Annexure I

Delta State Government

FISCAL STRATEGY PAPER (FSP) 2024 - 2026

(Economic and Fiscal Update (EFU), Fiscal Framework and Budget Policy Statement (BPS).

September, 2023

Document Control

Document Version Number:	EFU-FF-BPS Delta State 2024 - 2026 X
Document Prepared By:	Delta State Ministry of Economic Planning
Document Approved By:	
Date of Approval:	
Date of Publication:	
Distribution List:	

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Abbreviations

AfDB	African Development Bank
ECA	Excess Crude Account
IRS	Internal Revenue Service
BPS	Budget Policy Statement
CAP	Chapter
CBN	Central Bank of Nigeria
CRF	Consolidated Revenue Fund
CRFC	Consolidated Revenue Fund Charge
CPIA	Country Policy and Institutional Assessment
DMO	Debt Management Office (Federal Government)
DESOPADEC	Delta State Oil Producing Areas Development Commission
DTSG	Delta State Government
DTHA	Delta State House of Assembly
EFU	Economic and Fiscal Update
EXCO	Executive Council
FAAC	Federation Accounts Allocation Committee
FDI	Foreign Direct Investment
FRL	Fiscal Responsibility Law
FSP	Fiscal Strategy Paper
FX	Foreign Exchange
GDP	Gross Domestic Product
HE	His Excellency
HoS	Head of Service
IGR	Internally Generated Revenue
LFN	Laws of Federation of Nigeria
IMF	International Monetary Fund
IPSAS	International Public-Sector Accounting Standards
MDA	Ministry, Department and Agencies

MEP	Ministry of Economic Planning
MINT	Malaysia, Indonesia, Nigeria & Turkey
MoF	Ministry of Finance
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
NBS	National Bureau of Statistics
NGN	Nigeria Naira (Currency)
NNPC	Nigerian National Petroleum Company
OAG	Office of the Accountant General
OAuD	Office of the Auditor General
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
PAYE	Pay as You Earn
PFM	Public Financial Management
PITA	Personal Income Tax Act
PMS	Premium Motor Spirit
PPL	Public Procurement Law
SHoA	State House of Assembly
USD	United States Dollar (Currency)
VAT	Value Added Tax
WEO	World Economic Outlook

Section 1 Introduction and Background

1.A Introduction

1. The Fiscal Strategy Paper (FSP)/ Medium-Term Expenditure Framework (MTEF) is a key element in the annual budget process. It helps in determining the aggregate resources available to fund Government's projects and programmes from a fiscally sustainable perspective. Invariably, it provides the basic structure for the estimates and assumptions that underlie the annual budgets. It is designed to facilitate several important outcomes: greater macroeconomic balance; improved allocative efficiency – sectoral resource allocation; greater budgetary predictability for Ministries, Departments and Agencies. It makes for more efficient use of public funds. The Fiscal Strategy Paper (FSP)/ Medium-Term Expenditure Framework (MTEF) guides Government in making public expenditures more efficient and effective, essentially by allowing line Ministries greater flexibility in managing their budgets. The 2024-2026 FSP & MTEF therefore, will guide Ministries, Departments and Agencies (MDAs) in formulating policies and in the selection of projects and programmes to ensure effective economic development
2. One of the components of the FSP is the Economic and Fiscal Update (EFU). It provides economic and fiscal analysis which form the basis for the fiscal forecast, budget planning and budget preparation process. It also provides an assessment of budget performance which is both historical and current and identifies significant factors affecting implementation. It is aimed primarily at policy makers and decision takers in the Delta State Government (DTSG).
3. Another component of the FSP/MTEF is the Budget Policy Statement (BPS). This component deals with the allocation of the aggregate resource envelope into indicative sector expenditure ceilings which are consistent with the Government's policy priorities for socioeconomic development. In this way, the FSP becomes an integral part of a policy driven budget process. The State Government's annual budget for

2024 fiscal year, derived from this FSP will encapsulate government's plan to achieve the M.O.R.E. agenda and accelerate economic growth, promote social inclusion and strengthen resilience of the economy.

4. The Delta State Government adopted the preparation of the FSP in 2014 following the Public Expenditure Management and Financial Accountability Review (PEMFAR) 2010 and other financial innovations introduced by the State Government. This current FSP is the tenth rolling edition of the document and it covers the period 2024 - 2026.

1.A.1 Budget Process

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

   i. Medium Term Fiscal Framework (MTFF)

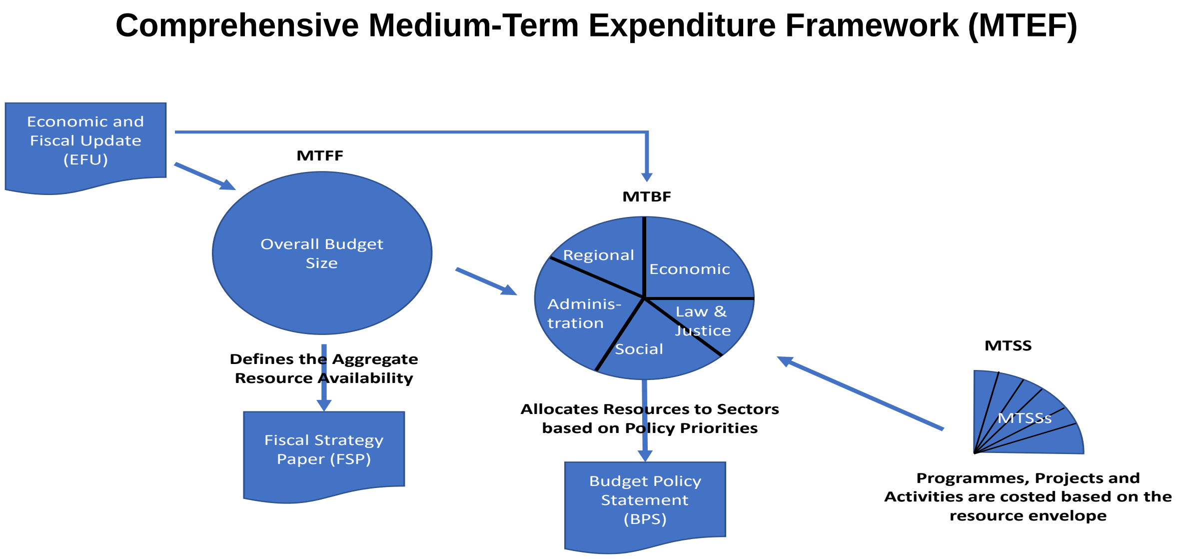
   ii. Medium Term Budget Framework (MTBF)

   iii. Medium Term Sector Strategies (MTSS)

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

7. The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

8. Preparation of the Fiscal Strategy Paper (FSP) for the period 2024 - 2026 which is in accordance with international best practice in budgeting is the first step in the budget preparation cycle. Thus, the preparation of the document which covers the period is the first and major step in the preparation of the budget for 2024 fiscal year:

The Medium-Term Expenditure Framework (MTEF)/Fiscal Strategy Paper (FSP) document serves three main purposes as summarised below-:

i. Provision of a *backward* looking summary of key economic and fiscal trends that will affect the public expenditure in the future – This aspect deals with the Economic and Fiscal Update;
ii. Setting out the medium term fiscal objectives and targets, including revenue policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Framework; and
iii. Provision of the indicative sector envelopes for the period under review- 2024 – 2026 - Budget Policy Statement

9. EFU provides economic and fiscal analysis which guide the budget planning process. It is presented in Section 2 of this document and is directed primarily at budget policy makers and decision takers in the Delta State Government. It also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. The EFU includes:

Overview of Global, National and State Economic Performance

- Overview of the Petroleum Sector
- Trends in budget performance over the last six years

10. Fiscal Framework which is presented in Section 3 of the document, is a key element in the DTSG Medium Term Expenditure Framework (MTEF) process and annual budget process. It determines the

resources available to fund the Government’s programmes from a fiscally sustainable perspective.

11. BPS, presented in Section 4, is the part of the analysis which takes the aggregate resource envelope and divides this into indicative sector expenditure ceilings which are consistent with the Government’s policy priorities for socio economic development.

