jan 2022</p>	Budget Department
10	Conclusion of Y2020 Budget	Y2021 Budget Performance Appraisal for the 4 th Quarter /Full Year	28 th Jan 2022	Monitoring and Evaluation Department

Section 2 Economic and Fiscal Update

2.A Economic Overview

The Economic Updates examine the recent trends in economic developments from the global level down to the local economy and the likely impact of observed trends on future growth prospects. This is very important, given the large exposure of the Nigerian economy to the swings of global economic developments as affected by commodity prices, foreign direct investments, dollarization of international trade as well as the inexplicable influence of international financial institutions – particularly the World Bank and International Monetary Fund (IMF) – on the national economy.

2.A.1 Global Economy

14. Global Economy

- a. The world is facing challenging times due to the spread of COVID-19 into a global pandemic which has claimed millions of lives, affected families, and caused a negative shift to the economic and fiscal landscape around the world, thereby resulting into a global economic crisis.
- b. The April 2021 IMF World Economic Outlook (WEO) reported that after an estimated contraction to -3.3% in 2020, the global economy is projected to grow at 6% in 2021, moderating to 4.4% in 2022. The contraction in 2020 is 1.1% point smaller than projected in October 2020 World Economic Outlook (WEO).
- c. Among emerging and developing economies, all countries faced a common health crisis, severe external demand shocks, dramatic tightening in global financial conditions and a plunge in commodity prices which will have a severe impact on economic activity in commodity exports.
- d. Most economies are forecasted to contract this year, including countries selected and chosen to represent Group of Twenty (G20), Brazil, Russia, India China, and South Africa (BRICS), Mexico, Indonesia, Nigeria, and Turkey (MINT), Next Eleven (N-11), Petro-economies and other large African economies.

Table 2: Real GDP Growth - Selected Countries

COUNTRY	2018	2019	2020	2021	2022
Mexico	2.136	-0.146	-8.2	5.0	3.0
Indonesia	5.17	5.025	-2.1	4.3	5.8
Turkey	2.827	0.932	1.8	6.0	3.5
United States	2.927	2.33	-3.5	6.4	3.5
Germany	1.522	0.565	-4.7	3.6	3.4
United Kingdom	2.927	2.334	-9.9	5.3	5.1
China	6.75	6.11	2.3	8.4	5.6
Ghana	6.263	6.113	0.9	4.6	6.1
South Africa	0.787	0.153	-7.0	3.1	2.0
Brazil	1.312	1.133	-4.1	3.7	2.6
Angola			-4.0	0.4	2.4

Source: IMF's World Economic Outlook, April 2020.

Table 3: Inflation (CPI) - Selected Countries

COUNTRY	2018	2019	2020	2021	2022
Mexico	4.898	3.635	3.4	3.5	3.1
Indonesia	3.292	2.82	2.0	20.	3.1
Turkey	16.332	15.177	12.3	13.6	11.8
United States	2.44	1.812	1.2	2.3	2.4
Germany	1.951	1.346	0.4	2.2	1.1
United Kingdom	2.478	1.791	0.9	1.5	1.9
China	2.105	2.903	2.4	1.2	1.9
Ghana	9.837	7.208	9.9	9.0	8.2
South Africa	4.62	4.13	3.3	4.3	4.5
Brazil	3.665	3.733	3.2	1.6	4.0
Angola	19.629	17.079	22.3	22.3	13.1

Source: IMF's World Economic Outlook, April 2020

2.A.2 Africa

15. Africa

- a. According to African Economic Outlook 2021, published by African Development Bank (AfDB), Africa's GDP contracted by 2.1% in 2020, the continent's first recession in half a century. It is estimated that about 39 million Africans could fall into extreme poverty with disproportionate effect on women in 2021, if appropriate support is not provided.
- b. Africa's GDP is expected to grow by 3.4% in 2021 after shrinking by 2.1% in 2020 because of the COVID-19 pandemic (African Economic Outlook 2021- African Development Bank). This recovery will mark the end of the worst recession ever in more than half a century and will be underpinned by an expected resumption of tourism, a rebound in commodity process and rollback of pandemic including restrictions.
- c. Also, the African Economic Outlook 2021 - African Development Bank posited that the economic impact of the pandemic varies across countries; tourism dependent economies are projected to recover from 11.5% decline in 2020 to grow at 6.2% in 2021; oil exporting countries from a 1.5% decline to grow at 3.1%; other resource intensive economies from 4.7% decline to grow at 3.1% and non-resources intensive countries from 0.9% decline to grow at 4.1%.
- d. Africa's macro-economic fundamentals have been weakened by the pandemic. Fiscal deficit is estimated to have doubled in 2020 to historical height of 8.4% of GDP. Debt burdens are likely to rise by 10 to 15 percent points in the short term. Exchange rate fluctuations have elevated, and inflation inched up with external financial inflow highly disrupted (African Economic Outlook 2021 - African Development Bank).
- e. Lockdown had been effective in curbing COVID-19 infections in Africa albeit at the expense of economic activities.

2.A.3 Nigerian Economy

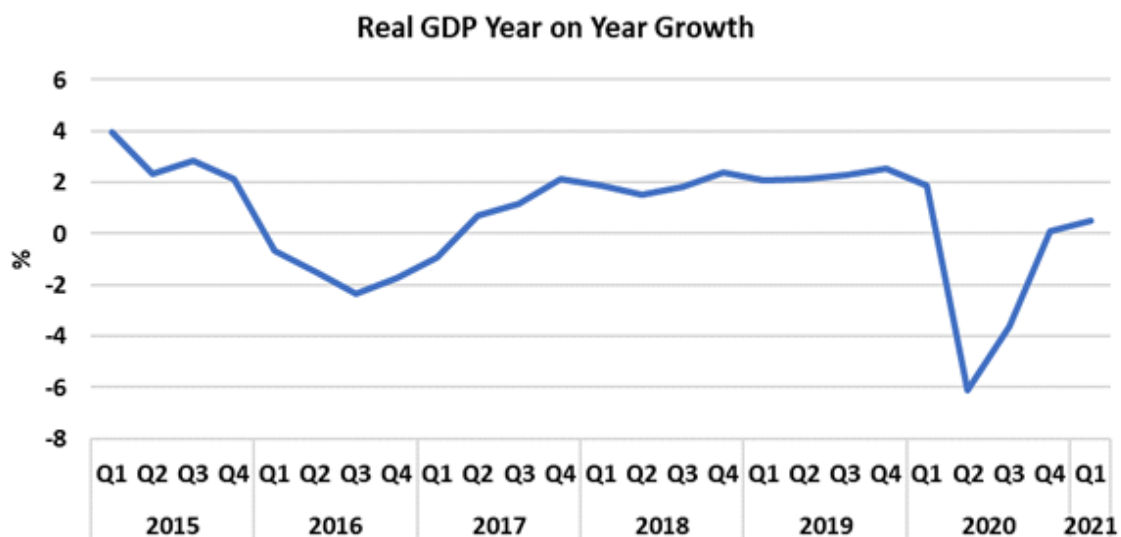
16. Key Macro-economic Indicators that drive the Federation Account Revenue are:

- a. National Real GDP Growth,
- b. Inflation,
- c. Foreign Exchange,
- d. Crude Oil Price,
- e. Crude Oil Production, and
- f. Mineral Ratio.

2. A.3.1 Nigeria's Macroeconomic Update

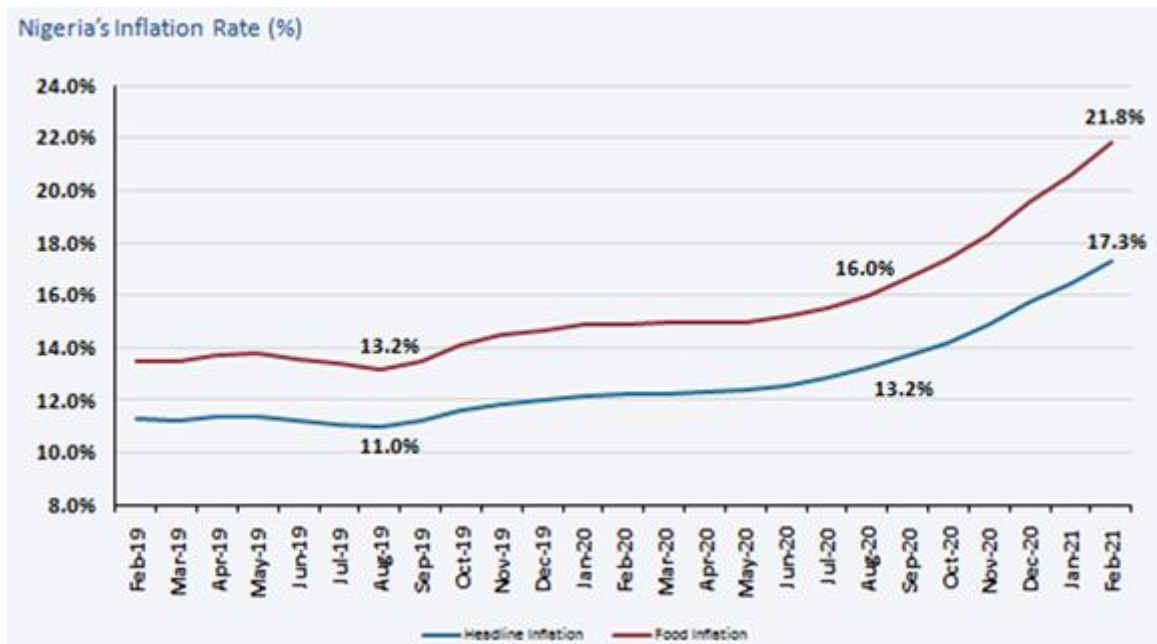
17. Figure 1 below shows Quarterly Real GDP outlook from 2015 till Quarter 1, 2021. GDP nosedived in the Q2 2020 in the heat of the economic downturn occasioned by the COVID 19 Pandemic. Similar trend is depicted in Q2 and Q3 2016 when there was real economic decline.
18. Gross Domestic Product (GDP), as indicated in Figure 2, grew by 0.51%(year-on-year) in real terms in the first quarter of 2021, marking two consecutive quarters of growth following the negative growth rates recorded in the second and third quarters of 2020. The Q1 2021 growth rate was slower than the 1.87% growth rate recorded in Q1 2020 but higher than 0.11% recorded in Q4 2020, indicative of a slow but continuous recovery. Nevertheless, quarter on quarter, real GDP grew at -13.93% in Q1 2021 compared to Q4 2020, reflecting a generally slower pace of economic activities at the start of the year.

