



ONDO STATE GOVERNMENT

2026 - 2028

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

Economic and Fiscal Update (EFU),

Fiscal Strategy Paper (FSP) and

Budget Policy Statement (BPS)

November, 2025

Document Control

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

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Abbreviations

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

Section 1

Introduction and Background

1A: Introduction

1. The Ondo State Government is mandated by the State Fiscal Responsibility Law (2017) to prepare a Medium-Term Expenditure Framework (MTEF). This three-year planning document outlines the government's total available resources and how they will be allocated to achieve its social, economic, and developmental goals. The MTEF sets out medium-term fiscal targets and spending priorities, defines the strategies for meeting these targets, and explains the assumptions used in forecasting revenue.

2. The Medium-Term Expenditure Framework (MTEF) is made up of three core components: the Economic and Fiscal Update (EFU), the Fiscal Strategy Paper (FSP), and the Budget Policy Statement (BPS). The EFU provides the fiscal and economic analysis required for effective budget preparation. It is primarily intended for policymakers and decision-makers in Ondo State, especially the State Legislature. In addition, the EFU reviews past and current budget performance and identifies the key factors that influence implementation.

3. Conversely, the Fiscal Strategy Paper (FSP) and the Budget Policy Statement (BPS) serve as essential components of both the MTEF and the annual budget cycle, as they outline the resources available to fund government projects and programs in a fiscally sustainable manner. The FSP provides the overall budget direction for the medium term, highlighting sectoral priorities and emphasizing key policies and projects within each sector. The BPS, on the other hand, sets out the strategic priorities and policy objectives that will guide all levels of government in preparing their budgets for the upcoming year and the medium term.

1A.1 Budget Process

4. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:

- i. Medium Term Fiscal Framework (MTFF);
- ii. Medium Term Budget Framework (MTBF);
- iii. Medium Term Sector Strategies (MTSS).

5. It commences with the conception through planning, preparation, execution, control, monitoring, and evaluation and goes back again to conception for the ensuing year's budget.

1A.2 Summary of Document Content

6. In accordance with global best practices for budgeting, the Ondo State Government's (ODSG) budget preparation cycle begins with the creation of a unified

Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP), and Budget Policy Statement (BPS) for the years 2026–2028.

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

i. The Economic and Fiscal Update provides a retrospective review of key fiscal and economic trends that will affect future public spending;

ii. Establishes medium-term fiscal goals and targets that address topics like taxation, revenue mobilization, public spending levels, deficit financing, and public debt, as detailed in the Fiscal Strategy Paper and MTEF; and

iii. Provide indicative sector envelopes for the period 2026-2028 which constitutes the MTSS.

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

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

9. The FSP is a critical component of the annual budget process and the Ondo State Government's Medium-Term Expenditure Framework (MTEF). It outlines the State's medium-term strategies and priorities, as well as the overarching fiscal objectives that will guide the development of the 2026 budget from a financially sustainable perspective

1A.3 Preparation and Audience

10. This paper aims to provide a knowledgeable basis for the budget preparation cycle of 2026, particularly for all important stakeholders, such as:

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

11. This document is prepared before the 2026 budget preparation period by the Ondo State Government's MYBF (EFU-FSP-BPS) Work Group. This group consists of Ministry of Economic Planning and Budget, Ministry of Finance, Office of the State's Accountant-General, Debt Management Office, Bureau of Statistics and Ondo State Internal Revenue Service. It utilizes data collected from international, national, and state organizations.

1B Background

1B.1 Legislative and Institutional arrangement for PFM

12. Legislative Framework for Public Financial Management in Ondo State- The 1999 Constitution of the Federal Republic of Nigeria (as amended) provides the primary legal foundation for public financial management across the country, including Ondo State. Under Sections 120 and 121, all revenues generated by the Ondo State Government must be paid into the Consolidated Revenue Fund (CRF), which is administered by the State Government. No portion of these revenues may be directed to any other fund unless expressly approved by the State House of Assembly (SHoA) for a specific purpose. Withdrawals from the CRF are permitted only with the authorization of the SHoA through the annual budget or appropriation process. The Governor is responsible for preparing and presenting expenditure estimates for the upcoming financial year to the SHoA. Once approved through an Appropriation Law, the executive branch is empowered to withdraw and utilize the allocated funds from the CRF.

13. In addition to the Nigerian Constitution, Ondo State operates under several laws and guidelines that govern its budget preparation and implementation processes. These include:

- Ondo State Financial Management Law, 2017, which provides the legal basis for the control and management of the State's finances.
- Ondo State Government Financial Regulations and Stores Regulations, 2017, issued pursuant to the Financial Management Law, which offer a comprehensive framework for financial administration. These regulations specify the procedures and responsibilities of financial authorities, including the management of cash books and monthly accounts by sub-accounting officers. They cover a broad range of financial and administrative areas such as revenue management, expenditure authorization and classification, payment processes, adjustments, bank accounts, and cheque handling. The regulations also prescribe rules for the custody of public funds, stamps, security documents, receipts, and license books.

Further provisions address imprests, self-accounting ministries and extra-ministerial departments, accounting procedures and equipment, boards of survey, and the management of losses or shortages in public funds. They also outline procedures related to deposits, advances, salaries, internal audit functions, government vehicles, and store management. The regulations include detailed guidance on accounting books and forms, supervision and custody of stores, processes for receiving, issuing, returning, and acquiring stores, as well as rules governing government contracts, tendering, store inspections, allocated and unallocated stores, court accounts, pension procedures, and other miscellaneous matters.

- In 2017, Ondo State passed the Fiscal Responsibility Law (FRL): The Federal Fiscal Responsibility Act served as the foundation for the FRL. The FRL provides the following: the creation of the implementation body, the medium-term fiscal framework,

the methods for executing public expenditures, the borrowing process, governance accountability and transparency, and sound financial management principles.

- Ondo State Public Procurement Law 2017: Modeled after the Federal Public Procurement Act of 2007 established the administrative framework, guidelines, and practices for procurement in Ondo State.
- Ondo State Audit Law, 2017 as amended.
- Occasional treasury circulars issued by the Commissioner for Finance of Ondo State for additional rules and guidelines to support accounting, internal audit and stores procedures.

14. Institutional Framework for PFM in Ondo State: The Governor is given the executive authority of the State by the Constitution. It states that "the Governor shall prepare and present to the House of Assembly, before the start of each financial year, estimates of the State's revenues and expenditures for the upcoming financial year". The governor of Ondo State may use these authorities directly or through deputy governor, the commissioners, special advisers, permanent secretaries, and other state public officials.

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

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

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

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

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

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

1B.2 Overview of Budget Calendar

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

Table 1: Budget Calendar

Stage	Date (s)	Responsibility
Preparation and Publication of EFU-FSP-BPS	June-August	MYBF Work-Group
Update of MTSSs by 10 pilot sectors	August-September	MEDAs
Preparation and Issuance of Budget Call Circular	September	MEPB
Citizens Engagement	September	MEPB
Budget Preparation Workshop	September	MEPB and MEDAs
Preparation of MEDAs Budget and On-line Submissions	September-October	MEDAs
Pre-Treasury Board Meetings	October	MEPB and MEDAs
Compilation of Draft Budget	October	MEPB

Treasury Board Meeting	October	ExCo
Presentation of Draft Budget to the SHoA	October	Governor
Budget Defence by MEDAs before the House	November	SHoA
Debate and Approval of Budget by SHoA	November-December	SHoA
Signing Appropriation Bill	December	Governor

Section 2

Economic and Fiscal Update

2A: Economic Overview

2A.1 Global Economy

22. The global economy has faced significant challenges in recent years, including the ongoing Russia–Ukraine conflict, the Israel–Iran hostilities, and earlier trade tensions between the United States and China, all of which have contributed to volatility in global energy and food markets

23. These challenges have contributed to elevated inflation, relatively high interest rates, reduced production levels, and broader socio-economic disruptions. Nonetheless, recent global developments show signs of gradual improvement. The Russia–Ukraine conflict remains a major concern, and the ongoing Israel–Iran tensions in the Middle East continue to pose risks to global stability. Although supply chain pressures persist, they are steadily easing as the immediate impacts of these conflicts on food and energy markets diminish. Inflation is still a key issue, but coordinated monetary tightening by central banks across the world is expected to gradually steer inflation closer to targeted levels. Despite the lingering risks and uncertainties, the overall outlook reflects cautious optimism as the global economy slowly adjusts and moves toward a more stable trajectory

24. The global economy is adjusting to recent policy shifts that continue to reshape trade patterns and growth prospects. Although some tariff increases have been rolled back through new agreements, overall volatility remains elevated. The temporary surge in global activity recorded in early 2025 is now fading, resulting in slower momentum. According to the latest World Economic Outlook (WEO), global growth is expected to ease from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026—slightly above earlier forecasts but still below pre-policy-shift levels. Advanced economies are projected to grow at about 1.5%, while emerging markets are expected to maintain growth slightly above 4%. Inflation continues to decline globally, though it remains above target in the United States and relatively subdued in many other regions. Downside risks continue to dominate the outlook, including persistent policy

uncertainty, rising protectionist measures, labour market disruptions, fiscal vulnerabilities, and the potential for renewed financial instability. Policymakers are therefore urged to rebuild fiscal buffers, safeguard central bank independence, and advance structural reforms that can help restore confidence. Strengthened trade diplomacy, alongside sound macroeconomic management, is essential. Furthermore, industrial policies should be deployed cautiously, with clear consideration of potential trade-offs and opportunity costs.

25. Global inflation was projected to decline to around 3.6 % in 2025 from about 4.5% in 2024, reflecting easing supply chain disruptions and the effects of tighter monetary policies. Looking ahead to 2026, inflation is anticipated to further moderate to approximately between 3.2% and 3.5%, as the impact of past economic shocks fades and Central Banks continue to manage inflationary pressures effectively.

26. Emerging markets and developing economies (EMDEs) face a challenging outlook, as growth projections have been revised downward across all regions. In East Asia and the Pacific, growth is expected to ease to 4.5% in 2025, while Latin America and the Caribbean are projected to maintain a modest pace of 2.3%. South Asia, driven by India's strong 6.6% expansion, stands out as a relative bright spot amid the global slowdown. Inflationary pressures have declined, due to the falling energy, commodity prices, tighter monetary policy, stabilization of global supply chains, improved agricultural output etc. There has been a general decline in global inflation rates, much of this decrease has been driven by the relative stability in energy and food prices.

27. As the global economy enters 2026, the risk of a hard landing for major economies has increased, with authorities facing complex trade-offs between curbing persistent inflation, sustaining economic growth, and maintaining financial stability. The interplay of these factors suggests that navigating the global economic landscape will remain challenging, with heightened risks of economic instability and slower growth.

28. Private and public debt levels in most economies have risen to their highest points in decades, following the economic disruptions of the past three years, and remain persistently high. The tightening of monetary policy—particularly in major advanced economies—has sharply increased borrowing costs, heightening concerns about debt sustainability in several countries. Recent financial market volatility and the risk of further global financial tightening could push sovereign spreads higher, particularly for vulnerable economies. The likelihood of financial distress remains considerable, as many nations continue to face fiscal fragility without strong policy support. If global financial conditions tighten further, emerging and developing economies could encounter serious pressures, underscoring the need for prudent fiscal management and coordinated monetary policies to cushion potential adverse impacts. The prospects for the global economy to return to its pre-turmoil growth trajectory are increasingly uncertain. Since the beginning of Russia's invasion of Ukraine, the war in the Middle East (Israel-Palestine and their allies) and the international trade policies (tariffs), many economies continue to grapple with the lingering effects of these shocks. The recent

tightening of global financial conditions, including increased interest rates and increased borrowing costs, further complicates the recovery process.

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

Table 2: GDP Growth and Inflation Rates (2022–2028)

	Inflation Rates							Real GDP						
	2022	2023	2024	2025	2026	2027	2028	2022	2023	2024	2025	2026	2027	2028
Brazil	9.3	4.6	4.4	5.2	4	3.3	2.9	3	3.2	3.4	2.4	1.9	2.2	2.3
Canada	6.8	3.9	2.4	2	2	2.1	2	4.2	1.5	1.6	1.2	1.5	1.9	1.7
USA	8	4.1	3	2.7	2.4	2.2	2.2	2.5	2.9	2.8	2	2.1	2.1	2.1
India	6.7	5.4	4.6	2.8	4	4	4	7.6	9.2	6.5	6.6	6.2	6.4	6.5
Russia	13.7	5.9	8.4	9	5.2	4	4	-1.4	4.1	4.3	0.6	1	1.1	1.1
Nigeria	18.8	24.7	31.4	23	22	17	15	4.3	3.3	4.1	3.9	4.2	4	4
Britain (UK)	9.1	7.3	2.5	3.4	2.5	2	2	4.8	0.4	1.1	1.3	1.3	1.5	1.4
South Africa	6.9	5.9	4.4	3.4	3.7	3.2	3	2.1	0.8	0.5	1.1	1.2	1.5	1.7
Ghana	31.9	39.2	22.9	16.6	9.9	8	8	3.8	3.1	5.7	4	4.8	4.9	5
Malaysia	3.4	2.5	1.8	1.6	2.2	2	2	9	3.5	5.1	4.5	4	4	4
Egypt	8.5	24.4	33.3	20.4	11.8	9.6	6.7	6.7	3.8	2.4	4.3	4.5	4.7	4.9
China	2	0.2	0.2	0	0.7	1.4	1.8	3.1	5.4	5	4.8	4.2	4.2	4

2A.2: Africa and Sub-Saharan Economies

36. The economic outlook for Africa and Sub-Saharan Africa in 2026-2028 reflects a cautiously optimistic trajectory, with growth expected to strengthen but tempered by significant challenges such as trade disruptions, debt pressures and climate risks.

37. The African Economic Outlook 2025 emphasizes how urgent it is to move on with green transitions and climate action in order to promote inclusive and sustainable growth on the continent. The dynamics of Africa’s macroeconomic fundamentals have remained mixed amid considerable challenges.