1.A.3 Preparation and Audience

12. As is historical, the purpose of this document is to provide an informed basis for the 2024 – 2026 budget preparation cycle for all key Stakeholders, specifically:
    - All Government Ministries, Departments and Agencies (MDA's);
    - Executive Council (EXCO);
    - State House of Assembly (SHoA);
    - International Development Partners;
    - Civil Societies;
    - Organised Private Sector; and the
    - Public.

13. The preparation of the current MTEF/ FSP document was championed by the Ministry of Economic Planning with support from Ministry of Finance, Office of the Accountant General, and the State Internal Revenue Service. It was prepared prior to the annual budget preparation period using data collected from reputable International, National and State organisations.

1.B Background

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

1. **Legislative Framework for PFM in Delta State** – Federal legislation and regulations provide for PFM institutions and processes at the sub-national level only to some extent. The 1999 Constitution covers several aspects of the PFM system, including the institutional framework for the PFM system, establishment of the consolidated revenue fund (CRF), authorization of expenditure from the CRF, allocation of expenditure responsibilities to tiers of government, allocation of revenue and tax powers to tiers of government, audit of accounts and legislative scrutiny of the public finances of a state. The complementary acts include: (i) the Finance (Control and Management) Act (CAP 144) of 1990; the Revenue Allocation Act of 1992; the Personal Income Tax Act P8 LFN 2004; Taxes and Levies (Approved List for Collection) Act (CAP 21) of 1998; and the Finance (Miscellaneous Taxation Provisions) Act (CAP 30) of 1999. In the sphere of audit, there are standards and guides, namely Public Sector Auditing Standards 1997 issued by Auditor-General for the Federation; and Audit Guide for Federal and State Government Auditors produced by Auditors-General in the Federation. Legislation and financial regulations at the sub-national level (i.e. state edicts and local government byelaws) are expected to complement federal laws and regulations and to cater for local peculiarities.
2. There are the Delta State regulations and laws which to a large extent complement the Federal Acts and Regulations. Further to these Laws and Regulations are the extant circulars. The predominant legislation and regulations in use are: Delta State Financial Regulations 2000; Delta State Audit Law 2021; Delta State Public Service Rules 2001; and Delta State Civil Service Commission Regulations 2019. In 2020, the State government amended the Fiscal Responsibility Law (FRL) (Delta State Fiscal Responsibility Law, 2020 as amended) to accommodate the State Debt

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[1] ***Based on 2010 PEMFAR Assessment for Delta State***

Management Office and the Delta State Public Procurement Law. The purpose is to provide for the prudent management of the State's resources and secure greater accountability and transparency in fiscal operations. These reform initiatives of the State Government are geared towards aligning the financial processes with best practices and international standards.

3. The Bendel State Audit Act of 1982 has been updated by the Delta State Government. The updated Audit Law 2021 consolidates audit rules. This, with other reform measures is currently being pursued in order to address the challenges of lack of independence of external audit staff, delay in preparation of audited accounts and enhance the performance of the Public Accounts Committee of the State House of Assembly.

4. **Institutional Framework for Public Financial Management (PFM) in Delta State** - The Constitution vests executive powers of the State on the Governor. Executive powers extend to implementation of the Constitution, all laws made by the Delta State House of Assembly (DTHA) and to all matters with respect to which the DTHA has power to make laws. Regarding the PFM system, executive powers include discharge of the expenditure functions of the state government, revenue mobilization and fiscal management. The Governor can exercise executive powers either directly or through the Deputy Governor, his Commissioners or officers in the public service of the state.

5. In practice, the State Executive Council (EXCO), the Ministry of Economic Planning (MEP), the Ministry of Finance, (MoF), the Office of Accountant-General (OAG) under the MoF, the Office of State Auditor-General (OAuG), and the Office of Auditor-General for Local Government all participate in the coordination of the PFM system. The EXCO formulates the priorities of the state government and considers and recommends the state budget to the DTHA. On passage, the Governor signs the appropriation bill into law. The MEP coordinates state development plans and the annual budget,

and issues budget clearance to MDAs. The MoF has the responsibility for the receipts, custody and disbursement of government funds, and the management of government investments in equities and other items of the investment portfolio, and public debt. The AG's Office, which is under the MoF, is responsible for the custody of public funds; coordination of the accounting systems and internal audit in MDAs, and preparation of the State Final Accounts and Financial Statements. The OAuG (State) audits and certifies the accounts of the State Government and submits certified reports to the DTHA. The Local Government AuG (Local Government) performs similar responsibilities at the local government level.

6. The State Government allows line agencies some autonomy in expenditure control. Line agencies propose their budgets based on the guidelines issued by the State Executive Council (EXCO) through the Ministry of Economic Planning (MEP). The line Agencies are allowed to execute their budgets. There are three main categories of expenditure: personnel costs, overhead costs and capital expenditure. While the payroll is centralized under the Head of Service (HoS), all MDAs receive regular monthly disbursements for general items of overhead costs. They also receive, as the need arises, funds for other specific items of overhead expenditure. MDAs have the responsibility to execute their capital program, but capital funds are released project by project.

1.B.2 Overview of Budget Calendar

7. Indicative Budget Calendar for Delta State Government is presented below:

Table 1: Budget Calendar

Stage	Date (s)	Responsibility
Preparation of EFU-FSP-BPS Document	August, 2023	MEP (activity on going)
Submission of EFU-FSP-BPS to EXCO for Review and Approval	September, 2023	MEP
Submission of EFU-FSP-BPS to DTHA	September, 2023	HE, The Governor
Pre-Budget Conference	September, 2023	MEP and MDA's
Stakeholder Consultation (MDAs, CSO's, other stakeholders)	September, 2023	MEP
Issuance of Budget Call Circular	September, 2023	MEP
Collation of MDA Budget Proposals	September, 2023	MEP
Bilateral Discussions and Defence	October, 2023	Budget Defence Committee (MEP/MOF/BIR)
Consolidation of MDA's Proposals	October, 2023	MEP
EXCO Review and Approval of Draft Budget	October, 2023	EXCO
Presentation of Draft Budget to DTHA	October, 2023	HE, The Governor

Budget Defence by MDA's before DTHA	October, 2023	DTHA
Debate and Approval of Budget by DTHA	November, 2023	DTHA1
Approved Budget	December, 2023	HE (The Governor)
Budget Breakdown	December, 2023	MEP and MoF
Dissemination of Budget	December, 2023	MEP

Section 2 Economic and Fiscal Update

2.A Economic Overview

8. The fundamental objective of government in preparing any budget is to ensure that resources are efficiently allocated, prioritized and channelled to where they are required most. Budget is a tool in the hand of government to drive economic policies aimed at uplifting the underprivileged sections of the society. It is a means of equitably distributing amenities to the generality of the people to improve their socio –economic well-being. This underscores the utmost importance government attaches to the preparation, implementation and monitoring of a well-planned budget. Accordingly, the Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) provides estimates and projections that guide annual budget planning and fiscal management over a three-year period.

9. In compliance with the provisions of the Fiscal Responsibility Act (FRA) 2007, the Delta State Government prepares the MTEF/FSP to encapsulate the policy thrust behind government's revenue and expenditure estimates. The MTEF/FSP highlights revenue projections, expenditure plans and fiscal targets over the medium term based on a reliable and consistent fiscal outlook.

10. The preparation of the 2024 - 2026 MTEF/FSP is quite unique. It is coming at a time when the World is coming out of COVID-19 pandemic as well as economic crisis occasioned by the Russia / Ukraine war. The effect of the pandemic and Russia invasion of Ukraine are global in nature. Consequently, the resultant macroeconomic evolutions have greatly and adversely impacted the Nigerian economy. The State Government has recognized the fact that a strengthened implementation framework is required to achieve the objectives of its medium-term plan. Accordingly, Government both at the National and sub National levels have introduced measures aimed at addressing the adverse effect of the pandemic.

11. Financial sector stress could amplify and contagion could take hold, weakening the real economy through a sharp deterioration in financing conditions and compelling central banks to reconsider their policy paths. Pockets of sovereign debt distress could, in the context of higher borrowing costs and lower growth, spread and become more systemic. The war in Ukraine could intensify and lead to more food and energy price spikes, pushing inflation up. Core inflation could turn out more persistent than anticipated, requiring even more monetary tightening to tame. Fragmentation into geopolitical blocs has the scope to generate large output losses, including through its effects on foreign direct investment. Risks to the outlook are heavily skewed to the downside, with the chances of a hard landing having risen sharply.

