



**DELTA STATE
DEBT SUSTAINABILITY
ANALYSIS REPORT – DEBT
MANAGEMENT STRATEGY**

REPORT 2023

**BY DELTA STATE TEAM
BASED ON THE TEMPLATE
PROVIDED BY DMO**

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Delta State is located in the mid-Western region of Nigeria, with Asaba as its capital city. The State was created on August 27th 1991 from the defunct Bendel State. It shares boundaries with Edo, Ondo, Anambra and Bayelsa States. It has twenty five Local Government Areas. Its estimated population as at 2018 was 6,037,463 at an annual growth rate of 2.74 percent. Delta State is a fast growing State with regards to infrastructural development most of which are being funded with borrowed funds. This has resulted in the accumulation of debt which may have serious negative effect on the domestic economy, if not well managed and monitored.

It is thus, imperative that debt sustainability analysis of Delta State be carried out for the actual period of 2018-2022 and a long-term projected period of 2023-2032 in order to have an in-depth understanding of the trend and patterns in the state's public debt, expenditure, revenue and related policies adopted by the Delta State Government as well as to evaluate the prospective performance of the State's public finances.

1.2 SUMMARY AND FINDINGS:

The dwindling fortune of Delta State arising from the fluctuations and intermittent collapse of oil price in international markets has impacted negatively on the State economy and its 25 Local Government Areas. This is particularly so, because oil has continued to remain the mainstay of Delta State economy contributing over 70 percent of its earnings. The state and its 25 local government areas have relied heavily on funds from the federation allocation which has constituted over 80 percent of the state revenue. Therefore, the state and its local government areas have been found to have suffered greatly from executing planned projects meant for socio-economic development due to its weak internal revenue generation capacity amidst rising expenditure for administration and infrastructural development. This has made the State to resort to debt financing. However, with the State plan to diversify its economy to include a vibrant non-oil sectors as well as the recent widening of its tax base to include property tax and land rent, it has been envisioned that the State internally generated revenue will improve tremendously in the near future.

1.3 OVERALL RESULTS:

The overall result of the Delta State Debt Sustainability Analysis shows that the State Personnel cost as a share of revenue, interest payment as a percentage share of revenue are well below the threshold. However, the State debt stock as a percentage share of revenue bridged the threshold in the projected year of 2030 to 2032. In addition to above, the debt service as a percentage share of revenue also bridged the threshold from 2029 to 2032 as depicted in the chart. Moreover, the rise in Delta State's total expenditure between the base year 2018 and projected year of 2032, including the slow growth cum constant dwindling real value of Delta State Internally Generated Revenue (IGR) due to high inflation growth rate in the Nation, all these shows that the long term outlook for Delta State Public Debt is not Sustainable as a result of low internally generated revenue in the State. Consequently, it is advisable for Delta State government as a matter of economic policy, to do something in good time to ensure that there is a reduction in total expenditure, diversify the State economy to reduce its over reliance on oil as the main source of income and increase drives for a higher internal generation of revenue (IGR) in order to overcome this problem of the State Public Debt not being sustainable in the long term.

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CHAPTER TWO

DELTA STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms in the last 3 to 5 years:

Delta State fiscal reforms in the last 5 years since 2018 was predicted upon vision 2020 plan as well as the new vision 2030 plan. The principal goal was to make Delta State the most industrialized and developed State in Nigeria, diversify its economy in order to shift dependence on oil sector to other sector of the economy such as Agricultural sector and also to create a peaceful atmosphere and secured enabling environment that will attract new investors to the State as well as to encourage some oil producing companies that have moved out of the States as a result of constants community clashes, youth restiveness and other security breach to return back to the State. As a result of the foregoing, several program envisioned at achieving accelerated employment, diversification of the economy, improvement in internally generated revenue and social sector development were adopted by the Delta State government in the following area;

- i.** To tackle the issue of security challenge, the Delta State Security and Waterways Committee was created and is helping to prevent any breach of peace and security on the waterways, as well as kidnapping and armed robbery.
- ii.** The state between 2018 to 2022 has constructed over 97 trunk roads covering about 685km; and currently almost 700km of roads projects are ongoing.
- iii.** Delta State is mainly agrarian, with its people mostly in subsistence farming while livestock farming is minimally undertaken. To encourage Deltans to go into livestock farming, the state government since the past five years has been giving micro credit loan to its citizens for the improvement of livestock farming in Delta State. It is envisioned that by 2029, the state would become a net producer of hides and skin, beef and other agricultural products for consumption and export.

2.2 2023 BUDGET:

Delta State 2023 budget was predicted on some assumptions including that the average price of oil will be \$57 a barrel in 2022 and \$70 a barrel in 2023 and will remain unchanged in real terms over the medium term; that the 2023 daily oil production benchmark will be 1.8million barrel per day; that the GDP growth rate will be 3.75 percent and inflation closing at 18 percent while the exchange rate adopted was N435.56 to US \$1. These are, of course, working hypotheses rather than forecasts, and the uncertainties surrounding them add to the margin of error that would, in any event, be involved in the projections. The estimates and projections are based on statistical information available in 2022.

The total of Delta State year 2023 budget is N561,820,596,524 [five hundred and sixty-one billion, eight hundred and twenty million, five hundred and ninety- six thousand, five hundred and twenty - four naira] to execute projects and programs of Government. This is made up of N235,208,340,101 (two hundred and thirty five billion, two hundred and eight million, three hundred and forty thousand, one hundred and one naira) for recurrent which represent 42% of the total 2023 budget expenditure and capital of N326,612,256,423 [three hundred and twenty six billion, six hundred and two million, two hundred and fifty six thousand, four hundred and twenty three naira] which represents 58% of the total 2023 budget expenditure. The 2023 budget shows an increase of N92,324,628,449 (ninety two billion, three hundred and twenty four million, six hundred and twenty eight thousand, four hundred and forty nine naira) over the 2022 approved budget figure of N469,495,968,075 (billion naira) which represent 20% increase from the year 2022 budget expenditure. The increase is based on the anticipated increase in VAT collection, taxes and non-tax revenues such as fees, fines, permits, Interests, dividends, licenses and other capital receipts. There is also a corresponding improvement in the State`s Internal Revenue Generation, which gives allowance for the State to capture 80% of its ongoing projects in the budget so that none of the projects initiated by this present administration remains uncompleted by the time this administration completes its tenure.

In Delta State 2023 budget as earlier stated, the sum of N235,208,340,101 (billion naira) is earmarked for recurrent expenditure which is 42% of the total budget for the year. This figure is higher than the sum of N185, 357,692,561 (billion naira) recurrent expenditure approved in the 2022 budget by N49,850,647,540. The absolute difference of N49.850,647,540 is 27% increase

from the recurrent budget of year 2022. A major part of the 2023 recurrent budget is the N91,035,657,320 billion earmarked for Personnel cost which is 38.70% of the total recurrent budget figure for the year. The Personnel cost is higher than the 2022 budget figure of N87,289,788,492 by N3,745,868,828 billion naira or 4%. This increase is meant to cater for traditional annual increment for worker as well as increment arising from promotions and other progression. The sum of N82,083,259,293 billion which was estimated for Overhead cost in 2023 is higher than that of the 2022 budget of N72,096,976,876 by N9,986,282,417 billion or 14%. It is also worthy to note that this year 2023 capital budget expenditure is higher than 2022 capital budget expenditure by the amount of N42,473,980,909 which represent an increment of 15 percent. The State is of high hope that this 2023 budget will concentrate on pursuance of job and wealth creation for the entire citizenry, promotion of peace and secure environment as well as completion of ongoing-projects by this administration.

The 2023 Budget was anchored on the following indices:

1. The year 2023 State assumption for inflation was 17.16%.
2. The year 2023 assumption for oil price benchmark was \$70 per barrel.
3. The exchange rate for year 2023 was N435.56 per dollar.
4. The oil production benchmark (MBPD) for year 2023 budget was 1.69 mbpd.
5. The GDP Growth Rate for year 2023 was projected at 3.75%

Going forward, the State will in its medium-term expenditure framework from 2024-2026 produce its annual budget based on year 2023 current economic conditions from which the State will draw its budgetary fiscal assumptions for the next 3 years and adjustment made where necessary. Therefore, the Oil production benchmark for year 2023-2025 fiscal years has been earmarked at \$25 per barrel in order to absorb any shock that may arise in the medium-term period. Inflation rate has also been pegged at 20% with hope that low productivity in the State economy presently experienced as one of the effect of COVID-19 Pandemic will gradually improve as the socio-economic effect of the Covid-19 pandemic dropped during the medium-term period.

Moreover, the State in the future fiscal years for all its socio-economic activities involving monetary transaction will adopt the exchange rate of N435.56/US\$1,

since the national Medium-Term Expenditure Framework (MTEF) has officially reviewed the exchange rate upward in year 2022 from N410/dollar to N435.56/dollar. This is because the State is expecting capital inflow as export of commodities in the oil sector and agricultural sector increases from 2023 to 2026

MEDIUM TERM BUDGET FORECAST

The indicative medium term budget forecast for the period 2023 – 2026 is presented in the table below.

11: Medium Term Budget Framework.

Fiscal Framework				
Recurrent Revenue	2023	2024	2025	2026
Opening Balance	-	10,000,000,000	10,000,000,000	10,000,000,000
Statutory Allocation	357,996,119,852	440,776,442,163	453,999,735,428	467,619,727,491
VAT	28,492,352,180	45,763,396,566	46,678,664,497	47,612,237,787
IGR	95,000,000,000	105,051,532,018	107,152,562,659	109,295,613,912
Excess Crude/Other Revenue	10,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000
Total Recurrent Revenue	491,488,472,032	651,591,370,748	667,830,962,584	684,527,579,190
Recurrent Expenditure				
Personnel Costs	91,035,657,320	100,139,223,052	102,152,021,435	103,173,541,650
Social Contribution & Social Benefit	13,275,230,932	13,275,230,932	13,673,487,860	13,673,487,860
Overheads	88,193,957,043	92,603,654,896	91,003,943,371	92,824,022,238
Grant Contribution & Subsidies	14,700,810,306	14,700,810,306	14,700,810,306	14,700,810,306
Public Debt Service	33,953,382,250	35,691,503,469	35,000,000,000	35,000,000,000
Total	241,159,037,851	256,410,422,655	256,530,262,972	259,371,862,054
Transfer to Capital Account	250,329,434,181	395,180,948,093	411,300,699,612	425,155,717,137
Capital Receipts				
Grants	7,944,000,000	3,000,000,000	2,944,000,000	2,944,000,000
Other Capital Receipts	37,388,124,492	37,388,124,492	37,388,124,492	37,388,124,492
Total	45,332,124,492	40,388,124,492	40,332,124,492	40,332,124,492
Reserves				
Contingency Reserve		0	0	0
Planning Reserve		0	0	0
Total Reserves		0	0	0
Capital Expenditure	401,636,731,728	460,569,072,585	476,632,824,104	490,487,841,629
Discretionary Funds		460,569,072,585	476,632,824,104	490,487,841,629
Non-Discretionary Funds		0	0	0
Financing	105,975,173,055	25,000,000,000	25,000,000,000	25,000,000,000
Total Budget Size	642,795,769,579	716,979,495,240	733,163,087,076	749,859,703,682

4.3: Description of Assumptions Underpinning the MTB Forecasts from 2023-2026.

1. Statutory Allocation/Net Derivation – estimated using own value based forecast of actual receipts, NGN:USD Exchange benchmarks of N435.56 to \$1 and production benchmark of 1.8 million barrels per day (mbpd). In making projection for the 2024 budget, improvement of the daily oil production due to increase in the present rate of production as a result of the pipeline surveillance. For non-oil revenue, it is assumed that the current reforms by the Federal Government, especially in Federal Inland Revenue and Nigeria Custom Services will continue to increase the non-oil revenue flowing to the federation account. Actual receipt from Jan. – June, 2023 is 197 billion.
1. VAT – estimated using own value based forecast. The estimate for 2024 is in line with the current rate of receipts. Actual receipt from Jan. – June, 2023 is 18 billion. This shows significant increase.
2. Excess Crude/Other Revenues. It is assumed that with the world economy opening up after the COVID-19 outbreak, the Oil price benchmark (and production) will rise above the projected \$70 per barrel due to the Russian invasion of Ukraine which will lead to high price of crude oil in the international market and will result to extra statutory allocation. In addition, exchange gains will continue to be distributed as well as inflow from other sources such as refund for federal roads e.t.c. It is assumed that excess revenue from other sources will also be shared by the three tiers of Government. Actual receipt from Jan. – June, 2023 is 72 billion. An estimated figure of N50 billion is proposed for 2023.
3. Internally Generated Revenue (IGR) – IGR forecast is estimated using the actual receipt of N65 billion from Jan. – June, 2023 (Retention of the year 2023 figure. The actual collection of N65b in the first 6 months shows that we will surpass the projected N95b. Also, with the renewed vigour the State Government is going about revenue drive, it is expected that IGR will increase in 2024.
4. Grants –. SUBEB is assumed at N2 billion per annum, N1.944 billion for SABER, external grants, (WASH N650 million, UNICEF N138 million) e.t.c..

5. Financing (Net Loans) – Commercial Bank loans and Bond of N25 billion for 2024, 2025 and 2026 respectively.
6. Social Benefits/Social Contribution – include current pension liabilities plus contributions, gratuities, Contributory Health Scheme. It also includes loan repayments (principal and interest), 2.5% LG pension fund, 10%, IGR to LG. LG IGR transfer is a function of IGR.
7. Personnel – The current administration has put in place measures to stabilize the personnel cost. However, personnel cost is estimated to slightly go up due to promotion, recruitment in some key establishments and likely appointment of political office holders. In forecasting for 2024 we considered actual for Jan. – June, 2023 (N54b) to project till Dec, 2023.
8. Overhead/Operational Costs – Relates to operational costs incurred by MDAs for day-to-day running costs and periodic activities of government. The figure is based on the actual expenditure (39b) from Jan. – June 2023 to arrive at the forecast. It is envisaged that the price of oil in the international market will improve beyond \$70 per barrel as well as economic activities will pick up. Increased activities in the coming year will necessitate increased expenditures on overheads.
9. Capital Expenditure – This is based on recurrent revenue surplus and capital receipts.

FOOTNOTE: “The DSA-MTDS report is based on the exchange rate of N435.56 to US \$1 from the National Medium-Term Expenditure Framework (MTEF) prepared in 2022, which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities.”

A SUMMARY ANALYSIS OF HOW THE MTB FORECAST INFORM THE PROSPECTIVE FISCAL AND DEBT POLICIES ADOPTED FOR 2023 IN DELTA STATE.

Table of Medium Term Budget Forecast from 2023 -2026.