38. Sub-Saharan Africa is part of the African continent with vast arable lands, mineral and human resources. Many of these resources which have the capacity to produce inclusive growth remain untapped and those tapped are mismanaged owing to a number of factors that include poor leadership, corruption, low technological know-how, neo-colonialization, among others. According to World Bank (2024), the

continent has a population of about 1.39 billion people and a Gross Domestic Product of about US\$3.14 trillion.

38. The continent's growth is still unequal. Sub-Saharan Africa is anticipated to expand from 3.5% in 2025 to 4.3% in 2026, while Africa (Continent-Wide) is anticipated to accelerate from 3.8% in 2025 to 4.0% in 2026. Overall, the poorer-than-average performance of the continent's larger nations continues to impede the SSA's economic progress. While Nigeria's economy has grown modestly due to difficulties in its oil sector, South Africa's economic activity is still hindered by energy and transportation limitations. Furthermore, wars and military takeovers in nations like Sudan, Niger, Mali, Chad, Guinea, Burkina Faso, and Gabon are probably going to impede the expansion of the Central African Economic and Monetary Community as well as certain Sahelian countries.

39. Sub-Saharan Africa's growth is projected to rise modestly from 3.5% in 2024 to 3.7% in 2025, averaging 4.2% in 2026–27, but per-capita income growth remains too weak to cut extreme poverty, and job creation is not keeping pace with population growth. The April 2025 IMF Regional Outlook warns of challenges from high borrowing costs, limited external funding, lower commodity prices, and economic uncertainty, while monetary tightening strains stability. The June 2025 World Bank report adds that heavy debt burdens, high interest rates, and shrinking aid are squeezing fiscal space, pushing many countries toward fiscal consolidation, with worsening financing risks in vulnerable economies.

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

41. However, in 2025, rising food and energy prices contributed to significant inflationary pressures, as was the situation globally. Even as governments increased social expenditure to protect vulnerable populations from the effects of rising prices, inflation remained high across the continent and reached double digits in numerous African countries, further taxing state budgets.

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

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

44. North Africa's economic growth is projected to reach 4.2% in 2026, following estimated growth rates of 3.6% in 2025, and 4.1% in 2024. The strong performance

in 2024 was largely driven by robust recoveries in Morocco and Libya with Morocco rebounding from a severe drought that had impacted agriculture, and Libya benefiting from a temporary stabilization in oil output. However, growth in 2025 has been slightly moderate as base effects fade and structural challenges persist across the region.

45. Southern Africa's economic outlook remains subdued, with growth projected to slow from 2.7% in 2023 to about 1.6% in 2024, largely due to continued weakness in South Africa—the region's largest economy. South Africa recorded growth of around 2.2% in 2024 and an estimated 2.6% in 2025, but overall performance continues to be constrained by long-standing structural challenges such as intermittent power shortages, tight monetary conditions, and limited logistics capacity. Looking ahead to 2026, growth is expected to recover only modestly, staying within the 1.0–1.3% range according to updated IMF and OECD assessments. A return to growth levels near 2.7% remains unlikely without significant structural reforms, particularly improvements in energy reliability, transport and logistics efficiency, and broader measures to strengthen investor confidence

46. Economic growth in West Africa is expected to strengthen gradually over the 2026–2028 medium term, building on the steady improvements recorded in previous years. Regional growth, previously projected at 3.8% in 2024 and 3.9% in 2025, is anticipated to rise to around 4.2% in 2026 and continue on an upward path through 2027 and 2028. This outlook is supported by the robust performance of several smaller economies, an improving macroeconomic environment, and stronger domestic demand. These trends are broadly aligned with medium-term projections for Sub-Saharan Africa and recent updates from the IMF's World Economic Outlook, which highlight a moderate but consistent recovery across the region.

West African and wider Sub-Saharan African economies also have a strategic opportunity during this period to strengthen fiscal stability and enhance debt sustainability by leveraging their abundant natural resource endowments. As the global economy advances toward a low-carbon future, demand for critical minerals—such as cobalt, lithium, and rare earth elements—is expected to rise significantly. At the same time, oil and gas revenues are likely to remain important in the short to medium term. According to the IMF's Regional Economic Outlook, resource-rich economies can unlock more durable and inclusive growth by improving governance, increasing local value addition, and channeling resource revenues into productive sectors such as infrastructure, energy systems, and human capital development. These reforms will be central to sustaining growth momentum throughout 2026–2028.

47. Multilateral financial institutions have played a crucial role in supporting African economies, yet they currently fail to supply sufficient and affordable financing to support the continent's structural transformation. The gap between Africa's financing needs—for sustainable development, climate resilience, and infrastructure—and what these institutions offer has sparked strong advocacy for institutional reform. African governments and development stakeholders are calling for increased representation within governance bodies, more equitable access to special drawing rights, and

expanded concessional facilities designed to mobilize finance at the scale required. Only by becoming more inclusive, nimble, and mission oriented can these institutions bridge the development gap and unlock Africa's growth potential.

2A.3 Nigerian Economy

50. Nigeria stands as one of Africa's foremost oil and gas producers, with vast reserves that remain central to its economy. In addition to hydrocarbons, the country possesses abundant solid mineral resources, many of which are still underexplored and underutilized. Its natural endowment also includes extensive agricultural and environmental assets—over 1,000 kilometres of coastline and nearly 279 billion cubic meters of surface water—offering immense potential for irrigated farming, blue economy initiatives, and coastal tourism. From 2000 to 2014, Nigeria recorded strong economic growth, averaging around 7% annually, largely supported by high oil prices and structural reforms. However, between 2015 and 2024, growth slowed considerably due to exchange rate and monetary policy distortions, widening fiscal deficits, and external shocks. Consequently, GDP per capita stagnated, and the economy struggled to effectively transform its resource wealth into sustainable and inclusive development. Over the past two years, Nigeria has undertaken significant reforms that have shaped monetary and fiscal stability while strengthening economic resilience:

- The Naira exchange rate has stabilized within the 1,400–1,500 range following the unification of exchange rate regimes and the adoption of a market-determined float.
- The removal of the fuel subsidy has released trillions of Naira, creating fiscal space to support Federal, State, and Local Government budgets, as well as targeted interventions for vulnerable groups.
- Real GDP growth has remained steady, while inflation has begun to trend downward.
- Crude oil production is nearing Nigeria's OPEC quota of 1.5 million barrels per day (MBPD). When condensates are included, output averaged around 1.7 MBPD in the first half of 2025.
- In mid-2025, four landmark tax laws were enacted—the Nigeria Tax Act, Nigeria Tax Administration Act, Joint Revenue Board of Nigeria (Establishment) Act, and Nigeria Revenue Service Establishment Act. Together, these reforms aim to enhance tax administration, establish a more equitable and growth-oriented tax system, and gradually increase both economic growth and the Tax-to-GDP ratio, thereby expanding government revenue over the medium term. Nonetheless, Nigeria faces external headwinds. A fragile global outlook, shaped by ongoing conflicts in the Middle East and restrictive international trade policies, continues to suppress crude oil prices, limiting fiscal revenues for all tiers of government. In addition, recurring climate shocks demand greater budgetary allocations toward adaptation and mitigation measures at Federal, State, and Local Government levels.

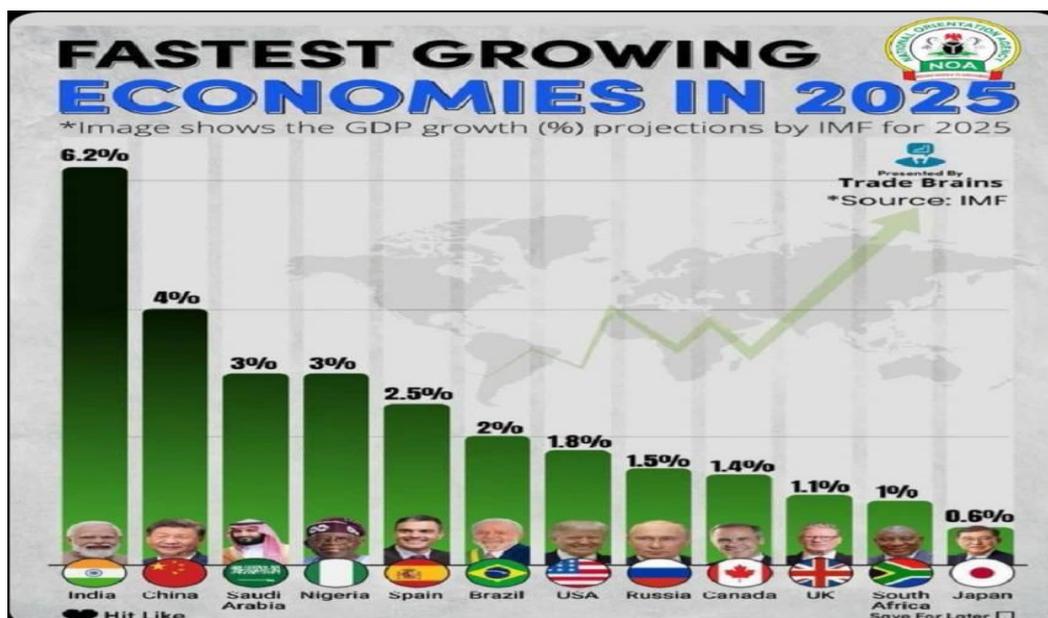


Figure 1: World's Fastest Growing Economies in 2025

51. As of 2025, Nigeria continues to grapple with significant economic and social challenges. Inflation, though easing, remains elevated after peaking at a 24-year high of 33.88% in October 2024. Poverty persists at concerning levels, with an estimated 38.9% of the population—around 87 million Nigerians—living below the poverty line in 2023. Beyond these economic constraints, insecurity remains a major threat, including banditry, kidnappings, and insurgency in the North East. Infrastructural deficits also weigh heavily on growth, with limited access to electricity and weak domestic integration constraining productivity and competitiveness.

Despite persistent headwinds, the current administration in 2025 has advanced bold reforms aimed at stabilizing the economy and building a foundation for sustainable, inclusive growth. Key policy actions include the removal of petrol subsidies, liberalization of the foreign exchange market, tighter monetary measures to curb inflation, and expanded social safety nets to cushion the most vulnerable households. These reforms, alongside tax modernization laws passed in mid-2025, are expected to strengthen fiscal capacity and improve resilience.

52. Nigeria's last GDP rebasing in 2013—from US\$270 billion to US\$510 billion—underscored a structural shift toward the rising dominance of the services sector. Over the past four decades, services have increasingly driven domestic output, while agriculture's share of GDP declined to around 24% in 2020, from more than 50% in the 1970s. Despite this transformation, the economy remains heavily dependent on oil, which still accounts for nearly 90% of exports and close to two-thirds of government revenues. The rebasing diluted the oil revenue-to-GDP ratio, but this was not matched by stronger non-oil revenue collection. Manufacturing has shown progress, with value added increasing from 8% in 2017 to 13% in 2020—driven largely by the food, beverage, and tobacco subsector, which alone contributed about 4.75% of GDP.

By 2025, reforms in taxation, energy, and exchange rate management are beginning to lay the groundwork for deeper diversification, more effective revenue mobilization, and stronger growth in non-oil sectors. However, unlocking this potential will require addressing persistent challenges in infrastructure, insecurity, and inclusive job creation.

53. Nigeria's economy continues to show improving momentum. Analysts project real GDP growth to be in the range of 3.2% to 3.9% year-on-year, outpacing the 3.13% recorded in Q1 2025. The main driver of this recovery is the non-oil sector, expanding between 4.1% and 4.6%, while the oil sector is expected to contribute a more modest 2.0% to 2.6% growth, owing to relatively flat crude production of around 1.48 million barrels per day (mbpd). The rebound is underpinned by improved macroeconomic stability, including exchange-rate unification, a recent GDP rebasing, and stronger business activity across services, telecommunications, and industry with the Purchasing Managers' Index (PMI) climbing to 52.2% in Q2 from 51.3% in Q1, signaling expanding private-sector output

54. According to the National Bureau of Statistics (NBS), Nigeria's non-oil sector accounted for 96.03% of the country's Gross Domestic Product (GDP) in the first quarter of 2025. This was disclosed in the bureau's Q1 2025 GDP report, which also revealed that the nation's economic growth decelerated to 2.98% during the period. This figure marks a decline compared to the 3.46% recorded in Q1 2024 and 2.54% in Q4 2024. The robust performance of the non-oil sector was primarily fueled by the services sector, which contributed 57.76% to the total GDP and expanded by 4.35% year-on-year.

55. Agriculture followed the non-oil sector with a contribution of 20.34%, while the industrial sector accounted for 22.90% of Nigeria's Gross Domestic Product (GDP) in the first quarter of 2025. Within the services sector, information and communication emerged as the top performer, contributing 17.89% to total nominal GDP—equivalent to approximately ₦4.09 trillion. According to the National Bureau of Statistics (NBS), the overall GDP performance in Q1 2025 was primarily driven by the services sector, which recorded a 4.35% growth rate and contributed 57.76% to the aggregate GDP. In comparison, the oil sector contributed 5.34% to total real GDP in the second quarter of 2025. This marked an increase from 5.34% in Q2 2024 but a decline from 6.38% recorded in Q1 2025

56. The rebasing of the Consumer Price Index (CPI) basket resulted in a significant reduction in the inflation rate from 34.80% to 24.48% in January 2025. The most recent inflation figures, for September 2025, stood at 18.02% year-on-year. As the effects of the Naira devaluation and the removal of the fuel subsidy work their way out of the figures, they are likely to reduce slightly over the remainder of 2025. The IMF forecasts CPI inflation at 24% in 2025, falling to 23% in 2026 and then dropping to 17% in 2027 and 15% in 2028. The cessation of CBN financing of the FGN deficit (which resulted in significant increases in the money supply) and the stabilisation of the Naira in the foreign exchange markets bring a greater degree of predictability to

the forecasts. The IMF forecasts are still somewhat higher than the FGN 2025-2027 projections for inflation, which were 15.75% and 14.21% respectively, for 2025 and 2026. But these forecasts are more “targets” than balanced estimates, and do not reflect the latest macro-fiscal trends. Adopting IMF estimates would be prudent.