2.A.1 Economic and Fiscal Outlook.

Global Economic Developments and Implications[2]

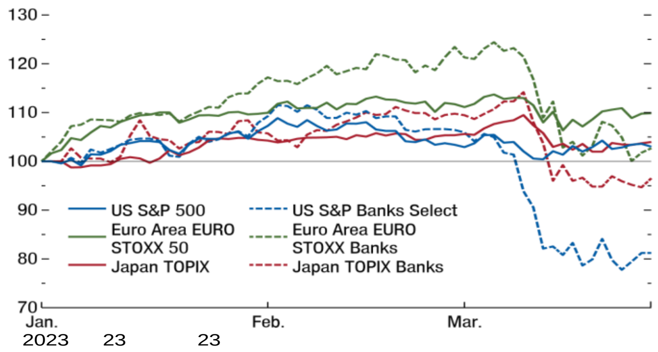
12. A number of assumptions and factors especially the war between Russia and Ukraine, the hang over effect of COVID 19 and the climate change have affected and shapened the projections presented in the World Economic Outlook (WEO) for this period under consideration.

13. The global economy is yet again at a highly uncertain moment, with the cumulative effects of the past three years of adverse shocks—most notably, the COVID-19 pandemic and Russia's invasion of Ukraine—manifesting in unforeseen ways. Spurred by pent-up demand, lingering supply disruptions, and commodity price spikes, inflation reached multi decade highs last year in many economies, leading central banks to tighten aggressively to bring it back toward their targets and keep inflation expectations anchored.

14. Prior to recent financial sector ructions, activity in the world economy had shown nascent signs of stabilizing in early 2023 after the adverse shocks of last year. Russia's invasion of Ukraine and the ongoing war caused severe commodity and energy price shocks and trade

disruptions, provoking the beginning of a significant reorientation and adjustment across many economies. More contagious COVID-19 strains emerged and spread widely. Outbreaks particularly affected activity in economies in which populations had lower levels of immunity and in which strict lockdowns were implemented, such as in China. Although these developments imperiled the recovery, activity in many economies turned out better than expected in the second half of 2022, typically reflecting stronger-than-anticipated domestic conditions. Labor markets in advanced economies—most notably, the United States have stayed very strong, with unemployment rates historically low. Even so, confidence remains depressed across all regions compared with where it was at the beginning of 2022, before Russia invaded Ukraine and the resurgence of COVID-19 in the second quarter. With the recent increase in financial market volatility and multiple indicators pointing in different directions, the fog around the world economic outlook has thickened. Uncertainty is high, and the balance of risks has shifted firmly to the downside so long as the financial sector remains unsettled. The major forces that affected the world in 2022—central banks' tight monetary stances to allay inflation, limited fiscal buffers to absorb shocks amid historically high debt levels, commodity price spikes and geo economic fragmentation with Russia's war in Ukraine, and China's economic reopening—seem likely to continue into 2023. But these forces are now overlaid by and interacting with new financial stability concerns. A hard landing—particularly for advanced economies—has become a much larger risk. Policymakers may face difficult trade-offs to bring sticky inflation down and maintain growth while also preserving financial stability.

Figure 2. Broad Equity and Bank Equity Indices for Selected Major Economies
(Index; January 1, 2023 = 100)



Sources: Bloomberg Finance L.P.; and IMF staff calculations. Note: Latest data available are for March 28, 2023.

Inflation Remained High Despite Rapid Rate Increases in Europe and America.

15. Global headline inflation has been declining since mid-2022 at a three-month seasonally adjusted annualized rate. A fall in fuel and energy commodity prices, particularly for the United States, euro area, and Latin America, has contributed to this decline. To dampen demand and reduce underlying (core) inflation, the lion's share of central banks around the world have been raising interest rates since 2021, both at a faster pace and in a more synchronous manner than in the previous global monetary tightening episode just before the global financial crisis. This more restrictive monetary policy has started to show up in a slowdown in new home construction in many countries.

16. Inflation excluding volatile food and energy prices has been declining at a three-month rate although at a slower pace than headline inflation in most (though not all) major economies since mid - 2022. Even so, both headline and core inflation rates remain at about double their pre - 2021 levels on average and far above target among almost all inflation-targeting countries. Moreover, differences across economies reflect their varying exposure to underlying shocks. For example, headline inflation is running at nearly 7 percent (year over year) in the euro area with some member states seeing rates near 15 percent and above 10 percent in the United Kingdom, leaving household budgets

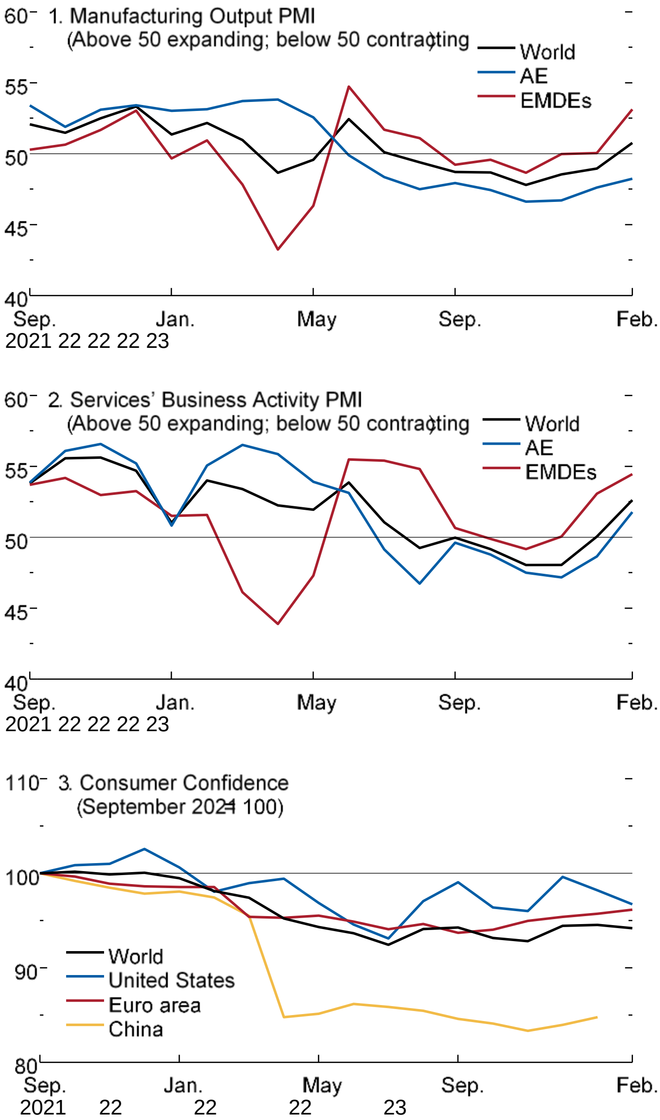
stretched. The effects of earlier cost shocks and historically tight labor markets are also translating into more persistent underlying price pressures and stickier inflation.

17. The labor market tightness in part reflects a slow post-pandemic recovery in labor supply, with, in particular, fewer older workers participating in the labor force (Duval and others 2022). The ratios of job openings to the number of people unemployed in the United States and the euro area at the end of 2022 were at their highest levels in decades. At the same time, the cost pressures from wages have so far remained contained despite the tightness of labor markets, with no signs of a wage-price spiral dynamic in which both wages and prices accelerate in tandem for a sustained period taking hold.

