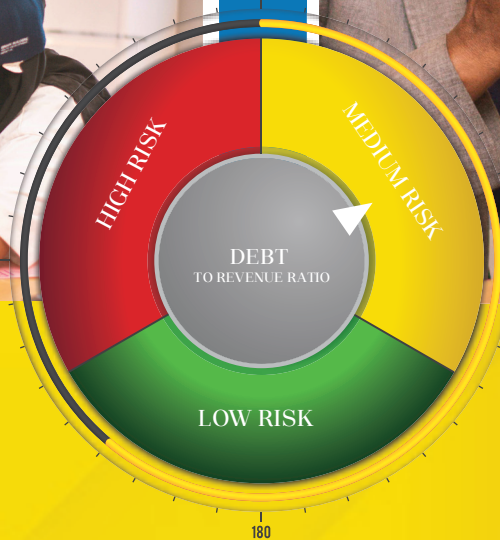




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Debt Sustainability Assessment of the **Southwest States** in Nigeria



2 0 2 4

Abstract

This abstract provides a comprehensive overview of the debt sustainability assessments conducted on the Southwest states in Nigeria, namely Lagos, Osun, Ekiti, Ogun, Ondo, and Oyo States. The assessment focuses on various economic indicators to determine the states' capacity to manage their debt obligations effectively while maintaining sustainable fiscal policies.

The analysis reveals a diverse economic landscape across the Southwest states, each facing unique challenges and opportunities. Lagos State, as Nigeria's largest subnational economy, has shown concerning trends of consistently exceeding its debt charges obligations, highlighting the need for careful debt management despite its strong domestic resource mobilization capacity.

Osun State's vulnerability is evident in its high debt to revenue ratio, although efforts to reduce foreign debt and personnel cost-to-revenue ratio mitigate some risks, presenting a medium-risk profile overall.

Ekiti State showcases commendable growth in tax revenue but faces concerns over increasing debt accumulation, emphasizing the importance of addressing reliance on debt financing for sustained fiscal stability.

Ogun State benefits from industrial growth and increased revenue mobilization but must manage escalating debt accumulation, necessitating prudent fiscal management to avoid future challenges.

Ondo State exhibits potential for economic growth driven by its natural resources and agricultural production, yet it must continue revenue mobilization efforts to reduce dependency on federal transfers for long-term fiscal sustainability.

Oyo State's mixed economic outlook reflects significant revenue growth alongside escalating debt accumulation, underscoring the importance of sustained revenue mobilization efforts and prudent fiscal management for long-term economic stability and growth in the region.

Table of Content

Definition of Terms.....	2
Abbreviations.....	4
Data Sources.....	5
Lagos State.....	6
Introduction.....	6
Economic Context.....	8
Fiscal Context	9
Health, Education and Infrastructure Expenditure.....	10
Debt Outlook.....	12
Osun State.....	14
Introduction.....	14
Economic Context.....	15
Fiscal Context	16
Health, Education and Infrastructure Expenditure.....	18
Debt Outlook.....	20
Ekiti State.....	24
Introduction.....	24
Economic Context.....	25
Fiscal Context.....	26
Health, Education and Infrastructure Expenditure.....	28
Debt Outlook.....	30
Ogun.....	34
Introduction.....	34
Economic Context.....	35
Fiscal Context.....	36
Health, Education and Infrastructure Expenditure.....	37
Debt Outlook.....	39
Ondo.....	41
Introduction.....	42
Economic Context	44
Fiscal Context.....	46
Health, Education and Infrastructure Expenditure.....	48
Debt Outlook.....	50
Oyo.....	54
Introduction.....	55
Economic Context.....	56
Fiscal Context.....	58
Health, Education and Infrastructure Expenditure.....	36
Debt Outlook.....	37
Comparative Analysis of the Southwest States.....	47

Definition of Terms

Capital Expenditure: This is money spent by the government to acquire or build fixed capital assets, land, or intangible assets. It includes the state's investments in projects like the building of schools, hospitals, roads, or buying security equipment. Capital Expenditure is sometimes called 'Capex'.

Domestic Debt: The value of debt a state owes to lenders within its country or debt issued in its local currency.

Debt Charges: It means the principal, including any mandatory sinking fund deposits, interest, and any redemption premium, payable on increment bonds as the payments come due and are payable and any charges related to the payment of the foregoing

Debt Service: It refers to the total cash required by a company or individual to pay back all debt obligations. It is the summation of the principal and interest on loans.

External Debt: The portion of a state's debt obtained in foreign currency. These loans are required to be paid back in the currency it was issued.

Federal Transfers: Federal transfers are revenues that accrue to the state from the federation or/and the federal government account. It can be in the form of statutory allocation, Value Added Tax, mineral resource revenue, bailout funds, ecology funds etc.

Investment Income: Investment income is money received in interest payments, dividends, capital gains realized with the sale of stock or other assets, and any profit made through another investment type

Capital Receipts: They are those receipts which either create liabilities or reduce the asset value of the government. They are basically the loans raised by the government from various sources to fund long-term developmental needs.

Fiscal Balance: It is the amount of money that a government receives from tax revenue and the proceeds of assets sold, minus any government spending. When the balance is negative, the government has a fiscal deficit. When the balance is positive, the government has a fiscal surplus.

Grants: A financial award given to a government, an organisation, or an individual for a specific purpose and does not need to be repaid.

Gross Domestic Product (GDP): This is the measure of the monetary value of final goods and services—those that are bought by the final user—produced in a region/country/state in a given period of time (say a quarter or a year). It covers all of the output generated within the borders of a country and also includes some nonmarket production, such as defense or education services provided by the government.

Gross FAAC: The gross allocation of revenues disbursed to the three tiers of government from the federation account.

Internally Generated Revenue (NBS): This is the internally generated revenues obtained within the state from numerous sources such as Pay As You Earn (PAYE), road taxes, direct assessment, taxes

Loan Repayments: This is the amount a state spends to pay back borrowed funds to foreign and domestic lenders, through a series of scheduled repayments of the principal and interest.

Opening Balance: The amount of money a state has in its account from the previous year that is brought forward at the start of another fiscal year.

Operating Expenses: This is the amount of funds allocated to Personnel costs, Overhead costs and in some instances may include Loan Repayments

Overhead Costs: These are costs incurred on rent, shipping costs, office supplies, advertising, consultancy service charges, trainings, travel expenses, legal expenses, as well as maintenance and repair of equipment and facilities.

Personnel Costs: These are costs incurred on the payment of salaries, pensions, allowances and social contributions.

Public Debt Charges: This represents interests and other Charges on Internal and Foreign Loans of the State expensed in the year.

Recurrent Expenditure: These are routine costs that consist of Personnel and Overhead costs and, where indicated, can also consist of Loans, Social Benefits and Public Debt Charges.

Statutory Transfers: These comprise of revenue allocated to the states from the Federal Account Allocation Committee (FAAC) on a monthly basis.

Subvention: Subvention refers to a grant of money in aid or support, mostly by the government

Total Revenue: Total revenue of a state refers to the combination of Internally Generated Revenue (IGR), Statutory Transfers from the federal government, and Aids and grants.

Total Expenditure: The Actual spending on operating expenses, loan repayments and capital expenditure

Total Debt: The total value of debt owed by a state government in Nigeria to all its lenders. Total debt includes foreign debt and domestic debt.

Value Added Tax (VAT): This is the amount of consumption tax that is levied on goods that go into the federation account and which is distributed between all tiers of government.

Abbreviation

CRIN	Cocoa Research Institute of Nigeria
DMO	Debt Management Office
ECOWAS	Economic Community of West African States
FAAC	Federation Account Allocation Committee
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
IITA	International Institute of Tropical Agriculture
LGA	Local Government Area
NIHORT	National Institute of Horticulture and Training
NSE	Nigerian Stock Exchange
OSADEP	Oyo State Agricultural Development Programme
VAT	Value Added Tax

Data Sources

Revenue: All the components of states' revenue were obtained from the audited financial statements of the states.

Expenditure: Some components of states' expenditure were obtained from the audited financial statements of the states, while the rest (sectoral data) was obtained from the budget implementation report of the States.

Debt: Domestic, Foreign and Total Debt data was obtained from the Debt Management Office

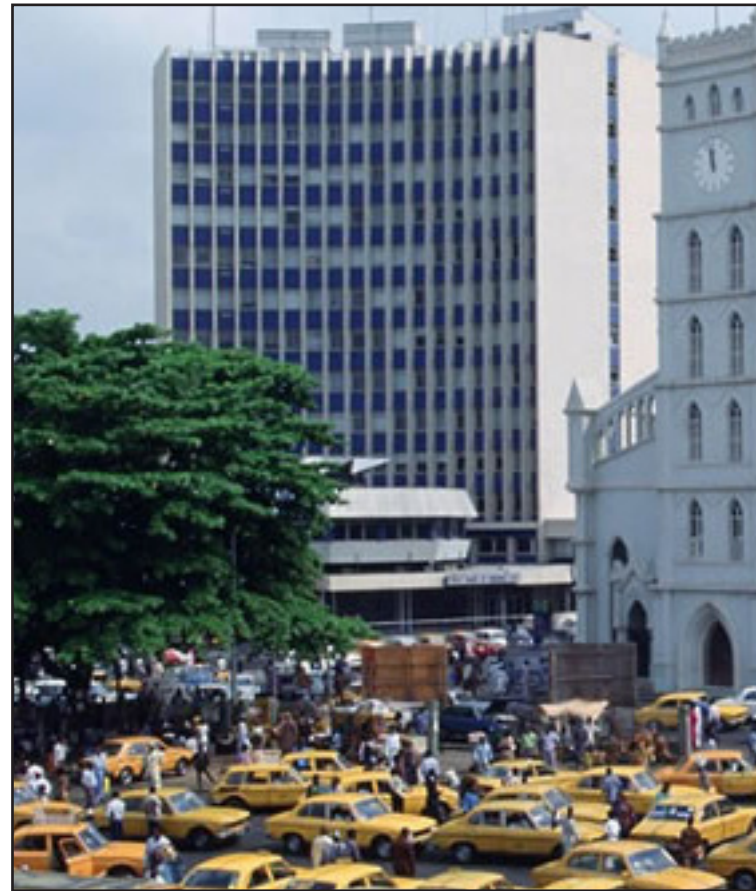
GDP: GDP data are estimates of the World Bank

Lagos State

Introduction

Lagos State located in the southwestern Nigeria, was created on May 27, 1967 and became the federal capital of Nigeria on April 11, 1968. It remained the capital until 1991 when the government seat was moved to the Federal Capital Territory, Abuja. In spite of the movement of the capital to Abuja, Lagos still remains the commercial capital of the country and the economic hub of West Africa to date.¹

Lagos is the chief commercial, financial and maritime nerve-center of Nigeria with seaports at Apapa, Tin Can Island, Roro Terminal Ports and Ijora Container Terminal. It has an ever-expanding Central Business District in Tinubu and Victoria Island. As the economic capital and major port of Africa's most populous nation, Lagos has attracted immigrants from all over Nigeria and beyond, as well as commercial entrepreneurs and industries from Africa, Europe, Asia and the Americas.² Lagos, is bounded in the North and East by Ogun State, in the West by the Republic of Benin, and stretches over 180 kilometers along the Guinea Coast of the Bight of Benin on the Atlantic Ocean. On 1,171 square kilometers of land, Lagos State comprises five administrative divisions: Ikeja, Badagry, Ikorodu, Lagos [Eko], and Epe. The divisions are further divided into 20 Local Governments and 37 Local Council Development Areas, respectively.



¹ <https://lagosdganinvestment.com/glancelagos>

² <https://lagosstate.gov.ng/about-lagos/#:~:text=Lagos%20is%20the%20chief%20commercial,Ports%20and%20Ijora%20Container%20Terminal.>



Lagos, the economic heartbeat of Nigeria, with a rich history and diverse communities.



Economic Context

Lagos is considered to be Nigeria's largest subnational economy and fifth-largest economy in Africa, with its Gross Domestic Product (GDP) for about 30% of Nigeria's total GDP and more than 50% of non-oil GDP. Lagos is Nigeria's financial hub, with all major banks headquartered in the City. It is also home to the Nigerian Stock Exchange [NSE]. It accounts for over 80% of the country's foreign trade flows and generates over 50% of Nigeria's port revenues. Lagos is home to 29 Industrial Estates and 4 Central Business Districts; the largest market in sub-Saharan Africa; the busiest international/regional aviation hub (Murtala Mohammed International Airport) with over 70.61% of international and 58.30 % of domestic traffic; Apapa & Tin Can Island ports (hosting 70% of total National cargo freight); and over 200 financial institutions.⁵

Lagos State in 2023 had a positive economic outlook. In the initial six months of 2023, Lagos State, recorded an impressive Internally Generated Revenue (IGR) of approximately N400 billion, a testament to its robust financial strides. During the same period, its Internal Revenue Service (LIRS) achieved an 87 percent performance, while IGR registered a 36 percent accomplishment during the period under review.⁴ As of September this year (2023), they have achieved 78 percent of the budget performance⁵

30%

Lagos Contribution
of Nigeria's GDP

50%

of Non-Oil GDP

₦400bn

Lagos IGR in the first
6 months of 2023

78%

of the Budget
Performance

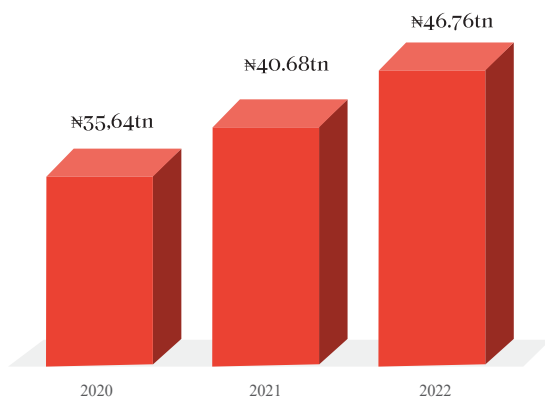


³ <https://lagosstate.gov.ng/about-lagos/>

⁴ <https://msmeafricaonline.com/lagos-state-achieves-n400-billion-igr-milestone-in-first-half-of-2023/#:~:text=Lagos%20State%20Achieves%20N400%20Billion%20IGR%20Milestone%20in%20First%20Half%20of%202023,-by%20Blessing%20Joseph&text=In%20the%20initial%20six%20months,to%20its%20robust%20financial%20strides.>

⁵ <https://lagosstate.gov.ng/experts-laud-lasg-on-economy-budget-performance/>

Lagos State



Lagos Gross Domestic Product (2020-2022)

Inflation rate in Lagos in the same period rose by 9.92 percentage points but for the National, the increase in the inflation rate was just 5.86 percent. Inflation in Lagos as of November stood at 32 percent, that of the National is 27.33, then the question is why the huge disparities.⁶

Table 1: Lagos Gross Domestic Product (2020-2022)

	2020	2021	2022
GDP (₦' 000)	35,639,960,000	40,682,201,000	46,756,389,000

Fiscal Context

Revenue	2020			2021			2022		
	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance
Taxes	350,000,000	356,771,652	101.95%	512,000,000	427,584,690	83.51%	599,040,000	506,308,187	84.52%
Other Internally Generated Revenue	79,681,173	66,069,089	82.92%	170,477,945	95,809,807	56.20%	156,651,943	108,644,695	69.35%
Dedicated Revenue	29,955,224	13,604,776	45.42%	41,679,040	29,950,855	71.86%	55,143,926	38,995,767	70.72%
Grants	34,020,500	23,297,650	68.48%	20,150,803	3,890,084	19.32%	42,250,879	36,869,574	87.30%
Capital Receipts	187,218,437	13,927,938	7.44%	43,885,562	19,214,610	43.78%	100,512,253	31,418,662	31.26%
Federal Transfers	129,489,600	183,318,609	141.57%	192,400,000	193,854,285	100.75%	256,268,000	233,101,105	90.96%
Investment Income	2,100,000	715,559	34.07%	4,000,000	2,305,992	57.65%	4,500,000	5,836,130	129.69%
Total Revenue	812,464,934	657,705,253	80.95%	984,573,350	772,590,303	78.47%	1,214,547,001	961,174,120	79.15%
Receipt from Loans and other Financing	108,003,655	235,988,822	218.50%	271,994,000	280,604,556	103.17%	543,849,645	318,023,628	58.48%
Total Receipt	920,468,589	893,694,075	97.09%	1,256,567,350	1,053,194,859	83.82%	1,758,196,646	1,279,197,748	72.76%

Table 2: Lagos State Revenue Performance

Source: Lagos State Audited Financial Statements for 2020, 2021 and 2022⁷

As seen on Table 2, Lagos State, although had progressive nominal increases in its total revenue from 2020 to 2022, its revenue performance declined year on year from 80.95% in 2020 to 78.47% in 2021 and

⁶ <https://lagosstate.gov.ng/experts-laud-lasg-on-economy-budget-performance/>

⁷ <https://lagosstate.gov.ng/lagos-state-government-financial-statements/>

79.15% in 2022. The state experienced significant growth in tax revenue from N356.8 billion in 2020 to N506.3 billion in 2022. In 2020 and 2021, the state government surpassed its projection for deficit financing as the loans obtained were 218.5% and 103.2% of the 2020 and 2021 projections, respectively.