57. In 2025, Nigeria’s inflationary pressures have begun to ease after peaking above 32% in late 2024. According to the National Bureau of Statistics (NBS), the headline inflation rate declined to 18.02% in September 2025, down from 22.22% in June, marking the fourth consecutive month of decline. The high 2024 inflation levels were largely driven by surging food prices, exacerbated by supply chain disruptions, higher transportation costs following the removal of fuel subsidies, and increased import costs linked to the liberalization of the foreign exchange market. Despite the ongoing disinflation trend, the combination of persistently high living costs and modest wage adjustments has continued to erode real incomes. To cushion households, federal and state governments have expanded social safety nets and intervention programs, particularly targeting food security and energy affordability.

58. For several years, Nigeria’s inflation rate has consistently remained above the African and Sub-Saharan average, reflecting deep-rooted structural challenges in the economy. Inflation first spiked above 16% in 2017 and has since continued on an unstable path, reaching a 24-year high of over 32% in 2024 before easing to 18.02% in September 2025.

59. The Naira: US Dollar exchange rate has stabilised over the last 12 months, settling in the range of 1,400 to 1,500. With Foreign Reserves reaching around \$42 billion as at the end of September 2025, and the settlement of several outstanding liabilities having been completed, there is reason for optimism that further depreciations of the Naira are unlikely in the short to medium term. However, to take a balanced view, supply and demand factors should be considered when anticipating the exchange rate in 2026 and beyond. Some of the key factors include:

- FGN Borrowing Strategy, particularly the proportion of new foreign currency-denominated debt issuances (FGN is concluding on its 2024-2027 Medium Term Debt Strategy, which should provide more clarity on this issue).
- Foreign debt service obligation on existing debt stock (a Eurobond principal repayment of \$1.18 billion is due in November 2025).
- Crude oil price and production – material increases in either of these should further boost foreign reserves, potentially leading to an appreciation of the Naira.
- Monetary policy stance of the CBN, including the potential for increasing the supply of US Dollars to the open market.

Adopting the current rate of 1,500 would be prudent for the three years covered by the MTEF.

60. According to the Organisation of Petroleum Exporting Countries (OPEC), the price of Bonny Light crude averaged \$72.39 per barrel in the first half of 2025, ranging from

a low of \$64.55 in May to a high of \$80.14 in January. The U.S. Energy Information Administration (EIA), in its latest Short-Term Energy Outlook (STEO), projects Brent crude prices to average \$69 in 2025 and \$58 in 2026, reflecting expectations of inventory buildup as OPEC increases production in the latter half of 2025. By extension, Bonny Light is projected to average around \$70 per barrel in 2025 and \$59 in 2026. The IMF, using a composite of UK Brent, Dubai Fateh, and West Texas Intermediate in its April 2025 World Economic Outlook (WEO), forecasts a basket price of \$62.38 for 2026, which translates to about \$64.50 for Bonny Light. Similarly, the World Bank's June 2025 Global Economic Prospects projects Brent at \$62 in 2026, rising slightly to \$65 in 2027, equivalent to roughly \$63 and \$66 per barrel for Bonny Light. In recent years, the Federal Government of Nigeria (FGN) has shifted away from applying wide buffers in its crude oil benchmark, instead setting assumptions closer to prevailing market prices during the preparation of the Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF-FSP). Nonetheless, given persistent volatility—particularly geopolitical risks in the Middle East—state governments are advised to adopt a more cautious stance. A prudent approach would be to apply a discount of about \$5 per barrel to forecast prices.

61. According to the latest Nigerian Upstream Petroleum Regulatory Commission (NUPRC) data, Nigeria produced an average of 1.675 million barrels per day (mbpd) in the first half of 2025, comprising 1.475 mbpd of crude oil and 200,000 bpd of condensates. This production level is close to the ceiling permitted under Nigeria's current OPEC quota. It is advisable for states to base fiscal planning on more realistic production levels, aligned with current averages, rather than optimistic "target-based" assumptions.

62. Global oil demand growth has slowed, despite initial expectations of a strong rebound in 2025. According to the latest data, demand is forecast to rise by only about 1.0–1.3 million barrels per day (mb/d) in 2025. Meanwhile, the Nigerian economy recorded real GDP growth of 4.23% in Q2 2025, up from 3.48% in Q2 2024. Growth in 2025 is largely driven by the oil-sector surge (20.46% growth year-on-year in Q2) and a non-oil sector growth of 3.64% in the same quarter. On the supply side, global oil production is now projected to rise by around 3.0 mb/d in 2025, reaching an output level of approximately 106 million barrels per day (mb/d), which is placing upward pressure on inventories given the moderate demand outlook. These figures underscore the continuing divergence between supply expansion and demand growth — the global market is increasingly seeing supply outpace demand, raising questions about near-term price stability and inventory build-up.

63. World oil demand growth continues to slow, with 2025 gains now seen at 1.67mb/d as at half year. However, there will be projected increase in 2026 at 1.7mb/d, in 2027 1.75mb/d, and in 2028 1.8mb/d.

64. The Russia–Ukraine conflict, ongoing instability in the Middle East, persistent domestic insecurity, and renewed uncertainties in global trade dynamics have placed Nigeria at a pivotal moment. Although trade tensions between the United States and

China have eased compared to previous years, broader geopolitical rivalries and shifting global alliances continue to generate volatility in supply chains, disrupt trade flows, and create fluctuations in commodity prices. These developments directly influence Nigeria's oil earnings, import bills, and overall inflation trajectory. Nigeria entered this complex environment with long-standing structural constraints, including declining per capita income, elevated inflation, foreign exchange pressures, and institutional weaknesses. In response, the government has implemented a series of far-reaching reforms—such as fuel subsidy removal, tax and exchange rate harmonisation, improved revenue administration, and a tighter monetary stance—aimed at restoring macroeconomic stability, expanding the fiscal space, and reducing dependence on crude oil. The broader economic strategy is to accelerate diversification and transition toward a private sector-driven growth model, with renewed focus on technology, agriculture, manufacturing, and value-added industrial chains. If these reforms are sustained, supported by stronger security measures and improved governance, Nigeria has the potential to strengthen its resilience to global shocks and place the economy on a more sustainable path toward recovery and inclusive growth.

2.A.4 Ondo State Economy

65. Ondo State, one of Nigeria's top ten largest economies with a valuation exceeding ₦5 trillion, has traditionally relied on crude oil and agriculture. Cocoa production remains a standout, making Ondo the country's leading producer with over 75,000 metric tons annually. Other major agricultural outputs include rubber, timber, palm products, rice, cassava, and various staples, sustaining employment for most residents. The state also possesses rich mineral deposits such as petroleum, bitumen, and coal. Since becoming an oil-producing state, petroleum has surpassed cocoa as the primary revenue source.

66. However, government is actively pursuing economic diversification through industrialization, SME support, and infrastructure development. Ondo is described to have Africa's largest bitumen deposit and Nigeria's longest coastline, though both remain underexploited. Recent initiatives like the federal approval of the Ondo Deep Sea Port and the 2023 Investment Summit aim to attract investors and enhance the business climate. The state's relatively low multidimensional poverty rate (27%) signals better living standards compared to many others. With a strategic focus on tourism, agro-industrial value chains, and fiscal discipline, the administration seeks to reduce dependence on oil and foster sustainable growth. Nonetheless, Ondo's economic trajectory remains closely tied to national economic trends and indicators. The State economy is also poised for significant growth with the development of its blue economy, modular refineries and bitumen refineries. There are many investment opportunities such as; port storage facilities and vessel maintenance yards, river transport service and logistics support, tourism development and infrastructure, modular refineries and petroleum product distribution.

67. The State exports agricultural products to other States, but it continues to import commodities and services. Produce transportation is not accurately recorded or

calculated to show a significant impact to the State economy. In spite of the steady progress in economic growth and development, available data indicate that agriculture, especially crops and livestock, and fisheries as well as SMEs, which have the potential to generate large scale employment opportunities, are not currently doing so. However, these areas are undergoing transformation.

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

69. The State economy has experienced significant stability as a result of the State Security Network's (Amotekun) and other security agencies' operations. They are credited with halting the insurgents' activities and preserving lives and properties, which encouraged farmers to return to the fields and produce food, thereby ensuring the stability of the state economy.

2.B Fiscal Update

2.B.1 Historic Trends

Revenue

70. On the revenue side, the document looks at Statutory Allocation, Value Added Tax (VAT), Independent Revenue often called Internally Generated Revenue (IGR), Mineral Derivation, and Capital Receipts – budget versus actual for the period 2019-2024 (six years historic) and 2025 budget.

Statutory Allocation

71. Statutory Allocation is a transfer from the Federation Accounts Allocation Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies' income tax, custom and excise duties) at the national level, which is then shared between the three tiers of government using a specified sharing ratio. The new VAT sharing formula stipulated in the New Tax Act 2025 awards 10% to Federal Government, 55% to State Government and 35% to Local Government.

72. Between 2019 and 2020, Nigeria's statutory allocations declined noticeably—from ₦38.3 billion in 2019 to ₦31.5 billion in 2020—representing a 17.7% contraction. This drop coincided with the global economic downturn triggered by the COVID-19 pandemic, which disrupted oil demand and suppressed international crude prices. A mild recovery followed in 2021 and 2022, as statutory receipts rose to ₦32.9 billion and ₦36.3 billion respectively, supported by a partial rebound in oil production and improvements in non-oil revenue inflows.

However, the upward trend did not persist. In 2023, allocations fell slightly to ₦29.9 billion, before plunging sharply to ₦14.0 billion in 2024—marking the lowest point within the six-year period. By 2025, the figure rose again to a forecasted ₦28.8 billion, but still remained below pre-pandemic levels. The 2024 decline is closely linked to macroeconomic disruptions associated with the removal of fuel subsidies, which reshaped revenue flows, increased operational costs across sectors, and temporarily weakened fiscal stability.

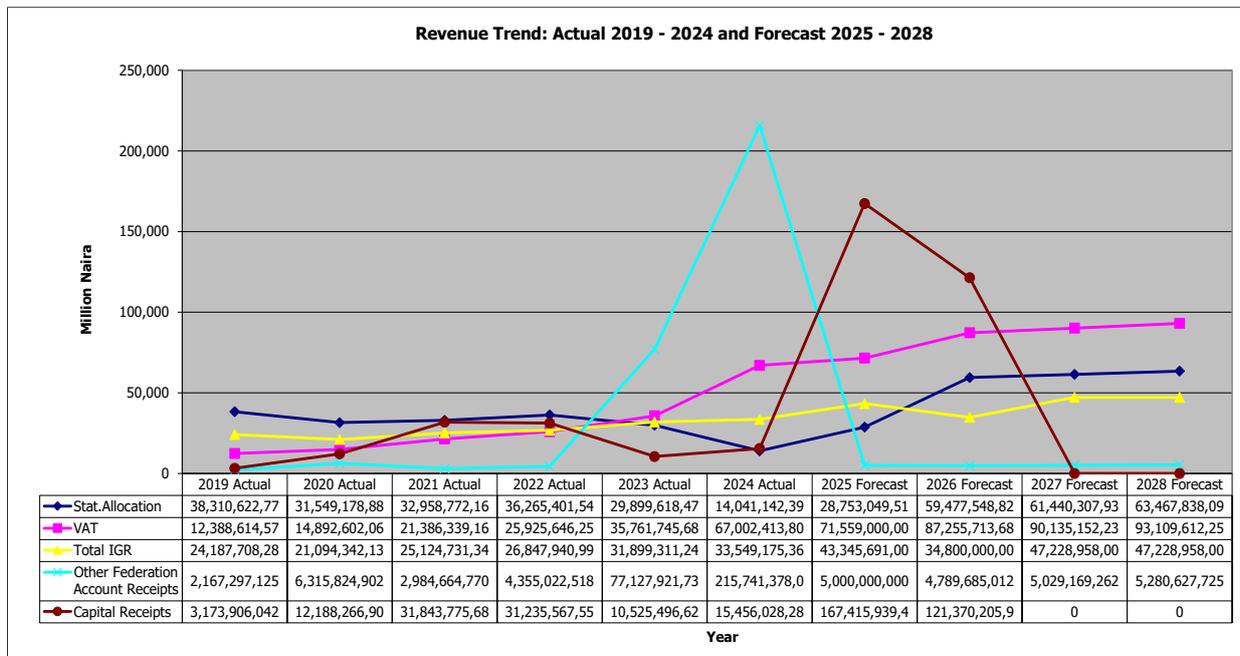


Figure 2: Revenue Trend

73. Going forward, statutory allocations are projected to strengthen gradually. The removal of fuel subsidies is expected to improve the government’s fiscal space in the medium term by eliminating a major drain on oil revenues. Combined with ongoing efforts to boost crude oil production and a more favourable VAT sharing arrangement, revenue available for distribution to federal, state, and local governments is likely to expand progressively from 2025 through 2028.

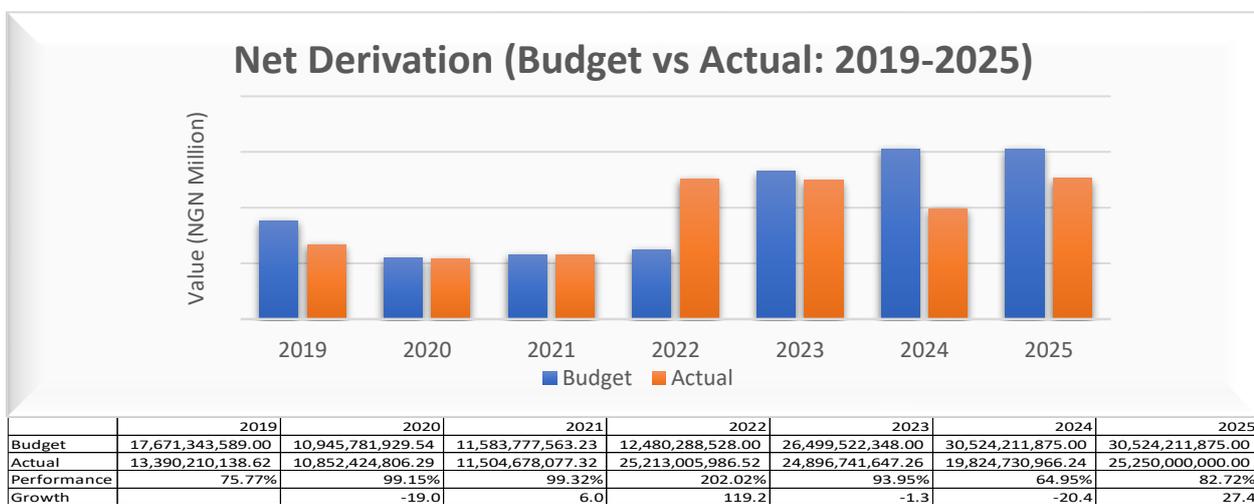


Figure 3: Mineral Derivation Trend

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

75. Actual receipts on Mineral Derivation decreased at a growth rate of -26.4% in 2019 and further declined in 2020 to -19.0% but slightly increased in 2021 to 6.0%, astronomically increased to 110.5% in 2022 and slight increase of 2.8% in 2023, a 29% decline in 2024. However, there was a sharp increase as at September 2025 to 81.7%. The positive performance was attributable to the rise in the price of crude oil in the global market, while the more-than 100% performance in 2022 was because of extra-ordinary allocations on the item released by the Federal Government to oil producing States.