Figure 3. Early 2023 Activity Indicators Strengthened but

Confidence Remained Depressed

(Indices)



Sources: Haver Analytics; IHS Markit; and IMF staff calculations.
Note: For AEs in panel 1, sample comprises AUS, AUT, CAN, CHE, DEU, DNK, ESP, FRA, GBR, GRC, ITA, IRL, JPN, NLD, NZL, and USA. Contribution to AE manufacturing GVA is used as weights. For EMDEs in panel 1, sample comprises ARE, BRA, CHN, CZE, COL, EGY, GHA, IND, IDN, KEN, LBN, MYS, MEX, NGA, PHL, POL, RUS, SAU, THA, TUR, VNM, and ZAF. For AEs in panel 2, sample comprises
AUS, DEU, ESP, FRA, GBR, ITA, IRL, JPN, NZL, and USA. Contribution to AE services GVA is used as weights. For EMDEs in panel 2, sample comprises BRA, CHN, CZE, COL, EGY, GHA, IND, IDN, KEN, LBN, MYS, MEX, NGA, PHL, POL, RUS, SAU, THA, TUR, VNM, and ZAF. Economy list uses International Organization for

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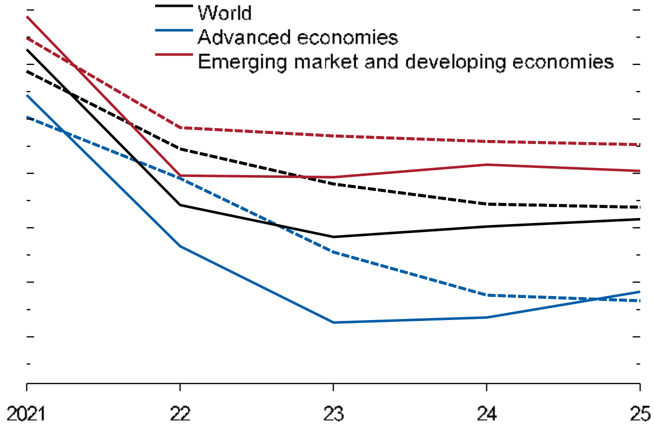
[2] ***Haver Analysis; HIS Mark it and IMF staff calculator***

Figure 4. Growth Outlook: Feeble and Uneven

(Percent; dashed lines are from January 2022 WEO Update vintage)



Source: IMF staff calculations.

Note: The figure shows the projected evolution of real GDP growth for the indicated economy groups. WEO = *World Economic Outlook*.

Feeble and Uneven Growth.

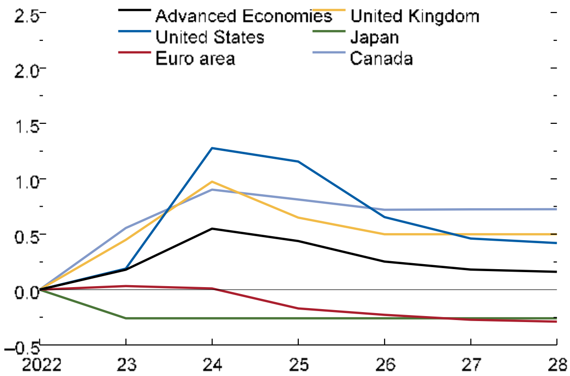
18. The baseline forecast is for global output growth, estimated at 3.4 percent in 2022, to fall to 2.8 percent in 2023, 0.1 percentage point lower than predicted in the January 2023 WEO Update before rising to 3.0 percent in 2024. This forecast for the coming years is well below what was expected before the onset of the adverse shocks since early 2022. Compared with the January 2022 WEO Update forecast, global growth in 2023 is 1.0 percentage point lower, and this growth gap is expected to close only gradually in the coming two years. The baseline prognosis is also weak by historical standards. During the two pre-pandemic decades (2000 – 09 and 2010 – 19), world growth averaged 3.9 and 3.7 percent a year, respectively.

19. For advanced economies, growth is projected to decline by half in 2023 to 1.3 percent, before rising to 1.4 percent in 2024. Although the forecast for 2023 is modestly higher (by 0.1 percentage point) than in the January 2023 WEO Update, it is well below the 2.6 percent forecast

of January 2022. About 90 percent of advanced economies are projected to see a decline in growth in 2023. With the sharp slowdown, advanced economies are expected to see higher unemployment: a rise of 0.5 percentage point on average from 2022 to 2024.

Figure 5. Projected Unemployment Rate Rises in Advanced Economies

(Percentage point difference from 2022 level)



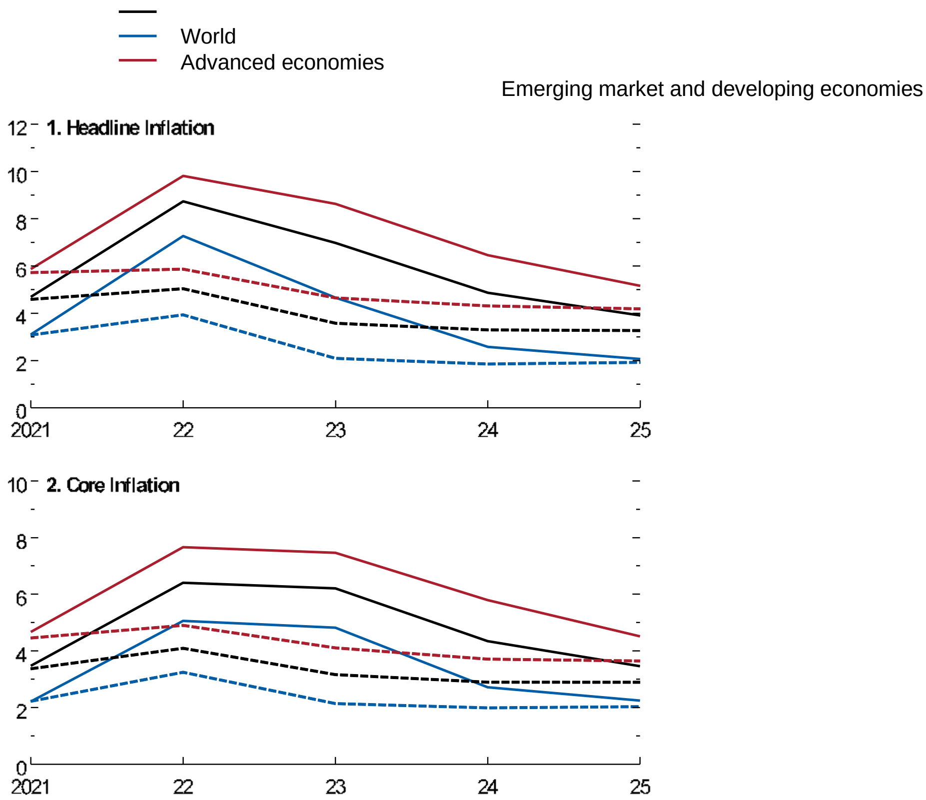
Source: IMF staff calculations.

Inflation: Still High but Falling[3]:

20. The baseline forecast is for global headline (consumer price index) inflation to decline from 8.7 percent in 2022 to 7.0 percent in 2023. This forecast is higher (by 0.4 percentage point) than that of January 2023 but nearly double the January 2022 forecast. Disinflation is expected in all major country groups, with about 76 percent of economies expected to experience lower headline inflation in 2023. Initial differences in the level of inflation between advanced economies and emerging market and developing economies are, however, expected to persist. The projected disinflation reflects declining fuel and nonfuel commodity prices as well as the expected cooling effects of monetary tightening on economic activity. At the same time, inflation excluding that for food and energy is expected to decline globally much more gradually in 2023: by only 0.2 percentage point, to 6.2 percent, reflecting the aforementioned stickiness of underlying inflation. This forecast is higher (by 0.5 percentage point) than that of January 2023.

21. Overall, returning inflation to target is expected to take until 2025 in most cases. A comparison of official inflation targets with the latest forecasts for 72 inflation-targeting economies (34 advanced economies and 38 major emerging market and developing economies) suggests that annual average inflation will exceed targets (or the midpoints of target ranges) in 97 percent of cases in 2023.

Figure 7. Inflation Coming Down over Time
(Percent; dashed lines from January 2022 WEO Update vintage)



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Source: IMF staff calculations.
Note: Inflation is based on the consumer price index. Core inflation excludes volatile food and energy prices. Emerging market and developing economies' core inflation from January 2022 WEO *Update* is estimated using available data. WEO = *World Economic Outlook*.

Policy Priorities: Walking a Narrow Path:

22. With the fog around current and prospective economic conditions thickening, policymakers have a narrow path to walk toward restoring price stability while avoiding a recession and maintaining financial stability. Achieving strong, sustainable, and inclusive growth will

require policymakers to stay agile and be ready to adjust as information becomes available.