Tax Revenue

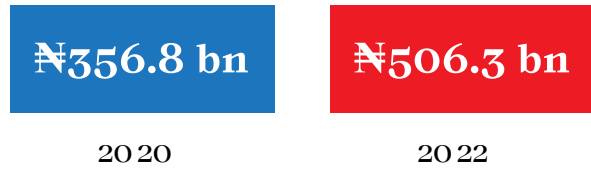


Table 3: Lagos State Expenditure Performance (2020-2022)

Expenditure	2020			2021			2022		
	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance
Debt Charges	13,671,492	50,874,606	372.12%	36,773,465	66,878,934	181.87%	63,262,190	94,050,653	148.67%
Personnel Cost	166,144,436	170,757,709	102.78%	170,526,149	153,535,508	90.04%	189,585,543	168,711,178	88.99%
Overhead Cost	156,508,154	100,270,931	73.45%	178,091,625	154,667,722	86.85%	199,012,912	153,543,214	77.05%
Subvention Overhead	97,082,849	67,809,487	69.85%	127,952,101	90,300,512	70.57%	139,420,158	102,923,109	73.82%
Capital Expenditure	420,076,375	304,936,590	72.59%	516,893,532	424,468,173	82.12%	995,918,471	651,897,686	65.46%
Loan Repayments	86,985,284	149,832,632	172.25%	226,328,722	162,306,198	71.71%	170,997,373	186,443,152	109.05%
Total Expenditure	920,468,590	844,481,955	91.74%	1,256,567,594	1,052,157,047	83.75%	1,758,196,647	1,357,368,992	77.20%

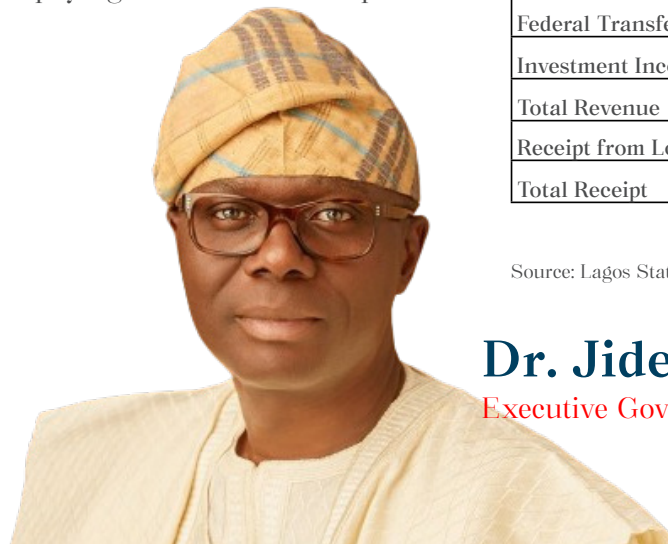
Source: Lagos State Audited Financial Statements for 2020, 2021 and 2022

Lagos state worryingly exceeded its estimates for interest payments on loans (debt charges) in 2020, 2021 and 2022. As seen in Table 3, it exceeded its debt charges obligations by 272.12% in 2020, 81.87% in 2021 and 48.67% in 2022. Interestingly, the actual personnel cost of the state declined by 1.2% from N170.8 billion in 2020 to N168.7 billion in 2021. The state continues to spend a considerable part of its revenue in paying back its debt, as depicted in Table 3 above.

Table 4: Lagos State Revenue Growth (2020-2022)

Revenue	2020-2021	2021-2022
Year on Year Growth		
Taxes	19.85%	18.41%
Other Internally Generated Revenue	45.01%	13.40%
Dedicated Revenue	120.15%	30.20%
Grants	-83.30%	847.78%
Capital Receipts	37.96%	63.51%
Federal Transfers	5.74%	20.26%
Investment Income	222.26%	153.09%
Total Revenue	17.47%	24.41%
Receipt from Loans and other Financing	18.91%	13.34%
Total Receipt	17.85%	21.46%

Source: Lagos State Audited Financial Statements for 2020, 2021 and 2022



Dr. Jide Sanwoolu
Executive Governor, Lagos State

Debt Charges

Lagos State

2020-2021

2021-2022

31.46%

40.63%

Table 5: Lagos State Expenditure Growth (2020-2022)

Expenditure	2020-2021	2021-2022
Year-on-Year Growth	2020-2021	2021-2022
Debt Charges	31.46%	40.63%
Personnel Cost	-10.09%	9.88%
Overhead Cost	54.25%	-0.86%
Subvention Overhead	33.17%	13.98%
Capital Expenditure	39.20%	53.58%
Loan Repayments	8.32%	14.87%
Total Expenditure	24.59%	29.01%



Source: Lagos State Audited Financial Statements for 2020, 2021 and 2022

Table 6: Lagos State Fiscal Balance (2020-2022)

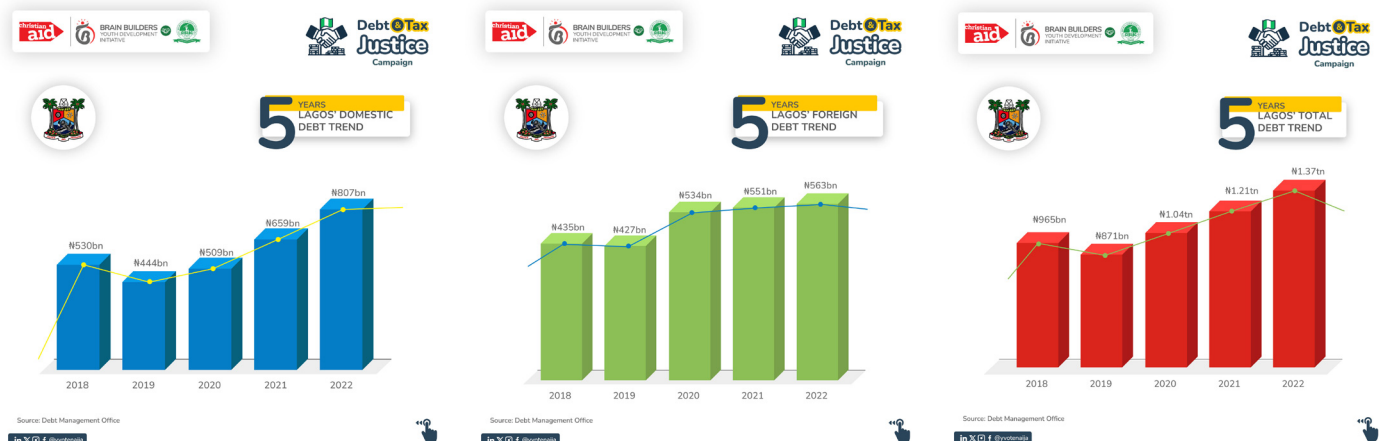
Fiscal Balance		2020		2021		2022	
		Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)
		-108,003,656	-186,776,702	-271,994,244	-279,566,744	-543,849,646	-396,194,872

Source: Lagos State Audited Financial Statements for 2020, 2021 and 2022

Table 7: Lagos State Debt Profile Trend (2018-2023)

Debt Profile	2018	2019	2020	2021	2022
Domestic Debt (N' 000)	530,243,774	444,227,001	508,778,695	658,959,728	807,208,634
Foreign Debt (N' 000)	435,175,795	427,098,906	534,464,233	550,731,664	562,527,680
Total Debt (N' 000)	965,419,571	871,325,910	1,043,242,930	1,209,691,394	1,369,736,317

Source: Debt Management Office



Debt Outlook

Despite the huge IGR generated, yearly, Lagos State remains the most indebted state in Nigeria. As of June 2023, Lagos State had a total external (Foreign) debt figure of \$1.263 billion,⁸ representing 30% of the entire external debt of the 36 states and FCT. According to the DMO data, Lagos state also owes N960.4 billion in domestic debt. This makes Lagos state the most indebted state in Nigeria both domestically and externally.⁹

Lagos State External Debt



2022

Table 8: Lagos State Foreign Debt (2018-2022)¹⁰

	2018	2019	2020	2021	2022
Foreign Debt in USD	\$1,426,428,935	\$1,396,190,911	\$1,406,484,824	\$1,333,523,000.72	\$1,250,061,511.83

Source: Debt Management Office

The above table shows a consistent decline in Lagos state foreign debt, however this was not significant enough to reduce its ranking as the most indebted state and has not reduced it either to a sustainable level.

Table 9: Lagos State Year-on-Year Debt Growth (2018-2022)

Year-on-Year Growth	2018-2019	2019-2020	2020-2021	2021-2022	2018-2022
Domestic Debt	-16.22%	14.53%	29.52%	22.50%	52.23%
Foreign Debt	-1.86%	25.14%	3.04%	2.14%	29.26%
Total Debt	-9.75%	19.73%	15.95%	13.23%	41.88%

Source: Debt Management Office

According to Table 9, the domestic debt of Lagos state reduced by 16.22% in 2019 from the previous year, but rose significantly from a negative position to 14.53% in the following year, and hiked to y in, 29.52%, 22.5%, and 52.23% by the end of 2022. Similarly, the foreign debt of Lagos State, although experiencing some year-on-year reductions, stood at \$1.25 billion as at the end of 2022, making it not only the largest in Nigeria, but grew

⁸ <https://nigerianstat.gov.ng/elibrary/read/1241381#:~:text=Lagos%20state%20recorded%20the%20highest,lowest%20domestic%20debt%20with%20N43>.

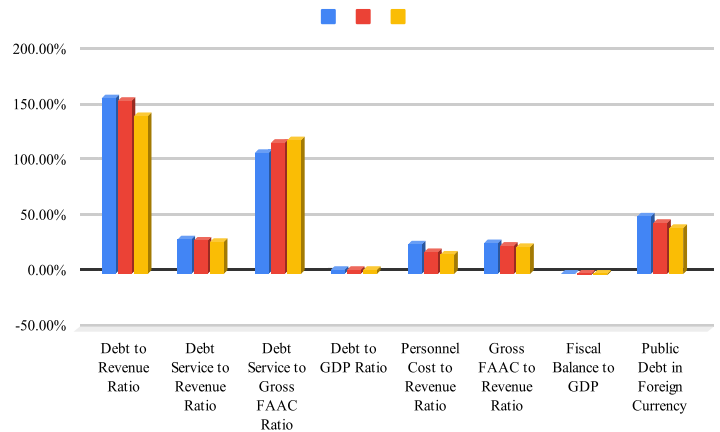
⁹ <https://dmo.gov.ng/debt-profile/sub-national-debts/4498-states-and-fct-domestic-debt-stock-as-at-september-30-2023/file>

¹⁰ <https://nigerianstat.gov.ng/elibrary/read/1241381#:~:text=Lagos%20state%20recorded%20the%20highest,lowest%20domestic%20debt%20with%20N43>.



exponentially from 3.04% in 2020 to 29.26% year-on-year growth in 2022. Overall, the debt profile of Lagos State has grown significantly by 41.88% from N965.4 billion in 2018 to N1.4 trillion in 2022.

Table 10: Lagos State Debt Sustainability Scorecard



Debt Sustainability Assessment							
	2020	2021	2022	Threshold	Low Risk	Medium Risk	High Risk
Debt to Revenue Ratio	158.62%	156.58%	142.51%	200%	below 100%	100%-200%	Above 200%
Debt Service to Revenue Ratio	30.52%	29.66%	29.18%	50%	below 25%	25%-50%	Above 50%
Debt Service to Gross FAAC Ratio	109.40%	103.24%	120.33%	70%	below 35%	35%-70%	Above 70%
Debt to GDP Ratio	2.93%	2.97%	2.93%	40%	below 20%	20%-40%	Above 40%
Personnel Cost to Revenue Ratio	25.96%	19.87%	17.55%	60%	below 30%	30%-60%	Above 60%
Gross FAAC to Revenue Ratio	27.87%	25.09%	24.25%	50%	below 25%	25%-50%	Above 50%
Fiscal Balance to GDP	-0.52%	-0.67%	-0.85%	15%	below 7.5%	7.5%-15%	Above 15%
Public Debt in Foreign Currency	51.23%	45.53%	41.07%	60%	below 30%	30%-60%	Above 60%

A look at the debt sustainability assessment of Lagos State reveals that its debt service to Gross FAAC ratio surpassed its sustainability threshold of 70% in 2021, 2022 and 2023, placing it at high risk on this index. This means that for the three years under review, its federal transfers/receipts from the federation account were inadequate to finance its debt service obligations. However, the state’s considerably strong domestic resource mobilization capacity, demonstrated by its relatively large internally generated revenue, and its debt service to revenue ratio is at medium risk and well below the DMO recommended 50% threshold. As seen in Table 10, the state appears very healthy regarding its debt-to-GDP ratio, personnel cost-to-revenue ratio, and fiscal balance-to-GDP ratio, as the three indicators are below the DMO recommended thresholds. Additionally, the state’s Gross FAAC to revenue ratios were below 25% for



the three years under review, denoting a relatively low dependence on federal transfers. However, owing to Nigeria’s volatile foreign exchange rate regime. The state needs to check its appetite for accumulating dollar, pound, and euro-denominated debt as this can cause a huge strain on the state’s resources whenever the naira depreciates against the dollar.

Osun State

Introduction



Osun state located in western Nigeria. Osun state was created in 1991 from the eastern third of Oyo state. It is bounded by the states of Kwara on the northeast, Ekiti and Ondo on the east, Ogun on the south, and Oyo on the west and northwest. The state has a covering of tropical rain forest.¹¹ Osun is the ninth smallest state in terms of area and land mass and the nineteenth most populous state, with an estimated population of about 4.7 million. Osun state consists mainly of Yoruba people and a mix of other ethnic groups and residents in the state. The people practice different religions, from Islam to Christianity to Traditional African Religion, with worshippers who are mostly adherents of the Osun River and shrine, which the state is named after. The major sub-ethnic groups in Osun State are Ife, Ijesha, Oyo, Ibolu, and Igbomina.



Table 11: Osun Gross Domestic Product

	2020	2021	2022
GDP	1,945,395,000,000	2,220,625,000,000	2,552,182,000,000

Table 12: Osun State Revenue Performance (2020-2022)

Revenue	2020			2021			2022
	Budget	Actual	Performance	Budget	Actual	Performance	Budget
Statutory Allocation	21,853,265,710.00	31,298,936,478.49	143.22%	31,943,474,170.00	31,553,984,546.62	98.78%	34,416,000,000.00
Value Added Tax	14,975,764,440.00	14,725,950,020.87	98.33%	17,788,091,850.00	20,753,187,721.03	116.67%	19,402,000,000.00
Excess Crude	0	753,090,881.82	#DIV/0!	600,000,000.00	0	0.00%	500,000,000.00
Other Revenue from FAAC	4,507,469,520.00	2,996,156,860.82	66.47%	1,500,000,000.00	1,794,488,800.97	119.63%	1,741,500,000.00
Personal Taxes	3,020,891,080.00	10,517,914,064.17	348.17%	6,960,501,210.00	12,137,832,577.54	174.38%	8,040,000,000.00
Corporate Taxes	1,232,805,800.00	669,988,763.51	54.35%	2,566,050,000.00	0	0.00%	6,767,600,000.00
Licences	412,284,910.00	319,295,713.00	77.45%	983,332,870.00	734,405,359.66	74.69%	1,080,400,000.00
Fines	68,008,710.00	29,064,344.00	42.74%	172,700,000.00	157,975,658.38	79.89%	189,520,000.00
Fees	7,462,179,830.00	5,571,791,071.91	74.67%	9,731,913,160.00	6,489,725,342.05	66.68%	11,955,000,000.00
Sales	392,653,670.00	926,244,908.76	235.89%	781,596,468.00	237,891,179.18	30.44%	3,271,900,000.00
Earnings	1,436,675,110.00	1,449,767,830.95	100.91%	2,478,664,882.00	1,878,609,998.04	75.79%	310,670,000.00
Rent on Government Properties	435,797,350.00	15,208,912.00	3.49%	1,152,934,000.00	66,157,901.70	5.74%	890,740,000.00
Investment Income	232,436,860.00	154,430,910.13	66.44%	143,800,000.00	139,344,084.34	96.90%	370,700,000.00
Interest Earned	24,661,820.00	9,595,312.25	38.91%	6,500,000.00	8,460,461.72	130.16%	8,103,800,000.00
Reimbursement	221,593,980.00	7,516,411.51	3.39%	200,800,000.00	24,990,000.00	12.45%	250,850,000.00
Repayments	143,856,370.00	0	0.00%	1,493,033,020.00	0	0.00%	2,336,900,000.00
Miscellaneous Receipts	0	0	0.00%	0	0	0.00%	0
Total Revenue	56,420,345,160.00	69,444,952,484.19	123.08%	78,503,391,630.00	75,957,053,631.23	96.76%	91,533,000,000.00
Capital Receipts	32,518,695,120.00	29,603,788,482.81	91.04%	41,241,977,970.00	15,207,495,752.94	36.87%	4,513,500,000.00
Development Partners	0	0	0.00%	0	0	0.00%	19,793,000,000.00
Opening Balance	0	0	0.00%	0	0	0.00%	13,915,000,000.00
Total Receipt	88,939,040,280.00	99,048,740,967.00	111.37%	119,745,369,600.00	91,164,549,384.17	76.13%	129,750,000,000.00

Despite Osun recording a revenue performance of 123.08% in 2020, it had a fiscal deficit of N38.1 billion, which resulted in the state obtaining a N29.6 billion to finance the budget deficit. The state recorded personnel taxes in excess of what it projected for the three years under review. Conversely, corporate taxes collected by the state during the period under review were way below potential. While the state collected



Sen. Nurudeen Adamu
Executive Governor

Osun State

Adekunle Ademola Adeleke

Governor, Osun State.