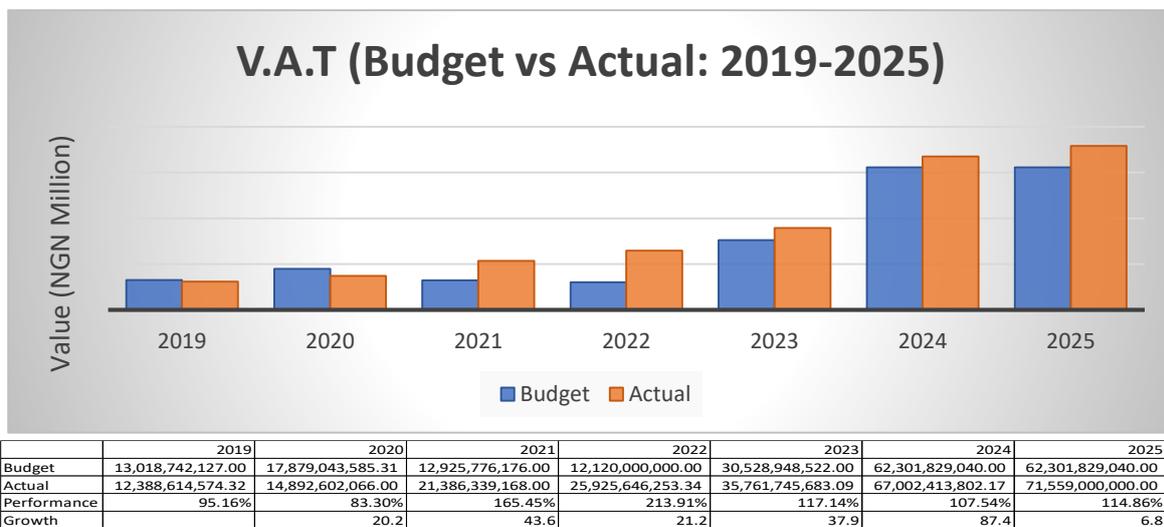


Figure 4: VAT

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

77. VAT receipt has been on the increase consistently from 2019 to 2025 largely due to the growth in nominal economic activities in Nigeria. Performance relative to budget (i.e., budget accuracy) has been on the increase since 2018, and eventually higher than the budget figures in 2021, 2022, 2023, 2024 and 2025.

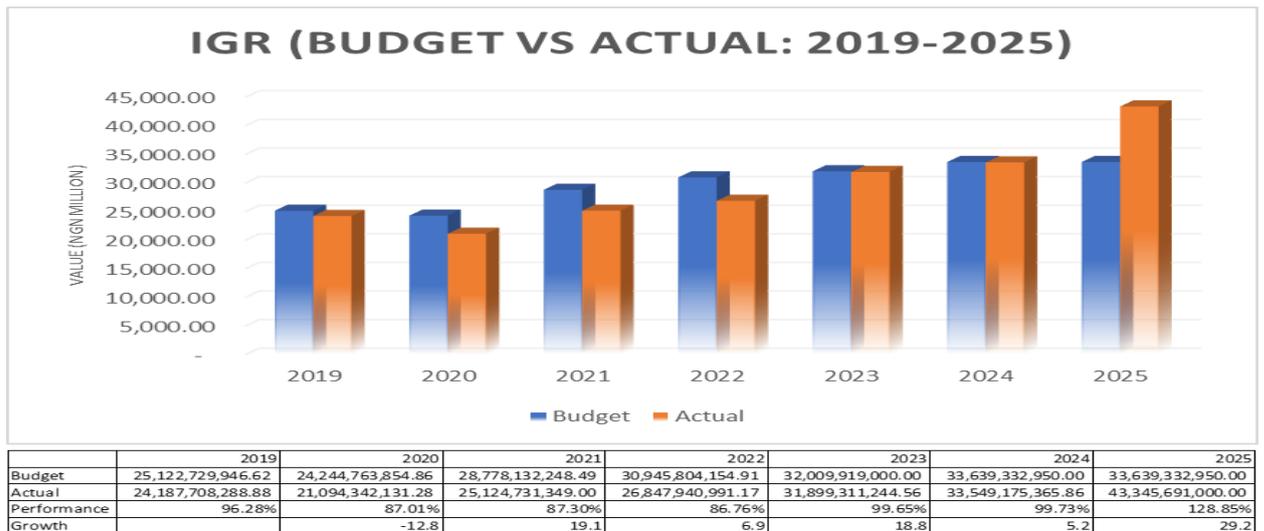


Figure 5: Independent Revenue Trend

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

79. Independent Revenue actual collections have been on the increase since 2021 when the present administration came on board. This is occasioned largely by the various reforms introduced by the State Government through the Ondo State Internal Revenue Service, particularly the autonomy granted the Service which started yielding positive results since 2021. Notwithstanding the increase, except for 2018, Independent Revenue actual collections has been consistently lower than the budget. To improve on its achievement, there is the need for the Service to work on its collection drive by increasing the revenue base and leveraging on recent technological technique for collection.

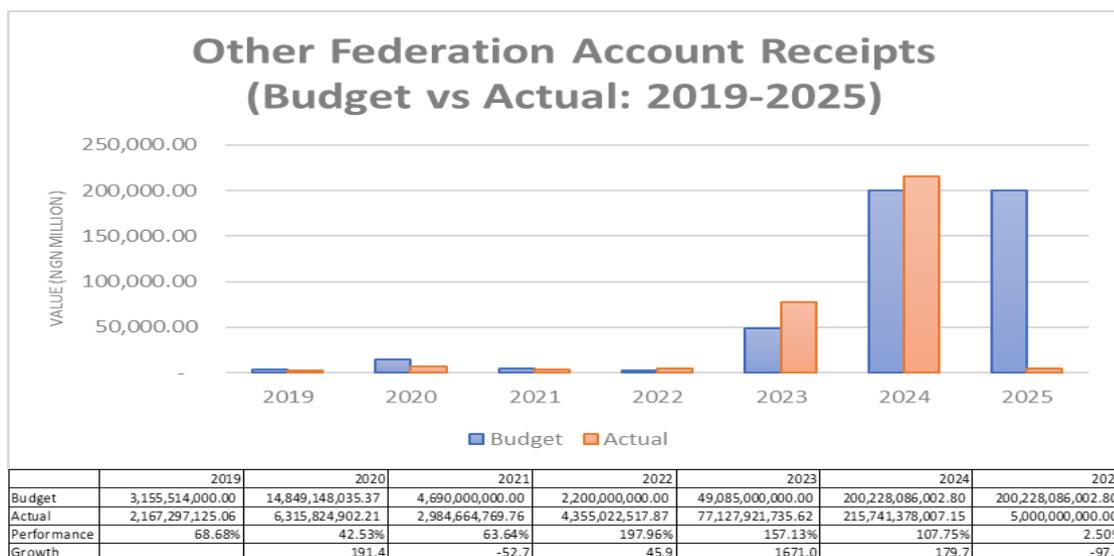


Figure 6: Trend of Other FAAC receipts

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

81. Receipts from this source have been unsteady since 2019. In 2019, 2020, 2021, 2022, 2023, 2024 and 2025 receipts performance were 68.68%, 42.53%, 63.64%, 197.96%, 157.13%, 107.75% and 2.50% as at September, 2025 respectively.

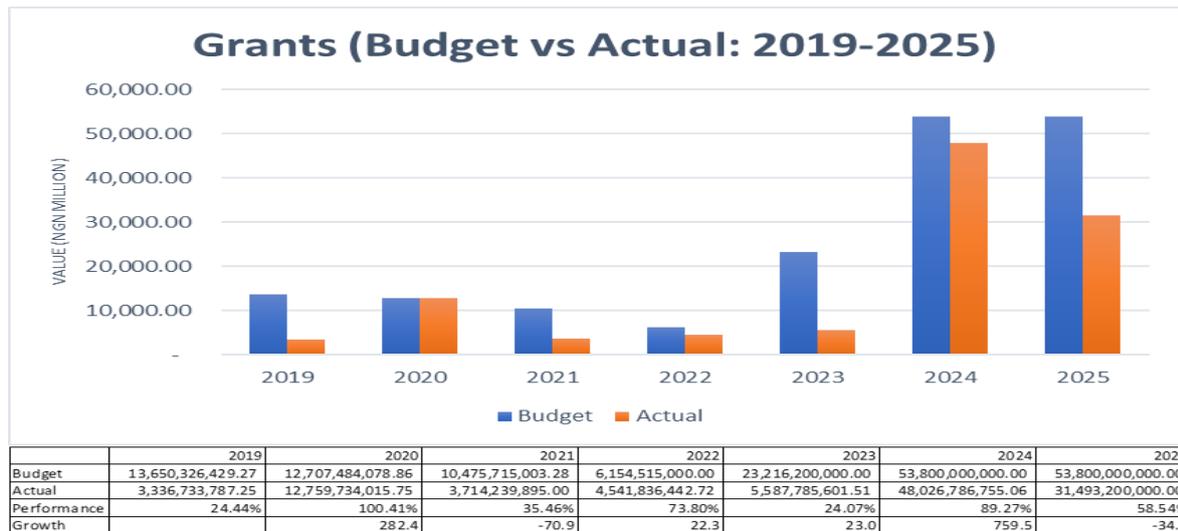


Figure 7: Trend of Aid & Grants

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

83. Since 2019, actual receipts have been irregular. Receipts, were substantially below the Budget, partly because several MEDAs acting as middlemen between the State and the donor partners were overly ambitious and inconsistent in putting signed agreements into practice. However, as at September 2025, actual receipt has been impressive.

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

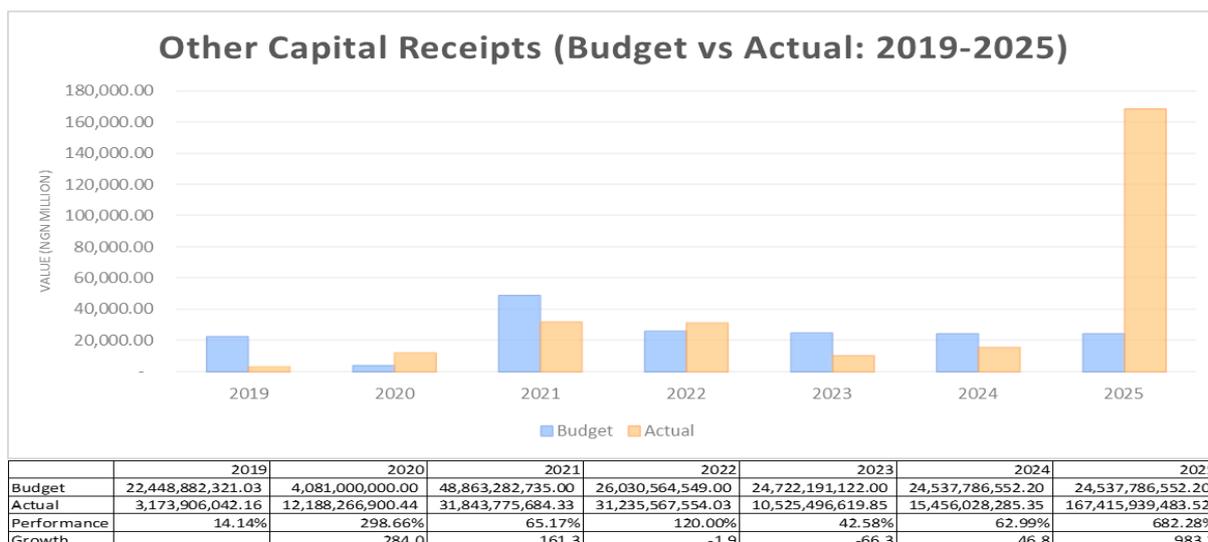


Figure 8: Trend of Other Capital Receipts

85. Other capital receipts in this context include reimbursements for federal roads built by the State, budgetary assistance, Excess Crude Refunds, Special FAAC Allocations, Stabilization Funds and reimbursements for withholding tax. Except 2020, 2022 and 2025, the State has been getting less than the budget. It is shown in the table that the budget performance has been inconsistent because the State has no control on when the fund would be released.