Policies with Immediate Impact:

23. Ensuring a durable fall in inflation: With inflation still well above targets for most economies, the priority remains reducing inflation and ensuring that expectations stay anchored while containing financial market strains and minimizing the risk of further turbulence. Achieving this outcome in the midst of heightened market volatility and a sizable disconnect between markets' anticipation of monetary policy paths and central bank communications requires the following: Steady but ready monetary policy: Under the baseline forecast, real (inflation-adjusted) policy rates in major economies are expected to increase gradually, even as the pace of nominal rate rises slows on the back of declining inflation. Where core inflation pressures persist, raising real policy rates and holding them above their neutral levels would ward off the risk of de-anchoring inflation expectations. [1]

Sub-Saharan Africa[4]

2.B (SSA)

24. Between 2006 - 2021, 15 SSA countries have issued fixed coupon international sovereign bonds typically in Euro and USD. Most SSA countries have not issued bonds in Euro or USD before 2010 except for Gabon, Ghana, Seychelles and South Africa. Yearly issuance amounts have been relatively small compared to other regions (Figure 1.A) and below USD 5 billion before 2013 but mainly picked up starting from 2014 with record issuances in 2018 and 2019 (USD 19.2 billion and USD 15.5 billion respectively).

25. In 2020, although there was a record Ems issuance of Eurobond, SSA country Eurobond issuances significantly dropped to USD 5 billion, partly reflecting worsening global financial conditions following the

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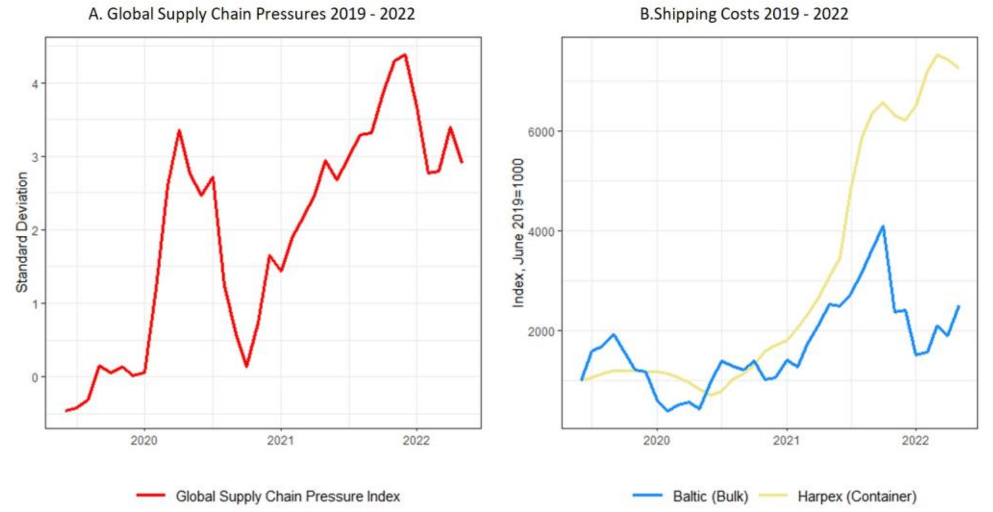
Covid 19 pandemic, before bouncing back in 2021 (USD 13.5 billion). Maturities of SSA country bond issuances are concentrated around 10-year although a few countries have recently issued bonds with maturity as long as 30-year (Angola (2019), Cote d'Ivoire (2018), Ghana (2019), Kenya (2018), Nigeria (2021), Senegal (2018), South Africa (2019)) and 40 - year (Ghana, 2020). Sovereign rating. Except for South Africa and Namibia, none of SSA issuers have ever had an investment grade (IG) rating at issuance and since 2019, all SSA countries' sovereign foreign currency bonds are rated HY by all rating agencies. Between 2014-2021, around 85 percent of SSA country issuances are rated HY compared with 38 percent for EMDEs from other regions (Figure 1.C).8 Among high yield (HY) SSA issuers the best rating at issuance was BB- awarded to Cote d'Ivoire (2017-2021), Gabon (2013), Ghana (2015), Nigeria (2011, 2013) and Senegal (2017-2021), and the worst rating B- went to Gabon in 2021.

26. Between 2010-2021, only 3 countries have improved their rating (Cote d'Ivoire, Senegal, Rwanda) while 5 countries experienced downgrades (Angola, Gabon, Ghana, Nigeria, Zambia). Sovereign rating and coupon rates. On average between 2004 and 2021, SSA countries paid around 2.1 percentage points higher coupon rate than countries from other regions.9 This partly reflects the fact that most SSA countries have HY sovereign bond ratings (Figure 1.C) at issuance. Even among the HY issuers, the average cost of issuance is higher for SSA than that of their peer EMDEs from other regions. Across all maturities, the average coupon rate for SSA issuances is persistently higher by 1.3 percentage points per year than the average coupon rate of EMDE countries from other regions between 2014 and 2021.

27. **Figure 8.**

1, panel B).

Figure 9. Global supply chain pressures and shipping costs



Sources: Haver Analytics, and IMF staff calculations.
Note: The chart on panel A illustrates the evolution of the Global Supply Chain Pressure Index (GSCPI). In panel B, the blue and yellow lines represent the Baltic Dry Index and the Harpex Index, respectively.

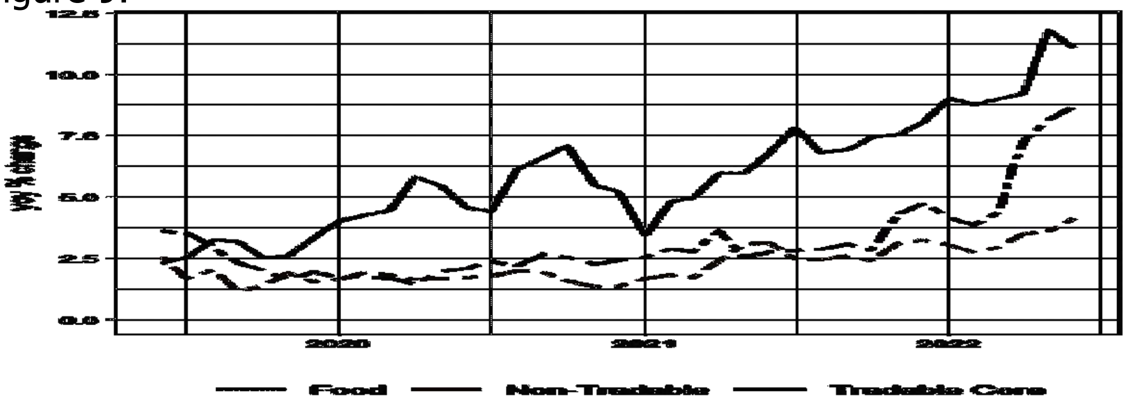
The inflation outlook in sub-Saharan Africa

28. Figure 2 shows the median of different inflation measures in sub-Saharan Africa since 2019. Panel A illustrates the evolution of median headline and core inflation in the region. Throughout 2020, headline inflation remained steady at around 3 percent. Starting from 2021, headline inflation gradually picked up to reach about 8.5 percent in June 2022. Similarly, core inflation gradually increased starting in 2021 and grew at a faster rate in early 2022 to peak at 6.25 percent in June 2022.

29. Supply chain disruptions have a direct and an indirect impact on inflation. The direct impact is related to the prices of imported goods, which rise as shipping costs increase. The indirect impact is related to an increase in the price of tradable inputs used in the domestic non-tradable sector. In panel B, we decompose headline inflation into three components: food inflation, tradable core inflation, and non-tradable core inflation. Food, which is typically imported and represents 36

percent of the region’s median consumption basket, was the main driver of headline inflation in sub-Saharan Africa during the pandemic, contributing about one-half to inflation. However, the significant heterogeneity across countries suggests that domestic factors such as climate shocks and agricultural yields may also play an important role. The inflation of non-tradable goods remained relatively steady since 2020. One striking fact is the sudden sharp increase in tradable inflation in 2021 and 2022.

Figure 9.



Results

30. The estimates of the impact of a global supply chain pressure shock on domestic price inflation in a sample of 29 sub - Saharan African countries from 2000 to 2022. For each inflation measure, we report the coefficients of GSCPI with three different sets of control variables: (i) no controls, (ii) global oil and food prices, (iii) global oil and food prices, country-specific output gaps, and the world output gap. Left-hand-side charts in Figure 3 illustrate the response of four measures of inflation following a one standard deviation increase in GSCPI, under the third specification with the largest set of controls.