Fiscal Framework				
Recurrent Revenue	2023	2024	2025	2026
Opening Balance	-	10,000,000,000	10,000,000,000	10,000,000,000
Statutory Allocation	357,996,119,852	440,776,442,163	453,999,735,428	467,619,727,491
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Excess Crude/Other Revenue	10,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000
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Grant Contribution & Subsidies	14,700,810,306	14,700,810,306	14,700,810,306	14,700,810,306
Public Debt Service	33,953,382,250	35,691,503,469	35,000,000,000	35,000,000,000
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Capital Receipts				
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Other Capital Receipts	37,388,124,492	37,388,124,492	37,388,124,492	37,388,124,492
Total	45,332,124,492	40,388,124,492	40,332,124,492	40,332,124,492
Reserves				
Contingency Reserve		0	0	0
Planning Reserve		0	0	0
Total Reserves		0	0	0
Capital Expenditure				
Discretionary Funds	401,636,731,728	460,569,072,585	476,632,824,104	490,487,841,629
Non-Discretionary Funds		0	0	0
Financing				
Financing	105,975,173,055	25,000,000,000	25,000,000,000	25,000,000,000
Total Budget Size	642,795,769,579	716,979,495,240	733,163,087,076	749,859,703,682

Delta State total budget for the year 2023 is N561,820,596,524.00 (Five hundred and sixty one billion, eight hundred and twenty million, five hundred and ninety six thousand, five hundred and twenty four naira) to execute project and programmes of Government. The amount is N80,975,173, 055.00 (eighty billion, nine hundred and seventy five million, one hundred and seventy three thousand and fifty-five naira) lower than the MTB forecast for year 2023. This difference of N80,975,173, 055.00 between the actual 2023 budget amount and the MTBF amount for 2023 was due to the low amount of internally generated revenue collection in the State; therefore, the State decided to adopt fiscal adjustment in its year 2023 actual budget to preserve debt sustainability and limit the State 2023 actual budgetary provision to the amount of

N561,820,596,524.00. Also, the State in year 2023 Fiscal year for all its socio-economic activities involving monetary transaction adopted the exchange rate of N435.56/1US \$ based on the exchange rate of N435.56 to US \$1 from the National Medium-Term Expenditure Framework (MTEF) of Nigeria prepared in 2022, which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities. This is because the State is expecting capital inflow as export of commodities in the oil sector and Agricultural sector increases from 2023 to 2026. Moreover, during the 2023 Fiscal year, the MTB Forecast for oil production of 1.8mbpd was adopted and retained at 1.8mbpd so that we as a State do not become unduly over ambitious. It is expected however, that the current steady growth in production will be sustained due to the World economy opening up gradually following the ease in restriction from outbreak of the COVID-19 pandemic and sustained peace in the Niger Delta Region

2.3: MEDIUM TERM DEBT MANAGEMENT STRATEGY

The State Medium Term Debt Management Strategy is predicated upon SFTAS program directive for Sub-National Debt management. Going forward, the State is poised towards making sure that stock of domestic arrears is greatly reduced to a minimum level if not totally cleared.

The State debt management strategy is to identify the constituents of domestic stock of arrears and to have the explicit aggregate amount of this stock of domestic arrears that will be given priority consideration and be settled consistently by the state Government. This will ensure that stock of arrears reduces annually and do not grow to the extent of having serious negative effect on the State's economy. With this planned action, it is envisioned that Delta State Domestic Arrears will be reduced to the barest minimum in the near future.

CHAPTER THREE

**DELTA STATE REVENUE, EXPENDITURE, FISCAL AND DEBT TREND,
2018-2022**

I: TABLE 1: REVENUE PERFORMANCE 2018-2022

	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Actual	Actual
FAAC	30,180,021,260.27	40,960,436,830.57	28,864,390,000.00	19,807,610,000	20,124,800,000.00
Statutory	43,174,289,641.62	61,808,714,151.81	37,893,660,000.00	30,233,310,000	79,419,600,000.00
Derivation	190,450,270,523.43	171,490,407,134.93	153,042,870,000.00	189,733,060,000	170,000,000,000.00
VAT	13,060,073,803.71	14,767,378,587.54	13,290,640,000.00	24,447,070,000	24,951,500,000.00
IGR	62,472,283,670.97	60,338,363,355.97	56,638,480,000.00	71,747,750,000	80,000,000,000.00
Capital Receipt/Grant	12,769,511,100.00	12,391,899,939.18	9,460,280,000.00	58,290,700,000	85,000,000,000.00
Total	352,106,450,000.00	361,757,200,000.00	299,190,320,000.00	394,259,500,000.00	459,495,900,000.00

From the above revenue table, it could be seen that the only year that revenue declined between 2018 and 2022 was in 2020 when it declined by N62, 566,880,000.00 from what it was in the previous year. The revenue was N**352,106,450,000.00** in 2018 and it keep rising through the years until 2020 when it declined from year 2019 figure of N361,757,200,000.00 to N299,190,320,000.00 in 2020 due to the State and Nation wide economic recession in that year caused by the pandemic. However, as Delta State economy is strongly recovering from the effect of COVID-19 as well as improved public engagement of tax payers in different employment sectors, expanded tax payers base and strict enforcement measures the revenue rises again to N394, 259,500,000.00 in 2021 and further rises to N459,495,900,000.00 in 2022.

ii: TABLE 2: EXPENDITURE TREND FROM 2018 – 2022.

	2018	2019	2020	2021	2022
	Actual (Accrued Basis)	Actual (Accrued basis)	Actual (Accrued basis)	Actual (Accrued basis)	Actual (Accrued basis)
Salaries	71,298,285,223.18	75,635,373,045.94	71,853,604,393.64	98,571,910,000.00	87,289,800,000.00
Overhead	61,961,473,247.82	105,853,030,450.76	107,225,625,685.18	68,377,260,000.00	72,097,000,000.00
Other Recurrent	34,965,490,335.29	34,886,276,194.06	28,938,560,578.52	23,054,370,000.00	13,993,200,000.00
Capital Ex	54,965,490,335.29	64,886,276,194.06	61,473,010,000.00	170,399,500,000.00	284,138,300,000.00
Public Debt charge	100,013,685,982.52	103,632,734,935.93	1,137,599,342.66	12,566,840,000.00	5,006,600,000.00
Repayments	17,216,564,875.90	3,714,469,179.25	11,312,600,000.00	12,000,000,000.00	6,967,000,000.00
Total	340,420,990,000.00	388,608,160,000.00	281,941,000,000.00	384,969,880,000.00	469,491,900,000.00

The above table shows that the expenditure was N**340,420,990,000.00** in year 2018 and it rises to N388,608,160,000.00 in 2019 while it declined to

N281,941,000,000.00 in year 2020 due to reduction in economic activities, but with the gradual growth in economic activities, the Expenditure increases to the amount of N384,969,880,000.00 in year 2021 and further increases to the amount of N469,491,900,000.00 in year 2022 .The decline in the State Expenditure in year 2020 was as a result of the Corona virus Pandemic which almost turn the State Economy upside down. However, with the State economy gradually recovering from the effect of the Pandemic, there was an increased in economic activities and the expenditure rises to the tone of N469,491,900,000.00 in year 2022.

iii: TABLE 3: DELTA STATE GDP FROM 2017 – 2021

			2018	2019	2020	2021	2022
Delta State GDP (at current prices)	Naira	Million	4,963,102.21	4,471,182.21	4,824,044	5,506,536	4,824,044.2
Exchange Rate NGN/US\$ (end-Period)	NGN/US\$						

The above table show that the GDP was N4,963,102.21 in 2018 but it declined to the amount of N4,471,182.21 and remained at the amount of N4,824,044 in year 2020, which is still below the amount of N 4,963,102.21 in year 2018. These declines was due to the effect of Covid-19 that reduced economic activities. However, the GDP rises to the amount of N5,506,536 in 2022 with the improvement in economic activities. Nevertheless, the State GDP took a down turn to the amount of N4,824,044.2 due to the declined in vigour the State government goes about the revenue drives in year 2022 as attention was turned to election campaigns. The source of this GDP figures was from NBS/ guidance note for completing the request developed by the DMO and the World Bank.

iv: Table 4: DELTA STATE TOTAL EXTERNAL DEBT STOCK FROM 2018 - 2022

Creditor / Loan Title	2018	2019	2020	2021	2022
EDF: Delta State Oil Palm Dev. (29%)	4,036,115.55	3,635,251.45	3,112,834.18	1,236,905,710.78	1,123,623,763.06
IDA: Delta State Health System Dev.	1,436,100.98	1,385,218.30	1,383,860.54	543,398,947.85	533,577,048.60
IDA: Delta State HIV/AIDS programme	1,652,481.41	1,592,423.08	1,605,984.46	612,815,868.15	589,217,912.77
IDA: Delta State third fadama project.	5,924,702.03	5,757,367.46	5,768,904.30	2,295,219,566.42	2,312,781,979.18
IDA: Delta State 2 nd	3,351,496.49	3,332,218.40	3,391,257.65	1,373,567,946.72	1,378,590,005.39

HIV/AIDS programme					
IDA: Delta State employment and Expenditure for Result	45,705,000.65	45,705,000.65	45,705,000.00	18,875,708,218.44	20,500,978,041.56
IFAD: Delta State community based Natural Resources Mgt Project.	1,181,051.32	1,121,941.79	1,088,577.05	425,243,124.21	416,570,716.91
Total in USD	63,286,948.43	62,529,421.13	62,056,418.73	61,412,768.79	59,871,451.27
Total in Naira	19,302,519,271.15	19,071,473,444.65	23,581,439,117.87	25,362,859,382.58	26,855,339,467.46

The table above shows that the dollar values of the State External debt declined steadily on a year to year basis comparison between year 2018 when it was \$63,286,948.43 down to year 2022 when it finally reduces to \$59,871,451.27. However, the naira value of the State External debt shows a different trend between year 2018 to year 2022, as it fell from N19,302,519,271.15 in 2018 to N19,071,473,444.65 in year 2019 after which it rises gradually to stand at N26,855,339,467.46 in year 2022, orchestrated by the higher exchange rate which is only a nominal increase caused by the devaluation of naira in the foreign exchange market.

v: TABLE 5: DELTA STATE TOTAL EXTERNAL DEBT SERVICES FROM 2018– 2022 IN NAIRA

Categories	2018	2019	2020	2021	2022
existing external debt Services by categories					
Total External Debt Services in naira	310,794,847.07	338,957,827.69	207,371,730.96	254,739,223.03	520,269,692.68
EDF/IDA/IFAD	310,794,847.07	338,957,827.69	207,371,730.96	254,739,223.03	520,269,692.68
/BADEA Fixed	-	-	-	-	
IBRD/ADB/IDB Fixed	-	-	-	-	
IBRD/ADB/IDB Floating	-	-	-	-	
Multilateral-5	-	-	-	-	
Multilateral-6	-	-	-	-	
Bilateral (AFD)	-	-	-	-	
Bilateral-2	-	-	-	-	

The table above shows an increase in the State total External Debt Service from year 2018 when it was N310,794,847.07 to year 2019 when it was N338,957,827.69, but fell to N207,371,730.96 in year 2020 as a result of COVID-19 pandemic that reduces liquidity in the State economy. However, as the economy improves in year 2021, the External Debt services rises again to N254,739,223.03

and further rises in year 2022 to N520,269,692.68 as the economic activities in the State improved.

vi: TABLE 6: DELTA STATE DOMESTIC DEBT STOCK FROM 2018 – 2022

	2018	2019	2020	2021	2022
existing domestic debt stock by categories					
Total Domestic Debt	228,805,996,159.83	233,892,694,776.08	227,018,001,548.77	215,757,900,000.00	304,245,915,945.65
Commercial Loans	1,591,356,365.58	1,335,617,487.32	9,500,000,000.00	13,047,459,954.38	26,685,402,469.89
State Bonds	-	-			
Contractors' Arrears	108,036,800,559.69	117,644,134,053.18	95,998,332,911.38	82,731,720,000.00	114,630,909,520.70
Pensions & Gratuity	14,168,983,850.17	12,326,872,629.17	14,690,084,316.30	16,960,736,177.62	23,936,752,727.43
Government-to-Government Borrowing	66,951,679,396.90	65,762,739,969.11	99,907,368,943.63	95,949,338,160.24	92,407,074,969.25
Salary Arrears & Other Staff Claims	-	-			
Judgement Debt	506,172,091.61	572,597,091.61	570,136,458.00	533,835,458.00	469,035,001.00
Other Liabilities	37,551,003,895.88	36,250,733,545.69	6,352,158,919.46	6,534,793,312.04	46,116,741,257.38

The table above shows that the State Domestic debt was N 228,805,996,159.83 in 2018 compared to N304,245,915,945.65 in 2022 which shows an increase of 33%

vii: TABLE 7: DELTA STATE DOMESTIC PRINCIPAL PAYMENT FROM 2018 – 2022

	2018	2019	2020	2021	2022
existing Domestic Amortization Total	143,944,353,615.32	61,309,117,258.05	71,984,509,216.26	83,607,500,000.00	138,252,400,000.00
Commercial Loans	51,827,804,679.64	-	411,403,581.82	18,526,384,969.48	1,240,000,000.00
State Bonds	5,351,234,719.43	-			
Contractors' Arrears	69,150,437,679.39	51,595,139,987.20	50,116,887,562.05	61,143,800,000.00	108,310,700,000.00
Pensions & Gratuity	7,550,000,000.00	6,000,000,000.00	3,800,000,000.00	2,400,000,000.00	7,494,900,000.00
Government	1,044,549,223.01	1,188,939,427.39		2,491,364,018.97	907,100,000.00

-to-Government Borrowing			3,779,118,072.39		
Salary Arrears & Other Staff Claims	-	-			
Judgment Debt	9,300,000.01	-	67,500,000.00	45,001,000.00	
Other Liabilities	9,011,027,313.84	2,525,037,843.46	13,809,600,000.00	3,203,898,616.50	20,299,700,000.00
existing Domestic Amortization	143,944,353,615.32	61,309,117,258.05	71,984,509,216.26	83,607,500,000.00	138,252,400,000.00

The table above shows that the State domestic principal payment was N143,944,353,615.32 in 2018 compared to N**138,252,400,000.00** in the year 2022 which shows an increase between 2018 and 2022, which shows a 4% decline in year 2022 when compared to the principal repayment in the beginning of the base year 2018.

viii: TABLE 8: DELTA STATE DOMESTIC INTEREST PAYMENTS

	2018	2019	2020	2021	2022
existing Domestic Interest Payments (commercial + state bond)	13,255,552,435.25	14,061,024,962.61	10,663,988,731.09	12,109,823,820.57	3,539,120,000.00
Commercial Loans	544,110,833.47	14,061,024,962.61	10,663,988,731.09	12,109,823,820.57	3,539,120,000.00
State Bonds	12,711,441,601.78				

The table above shows that the State Domestic interest payment was N**13,255,552,435.25** in year 2018 compared to N**3,539,120,000.00** in year 2022.

3.1 DEFINITION OF PUBLIC DEBT.

Public Debt includes the explicit financial commitments – like loans and securities- that have paper contracts instrumenting the government promises to repay. Moreover, Public Debt Management is the process of establishing and executing a strategy of managing the government debt in order to raise the required amount of funding at the lowest possible cost over

the medium and long term period that is consistent with a prudent degree of risk.

3.2 EXISTING PUBLIC DEBT PORTFOLIO

The table below Describe the evolution of Delta State total public debt stock between 2018 to 2022.

Delta State total public debt 2018 to 2022.

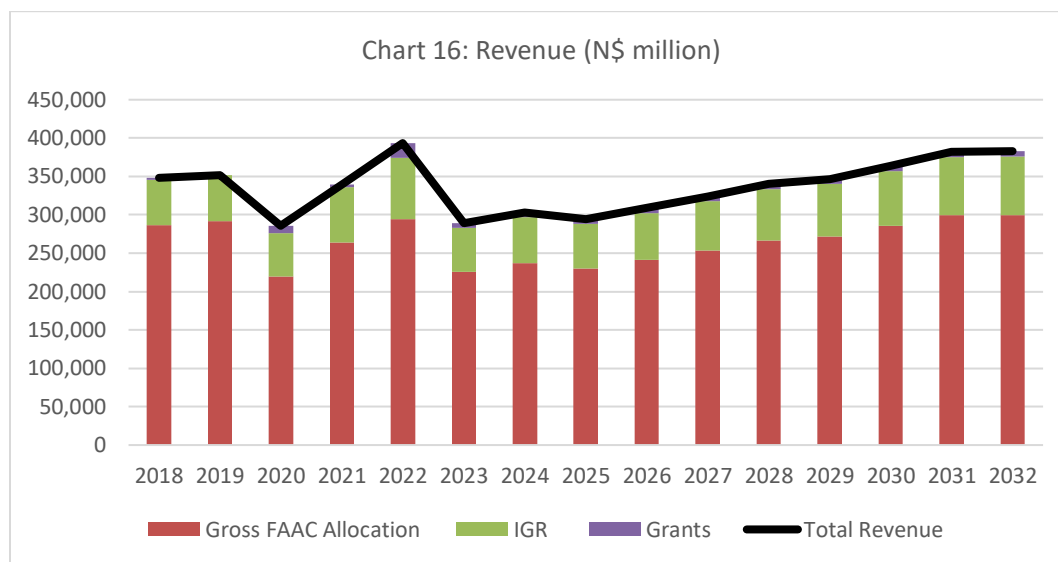
Years	2018	2019	2020	2021	2022
Total Domestic Debt	228,805,996,159.83	233,892,694,776.08	227,018,001,548.77	215,757,900,000.00	304,245,915,945.65
Total External Debt	19,302,519,15	19,071,473,444.65	23,581,439,117.87	25,362,859,382.58	26,855,339,467.46
Total Public Debt	248,108,515,430.98	252,964,168,220.73	250,599,440,666.64	241,120,759,382.58	331,101,255,413.11

The above table of Delta State Total public debt between 2018 to 2022 shows that the State total public debt in 2018 was **N248,108,515,430.98**, and the State total public debt rises to **N252,964,168,220.73** in year 2019 after which it fell in year 2020 and 2021 to the amount of **N250,599,440,666.64** and **N241,120,759,382.58** respectively. However, the State debt rises again to the amount of **N331,101,255,413.11** at the end of the historical period of 2022, thereby showing an uneven trend of falling and rising during the base year period between year 2018 and year 2022.