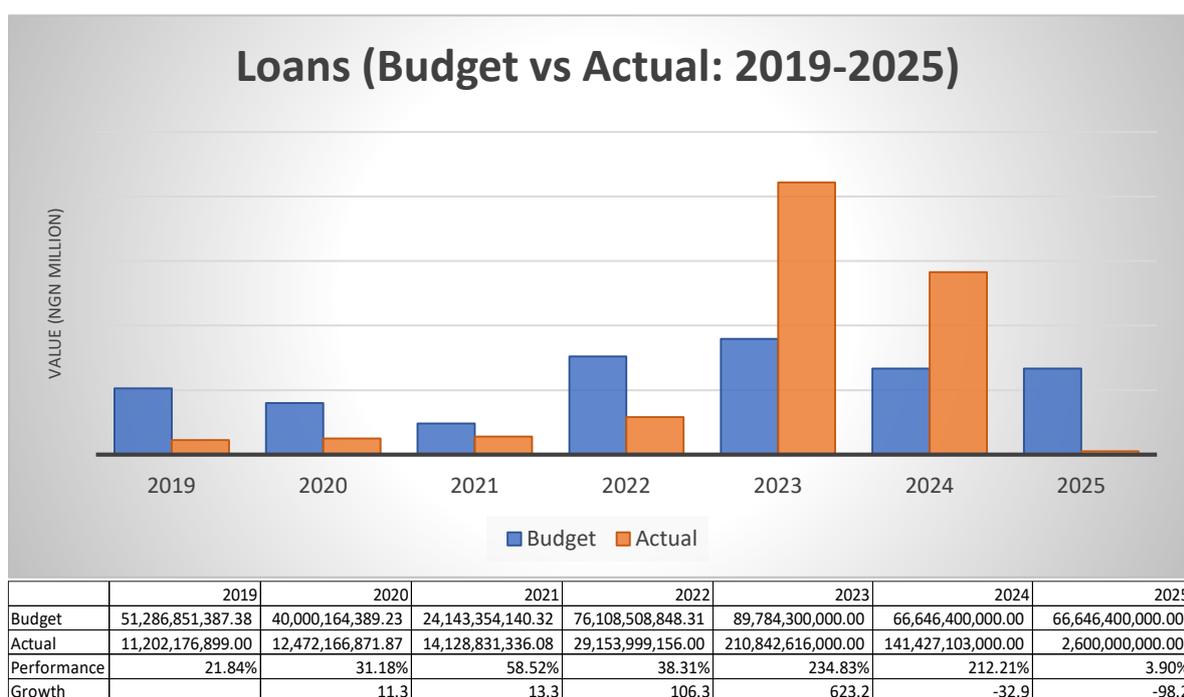


Figure 9: Trend of loans/Financing

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

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

Expenditure

88. On the expenditure side, the document looks at Social Contribution and Social Benefits, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2020-2024 (six years) and 2025 budget.

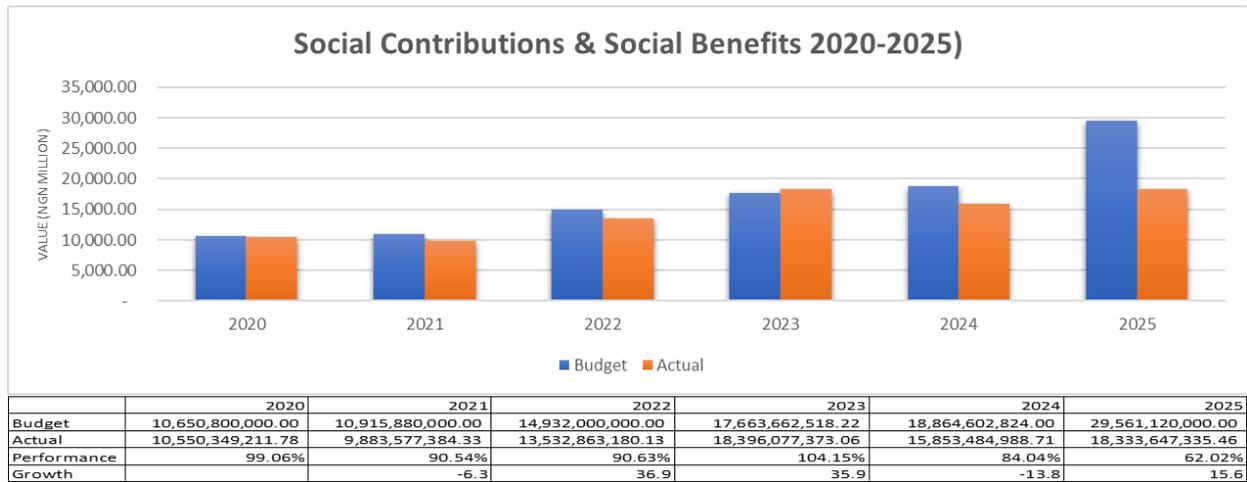


Figure 10: Trend of Social Contribution & Social Benefits

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

90. The performance of Social Contributions and Social Benefits have been considerably high over the years in view, it performed 99.06%, 90.54%, 90.63%, and 104.15% in the years 2020, 2021, 2022, 2023 and 2024 respectively, while performing 84.04% in 2025. However, 62.02% was recorded as at September 2025. This is because the State government prioritized the payment of pensions and gratuities to retirees in the State.

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

92. Actual expenditure has been close to budget in all the years under consideration except 2021, 2024 but far above budget in 2025(As at September) because of newly recruited staffs' salaries earlier provided for that were not proportionately projected for.

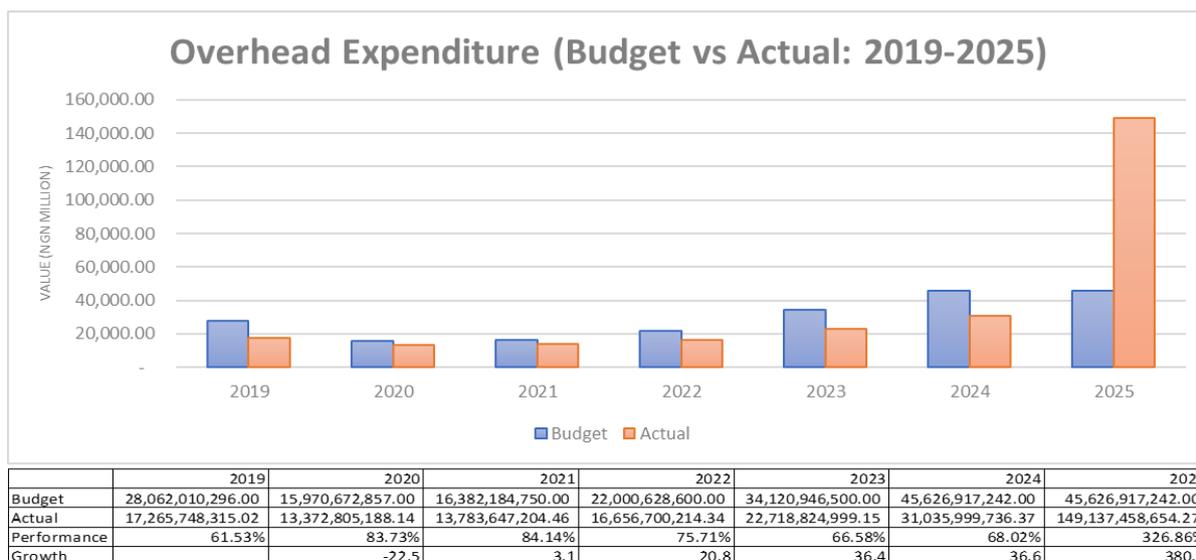


Figure 11: Trend of Overhead Cost

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

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

95. The performance against budget has been unstable over the years under review. In the year 2019, it performed at 61.53%, 83.73% in year 2020, 84.14% in year 2021, 75.71% in year 2022, 66.58% in year 2023, 68.02% in the year 2024 and 326.86% as at September 2025. Going forward, overhead expenditure must be brought under control, to ensure that cost of governance is not more than necessary.

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

97. In the years sampled above, in 2019, actual capital performed arbitrarily lower than budget but fair in year 2020, 2021, 2022 and 2023 with 76.99%, 50.77%, 59.53% and 44.36% successively. But in the year under review, actual Capital Expenditures in relation to budget were extremely low, performed 17.17% as at September, 2025. This owes largely to the variation in the parameters used in crafting year 2025 Budget, leading to poor Budget performance.

98. Efforts are now focused on ensuring more accurate revenue forecasts. In addition, the state will no longer include projects that are unlikely to be implemented. There will also be stricter control over recurrent expenditure, which will help improve the actual performance of capital spending against the budget going forward. This approach will also prevent wasted effort in preparing detailed capital expenditure proposals that ultimately cannot be executed.

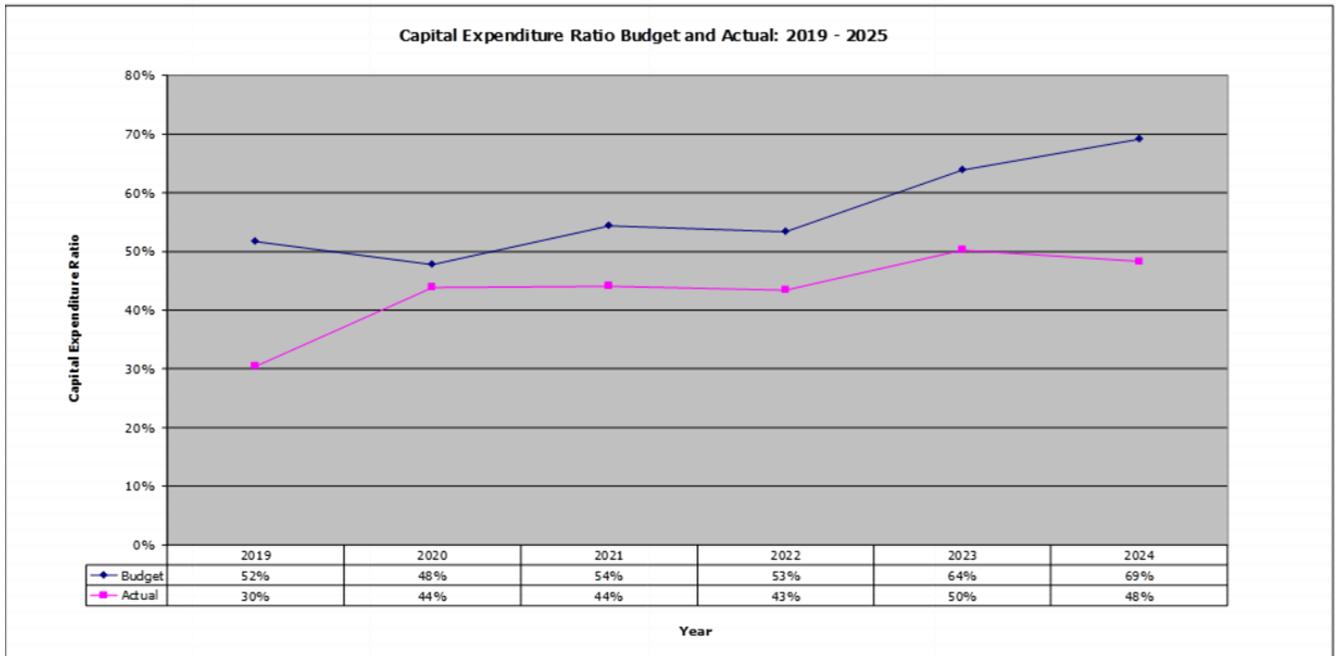


Figure 12: Trend Capital Expenditure Ratio

99. Capital expenditure ratio measures both the ratio of capital budget projection to total budget figure and the ratio of actual capital figure to capital budget figure. The actual capital expenditure ratio in the years under consideration was above 43% except in 2019, but in 2 the performance was at 30%. However, the ratio was relatively stable from 2020 to 2021 at around 44%.

100. It will be observed that in all the years reviewed (i.e., 2019 – 2024) the actual capital expenditure ratio was lower than capital budget ratio.

Capital Expenditure by Sector

101. The current administration has focused its spending on infrastructure, which had been in disrepair up until 2018. The high proportion of funds directed toward capital projects reflects this priority, and investments in this sector are expected to ultimately stimulate economic activity in the State.

102. The performances of personnel cost, overhead and capital expenditure is detailed in the graph below.

Table 5: Sector Recurrent Expenditure – Budget Vs Actual

5a

Personnel Expenditure by Sector												
No.	Sector	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	2024 Budget	2024 Actual	Performance	Average Budget	Average Actual
1	ADMINISTRATION OF JUSTICE	2,660,071,179	1,855,439,232	2,935,030,979	2,714,213,764	2,768,100,442	2,693,146,781	4,085,556,040	2,964,818,547	82.16%	5.25%	4.98%
2	AGRICULTURAL DEVELOPMENT	1,381,743,877	1,049,074,609	1,094,386,994	880,810,099	1,498,644,431	1,349,206,997	1,765,705,501	1,285,479,896	79.52%	2.42%	2.22%
3	EDUCATION	19,645,099,550	13,901,390,682	20,585,610,100	20,471,507,828	22,351,062,056	19,746,045,611	26,966,163,180	24,634,964,230	87.95%	37.75%	38.37%
4	ENVIRONMENT AND SEWAGE MANAGEMENT	401,393,218	278,533,204	722,645,039	681,595,683	473,638,075	432,025,699	564,507,073	394,465,735	82.63%	0.91%	0.87%
5	GENERAL ADMINISTRATION	3,239,608,114	1,633,912,207	3,176,863,429	2,264,402,088	1,868,798,105	1,820,160,240	4,529,648,739	2,956,618,208	67.70%	5.40%	4.23%
6	HEALTH	10,100,367,276	8,916,284,109	11,843,360,664	11,222,797,579	12,811,031,251	11,336,417,869	14,937,429,014	13,572,446,254	90.65%	20.95%	21.95%
7	INFORMATION	493,418,367	378,006,138	529,906,043	497,265,824	485,639,085	427,204,285	515,946,087	377,993,931	82.99%	0.85%	0.82%
8	INFRASTRUCTURAL DEVELOPMENT	1,917,719,178	1,419,657,006	978,187,076	955,768,918	2,120,012,582	1,864,411,341	2,497,338,566	1,722,019,371	79.35%	3.17%	2.91%
9	LEGISLATIVE ADMINISTRATION	432,095,003	321,590,913	974,737,336	455,398,488	235,419,690	353,882,007	1,286,502,467	614,901,106	59.61%	1.23%	0.85%
10	PUBLIC FINANCE	861,989,195	663,236,582	15,032,860,899	14,080,152,549	4,122,359,391	1,839,445,444	27,441,791,176	26,311,086,545	90.38%	20.00%	20.90%
11	REGIONAL DEVELOPMENT	0	0	0	0	78,464,111	19,232,056	44,575,406	34,500,781	43.67%	0.05%	0.03%
12	COMMUNITY DEVELOPMENT	623,190,274	443,128,691	416,369,042	394,144,234	732,140,759	620,705,584	902,235,473	661,968,987	79.28%	1.13%	1.03%
13	ENERGY											
14	TRADE AND INDUSTRY	471,217,875	328,080,933	491,516,093	474,696,962	540,346,336	483,740,836	605,166,057	428,497,495	81.35%	0.89%	0.84%
	Total	42,227,913,105	31,188,334,305	58,781,473,692	55,092,754,016	50,085,656,315	42,985,624,751	86,142,564,780	75,959,761,086	86.51%	100.00%	100.00%