Figure 2: Real GDP Growth



19. Prices (see Figure 3) continue to rise through 2019 to 2020 with significant and consistent increase month on month in 2021 given the challenges associated with insecurity, which have direct impact on agricultural output and transportation cost. The removal of fuel subsidies and an increase in electricity tariff added to inflationary pressure. In February 2021, inflation rate continued its upward trend to settle at 17.3%. Prices of food have risen significantly in the last five months.

Figure 3: Inflation Rate



Data Source: National Bureau of Statistics

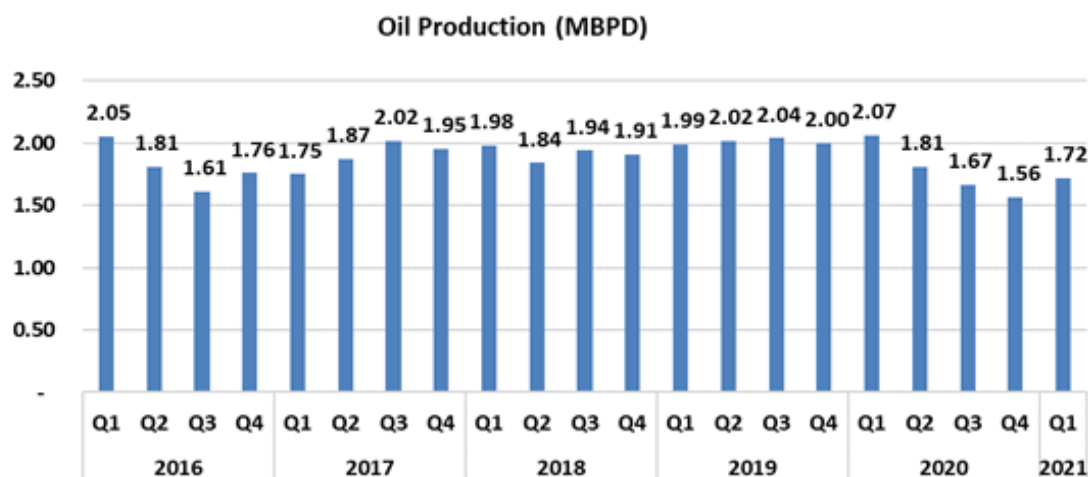
20. The foreign exchange market continues to witness supply shortage of foreign currency to meet its demand. Consequently, the gap between the various markets keeps expanding. As of March 16, 2021, the Naira on the Investment and Export (I&E) window closed at N409.67/US\$, representing a year to date appreciation of 0.14%. It depreciated by 5.43% in the parallel market to N485/US\$. Meanwhile, on the CBN Official, the Naira remained stable at N379/US\$. It is envisaged that foreign exchange pressure will continue into the second quarter, owing to limited inflows from both crude and non-oil sources, rising imports, and a backlog of foreign currency demand; but we expect moderation in the later part of the year. However, the wide gap between the official and parallel markets rates will continue to be a major FX challenge in 2021.
21. External Reserves trended upwards at the beginning of the year 2021, gaining 3.2% as of January 25; however, despite rising crude oil prices, Reserves have lost 5.7% of its value from January 25 to March 17. Challenged oil inflows due to OPEC cuts, weaker foreign investment inflows, high demand for foreign currency to finance imports and other needs and possible clearance of FX backlogs are factors that continue to weaken External Reserves.

2.A.3.2 The Oil Sector

22. The data in Figure 4 below present average daily oil production from 2016 to Q1 2021. In the first quarter of 2021, average daily oil production stood at 1.72 million barrels per day (mbpd), or 0.35mbpd lower than the average daily production of 2.07mbpd recorded in the same quarter of 2020 but

higher than the production volume of 1.56mbpd recorded in the fourth quarter of 2020.

Figure 4: Crude Oil Output (MBPD)



23. The oil sector recorded real GDP growth rate of -2.21% (year-on-year) in Q1 2021 indicating a decrease of -7.27% points relative to the growth rate recorded in the corresponding quarter of 2020 (5.06%). Compared to Q4 2020 which recorded -19.76% growth rate, growth in Q1 2021 was higher by 17.55% points. Quarter-on-quarter, the oil sector recorded a growth rate of 35.65% in Q1 2021. In terms of contribution to aggregate GDP, the Oil sector accounted for 9.25% of aggregate real GDP in Q1 2021, slightly lower than 9.5% recorded in the corresponding period of 2020 but higher than in the preceding quarter, where it contributed 5.87%.

2.A.3.4 The Non-Oil Sector

24. The non-oil sector grew by 0.79% in real terms in Q1 2021, which was -0.75% points lower compared to the rate recorded in the same quarter of 2020 and -0.89% points lower than rates recorded in the fourth quarter of 2020. Growth in the non-oil sector was driven mainly by the Information and Communication Technology (ICT) sector while other drivers include Agriculture (Crop Production); Manufacturing (Food, Beverage & Tobacco); Real Estate; Construction and Human Health & Social Services. In real terms, the Non-oil sector accounted for 90.75% of aggregate GDP in Q1 of 2021, higher than its share in the first quarter of 2020 which was 90.50% but lower than 94.13% recorded in the fourth quarter of 2020.

Figure 5:Crude Oil and Non-Oil Growth

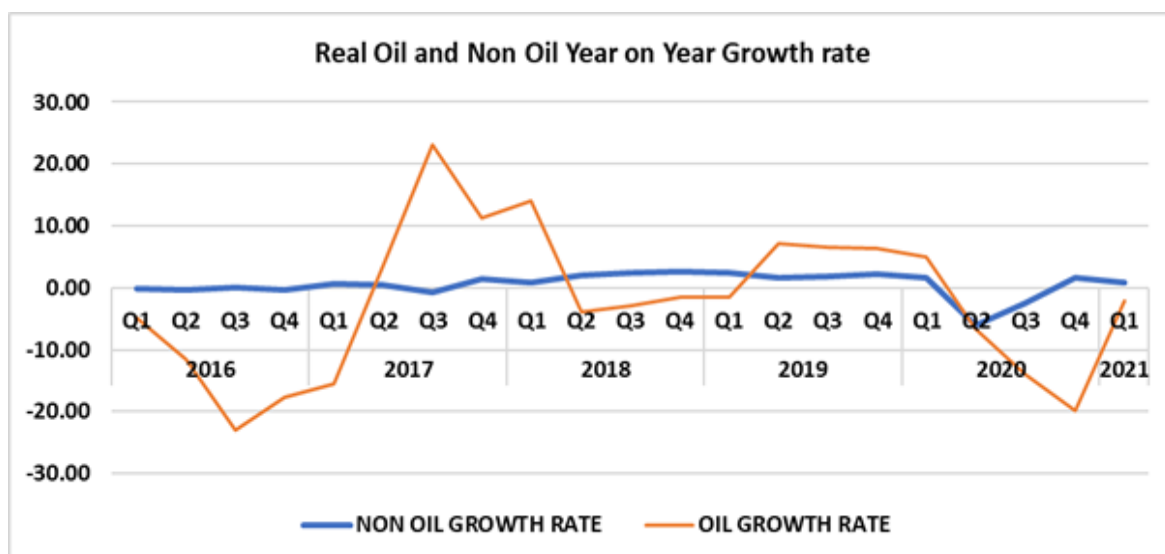


Table 4: Nigeria Mineral Statistics

Year	Average Actual Price USD (CBN)	FAAC Benchmark Price USD	Average Actual Production (CBN)
2016	43.81	38	1.64
2017	49.50	45	1.74
2018	66.85	50.5	1.75
2019	60.82	60	1.85
2020(Q1)	49.41	25	1.94

Source: (Central Bank of Nigeria data publication and Proshare)

25. According to AfDB report on the Nigerian Economic Outlook, Nigeria’s economy went into recession in 2020 reversing the three years of recovery, due to the fall in crude oil prices occasioned by declining global demand and containment measures to fight the spread of COVID-19 pandemic. The containment measures mainly affected aviation, tourism hospitality, restaurants, manufacturing, and trade. Contractions offset demand-driven expansion in financial and information and technology sectors.
26. African Development Bank Group also reported that overall, GDP is expected by to haveshrunk by 3.0% in 2020, although mitigating measure in the Economic Sustainability Program (ESP) prevented a worse decline. The Central Bank of Nigeria (CBN) cut the Monetary Policy Rate on100 basis point to 11.5% to shore up a flagging economy. The fiscal deficit, financed mostly by domestic and foreign borrowing, widened to 5.2% in 2020 from 4.3% in 2019, reflecting pandemic related spending pressure and revenue shortfall.

27. The economy is projected to grow by 1.5% in 2021 and 2.9% in 2022(African Development Bank Group-Nigeria Economic Outlook 2021),basedon an expected recovery in crude oil prices and production. Stimulus measure outlined in the ESP and the Finance Act of 2020 could boost non-oil revenue.
28. Consequently, further depletion in foreign reserve from \$35 billion could lead to sharp exchange rate depreciation and inflationary pressure. A potential relapse in COVID-19 cases could exacerbate this risk; high unemployment (27%), poverty (40%) and growing inequality remain a major challengeinNigeria(African Development Bank Group report on Nigerian Economic outlook, 2020).

Table 5:Nigeria Key Macroeconomic Indicators

Indicator	2020	2021	2022
GDP Growth	-4.42	2.88	4.53
GDP (Billion Naira)	139,575.5	159,490.5	179,584.9
Inflation (%)	14.3	11.93	10.93
Exchange Rate (NGN:USD FX Rate)	360	360	360
Unemployment	23.1	31.4	32.00
Balance of Payments (% of GDP)	-3.324	-2.513	-2.836

Source: (Nigeria MTEF/FSP revised publication: National Bureau of Statistic)

2.A.4 Oyo State Economy

28. Oyo State is a major economic nerve centre of South West of Nigeria and also the gateway to the Northern part of the country. It has an estimated GDP of N2.75 Trillion and 2.88 Trillionin Y2019 and Y2020respectively, according to Oyo State Bureau of Statistic.
29. With a predominantly agrarian economy, Agriculture and related activities contribute over 75% to State GDP. Agriculture provides job for about 60% of the State population. Oyo State has the potential to become the nation’s food basket as the composition of the Agriculture sector places the State as the 8th largest crop and 5th largest livestock producing State in Nigeria. Cash crop production contributes 85% to Oyo State Agriculture GDP in year 2020.
30. Oyo State economy consistently performed well in the last 6 years as evidenced in slight increase in revenue generation especially with the growth of recurrent revenue in 2021 by 7.1% and with expectation that it will increase to 17.61% in 2022. The highest volume of economic activities takes place within the Agricultural and Service sectors.
31. Based on the 2006 population census, with a population growth rate of 3.35%, the current population of Oyo State is about 8,852,192 out of which 50.2% are male and 49.8% are female. Oyo State population is characterized as a young population given that it represents about 74% of the population.