	Actual	Performance
1,005,140.00	53,689,343,137.35	97.89%
502,140.00	24,826,166,457.82	127.95%
00,000.00	0	0.00%
01,280.00	13,035,242,793.54	748.51%
390,920.00	10,629,422,894.38	132.20%
87,710.00	4,055,938,715.57	59.93%
120,990.00	573,300,671.78	34.55%
0,000.00	50,567,729.99	16.15%
711,530.00	7,750,978,670.43	64.83%
34,560.00	2,966,915,780.48	90.68%
4,030.00	1,454,267,132.65	468.10%
9,000.00	448,187,824.11	50.32%
0,000.00	1,035,347,147.59	279.30%
90.00	77,694,328.69	958.73%
0,000.00	16,820,000.00	6.71%
949,620.00	1,496,343,995.51	64.03%
	201,547,971.42	0.00%
700,810.00	102,088,085,251.31	111.53%
27,230.00	18,083,661,555.92	400.65%
448,300.00	12,780,917,539.73	64.57%
774,450.00	13,915,774,446.10	100.00%
5,450,790.00	146,868,438,793.06	113.19%

just 54.35% and 59.93% of what it projected to earn as corporate taxes in 2020 and 2022, respectively, no corporate tax was earned in 2021, as seen in Table 12. Personnel taxes comprised more than 35% of the state's internally generated revenue during the period under review, signaling the need to grow other sources of tax and non-tax revenue. Transfers from the federal government comprised more than 70% of the state's total revenue in 2020, 2021 and 2022. This heavy reliance on federal transfers makes the state vulnerable to external shocks.

\$7.3bn

Osun State's GDP

35%

of State's IGR is from
Personnel Taxes

₦38.1bn

Fiscal Deficit

70%

of State Total
Revenue is from
FG Transfers

Table 13: Osun State Expenditure Performance (2020-2022)

Expenditure	2020			2021			Budget
	Budget	Actual	Performance	Budget	Actual	Performance	
Personnel Cost	30,137,911,910.00	28,748,672,359.37	95.39%	39,211,292,750.00	36,773,538,266.97	93.78%	38,681,400,000.00
Overhead Cost	18,172,938,330.00	17,928,291,392.65	98.65%	42,429,868,520.00	18,026,302,483.36	42.48%	28,980,600,000.00
Capital Expenditure	40,628,190,040.00	39,793,763,054.86	97.95%	28,213,890,370.00	21,994,488,254.69	77.96%	33,647,300,000.00
Loan Repayment/Public Debt Charges	0.00	21,059,482,946.56	100.00%	0	23,389,073,404.31	100.00%	28,447,000,000.00
Total Expenditure	88,939,040,280.00	107,530,209,753.42	120.90%	109,855,051,640.00	100,183,402,409.33	91.20%	129,756,400,000.00

Table 13 shows that the Osun State’s debt service obligations has been on an upward trend from N21.1 billion in 2020 to N28.5 billion in 2022, a 35.07% growth. On non-debt expenditure, the state prioritised recurrent expenditure over capital expenditure in 2020, as 43.41% of government expenditure went to personnel and overhead cost, while 37.01% went to capital expenditure, leaving 19.58% for debt service. As a share of total expenditure, capital expenditure was reduced to 23.25% in 2021 and 25.84% in 2022, as more priority was given to recurrent expenditure. A look at the government’s budget performance showed that safe for the 2021 budget year, where just 42.48% of the overhead budget and 77.96% of the capital budget was executed, the Osun State government implemented over 95% of its budget components in all the years under review.



Osun State

2022		
Budget	Actual	Performance
82,560.00	58,679,811,401.20	99.996%
608,150.00	28,970,912,443.34	99.967%
511,330.00	33,481,732,508.80	99.508%
48,750.00	28,445,660,838.10	99.995%
150,790.00	129,578,117,191.44	99.863%



Table 14: Osun State Revenue Growth (2020-2022)

Year on Year Growth	2020-2021	2021-2022
Statutory Allocation	0.81%	6.77%
Value Added Tax	40.93%	19.65%
Excess Crude	-100.00%	0.00%
Other Revenue from FAAC	-40.11%	626.40%
Personal Taxes	15.40%	-12.43%
Corporate Taxes	-100.00%	0.00%
Licences	130.01%	-49.17%
Fines	374.72%	-77.85%
Fees	16.47%	19.43%
Sales	-74.32%	1147.17%
Total Revenue	9.38%	34.40%

Table 15: Osun State Expenditure Growth (2020-2022)

Year on Year Growth	2020-2021	2021-2022
Personnel Cost	27.91%	5.18%
Overhead Cost	0.55%	60.71%
Capital Expenditure	-44.73%	52.23%
Loan Repayment/Public Debt Charges	11.06%	21.62%
Total Expenditure	-6.83%	0.95%



Table 16: Osun State Fiscal Balance (2020-2022)

2020		2021		2022	
Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)
-32,518,695,120.00	-58,085,257,269.23	-31,351,660,010.00	-24,226,348,778.10	-9,775,701,230.00	955,628,897.97

Debt Outlook

Table 17: Osun State Debt Profile Trend (2018-2022)

As at June 2023, Osun state had a total domestic debt of N147.7 billion, ranking it 10th most indebted states domestically. During the same period, Osun State had \$89.6 billion (although this represented a decline from the level it was at the end of 2022), a 205% increase from the total foreign debt figure of 2022.¹⁵ This is worrisome particularly that the state has been experiencing improvements in its internally generated revenue. So what is the need for borrowing?⁷



	2018	2019	2020	2021	2022
Domestic Debt	91,515,756,366	91,567,943,904	94,496,184,530	142,561,877,915.91	161,180,878,265.05
Foreign Debt	86,814,516,525	76,297,746,103	80,441,885,461	33,429,353,331	28,486,561,379
Total Debt	178,330,272,892	167,865,690,007	174,938,069,990	175,991,231,246.99	189,667,439,644.23

While Osun's domestic debt has taken an upward trend, its foreign debt has moved in the opposite direction. As depicted in Table 17, there was a significant growth of 76.12% in Osun's domestic debt profile from N91.5 billion in 2018 to N161.2 billion in 2022. Contrarily, the state's foreign debt (in naira terms) dropped by 67.19% from N86.8 billion in 2018 to N28.5 billion in 2022. Overall, its total debt grew marginally by 6.36% between 2018 and 2022.

13 <https://nigerianstat.gov.ng/elibrary/read/1241381#:~:text=Lagos%20state%20recorded%20the%20highest,lowest%20domestic%20debt%20with%20N43.>

Osun State

Table 18: Osun State Foreign Debt (2018-2022)

	2018	2019	2020	2021	2022
Foreign Debt in USD	\$99,085,406.37	\$95,492,075.29	\$107,440,069.62	\$99,979,102.57	\$91,779,393.97

Table 19: Osun State Year-on-Year Debt Growth (2018-2022)

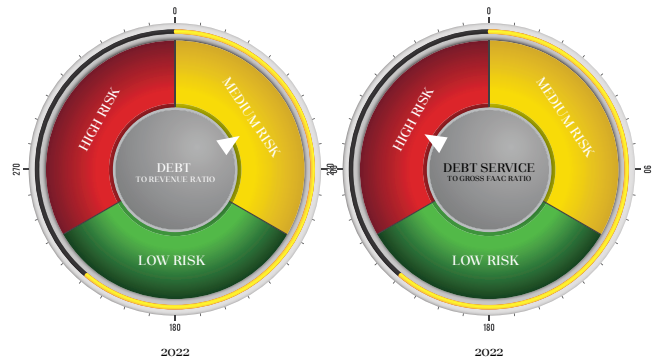
Year-on-Year Growth	2018-2019	2019-2020	2020-2021	2021-2022	2018-2022
Domestic Debt	0.06%	3.20%	50.87%	13.06%	76.12%
Foreign Debt	-12.11%	5.43%	-58.44%	-14.79%	-67.19%
Total Debt	-5.87%	4.21%	0.60%	7.77%	6.36%

Table 20: Osun State Debt Sustainability Scorecard

A cursory look at the year-on-year debt growth shows a steady growth in Osun state's domestic debt accumulation particularly between 2021 and 2022 which saw a 76.12% growth - an indication of a massive borrowing pattern. From the table, foreign debt on the other hand has been reducing significantly - an indication of less reliance on foreign loans.

	2020	2021	2022	Threshold	Low Risk	Medium Risk	High Risk
Debt to Revenue Ratio	251.01%	251.70%	185.79%	200%	below 100%	100%-200%	Above 200%
Debt Service to Revenue Ratio	30.33%	30.79%	27.86%	50%	below 25%	25%-50%	Above 50%
Debt Service to Gross FAAC Ratio	42.31%	43.23%	39.76%	70%	below 35%	35%-70%	Above 70%
Debt to GDP Ratio	8.99%	7.93%	7.43%	40%	below 20%	20%-40%	Above 40%
Personnel Cost to Revenue Ratio	41.40%	49.95%	37.89%	60%	below 30%	30%-60%	Above 60%
Gross FAAC to Revenue Ratio	71.65%	71.23%	70.09%	50%	below 25%	25%-50%	Above 50%
Fiscal Balance to GDP	-1.96%	-1.09%	0.04%	15%	below 7.5%	7.5%-15%	Above 15%
Public Debt in Foreign Currency	45.98%	18.99%	15.02%	60%	below 30%	30%-60%	Above 60%

Osun State’s comparatively low revenue profile put it at high risk as debt to revenue ratio surpassed the DMO recommended threshold of 200% in 2020 and 2021. However, the state has been able to reduce its rating on debt to revenue ratio to medium risk by reducing the ratio to 185.79% in 2022. Due to the state significantly reducing its foreign debt stock over the last five years, the share of its public debt in foreign currency dropped from 45.98 in 2020 to 18.99% in 2021 and 15.02% in 2022, putting it at low risk and less vulnerable to exchange volatility. The state will need to ramp up internally generated revenues to wean itself off federal government transfers because it earned more than 70% of its total revenue from federal transfers, which was above the 50% recommended threshold. Despite reducing its personnel cost-to-revenue ratio to



Osun State



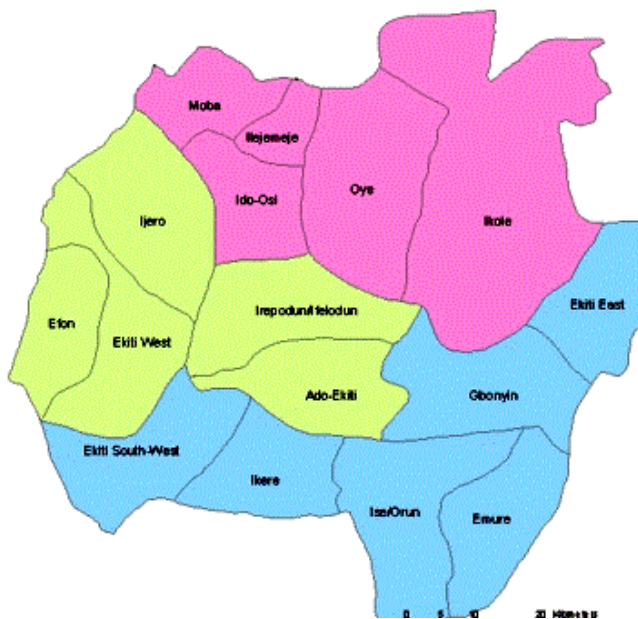
Akankan-Obada Junction road, Ede.

Ekiti State

Introduction

37.89% in 2022 from 49.95%, the state maintained a medium risk score.

Ekiti State is situated entirely within the tropics. It is located between longitudes 40°51' and 50°451' East of the Greenwich meridian and latitudes 70°151' and 80°51' north of the Equator. It lies south of Kwara and Kogi State, East of Osun State, and bounded by Ondo State in the East and in the South, with a total land area of 5887.890sq km. Ekiti State has 16 Local Government Councils. By the 1991 Census, the population of Ekiti State was 1,647,822, while the estimated population upon its creation on October 1st, 1996, was put at 1,750,000, with the capital located at Ado-Ekiti. The estimated population of Ekiti State in 2022 is 3,592,163. An important feature of the state is its large number of hills, which are often the site of towns in which much of the population resides. In fact, the word 'Ekiti' was derived from the local term for hill.¹⁴



¹⁴ <https://www.ekitistate.gov.ng/about-ekiti/#geography-topography>



Economic Context

Agriculture is the main occupation of the people of Ekiti, and it is the major source of income for many in the state. Agriculture provides income and employment for more than 75% of the population of Ekiti State. Some of Ekiti’s agricultural produce are cash crops such as Cocoa, Oil Palm, Kolanut, Plantain, Bananas, Cashew, Citrus, and Timber; Arable /Food Crops such as Rice, Yam, Cassava, Maize, and cowpea. A detailed list of agricultural produce is contained in the tables below. Ekiti is rich in natural mineral resources, with several of these yet to be tapped. They include cassiterite, columbite, and tantalite, which are found in Ijero-Ekiti, ceramic (ball) clays, and kaolinitic clays, which are available in Isan Ekiti and Oye Local Government Area. Feldspar, used in the manufacture of glass, is found in Oke Ewu in Ijero Ekiti and in Aramoko. Bauxite clay is available in Orin-Ekiti in Ido/Osi Local Government Area, while foundry quartzite can be found around Ijero and Efon Alaaye, Ekiti. Dimension stones like granites, charconites, and banded gneisses exist extensively in Ikere-Ekiti, Ado-Ekiti, Oye-Ekiti, Ewu and Otun-Ekiti. Mica/Moscovite is found in most parts of the state, while Tantalum is also available in Ijero. Ekiti has a total GDP rate of \$2.9billion which ranks it 25rd among the states of the federation.¹⁵

Table 21: Ekiti Gross Domestic Product (2020-2022)

	2020	2021	2022
GDP	1,977,000,000,000	2,256,700,000,000	2,593,644,000,000



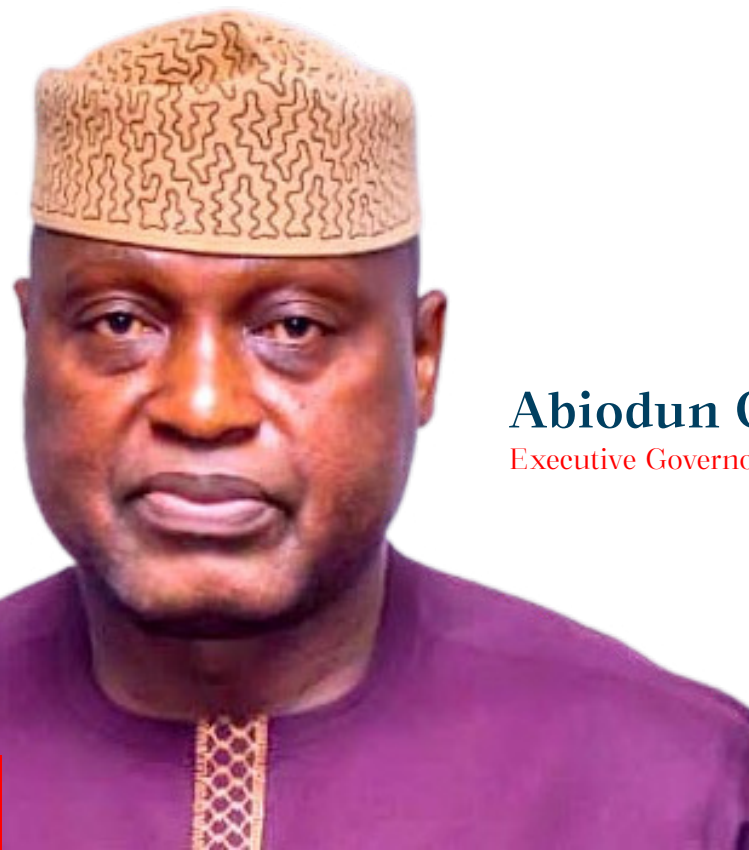
¹⁵ <https://tribuneonline.ng/ekiti-govt-increases-monthly-igr-from-n650m-to-n1bn-in-2023/>

Fiscal Context

Table 22: Ekiti State Revenue Performance (2020-2022)

Revenue	2020			2021			2022	
	Budget	Actual	Performance	Budget	Actual	Performance	Budget	Actual
Opening Balance	0	15,675,151,223	#DIV/0!	11,835,900,000	16,781,914,090	141.79%	7,200,000,000.00	8,300,000,000.00
Government Share of FAAC	22,575,941,443	35,709,415,036	158.17%	30,941,837,554	34,312,230,680	110.89%	38,971,441,795.25	42,230,000,000.00
Government Share of VAT	10,848,970,123	13,345,338,512	123.01%	19,145,955,493	19,408,317,729	101.37%	26,249,515,840.46	22,800,000,000.00
Tax Revenue	4,522,081,881	6,596,044,781	145.86%	7,574,674,012	7,286,993,720	96.20%	10,216,569,560.48	9,800,000,000.00
Non-Tax Revenue	5,593,423,983	3,961,509,164	70.82%	6,761,247,711	6,333,439,409	93.67%	7,969,738,294.42	6,800,000,000.00
Aids & Grants	8,008,000,000	12,756,337,837	159.29%	14,815,377,915	6,190,686,813	41.79%	18,561,774,166.66	14,000,000,000.00
Other Revenue	9,741,234,643	351,747,936	3.61%	500,000,000	3,947,347,001	789.47%	500,000,000.00	7,400,000,000.00
Total Revenue	61,289,652,073	72,720,393,266	118.65%	79,739,092,685	77,479,015,352	97.17%	102,469,039,657.27	103,900,000,000.00
Proceeds from Domestic Loan	23,384,834,730	9,629,669,867	41.18%	0	12,760,662,179	#DIV/0!	13,000,000,000.00	6,000,000,000.00
Proceeds from Foreign Loan	6,454,509,679.00	4,602,418,948	71.31%	18,091,384,037	5,765,039,628	31.87%	0	7,000,000,000.00
Total Receipt	91,128,996,482	102,627,633,304	112.62%	109,666,376,722	112,786,631,249	102.85%	122,669,039,657.27	125,300,000,000.00

Ekiti state has commendably grown its tax revenue, year-on-year, progressively in the period under review as its tax revenue grew by 10.48% from N72.7 billion in 2020 to N77.5 billion in 2021 and further by 35.62% to N103.9 billion in 2022. Non-tax revenue of the state equally grew significantly by 59.87% from 2020 to 2021 and by 8.41% from 2021 to 2022. Owing the fiscal deficit of N13.1 billion naira in 2020, N26.96 billion naira in 2021 and N11.4 billion naira in 2022, the government borrowed the sum of N14.2 billion, N18.5 billion, and N13.1 billion in 2020, 2021 and 2022 respectively.