5b

Overhead Expenditure by Sector												
No.	Sector	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	2024 Budget	2024 Actual	Performance	Average Budget	Average Actual
1	ADMINISTRATION OF JUSTICE	294,819,900	212,656,000	804,392,000	521,095,248	1,067,600,000	768,789,988	2,030,500,000	1,438,249,698	70.06%	4.34%	4.59%
2	AGRICULTURAL DEVELOPMENT	81,732,500	55,263,200	189,276,000	113,203,432	309,100,000	189,318,450	514,300,000	186,894,000	49.77%	1.13%	0.85%
3	EDUCATION	163,770,500	130,170,890	960,656,750	489,260,970	1,143,000,000	923,375,760	1,605,350,000	1,202,862,420	70.90%	4.01%	4.28%
4	ENVIRONMENT AND SEWAGE MANAGEMENT	33,962,500	29,470,000	183,845,500	79,644,200	311,558,500	114,872,035	371,300,000	117,611,200	37.93%	0.93%	0.53%
5	GENERAL ADMINISTRATION	1,081,176,500	897,297,910	2,601,874,000	2,237,163,356	4,903,373,000	3,722,907,219	8,484,830,642	6,052,736,890	75.62%	17.66%	20.13%
6	HEALTH	75,581,600	49,498,857	477,068,850	79,952,648	837,080,000	302,666,313	1,009,000,000	445,732,479	36.60%	2.48%	1.37%
7	INFORMATION	29,875,000	20,050,000	709,823,000	375,419,150	820,500,000	446,510,111	999,500,000	452,146,000	50.56%	2.65%	2.02%
8	INFRASTRUCTURAL DEVELOPMENT	239,892,500	139,056,329	837,500,000	515,823,729	1,602,035,000	1,021,553,482	2,805,340,000	1,737,014,683	62.24%	5.67%	5.32%
9	LEGISLATIVE ADMINISTRATION	1,413,368,750	711,630,500	3,293,300,000	1,574,104,189	3,613,300,000	1,547,959,900	5,338,450,000	1,989,217,500	42.63%	14.13%	9.08%
10	PUBLIC FINANCE	718,370,000	702,796,000	552,575,082	328,784,506	18,093,390,000	12,750,232,064	20,256,800,000	16,287,928,517	75.89%	40.98%	46.88%
11	REGIONAL DEVELOPMENT	0	0	37,350,000	25,518,500	50,000,000	37,192,955	65,000,000	48,216,583	72.81%	0.16%	0.17%
12	COMMUNITY DEVELOPMENT	74,017,500	49,015,145	1,812,729,000	878,207,652	1,020,700,000	648,587,357	1,817,046,600	902,900,616	52.47%	4.89%	3.86%
13	ENERGY											
14	TRADE AND INDUSTRY	79,762,500	38,822,571	189,963,000	127,191,834	349,310,000	244,859,364	329,500,000	174,489,150	61.71%	0.98%	0.91%
	Total	4,286,329,750	3,035,727,401	12,650,353,182	7,345,369,414	34,120,946,500	22,718,824,999	45,626,917,242	31,035,999,736	66.34%	100.00%	100.00%

Note: The Overhead cost in table 5b is inclusive of Special Programmes

Table 6: Sector Capital Expenditure – Budget Vs Actual

Capital Expenditure by Sector												
No.	Sector	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	2024 Budget	2024 Actual	Performance	Average Budget	Average Actual
1	ADMINISTRATION OF JUSTICE	1,319,000,000	309,022,812	1,443,529,000	159,277,524	5,472,000,000	432,955,151	12,080,500,000	9,518,846,532	51.29%	3.75%	4.56%
2	AGRICULTURAL DEVELOPMENT	6,521,006,813	1,031,581,839	4,035,716,000	2,920,663,360	17,323,953,000	4,036,515,937	15,564,911,000	3,169,532,888	25.68%	8.01%	4.88%
3	EDUCATION	6,965,818,349	995,372,635	5,724,780,000	2,456,528,478	10,208,000,000	4,911,695,502	14,869,646,000	5,543,162,932	36.82%	6.97%	6.09%
4	ENVIRONMENT AND SEWAGE MANAGEMENT	2,376,000,000	2,011,748,060	2,520,661,750	2,173,792,162	3,274,722,650	1,270,481,709	7,011,778,000	630,343,227	40.09%	2.80%	2.66%
5	GENERAL ADMINISTRATION	4,726,900,000	1,786,337,631	5,846,674,250	2,427,710,051	7,381,930,000	3,283,683,796	15,938,183,000	5,123,777,803	37.24%	6.25%	5.52%
6	HEALTH	4,761,875,000	1,224,551,274	5,437,759,000	290,770,815	13,881,200,000	1,211,689,529	12,768,350,000	2,539,575,849	14.29%	6.80%	2.30%
7	INFORMATION	457,000,000	199,393,623	439,500,000	94,387,946	392,000,000	155,867,452	512,000,000	49,711,188	27.73%	0.33%	0.22%
8	INFRASTRUCTURAL DEVELOPMENT	32,860,961,485	24,471,528,631	38,069,150,727	28,312,609,179	69,301,130,620	45,093,163,905	124,198,944,964	40,358,184,883	52.28%	48.77%	60.49%
9	LEGISLATIVE ADMINISTRATION	862,300,000	110,270,498	1,102,000,000	148,202,336	2,316,500,000	90,143,225	3,316,550,000	135,506,256	6.37%	1.40%	0.21%
10	PUBLIC FINANCE	5,254,822,709	3,028,616,891	8,226,222,000	5,320,096,810	13,126,469,380	2,820,992,179	22,924,131,250	10,390,304,560	43.53%	9.14%	9.43%
11	REGIONAL DEVELOPMENT	0	0	300,000,000	45,920,150	200,000,000	30,755,573	170,000,000	12,375,000	13.29%	0.12%	0.04%
12	COMMUNITY DEVELOPMENT	1,233,900,000	163,172,096	1,888,187,000	539,582,375	4,798,500,000	2,374,540,341	12,303,500,000	1,816,832,657	24.20%	3.73%	2.14%
13	ENERGY								0	0.00%	0.00%	
14	TRADE AND INDUSTRY	2,575,900,000	163,952,354	2,000,759,000	966,530,382	2,220,390,000	783,211,608	3,658,753,000	1,386,276,616	31.56%	1.93%	1.44%
	Total	69,915,484,356	35,495,548,343	77,034,938,727	45,856,071,568	149,896,795,650	66,495,695,906	245,317,247,214	80,674,430,390	42.15%	100.00%	100.00%

2.B.2 Debt Position

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

Table 5: Debt Position as at 31st December 2024

Debt Sustainability Analysis			
A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2024
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	3.68%
2	Total Domestic Debt/IGR	150%	38.38%
3	Total External Debt/Total Revenue	50%	33.24%
4	Total Public Debt/Total Revenue	100%	36.92%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	1.73%
7	Total Debt Service/Total Revenue	15%	26.10%
8	Domestic Debt Service/IGR	10%	254.36%
			2024 Actual
B	PUBLIC DEBT DATA AS AT 31st DECEMBER 2024		Naira
1	Total Domestic Debt		12,876,176,042
2	Total External Debt		116,408,646,538
3	Total Public Debt		129,284,822,580
4	Total Domestic Debt Service 2024		85,336,614,199
5	Total External Debt Service in 2024		6,042,165,362
6	Total Public Debt Service		91,378,779,561
C	STATE GDP FOR 2024		
1	State GDP		0

104. The total public debt of the State as at December 2024 was N129,284,822,580.00, divided into N112,876,176,042 and N116,408,646,538 for Domestic and External Debts respectively. In the year, the State spent the sum of N91,328,779,561 to pay for principal and interest in both debts. Under solvency ratios, total external debt/total revenue and total public debt/total revenue ratios were less than the sustainability threshold, others were higher than the required sustainability threshold. The worst is the domestic debt to IR ratio, at 224.15% which is 74.15% higher than the required threshold of 150%. This culminated into higher domestic debt service/IR ratio under liquidity ratios. This was largely due to a low IR base which must be increased in the short/medium term. Once IR is at a more appropriate level compared to the level of economic activity in the State, more domestic borrowing will be possible.

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

Section 3

Fiscal Strategy Paper

106. Fiscal Strategy Paper highlights the macroeconomic and fiscal policy objectives of the State Government over the medium-term period of 2026-2028 and the strategies to be implemented to achieve the objectives.

3A: Macroeconomic Framework

107. The Macroeconomic framework is based on key macroeconomic Indicators which are usually used to evaluate the performance of an economy. The Macroeconomic framework reflects the mineral sector benchmarks (production, price and NGN-USD exchange rate) as laid out in the Federal Government Medium Term Expenditure Framework for the period 2026-2028. Real GDP growth and Inflation (CPI) are as per the Nigeria Governors' Forum (NGF) data. The figures represent a prudent macroeconomic framework from which the Ondo State Medium Term Expenditure Framework is drawn.

Table 6: Macroeconomic Framework

Macro-Economic Framework				
Item	2025	2026	2027	2028
National Inflation	27.00%	23.00%	17.00%	15.00%
National Real GDP Growth	3.00%	3.20%	3.30%	3.30%
Oil Production Benchmark (MBPD)	1.6500	1.7000	1.7500	1.8000
Oil Price Benchmark	\$75.00	\$55.00	\$55.00	\$55.00
NGN:USD Exchange Rate	1500	1500	1500	1500
Mineral Ratio	18%	20%	22%	24%

3B: Fiscal Strategy and Assumptions

Policy Statement

108. The Government's policy thrust and priorities for the next fiscal year focus on streamlining sectoral programmes and projects to align with its developmental agenda, known by the acronym "OUR EASE," and the framework of the Medium-Term Expenditure Framework (MTEF). The competing needs across sectors should be clearly prioritized, and the programmes and projects required to address them must be properly aligned within the Medium-Term Sector Strategy (MTSS).

Objectives and Targets

109. The key targets for Ondo State Government from a fiscal perspective are to:

- i. Sustained Food security and agricultural Transformation;
- ii. Human Capital development and Skill Enhancement;
- iii. Infrastructure Expansion and Modernization;
- iv. Sustained drive on Internally Generated Revenue (IGR) Mobilization;
- v. Resilient and inclusive community Development;

- vi. Social Inclusion and Social Protection;
- vii. Economic Diversification and industrial growth; and
- viii. Prudent Fiscal Management.

3C: Indicative Three-Year Fiscal Framework

110. The indicative three-year fiscal framework for the period 2026-2028 is presented in the table below.

Table 7: Ondo State Medium Term Fiscal Framework

Macro-Economic Framework				
Item	2025	2026	2027	2028
National Inflation	27.00%	23.00%	17.00%	15.00%
National Real GDP Growth	3.00%	3.20%	3.30%	3.30%
Oil Production Benchmark (MBPD)	1.6500	1.7000	1.7500	1.8000
Oil Price Benchmark	\$75.00	\$55.00	\$55.00	\$55.00
NGN:USD Exchange Rate	1500	1500	1500	1500
Mineral Ratio	18%	20%	22%	24%

Recurrent Revenue	2025	2026	2027	2028
Statutory Allocation	28,753,049,516	59,477,548,821	61,440,307,932	63,467,838,094
Net Derivation	25,250,000,000	37,097,264,000	38,321,473,712	39,586,082,344
VAT	71,559,000,000	87,255,713,682	90,135,152,234	93,109,612,257
Independent Revenue (IR)	43,345,691,000	34,800,000,000	47,228,958,000	47,228,958,000
Signature Fund	60,000,000,000	0	0	0
Exchange Gain	50,000,000,000	11,501,095,876	11,880,632,040	12,272,692,897
Ecological Fund	5,000,000,000	953,419,143	984,881,975	1,017,383,080
State Infrastructure & Security	0	0	57,647,526,209	59,549,894,573
NLNG Dividend	0	34,453,924,695	35,590,904,210	36,765,404,049
Excess Non-Oil & Solid Minerals	0	0	0	0
Electronic Money Transfer Levy (EMTL)	5,000,000,000.00	4,789,685,012	5,029,169,262	5,280,627,725
Other FAAC Revenue	0	3,000,000,000	25,665,186,023	26,512,137,162
Total Recurrent Revenue	288,907,740,516	273,328,651,229	373,924,191,597	384,790,630,183

Recurrent Expenditure				
Salary and Wages	102,772,099,633	75,399,772,100	79,169,760,705	83,128,248,740
Overheads	50,283,074,533	48,247,692,500	50,660,077,125	53,193,080,981
Social Contribution and Social Benefits	29,149,120,000	24,841,120,000	26,083,176,000	27,387,334,800
Grants and Contributions	26,429,950,001	18,281,300,000	19,195,365,000	20,155,133,250
Public Debt Charge	22,026,631,374	19,954,856,000	16,878,441,494	6,859,249,294
Transfer to Local Government	3,577,445,362	2,923,700,000	3,757,015,287	3,757,015,287
Transfer to Internal Revenue Services	7,571,237,385	5,563,000,000	9,658,805,130	9,658,805,130
Total	241,809,558,288	195,211,440,600	205,402,640,741	204,138,867,482

Capital Receipts				
Grants	31,493,200,000	5,854,643,000	11,575,000,000	10,687,500,000
Other Capital Receipts	167,415,939,484	160,948,822,210	0	0
Total	198,909,139,484	166,803,465,210	11,575,000,000	10,687,500,000

Transfer to OSOPADEC	10,100,000,000	14,838,905,600	15,328,589,485	15,834,432,938
Reserves				
Contingency Reserve	0	7,439,605,683	4,774,913,771	4,990,981,568
Planning Reserve	0	8,199,859,537	11,217,725,748	11,543,718,905
Total Reserves	0	15,639,465,220	15,992,639,519	16,534,700,473