The total amount of only domestic debt in 2018 was **N228,805,996,159.83** billion which rises up to **N304,245,915,945.65** billion in 2022, while the total domestic debt servicing in year 2018 was **N157,199,906,050.57** and it fell to **N141,791,520,000.00** in year 2022. The total External debt in 2018 was **N19,302,519,15** and it fell to the amount of **N19,071,473,444.65** in 2019 after which it rises steadily to the amount of **N26,855,339,467.46** in 2022. **The amount of only total external debt services in year 2018 was N310,794,847.07 compared to the amount of N520,269,692.68 in year 2022.** Also, the total amount of total public debt servicing in 2018 was **N157,510,700,897.64** billion compared to **N142,311,789,692.68** in 2022 which shows a 10% decline in the total debt service repayment of the State in 2022.

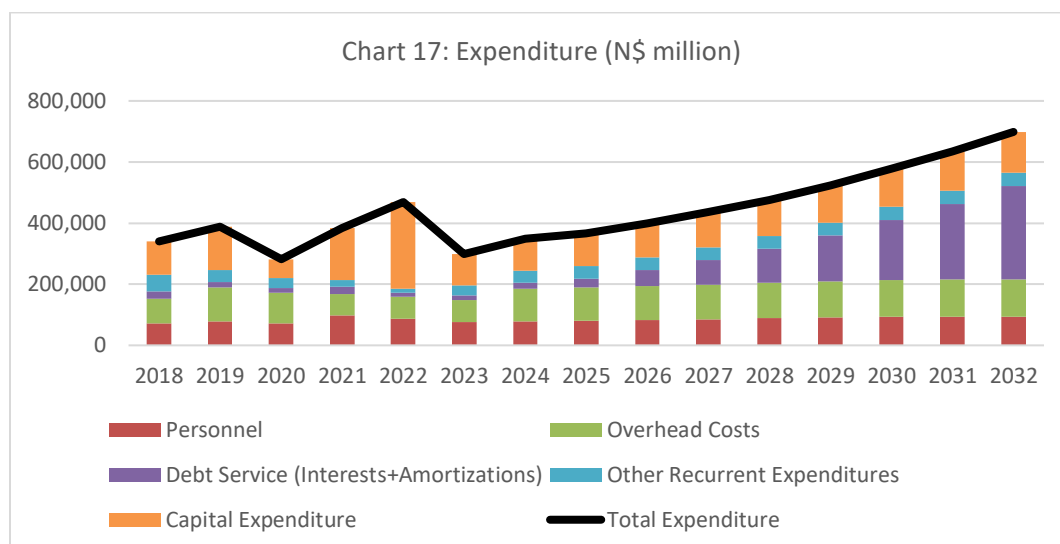
Domestic debt was 92% percent of total debt in 2018, and it remain same 92% in 2022. It was observed also that the external debt was only 8 percent of total debt in 2018, and it also remain same 8 percent in 2022. The increasing force in the state total public debt is contractors’ arrears and need to be checked before it leads to serious debt overhang in the state. In 2018 contractors’ arrears was N108,036,800,559.69 billion compared to N114,630,909,520.70 in 2022. For the purpose of clarification, it is important to explain that; Public Debt includes the explicit financial commitments – like loans and securities- that have paper contracts instrumenting the government promises to repay. Moreover, Public Debt Management is the process of establishing and executing a strategy of managing the government debt in order to raise the required amount of funding at the lowest possible cost over the medium- and long-term period that is consistent with a prudent degree of risk.

Projected revenue chart



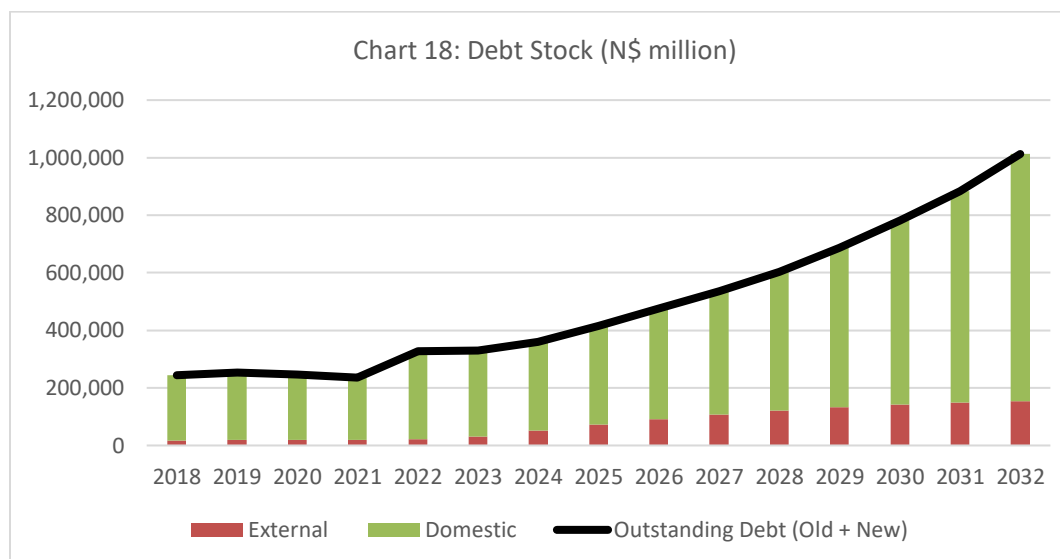
The above chart shows that Delta State Revenue in 2018 was almost the same with that of 2019 with only an insignificant amount higher in year 2019, after which it fell in 2020, it rises again in 2021 up to 2022 and it fell again in 2023 and was fairly even until 2025 when it gradually rises at a slow rate up till 2030 and remain almost the same till 2032.

Projected Total expenditure chart



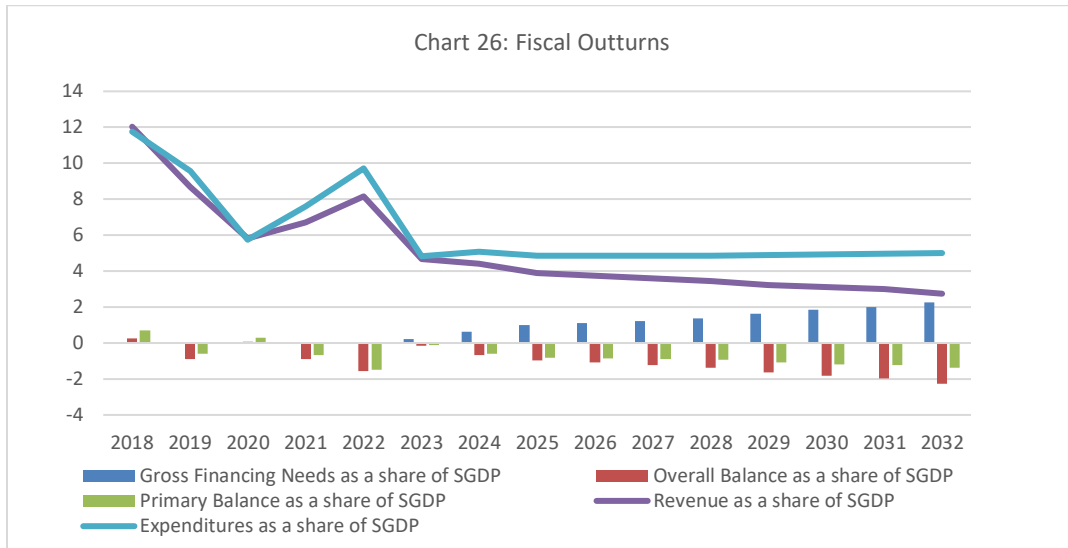
The above chart shows that the State total expenditure rises from 2018 up to 2019 after which it declines in 2020 and rises in 2021 up to 2022 after which it fell in 2023 to show an uneven trend. However, from year 2023 the State total expenditure rises steadily to show a consistent increasing trend throughout the projected years up to 2032.

DEBT STOCK



The above chart shows that the State total public debt was fairly even from year 2018 to 2021 after which it rises in year 2022 and fell slightly again in year 2023 before it consistently rises steadily through the projected years up to 2032.

Fiscal Outturns.



The above chart shows Delta State Gross Financing need as a share of SGDP, Primary Balance as a share of SGDP, Expenditure as a share of SGDP, Overall Balance as a share of SGDP and Revenue as a share of SGDP.

TABLE 9: TABLE ASSUMPTION

Below is the Table Assumption

Assumptions:			
Economic activity	State GDP (at current prices)	Successive GDP reports continue to show that Crude Petroleum and Natural Gas economic activity remains the determinant of the State's GDP growth rate as it dominates with a very wide margin. Ironically, Agriculture and the Services Sectors that employs the bulk of the state's work force only contribute 13% and 30% of the GDP respectively.	Debt Management Office, Delta State
Revenue	Revenue		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)		DSA Team, Ministry of Finance Delta State
	1.a. of which Net Statutory Allocation ('net' means of deductions)	The Delta State Fiscal Strategy Paper 2022-2024 projection for oil production was 1.88mbpd. In making projection for the 2022 budget, the daily projected oil production was retained at 1.8mbpd so that are not unduly over ambitious. It is expected however, that the current steady growth in production will be sustained due to the world economy opening up gradually following the ease in restrictions from the outbreak of the COVID-19 pandemic and the sustained peace in the Niger Delta Region. For non-oil revenue, it is assumed that the current reforms by the Federal Government, especially in Federal Inland Revenue and Nigeria Custom Services will continue to increase the non-oil revenue flowing to the federation account	DSA Team, Ministry of Finance Delta State
	1.b. of which Deductions	Deduction from Statutory Allocation accruable to the State is Based on Irrevocable standing payment order (ISPO) Issued to The Office of the Accountant General of the Federation (OAGF)/CBN IRO of Loan and Bond Facilities including Fertilier and Software Acquired by the RMARFC	DSA Team, Ministry of Finance Delta State
	2. Derivation (if applicable to the State)	this is based on the oil production from the oil producing communities of the state. 1.88 bpd is maintained as the projected oil production	
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		DSA Team, Ministry of Finance Delta State

	4. VAT Allocation	Estimated using an elasticity based forecast. The estimate for 2022 is in line with the current rate of receipts as well as the expected collection of VAT by state Government based on sustained court Judgement by River State, however in the case the the Supreme court sustains this judgement, Delta State will have all tyhe VAT collection as revenue.	DSA Team, Ministry of Finance Delta State
	5. IGR	Internally Generated Revenue (IGR) – IGR forecast is estimated using the actual receipt of N35 billion from Jan. – June, 2021 (proportionate of N5.4b monthly) with a mark-up of 5% to project for 2022.. It is envisaged that with the gradual reduction of COVID-19, economic activities will pick up in 2022. Also, with the renewed vigour the State Government is going about revenue drive, it is expected that IGR will increase in 2022	DSA Team, Ministry of Finance Delta State
	6. Capital Receipts		
	6.a. Grants	The State Government is maintaining the 2021 provision. SUBEB Grants is assumed at N2 billion per annum, N1.944 billion for SFTAS, external grants, (WASH N650 million, UNICEF N138 million) e.t.c..	
	6.b. Sales of Government Assets and Privatization Proceeds	The State is expected to Generate more Revenue from concessioning activity from it developed Capital Asset	
	6.c. Other Non-Debt Creating Capital Receipts	The State is also expecting some funds from Paris refund, FGN Infrastructure (Road) Refund which will be channed to Capital projects from year 2022 to 2023	
Expenditure	Expenditure		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel costs relate to the salaries and allowances of public/Civil servants and political office holders. Actual Personnel costs has been stable from 2017 to 2021. . Personnel costs performance against budget has always been very close to budget from 2017 to 2021 as variance in the 4 years was less than 5%.	DSA Team, Ministry of Finance Delta State
	2. Overhead costs	Overhead expenditure relates to the operational costs incurred by MDA's. A proportion of these, classified as regular overheads are released monthly to MDA's for the day-to-day running costs. Non-regular overheads relate to periodic activities of government.	DSA Team, Ministry of Finance Delta State
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs)	OTHER EXPENDITURE: The State is assuming that Transfer to Local Government of 10% IGR and 2.5 % pension support of local Government Employees and will continue to support the payment of salary to Primary school teachers of the State.	DSA Team, Ministry of Finance Delta State

	and Interest Payments)		
	5. Capital Expenditure	Capital Expenditure is expected to increase as the citizenry is yawning for increased infrastructural Development in all sectors such as Health, Road in Rural and Urban centres, Security, Electricity and others. State Capital Expenditure will continue to increase from year 2022 to 2031 to be able to achieve and meet the citizen aspirations.	DSA Team, Ministry of Finance Delta State
			DSA Team, Ministry of Finance Delta State
Closing Cash and Bank Balance	Closing Cash and Bank Balance	The State has assumed that they will maintain a projected average of 190 to 200bn as closing Cash and Bank Balance from year 2022 to 2031	DSA Team, Ministry of Finance Delta State
			DSA Team, Ministry of Finance Delta State
Debt Amortization and Interest Payments	Debt Outstanding at end-2022		DSA Team, Ministry of Finance Delta State
	External Debt - amortization and interest	The State has decided to reduce the chunk of external debt on an average of \$1m over the life span of the various external debt subjected to the amortization schedules prevailing at the CBN exchange rate	DSA Team, Ministry of Finance Delta State
	Domestic Debt - amortization and interest	The State have assumed that domestic debt will be reduced by 10% per annum based on the approved and agreed amortization schedules	DSA Team, Ministry of Finance Delta State
	New debt issued/contracted from 2023 onwards	Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)	DSA Team, Ministry of Finance Delta State
	New External Financing		DSA Team, Ministry of Finance

<p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p>	<p>The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period</p>	<p>Delta State DSA Team, Ministry of Finance Delta State</p>
<p>External Financing - Bilateral Loans</p>	<p>The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
<p>Other External Financing</p>	<p>Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)</p>	<p>DSA Team, Ministry of Finance Delta State</p>
<p>New Domestic Financing</p>		
<p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p>	<p>The State has decided to maintain a 21% interest rate, 5 years Maturity period and 6 months grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
<p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p>	<p>The State has decided to maintain a 21% interest rate, 5 years Maturity period and 6 months grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
<p>State Bonds (maturity 1 to 5 years)</p>	<p>The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
<p>State Bonds (maturity 6 years or longer)</p>	<p>The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>

	Other Domestic Financing	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance
			Delta State
Proceeds from Debt-Creating Borrowings	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1		DSA Team, Ministry of Finance
corresponding to Debt Strategy S1	New Domestic Financing in Million Naira		Delta State
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has decided to maintain a 21% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has decided to maintain a 21.5% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	State Bonds (maturity 1 to 5 years)	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	State Bonds (maturity 6 years or longer)	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	Other Domestic Financing	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance

	New External Financing in Million US Dollar		Delta State
			DSA Team, Ministry of Finance Delta State
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance Delta State
	External Financing - Bilateral Loans	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance Delta State
	Other External Financing	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance Delta State
Proceeds from Debt-Creating Borrowings	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2		DSA Team, Ministry of Finance Delta State
	New Domestic Financing in Million Naira		DSA Team, Ministry of Finance Delta State
corresponding to Debt Strategy S2	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has decided to maintain a 21% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	Commercial Bank Loans (maturity 6 years)	The State has decided to maintain a 21.5% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance

<p>or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing in Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p>		<p>Finance Delta State</p>
	<p>The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
	<p>The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
	<p>The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
		<p>DSA Team, Ministry of Finance Delta State</p>
	<p>The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
	<p>The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
	<p>The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period</p>	<p>DSA Team, Ministry of Finance Delta State</p>
		<p>DSA Team, Ministry of Finance Delta State</p>

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3		DSA Team, Ministry of Finance Delta State
	New Domestic Financing in Million Naira		DSA Team, Ministry of Finance Delta State
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has decided to maintain a 21% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has decided to maintain a 21.5% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	State Bonds (maturity 1 to 5 years)	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	State Bonds (maturity 6 years or longer)	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	Other Domestic Financing	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	New External Financing in Million US Dollar		DSA Team, Ministry of Finance Delta State
	External Financing - Concessional Loans (e.g., World Bank,	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance

	African Development Bank)		Delta State
	External Financing - Bilateral Loans	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance Delta State
	Other External Financing	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance Delta State
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4		DSA Team, Ministry of Finance Delta State
	New Domestic Financing in Million Naira		DSA Team, Ministry of Finance Delta State
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has decided to maintain a 21% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has decided to maintain a 21.5% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
	State Bonds (maturity 1 to 5 years)	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State

State Bonds (maturity 6 years or longer)	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
Other Domestic Financing	The State has decided to maintain a 20% interest rate, 5 years Maturity period and 6 months grace period	DSA Team, Ministry of Finance Delta State
New External Financing in Million US Dollar		DSA Team, Ministry of Finance Delta State
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance Delta State
External Financing - Bilateral Loans	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance Delta State
Other External Financing	The State has a \$50m borrowing plan per Annum at 3% interest rate, 10 years Marturity peroid and 1years grace period	DSA Team, Ministry of Finance Delta State

CHAPTER FOUR

CONCEPT OF DEBT SUSTAINABILITY, PUBLIC DEBT, ASSUMPTIONS, RESULTS ANALYSIS AND FINDINGS.

4.0: CONCEPT OF DEBT SUSTAINABILITY:

A Debt Sustainability Analysis [DSA] can be explained as an analysis conducted by an entity to evaluate its ability to service its stock of Debt over a period of time without recourse to external financing such as debt restructure, debt forgiveness and debt relief. A DSA analyses both the historical and projected status of a Debt portfolio under varied possible scenarios. DSA thus reflects a States or country's solvency, Liquidity and Adjustment capacity. Alternatively, fiscal policies are considered unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden. The objectives of a State's DSA are to monitor and get general overview of the debt situation, assess the State's indebtedness and debt service cost as well as to provide analytical tools to Debt Managers for managing the portfolio in terms of cost and risk.

DEBT BURDEN INDICATORS.

As a guide to international best practice in debt management, the World Bank and DMO Abuja has presented the following debt burden indicators computed in the table below to assess debt sustainability, some with thresholds and others without threshold.

Table 10: **DEBT BURDEN INDICATORS**

With indicative thresholds	Without Thresholds
Debt / SGDP – 25%	Debt Service / FAAC Allocation
Debt / Revenue – 200%	Interest Payment / Revenue
Debt Service / Revenue – 40%	External Debt Service / Revenue
Personnel Cost / Revenue – 60%	

4.1: Macroeconomic Framework

National Inflation (Consumer Prices) and real GDP growth are taken from IMF World Economic Outlook June 2022. The crude oil production

benchmark is based on the 2022 Federal budget assumptions. However, the daily projected oil production was based on the 2022 revised budget of 1.8mbpd because the economy is just recovering from COVID-19 as well as still being affected by the negative impact of the Russian / Ukraine on-going war which has affected the world all over and Nigeria performance up to this year 2023. The production benchmark, oil price and NGN:USD exchange rate of N435.56/\$1 for 2023 - 2026 is based on the proposed price and exchange rate in the Federal Fiscal Strategy Paper 2023 - 2026. The fundamentals for the Delta State Macroeconomic Framework are explained in detail in the table below.

MACRO ECONOMIC FRAMEWORK

Item	2023 Budget	2024	2025	2026
National Inflation	18.00%	11.95%	11.00%	11.00%
National Real GDP Growth	4.20%	2.30%	3.30%.	3.30%
Oil Production Benchmark (MPBD)	1.8	1.90	1.90	1.90
Oil Price Bench Mark	\$70.00	\$70.00	\$70.00	\$70.00
NGN: USD Exchange Rate	435.56	435.56	435.56	435.56
Other Assumptions				
Mineral Ratios	32%	32%	32%	32%

Fiscal Framework and Assumptions

10. The overriding thrust of Delta State moving forward is sustainable development. The principal goal is to use available resources to develop the non-oil sector of the state economy to reduce its high dependence on crude oil and gas revenues.
11. The strategic framework and economic direction in this regard, is hinged on the Stronger Delta agenda. This is underpinned by economic growth strategy; effective maximization of resources; fiscal adjustment strategy; maximization of private investment and public spending; human capital development and effective collaboration, cooperation and sequencing of activities. The focus is to use the opportunity of the current economic situation (COVID-19 pandemic) to diversify the economic base of the state and pursue economic growth and development based on the non-oil sector. Thus, the emphasis is being shifted to such sectors as agriculture, tourism and entertainment, commerce and industry.

4.2: MEDIUM TERM BUDGET FORECAST

The indicative medium term budget forecast for the period 2023 – 2026 is presented in the table below.

11: Medium Term Budget Framework.

Fiscal Framework				
Recurrent Revenue	2023	2024	2025	2026
Opening Balance	-	10,000,000,000	10,000,000,000	10,000,000,000
Statutory Allocation	357,996,119,852	440,776,442,163	453,999,735,428	467,619,727,491
VAT	28,492,352,180	45,763,396,566	46,678,664,497	47,612,237,787
IGR	95,000,000,000	105,051,532,018	107,152,562,659	109,295,613,912
Excess Crude/Other Revenue	10,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000
Total Recurrent Revenue	491,488,472,032	651,591,370,748	667,830,962,584	684,527,579,190
Recurrent Expenditure				
Personnel Costs	91,035,657,320	100,139,223,052	102,152,021,435	103,173,541,650
Social Contribution & Social Benefit	13,275,230,932	13,275,230,932	13,673,487,860	13,673,487,860
Overheads	88,193,957,043	92,603,654,896	91,003,943,371	92,824,022,238
Grant Contribution & Subsidies	14,700,810,306	14,700,810,306	14,700,810,306	14,700,810,306
Public Debt Service	33,953,382,250	35,691,503,469	35,000,000,000	35,000,000,000
Total	241,159,037,851	256,410,422,655	256,530,262,972	259,371,862,054
Transfer to Capital Account	250,329,434,181	395,180,948,093	411,300,699,612	425,155,717,137
Capital Receipts				
Grants	7,944,000,000	3,000,000,000	2,944,000,000	2,944,000,000
Other Capital Receipts	37,388,124,492	37,388,124,492	37,388,124,492	37,388,124,492
Total	45,332,124,492	40,388,124,492	40,332,124,492	40,332,124,492
Reserves				
Contingency Reserve		0	0	0
Planning Reserve		0	0	0
Total Reserves		0	0	0
Capital Expenditure				
Discretionary Funds	401,636,731,728	460,569,072,585	476,632,824,104	490,487,841,629
Non-Discretionary Funds		0	0	0
Financing	105,975,173,055	25,000,000,000	25,000,000,000	25,000,000,000
Total Budget Size	642,795,769,579	716,979,495,240	733,163,087,076	749,859,703,682

4.3: Description of Assumptions Underpinning the MTB Forecasts from 2023-2026.

1. Statutory Allocation/Net Derivation – estimated using own value based forecast of actual receipts, NGN:USD Exchange benchmarks of N435.56 to \$1 and production benchmark of 1.8 million barrels per day (mbpd). In making projection for the 2024 budget, improvement of the daily oil production due to increase in the present rate of production as a result of the pipeline surveillance. For non-oil revenue, it is assumed that the current reforms by the Federal Government, especially in Federal Inland Revenue and Nigeria Custom Services will continue to increase the non-oil revenue flowing to the federation account. Actual receipt from Jan. – June, 2023 is 197 billion.
12. VAT – estimated using own value based forecast. The estimate for 2024 is in line with the current rate of receipts. Actual receipt from Jan. – June, 2023 is 18 billion. This shows significant increase.
13. Excess Crude/Other Revenues. It is assumed that with the world economy opening up after the COVID-19 outbreak, the Oil price benchmark (and production) will rise above the projected \$70 per barrel due to the Russian invasion of Ukraine which will lead to high price of crude oil in the international market and will result to extra statutory allocation. In addition, exchange gains will continue to be distributed as well as inflow from other sources such as refund for federal roads e.t.c. It is assumed that excess revenue from other sources will also be shared by the three tiers of Government. Actual receipt from Jan. – June, 2023 is 72 billion. An estimated figure of N50 billion is proposed for 2023.
14. Internally Generated Revenue (IGR) – IGR forecast is estimated using the actual receipt of N65 billion from Jan. – June, 2023 (Retention of the year 2023 figure. The actual collection of N65b in the first 6 months shows that we will surpass the projected N95b. Also, with the renewed vigour the State Government is going about revenue drive, it is expected that IGR will increase in 2024.

15. Grants –. SUBEB is assumed at N2 billion per annum, N1.944 billion for SABER, external grants, (WASH N650 million, UNICEF N138 million) e.t.c..
16. Financing (Net Loans) – Commercial Bank loans and Bond of N25 billion for 2024, 2025 and 2026 respectively.
17. Social Benefits/Social Contribution – include current pension liabilities plus contributions, gratuities, Contributory Health Scheme. It also includes loan repayments (principal and interest), 2.5% LG pension fund, 10%, IGR to LG. LG IGR transfer is a function of IGR.
18. Personnel – The current administration has put in place measures to stabilize the personnel cost. However, personnel cost is estimated to slightly go up due to promotion, recruitment in some key establishments and likely appointment of political office holders. In forecasting for 2024 we considered actual for Jan. – June, 2023 (N54b) to project till Dec, 2023.
19. Overhead/Operational Costs – Relates to operational costs incurred by MDAs for day-to-day running costs and periodic activities of government. The figure is based on the actual expenditure (39b) from Jan. – June 2023 to arrive at the forecast. It is envisaged that the price of oil in the international market will improve beyond \$70 per barrel as well as economic activities will pick up. Increased activities in the coming year will necessitate increased expenditures on overheads.
20. Capital Expenditure – This is based on recurrent revenue surplus and capital receipts.

FOOTNOTE: “The DSA-MTDS report is based on the exchange rate of N435.56 to US \$1 from the National Medium-Term Expenditure Framework (MTEF) prepared in 2022, which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities.”

A SUMMARY ANALYSIS OF HOW THE MTB FORECAST INFORM THE PROSPECTIVE FISCAL AND DEBT POLICIES ADOPTED FOR 2023 IN DELTA STATE

11(A): Table of Medium Term Budget Forecast from 2023 -2026.

Fiscal Framework				
Recurrent Revenue	2023	2024	2025	2026
Opening Balance	-	10,000,000,000	10,000,000,000	10,000,000,000
Statutory Allocation	357,996,119,852	440,776,442,163	453,999,735,428	467,619,727,491
VAT	28,492,352,180	45,763,396,566	46,678,664,497	47,612,237,787
IGR	95,000,000,000	105,051,532,018	107,152,562,659	109,295,613,912
Excess Crude/Other Revenue	10,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000
Total Recurrent Revenue	491,488,472,032	651,591,370,748	667,830,962,584	684,527,579,190
Recurrent Expenditure				
Personnel Costs	91,035,657,320	100,139,223,052	102,152,021,435	103,173,541,650
Social Contribution & Social Benefit	13,275,230,932	13,275,230,932	13,673,487,860	13,673,487,860
Overheads	88,193,957,043	92,603,654,896	91,003,943,371	92,824,022,238
Grant Contribution & Subsidies	14,700,810,306	14,700,810,306	14,700,810,306	14,700,810,306
Public Debt Service	33,953,382,250	35,691,503,469	35,000,000,000	35,000,000,000
Total	241,159,037,851	256,410,422,655	256,530,262,972	259,371,862,054
Transfer to Capital Account				
Transfer to Capital Account	250,329,434,181	395,180,948,093	411,300,699,612	425,155,717,137
Capital Receipts				
Grants	7,944,000,000	3,000,000,000	2,944,000,000	2,944,000,000
Other Capital Receipts	37,388,124,492	37,388,124,492	37,388,124,492	37,388,124,492
Total	45,332,124,492	40,388,124,492	40,332,124,492	40,332,124,492
Reserves				
Contingency Reserve		0	0	0
Planning Reserve		0	0	0
Total Reserves		0	0	0
Capital Expenditure				
Capital Expenditure	401,636,731,728	460,569,072,585	476,632,824,104	490,487,841,629
Discretionary Funds		460,569,072,585	476,632,824,104	490,487,841,629
Non-Discretionary Funds		0	0	0
Financing				
Financing	105,975,173,055	25,000,000,000	25,000,000,000	25,000,000,000
Total Budget Size	642,795,769,579	716,979,495,240	733,163,087,076	749,859,703,682

Delta State total budget for the year 2023 is N561,820,596,524.00 (Five hundred and sixty one billion, eight hundred and twenty million, five hundred and ninety six thousand, five hundred and twenty four naira) to execute project and programmes of Government. The amount is N80,975,173, 055.00 (eighty billion, nine hundred and seventy five million, one hundred and seventy three thousand and fifty-five naira) lower than the MTB forecast for year 2023. This difference of N80,975,173, 055.00 between the actual 2023 budget amount and

the MTBF amount for 2023 was due to the low amount of internally generated revenue collection in the State; therefore, the State decided to adopt fiscal adjustment in its year 2023 actual budget to preserve debt sustainability and limit the State 2023 actual budgetary provision to the amount of N561,820,596,524.00. Also, the State in year 2023 Fiscal year for all its socio-economic activities involving monetary transaction adopted the exchange rate of N435.56/1US \$ based on the exchange rate of N435.56 to US \$1 from the National Medium-Term Expenditure Framework (MTEF) of Nigeria prepared in 2022, which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities. This is because the State is expecting capital inflow as export of commodities in the oil sector and Agricultural sector increases from 2023 to 2026. Moreover, during the 2023 Fiscal year, the MTB Forecast for oil production of 1.8mbpd was adopted and retained at 1.8mbpd so that we as a State do not become unduly over ambitious. It is expected however, that the current steady growth in production will be sustained due to the World economy opening up gradually following the ease in restriction from outbreak of the COVID-19 pandemic and sustained peace in the Niger Delta Region

TABLE 12: BUDGET BALANCE

	2018	2019	2020	2021	2022
Budget Balance	11,685,460,000.00	26,850,960,000.00	17,249,210,000.00	9,289,700,000.00	-9,996,000,000.00
Opening Cash & Bank Balance	21,045,250,000.00	32,730,710,000.00	5,879,750,000.00	23,129,000,000.00	32,416,600,000.00
Closing Cash & Bank Balance	32,730,710,000.00	5,879,750,000.00	23,128,960,000.00	32,418,600,000.00	22,422,600,000.00

The above table shows that Delta State Budget Balance in 2018 was N11,685,460,000.00 and the opening cash & Bank balance was N21,045,250,000.00 while the closing cash and bank balance was N32,730,710,000.00. In year 2019 the budget balance, the opening cash & bank balance and the closing cash & bank balance was N26,850,960,000.00, N32,730,710,000.00 and N5,879,750,000.00 respectively. In year 2020 the budget balance, the opening cash & bank balance and the closing cash and bank balance was N17,249,210,000.00, N5,879,750,000.00, and N23,128,960,000.00 respectively. In year 2021 the budget balance, the opening cash & bank balance and the closing cash and bank balance was N9,

289,700,000.00, N23,129,000,000.00 and N32,418,600,000.00 respectively. In year 2022 the budget balance, the opening cash & bank balance and the closing cash and bank balance was N-9,996,000,000.00, N32,416,600,000.00 and N22,422,600,000.00 respectively.