Abiodun Ojo
Executive Governor

Ekiti State

Actual	Performance
351,267,792.21	115.99%
36,236,090.26	108.38%
326,395,266.11	86.96%
32,327,025.36	96.73%
55,932,509.57	86.15%
661,711,910.47	78.99%
67,289,022.83	1493.46%
39,891,824.60	101.44%
75,112,034.63	46.73%
02,174,689.79	#DIV/o!
68,446,341.23	102.20%

ranked

25th

among states of the Federation.

Dyebanji

or, Ekiti State

\$2.9bn

Ekiti State's GDP

35%

of State's IGR is from Personnel Taxes

₦11.4bn

Fiscal Deficit in 2022

₦13.1bn

Gov't Borrowing in 2022

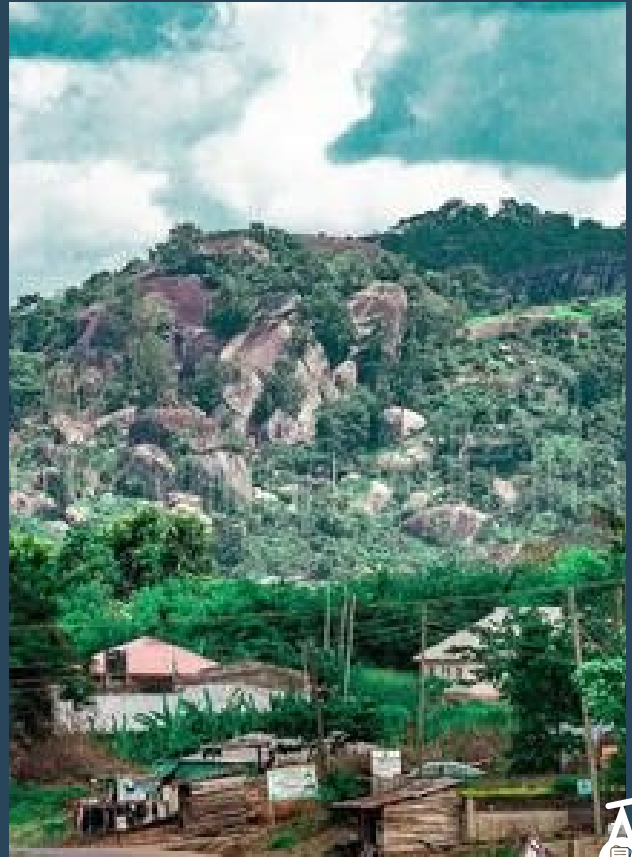


Table 23: Ekiti State Expenditure Performance (2020-2023)

Expenditure	2020			2021			Budget
	Budget	Actual	Performance	Budget	Actual	Performance	
Employees Benefits	17,154,045,602	14,684,573,951	85.60%	18,100,973,792.00	20,550,031,759	113.53%	20,052,402,783
Social Benefits	6,043,732,456	5,763,034,253	95.36%	6,446,109,649	7,189,670,428	111.54%	8,144,674,725
Allowances and Social Contribution	121,570,900	72,000,000	59.22%	220,225,931	237,000,000	107.62%	
Overhead Cost	15,124,645,389	14,785,902,804	97.76%	18,291,251,718	16,005,700,679	87.50%	22,974,060,745
Subvention, Grants & Contribution	12,082,484,094	12,244,486,445	101.34%	11,043,507,947	8,376,560,133	75.85%	15,407,200,252
Special Programmes/Projects	0	0	0.00%	0	0.00%	0.00%	15,988,477,289
Purchase/Construction of Assets	31,723,322,061	27,216,206,004	85.79%	45,697,073,657	34,675,109,468	75.88%	24,773,296,877
Non-Capital Cost	5,041,715,659	2,747,317,720	54.49%		5,806,477,938	0.00%	
Public Debt Charges	280,535,666	4,172,324,769	1487.27%	636,096,253	587,771,448	92.40%	
Loan Interest charges	0	0	0.00%	0	5,354,920,934	#DIV/0!	
Financial Charges	0	0	0.00%	0	1,501,361,665	#DIV/0!	
Foreign Loans Repayments	0	894,296,332	#DIV/0!	9,231,137,775	1,250,778,445	13.55%	17,328,926,984
Domestic Loans Repayment	3,556,944,655	3,265,576,935	91.81%		2,899,980,568	#DIV/0!	
Total Expenditure	91,128,996,482	85,845,719,213	94.20%	109,666,376,722.00	104,435,363,465	95.23%	122,669,039,657

A look at the disaggregated expenditure of Ekiti State reveals that the state's debt service (interest on loans and principal loan repayments) has been on the rise consecutively between 2020 and 2022. Its debt service rose from N8.3 billion in 2021 to N10.1 billion in 2022. Surprisingly, there was a 121% increase in its debt service year from N10.1 billion in 2021 to N22.3 billion in 2022. Similarly, the state has consistently increased its overhead cost, as seen in Table 23. Ekiti's overhead cost grew by 8.2% from N14.8 billion in 2020 to N16 billion in 2021 and grew by 40.18% from the 2021 spending to N23 billion in 2022. The state needs to check the relatively high increase in its cost of governance.

Ekiti State



2022		
	Actual	Performance
5.13	17,398,703,585.09	86.77%
6.73	7,079,965,438.62	86.93%
9.28	22,436,315,525.34	97.66%
1.47	14,558,587,445.50	94.49%
9.61	5,758,393,856.60	41.17%
1.05	25,834,901,962.19	104.29%
0	0	0.00%
0	14,781,451,120.30	#DIV/o!
0	0	0.00%
0	0	0.00%
0.00	1,216,938,132.54	7.02%
0	6,308,434,865.14	#DIV/o!
7.27	115,373,691,931.32	94.05%

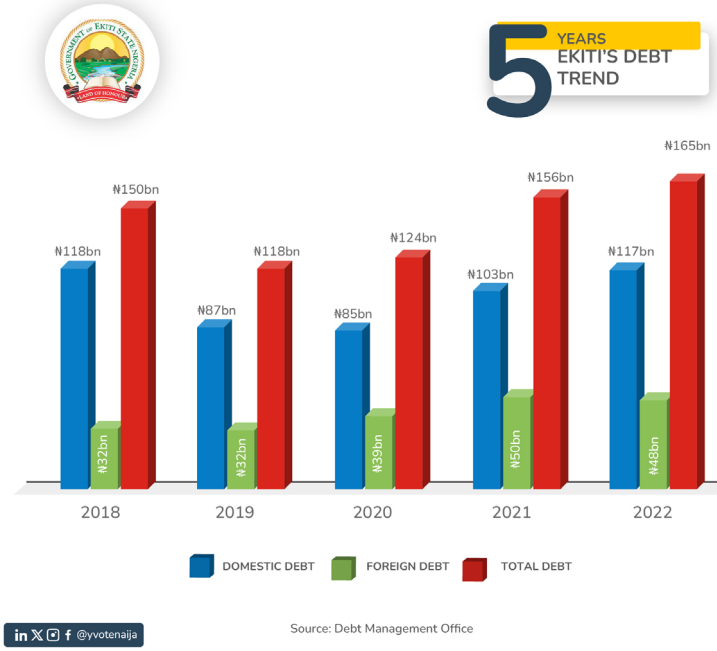
Table 24: Ekiti State Revenue Growth (2020-2022)

Revenue	2020-2021	2021-2022
Year on Year Growth	7.06%	-50.24%
Opening Balance	7.06%	-50.24%
Government Share of FAAC	-3.91%	23.09%
Government Share of VAT	45.43%	17.61%
Tax Revenue	10.48%	35.62%
Non-Tax Revenue	59.87%	8.41%
Aids & Grants	-51.47%	136.83%
Other Revenue	1022.21%	89.17%
Total Revenue	6.54%	34.15%
Proceeds from Domestic Loan	32.51%	-52.39%
Proceeds from Foreign Loan	25.26%	21.46%
Total Receipt	9.90%	11.16%



Table 25: Ekiti State Expenditure Growth (2020-2022)

Expenditure	2020-2021	2021-2022
Year on Year Growth	2020-2021	2021-2022
Employees Benefits	39.94%	-15.33%
Social Benefits	24.75%	-1.53%
Allowances and Social Contribution	229.17%	-100.00%
Overhead Cost	8.25%	40.18%
Subvention, Grants & Contribution	-31.59%	73.80%
Purchase/Construction of Assets	27.41%	-25.49%
Non-Capital Cost	111.35%	-100.00%
Public Debt Charges	-85.91%	2414.83%
Loan Interest charges	#DIV/0!	-100.00%
Financial Charges	#DIV/0!	-100.00%
Foreign Loans Repayments	39.86%	-2.71%
Domestic Loans Repayment	-11.20%	117.53%
Total Expenditure	21.65%	10.47%



Debt Outlook

Table 26: Ekiti State Fiscal Balance (2020-2022)

2020		2021		2022	
Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)
-29,859,344,409	-13,125,325,947	-29,927,284,037	-26,956,348,113	-20,200,000,000.00	-11,433,800,106.72

Table 27: Ekiti State Debt Profile Trend (2018-2023)

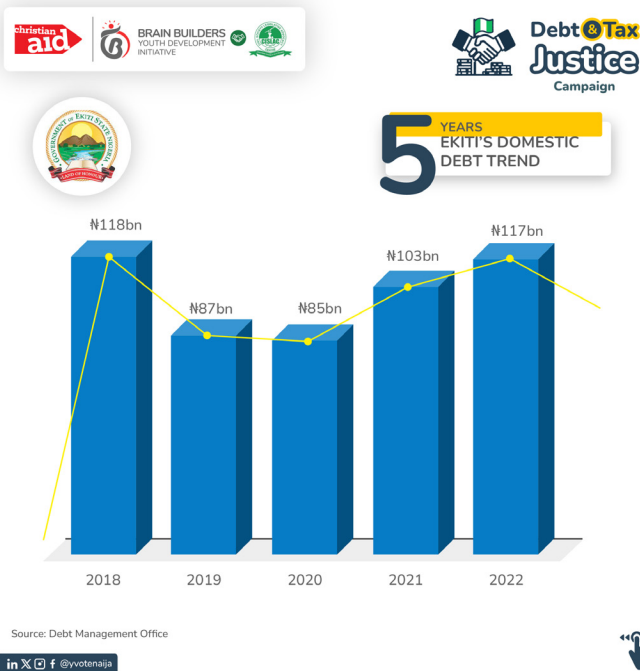
	2018	2019	2020	2021	2022
Domestic Debt	118,011,414,814	86,911,500,995	84,723,128,108	106,392,266,984.46	117,147,875,751.50
Foreign Debt	32,402,182,861	31,498,784,929	39,152,880,089	49,808,146,908	47,515,019,841
Total Debt	150,413,597,675	118,410,285,925	123,876,008,197	156,200,413,892.94	164,662,895,592.50

Ekiti State



As of June 2023, Ekiti has a total domestic debt figure of N14.2 billion, representing a reduction from the figure as at December 2022. In the same vein the state has a total of \$103.4 million, representing an increase from the \$47.5 million it was as at December 2023.¹⁶

Between 2018 and 2022, Ekiti State reduced its domestic debt by 0.73% from N118 billion in 2018 to N117.2 billion in 2022. Although its foreign debt profile was reduced in dollar terms by 0.59% from \$106.2 million in 2018 to \$105.6 million in 2022, its foreign debt in naira terms increased by 46.64% from N32.2 billion in 2018 to N47.5 billion. The depreciation of the naira to the dollar over the five-year span is responsible for the additional debt burden that accrued to Ekiti State, which is a valid reason why the state should limit its accumulation of foreign loans.



¹⁶ <https://nigerianstat.gov.ng/elibrary/read/1241381#:~:text=Lagos%20state%20recorded%20the%20highest,lowest%20domestic%20debt%20with%20N43.>

Table 28: Ekiti State Foreign Debt (2018-2022)

	2018	2019	2020	2021	2022
Foreign Debt in USD	\$106,208,598	\$102,969,866	\$103,033,894.97	\$120,603,760.16	\$105,588,932.98

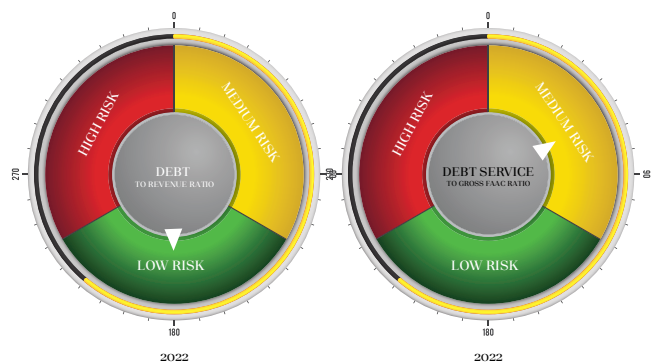
Table 29: Ekiti State Year-on-Year Debt Growth (2018-2022)

Year-on-Year Growth	2018-2019	2019-2020	2020-2021	2021-2022	2018-2022
Domestic Debt	-26.35%	-2.52%	25.58%	10.11%	-0.73%
Foreign Debt	-2.79%	24.30%	27.21%	-4.60%	46.64%
Total Debt	-21.28%	4.62%	26.09%	5.42%	9.47%

Table 30: Ekiti State Debt Sustainability Scorecard

	2020	2021	2022	Threshold	Low Risk	Medium Risk	High Risk
Debt to Revenue Ratio	170.35%	201.60%	158.42%	200%	below 100%	100%-200%	Above 200%
Debt Service to Revenue Ratio	11.46%	14.97%	21.46%	50%	below 25%	25%-50%	Above 50%
Debt Service to Gross FAAC Ratio	16.99%	5.40%	9.70%	70%	below 35%	35%-70%	Above 70%
Debt to GDP Ratio	6.27%	6.92%	6.35%	40%	below 20%	20%-40%	Above 40%
Personnel Cost to Revenue Ratio	28.12%	35.80%	23.55%	60%	below 30%	30%-60%	Above 60%
Gross FAAC to Revenue Ratio	67.46%	69.34%	62.60%	50%	below 25%	25%-50%	Above 50%
Fiscal Balance to GDP	-0.66%	-1.19%	-0.44%	15%	below 7.5%	7.5%-15%	Above 15%
Public Debt in Foreign Currency	31.61%	31.89%	28.86%	60%	below 30%	30%-60%	Above 60%

Ekiti State appears to be significantly reliant on transfers from the federal government as seen in Table 30. The Gross FAAC to revenue ratio of the state was 67.46%, 69.34%, and 62.6% in 2020, 2021, and 2022, respectively, which was above the DMO recommended threshold of 50%, thereby putting the state at high risk in this regard. To correct this, the state must improve its capacity to mobilise revenue internally to increase the share of IGR to total revenue. Except for 2022, where its personnel cost-to-revenue ratio of 35.8% placed the state on a medium-risk footing, Ekiti State has managed to keep its personnel cost-to-revenue ratio below the threshold of 60%. Although the state's debt service ratio increased from 11.46% in 2020 to 14.97% in 2021 and 21.46% in 2022, the ratios for the three



Ekiti State

aforementioned years remained below the DMO recommended threshold. Commendably, the state lowered the debt-to-revenue ratio in 2022 to 158.42% from an unsustainable level of 201.6% in 2021. As mentioned earlier, the state should endeavour to keep its public debt in the foreign currency below 60% of its total debt.



Ogun State

Introduction

Ogun State is a state in southwestern Nigeria comprising former Abeokuta and Ijebu provinces of the former Western state. The state is named after the Ogun River, which runs across it from North to South. The state is bordered to the east by Ondo State, in the north by Oyo and Osun States in the south by Lagos State and the Atlantic Ocean, and in the West by the Republic of Benin, which makes it an access route to the expansive markets of the Economic Community of West African State (ECOWAS). Ogun state has the highest number of Universities in Nigeria. The state has thirteen(16) accredited universities, which include a Federal University, two(2) State Universities, and thirteen(15) private universities. The state is known for its rich cultural heritage and historical significance. The state is home to various ethnic groups, including the Yoruba people, and boasts a diverse range of traditions, festivals, and art forms. Additionally, Ogun State is famous for its production of high-quality adire fabrics.



Economic Context

Apart from Lagos, Nigeria's economic capital, Ogun State is Nigeria's most economically viable state, a report by Economic Confidential. Ogun State is one of Nigeria's topmost investment destinations after Lagos. Ogun state in 2022 received N113,404,027,439.22 from the Federation Account and generated N120,548,157,140.78 internally making it the second state with a huge IGR after Lagos and Rivers State. The GDP of Ogun state was put at \$10.47 billion and ranked as the 9th state in Nigeria with the highest GDP. This figure increased to \$12.1 billion placing it the third state in the south-west and eighth in the country with the highest GDP.

In the 2021 Budget assessed fiscal sustainability of the 36 states in Nigeria's using four indexes which include the ability of a state to cover its operating costs, and loan repayments without borrowing, its fiscal capacity to borrow more, given its low debt burden relative to its annual revenue, and the prioritisation of capital over recurrent expenditures, Ogun state came 19th, a drop from its 3rd position in the previous ranking. The drop in the 2021 ranking was attributed to the state's sharp IGR decline in 2020. However, it bounced back to 10th position in the 2022 fiscal ranking, indicating an improvement in its fiscal sustainability. However, this improvement did not extend to its debt profile, as data shows that the state has been on a continuous borrowing spree under the current administration.