Capital Expenditure	446,749,937,712	267,105,856,518	159,675,321,852	167,270,129,290
Discretionary Funds	219,301,806,038	193,572,970,018	139,200,321,852	150,282,629,290
Non-Discretionary Funds	227,448,131,674	73,532,886,500	20,475,000,000	16,987,500,000

Financing (Loans from Development Partners)	210,842,616,000	52,663,551,500	10,900,000,000	8,300,000,000
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Total Budget Size	698,659,496,000	492,795,667,939	396,399,191,597	403,778,130,183
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Ratios				
Growth in Recurrent Revenue	43.40%	-5.39%	36.80%	2.91%
Growth in Recurrent Expenditure	10.23%	-19.27%	5.22%	-0.62%
Capital Expenditure Ratio	56.69%	55.87%	46.98%	48.21%
Deficit to Total Expenditure	31.47%	10.69%	2.75%	2.06%

111. The capital receipts expected in the State for the period 2026-2028 is presented in the table below.

Table 8: Capital Receipts

CAPITAL RECEIPT PAGE						
ITEM	2025	2026	2026 GCC	2027	2028	Discretionary / Non-Discretionary
Internal Grants						
IG & MRU FG Conditional Grant	600,000,000.00	150,000,000.00	150,000,000.00	300,000,000.00	300,000,000.00	Non-Discretionary
Shore Protection Grant FGN	5,000,000,000.00	-	-	-	-	Non-Discretionary
National Gas Expansion Programme	100,000,000.00	-	-	-	-	Non-Discretionary
E-HEART Project	-	-	3,000,000,000.00	2,000,000,000.00	2,000,000,000.00	Discretionary
Infrastructural Development Grant from FGN	20,000,000,000.00	-	-	-	-	Discretionary
Universal Basic Education (UBEC) -SUBEB	8,500,000,000.00	5,300,000,000.00	5,300,000,000.00	5,000,000,000.00	5,000,000,000.00	Non-Discretionary
Basic Health Care Provision Fund from FGN (Contributory Health Scheme)	440,000,000.00	450,000,000.00	-	450,000,000.00	450,000,000.00	Non-Discretionary
Basic Health Care Provision Fund (PHCDA)	-	-	293,500,000.00	1,000,000,000.00	1,000,000,000.00	Non-Discretionary
Youth Employment and Social Support Operations (NASSCO/SOCU)	220,000,000.00	100,000,000.00	100,000,000.00	225,000,000.00	337,500,000.00	Non-Discretionary
Basic Health Care Provision Fund (Emergency Response Agency)	-	-	-	-	-	Non-Discretionary
Sub-Total Internal Grant	34,860,000,000.00	6,000,000,000.00	8,843,500,000.00	8,975,000,000.00	9,087,500,000.00	
External Grants						
UNICEF	550,000,000.00	300,000,000.00	50,000,000.00	400,000,000.00	400,000,000.00	Non-Discretionary
United Nations Population Fund (UNFPA)	-	-	-	-	-	Non-Discretionary
Clinton Health Access Initiative -CHAI (Contributory Health Scheme)	10,000,000.00	-	-	-	-	Non-Discretionary
Global Environment Facility/FAO-GEF7	1,553,200,000.00	1,300,000,000.00	1,300,000,000.00	1,500,000,000.00	500,000,000.00	Non-Discretionary
REDD+ Project (World Bank Supported)	-	-	40,000,000.00	300,000,000.00	300,000,000.00	Non-Discretionary
UN-Habitat Programme	-	-	300,000,000.00	400,000,000.00	400,000,000.00	Non-Discretionary
REDD+ Project (World Bank Supported)-Co-Financing	100,000,000.00	-	-	-	-	Non-Discretionary
Food and Agric Organisation Support (FAO)	-	-	-	-	-	Non-Discretionary
Sub-Total External Grant	2,213,200,000.00	1,600,000,000.00	1,690,000,000.00	2,600,000,000.00	1,600,000,000.00	
Grant Balancing Item / Blue Sky						
Total Grants	37,073,200,000.00	7,600,000,000.00	10,533,500,000.00	11,575,000,000.00	10,687,500,000.00	
Internal Loans						
Bond	80,000,000,000.00	-	-	-	-	Non-Discretionary
Internal Loans/Borrowings	39,252,116,000.00	-	-	-	-	Discretionary
AUDA NEPAD (OSAEC)	5,230,000,000.00	425,000,000.00	75,000,000.00	-	-	Non-Discretionary
Assisted Sustainable Urban Renewal & Rural Water Supply, Sanitation and Hygiene (SURWASH) -RUWASSA	2,000,000,000.00	350,000,000.00	350,000,000.00	300,000,000.00	300,000,000.00	Non-Discretionary
Livestock Productivity and Resilience Support (L-PRESS)	660,000,000.00	400,000,000.00	40,000,000.00	600,000,000.00	600,000,000.00	Non-Discretionary
LIFE-ND	1,600,000,000.00	-	177,000,000.00	-	-	Non-Discretionary
Total	128,742,116,000.00	1,175,000,000.00	642,000,000.00	900,000,000.00	900,000,000.00	
Loans 2						
O-CARES -Public Work Fare	1,321,700,826.00	700,000,000.00	-	560,000,000.00	392,000,000.00	Non-Discretionary
O-CARES Cash Transfer	800,000,000.00	500,000,000.00	-	400,000,000.00	280,000,000.00	Non-Discretionary
O-CARES Commerce	400,000,000.00	-	-	-	-	Non-Discretionary
O-CARES Human Capital Devt	7,000,000,000.00	-	-	-	-	Non-Discretionary
O-CARES Hqtr	800,000,000.00	200,000,000.00	-	360,000,000.00	252,000,000.00	Non-Discretionary
O-CARES CSDP	1,122,200,682.00	1,750,000,000.00	-	1,400,000,000.00	980,000,000.00	Non-Discretionary
O-CARES FADAMA	1,326,098,492.00	1,400,000,000.00	-	1,120,000,000.00	784,000,000.00	Non-Discretionary
O-CARES SOCU	230,000,000.00	450,000,000.00	-	160,000,000.00	112,000,000.00	Non-Discretionary
Immunization Plus and Malaria Progress by Accelerating Coverage and Transforming Services (IMPACT)	4,230,000,000.00	8,000,000,000.00	-	-	-	Non-Discretionary
Nigeria for Women Project (NFWP)	5,450,000,000.00	2,500,000,000.00	-	4,000,000,000.00	4,000,000,000.00	Non-Discretionary
SABER Loan	5,500,000,000.00	5,000,000,000.00	-	-	-	Discretionary
French Development Agency(AFD) Water Facility	15,112,597,500.00	15,713,551,500.00	2,218,100,500.00	1,000,000,000.00	-	Non-Discretionary
RAAMP	28,500,000,000.00	11,900,000,000.00	2,100,000,000.00	-	-	Non-Discretionary
African Development Bank (AfDB) Water Facility	17,875,200,000.00	7,625,000,000.00	1,375,000,000.00	-	-	Non-Discretionary
Ondo State Erosion and Watershed Management Project (NEWMAP)	2,500,000,000.00	750,000,000.00	250,000,000.00	1,000,000,000.00	600,000,000.00	Non-Discretionary
Total	92,167,797,500	56,488,551,500	5,943,100,500	10,000,000,000	7,400,000,000	
Loan Balancing Item / Blue Sky						
Total Loans	220,909,913,500	57,663,551,500	6,585,100,500	10,900,000,000	8,300,000,000	
Other Capital Receipts						
Roll-Over Fund (Treasury)	142,172,604,483.52	115,043,205,971.00	-	-	-	Discretionary
Roll-Over Fund- Nigeria Women Project	-	2,500,000,000.00	-	-	-	Discretionary
Roll-Over Fund- OSAEC (CACS & AADS)	973,835,000.00	315,000,000.00	-	-	-	Non-Discretionary
Roll-Over Fund (Water)	20,019,500,000.00	-	-	-	-	Non-Discretionary
Contributory Health Scheme (Insurance Premium) -Formal & Informal Sectors	4,250,000,000.00	3,512,000,000.00	-	-	-	Non-Discretionary
Total Other Capital Receipt	167,415,939,484	121,370,205,971	0	0	0	

3C.1: Assumptions

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

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

114. VAT – The estimation of net derivation is based on own value forecast method.

115. Other Federation Account Distributions – The estimation is based on the current receipt (i.e., from January to September 2025). Furthermore, it is anticipated that governments will press FAAC for excess crude distributions in 2026 to assist in funding the challenges brought about by fuel subsidy removal.

116. Independent Revenue (IR) – The current administration introduced measures to grow IR. These measures have started yielding results as actual IR has been on the increase since 2018. It is anticipated that IR will continue to increase by 20% year-on-year from 2021 and start to stabilise from 2025. Own value is therefore used to forecast IR for 2026 – 2028.

117. Grants – The internal grants are based on the expected drawdown from relevant donors. External grants are based on signed grant agreements with development partners.

118. Financing (Net Loans) –All internal and external loans are projections based on signed agreements. All of these loans are for specific projects to be financed by relevant development partners.

119. Personnel – Implementation of new minimum wage which took effect from November 2024 impacted on the wage bill in the year 2025. So, the projection is that total wage bill will be moderate in 2026, 2027 and 2028 as a result of new minimum wage and workers' yearly increment.

120. Overheads – Overhead costs have been on increase since the past few years and they are expected to continue to rise due to increasing commodity prices resulting from the removal of fuel subsidies. Consequently, own value method is used to forecast overhead for 2026, 2027 and 2028.

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

122. Public Debt Charge – This is based on the projected principal and interest due for repayments in 2026, 2027 and 2028.

123. Transfer to Internal Revenue Services – This is certain percentage of total IGR for 2026, 2027 and 2028.

124. Transfer to Local Governments – This is 10% of total IGR (after deduction of cost of collection) for 2026, 2027 and 2028.

125. Capital Expenditure – This is based on the balance from the recurrent account plus capital receipts, less contingency reserves.

3C.2: Fiscal Trends

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

3D: Fiscal Risks

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

Table 10: Fiscal Risks

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

128. It is important to emphasize that no budget is entirely free from risk. The effective implementation of the 2025 budget will require continuous monitoring, particularly in relation to the evolving security landscape and the broader fiscal and economic environment. Close attention to these factors will be essential for ensuring that projected revenues are realized and that expenditure targets remain achievable.

Section 4

Budget Policy Statement

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

4A: Budget Policy Thrust

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

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

4B: Sector Allocations (3 Year)

131. The total forecast budget size for the 2026 fiscal year as explained in Section 3C above is N497,578,381,939.00 of which the sum of N221,034,979,939.00 will be for recurrent expenditure (i.e Personnel, Overhead, Social Contributions, Grants & Contributions Public Debt Charge, transfer to Internal Revenue Service and Transfer to Local Governments), N276,543,402,000.00 for capital expenditure. The capital component of the budget is derived from discretionary and non-discretionary funds. Discretionary fund of N156.4 billion will be distributed to all MEDAs while non-discretionary capital fund of N91.99 billion is specifically earmarked for special projects. The non-discretionary fund is in the form of loans and grants.

132. The indicative overhead and capital allocation (envelope) to the sectors for 2026-2028 are based on the combined proportion of budget and actual expenditure as shown in tables 11 (a and b) and 12 below.

Personnel Expenditure by Sector						
No.	Sector	% 2026	2026 Allocation	% 2027	2027 Allocation	2028 Allocation
1	ADMINISTRATION OF JUSTICE	5.12%	3,857,058,916	5.12%	4,049,911,862	4,252,407,455
2	AGRICULTURAL DEVELOPMENT	2.32%	1,750,737,852	2.32%	1,838,274,745	1,930,188,482
3	EDUCATION	38.06%	28,697,244,722	38.06%	30,132,106,958	31,638,712,306
4	ENVIRONMENT AND SEWAGE MANAGEMEN	0.89%	671,796,999	0.89%	705,386,849	740,656,191
5	GENERAL ADMINISTRATION	4.81%	3,630,048,762	4.81%	3,811,551,201	4,002,128,761
6	HEALTH	21.01%	15,841,492,118	21.01%	16,633,566,724	17,465,245,060
7	INFORMATION	0.84%	630,482,882	0.84%	662,007,026	695,107,377
8	INFRASTRUCTURAL DEVELOPMENT	3.04%	2,289,132,984	3.04%	2,403,589,634	2,523,769,115
9	LEGISLATIVE ADMINISTRATION	1.04%	786,110,591	1.04%	825,416,121	866,686,927
10	PUBLIC FINANCE	20.41%	15,389,093,486	20.41%	16,158,548,160	16,966,475,568
11	REGIONAL DEVELOPMENT	0.04%	29,423,112	0.04%	30,894,268	32,438,981
12	COMMUNITY DEVELOPMENT	1.08%	814,352,368	1.08%	855,069,987	897,823,486
13	ENERGY	0.48%		0.48%		
14	TRADE AND INDUSTRY	0.86%	650,072,163	0.86%	682,575,771	716,704,559
	Total	100.00%	75,399,772,100	100.00%	79,169,760,705	83,128,248,740

Overhead Expenditure by Sector						
No.	Sector	% 2026	2026 Allocation	% 2027	2027 Allocation	2028 Allocation
1	ADMINISTRATION OF JUSTICE	4.46%	2,153,413,113	4.46%	2,261,083,768	2,374,137,957
2	AGRICULTURAL DEVELOPMENT	0.99%	477,940,385	0.99%	501,837,404	526,929,274
3	EDUCATION	4.14%	1,999,046,142	4.14%	2,098,998,449	2,203,948,371
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.73%	353,213,275	0.73%	370,873,939	389,417,636
5	GENERAL ADMINISTRATION	18.89%	9,115,422,501	18.89%	9,571,193,626	10,049,753,307
6	HEALTH	1.92%	928,700,679	1.92%	975,135,713	1,023,892,499
7	INFORMATION	2.33%	1,125,439,946	2.33%	1,181,711,943	1,240,797,541
8	INFRASTRUCTURAL DEVELOPMENT	5.50%	2,652,430,841	5.50%	2,785,052,383	2,924,305,002
9	LEGISLATIVE ADMINISTRATION	9.50%	4,583,530,788	9.50%	4,812,707,327	5,053,342,693
10	PUBLIC FINANCE	43.86%	21,161,437,931	43.86%	22,219,509,827	23,330,485,318
11	REGIONAL DEVELOPMENT	0.17%	79,737,041	0.17%	83,723,893	87,910,088
12	COMMUNITY DEVELOPMENT	4.38%	2,111,145,449	4.38%	2,216,702,721	2,327,537,857
13	ENERGY	2.18%		2.18%		
14	TRADE AND INDUSTRY	0.95%	456,846,151	0.95%	479,688,459	503,672,882
	Total	100.00%	48,247,692,500	100.00%	50,660,077,125	53,193,080,981