Table 6:Oyo State Economic Outlook

INDICATORS	Y2018	Y2019	Y2020	Y2021	Y2022	Y2023	Y2024
State GDP Growth rate (%)	4.56	5.09	4.49	4.96	4.73	4.81	4.88
Estimated GDP (State Figure) Trillion Naira	2.63	2.75	2.89	3.02	3.17	3.32	3.48
Population (million)	8.3	8.6	8.9	9.2	9.5	9.8	10.1
Population Growth rate (%)	3.35	3.35	3.35	3.35	3.35	3.35	3.35

Source: Oyo State Bureau of Statistics

32. It is discernible from Table 6 that with growth rate of 3.35 per year, Oyo State Population is projected to be 10.1million by 2024 while the nominal GDP will be N3.48 trillion by 2024 at 4.88% growth rate. This implies that there is need for massive investment in Human Capital Development in order to realize demographic dividends.

2. A.4.1 Macroeconomic Framework for Oyo State

33. The vision of Government is to make Oyo State the fastest growing economy that will evolve into one of the largest economies in Nigeria.
34. The Current administration operates an economic agenda hinged on four priority areas, which include: Education, Health, Security, and the Economy.
35. Macroeconomic objectives for the medium term which intend to support the achievement of the overarching goals amongst others include:
- i. Create, grow and sustain an Improving Internally Generated Revenue (IGR) by Block leakages, exploration of other revenue sources that would expand tax net and make the State less dependent on Federal Allocation;
 - ii. Pursuance of projects and programmes that would attract assistance and sponsorship from Development Partners;
 - iii. Promotion of Public Private Partnership as a vehicle to deliver public goods and services;
 - iv. Development of micro, small and medium scale entrepreneurship;
 - v. Effective and efficient utilization of resources through vigorous monitoring and impact evaluation of projects and programmes;

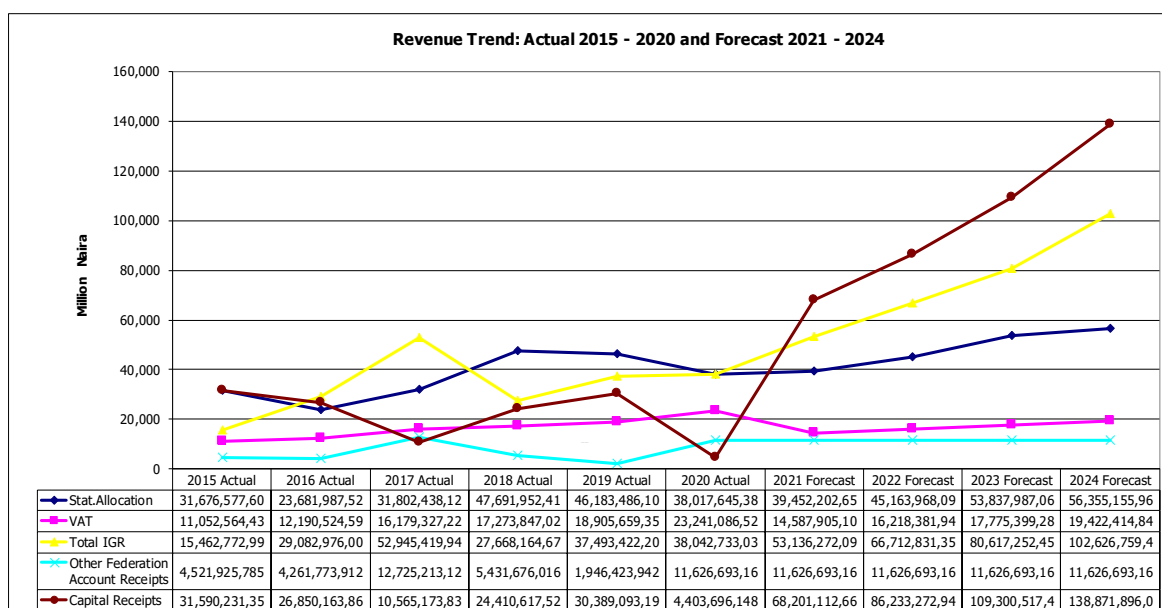
2.B Fiscal Update

2. B.1 Historic Trends and Performance

Revenue Trend

36. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2015-2020 (six year historic). See Figure 6 below.

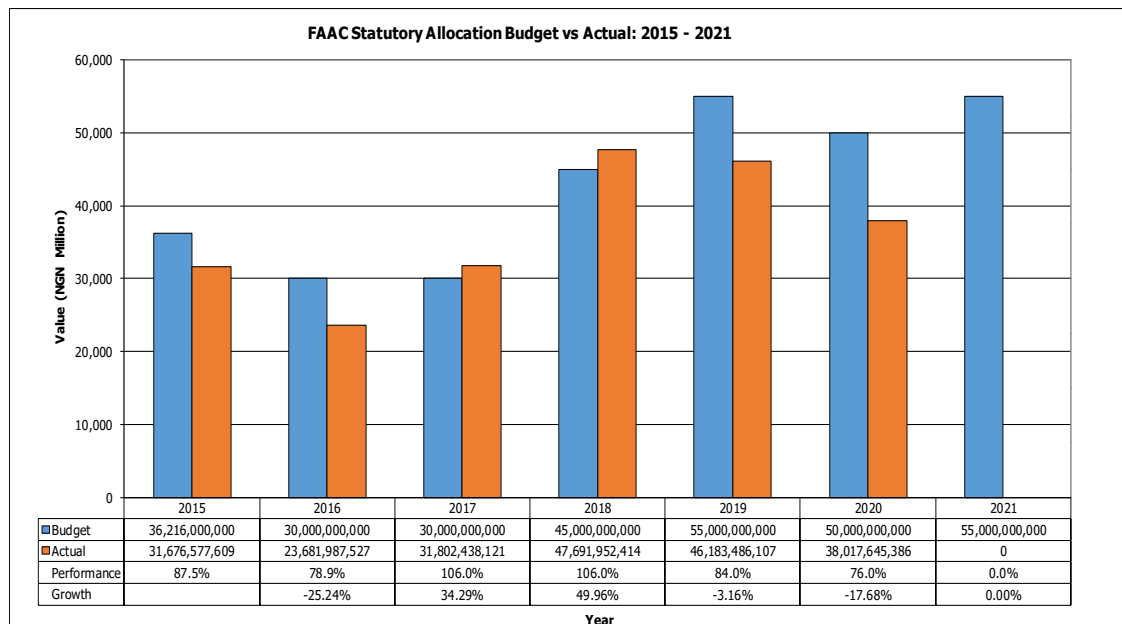
Figure 6: Revenue Trend



37. Statutory Allocation is a transfer from the Federation Allocation Accounts Committee (FAAC) and is based on the collection of minerals (largely oil) and non-mineral revenues (Companies Income Tax, Custom and Excise duties) collected by the Federal Government, which is then shared between the three tiers of government with the application of sharing ratios.
38. Considering actual performance, Statutory Allocation was the highest source of revenue for the State in 2015, 2018 and 2019 respectively followed by Internally Generated Revenue (IGR) throughout the periods but with IGR being above it in 2016 and 2017. Improved revenue efforts at the State level also resulted in IGR coming slightly above the statutory allocation in 2020.