In terms of economic potential, Ogun State benefits enormously from the spillover of firms from neighboring Lagos State, the commercial center of Nigeria. Ogun State's proximity to the largest market and the busiest ports in the country has made it a fast-growing industrial hub. The State has profited from the spillover of firms escaping congestion and high real estate costs in Lagos. Its local natural endowments (e.g. limestone) and access to energy (e.g. piped natural gas) have also added to its attractiveness as an investment destination. As a result, the State has successfully attracted significant foreign and domestic investment in several sectors, including agribusiness, manufacturing (such as paper



\$12.1bn

Ogun State's GDP

₦121bn

IGR in 2022

products, apparel, chemicals, furniture, consumer goods, and pharmaceuticals), and renewable energy. The state is home to several industrial centers, including one of the largest industrial zones in sub-Saharan Africa – the 8,000-hectare state-owned Agbara Industrial Estate, which includes the Federal Ogun-Guandong Free Trade zone.¹⁷



Table 31: Ogun Gross Domestic Product

	2020	2021	2022
GDP (N' 000)	4,277,377,000	4,882,528,000	5,611,530,000



¹⁷ <https://documents1.worldbank.org/curated/en/598231582340468282/pdf/Nigeria-Ogun-State-Economic-Transformation-Project.pdf>

Ogun State

Fiscal Context

Table 32: Ogun State Revenue Performance (2020-2022)

Revenue	2020			2021			2022		
	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance
Statutory Allocation	N/A	34,577,106	N/A	N/A	37,774,398	N/A	N/A	42,077,327	N/A
Value Added Tax	N/A	16,517,951	N/A	N/A	23,613,856	N/A	N/A	27,500,167	N/A
Internally Generated Revenue	N/A	50,561,119	N/A	N/A	100,900,104	N/A	N/A	119,828,164	N/A
Aids and Grants	N/A	7,487,728	N/A	N/A	4,678,600	N/A	N/A	27,226,430	N/A
Total Revenue	N/A	109,143,905	N/A	N/A	166,966,959	N/A	N/A	216,632,088	N/A
Capital Receipts (External and Internal loans)	N/A	7,149,140	N/A	N/A	98,593,591	N/A	N/A	80,616,816	N/A
Total Receipt	N/A	116,293,046	N/A	N/A	265,560,549	N/A	N/A	297,248,905	N/A

Although the budget figures for Ogun State were not made available in their audited financial statement for the three years under review, actual revenue and expenditure by government were presented in the aforesaid reports. The state impressively grew its revenue by 52.98% in 2021 from the N109.1 billion earned in 2020 and further grew by another 29.75% in 2022 from the N167 billion earned in 2021. The state's mobilisation of revenues internally is one to commend as its IGR grew by 137% over a 2 year period from N50.6 billion in 2020 to N119.8 billion in 2022. Despite the state's effort to grow its IGR, its appetite for the accumulation of debt increased worrisomely. As seen in Table 32, internal and external loans obtained by the state to finance the budget deficit skyrocketed by 1027.6% from N7.2 billion in 2020 to N80.6 billion in 2022.

₦80.6bn

Fiscal Deficit in 2022

29.75%

Revenue Growth in 2022

Table 33: Ogun State Expenditure Performance (2020-2022)

Expenditure	2020			2021			2022		
	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance
Personnel Cost	N/A	56,213,334	N/A	N/A	65,527,819	N/A	N/A	70,626,329	N/A
Overhead Cost	N/A	50,042,863	N/A	N/A	75,732,133	N/A	N/A	97,446,257	N/A
Public Debt Charges	N/A	16,621,445	N/A	N/A	28,289,451	N/A	N/A	27,866,588	N/A
Capital Expenditure	N/A	30,486,450	N/A	N/A	82,380,637	N/A	N/A	113,685,567	N/A
Total Expenditure	N/A	153,364,093	N/A	N/A	251,930,041	N/A	N/A	309,624,741	N/A

Ogun State had a commendable increase in its capital expenditure during the 3 years under review. Its capital expenditure grew impressive growth of 170.22% from N30.5 billion in 2020 to N82.4 billion in 2021 and another 38% growth to N113.7 billion. Similarly, the ratio of capital expenditure to the total expenditure to the total budget increased from 19.8% in 2020 to 32.7% in 2021 and 36.7% in 2022. Its cost of governance continues to rise as the state's actual overhead expenditure grew by 94.73% from N50.04 billion in 2020 to N97.5 billion in 2022. Ogun's public debt charge has also been on an upward trajectory, as seen in Table 33, from N16.6 billion in 2020 to N28.3 billion in 2021 to N27.9 billion in 2022.



Table 34: Ogun State Revenue Growth (2020-2022)

Revenue	2020-2021	2021-2022
Year on Year Growth	2020-2021	2021-2022
Statutory Allocation	9.25%	11.39%
Value Added Tax	42.96%	16.46%
Internally Generated Revenue	99.56%	18.76%
Aids and Grants	-37.52%	481.94%
Total Revenue	52.98%	29.75%
Capital Receipts (External and Internal loans)	1279.10%	-18.23%
Total Receipt	128.35%	11.93%



Ogun State

Table 35: Ogun State Expenditure Growth (2020-2022)

Expenditure	2020-2021	2021-2022
Year on Year Growth	2020-2021	2021-2022
Personnel Cost	16.57%	7.78%
Overhead Cost	51.33%	28.67%
Public Debt Charges	70.20%	-1.49%
Capital Expenditure	170.22%	38.00%
Total Expenditure	64.27%	22.90%

Table 36: Ogun State Fiscal Balance (2020-2022)

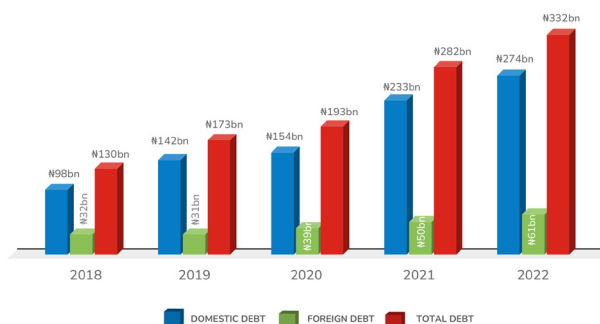
2020		2021		2022	
Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)
	-44,220,187		-84,963,082		-92,992,653

Debt Outlook

Table 37: Ogun State Debt Profile Trend (2018-2022)

	2018	2019	2020	2021	2022
Domestic Debt (N' 000)	98,716,941	142,289,205	153,490,666	232,622,135	270,450,024
Foreign Debt (N' 000)	31,501,415	30,776,666	39,326,399	49,679,594	61,316,884
Total Debt (N' 000)	130,218,357	173,065,871	192,817,065	282,301,729	331,766,909

Between 2018 and 2022, Ogun's total debt stock has risen astronomically by 173.97% from N130.2 billion in 2018 to N331.8 billion in 2022. The component with the most significant increase has been domestic debt which grew by 173.97% from N98.7 billion in 2018 to N270.5 billion in 2022, as seen in Table 37.



Dapo Abiodun
Executive Governor, Ogun State



Ogun State

Table 38: Ogun State Foreign Debt (2018-2022)

	2018	2019	2020	2021	2022
Foreign Debt in USD	\$103,256,042.18	\$100,609,253.25	\$103,490,522.67	\$120,292,486.65	\$136,259,743.02

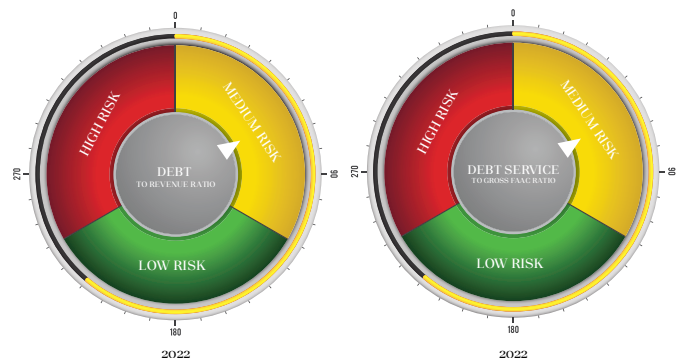
Table 39: Ogun State Year-on-Year Debt Growth (2018-2022)

Year-on-Year Growth	2018-2019	2019-2020	2020-2021	2021-2022	2018-2022
Domestic Debt	44.14%	7.87%	51.55%	16.26%	173.97%
Foreign Debt	-2.30%	27.78%	26.33%	23.42%	94.65%
Total Debt	32.90%	11.41%	46.41%	17.52%	154.78%

Table 40: Ogun State Debt Sustainability Scorecard

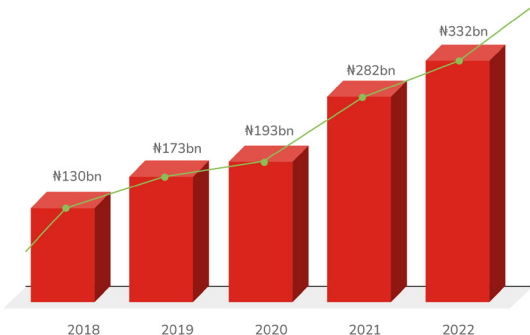
Debt Sustainability Assessment							
	2020	2021	2022	Threshold	Low Risk	Medium Risk	High Risk
Debt to Revenue Ratio	176.66%	169.08%	153.15%	200%	below 100%	100%-200%	Above 200%
Debt Service to Revenue Ratio	15.23%	16.94%	12.86%	50%	below 25%	25%-50%	Above 50%
Debt Service to Gross FAAC Ratio	32.53%	46.08%	40.05%	70%	below 35%	35%-70%	Above 70%
Debt to GDP Ratio	4.51%	5.78%	5.91%	40%	below 20%	20%-40%	Above 40%
Personnel Cost to Revenue Ratio	51.50%	39.25%	32.60%	60%	below 30%	30%-60%	Above 60%
Gross FAAC to Revenue Ratio	46.81%	36.77%	32.12%	50%	below 25%	25%-50%	Above 50%
Fiscal Balance to GDP	-1.03%	-1.74%	-1.66%	15%	below 7.5%	7.5%-15%	Above 15%
Public Debt in Foreign Currency	20.40%	17.60%	18.48%	60%	below 30%	30%-60%	Above 60%

Going by Ogun’s performance on the indices used to assess the states, Ogun’s debt profile appear to be sustainable as its debt to revenue ratio remains below the recommended threshold of 200% during the period under review. Similarly, the state’s debt to revenue ratio is within allowable limits and pose very low risk. Commendable, the state was able to bring down its personnel cost to revenue ratio from 51.5% in 2020 to 32.6% in 2022. Its Gross FAAC





5 YEARS
OGUN'S TOTAL
DEBT TREND



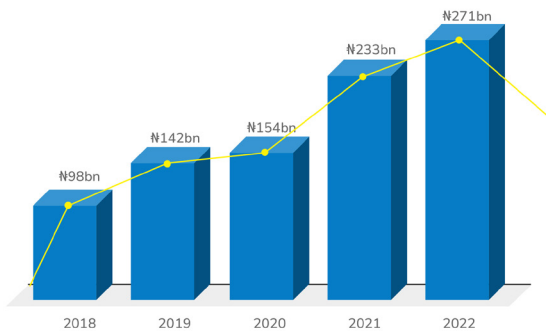
Source: Debt Management Office



to revenue ratio is declining and remains at moderate levels. With a public debt in foreign currency ratio being 18.48% in 2022, keeping its public debt in foreign currency below 60% is something that the state should continue to strive to achieve.



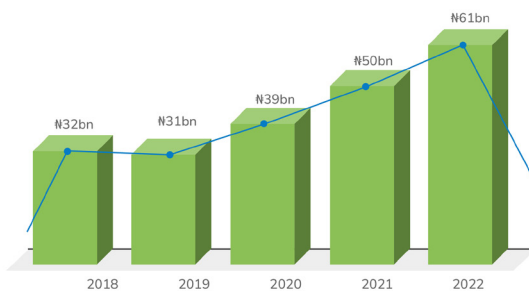
5 YEARS
OSUN'S DOMESTIC
DEBT TREND



Source: Debt Management Office



5 YEARS
OGUN'S FOREIGN
DEBT TREND



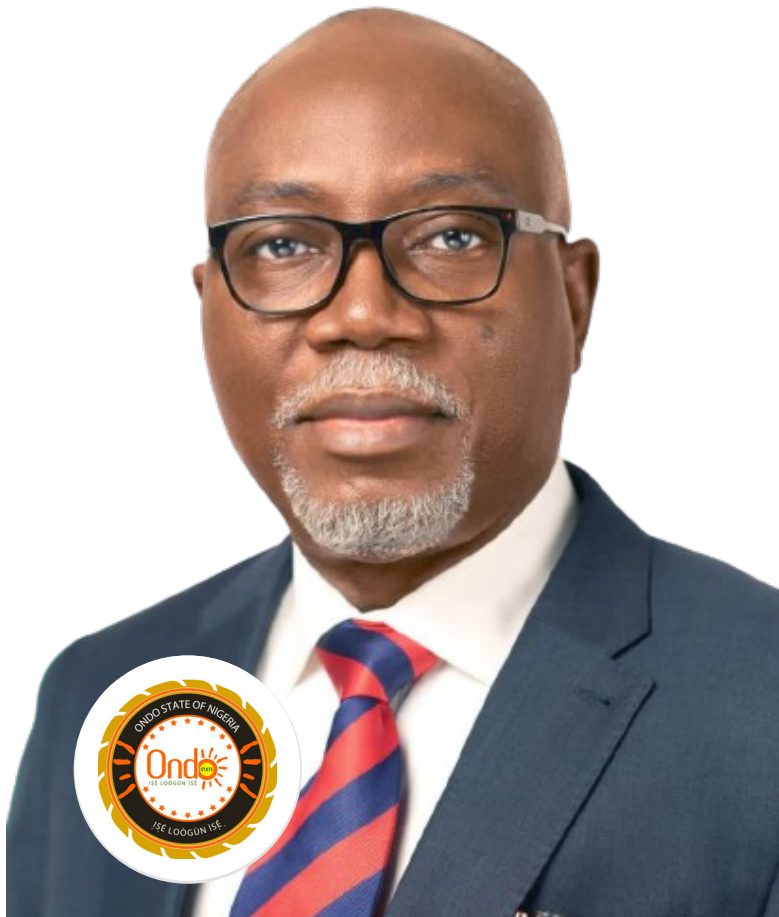
Source: Debt Management Office



Ondo State

Introduction

Ondo State, situated in Southwest Nigeria, was created on 3rd February 1976. It covers 14,606 square kilometers and is populated by predominantly Yoruba ethnic groups. According to the 2006 Census, the State has a population of about 3.4 Million, and agriculture (Including fishing) constitutes the principal occupation of the people of the State. The State has 18 Local Government Areas, 204 Wards, and 3,933 polling units. The State enjoys generally luxuriant vegetation. A high forest zone (or rain forest) is found in the south, while the northern fringes are mostly sub-savannah forests. However, the state climate is tropical with two distinct seasons: the rainy season (April-October) and the Dry season (November - March).¹⁸



18 <https://www.mepbondostate.org/meet-us/ondo-state-profile/>



Economic Context

The State is endowed with extensive fertile soil suitable for agriculture, with a sub-savannah forest ideal for cattle grazing in the Northern fringes. Vast forest resources include a variety of timber species, e.g. Teak, Gmelina, Mansonia, etc. Ondo State is the largest producer of Cocoa in Nigeria. Other cash crops grown in the State include rubber, cashew, kola nut, palm oil etc. Ondo State produces 12% of Nigeria's total output of Oil and Gas; other mineral resources found in the State are quartz sand, clay, granite, limestone talc, kaoline, coal, columbite, rock, tin, and bitumen. (the second-largest deposit in the world, many rivers, ocean fronts, and the longest coastline in Nigeria. The State has several tourist attractions, like Idanre Hill at Idanre, Mountain Climbing and Cultural Festival (Mare), held every December in Idanre. Ebomi Lake at Ipesi in Akoko South East LGA, Cwifioast creeks and canals, Igbo Olodumare at Okeigbo, Iho-Eleeru (cave of ashes) at Isarun in Ifedore Local Government Area.

Table 41: Ondo Gross Domestic Product (2020-2022)

	2020	2021	2022
GDP	4,180,660,000,000	4,772,128,000,000	5,484,646,000,000

₦5.5tn

Ondo State's GDP

12%

of Nigeria's Total Output
of Oil and Gas

₦11.4bn

Fiscal Deficit in 2022

₦19.1bn

Tax Revenue in 2022



Ondo State



Fiscal Context

Table 42: Ondo State Revenue Performance (2020-2022)

Revenue	2020			2021		
	Budget	Actual	Performance	Budget	Actual	Performance
GOVERNMENT SHARE OF FAAC (STATUTORY REVENUE)	47,293,313,346.52	48,612,616,150.15	102.79%	75,697,045,222.23	46,947,670,365.91	62.02%
GOVERNMENT SHARE OF VAT	17,879,043,585.36	14,892,602,066.00	83.30%	12,925,776,176.00	21,386,339,168.54	165.45%
TAX REVENUE	14,944,467,854.90	15,954,785,505.45	106.76%	15,200,937,000.00	18,648,913,729.13	122.68%
NON-TAX REVENUE	9,300,295,999.96	8,495,333,022.37	91.34%	9,287,195,248.49	11,814,904,995.76	127.22%
AIDS & GRANTS	12,707,484,078.86	10,279,125,285.00	80.89%	10,475,715,003.28	3,936,555,257.53	37.58%
INVESTMENT INCOME & INTEREST EARNED	998,999,999.96	398,347,665.06	39.87%	290,000,000.00	322,805,954.01	111.31%
WITHHOLDING TAX REFUND FROM FGN	1,000,000.00	0	0.00%	0	0	0
TRANSFER FROM OTHER GOVT. ENTITIES	8,000,000,000.00	5,841,266,900.64	73.02%	0	0	0
FOREX ACCOUNT STABILISATION/EXCESS CHARGES REFUND	313,230,745.22	0	0.00%	0	0	0
GAIN ON DISPOSAL OF ASSET	0	0	0	5,500,000,000.00	0	0.00%
HEALTH INSURANCE CONTRIBUTION	0	0	0	590,000,000.00	0	0.00%
CASH RESERVES/ROLLOVER	0	0	0	16,763,282,735.00	0	0.00%
Total Revenue	111,437,835,610.78	104,474,076,594.67	93.75%	146,729,951,385.00	103,057,189,470.88	70.24%
DEBT/DEFICIT FINANCING	40,000,164,389.22	29,996,079,345.70	74.99%	28,143,354,140.32	16,403,798,294.14	58.29%
TOTAL RECEIPT	151,438,000,000.00	134,470,155,940.37	88.80%	174,873,305,525.32	119,460,987,765.02	68.31%

Ondo State was able to grow its tax revenue by 16.89% from N15.95 billion in 2020 to N18.7 billion, and marginally 4.26% to N19.1 billion in 2022. Its non-tax revenue followed a pattern with a 39.08% growth in 2021 and a 4.89% growth in 2022. Similarly, the states share of statutory revenue and VAT grew year on year from 2020 to 2021 and 2022. However, the total revenue of the state declined slightly by 1.36% from N104.5 billion in 2020 to N103.1 billion in 2021, but increased sharply by 37.12% from 2021 to N141.3 billion in 2022. A look at the revenue performance in Table 42 shows that just as the government exceeded its tax revenue projections by 6.76%, 22.68%, and 1.73% in 2020, 2021 and 2022 respectively, it realised 91.34% of its non-tax revenue projections in 2020, 127.22% in 2021 and 107.68% in 2022. Its deficit financing

Ondo State

component fluctuated year on year during the review period, as it dropped by 45.31% in 2021 and increased by 29.44% in 2022.