31. The results show a positive, statistically significant, and persistent effect of global supply chain pressures on headline inflation. When no control variables are added, the impact is statistically significant five months after the shock until the twelfth month. Including all control variables shows that the impact is only significant at 10% level from

the fifth to the eighth month after the initial shock while the magnitude remains qualitatively unchanged. In particular, a one standard deviation shock in global supply chain.

Table 2.

Panel A. Headline inflation										
	h = 0	h = 1	h = 2	h = 3	h = 4	h = 5	h = 6	h = 7	h = 8	h = 9
No controls	0.00	0.13	0.23	0.15	0.19	0.39*	0.41**	0.41***	0.43***	0.33**
	(0.05)	(0.10)	(0.12)	(0.14)	(0.15)	(0.15)	(0.12)	(0.11)	(0.10)	(0.12)
Oil and Food	0.00	0.09	0.22	0.14	0.16	0.35*	0.32**	0.27**	0.24*	0.04
	(0.05)	(0.09)	(0.11)	(0.13)	(0.14)	(0.14)	(0.11)	(0.09)	(0.10)	(0.14)
All controls	0.01	0.13	0.25	0.19	0.22	0.41*	0.36**	0.32**	0.30*	0.12
	(0.06)	(0.11)	(0.13)	(0.14)	(0.15)	(0.15)	(0.12)	(0.10)	(0.13)	(0.16)
Observations	3896	3867	3839	3811	3782	3753	3724	3695	3666	3637
R squared	0.919	0.846	0.769	0.682	0.599	0.511	0.430	0.347	0.274	0.208
Panel B. Food										
	h = 0	h = 1	h = 2	h = 3	h = 4	h = 5	h = 6	h = 7	h = 8	h = 9
No controls	0.03	0.22	0.36*	0.23	0.32	0.62**	0.66**	0.76***	0.87***	0.57*
	(0.07)	(0.15)	(0.15)	(0.17)	(0.20)	(0.22)	(0.19)	(0.18)	(0.17)	(0.23)
Oil and Food	0.04	0.23	0.40*	0.23	0.31	0.57*	0.58**	0.61**	0.70**	0.35
	(0.07)	(0.16)	(0.15)	(0.18)	(0.22)	(0.25)	(0.20)	(0.17)	(0.20)	(0.27)
All controls	0.07	0.28	0.37*	0.20	0.26	0.54	0.51*	0.48*	0.55	0.14
	(0.09)	(0.15)	(0.16)	(0.18)	(0.22)	(0.27)	(0.22)	(0.21)	(0.29)	(0.35)
Observations	3896	3867	3839	3811	3782	3753	3724	3695	3666	3637
R squared	0.897	0.806	0.720	0.633	0.548	0.469	0.397	0.334	0.276	0.224
Panel C. Tradable core inflation										
	h = 0	h = 1	h = 2	h = 3	h = 4	h = 5	h = 6	h = 7	h = 8	h = 9
No controls	0.00	0.15	0.31*	0.24	0.27	0.52**	0.54***	0.56***	0.58***	0.39*
	(0.06)	(0.11)	(0.12)	(0.15)	(0.17)	(0.17)	(0.14)	(0.13)	(0.12)	(0.15)
Oil and Food	0.01	0.14	0.30*	0.20	0.19	0.43*	0.41**	0.31*	0.29*	0.01
	(0.06)	(0.11)	(0.13)	(0.16)	(0.17)	(0.17)	(0.14)	(0.11)	(0.13)	(0.17)
All controls	0.08	0.03	0.31	0.37	0.32	0.49*	0.43*	0.25	0.13	0.12
	(0.09)	(0.16)	(0.21)	(0.26)	(0.24)	(0.23)	(0.18)	(0.19)	(0.20)	(0.21)
Observations	3896	3867	3839	3811	3782	3753	3724	3695	3666	3637
R squared	0.853	0.755	0.654	0.556	0.473	0.395	0.329	0.270	0.212	0.161
Panel D. Non-tradable core inflation										
	h = 0	h = 1	h = 2	h = 3	h = 4	h = 5	h = 6	h = 7	h = 8	h = 9
No controls	0.02	0.06	0.10	0.01	0.07	0.18	0.19	0.26*	0.19	0.15
	(0.06)	(0.09)	(0.08)	(0.07)	(0.09)	(0.10)	(0.10)	(0.11)	(0.11)	(0.14)
Oil and Food	0.02	0.03	0.10	0.04	0.09	0.22	0.19	0.23	0.20	0.14
	(0.07)	(0.10)	(0.12)	(0.10)	(0.12)	(0.16)	(0.13)	(0.12)	(0.14)	(0.15)
All controls	0.01	0.01	0.06	0.01	0.05	0.17	0.12	0.19	0.14	0.07
	(0.08)	(0.11)	(0.13)	(0.10)	(0.12)	(0.15)	(0.12)	(0.11)	(0.12)	(0.15)
Observations	3896	3867	3839	3811	3782	3753	3724	3695	3666	3637
R squared	0.854	0.755	0.667	0.588	0.505	0.421	0.337	0.265	0.202	0.157

Nigeria.

Nigeria Can Seize the Opportunity to Realize Its Growth Potential

32. The new administration has initiated critical reforms to address macroeconomic imbalances. This window of opportunity could have a transformative impact on the lives of millions of Nigerians and establish a solid foundation for sustainable and inclusive growth. The removal of the petrol subsidy and foreign exchange (FX) management reforms are crucial measures to begin to rebuild fiscal space and restore macroeconomic stability, and the opportunity should be seized to take

further, necessary policy reform steps, says the latest Nigeria Development Update (NDU). The June 2023 edition of the NDU, titled "Seizing the Opportunity", adds that it is critical to implement a comprehensive reform package that encompasses a range of complementary measures, including a new social compact to protect the poor and most vulnerable, to maximize the collective impact on growth, job creation, and poverty reduction.

33. In the first part of 2023, Nigeria's economic growth weakened, and real gross domestic product (GDP) growth fell from 3.3% in 2022 to 2.4% year-on-year (y-o-y) in Q1 2023. The challenging global economic context has put pressure on Nigeria's economy. However, domestic policies play the major role in determining Nigeria's economic performance and resilience to further external shocks. The previous mix of fiscal, monetary, and exchange rate policies, including the naira redesign program, did not deliver the desired improvements in growth, inflation, and economic resilience. The new government has recognized the need to chart a new course and has already made a start on critical reforms, such as the elimination of the petrol subsidy and reforms in the FX market.

34. The government has made a welcome, bold start to implement the critical macro-fiscal reforms needed to address the persistently high inflation and low fiscal revenues hindering economic growth. Deepening and sustaining these changes is imperative, to enable Nigeria to break out of the cycle of macroeconomic instability, low investment, sluggish economic growth, escalating poverty, and fragility. Having created momentum, the government has the opportunity to undertake further comprehensive reforms encompassing a range of complementary measures, such as lifting the FX import restrictions which continue to distort the FX market.

Delta State Economy[5]

35. Delta State is one of the six States that make up what is today known as the South- South Geo Political Zone of Nigeria with Asaba as its capital City. The State was created on August 27, 1991 out of the former Bendel State. The State covers a landmass of about 18,050km2 of which 40% is riverine and marshy. It is situated between longitude 5′ 00′E and 6′00′E and latitude 5 00′N and 6′30′N. With a coastline of approximately 163km on the Atlantic Ocean. It is bounded in the East by Anambra and Rivers States, on the North by Edo State, North - West by Ondo State and South by Bayelsa State and the Atlantic Ocean. The land area of the State comprise of Rain Forest57%, Mangrove Swamp Forest33% and Fresh Water10%. The State currently consists of 25 local government areas that operate under 3 senatorial districts and has Anioma, Urhobo, Isoko, Itsekiri and Ijaw as the major ethnic groups.