TABLE 12A: CLOSING CASH AND BANK BALANCE FROM 2023 – 2026.

2023	2024	2025	2026
25,316,100,000.00	23,833,200,000.00	27,423,900,000.00	28,282,900,000.00

The above table shows that the closing cash and bank balance was N25,316,100,000.00 in year 2023, N 23,833,200,000.00 in year 2024, N 27,423,900,000.00 in year 2025 and N 28,282,900,000.00 in year 2026 respectively.

4.4: BORROWING ASSUMPTIONS

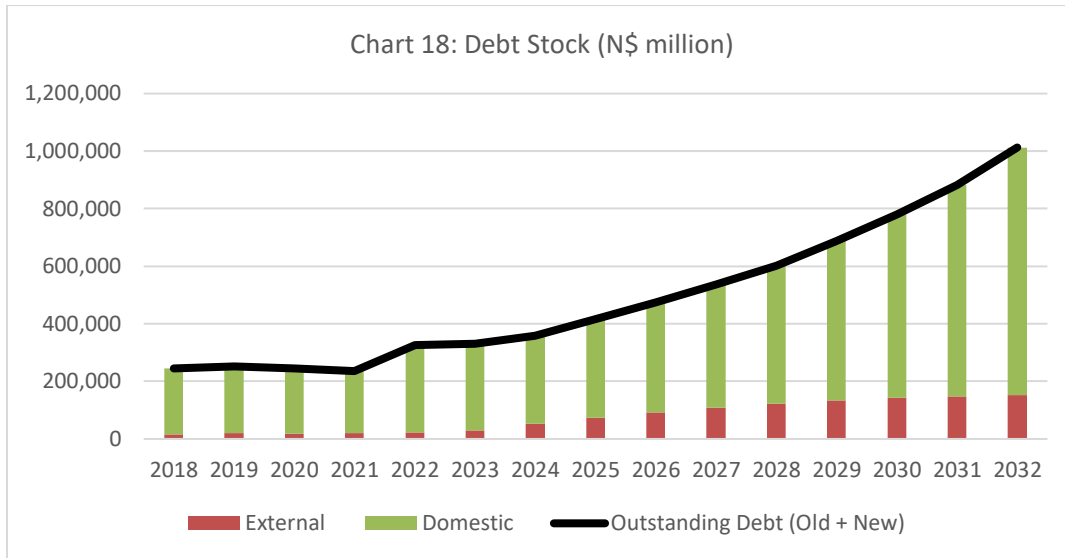
2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
11,491.1	43,123.3	75,189.8	89,889.8	109,179.7	133,798.7	174,632.4	213,673.1	251,586.8	313,958.3

DELTA STATE GROSS BORROWING REQUIREMENTS FROM 2022- 2031

Looking at the gross borrowing requirements from 2023 to 2032, it shows that there is paucity of fund to execute developmental projects and the need for Delta State to borrow from 2023 to 2032 through a commercial bank loan with a maturity of 5 years to include a grace period of 6 months, with an average of 20%, and another commercial bank loan of maturity between 5 years to include a grace period of 6 months with an average of 15%, and also the State bond with a maturity of 5 years to include a grace period of 6 months with an average of 15%. The State will also employ other domestic financing method to obtain fund for its developmental projects with a maturity of 6 years to also include a grace period of 6 months with an average of 30%. The State will also go for external financing through multilateral or bilateral financing of its projects for a maturity of 10 years with an average of 20%. The purpose of the State reducing its external borrowing to only 20% of the total borrowing plan is to avoid the risk involved in external borrowing.

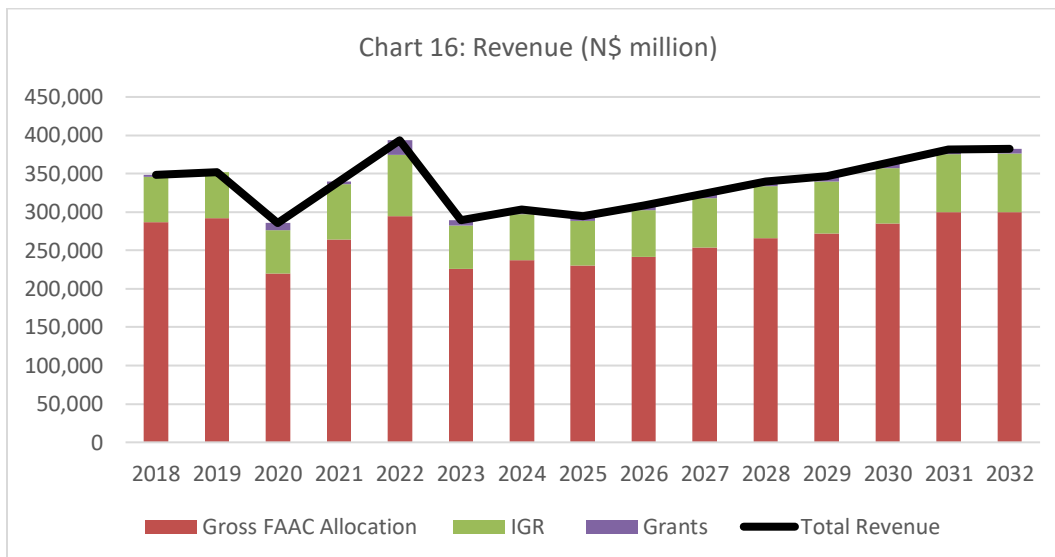
4.5.0: DSA SIMULATION RESULTS AND FINDINGS

4.5.1: Debt Stock Chart.



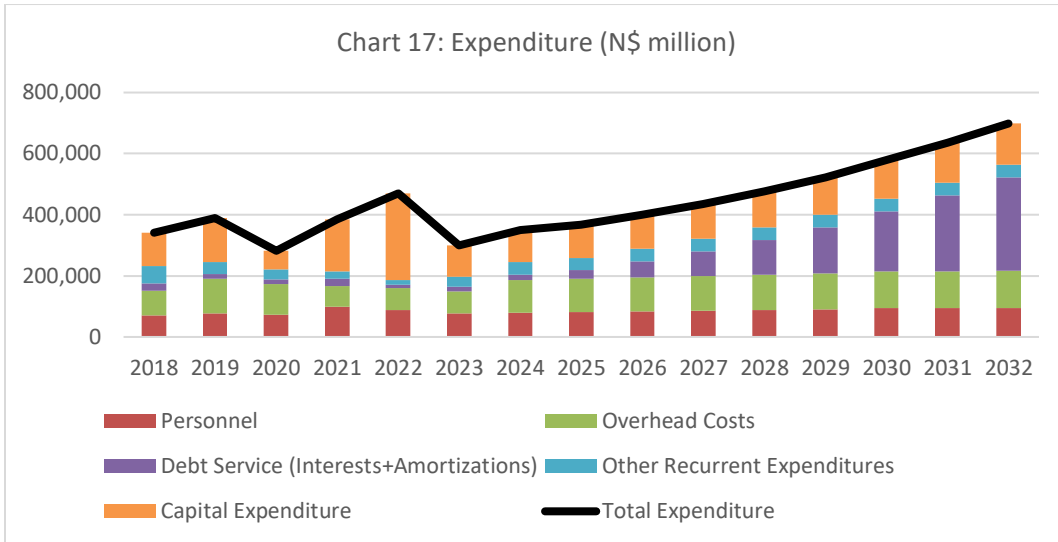
The above chart shows that the State total public debt was fairly even from year 2018 to 2021 after which it increases a little to 2022 and 2023 then rises from 2023 steadily through the projected years up to 2032.

4.5.2: Projected revenue chart



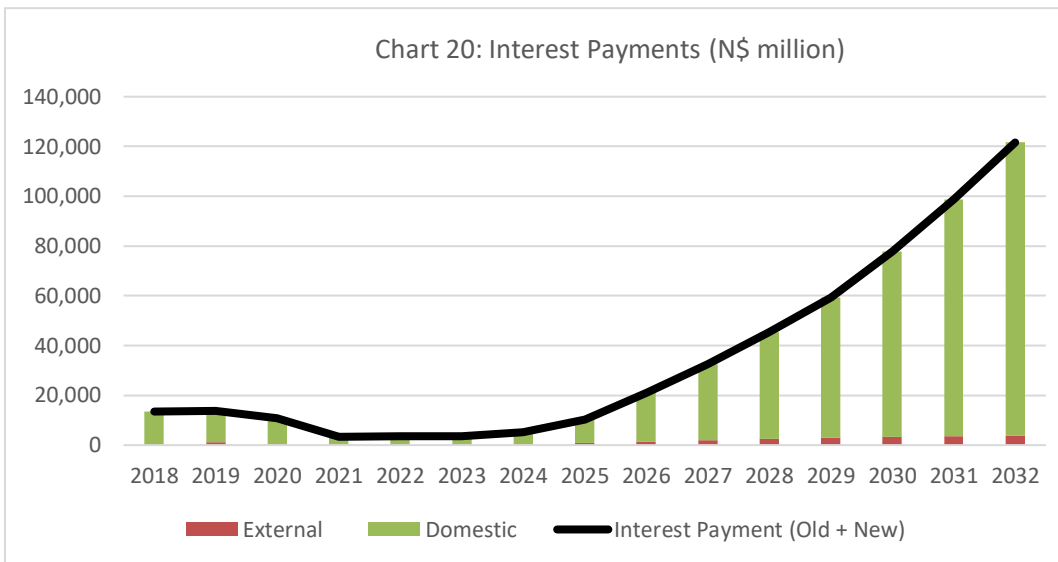
The above chart shows that there is no significant difference in the Delta State Revenue between year 2018 to 2019, but the revenue fell in year 2020, then rises sharply up to year 2022 and also falls sharply in year 2023 after which it remain fairly steady through year 2022 to 2025 before rising slowly through the projected years of 2026 to 2032.

4.5.3: Projected Total expenditure chart



The above chart shows that the State total expenditure keep rising from 2018 to 2019 and falls in 2020 then rises again from year 2021 to 2022 and falls again in 2023 after which it gradually rises throughout the projected years up to 2032.

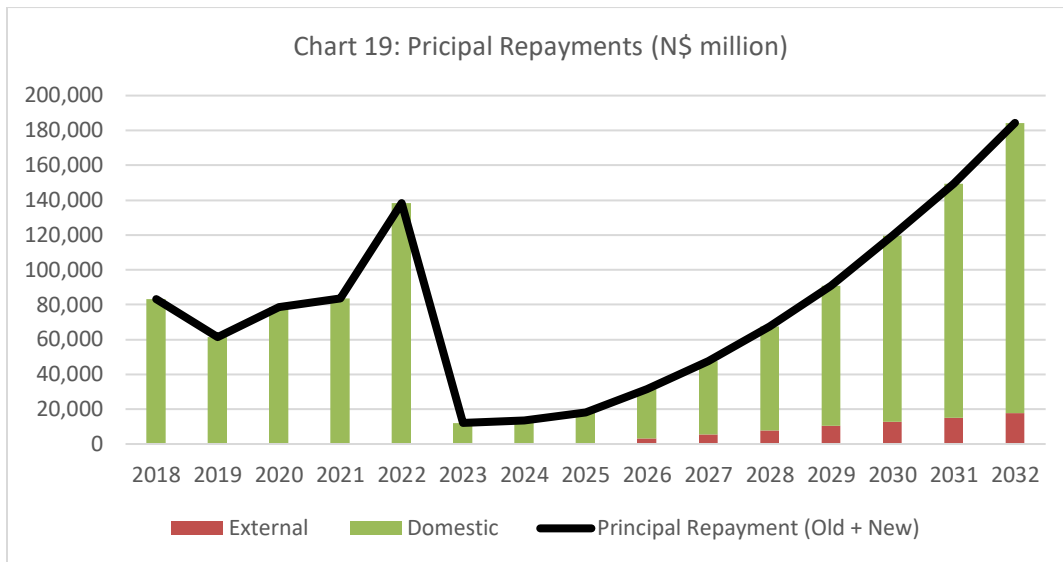
4.5.4: Interest Payments Chart



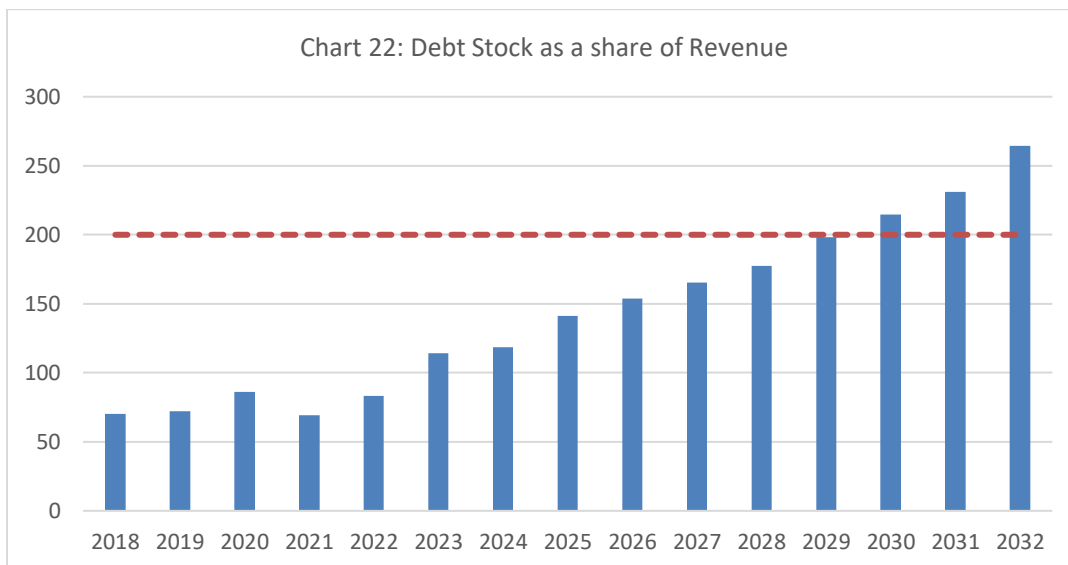
The above Chart shows that the State payment was fairly steady from 2018 to 2019 after which it declined gently from 2020 to 2021 due the Corona Virus pandemic that adversely affected both economic activities in the State and the financial power of the State to make repayment on its debts. However, during the projected year of 2022 to 2024 the interest repayment remain fairly steady

after which the State interest repayments rises steadily from year 2025 up to the end of the projected year of 2032.