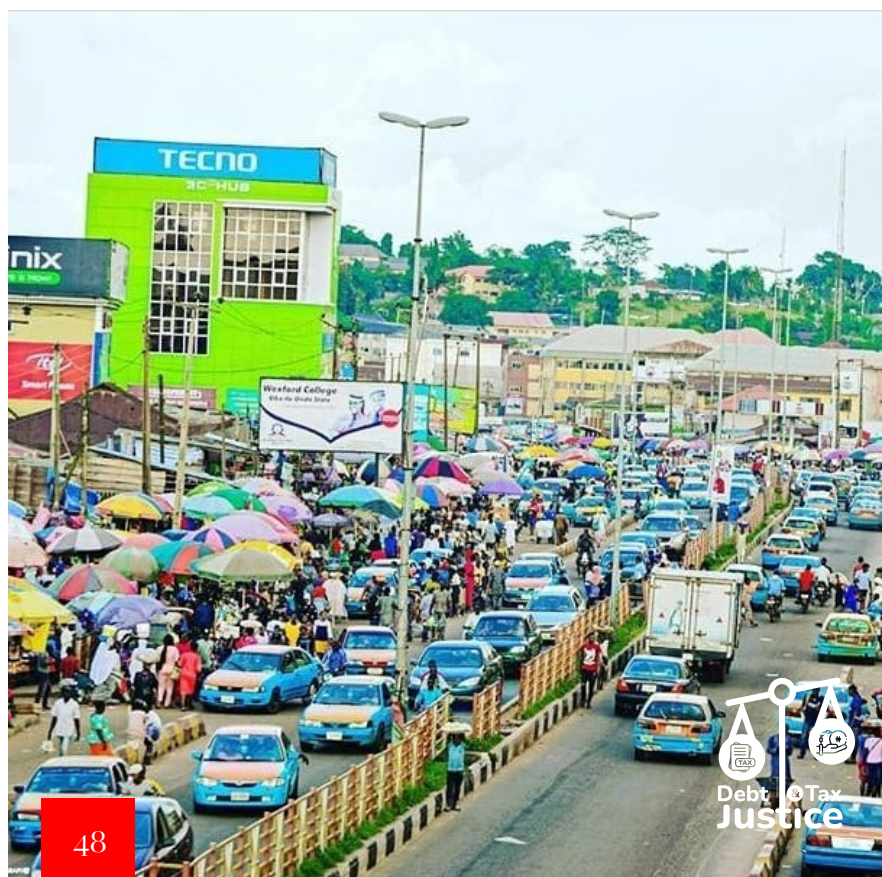
2022		
Budget	Actual	Performance
60,123,044,448.00	66,040,887,724.68	109.84%
12,120,000,000.00	25,925,646,253.34	213.91%
19,112,205,000.04	19,443,749,914.48	101.73%
11,508,599,154.87	12,392,390,724.12	107.68%
9,798,515,000.00	13,468,890,825.69	137.46%
325,000,000.00	524,913,479.94	161.51%
0	0	0
0.00	3,514,635,449.92	#DIV/0!
20,790,000,000.00	0	0.00%
0	0	0
0	0	0
17,680,564,548.78	0	0.00%
151,457,928,151.69	141,311,114,372.17	93.30%
47,278,508,848.31	21,233,321,683.41	44.91%
198,736,437,000.00	162,544,436,055.58	81.79%



Table 43: Ondo State Expenditure Performance (2020-2022)

Expenditure	2020			2021			Budget
	Budget	Actual	Performance	Budget	Actual	Performance	
Personnel Costs	40,059,974,547.92	38,100,745,402.92	95.11%	38,730,539,825.11	37,713,162,350.00	97.37%	45,262,253,262.40
Social Benefits	10,650,800,000.00	10,349,374,779.52	97.17%	10,915,880,000.00	10,009,645,189.10	91.70%	14,217,000,000.00
Overhead Cost	17,270,672,857.00	17,236,313,425.76	99.80%	18,984,569,750.00	13,994,818,786.63	73.72%	21,985,628,600.00
Grants & Contributions	8,340,955,000.00	5,385,433,319.28	64.57%	9,838,400,000.00	9,048,249,871.49	91.97%	10,390,935,000.00
Allawance and contribution	0.00	0.00	0.00%	0.00	0.00	0.00%	730,000,000.00
Non Capital Cost	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00
Bad Debts Charges	1,500,000,000.00	1,475,915,614.12	98.39%	0.00	0.00	0.00%	0.00
Public Debt Charges/LOAN REPAYMENT	17,200,000,000.00	17,180,762,202.55	99.89%	13,632,855,034.70	4,458,799,093.14	32.71%	13,871,685,000.00
Transfer to other Government Entities	5,060,308,663.20	4,373,178,356.28	86.42%	12,240,588,280.46	4,259,468,167.81	34.80%	15,789,996,411.00
Capital Expenditure	51,355,288,931.88	40,368,432,839.94	78.61%	69,915,484,356	39,976,844,307	57.18%	77,034,938,727
Total Expenditure	151,438,000,000.00	134,470,155,940.37	88.80%	174,258,317,246.27	119,460,987,765.17	68.55%	199,282,437,000.40

The debt service component of Ondo State expenditure was 74.05% in 2021 from N17.2 billion in 2020 to N4.3 billion in 2021, but rose by a whopping 341.16% to N19.7 billion in 2022. Its personnel cost has remained relatively stable, having declined marginally by 1.02% in 2021 and increased by 3.99% in 2022. Its overhead cost increased 48.72% from N13.99 billion in 2021 to N20.8 billion in 2022. The state's actual capital expenditure was 33.46% of its total budget in 2022, 38.66% in 2021 and 31.93% in 2022. Budget performance displayed on Table 43 shows that 78.61% of the capital expenditure was implemented in 2020, 57.18% in 2021 and 67.37% in 2022. The state's total expenditure performance was 88.8% in 2020, 68.6% in 2021 and 81.56% in 2022.



Ondo State

2022	
Actual	Performance
39,216,652,970.86	86.64%
14,001,354,063.20	98.48%
20,812,432,256.44	94.66%
7,566,182,642.00	72.82%
498,982,678.13	68.35%
3,581,483,637.04	#DIV/0!
0.00	0.00%
19,670,538,790.25	141.80%
5,295,384,846.75	33.54%
51,901,424.171	67.37%
162,544,436,055.67	81.56%

Table 44: Ondo State Revenue Growth (2020-2022)

Year on Year Growth	2020-2021	2021-2022
GOVERNMENT SHARE OF FAAC (STATUTORY REVENUE)	-3.42%	40.67%
GOVERNMENT SHARE OF VAT	43.60%	21.23%
TAX REVENUE	16.89%	4.26%
NON-TAX REVENUE	39.08%	4.89%
AIDS & GRANTS	-61.70%	242.15%
INVESTMENT INCOME & INTEREST EARNED	-18.96%	62.61%
Total Revenue	-1.36%	37.12%
DEBT/DEFICIT FINANCING	-45.31%	29.44%
TOTAL RECEIPT	-11.16%	36.06%

Table 45: Ondo State Expenditure Growth (2020-2022)

Expenditure	2020-2021	2021-2022
Year on Year Growth	2020-2021	2021-2022
Personnel Costs	-1.02%	3.99%
Social Benefits	-3.28%	39.88%
Overhead Cost	-18.81%	48.72%
Grants & Contributions	68.01%	-16.38%
Bad Debts Charges	-100.00%	#DIV/0!
Public Debt Charges/LOAN REPAYMENT	-74.05%	341.16%
Transfer to other Government Entities	-2.60%	24.32%
Capital Expenditure	-0.97%	29.83%
Total Expenditure	-11.16%	36.06%

Table 46: Ondo State Fiscal Balance (2020-2022)

2020		2021		2022	
Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)
-40,000,164,389.22	-29,996,079,345.70	-27,528,365,861.27	-16,403,798,294.29	-47,824,508,848.71	-21,233,321,683.50

Ondo State

Debt Outlook

Table 47: Ondo State Debt Profile Trend (2018-2022)

	2018	2019	2020	2021	2022
Domestic Debt	49,123,506,028	67,502,414,614	74,663,201,246	63,812,139,549.89	77,150,360,913.76
Foreign Debt	24,361,907,801	25,331,920,708	33,224,913,274	36,207,402,380	40,807,125,554
Total Debt	73,485,413,829	92,834,335,322	107,888,114,520	100,019,541,929.46	117,957,486,467.26

v

Ondo's total debt stock grew by 60.52% from N73.5 billion in 2018 to N117.96 billion in 2022. Although its foreign loan (in dollar terms) increased by 13.56% from \$79.9 million in 2018 to \$90.7 million in 2022, its foreign debt (in naira terms) grew by 67.5% from N24.4 billion to N40.8 billion over the same period, caused by the depreciation of the naira in relation to the dollar.

Table 48: Ondo State Foreign Debt (2018-2022)

	2018	2019	2020	2021	2022
Foreign Debt in USD	\$79,854,005.14	\$82,810,320.85	\$87,433,982.30	\$87,671,377.95	\$90,682,501.23

Table 49: Ondo State Year-on-Year Debt Growth (2018-2022)

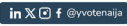
Year-on-Year Growth	2018-2019	2019-2020	2020-2021	2021-2022	2018-2022
Domestic Debt	37.41%	10.61%	-14.53%	20.90%	57.05%
Foreign Debt	3.98%	31.16%	8.98%	12.70%	67.50%
Total Debt	26.33%	16.22%	-7.29%	17.93%	60.52%



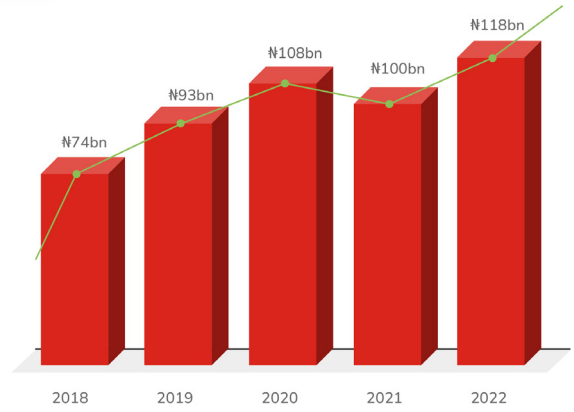
5 YEARS ONDO'S DEBT TREND



Source: Debt Management Office



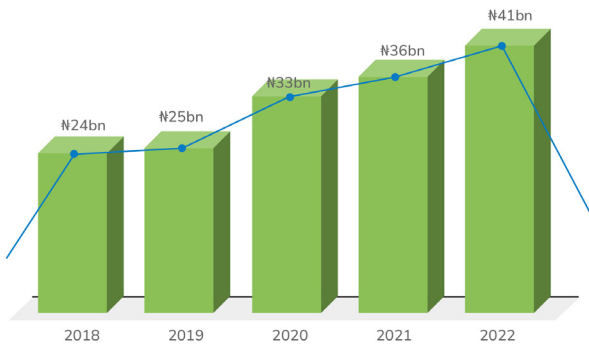
5 YEARS ONDO'S TOTAL DEBT TREND



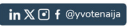
Source: Debt Management Office



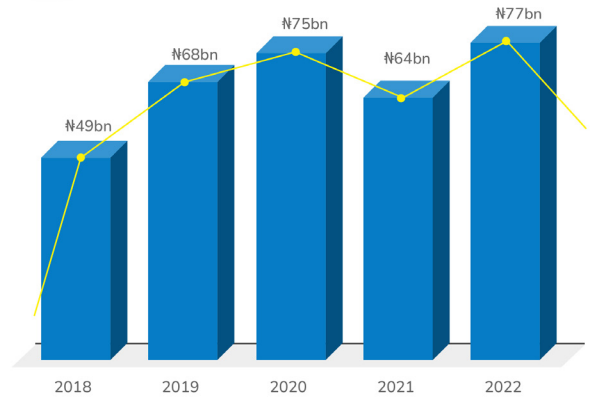
5 YEARS ONDO'S FOREIGN DEBT TREND



Source: Debt Management Office



5 YEARS ONDO'S DOMESTIC DEBT TREND



Source: Debt Management Office



Table 50: Ondo State Debt Sustainability Scorecard

Debt Sustainability Assessment	2020	2021	2022	Threshold	Low Risk	Medium Risk	High Risk
Debt to Revenue Ratio	103.27%	97.05%	83.47%	200%	below 100%	100%-200%	Above 200%
Debt Service to Revenue Ratio	16.45%	4.33%	13.92%	50%	below 25%	25%-50%	Above 50%
Debt Service to Gross FAAC Ratio	27.05%	6.53%	21.39%	70%	below 35%	35%-70%	Above 70%
Debt to GDP Ratio	2.58%	2.10%	2.15%	40%	below 20%	20%-40%	Above 40%
Personnel Cost to Revenue Ratio	46.38%	46.31%	37.66%	60%	below 30%	30%-60%	Above 60%
Gross FAAC to Revenue Ratio	60.79%	66.31%	65.08%	50%	below 25%	25%-50%	Above 50%
Fiscal Balance to GDP	-0.72%	-0.58%	-0.39%	15%	below 7.5%	7.5%-15%	Above 15%
Public Debt in Foreign Currency	30.80%	36.20%	34.59%	60%	below 30%	30%-60%	Above 60%

Ondo State, like the bulk of states in Nigeria, have remained significantly reliant on federal transfers for a significant part of their revenues. Its Gross FAAC to revenue ratios of 60.79%, 66.31%, and 65.08% in 2021, 2022, and 2023 respectively, were below the DMO recommended threshold of 50%. Public debt in foreign currency seems to be at moderate levels, as the state recorded 30.8% in 2020, 36.2% in 2021 and 34.6% in 2022. However, the state needs to continue to reduce the ratio of its public debt in foreign currency to guard itself against exchange rate volatility and an erosion of its hard-earned revenue. Commendably, its debt service to revenue ratio, debt service to Gross FAAC ratio, debt to GDP ratio, and fiscal balance to GDP ratio are within sustainable limits as they are below the recommended threshold.