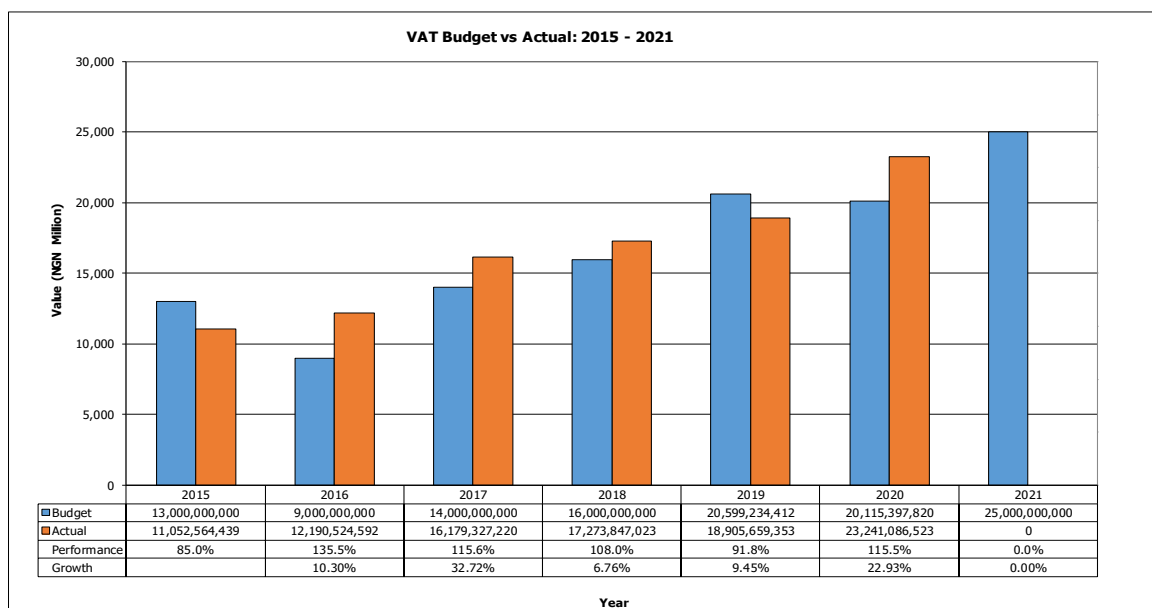
2.B.2 Revenue Performance

Figure 7: Statutory Allocation



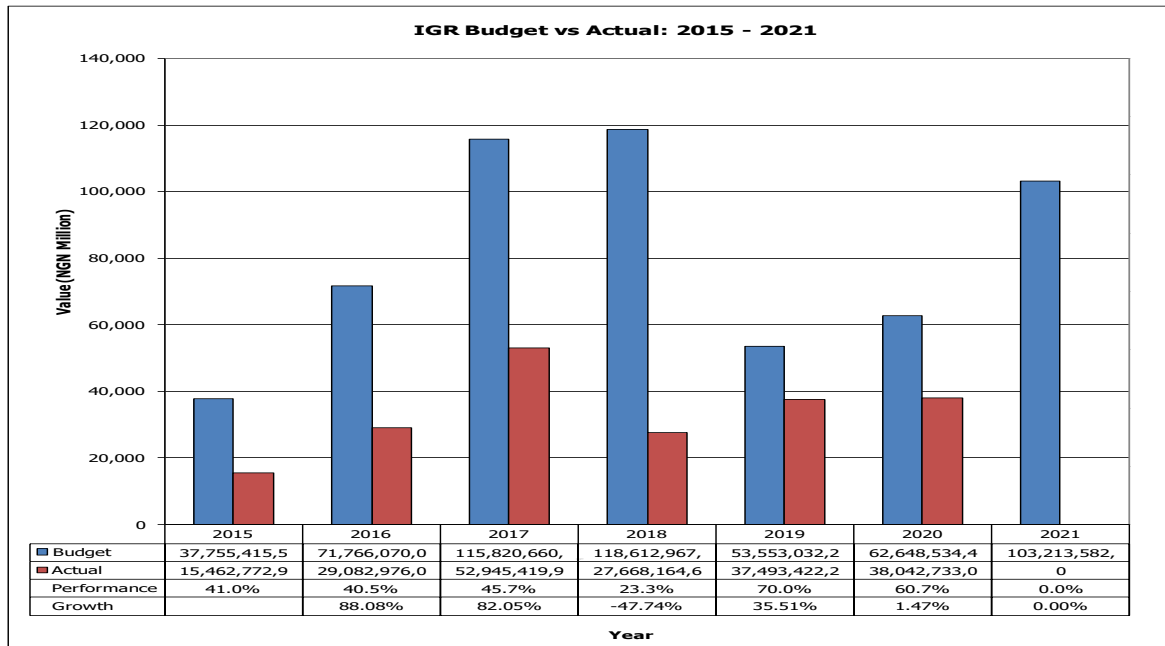
39. Figure 7 shows budget and actual revenues from Statutory Allocations from 2015 to 2021. Budget estimates have been higher than actual figures from 2015-2020 with the exception of 2017 and 2018 when actual performances were above budget by N1.8b and N2.69b respectively.
40. In the last six years, statutory allocation performances have been above the recommended threshold of 75% but the actual performance was higher in 2017 and 2018 than the budget.

Figure 8: VAT



41. Figure 8 depicts budget and actual VAT revenues from 2015 to 2021. On absolute basis, actual VAT year-on-year growths have been on continuous increase with impressive leaps between 2016 and 2017 as well as 2019 and 2020.
42. Actual performances have experienced consistent improvement from 2015-2020 with the least performance of an impressive 85% in 2015 and the highest performance of 135% in 2016.

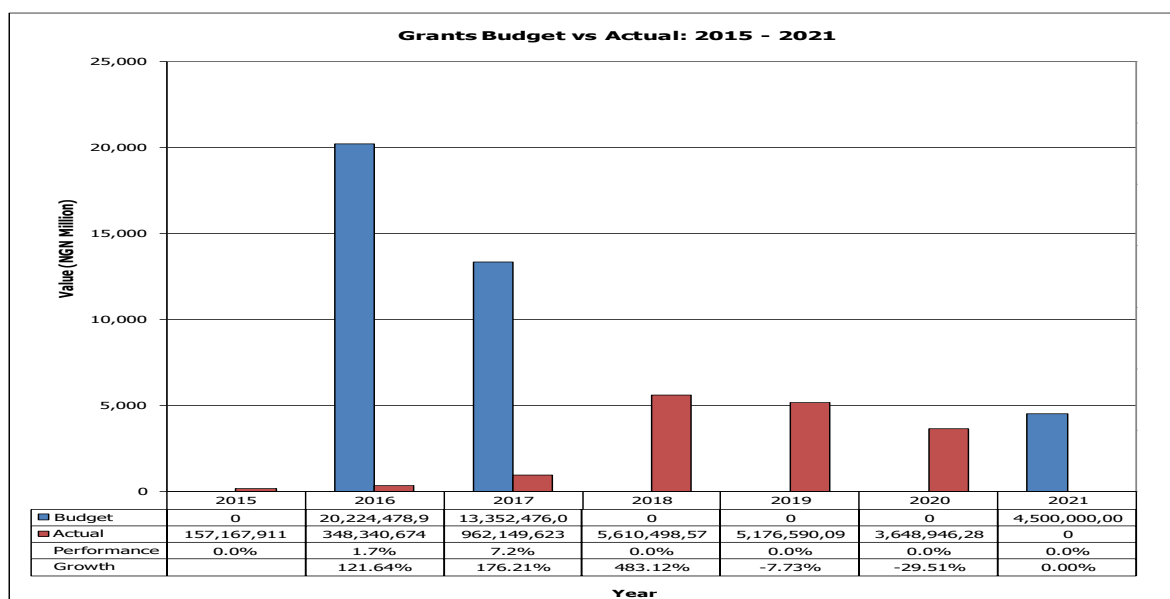
Figure 9: IGR



43. Internally Generated Revenue is revenue collected within Oyo State which is related to income tax (i.e. Pay As You Earn represents the highest contributor to IGR) together with fines, levies, fees and other sources of revenue within the State.
44. Actual IGR, as shown in Figure 9, receipts have been a far cry compared to budgeted IGR. From 2019-2020 however, some reform efforts including land use charge, deployment of IT infrastructure and expansion of informal sectors are geared towards improving the tax revenue. With effort geared towards improvement, it is expected in 2021 actual will come relatively close to budget.
45. Grants, Contributions and Reimbursements are expected drawdown from international organizations such as UNICEF, DFID, World Bank-supported project, etc.; Grants from National Trust Funds such as UBEC Intervention grants, TETFUNDS and Federal Government MDG-CGS grants.

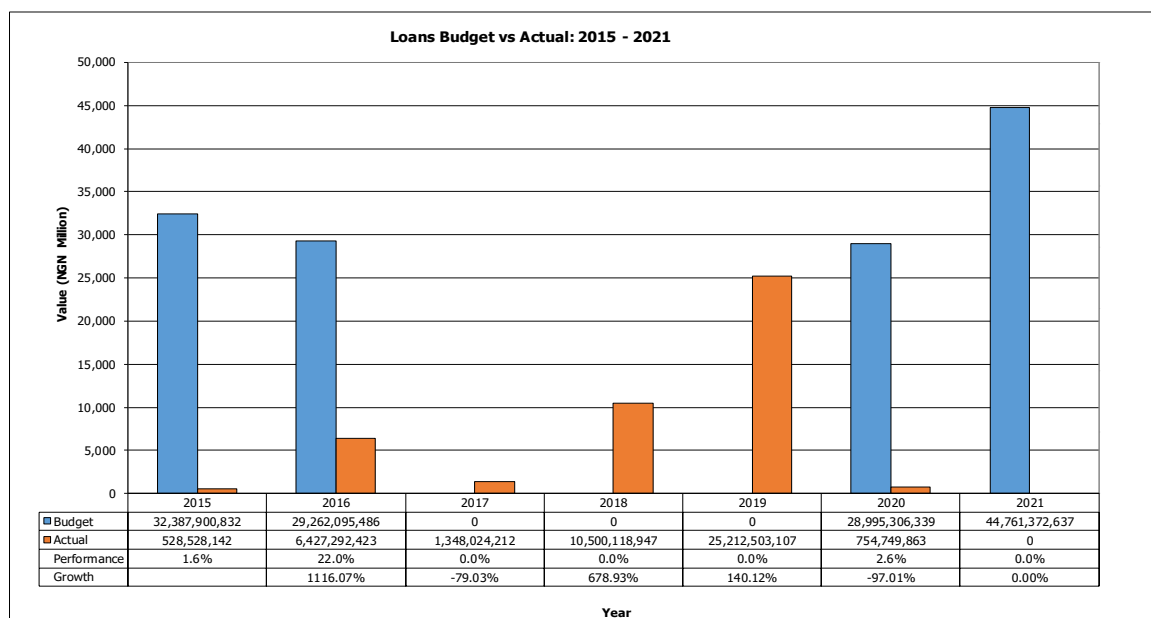
As depicted in Figure 10, on absolute basis, actual Grants performances were extremely impressive as N5.6 billion, N5.12billion and 3.64billion were won in 2018, 2019 and 2020 respectively even as no amount was expected to accrue from Grants in the same period.

Figure 10: Grants



46. Grant estimates for 2016 was overly ambitious and a repeat of such was wisely avoided between 2018 and 2020.
47. Going forward, the State intends to strengthen development partnership and adopt public private partnership practices to deliver some capital projects.