36. With an estimated population of 6.37m as at 2020 (projected at 2.61% growth rate from earlier projection published in 2017, the State is about 3.0% of Nigeria’s population. The State occupies about 1.9% of the country’s land mass and produces over 30% of the Country’s oil output having about 52% of the 159 oilfields comprising of 1,481 oil wells in the country. Delta State oil production currently accounts for a significant amount of Nigeria’s foreign exchange earnings and government revenue

37. In Delta State, a variety of resources abound and this has conferred the State a significant comparative advantage over other States. The Economy of Delta State is diverse and is largely driven by crude oil earnings. The State has huge potentials in the formal and informal sectors and they include among others Agriculture, Tourism and Entertainment, Commerce and Industry. These were hitherto underdeveloped because of over dependence on crude oil.

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[5] ***Based on 2010 PEMFAR Assessment for Delta State***

5 i Delta State Vision 2020(2011-2020) Published by Delta State Ministry of Economic Planning

ii Report on the Delta State Gross Domestic Product (GDP2013-2017 published by Delta State

Ministry of Economic Planning

iii Investment Opportunities in Raw Materials and Manufacturing- A Publication by Delta State

Investments Development Agency (DIDA)

iv Recently Conducted Delta State Gross Domestic Product Survey for 2018 and 2019 by the Delta State Ministry of Economic Planning in collaboration with NBS, Abuja.

v https//en.n.m.wikipedia.org/wiki/delta

38. From the GDP computation in 2020 and as shown in Table 5 below, Services is the second major contributor to GDP after the Oil Sector. Agriculture is the third major sector while manufacturing is the least contributor.

TABLE 5

DELTA STATE GDP COMPOSITION 2020 %

S/N	sector	% composition
1	Agriculture	13.22
2	Crude oil & Gas	47.54
3	Manufacturing	5.02
4	All Services	34.22
	Total	100.00%

39. Successive GDP reports have continue to demonstrate that the oil sector - 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 34% of the GDP respectively

40. Delta State GDP growth rate at basic price between 2016 and 2017 increased by 40.20%.Similar increases were observed between 2017 and 2018 at 22.32% and between 2018 and 2019 at 2.29% but a decrease was observed between 2019 and 2020 at 13.38%.

The growth rate of 40.20% between 2016 and 2017 is attributed to increase in production of Crude Oil in the State, following the peace of the Niger Delta region which coincided with sharp price in oil price at the international market. The loss incurred at 2020 was due to the impact of COVID -19 which slowed down Economic activities as 28 out of 42 activities recorded negativity. The details of the Delta State GDP 2016-2020 are shown below:

Table: 6 Delta State Gross Domestic Product (GDP) 2016 – 2020.

Economic Activity	2016	2017	2018	2019	2020
AGRICULTURE	520491.66	555855.81	486459.87	583474.15	584833.34
1. Crop Production	405204.41	444937.97	370317.52	463090.52	465736.75
2. Livestock	72222.47	59264.52	61280.14	56957.22	49745.87
3. Fishing	14550.43	15562.28	15489.57	17113.97	17783.82
4. Forestry	28514.37	33096.04	39372.64	46312.44	51566.9
MINING AND QUARRYING	1070935.2	2001492.2	2817110.89	2735990.42	2103636.45
5. Crude Petroleum and Natural Gas	1069650.71	2000109.13	2815131.39	273407031	2101854.35
6. Coal Mining					
7. Metal Ores					
8. Quarrying and Other Minerals	1284.49	1383.07	1979.49	1920.11	1782.1
MANUFACTURING	216527.76	225446.62	231604.89	242836.43	222311.78
9. Oil Refining	89416.78	34507.58	34435.5	34294.71	33054.01
10.Cement					
11.Food Beverage and Tobacco	39743.6	81296.04	81870.96	90783.42	92587.88
12.Textile Apparel and Footwear	38751.97	56721.45	56654.83	52438.9	39901.72
13.Wood and Wood Products	13674.57	14598.38	17409.19	21287.93	21300.28
14. Pulp Paper and Paper Products	572	1310.91	1311	1420.34	1091.85
15.Chemical and Pharmaceutical Products	1798.72	7553.9	9572.11	10487.71	10916.98
16.Non-MetaIic Product	14072.53	13051.88	13056.34	14335.87	10047.62
17.Plastic and Rubber Products	6708.75	7692.94	8076.64	8826.62	6414.49

18.Electrical md Electronics	187	159.85	168.61	181.32	142.71
19.Basic metal Iron and Steel	8986.21	4246.33	4282.27	4315.25	2967.24
20.Motor Vehicles and Assembly	281.28	1298.69	1298.87	1644.63	1656.53
21.Other Manufacturing	2334.33	3008.66	3468.86	2819.74	2230.49
22.ELECTRICITY GAS STEAM AND AIR CONDITIONING SUPPLY	103451.63	131694.73	131102.11	138050.52	143846.95
23.WATER SUPPLY SEWERAGE WASTE MANAGEMENT AND REMMIDIATION	3922.28	4634.52	4889.25	6311.82	6541.01
24.CONSTRUCTION	29986.5	39884.7	46006.83	54949	48173.88
25.TRADE	165265.51	206136.39	236384.96	281302.53	234009.31
26.ACCOMAODATION AND FOOD SERVICES	11105.97	10829.59	12903.23	8404.08	3387.37
TRANSPORTATION AND STORAGE	71012.96	74354.38	78926.15	82909.88	72985.75
27.Road Transport	65460.35	69028.6	73303.68	77059.36	67731.08
28.Rail Transport & Pipelines					
29.Water	712.11	634.39	780.28	844.34	770.54
30.Air Transport	2058.31	2239.13	2349.73	2475.34	2265.07

31.Transport Services	1815.84	1761.67	1762.05	1769.45	1470.83
32.Post Courier Services	966.35	690.6	730.41	761.38	748.23
INFORMATION AND COWWNICATION	388637.06	395252.47	468931.64	491308.33	531469.13
33.Telecommunications	252187.79	248621.83	306428.61	322468.82	360842.19
34.Publishing.	1036.56	1047.22	1033.3	1181.16	718.35
35.Motion Pictures Sound Recording and Music Production	52521.61	55088.95	53527.81	58475.93	56376.62
36.Broadcasting	82891.1	90494.46	107941.93	109182.42	113531.97
37.ARTS.	3571.81	3776.23	2605.3	3155.07	2615.46
FINANCIAL AND INSURANCE	74943.27	79411.62	82059.29	84642.95	98620.25
38.Financial Institution	60328.76	64211.25	66854.71	69.387.96	81197.79
39.Insurance	14614.52	15200.37	15204.88	15254.99	12422.46
40. REAL ESTATE	43859.06	51059.96	60364.49	80910.71	73558.69
41. PROFESSIONAL SCIENTIFIC AND TECHNICAL SERVICES	26180.07	93122.55	86166.92	96346.09	89680.59
42. ADMINISTRATIVE & SUPPORT SERVICES	950.63	990.43	927.47	977.67	960.8
43. PUBLIC ADMINISTRAT10N	58736.79	61487.62	78067.71	72766.11	84288.06
44. EDUCATION	61399.2	72899.99	80216.24	83272.15	69242.27
45. HUMAN HEALTH AND SOCIAL SERVICES	21563.06	21590.72	22281.52	22133.9	24332.83
46. OTHER SERVICES	22884.06	30891.76	36483.42	38794.25	35537.65
GDP Current Basic Price	2895425.26	4057812.8	4963492.17	5108536.05	4425031.56
Growth Rates	-2.24	40.15	22.32	2.92	-13.38