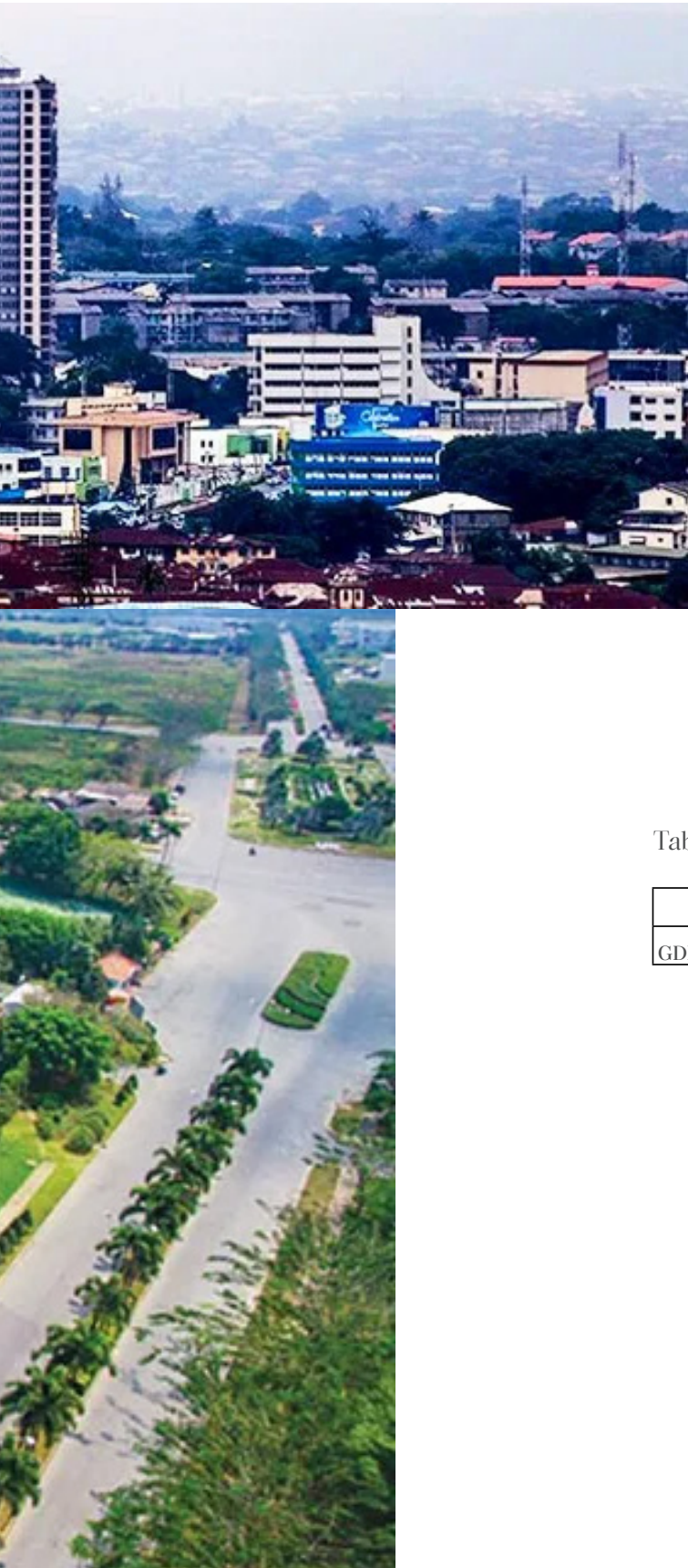
Oyo State

Introduction

Oyo State was created in February, 1976 from the Old Western Region of Nigeria. It is one of the six states that make up the southwest geopolitical zone of Nigeria. The State population in 2022 stands at 7.98 million people. It covers approximately an area of 28,245 square kilometers bounded by Ogun State in the South, Kwara State in the North, Osun State in the East, and in the West by Ogun State and the Republic of Benin. The climate is equatorial, notably with dry and wet seasons with relatively high humidity. Oyo State is one of the highly urbanized and cosmopolitan States in Nigeria.¹⁹



19 <https://oyostate.gov.ng/about-oyo-state/>



Economic Context

Agriculture is the main occupation of the people of Oyo State. The climate in the State favours the cultivation of crops like maize, yam, cassava, millet, rice, plantain, cocoa, palm produce, cashew, etc. There are a number of government farm settlements in Fasola, Ipapo, Ilora, Eruwa, Ogbomosho, Iresaadu, Ijaiye, Akufo and Lalupon. There is an abundance of clay, kaolin and aquamarine. There are also cattle ranches at Saki, Fasola and Ibadan and the Oyo State Agricultural Development Programme (OSADEP) with headquarters in Saki. A number of international and Federal agricultural establishments are located in the State, such the International Institute of Tropical Agriculture (IITA), Cocoa Research Institute of Nigeria (CRIN), National Institute of Horticulture and Training (NIHORT) etc.²⁰

Table 51: Oyo Gross Domestic Product (2020-2022)

	2020	2021	2022
GDP	3,111,007,000,000	3,551,143,000,000	4,081,358,000,000

²⁰ *Ibid.*

Fiscal Context

Table 52: Oyo State Revenue Performance (2020-2022)

Revenue	2020			2021	
	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)
STATUTORY ALLOCATIONS :FAAC	29,631,071,762.00	38,017,645,385.67	128.30%	55,000,000,000.00	39,715,910,000.00
VALUE ADDED TAX ALLOCATION	27,640,511,000.46	23,241,086,522.59	84.08%	25,000,000,000.00	39,688,300,000.00
DIRECT TAXES	33,621,623,761.05	30,534,173,283.66	90.82%	55,049,027,964.66	33,488,300,000.00
LICENCES	1,112,070,690.20	1,508,513,078.95	135.65%	4,096,866,227.50	2,075,630,000.00
FEES	7,301,803,875.58	2,521,853,814.44	34.54%	15,028,494,248.80	12,655,700,000.00
FINES	497,912,966.16	159,613,637.64	32.06%	986,000,000.00	107,890,000.00
SALES	2,703,369,957.01	1,325,336,328.84	49.03%	4,441,563,772.50	1,938,120,000.00
EARNINGS	1,009,965,000.00	967,677,737.28	95.81%	5,084,620,000.00	1,465,320,000.00
SALES/RENT OF GOVERNMENT BUILDINGS	20,040,000.00	3,549,775.00	17.71%	36,210,000.00	7,182,500.00
SALE/RENT ON LANDS AND OTHERS	3,135,226,500.00	911,330,704.02	29.07%	2,080,400,000.00	343,360,000.00
REPAYMENT :GENERAL	5,000,000.00	40,556,893.30	81.14%	5,000,000.00	51,800,000.00
INVESTMENT INCOME	168,195,000.00	69,624,597.70	41.40%	32,900,000.00	25,176,000.00
INTEREST EARNED	3,000,000.00	503,185.64	16.77%	3,000,000.00	0.00
Aids and Grants	3,100,000,000.00	3,648,946,285.20	117.71%	4,500,000,000.00	793,970,000.00
Total Revenue	109,949,790,512.46	102,950,411,229.93	93.63%	171,344,082,213.46	132,357,100,000.00
Other Receipts	4,893,185,598.00	11,626,693,160.21	237.61%	0	79,619,700,000.00
Total Receipt	114,842,976,110.46	114,577,104,390.14	99.77%	171,344,082,213.46	211,976,800,000.00

Oyo's total revenue grew by 28.56% from N102.95 billion in 2020 to N132.4 billion in 2021, further increased by 9.77% from N132.4 billion in 2021 to N145.3 billion in 2022. Disaggregated, revenue earned from direct taxes has had an unsteady growth within the review period, as its direct taxes grew by 9.68% in 2021 but fell by 1.12% in 2022. Statutory allocation from the federal government to Ondo State slightly increased from N38 billion in 2020 to N39.7 billion in 2021 and N42.6 billion in 2022. Similarly, VAT accruing to the state increased significantly by 70.77% in 2021 and 19.66% in 2022. Despite the increase in government's revenue, its capital receipt, which includes borrowing, increased astronomically by 584.8% from N11.6 billion in 2020 to N79.6 billion in 2021 and further increased by 10.61% from 2021 to N88.1 billion in 2022.

		2022		
(N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance
14,338.36	72.21%	50,000,000,000.00	42,578,599,041.04	85.16%
95,260.44	158.75%	40,000,000,000.00	47,491,454,096.16	118.73%
512,513.74	60.83%	44,095,110,678.25	33,114,520,290.96	75.10%
50,761.60	50.66%	4,060,728,527.00	1,315,830,124.40	32.40%
39,287.93	84.21%	15,547,981,746.75	11,379,781,668.06	73.19%
9,031.89	10.94%	800,575,000.00	250,425,382.06	31.28%
6,870.69	43.64%	2,585,386,590.00	1,684,405,808.76	65.15%
72,518.67	28.82%	8,162,105,000.00	2,325,506,360.55	28.49%
500.00	19.84%	11,390,000.00	10,633,551.00	93.36%
3,686.96	16.50%	1,314,475,100.00	309,519,244.96	23.55%
5,211.89	1036.12%	20,000,000.00	21,270,638.00	106.35%
1,157.00	76.52%	18,000,000.00	1,820,371.28	10.11%
0	0.00%	3,000,000.00	0	0.00%
7,343.29	17.64%	5,500,000,000.00	4,802,005,258.74	137.20%
51,482.46	77.25%	170,118,752,642.00	145,285,771,835.97	85.40%
42,218.54	#DIV/0!	0	88,064,794,612.73	#DIV/0!
93,701.00	123.71%	170,118,752,642.00	233,350,566,448.70	137.17%

₦4.08tn

Oyo State's GDP

9.75%

2022 Total Revenue increase from 2021

₦198.7bn

Total Debt in 2022



Table 53: Oyo State Expenditure Performance (2020-2022)

Expenditure	2020			2021		
	Budget (N' 000)	Actual (N' 000)	Performance	Budget (N' 000)	Actual (N' 000)	Performance
PERSONNEL COSTS (INCLUDING SALARIES ON CRF CHARGES)	37,173,764,277	34,889,033,582	93.85%	40,511,211,280.89	45,109,085,653.89	111.35%
FEDERAL/STATES/LGC GOVT CONTRIBUTION TO PENSION	830,000,000	204,242,683	24.61%	0	0	0.00%
OVERHEAD CHARGES	17,968,918,682	14,214,231,533	79.10%	17,799,078,865.95	30,690,860,720.00	172.43%
CONSOLIDATED REVENUE FUND CHARGES (INCL. SERVICE WIDE VOTES)	36,257,984,916	35,934,718,982	99.11%	45,739,406,017.61	46,845,000,000.00	107.10%
SUBVENTION TO PARASTATALS	17,504,431,756	16,595,104,403	94.81%	17,131,735,035.23	20,557,735,190.48	120.00%
OTHER OPERATING ACTIVITIES (JAAC)	800,000,000	200,000,000	25.00%		0	0.00%
CAPITAL EXPENDITURE	68,282,353,610	34,927,848,642	51.15%	179,968,283,295.63	61,161,387,619.36	33.98%
LOAN REPAYMENT	16,220,926,111	12,355,129,082	76.17%	14,300,000,000	20,633,974,353	144.29%
TOTAL EXPENDITURE	195,038,379,352	149,320,308,907	76.56%	313,449,714,495.31	224,998,043,536.73	71.78%

As seen in Table 53, Oyo state recorded a significant total expenditure growth of 50.68% from N149.3 billion in 2020 to N225 billion in 2021, and a decline of 5.87% from N225 billion in 2021 to N211.8 billion in 2022. The state's prioritisation of capital expenditure remains poor as just less than 30% of the total expenditure, for the three under review, was focused capital expenditure. Except in 2020 when spent 76.17% of its projection for loan repayment, the State 144.29% of its approved budget for loan repayment in 2021 and 139.33% in 2022. In nominal terms, the state's loan repayment grew by 67.01% in 2021 and 39.33% in 2022. Interestingly, Oyo's overhead cost 115.92% from N14.2 billion in 2022 to N30.7 billion in 2021, but dropped by 52.8% to N14.5 billion in 2022.



Table 54: Oyo State Revenue Growth (2020-2022)

2022		
Budget (N' 000)	Actual (N' 000)	Performance
49,292,843,633.94	44,510,586,312.04	90.30%
0	0	0.00%
28,939,064,478.00	14,486,050,299.25	50.06%
46,975,000,000.00	48,452,223,249.19	103.14%
19,819,540,274.00	15,879,140,984.23	80.12%
0	0	0.00%
153,178,136,971.00	59,716,941,632.05	38.99%
20,633,974,352.94	28,749,803,539.94	139.33%
318,838,559,709.88	211,794,746,016.70	66.43%

Revenue	2020-2021	2021-2022
Year on Year Growth		
STATUTORY ALLOCATIONS :FAAC	4.47%	7.21%
VALUE ADDED TAX ALLOCATION	70.77%	19.66%
DIRECT TAXES	9.68%	-1.12%
LICENCES	37.59%	-36.61%
FEES	401.84%	-10.08%
FINES	-32.40%	132.09%
SALES	46.24%	-13.09%
Aids and Grants	-78.24%	504.80%
Other Receipts	584.80%	10.61%
Total Revenue	28.56%	9.77%

Table 55: Oyo State Expenditure Growth (2020-2022)

Expenditure	2020-2021	2021-2022
Year on Year Growth		
PERSONNEL COSTS (INCLUDING SALARIES ON CRF CHARGES)	29.29%	-1.33%
FEDERAL/STATES/LGC GOVT CONTRIBUTION TO PENSION	-100.00%	0.00%
OVERHEAD CHARGES	115.92%	-52.80%
CONSOLIDATED REVENUE FUND CHARGES (INCL. SERVICE WIDE VOTES)	30.36%	3.43%
SUBVENTION TO PARASTATALS	23.88%	-22.76%
OTHER OPERATING ACTIVITIES (JAAC)	-100.00%	0.00%
CAPITAL EXPENDITURE	75.11%	-2.36%
LOAN REPAYMENT	67.01%	39.33%
TOTAL EXPENDITURE	50.68%	-5.87%

Seyi Makinde

Executive Governor, Oyo State



Table 56: Oyo State Fiscal Balance (2020-2023)

2020		2021		2022	
Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)	Budget (N' 000)	Actual (N' 000)
-85,088,588,840.00	-46,369,897,677.13	-142,105,632,281.85	-92,640,892,054.27	-148,719,807,067.88	-66,508,974,180.73

Debt Outlook

Table 57: Oyo State Debt Profile Trend (2018-2022)

	2018	2019	2020	2021	2022
Domestic Debt	91,515,756,366	91,567,943,904	94,496,184,530	142,561,877,915.91	161,180,878,265.05
Foreign Debt	32,032,664,747	30,650,557,334	31,806,088,350	35,214,673,768	32,506,255,548
Total Debt	123,548,421,114	122,218,501,238	126,302,272,880	177,776,551,684.36	193,687,133,813.05

Table 57 shows that Oyo State grew its total debt stock by 56.77% from N123.6 billion in 2018 to N198.7 billion in 2022. The state appeared to have increased its domestic borrowing but reduced its foreign borrowing (in dollar terms). It is evident, as seen in Table 58 and 59, that while the state's dollar denominated loan decreased from \$105 million in 2018 to N72.2 million in 2022, its value in naira terms increased marginally by 1.48% from N32 billion in 2018 to N32.5 billion in 2022.



Table 58: Oyo State Foreign Debt (2018-2022)

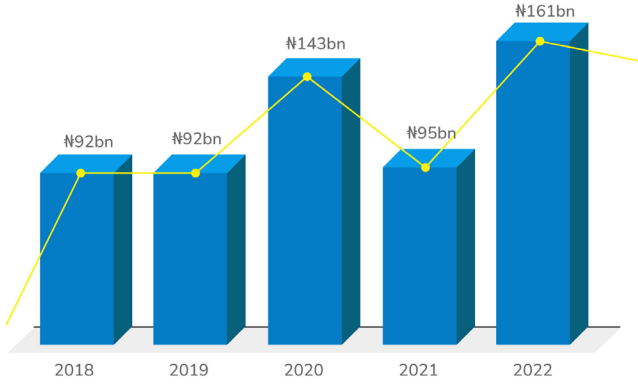
	2018	2019	2020	2021	2022
Foreign Debt in USD	\$104,997,383.47	\$100,197,001.10	\$83,700,232.50	\$85,267,618.51	\$72,236,123.44

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Source: Debt Management Office



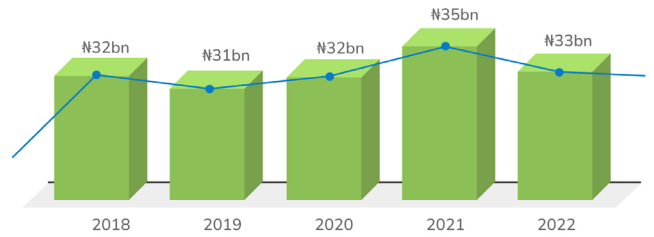
5 YEARS
OYO'S DOMESTIC
DEBT TREND



Source: Debt Management Office



5 YEARS
OYO'S FOREIGN
DEBT TREND



Source: Debt Management Office

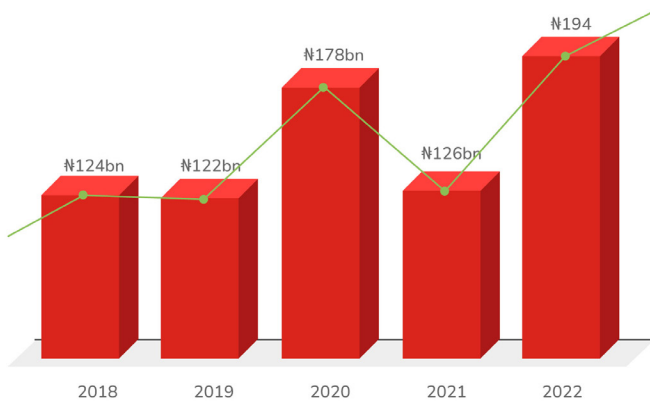


Table 59: Oyo State Year-on-Year Debt Growth (2018-2022)

Year-on-Year Growth	2018-2019	2019-2020	2020-2021	2021-2022	2018-2022
Domestic Debt	0.06%	3.20%	50.87%	13.06%	76.12%
Foreign Debt	-4.31%	3.77%	10.72%	-7.69%	1.48%
Total Debt	-1.08%	3.34%	40.75%	8.95%	56.77%



5 YEARS
OYO'S TOTAL
DEBT TREND



Source: Debt Management Office



Table 60: Oyo State Debt Sustainability Scorecard

Debt Sustainability Assessment	2020	2021	2022	Threshold	Low Risk	Medium Risk	High Risk
Debt to Revenue Ratio	122.68%	134.32%	133.31%	200%	below 100%	100%-200%	Above 200%
Debt Service to Revenue Ratio	12.00%	15.59%	19.79%	50%	below 25%	25%-50%	Above 50%
Debt Service to Gross FAAC Ratio	20.17%	25.99%	31.92%	70%	below 35%	35%-70%	Above 70%
Debt to GDP Ratio	4.06%	5.01%	4.75%	40%	below 20%	20%-40%	Above 40%
Personnel Cost to Revenue Ratio	33.89%	34.08%	30.64%	60%	below 30%	30%-60%	Above 60%
Gross FAAC to Revenue Ratio	50.50%	50.00%	62.00%	50%	below 25%	25%-50%	Above 50%
Fiscal Balance to GDP		-2.61%	-1.63%	15%	below 7.5%	7.5%-15%	Above 15%
Public Debt in Foreign Currency	25.18%	19.81%	16.78%	60%	below 30%	30%-60%	Above 60%



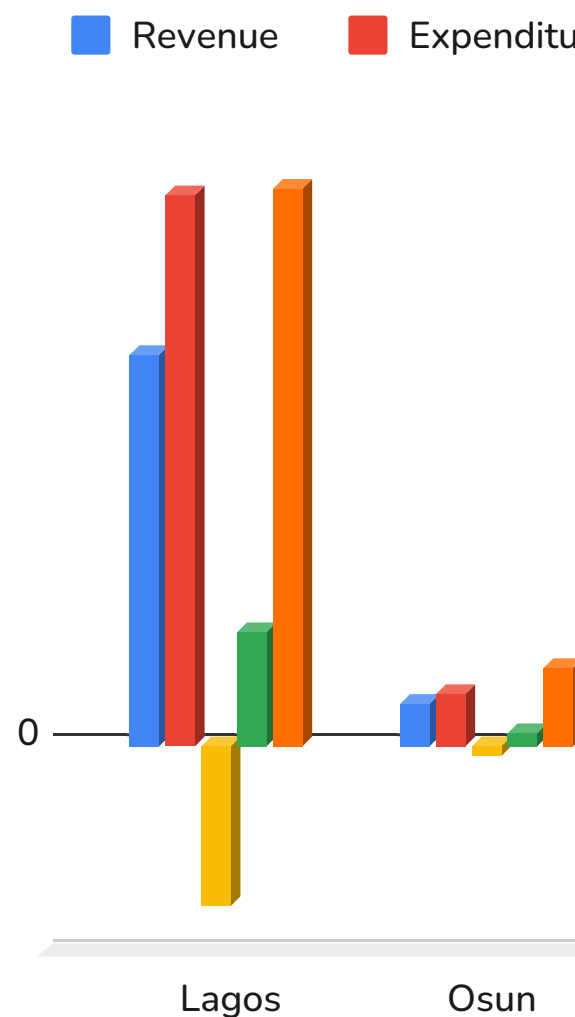
Oyo State appears to have a healthy debt regime as its debt service to revenue ratio of 12%, 15.59% and 19.79% in 2020, 2021 and 2022 respectively are well below the recommended threshold of 50%. Similarly, the debt service to Gross FAAC ratio of the State which stayed at 31.92% in 2022 is more than 35% below the recommended threshold of 70%. Public debt in foreign currency of the state declined from 25.18% in 2020 to 19.81% in 2021 and 16.78%, which keeps the state at low risk and within sustainable limits. However, the state needs to continue ongoing revenue mobilisation reforms to reduce its reliance on federal transfers which continues to grow as seen with the growth from 59.5% in 2020 to 59.99% in 2021, and 62% in 2022, all above the DMO recommended threshold of 50%.