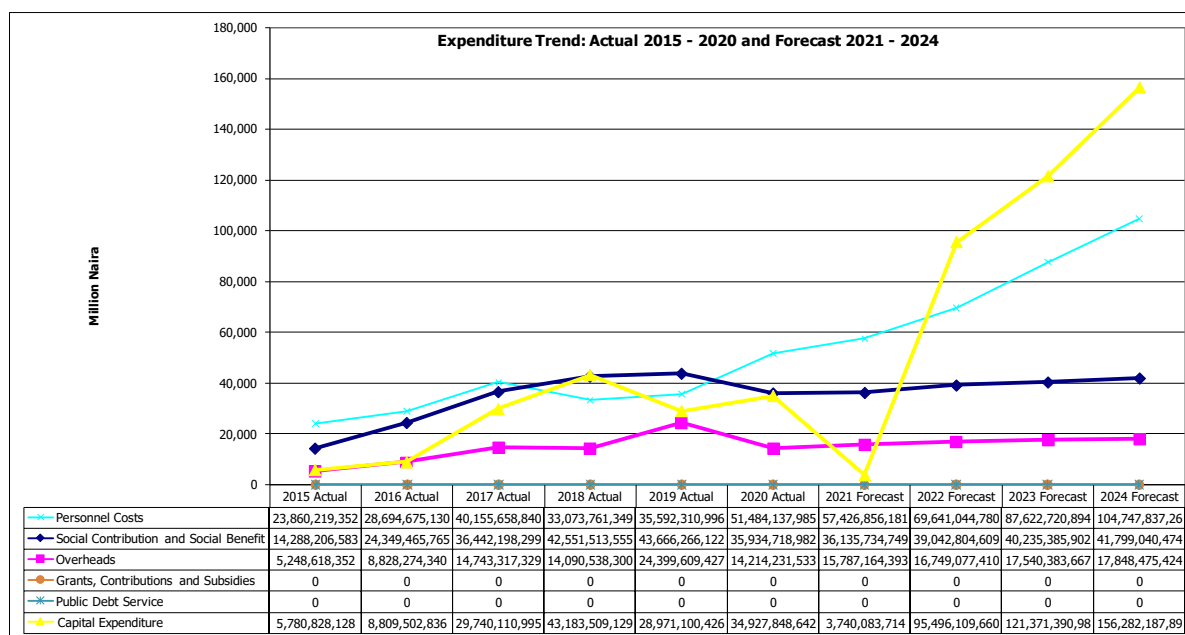
FIGURE 11: Loans / Financing



48. Loans will normally comprise both internal and external loans.
49. The State did not really take loans to significantly fund her budget as shown in Figure 11 except for budget support facility granted by the Federal Government to States to fund budget especially payment of salaries.

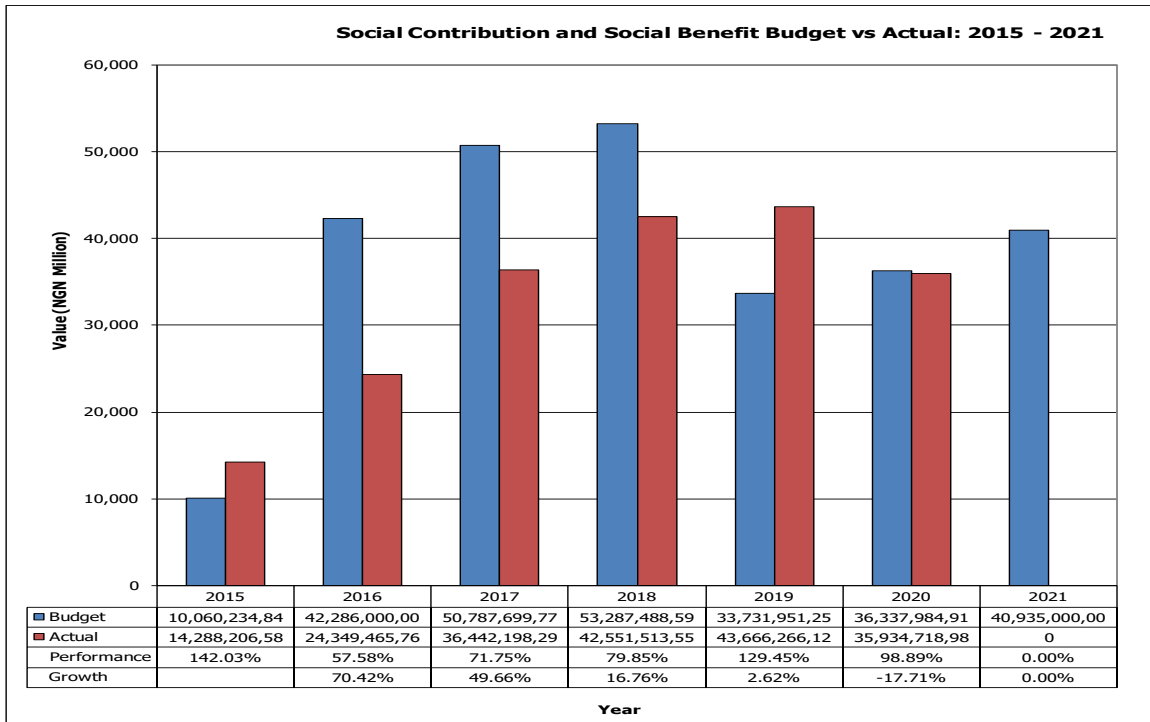
2. B.3 Expenditure Trend

FIGURE 12: Expenditure Performance



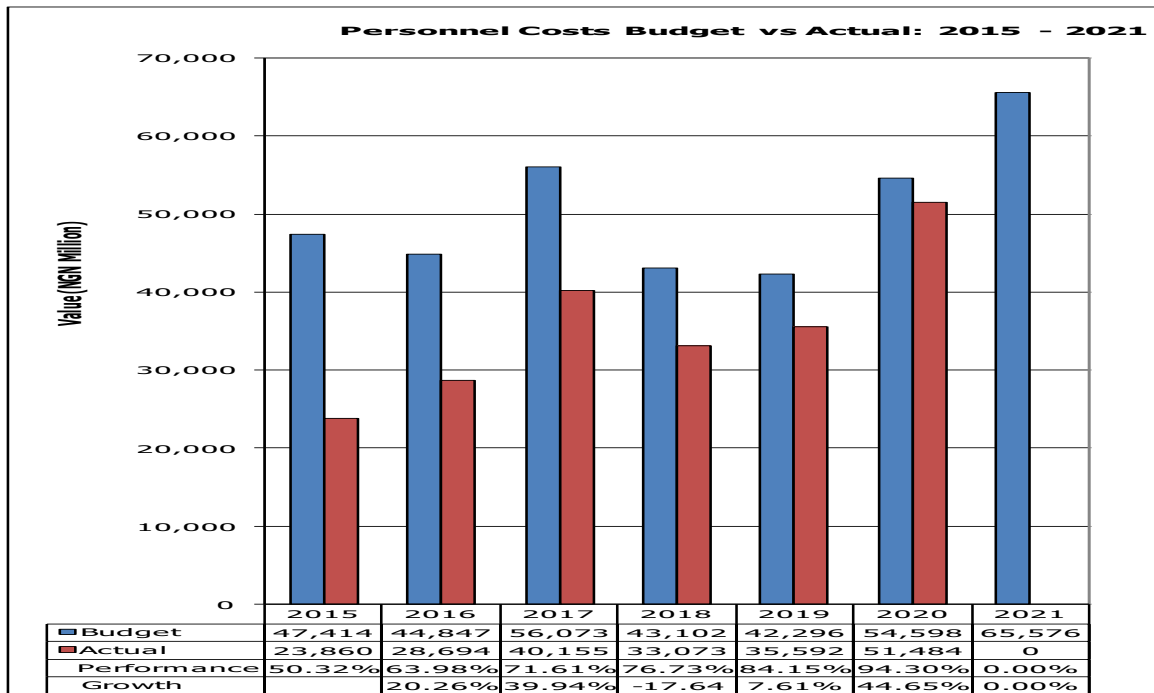
50. On the expenditure side (Figure 12), the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2015-2020.
51. Both Personnel and Social Contribution and Social Benefit gulped a chunk of the total expenditure in 2015 and 2017 on actual basis while there was improvement in actual performance of Capital Expenditure from 2017 to 2020.
52. Forecast from 2022-2024 especially for Capital Expenditure is based on elasticity which gives room for flexibility.
53. Consolidated Revenue Funds (CRF) Charges are expenditure consisting personnel costs for Statutory Officers (the Governor and Deputy Governor, the Auditor General, the Accountant General and Chairmen & members of the Commissions), pension and gratuities, loan repayment and servicing as well as recurrent expenditure of the Judiciary.
54. As depicted in Figure 13 Actual CRF was below the budget from 2016-2020 with the exception of 2015 and 2019 when actual CRF expenses were disappointingly above budgeted figures.

Figure 13:CRF Charges



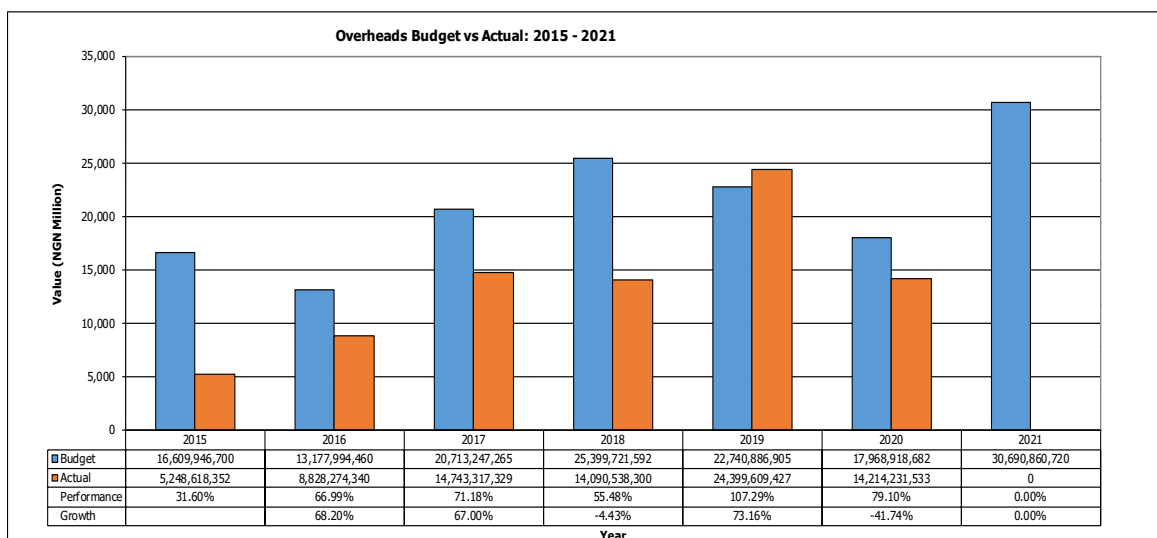
55. Going forward, CRF cost should be controlled as much as practicable while realistic forecasts is made to ensure that at least near equality is achieved for both budgets and actuals and regular reconciliation with the Federal Debt Management Office (DMO) will be intensified.
56. The personnel costs (see Figure 14) cover salaries and allowances of civil servants, political and public office holders. As depicted in the graph above, the actual performance was far below the budget estimates from 2015 to 2018 while the gaps in budget and actual personnel costs was narrowed in 2019-2020, pointing to a more realistic budgetary approach.
57. Realistic budget as recorded in 2019 and 2020 will be sustained while healthy measures to ensure Personnel Costs reduction shall also be considered from time to time.