4.5.5: Total Principal Repayments Chart



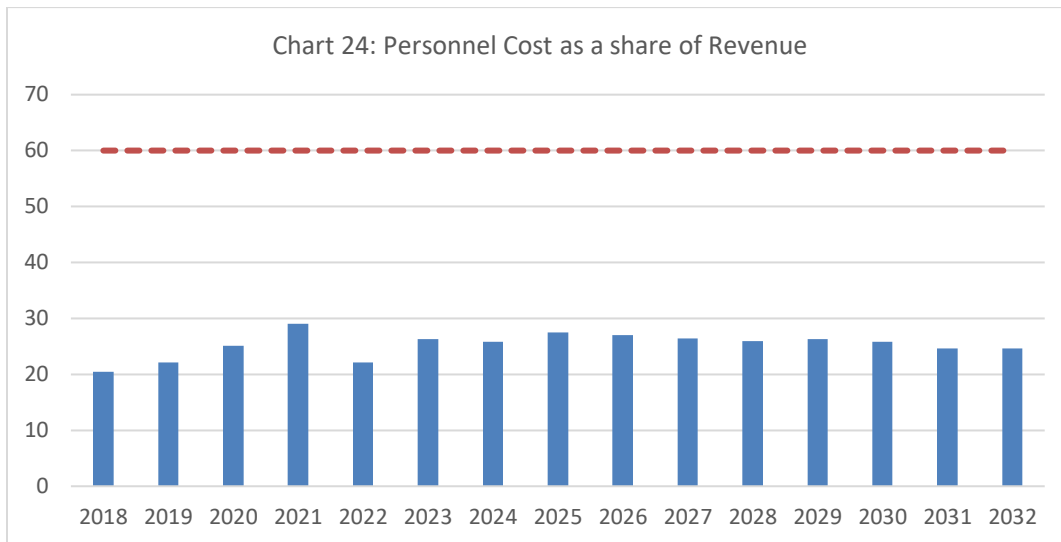
The State Principal Repayment chart curve falls from year 2018 to 2019 during the historical year and rises in an uneven manner up to year 2022 after which it fell sharply down in 2023 then rises again through the projected years of 2023 to 2032.



The above chart shows that the State debt stock as a percentage share of revenue was well below the 200% threshold line through the base year from 2018 to 2022 and also through some of the projected years from 2023 to 2029 but bridged the threshold line between year 2030 to 2032 of the projected years.

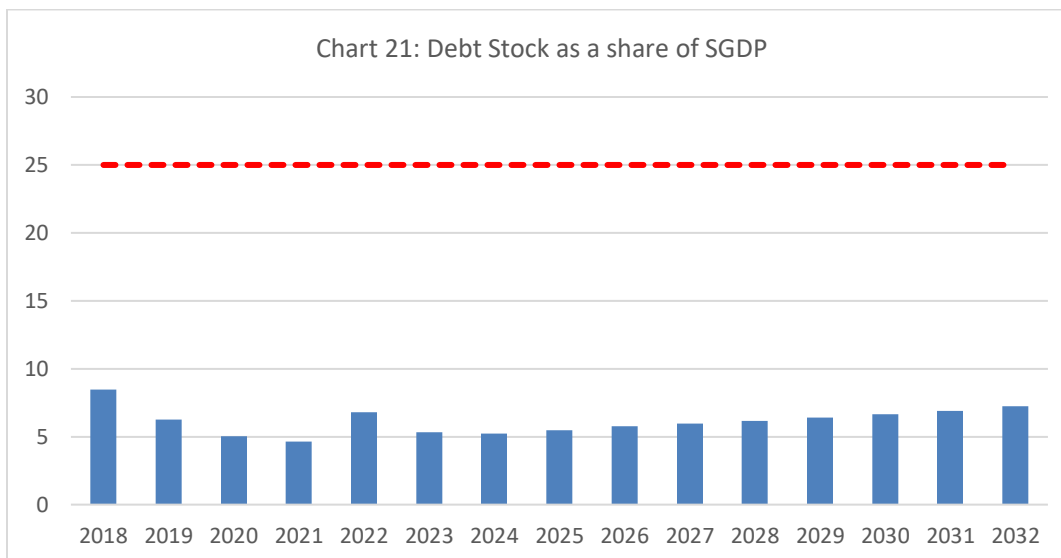
This means that Delta State will need to ensure that its internally generated revenue increases to avoid a situation where the State debt will not be sustainable in the future years of 2030 to 2032.

4.5.7: Personnel cost as a share of Revenue Chart.



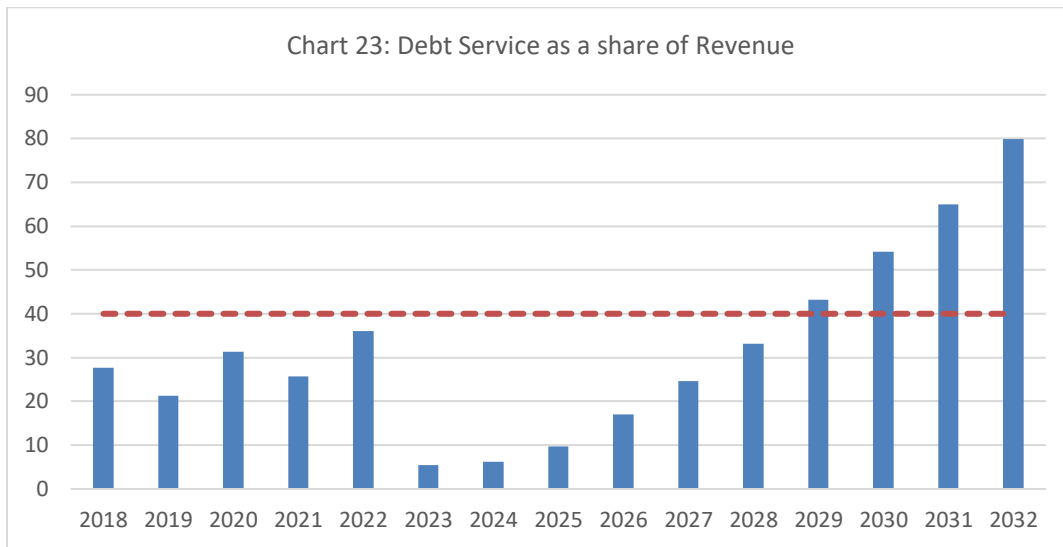
The above chart shows that the personnel cost of Delta State is well below the 60% threshold.

4.5.8: Debt Stock as a share of State GDP Chart.



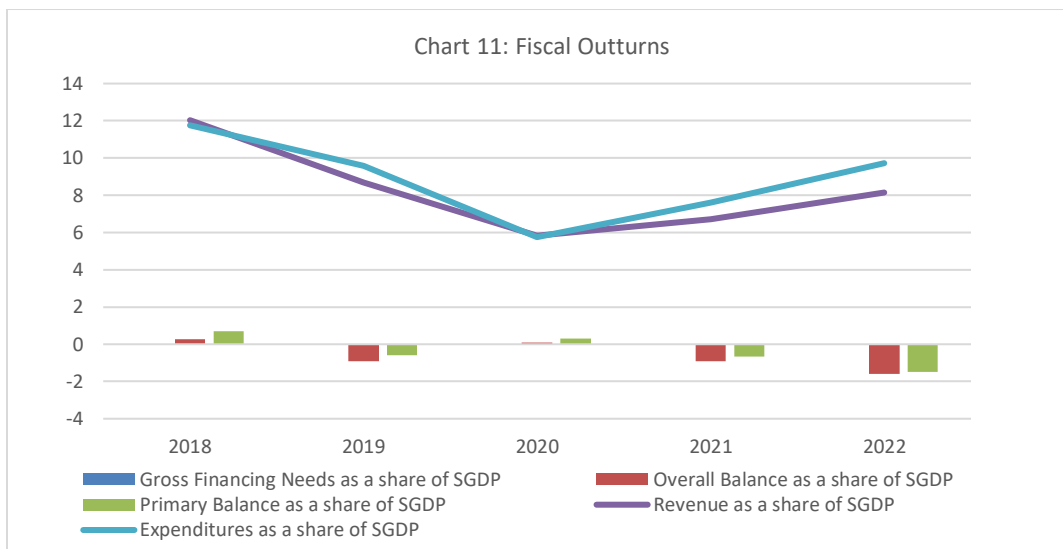
The above chart shows that the State Debt Stock was below the threshold both in the base year periods of 2018 to 2022 and also through the projected years from 2023 to 2032.

4.5.9: Debt Service as a % share of Revenue



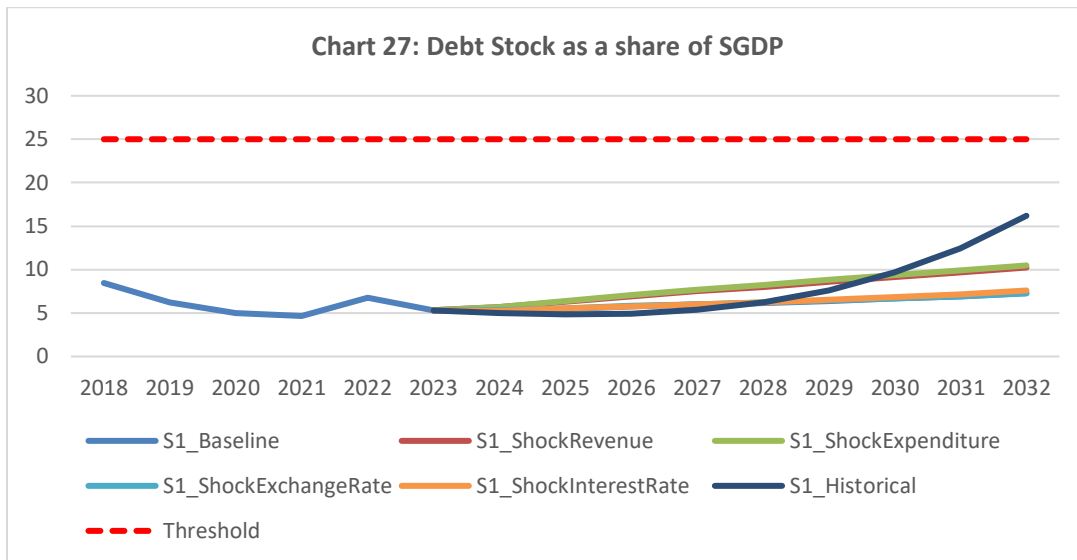
The above chart shows that Delta State Debt is serviceable from year 2018 to year 2028, but becomes unserviceable from year 2029 to year 2032 due to the fact that the debt service as a share of revenue chart has bridge the threshold line of 40% during the projected years from 2029 to 2032, which mean that the long term outlook for Delta State public debt is not sustainable.

4.5.10: Fiscal Outturns Charts.



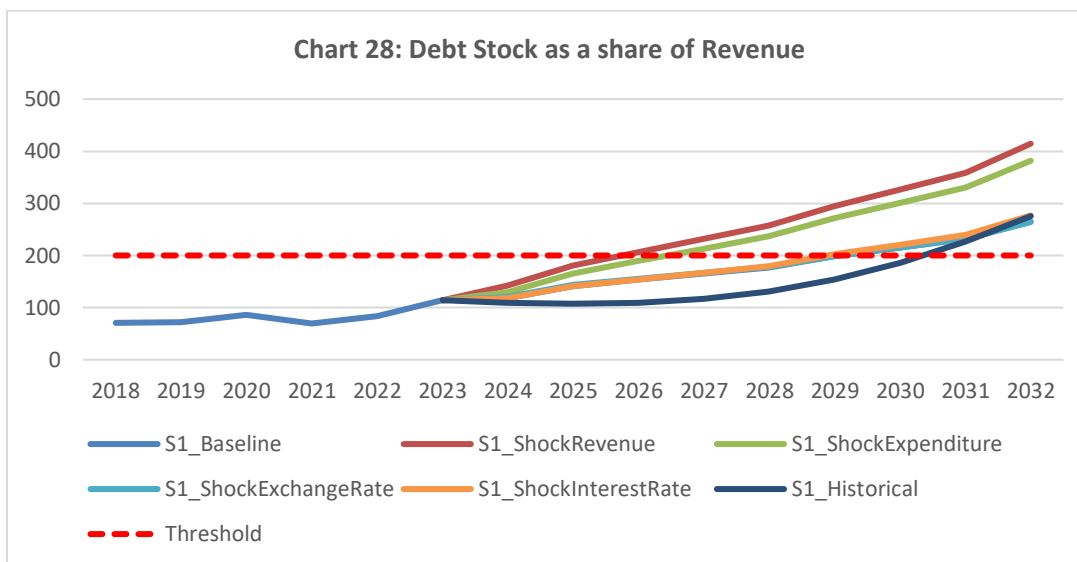
The above chart shows Delta State Gross Financing need as a share of SGDP, Primary Balance as a share of SGDP, Expenditure as a share of SGDP, Overall Balance as a share of SGDP and Revenue as a share of SGDP.

4.5.11: Baseline, Shock and it Scenario



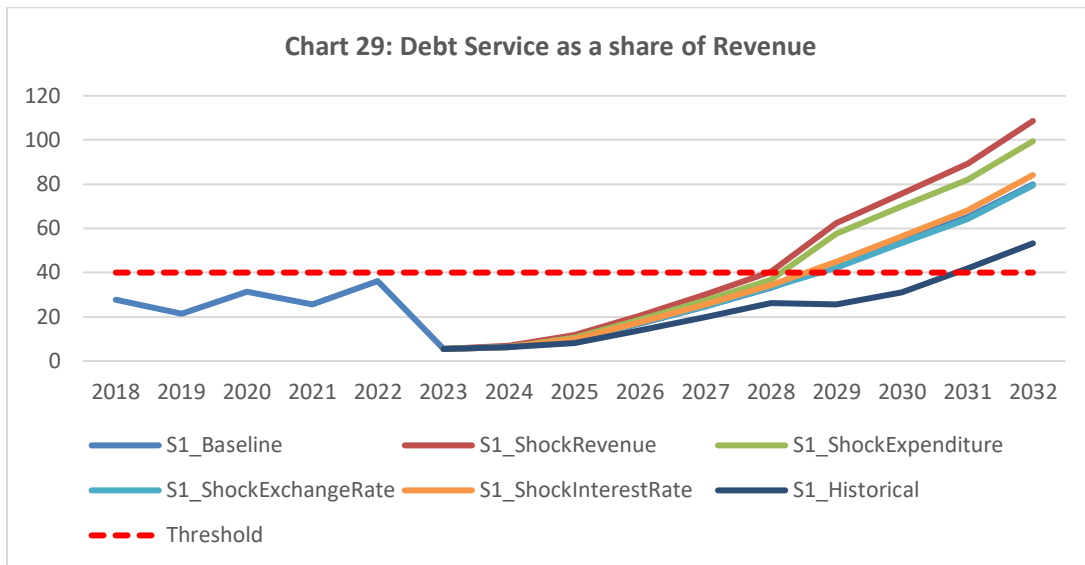
The above chart shows that the Debt Stock as a percentage share of SGDP is below the threshold line from year 2018 to 2032

4.5.12: Baseline, Shock and it Scenario.



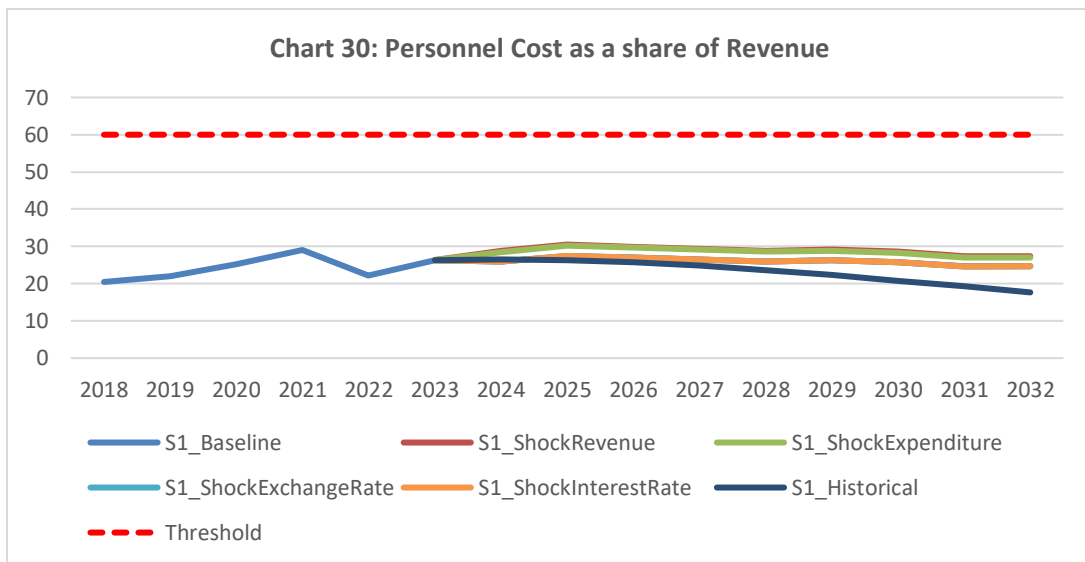
The above chart shows that the Debt stock as a share of revenue curve was just below the threshold from 2018 to 2025, but it rises steadily from 2026 to 2032. Consequently, the shock exchange rate curve, shock revenue curve, shock interest rate curve, shock expenditure curve all rises above the base line as a result of the shock between years 2026 to 2032.