Comparative Analysis of Southwest States

Table 61: 2022 Fiscal Performance of the Southwest States

State	Revenue	Expenditure	Fiscal Deficit	Debt Service	Total Debt Stock
Lagos	961,174,120,000	1,357,368,992,000	-396,194,872,000	280,493,805,000	1,369,736,317,000
Osun	102,088,085,251	129,578,117,191.44	-27,490,031,940	28,445,660,838.10	189,667,439,644
Ekiti	103,939,891,824.60	115,373,691,931.32	-11,433,800,106.72	22,306,824,117.98	164,662,895,592.50
Ogun	216,632,088,167	309,624,740,727	-92,992,652,561	27,866,588,149	331,766,908,594
Ondo	141,311,114,372	162,544,436,056	-21,233,321,684	19,670,538,790	117,957,486,467
Oyo	145,285,771,835.97	211,794,746,017	-66,508,974,180.73	28,749,803,540	193,687,133,813.05

Table 61 reveals the total revenue earned by Lagos State in 2022 is 35.5% more than the cumulative revenues of the five other southwest states. In the same manner, the total expenditure of Lagos State in 2022 is 46% more than the cumulative expenditure of the five other southwest states in the same fiscal year. With a total debt stock of N1.37 trillion, the debt of Lagos State is N372 billion more than the debt owed by the five other southwest states put together. Furthermore, the debt service of Lagos State in 2022 was 120.8% more than the cumulative debt service of the five other southwest states. Ondo state, with a debt service of N19.67 billion, spent the least on debt service in the 2022 fiscal year. Similarly, Ondo State has the least public debt figure in the region, a total of N117.96 billion. It also has the least debt servicing figure of N19.6 billion. Ogun state has the second largest debt figure in the region, a total of N331.7 billion, followed by Oyo, Osun and Ekiti. These states also spend huge parts of their revenue to service these huge public debts. Ironically these are states with poor revenue generation capacity.



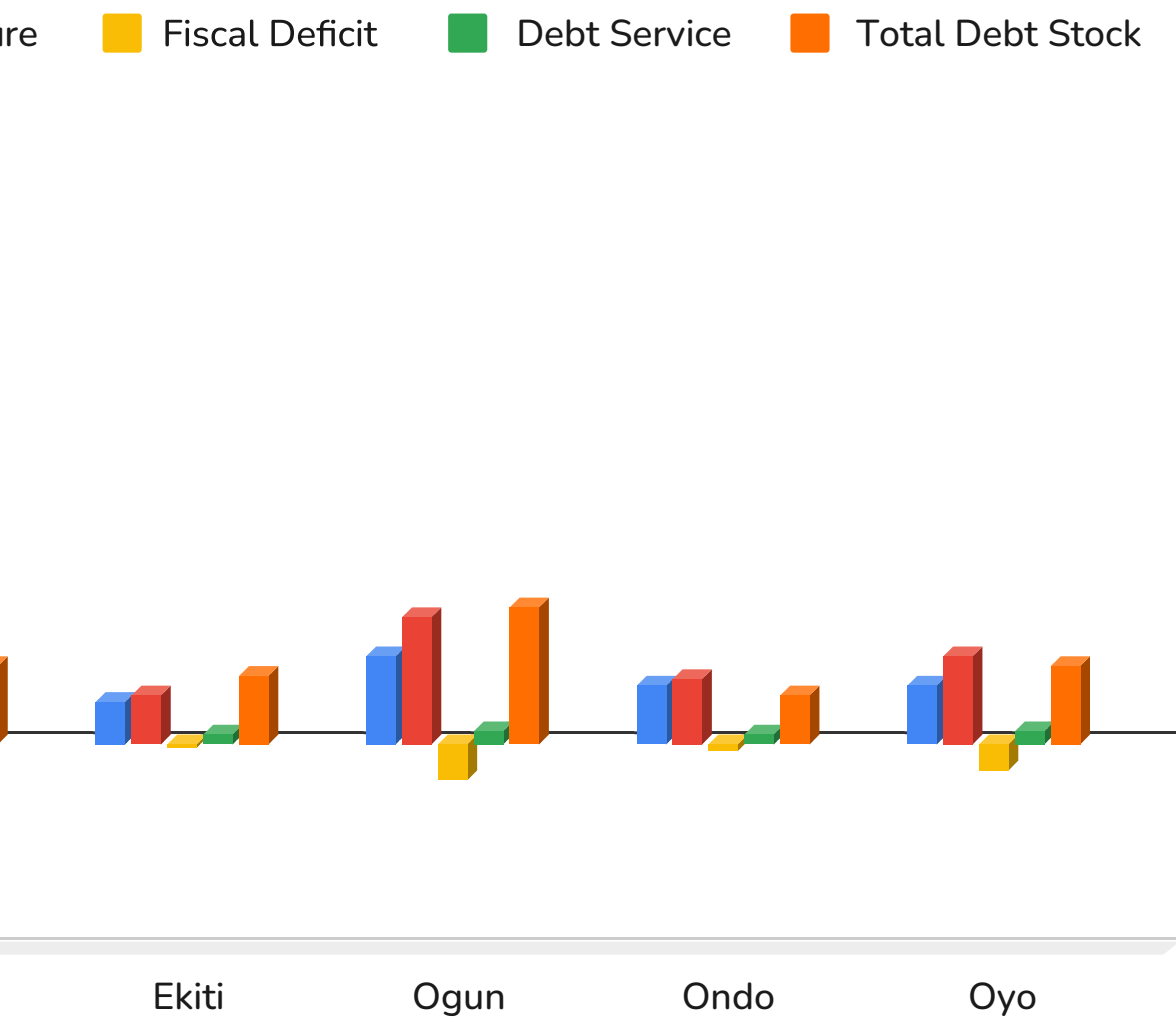


Table 62: 2022 Per Capita Analysis

State	Population	Revenue (naira)	Expenditure (naira)	Fiscal Deficit (naira)	Debt Service (naira)	Total Debt Stock (naira)
Lagos	13,491,804	71,241	100,607	-29,366	20,790	101,524
Osun	4,435,803	23,015	29,212	-6,197	6,413	42,758
Ekiti	3,592,163	28,935	32,118	-3,183	6,210	45,839
Ogun	6,379,532	33,957	48,534	-14,577	4,368	52,005
Ondo	5,316,603	26,579	30,573	-3,994	3,700	22,187
Oyo	7,976,081	18,215	26,554	-8,339	3,605	24,283

On a per capita basis, having earned N71,241, Lagos State earned the highest revenue in 2022. Oyo state on the other hand earned the lowest revenue per capita among the six southwest states. In a similar fashion, Lagos State spent the most per capita, while Oyo state spent the least. On debt service per capita as well, Lagos led the table, having spent 20,790 per

capita to service its debt in 2022. Residents of Lagos are the most indebted, as each resident owed N101,524 in 2022, if the total debt was to be divided amongst the total population of Lagos State. Ondo on the other hand, had the least debt stock per capita among the six southwest states.

■ Revenue ■ Expenditure ■ Fiscal Deficit ■ Debt Service ■ Total Debt Stock

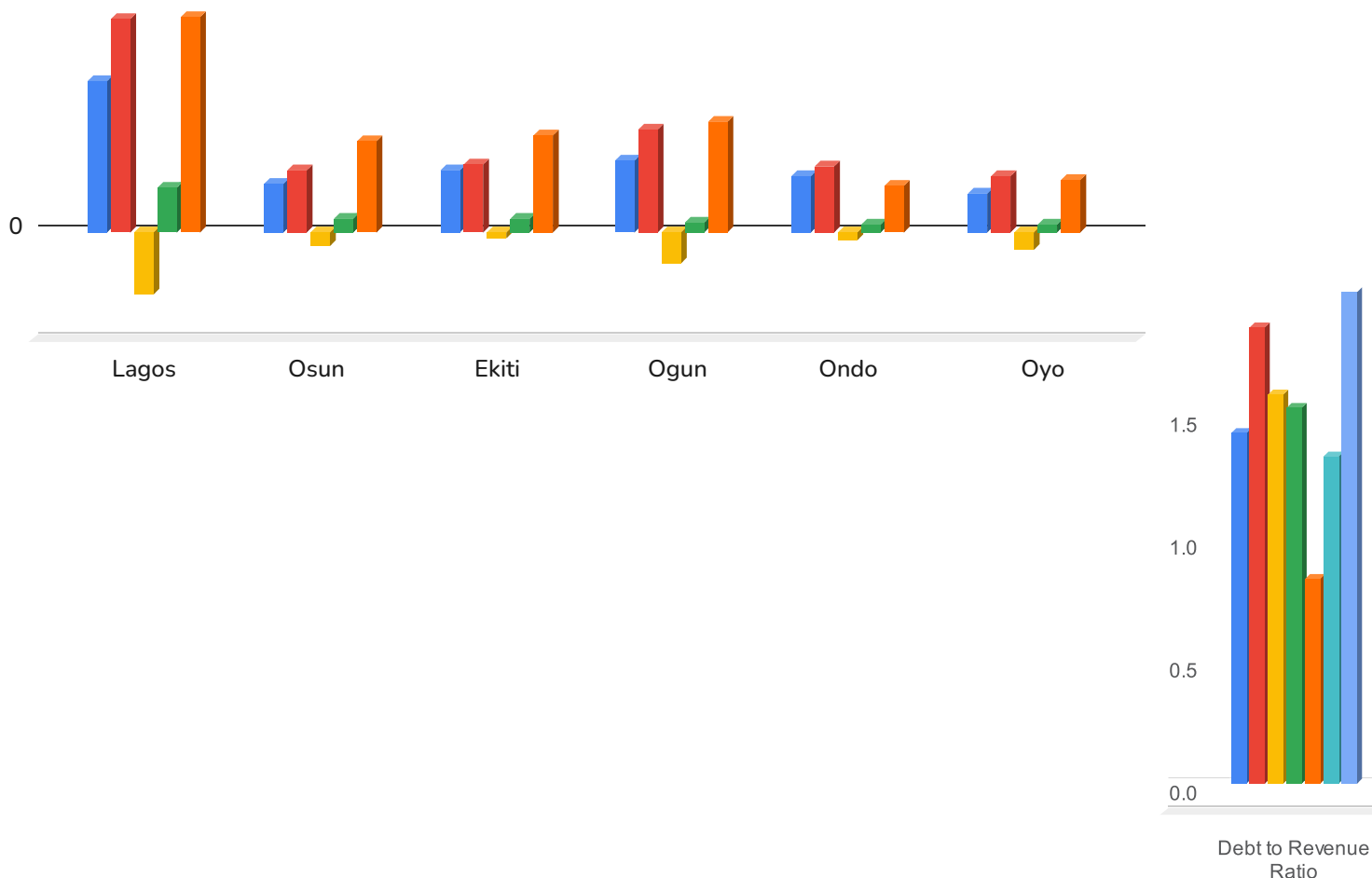


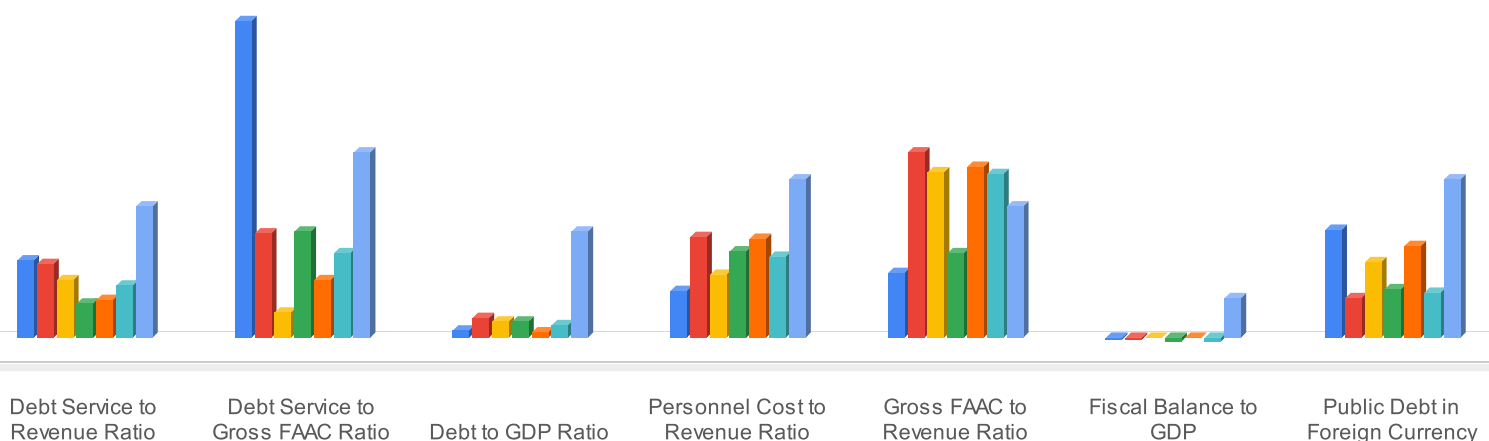
Table 63: 2022 Debt Sustainability Scorecard of the Southwest States

Indicators	Lagos	Osun	Ekiti	Ogun	Ondo	Oyo	Threshold
Debt to Revenue Ratio	142.51%	185.79%	158.42%	153.15%	83.47%	133.31%	200%
Debt Service to Revenue Ratio	29.18%	27.86%	21.46%	12.86%	13.92%	19.79%	50%
Debt Service to Gross FAAC Ratio	120.33%	39.76%	9.70%	40.05%	21.39%	31.92%	70%
Debt to GDP Ratio	2.93%	7.43%	6.35%	5.91%	2.15%	4.75%	40%
Personnel Cost to Revenue Ratio	17.55%	37.89%	23.55%	32.60%	37.66%	30.64%	60%
Gross FAAC to Revenue Ratio	24.25%	70.00%	62.00%	32.12%	65.00%	62.00%	50%
Fiscal Balance to GDP	-0.85%	-1.08%	-0.44%	-1.66%	-0.39%	-1.63%	15%
Public Debt in Foreign Currency	41.07%	15.02%	28.86%	18.48%	34.59%	16.78%	60%

As seen in Table 63, Ondo state is the only state with low risk on debt to revenue ratio. The other five southwest states stand on the medium risk cadre on the same indicator. The debt service to revenue ratio of Ekiti, Ogun, Ondo and Oyo, seem to be sustainable as they are well below the DMO recommended threshold of 50%. Lagos State, stands the only state with a high risk rating on debt service to Gross FAAC ratio, as its ratio 120.33% in 2022 is well above the recommended threshold of 70%. Osun and Ogun have a medium risk rating, while Ekiti, Ondo and Oyo are the most sustainable on the debt service to Gross FAAC ratio indicator. With a personnel cost to revenue ratio of 17.55% and 23.55% in 2022, Lagos and Ekiti state, respectively, stood as the only states with the low risk rating on

personnel cost to revenue indicator. The remaining four other southwest states maintained a medium risk rating. Four states—Oyo, Ondo, Ekiti, Osun—appeared in the red zone on Gross FAAC to revenue ratio because those four had more than 60% of their total revenues through federal transfers, which is above the recommended threshold of 50%. Lagos on the other has the most healthy Gross FAAC to revenue ratio, while Ogun has a moderately healthy Gross FAAC to revenue ratio. Finally, four states—Osun, Ekiti, Ogun, and Oyo—have less than 30% of their public debt in foreign currency, making them less susceptible to exchange rate volatility. The other two states—Lagos and Ondo—need to reduce the ratio of their public debt in foreign currency to below 30%.

■ Lagos ■ Osun ■ Ekiti ■ Ogun ■ Ondo ■ Oyo ■ Threshold





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