Figure 14:Personnel Costs



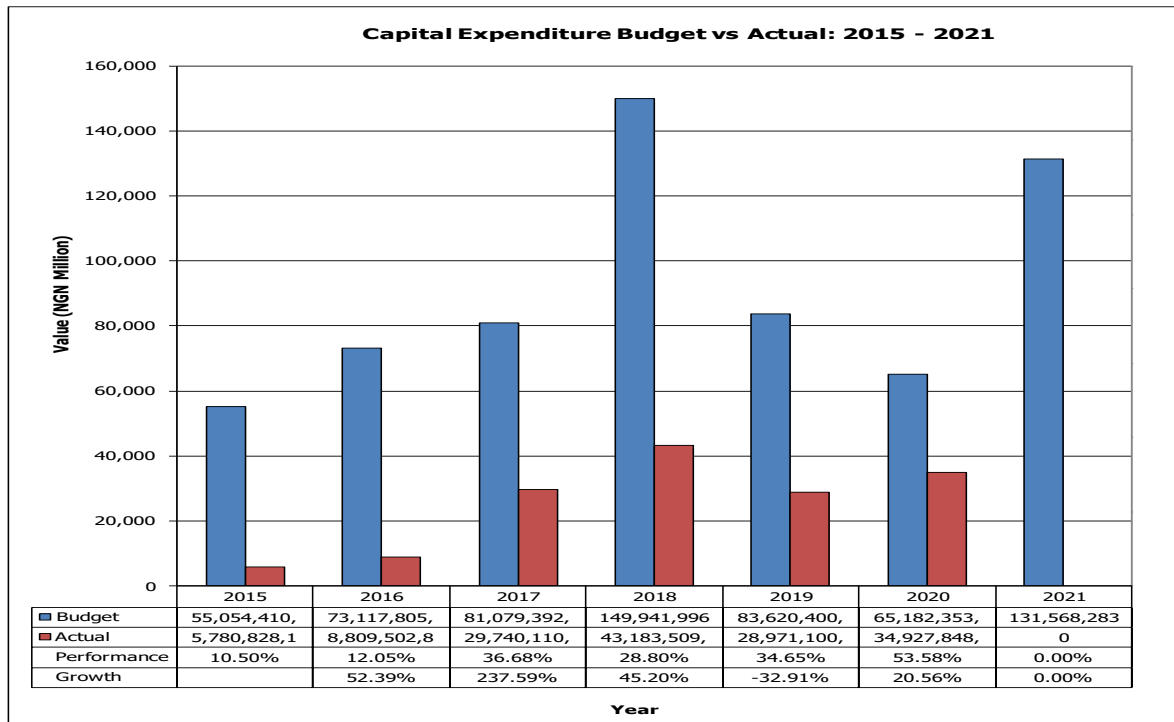
58. Figure 15 shows Overheads comprising mainly of operational and maintenance costs for day-to-day running of government activities. While overheads estimates have been on a sinusoidal trend over the years, actual overhead performances increased steadily from 2015 to 2017 and slightly decreased in 2018, while it increased by about 60% in 2019 before it plummeted in 2020.

Figure 15:Overheads



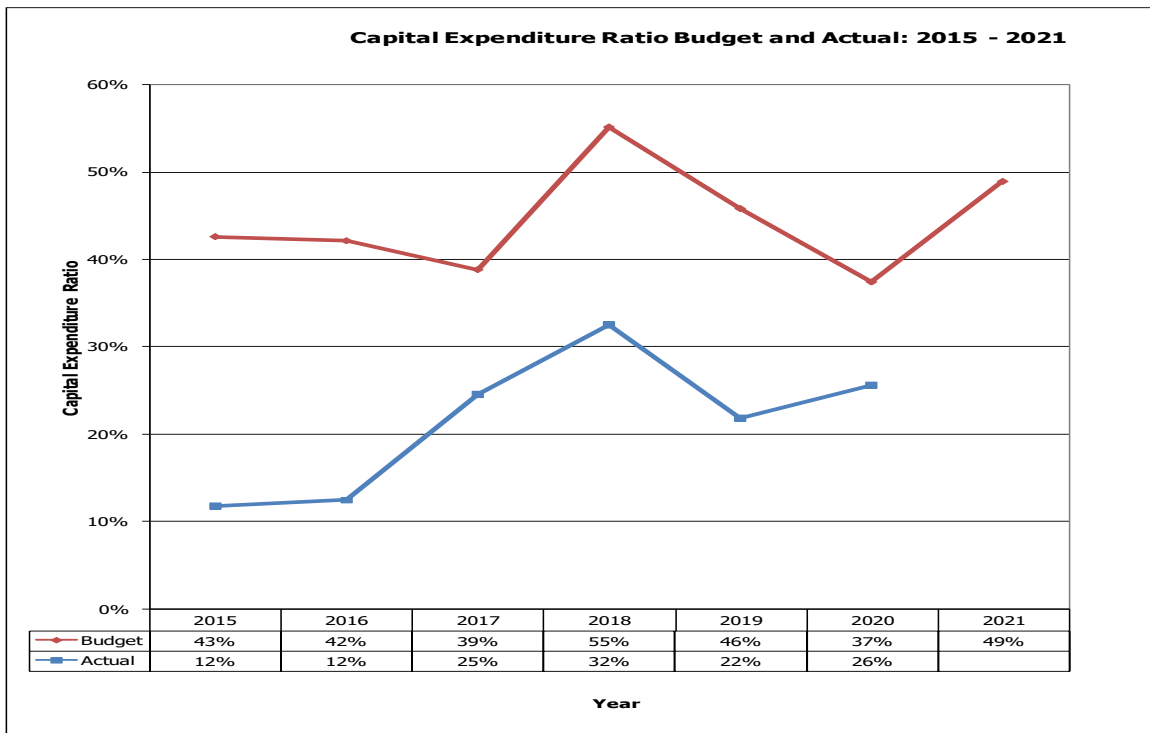
59. Actual overhead cost has always been below budget but not without rising close to budget year-on-year. Going forward, efforts will be geared towards reducing overhead –blocking wastages and loopholes would be appropriate to consider.

Figure 16:Capital Expenditure



60. Largely, Capital Expenditure consists of projects and programme considered to be for public investments in infrastructure and human development. As indicated by in Figure 16, budgetary provision for capital expenditure increased steadily from 2015 to 2018 but fell significantly from 2018-2020 with another significant leap in 2021.
61. Actual capital expenditure experienced poor performances of 10.5%, 12.05%, 36.68%, 28.8% and 34.6 % in 2015, 2016, 2017, 2018 and 2019 respectively, it however improved to 53.5% in 2020.
62. Poor actual capital expenditure performances between 2015 and 2018 were occasioned by bogus budgetary estimates which was gradually addressed from 2019. Going forward, the State will consolidate on the year 2020 capital expenditure performance by making realistic budget estimates for better performance.

Figure 17: Recurrent: Capital Expenditure Ratio



63. Capital Expenditure Ratio in Figure 17 reveals the similitude between the Capital Expenditure budget and actual. Both the budget and actual initially experienced upwards movement up until 2018 but fell in 2019.
64. Actual capital expenditure experienced the poor performances of 10.5%, 12.05%, 36.68%, 28.8% and 34.6 % in 2015, 2016, 2017, 2018 and 2019 respectively, the performance however improved to 53.5% in 2020

Table 7: Capital Expenditure by Sector Expenditure – Budget Vs Actual

Sector	2017		2018		2019		2020		Performance
	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	
ADMINISTRATION SECTOR	7,068,610,000	209,681,668	11,707,296,261	2,411,178,325	11,338,383,567	5,046,052,927	9,595,547,892	3,052,769,808	27.00%
ECONOMIC SECTOR	36,473,694,089	4,429,737,420	49,545,609,000	5,376,238,307	46,829,181,433	21,181,404,879	43,556,405,718	26,654,891,616	32.68%
LAW AND JUSTICE SECTOR	600,000,000	182,975,500	492,000,000	76,484,829	466,250,000	280,805,897	347,500,000	3,055,735	28.51%
SOCIAL SECTOR	9,566,500,000	801,265,829	11,844,900,000	597,260,700	24,986,585,203	2,269,697,670	11,682,900,000	7,862,293,391	19.85%

65. The above Table 7 depicts the historical budget and actual Capital Expenditure from 2017 to 2020. Economic Sector maintains the lead in resource allocation and experience a steady growth on yearly basis while other sectors do not experience the same performance. This implies that the focus of Government is on expansion of the State Economy through provision of infrastructure.

Table 8: Personnel Expenditure by Sector– Budget Vs Actual

Sector	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	Performance
ADMINISTRATION SECTOR	1,579,686,000	954,626,332	1,563,003,958	1,002,793,854	2,239,780,510	1,535,715,003	1,430,761,735	1,151,455,596	68.17%
ECONOMIC SECTOR	18,403,059,000	12,176,698,164	14,304,599,225	7,699,872,706	1,601,036,367	6,882,190,585	12,047,033,626	8,696,405,405	76.48%
LAW AND JUSTICE SECTOR	1,514,009,000	934,467,315	1,175,000,000	842,254,870	1,601,036,367	1,887,691,083	1,844,183,592	1,475,442,497	83.79%
SOCIAL SECTOR	24,974,556,000	19,005,369,993	26,085,320,000	19,139,753,700	40,484,082,008	29,850,062,169	27,780,556,539	21,750,457,401	75.21%

66. The above Table 8 depicts the historical budget and actual Personnel Expenses for Economic Sector from 2017 to 2020. Economic Sector maintains the lead in resource allocation and experience a steady growth on yearly basis while other sectors do not experience the same performance. This implies that the focus of Government is on expansion of the State Economy through provision of infrastructure. Although while compared with Personnel Expenditure, the actual performance of Economic Sector is lower.