4.5.13: Baseline, Shock and it Scenario.



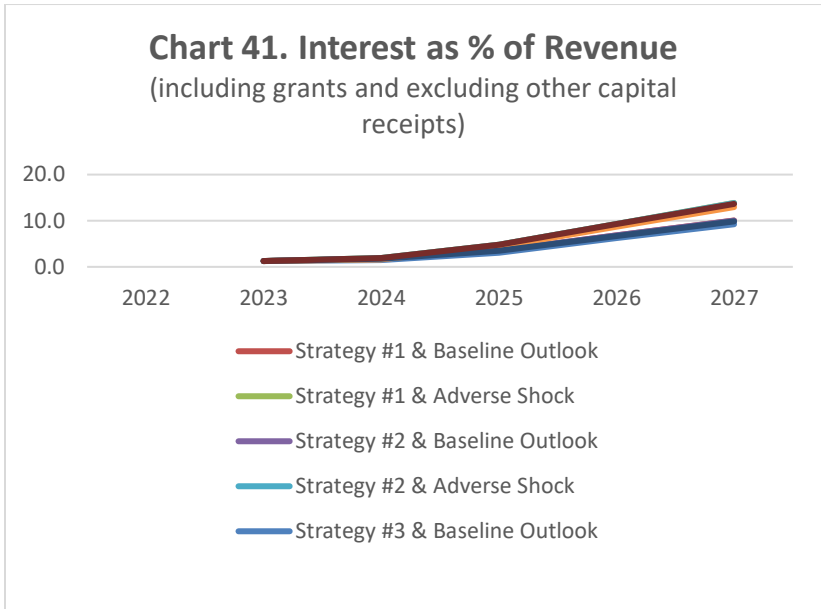
The above chart shows that Delta State Debt Service as a share of Revenue was below the 40% threshold from 2018 up to 2027 despite the shock, but Debt Service was above the threshold from the projected years of 2028 to 2032. In order words it means that Delta State is Liquidity strong up to 2027 but will need to improve on its Revenue generation in the far future from 2028 to 2032.

4.5.14: Baseline, Shock and it Scenario.



The above chart shows that Delta State is well below the 60% percent threshold as regards the State Personnel cost as a share of Revenue percentage.

4.5.15: Baseline, Shock and it Scenario.



The above chart shows that the interest payment as a percentage share of revenue is well below the baseline and it shows that the State ability to service its interest payment is not threatened.

4:6 MAIN FINDINGS

The main findings are as follows:

- i.** The State total external debt stock in 2018 was N19,302,519,271.15 and it fell down to N19, 071,473,444.65 in year 2019, then rises steadily to the sum of N23,581,439,117.87 in 2020, N25,362,859,382.58 in 2021 and N26,855,339,467.46 in year 2022 respectively.
- ii.** The State total domestic debt stock shows an uneven trend during the historical period from year 2018 to year 2023. In 2018, the total State domestic debt was N228,805,996,159.83 which rises to N233,892,694,776.08 in 2019 and fell to N227,018,001,548.77 and N215,757,900,000.00 in year 2020 and 2021 respectively and finally rises to the sum of N304,245,915,945.65 in year 2022.
- iii.** The above statement shows that the State total domestic debt in 2022 was higher than what it was in 2018 by the amount of N75,439,919,785.82 which is a 33% increment.
- iv.** The State Total Public Debt stock is on the rise too, in 2018 it was N248,108,515,430.98 compared to N331,101,255,413.11 in year 2022.
- v.** The State total external debt service increase from N310,794,847.07 in 2018 to N338,957,827.69 in 2019 after which it fell to the sum of N207,371,730.96 in 2020. However, it rises again to N254,739,223.03 in year 2021 but fell in year 2022 to N520,269,692.68.
- vi.** The total amount of only domestic debt servicing in 2018 was N157,199,906,050.57 compared to the amount of N141,791,520,000.00 in year 2022.
- vii.** The State total Public debt servicing in 2018 was N157,510,700,897.64 billion compared to N520,269,692.68 in 2022 which shows 10% decline in the total debt service repayment vigor of the State in year 2022.
- viii.** The external debt was only 8% of total debt in 2018 and it remains same in year 2022.
- ix.** The increasing force in the state total public debt is contractors' arrears and need to be checked before it leads to serious debt

overhang in the State. In 2018 contractors' arrears was N108,036,800,559.69 billion compared to N114,630,909,520.70 in 2022.

- x.** In 2018, the percentage of Contractors Arrears in total public debt was 44% and it decline to 35% in 2022.
- xi.** The total revenue of the state for the period between 2018 and 2022 is on the increase. In 2018 it was N352,106,450,000.00 billion compared to N459,495,900,000.00 billion in 2022.
- xii.** The State Expenditure shows an uneven trends of rising and falling between 2018 and 2021. In 2018 the Expenditure was N340,420,990,000.00 and it rises up to N388,608,160,000.00 in 2019 and the fell back to N281,941,000,000.00 in 2020, and rises again to N384,969,880,000.00 in 2022
- xiii.** As at end December 2022, the amount of non-flow debt in the State total Domestic Debt Stock was N139,036,697,249.13 while the amount of non-flow debt in the State total Domestic debt as at end December 2018 was N122,711,956,501.47.
- xiv.** Findings show that the percentage amount of non-flow debts in the total domestic debt stock as at end December 2022 was N46%, while the percentage of flow-debts in the State total Domestic Debt Stock as at end December 2022 was 54% of the total domestic debt stock of the State.
- xv.** The State's Debt / Revenue indicator for debt burden as can be seen in the chart is quite below the World Bank stipulated threshold of 200% from 2018 – 2029 but above the threshold in the projected years of 2030 to 2032.
- xvi.** The Debt Service as a percentage share of Revenue is below the 40% threshold from the base year 2018 up to the projected year of 2028. However, in the last four projected years from 2029 -2032, the debt service as a percentage share of revenue exceeded the 40% threshold and bridge the 40% threshold line as illustrated in the chart. Finding also shows that the Personnel cost as a percentage share of revenue was well below the 60% threshold.

xvii. It is also evidenced from the charts illustration that the State debt stock as a share of State GDP was below the 25% threshold line throughout the base line period and the projected year from 2018 to 2032.

4.7: CONCLUSION:

The overall result of the Delta State Debt Sustainability Analysis shows that the State Personnel cost as a share of revenue, interest payment as a percentage share of revenue are well below the threshold. However, the State debt stock as a percentage share of revenue bridged the threshold in the projected year of 2030 to 2032. In addition to above, the debt service as a percentage share of revenue also bridged the threshold from 2029 to 2032 as depicted in the chart. Moreover, the rise in Delta State's total expenditure between the base year 2018 and projected year of 2032, including the slow growth cum constant dwindling real value of Delta State Internally Generated Revenue (IGR) due to high inflation growth rate in the Nation, all these shows that the long term outlook for Delta State Public Debt is not Sustainable as a result of low internally generated revenue in the State. Consequently, it is advisable for Delta State government as a matter of economic policy, to do something in good time to ensure that there is a reduction in total expenditure, diversify the State economy to reduce its over reliance on oil as the main source of income and increase drives for a higher internal generation of revenue (IGR) in order to overcome this problem of the State Public Debt not being sustainable in the long term.

CHAPTER FIVE

5.0: DEBT MANAGEMENT STRATEGY

Public Debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk.

In debt management there are three debt management performance indicators utilized to assess the debt management strategies outcomes known as: Debt Stock/ Revenue (%), Debt Services / Revenue (%), and Interest / Revenue (%). It should also be known that debt which result from borrowing has a cost that result from the interest payment on the debt. This interest payment is also liable to risk which result from the unexpected changes in the rate of interest payment associated with domestic borrowing as well as external borrowing and vagaries in exchange rate associated usually with External borrowing.

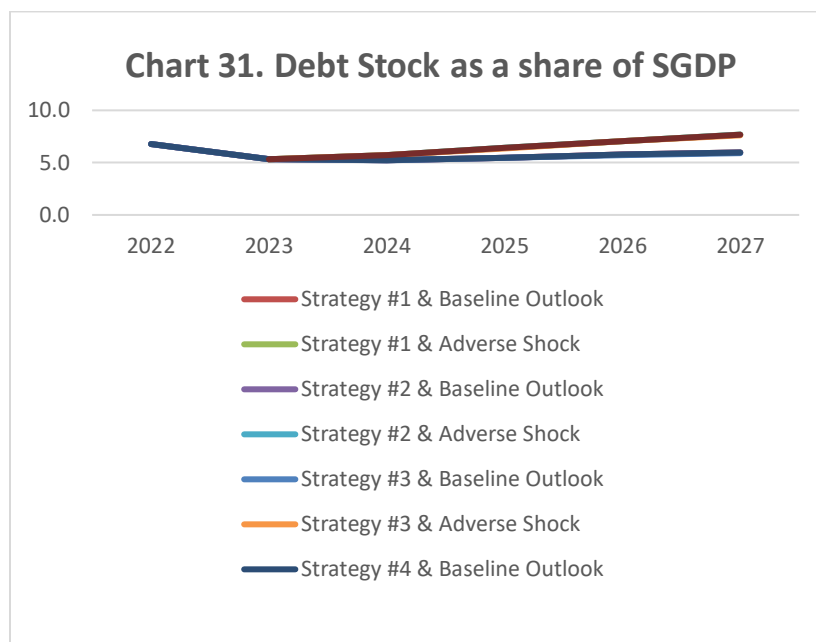
5.1: ALTERNATIVE BORROWING OPTION

The State has decided to use three alternative borrowing options as part of its debt management strategy (DMS) known as strategy two (S1), Strategy three (S3), and Strategy four (S4). In Strategy one, the State planned to take commercial bank loan in other to fund Agricultural activities and infrastructural development. The maturity period for the commercial bank loan will be for six years and six months at 4% interest rate and two years grace period for its domestic borrowing options. Moreover, the State has decided not to go for bond in its funding gap if the maturity period is not up to six years, but will go for bond if the maturity period is up to six years. As for its external borrowing for strategy one, the State planned to take \$30m dollars loan per annum at 3% interest rate with 18years maturity period and 28 months grace period. For Strategy 3, the State has decided to take domestic loan from commercial bank to fund Agricultural production and infrastructural development provided that such domestic loan must be maintained at 11% interest rate and for 6years maturity period with also 2years grace period before repayment commenced. For its external debt in S3, the State will take concessional loans from World Bank and African development bank of \$25m dollar per annum at 3% interest rate and 72 months maturity period as well as 2years grace period to fund infrastructural development in the State. But in its Strategy 4, Delta State will take commercial bank loan for its domestic debt at 11% interest for 6years and 2 years grace period as well as borrowing through bonds that will be maintained at 10% interest rate and also 1 year's maturity period with 2 years grace period before repayment starts. For strategy 4 external borrowing, the State planned to take bilateral loans of \$20m per annum at 3% interest rate for 10 years maturity period and 2 years grace period.

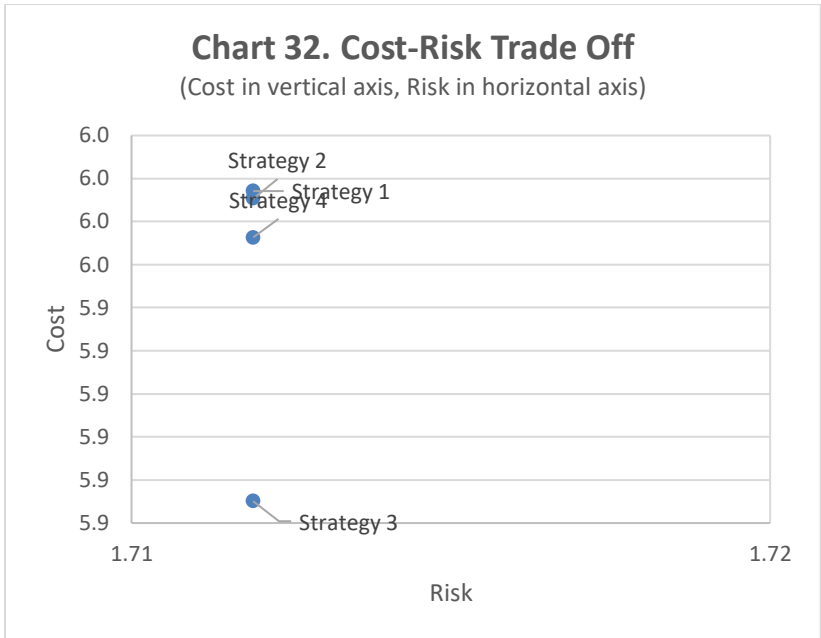
5.2: DMS SIMULATION RESULTS

During the projection base year period of 2022, the total domestic debt and total external debt of Delta State were N304,245,915,945.65 and N26,855,339,467.46 respectively compared to the projection debt profile position in year 2026 where the total domestic debt was N375,830,110,000.00 and total external debt was N95,056,630,000.00 bringing the total public debt profile of Delta State in the projection year period of 2026 to N470,886,740,000.00 as compared to the total public debt of N331,101,255,413.11 during the projection base year period year of 2022. This shows an increase in the total public debt of the State from the projection base year period of 2022 to year 2026 projected period.

5.2.1: DEBT / SGDP

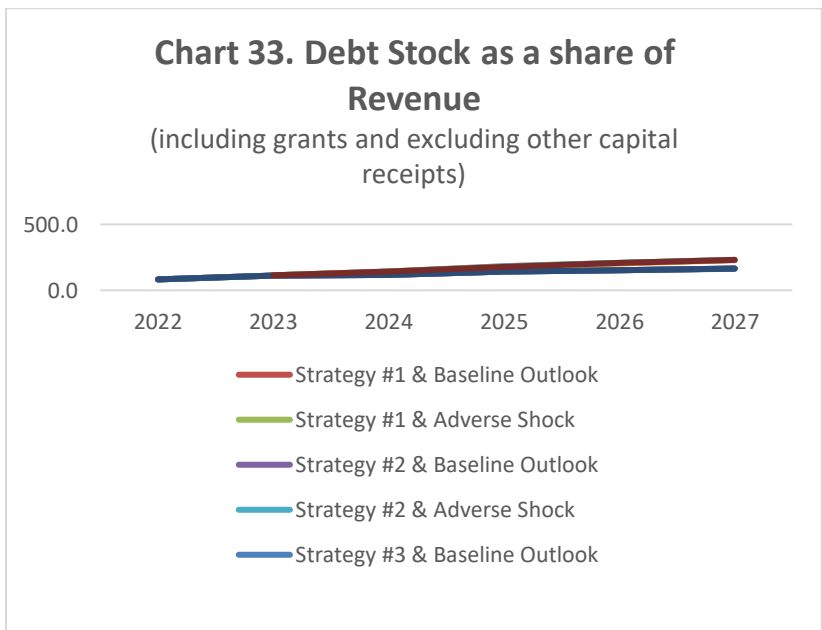


The above chart shows that the Debt Stock as a share of State GDP is below the 10% threshold line.