Capital Expenditure by Sector						
No.	Sector	% 2026	2026 Allocation	% 2027	2027 Allocation	2028 Allocation
1	ADMINISTRATION OF JUSTICE	2.8%	7,742,918,801	3.2%	5,568,012,874	6,011,305,172
2	AGRICULTURAL DEVELOPMENT	8.8%	24,533,654,299	10.0%	17,453,952,217	17,227,291,192
3	EDUCATION	12.9%	36,145,231,503	14.8%	25,880,048,278	27,542,394,394
4	ENVIRONMENT AND SEWAGE MANAGEMENT	7.3%	20,357,297,002	8.5%	14,920,032,185	15,628,262,929
5	GENERAL ADMINISTRATION	4.2%	11,646,513,351	5.2%	9,141,017,702	9,575,044,611
6	HEALTH	14.1%	39,579,445,503	12.8%	22,330,048,278	23,992,394,394
7	INFORMATION	1.0%	2,903,594,550	1.2%	2,088,004,828	2,254,239,439
8	INFRASTRUCTURAL DEVELOPMENT	23.0%	64,424,667,125	11.8%	20,617,323,740	21,123,409,321
9	LEGISLATIVE ADMINISTRATION	4.1%	11,614,378,201	4.8%	8,352,019,311	9,016,957,757
10	PUBLIC FINANCE	3.8%	10,678,648,501	4.5%	7,880,016,093	8,278,131,465
11	REGIONAL DEVELOPMENT	5.3%	14,838,905,600	8.8%	15,328,589,485	15,834,432,938
12	COMMUNITY DEVELOPMENT	8.4%	23,607,297,002	11.0%	19,320,032,185	20,008,262,929
13	ENERGY	1.0%	2,710,021,580	1.1%	1,948,804,506	2,103,956,810
14	TRADE AND INDUSTRY	2.1%	5,807,189,101	2.4%	4,176,009,656	4,508,478,879
	Total	100.56%	280,369,762,118	100.00%	175,003,911,337	183,104,562,228

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Table 13: Indicative Sector Expenditure Ceilings 2025-2028 – Overhead

Overhead Expenditure by Sector									
No.	Sector	2025 Budget	2025 Budget %	% 2026	2026 Allocation	% 2027	2027 Allocation	% 2028	2028 Allocation
1	ADMINISTRATION OF JUSTICE	4.46%	2,244,257,216	4.46%	2,153,413,113	4.46%	2,261,083,768	4.46%	2,374,137,957
2	AGRICULTURAL DEVELOPMENT	0.99%	498,102,826	0.99%	477,940,385	0.99%	501,837,404	0.99%	526,929,274
3	EDUCATION	4.14%	2,083,378,104	4.14%	1,999,046,142	4.14%	2,098,998,449	4.14%	2,203,948,371
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.73%	368,113,966	0.73%	353,213,275	0.73%	370,873,939	0.73%	389,417,636
5	GENERAL ADMINISTRATION	18.89%	9,499,966,636	18.89%	9,115,422,501	18.89%	9,571,193,626	18.89%	10,049,753,307
6	HEALTH	1.92%	967,878,940	1.92%	928,700,679	1.92%	975,135,713	1.92%	1,023,892,499
7	INFORMATION	2.33%	1,172,917,869	2.33%	1,125,439,946	2.33%	1,181,711,943	2.33%	1,240,797,541
8	INFRASTRUCTURAL DEVELOPMENT	5.50%	2,764,326,556	5.50%	2,652,430,841	5.50%	2,785,052,383	5.50%	2,924,305,002
9	LEGISLATIVE ADMINISTRATION	11.60%	5,834,295,884	9.50%	4,583,530,788	9.50%	4,812,707,327	9.50%	5,053,342,693
10	PUBLIC FINANCE	43.93%	22,090,410,546	43.86%	21,161,437,931	43.86%	22,219,509,827	43.86%	23,330,485,318
11	REGIONAL DEVELOPMENT	0.17%	83,100,836	0.17%	79,737,041	0.17%	83,723,893	0.17%	87,910,088
12	COMMUNITY DEVELOPMENT	4.38%	2,200,206,444	4.38%	2,111,145,449	4.38%	2,216,702,721	4.38%	2,327,537,857
13	ENERGY			2.18%		2.18%		2.18%	
14	TRADE AND INDUSTRY	0.95%	476,118,709	0.95%	456,846,151	0.95%	479,688,459	0.95%	503,672,882
	Total	100%	50,283,074,533	100.00%	48,247,692,500	100.00%	50,660,077,125	100.00%	53,193,080,981

Table 14: Indicative Sector Expenditure Ceilings 2025-2028 – Personnel

Personnel Expenditure by Sector									
No.	Sector	2025 Budget	2025 Budget %	% 2026	2026 Allocation	% 2027	2027 Allocation	% 2028	2028 Allocation
1	ADMINISTRATION OF JUSTICE	5.12%	5,257,284,368	5.12%	3,857,058,916	5.12%	4,049,911,862	5.12%	4,252,407,455
2	AGRICULTURAL DEVELOPMENT	2.32%	2,386,307,014	2.32%	1,750,737,852	2.32%	1,838,274,745	2.32%	1,930,188,482
3	EDUCATION	38.06%	39,115,185,784	38.06%	28,697,244,722	38.06%	30,132,106,958	38.06%	31,638,712,306
4	ENVIRONMENT AND SEWAGE MANAGEMENT	0.89%	915,679,002	0.89%	671,796,999	0.89%	705,386,849	0.89%	740,656,191
5	GENERAL ADMINISTRATION	4.81%	4,947,862,874	4.81%	3,630,048,762	4.81%	3,811,551,201	4.81%	4,002,128,761
6	HEALTH	21.45%	22,042,830,290	21.01%	15,841,492,118	21.01%	16,633,566,724	21.01%	17,465,245,060
7	INFORMATION	0.84%	859,366,650	0.84%	630,482,882	0.84%	662,007,026	0.84%	695,107,377
8	INFRASTRUCTURAL DEVELOPMENT	3.04%	3,120,155,361	3.04%	2,289,132,984	3.04%	2,403,589,634	3.04%	2,523,769,115
9	LEGISLATIVE ADMINISTRATION	1.04%	1,071,491,780	1.04%	786,110,591	1.04%	825,416,121	1.04%	866,686,927
10	PUBLIC FINANCE	20.45%	21,019,778,382	20.41%	15,389,093,486	20.41%	16,158,548,160	20.41%	16,966,475,568
11	REGIONAL DEVELOPMENT	0.04%	40,104,565	0.04%	29,423,112	0.04%	30,894,268	0.04%	32,438,981
12	COMMUNITY DEVELOPMENT	1.08%	1,109,986,150	1.08%	814,352,368	1.08%	855,069,987	1.08%	897,823,486
13	ENERGY			0.48%		0.48%		0.48%	
14	TRADE AND INDUSTRY	0.86%	886,067,414	0.86%	650,072,163	0.86%	682,575,771	0.86%	716,704,559
	Total	100%	102,772,099,633	100.00%	75,399,772,100	100.00%	79,169,760,705	100.00%	83,128,248,740

Table 15: Indicative Sector Expenditure Ceilings 2025-2028 – Capital

Capital Expenditure by Sector			Discretionary Funds						Non-Discretionary Funds			Total Capital Envelope						
No.	Sector	2025 Budget	2025 Budget %	% 2026	2026 Allocation	% 2027	2027 Allocation	% 2028	2028 Allocation	2026 Allocation	2027 Allocation	2028 Allocation	% 2026	2026 Allocation	% 2027	2027 Allocation	% 2028	2028 Allocation
1	ADMINISTRATION OF JUSTICE	4.15%	9,108,491,163	4.00%	7,742,918,801	4.00%	5,568,012,874	4.00%	6,011,305,172	0	0	0	2.8%	7,742,918,801	3.2%	5,568,012,874	3.3%	6,011,305,172
2	AGRICULTURAL DEVELOPMENT	6.45%	14,140,771,569	10.01%	19,376,654,299	10.01%	13,933,952,217	10.01%	15,043,291,192	5,157,000,000	3,520,000,000	2,184,000,000	8.8%	24,533,654,299	10.0%	17,453,952,217	9.4%	17,227,291,192
3	EDUCATION	6.53%	14,311,336,491	15.00%	29,035,945,503	15.00%	20,880,048,278	15.00%	22,542,394,394	7,109,286,000	5,000,000,000	5,000,000,000	12.9%	36,145,231,503	14.8%	25,880,048,278	15.0%	27,542,394,394
4	ENVIRONMENT AND SEWAGE MANAGEMENT	2.73%	5,991,144,811	10.00%	19,357,297,002	10.00%	13,920,032,185	10.00%	15,028,262,929	1,000,000,000	1,000,000,000	600,000,000	7.3%	20,357,297,002	8.5%	14,920,032,185	8.5%	15,628,262,929
5	GENERAL ADMINISTRATION	5.89%	12,911,022,838	5.50%	10,646,513,351	5.50%	7,656,017,702	5.50%	8,265,544,611	1,000,000,000	1,485,000,000	1,309,500,000	4.2%	11,646,513,351	5.2%	9,141,017,702	5.2%	9,575,044,611
6	HEALTH	4.55%	9,979,671,875	15.00%	29,035,945,503	15.00%	20,880,048,278	15.00%	22,542,394,394	10,543,500,000	1,450,000,000	1,450,000,000	14.1%	39,579,445,503	12.8%	22,330,048,278	13.1%	23,992,394,394
7	INFORMATION	0.28%	603,751,456	1.50%	2,903,594,550	1.50%	2,088,004,828	1.50%	2,254,239,439	0	0	0	1.0%	2,903,594,550	1.2%	2,088,004,828	1.2%	2,254,239,439
8	INFRASTRUCTURAL DEVELOPMENT	53.48%	117,282,605,869	13.59%	26,306,566,625	13.59%	18,917,323,740	13.59%	20,423,409,321	38,118,100,500	1,700,000,000	700,000,000	23.0%	64,424,667,125	11.8%	20,617,323,740	11.5%	21,123,409,321
9	LEGISLATIVE ADMINISTRATION	0.81%	1,768,832,926	6.00%	11,614,378,201	6.00%	8,352,019,311	6.00%	9,016,957,757	0	0	0	4.1%	11,614,378,201	4.8%	8,352,019,311	4.9%	9,016,957,757
10	PUBLIC FINANCE	9.29%	20,362,680,366	5.00%	9,678,648,501	5.00%	6,960,016,093	5.00%	7,514,131,465	1,000,000,000	920,000,000	764,000,000	3.8%	10,678,648,501	4.5%	7,880,016,093	4.5%	8,278,131,465
11	REGIONAL DEVELOPMENT	0.08%	178,234,142	0.00%	0	0.00%	0	0.00%	0	14,838,905,600	15,328,589,485	15,834,432,938	5.3%	14,838,905,600	8.8%	15,328,589,485	8.6%	15,834,432,938
12	COMMUNITY DEVELOPMENT	2.94%	6,438,586,687	10.00%	19,357,297,002	10.00%	13,920,032,185	10.00%	15,028,262,929	4,250,000,000	5,400,000,000	4,980,000,000	8.4%	23,607,297,002	11.0%	19,320,032,185	10.9%	20,008,262,929
13	ENERGY	1.15%	2,521,970,769	1.40%	2,710,021,580	1.40%	1,948,804,506	1.40%	2,103,956,810	0	0	0	1.0%	2,710,021,580	1.1%	1,948,804,506	1.1%	2,103,956,810
14	TRADE AND INDUSTRY	1.69%	3,698,065,232	3.00%	5,807,189,101	3.00%	4,176,009,656	3.00%	4,508,478,879	0	0	0	2.1%	5,807,189,101	2.4%	4,176,009,656	2.5%	4,508,478,879
Total		100.00%	219,301,806,038	100.00%	193,572,970,018	100.00%	139,200,321,852	100.00%	150,282,629,290	86,796,792,100	35,803,589,485	32,821,932,938	100.56%	280,369,762,118	100.00%	175,003,911,337	100.00%	183,104,562,228

4C: Considerations for the Annual Budget Process

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

- i. Only prioritized projects contained in the sectors' MTSS should be in the MEDAs capital budget proposal;
- ii. Budget submissions for capital projects must include full life-time capital investment requirements (costs) and also sources of funding (particularly if grants and/or loans are being used to partially/fully fund the project);
- iii. This year's Budget will be programmes-based, such that each input and activity must speak to expected outcomes as captured in the "OUR EASE" agenda.

Section 5

Summary of Key Points and Recommendations

134. We summarized below a list of the key points arising in this document:

- a. Ondo State should sustain the current Budget reform programmes, particularly as it relates to the preparation of a realistic budget, total alliance with National Chart of Accounts, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Effort made to increase MTSS preparation from five sectors to ten in the current year is commendable. Similar effort should be put in place to cover the remaining three sectors in the coming budget season. It is worthy to advise that government use projections in the MTSS document as inputs into the State budget rather than allow the sector planning team waste their precious time to prepare it without making use of it.
- b. Ondo State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process. If the benchmark price of crude in the Federal FSP is lower or higher than \$66 per barrel used herein and IMF, World Bank, OPEC and US Energy Information Administration Reports validates the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation and other associated revenue items.
- c. The State should also intensify more efforts in Independent Revenue generation, industrialization drive, using the recently approved Port Ondo to her advantage, harnessing her natural endowments like developing Araromi Seaside to world tourist center, exploration of bitumen and alleviating the effects of insecurity on the people of the State.