Table 9: Overhead Expenditure by Sector– Budget Vs Actual

Sector	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	Performance
ADMINISTRATION SECTOR	6,234,520,000	1,958,973,588	3,750,410,000	2,523,340,020	5,002,156,400	3,360,460,772	5,610,727,400	5,101,420,991	62.84%
ECONOMIC SECTOR	4,191,466,000	2,041,398,840	6,228,800,000	4,711,910,767	12,268,653,309	8,695,028,112	14,532,711,442	6,495,438,805	58.95%
LAW AND JUSTICE SECTOR	602,000,000	507,694,620	844,000,000	363,207,695	256,000,000	214,925,991	645,800,000	191,716,643	54.41%
SOCIAL SECTOR	5,035,640,700	740,551,304	2,433,630,000	1,229,815,859	2,978,305,556	2,472,718,855	4,528,897,750	1,762,888,792	41.44%

2. B.4 Debt Position

67. A summary of the consolidated debt position for Oyo State Government is provided in the Table 10 below.

Table 10: Debt Position as at 31st December 2020

Debt Sustainability Analysis		
A DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2020
Solvency Ratios		Percentage
1 Total Domestic Debt/Total Recurrent Revenue	50%	85.19%
2 Total Domestic Debt/IGR	150%	248.39%
3 Total External Debt/Total Revenue	50%	21.41%
4 Total Public Debt/Total Revenue	100%	106.60%
5 Total Public Debt/State GDP Ratio	40%	4.10%
Liquidity Ratios		
6 External Debt Service/Total Revenue	10%	1.56%
7 Total Debt Service/Total Revenue	15%	19.57%
8 Domestic Debt Service/IGR	10%	52.52%
		2020 Actual
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2020		Naira
1 Total Domestic Debt		94,496,184,530
2 Total External Debt		23,749,955,988
3 Total Public Debt		118,246,140,517
4 Total Domestic Debt Service 2020		19,980,092,287
5 Total External Debt Service in 2020		1,728,807,920
6 Total Public Debt Service		21,708,900,207
C STATE GDP FOR 2020		
1 State GDP		2,885,330,000,000

68. From Table 10 above, Oyo State total public debt to total revenue ratio, as at December 31, 2020, was 106.60% which is 56.6% above the sustainability threshold of 50% given by Debt Management Office (DMO). On the other hand, total Debt to GDP ratio was 4.10% which is within the sustainability threshold and an international benchmark of 40% for developing economies.
69. The debt total service to total revenue ratio of 19.57% which is 4.57% higher than approved benchmark of 15%.
70. Going forward, the State however targets a debt level below the limit, through cutting down the cost of governance and growing the IGR, for fiscal prudence and debt sustainability.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

71. The Macroeconomic framework is essentially based on IMF national real GDP growth and inflation forecasts from the April, 2021 World Economic Outlook document, and mineral benchmarks (oil price, production and NGN: USD exchange rate) from the 2021-2022 Federal Government Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) as shown in Table 11 below.
72. These form the basis for the State’s medium term fiscal strategy.
73. Oyo State Macroeconomic Framework

Table 11: Macroeconomic Framework 2021-2024

Macro-Economic Framework				
Item	2021	2022	2023	2024
National Inflation	11.95%	10.94%	11.02%	11.02%
National Real GDP Growth	3.00%	4.68%	3.86%	3.86%
State Inflation				
State Real GDP Growth				
State GDP Actual	3,023,826,000,000	3,168,970,000,000	3,321,080,000,000	3,480,492,000,000
Oil Production Benchmark (MBPD)	1.8600	2.0900	2.3800	2.3800
Oil Price Benchmark	\$40.00	\$40.00	\$40.00	\$40.00
NGN:USD Exchange Rate	360	360	360	360
Other Assumptions				
Mineral Ratio	34%	35%	38%	38%

3.B Fiscal Strategy

74. The State fiscal reforms essentially focus on expanding the Internally-Generated Revenue and reducing debt stock and liability. Specifically, the State has carried out a number of strategic reforms in the areas of:
- restructuring and strengthening of revenue generating institutions;
 - amendment of Debt Management Agency’s Law and development of Domestic Arrears Clearance Framework;
 - adoption of Treasury Single Account (TSA); and
 - IPSAS cash basis in budgeting and accrual methods of accounts preparation.
75. Automation of Payroll System and Public Procurement reforms as well as Alternative Project Funding Approach (APFA) to contracts financing, among others. Furthermore, the State is on the verge of having her State Development Plan with an Investment Plan.

76. Pensions System Reforms through the adoption of the Contributory Pension Scheme.
77. The State Government's Fiscal Policy is also geared towards reviving the economy from the twin effect of the COVID-19 pandemic and the unprecedented persistent fall in global price of crude oil. In achieving this, the Government's focus on mitigating the far-reaching effect on businesses and individuals has been heightened through employment generation and scale up of Agriculture Business Initiatives and Agricultural value chain.
78. Stability of the economy through effective resolution of internal security issues, especially in the agrarian communities.

3.B.1 Objectives and Targets

79. Considering the present global and national economic realities that have led to continuous downward trend of revenue accruing to the State from the Federation Account, the State will continue to maintain fiscal strategies as listed hereunder:
 - To strategically improve on internal revenue generation through technological innovations, operation of Treasury Single Account (TSA), improvement in fiscal discipline and ensuring sustainable fiscal deficit;
 - To arm the Budget Implementation Monitoring Committee with the power and mandate of providing intelligence in order to improve business environment and the overall economy of the State;
 - To ensure efficiency in Personnel and Overhead Expenditure by adopting a Performance Evaluation Review Mechanism that rewards performance in addition to allowing greater resource availability for capital development;
 - To ensure priority is given to completion of on-going capital projects before new projects are commenced;
 - To ensure that the State maximises the potential of on-going Federal Government capital projects in the State, such as the Ibadan Dry Port Project, the Lagos-Ibadan Standard Gauge Rail Line;
 - To maximise economic activities by taking advantage of the strategic location of the State in the South Western Region of Nigeria so that projects such as Ibadan Circular Road can aid free flow of vehicular movement devoid of congestion;
 - To ensure continuity of accountability and transparency in the discharge of duties by Public servants;
 - To ensure the establishment of the State Economic Advisory committee (SEA) to be saddled with the responsibility of monitoring and evaluation of the overall economic performance of the State;

- To boost the economy of the State by making Agriculture and Agro Businesses key drivers in creating employment opportunities for the teeming youths of the State; and
- To maximise the benefit of the State as an attractive investment destination in Nigeria.

3.B.2 Indicative Three Year Fiscal Framework

80. The indicative three year fiscal framework for the period 2022-2024 is presented in the table below.

Table 12: Oyo State Medium Term Fiscal Framework

Recurrent Revenue	2021	2022	2023	2024
Statutory Allocation	39,452,202,658	45,163,968,093	53,837,987,069	56,355,155,960
Net Derivation				
VAT	14,587,905,104	16,218,381,946	17,775,399,281	19,422,414,843
IGR	53,136,272,091	66,712,831,355	80,617,252,450	102,626,759,407
Excess Crude / Other Revenue	11,626,693,160	11,626,693,160	11,626,693,160	11,626,693,160
Total Recurrent Revenue	118,803,073,013	139,721,874,555	163,857,331,960	190,031,023,371
Recurrent Expenditure				
Personnel Costs	57,426,856,181	69,641,044,780	87,622,720,894	104,747,837,268
Social Contribution and Social Benefit	36,135,734,749	39,042,804,609	40,235,385,902	41,799,040,474
Overheads	15,787,164,393	16,749,077,410	17,540,383,667	17,848,475,424
Grants, Contributions and Subsidies				
Public Debt Service	0	0	0	0
Total	109,349,755,323	125,432,926,800	145,398,490,463	164,395,353,166
Transfer to Capital Account	9,453,317,690	14,288,947,755	18,458,841,497	25,635,670,205
Capital Receipts				
Grants and Loans	36,574,326,763	46,475,871,176	59,218,457,736	75,656,633,926
Other Capital Receipts	0	0	0	0
Total	36,574,326,763	46,475,871,176	59,218,457,736	75,656,633,926
Reserves				
Contingency Reserve	3,882,721,518	5,026,111,035	6,387,967,946	8,225,378,310
Planning Reserve	3,740,083,714	4,519,102,950	5,463,156,988	6,578,058,387
Total Reserves	7,622,805,231	9,545,213,985	11,851,124,934	14,803,436,698
Capital Expenditure				
Discretionary Funds	33,457,298,361	44,501,135,534	56,689,776,256	74,047,495,584
Non-Discretionary Funds	36,574,326,763	46,475,871,176	59,218,457,736	75,656,633,926
Financing	31,626,785,902	39,757,401,763	50,082,059,693	63,215,262,077
Total Budget Size	187,004,185,678	225,955,147,494	273,157,849,389	328,902,919,373
Ratios				
Growth in Recurrent Revenue	7.10%	17.61%	17.27%	15.97%
Growth in Recurrent Expenditure	7.59%	14.71%	15.92%	13.07%
Capital Expenditure Ratio	39.45%	42.26%	44.43%	47.52%
Deficit to Total Expenditure	16.91%	17.60%	18.33%	19.22%

Assumptions

81. Forecasts for the medium term fiscal framework as presented in Table above derive from the following assumptions.
82. **Statutory Allocation** – the estimation for Statutory Allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2022-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP growth, inflation data and mineral data (oil price and production benchmarks and a mineral ratio).
83. **VAT** – is based on elasticity forecast using the combined change in GDP growth and Inflation Rate. The estimate for 2022-2024 is in line with the current rate of collections. However, due to COVID-19 pandemic, it can be revisited if there are any changes to the VAT rates as the basis for projection is flexible-elasticity.
84. **Other Federation Account Distributions** – the estimation is based on the current receipt (i.e. from January to May, 2021).
85. **Internally Generated Revenue (IGR)** – the estimation is based on five years moving average which is calculated based on the State’s historical revenue performances, with due consideration for outliers and extreme values during the period.
86. **Grants** – the internal grants are based on the actual receipts for 2020 and performance from January to April 2021 and on signed grant agreements with the World Bank, UNICEF etc.
87. **Financing (Net Loans)** – the internal and external loans are projections based on agreement with lenders.
88. **Personnel** –Personnel Cost has been projected using three-year moving average based on actual historical cost. However, the implementation of the new minimum wage and possible new recruitment will necessitate a review.
89. **Overheads** – Overhead has been relatively stable over the years to date. It is therefore anticipated that the status quo will definitely remain stable; therefore, we adopted the four-year moving average techniques.
90. **Capital Expenditure** – this is based on the balance from the recurrent account plus capital receipts, less than planning and contingency reserve as outlined above.

3.C Fiscal Risks

The analysis and forecasting basis as laid out above are open to some fiscal risks, including but not limited to the following as shown in Table 13 below.