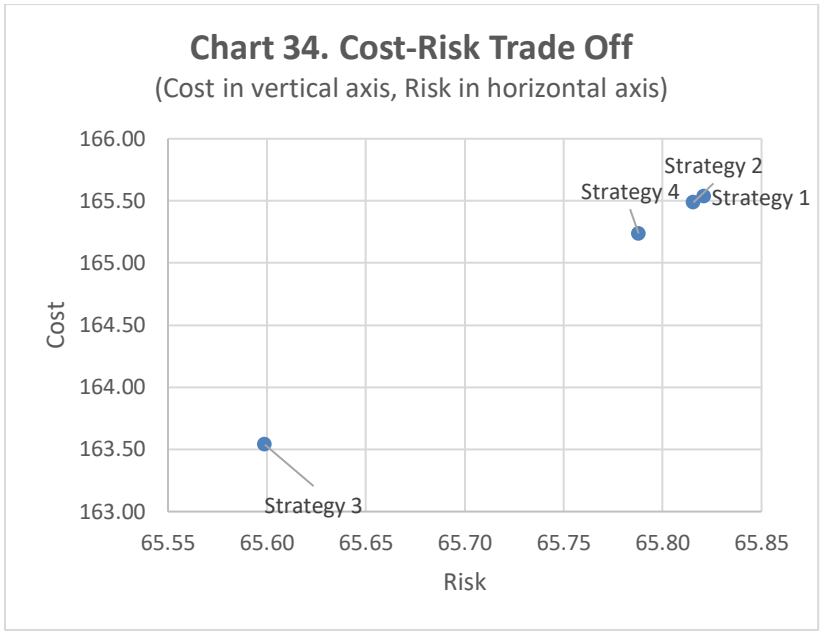


An observation from the chart above shows that Strategy 3 has the lowest risk and cost management trade off. It is also clear that strategy 2 has the highest cost trade off, followed by strategy 1, and strategy 4 while strategy 1, 2, 3, and 4 together have the same amount of risk trade off. Therefore, Delta State will adopt strategy 3 as its debt management strategy in other to reduce cost, risk and debt burden of the State for effective debt management as it has both lowest cost trade off and risk trade off.

5.2.2: Debt stock as a share of revenue

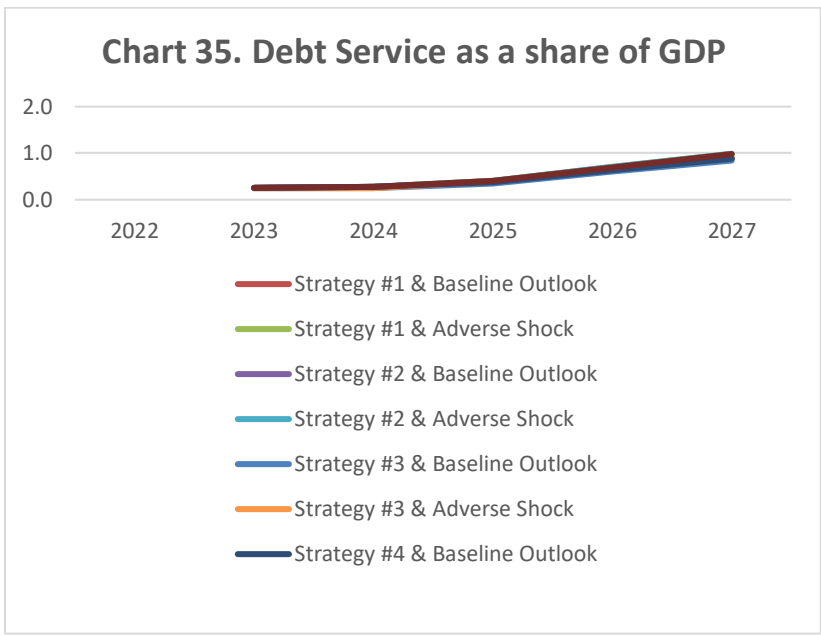


The above chart shows that while the State revenue was slightly rising the amount of debt stock was also rising.



An observation from the chart above shows that Strategy 3 has the lowest risk and lowest cost management trade off. It is also clear that strategy 1 has the highest cost and risk trade off, followed by strategy 2 and strategy 4. Delta State going by best Debt management practices will adopt strategy 3 as the best strategy.

5.2.3: DEBT SERVICE AS A SHARE OF GDP

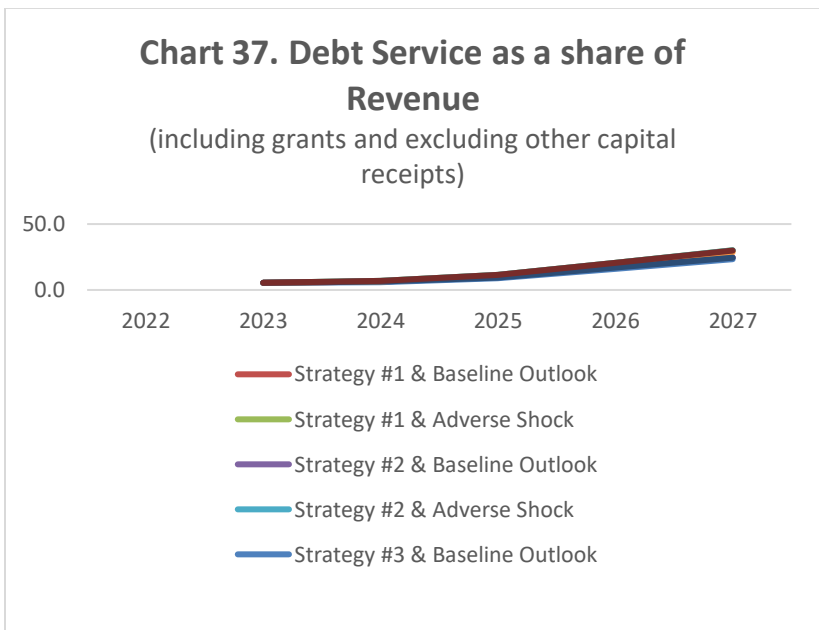


The above chart shows that while the State revenue was slightly rising the amount of debt stock was also slightly rising and both are below the threshold of 2.0

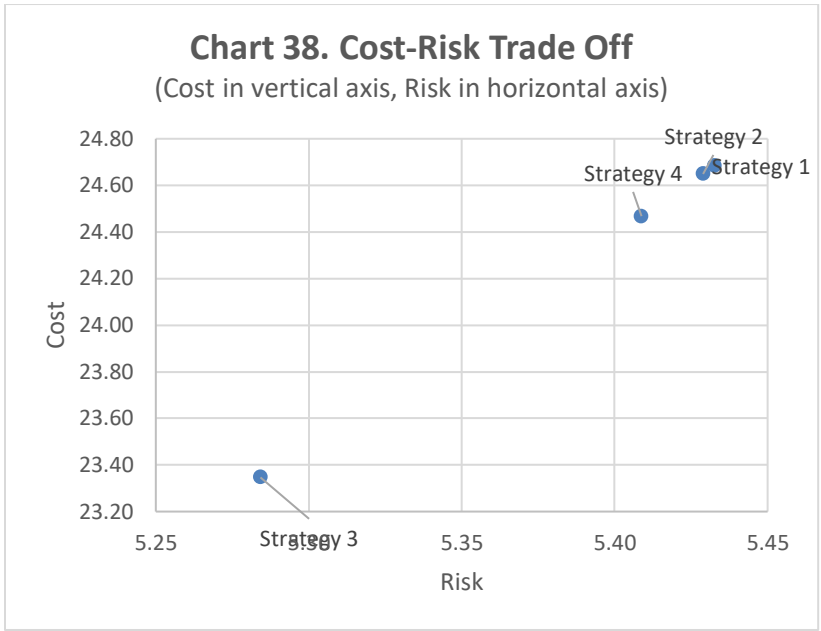


An observation from the chart above shows that Strategy 1, 2, are in the same position and together have the highest cost trade off, followed by strategy 4 while strategy 3 has the lowest risk and cost management trade off. It is also clear that strategy 1, 2, 3, and 4 has the same risk trade off. Therefore, Delta State will adopt strategy 3 as its best debt management strategy because it has the lowest cost and risk trade off better than Strategy 1, 2 and 4 in order to reduce cost, risk and debt burden of the State for effective debt management.

5.2.4: DEBT SERVICE AS A SHARE OF REVENUE

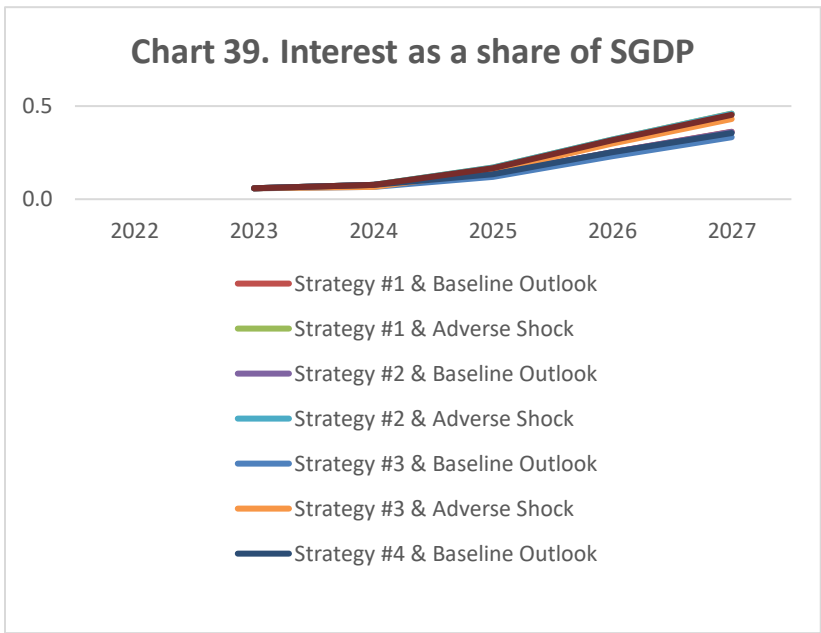


The above chart shows that while the amount of Debt Service is rising, the Revenue is also rising, and still within the threshold of 50.0.



An observation from the chart above shows that Strategy 2 has both the highest risk and cost management trade off, followed by strategy 1, this is also followed by strategy 4 while strategy 3 has both of the lowest risk and cost management trade off. Therefore, Delta State will adopt strategy 3 as its debt management strategy in order to reduce cost, risk and debt burden of the State for effective debt management.

5.2.5: INTEREST AS A SHARE OF SGDP

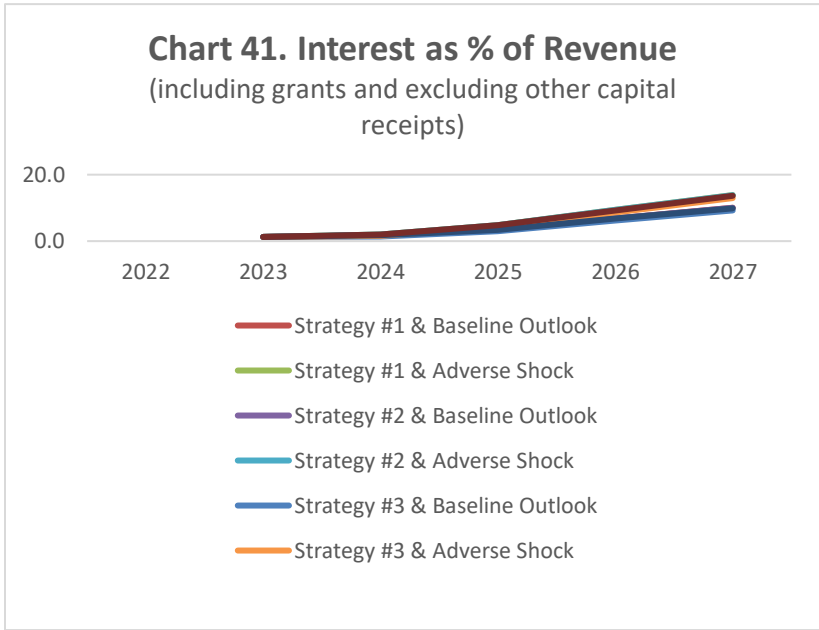


The above chart shows that both the State amount of interest rate and GDP is on the rise at a slow pace.

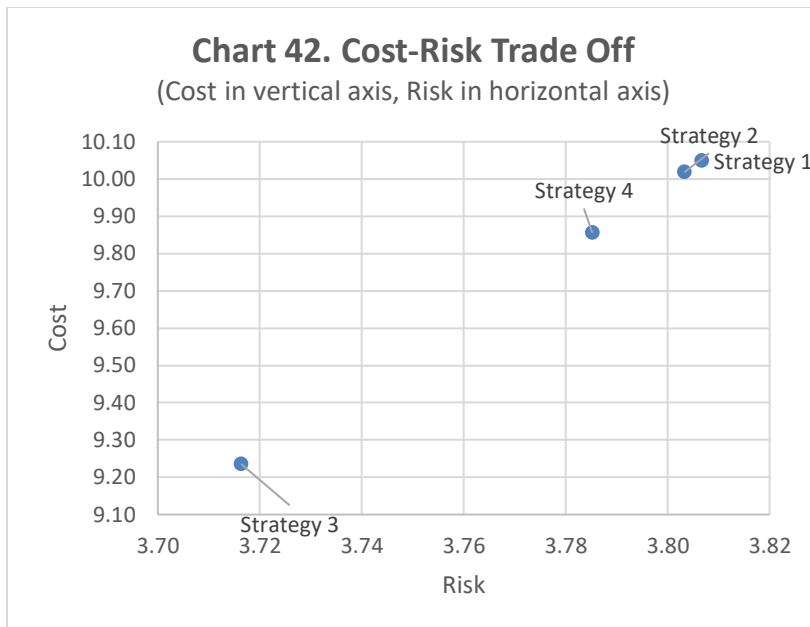


An observation from the chart above shows that Strategy 3 has the lowest and lowest cost management trade off while strategy 1 has the highest risk and cost trade off. It is also clear that strategy 2 has a high cost and a highest risk trade off, while strategy 4 has a low cost and low risk trade off but not better than strategy 1. Therefore Delta State will adopt strategy 3 as its best Debt management Strategy.

5.2.6: INTEREST AS A PERCENTAGE SHARE OF REVENUE



The above chart shows that both interest and revenue is on the increase and the increase is directly proportional to each other.



An observation from the chart above shows that Strategy 3 has the lowest risk and lowest cost management trade off. It is also clear that strategy 1 has the highest cost and the highest risk trade off followed by strategy 2 and strategy 4. Since strategy 3 has both lower cost and risk trade off, Delta State will therefore adopt strategy 3 as its best Debt management strategy.

5.3: DMS ASSESSMENT

An observation from all the chart above shows that Strategy 3 has the lowest risk and cost management trade off in all the 4 strategies. While strategy 1 has the highest cost trade off out of all the 4 strategies and never has the lowest risk trade off. Strategy 1 therefore, has the worst adverse scenario of all the four debt strategies. In addition, it is clear from the chart illustration that both strategy 2 and 4 also have high cost and risk trade off above strategy 3 and not good for effective and efficient debt management too. Therefore, going by both quantitative and qualitative decisions, Delta State will adopt strategy 3 as the best debt management strategy in order to reduce cost, risk and debt burden of the State for effective debt management.

In the near future by 2026, it is worth mentioning that improvement can be expected between the State current public debt portfolio which was N331,101,255,413.11 in 2022 due to the expected constant yearly deductions in the State debt profile and adoption of the best prudent strategy 3 that has the lowest cost and risk trade off. It is also expected that by the State adopting strategy 3 as its best debt management strategy the exposure to currency risk and rollover risk will be mitigated.

ANNEXURE 1
BASELINE SCENARIO

Note: The above Annexure 1 is for your necessary information as directed. It was copied from the excel sheet and can be zoomed for clear vision, please.

ANNEXURE11: LIST OF TABLES

i.	Table 1	Revenue Performance 2017-2021
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COMPOSITION OF THE JOINT DELTA STATE DEBT ANALYSIS TEAM

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1. Orere Richard Assistant Director, programme Analyst.

2023 DELTA STATE DEBT SUSTAINABILITY ANALYSIS IS HEREBY ENDORSED BY ME:

Name: Sir Okenmor Fideho Tikiye

Signature: [Handwritten Signature]

Date: 14/12/23... Time: 15:22 hrs

Commissioner for Finance, Delta State.