Table 13: Fiscal Risks

Risk	Likelihood (L/M/H)	Likely Effect	Reaction
1. Fall in the prices of crude oil in the global market	H	Inability to meet inflow target.	Generation of more State revenue to cushion the negative effect of the fall
2. Poor corporate governance	M	Leakages, wastages, and inefficiency.	<ul style="list-style-type: none"> i. Improvements in accountability and transparency in governance; ii. Setting up Integrated Financial Information System (IFMIS) to block leakages and ensure efficiency; and iii. Establishment of Oyo State Anti-Corruption Agency (OYACA). iv. Pursuit of E-governance such as e-payments, e-invoice, e-procurement etc.
3. Insecurity	H	<ul style="list-style-type: none"> i. Low economic activities and loss of lives and properties capable of undermining our IGR performance. ii. Reduced economic growth and development. 	<ul style="list-style-type: none"> i. Creation of special interventionist security operations e.g. Operation Burst, Amotekun Corps; ii. Establishment of Security Trust Fund for funding of security activities; iii. Upgrading and expansion of CCTV coverage at strategic locations within the State ; iv. Light up Oyo State (Phases I & II); and v. Engagement and sensitisation of youths.
4. Resurgence of new variants of COVID-19 Pandemic and outbreak of other Infectious Diseases	M	<ul style="list-style-type: none"> i. Low economic activities and loss of lives and properties leading reduced IGR. ii. Reduced economic growth and development causing reduced IGR. 	<ul style="list-style-type: none"> i. Upgrading of Health Sector Infrastructure; ii. Public awareness on healthy living.

91. It should be noted however that no budget is without risk. The ongoing implementation of the 2020 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

92. The Budget Policy Thrust of the current administration is based on four strategic pillars of **Education, Health, Security and The Economy** embedded in the Oyo State Roadmap for Accelerated Development and now the Oyo State Development Plan (2021-2040) In effect the State Medium Term Expenditure Framework (MTEF) is to henceforth derive from the State Development Plan.
93. A Multiyear Budgeting Framework is being employed commencing with 2022-2024 on the following basis:
 - It shall be a Financial Plan serving as an implementation tool of the State Development Plan;
 - It shall cover the three year period 2022-2024;
 - It is an instrument to implement Government strategic priority projects and programs more transparently for impact;
 - A strengthened Public Financial Management and Result Based Management should be instituted.

4.B Sector Allocations (3 Year)

94. A Multiyear Budgeting Framework is being employed commencing with 2022-2024 on the Medium Term Fiscal Framework (MTFF) which is essentially a top-down fiscal strategy to resource allocation helps to determine the aggregate resource available to the State within a three-year period, considering the medium term fiscal policy objectives, fiscal targets and projections, as well as the projected macroeconomic variables. The overall budget will be disaggregated into sectors based on the State policy thrusts and priorities. The intra-sectoral allocation is to further disaggregate the resource allocation to each of the spending entities, in line with the sector priorities.
95. No doubt that MDAs' needs are unlimited compared to Government's available resources. In this connection, there is a need for MDAs to prioritize their needs in line with the Government's overarching policy. Each sector is to come up with its medium term policy document, highlighting all its programmes and projects (with cost implications) for the year, in order of priority and in line with Government policy thrust.
96. The Ministry of Budget and Economic Planning (MBEP) will give resource envelopes to the sectors, which will further be disaggregated by the Sector to MDAs within the Sector
97. The Sector Allocation Committee will oversee the disaggregation of envelope to the respective MDAs under the sector, in line with government's goals. The

Honourable Commissioner or Permanent Secretary selected from the sector will head the Sector Allocation Committee.

98. Presented in the Table 14 below is the indicative three year envelopes for sectors, and which were arrived at using a simple model with the following metrics:

i. Grants/Non-Discretionary Funds (Aggregate Fiscal Discipline):

For proper estimate of total grants and other non-discretionary revenues, and allocate them by sector, MBEP should maintain, or have access to, a schedule of all proposed and approved (signed) loan and grants agreements.

ii. Existing Budget Commitments:

For Capital expenditure, budget submissions from sectors/MDAs always include the full life-cycle costs, profiled by year of any capital expenditure project such that out-year budgets reflect the cost to complete ongoing projects.

iii. Policy Priority:

This factor allows the discretionary allocation of fund such that budget reflects the policy priorities of government, not just prior trends.

iv. Equity:

The extent to which sectors/sub-sectors get an equal allocation from the discretionary capital development fund.

v. Inertia:

The extent to which prior expenditure (budget or actual) trends determine future allocations.

Table 14: Capital Expenditure by Sector (proposed 2022-2024 Resource Envelopes)

Capital Expenditure by Sector		Total Capital Envelope					
No.	Sector	% 2022	2022 Allocation	% 2023	2023 Allocation	% 2024	2024 Allocation
1	ADMINISTRATIVE SECTOR	6.88%	6,260,527,425	7.20%	8,345,348,594	6.96%	10,417,180,850
2	ECONOMIC SECTOR	63.91%	58,140,757,969	67.06%	77,724,918,779	64.17%	96,070,594,853
3	LAW AND JUSTICE SECTOR	0.27%	243,361,081	0.26%	302,224,393	0.27%	404,939,748
4	SOCIAL SECTOR	28.94%	26,332,360,235	25.48%	29,535,742,227	28.60%	42,811,414,062
	Total	100.00%	90,977,006,710	100.00%	115,908,233,993	100.00%	149,704,129,512

99. The above Table 14 shows the disaggregation of capital expenditure envelope over a medium-term period covering 2022 -2024 using previous allocation trends and actual performances, equality principle and budget commitment to on-going projects which are likely to spill over to next fiscal years.

100. A further breakdown on discretionary and non-discretionary basis is contained in
Table 15 below.

Table 15: Breakdown of Indicative Sector Capital Expenditure Ceilings (2022-2024)

Capital Expenditure by Sector		Discretionary Funds					Non-Discretionary Funds			
No.	Sector	% 2022	2022 Allocation	% 2023	2023 Allocation	% 2024	2024 Allocation	2022 Allocation	2023 Allocation	2024 Allocation
1	ADMINISTRATIVE SECTOR	14.07%	6,260,527,425	14.72%	8,345,348,594	14.07%	10,417,180,850	0	0	0
2	ECONOMIC SECTOR	60.74%	27,030,825,445	66.82%	37,881,462,665	60.74%	44,977,839,414	31,109,932,524	39,843,456,114	51,092,755,438
3	LAW AND JUSTICE SECTOR	0.55%	243,361,081	0.53%	302,224,393	0.55%	404,939,748	0	0	0
4	SOCIAL SECTOR	24.64%	10,966,421,583	17.92%	10,160,740,605	24.64%	18,247,535,574	15,365,938,653	19,375,001,622	24,563,878,488
	Total	100.00%	44,501,135,534	100.00%	56,689,776,256	100.00%	74,047,495,584	46,475,871,176	59,218,457,736	75,656,633,926

Table 16: Indicative Sector Personnel Expenditure Ceilings 2022-2024

Personnel Expenditure by Sector		% 2022	2022 Allocation	% 2023	2023 Allocation	% 2024	2024 Allocation
1	ADMINISTRATION SECTOR	3.73%	2,596,873,269	2.69%	2,355,174,892	3.73%	3,905,984,747
2	ECONOMIC SECTOR	27.66%	19,262,842,304	40.11%	35,148,839,053	27.66%	28,973,446,298
3	LAW AND JUSTICE SECTOR	5.62%	3,913,299,574	5.49%	4,813,942,833	5.62%	5,886,035,575
4	SOCIAL SECTOR	62.99%	43,868,029,635	51.70%	45,304,764,119	62.99%	65,982,370,655
	Total	100.00%	69,641,044,780	100.00%	87,622,720,894	100.00%	104,747,837,268

Table 17: Indicative Sector Overhead Expenditure Ceilings 2022-2024

Overhead Expenditure by Sector							
No.	Sector	% 2022	2022 Allocation	% 2023	2023 Allocation	% 2024	2024 Allocation
1	ADMINISTRATION SECTOR	27.52%	4,608,977,954	29.29%	5,136,990,148	27.52%	4,911,508,123
2	ECONOMIC SECTOR	37.98%	6,361,194,162	48.08%	8,433,849,779	37.98%	6,778,738,608
3	LAW AND JUSTICE SECTOR	2.31%	386,997,323	2.45%	429,506,581	2.31%	412,399,564
4	SOCIAL SECTOR	32.19%	5,391,907,972	20.18%	3,540,037,161	32.19%	5,745,829,132
	Total	100.00%	16,749,077,410	100.00%	17,540,383,667	100.00%	17,848,475,424

4.C Considerations for the Annual Budget Process

101. This Y2022-Y2024 MTBF Document will be used to prepare the year 2022 Budget Call Circular and in turn formulate the annual budget.

- The content of the Budget Call Circular includes the following information:
 - (i) Improving Internally Generated Revenue;
 - (ii) Completion of all on-going projects and programmes especially, agriculture, poverty alleviation and eradication schemes, grassroots development and social services schemes, employment generation, qualitative basic education, quality healthcare service delivery and security;
 - (iii) Pursuance of projects and programmes that will attract assistance and sponsorship from Development Partners;
 - (iv) Promotion of Public-Private Partnership as a vehicle in the delivery of infrastructure/services;
 - (v) Stimulating the interest in micro, small and medium scale entrepreneurship;
 - (vi) Effective and efficient utilization of resources through vigorous monitoring and impact evaluation of projects and programmes;
 - (vii) Unlocking the State's economic potentials through Agriculture and Agriculture value chain;
 - (viii) Improved security of lives and properties; and
 - (ix) The resource envelopes to be shared by the sectors.

Section 5 Summary of Key Points Recommendations

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

- Need to expand the State Economy and grow the IGR to a level commensurate with the State recurrent expenditure;
- Exploring alternative sources in financing capital budget;
- Government needs to maintain the proportion of capital/recurrent expenditures ratio (55:45) in order to support a sustainable economic expansion;
- Need to reduce overhead cost; and
- Declining revenue (IGR & Statutory allocation).

103. Recommendations

- Block revenue leakages and expanding informal sector of tax administration in the State.
- Encourage capital receipt and other financing options such as Public Private Partnership for developmental projects.
- Encouraging and imbibing culture of fiscal discipline.
- Promoting initiatives, programmes and projects that could help stop the spread and effects of COVID-19 and other pandemics.