Sectoral Growth Analysis

Table: 7

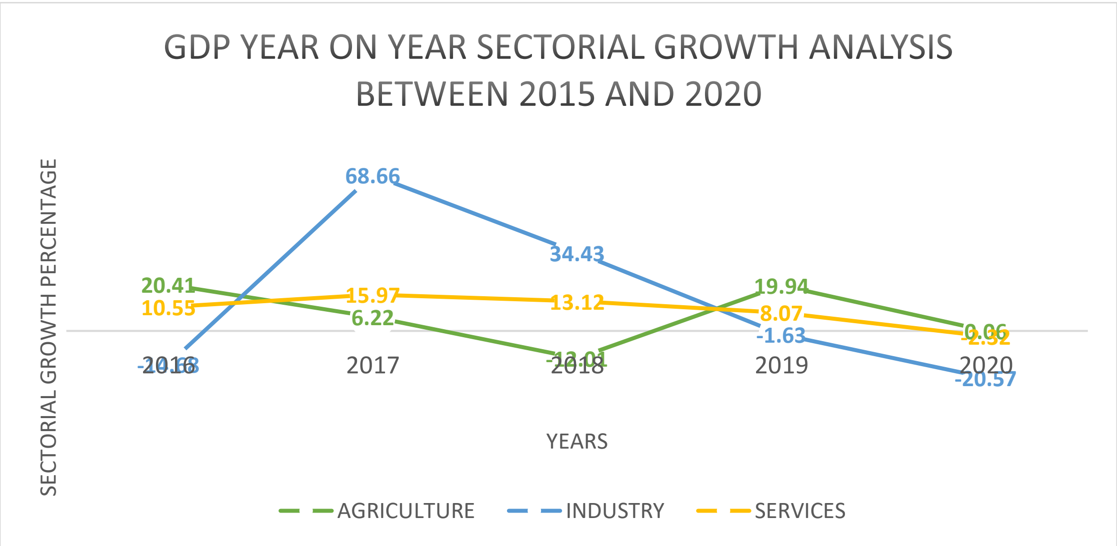
Sector	2015	2016	2017	2018	2019	2020
Agriculture	432271.05	520494.66	553855.81	486459.87	583474.15	584833.34
Industry	1670000.61	1424823.37	2403152.77	3230713.93	3178138.19	2524510.07
Services	859431.08	950110.22	110180.37	1246318.33	1346923.71	1315688.16

TABLE 8

SECTORAL GROWTH ANALYSIS %

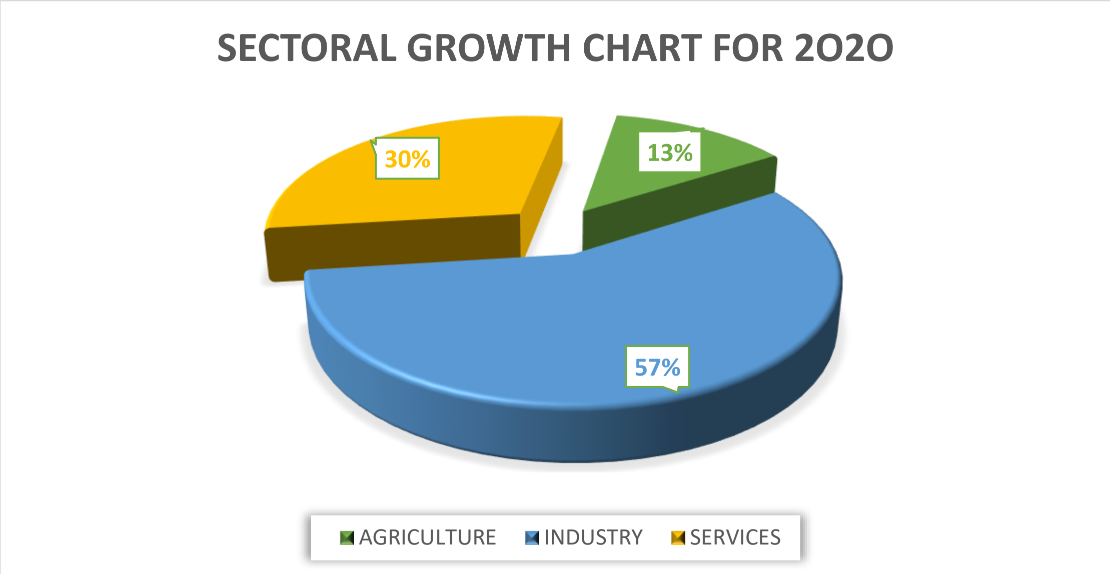
Sector	2016	2017	2018	2019	2020	Average
Agriculture	20.41	6.22	-12.01	19.94	0.06	6.924
Industry	-14.68	68.66	34.43	-1.63	-20.57	13.242
services	10.55	15.97	13.12	8.07	-2.32	9.078

Figure: 9



The average growth rate between 2016 and 2020 in the three sectors (Agriculture, Industrial and Services Sectors) are as follows: Agriculture 6.924%; Industrial 13.242%; and Services 9.078%.

Figure 10



41. The State's share on Mid-Western Oil is 16% share. In addition to the Federal Government establishments such as Warri refinery, Ekpan Petrochemical Plant and Okpai Gas Plant, there are other private oil prospecting and commercial enterprises across the state.

42. Delta State has viable investment environment given its comparative advantages. Some of the advantages include among others-:

- Leading producer of oil & gas;
- Coastal state with access to four sea ports;
- Strategically located and accessible to other parts of Nigeria by land, rail, air & sea;
- Breed of young, educated, and active population;
- Government's continuous investment in security;

- Government's commitment on the provision of critical infrastructure creating safe and secure environment for investment;
- to support investors; increasing access to key public services such as education, health and security to put the state on a durable high growth path to reduce poverty and inequality; and government provision of good governance to improve the business environment;
- Presence of two fully operational Airports at Asaba and Osubi;
- Development of Agro Industrial Parks to provide the necessary infrastructure for both domestic and foreign investors;

43. The administration is entrenching good governance. The focus is to strengthen government institutions, processes, and systems in the areas of Public Financial Management, Policy and Strategy, Public Sector Management, Knowledge Management, and Monitoring and Evaluation, towards promoting better service delivery.

44. The Delta State Fiscal Responsibility Law 2020 as amended is supporting fiscal management. Delta State has a robust financial system including an upgraded SAP which is in use for budget execution and accounting expenditure control; the State has a component for integrated financial management information system is working on the implementation of additional modules which will enable the state perform its operation from end-to-end including human resource, project management and procurement management. The World Bank in 2010 reviewed the State's Procurement System. As a result of the assessment and recommendation, the government has come up with the Delta State Public Procurement Law 2020 to guide and aid procurement processes.

45. The Government is also pursuing an agriculture agenda to diversify the economy of the State. The agricultural and agribusiness

programmes are being implemented through a variety of value chain support measures under the Production and Processing Support Programme (PPSP).

46. The current administration has developed a monitoring and evaluation framework in the state. The essence of the framework is to guarantee project execution pace, and have minimal projects being abandoned or delayed execution. These will bring positive results in the area of project delivery.

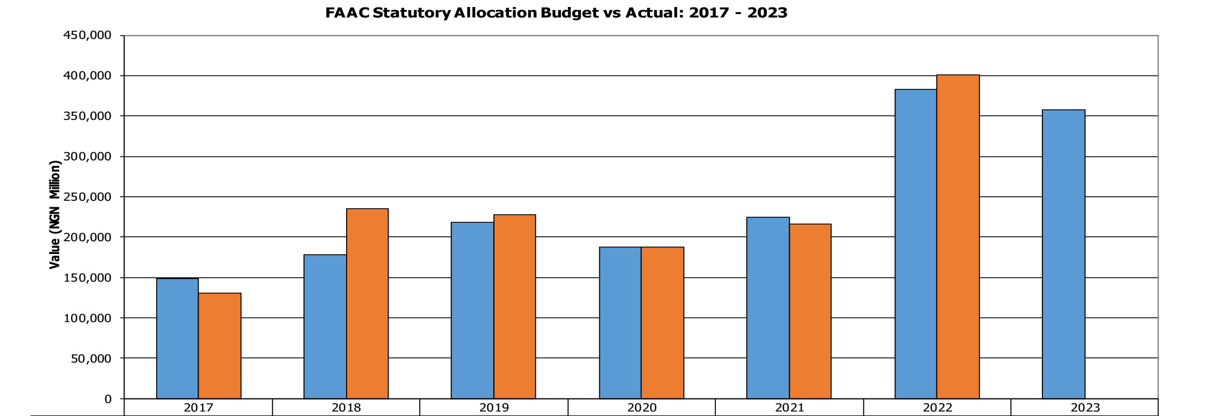
47. The government is also playing a major role towards guaranteeing investors' confidence. Currently, the State has harmonised taxes and rates and is also providing information on guidance for corporate/income tax towards guaranteeing investors' confidence in the State.

Historical Trends

Revenue Side.

48. The revenue side of this document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2017 - 2022 (six years historic) plus the 2023 budget.

Figure 11: Statutory Allocation (including net derivation)



	2017	2018	2019	2020	2021	2022	2023
Budget	148,939,012,121	178,056,627,329	217,894,748,193	187,459,656,471	224,930,393,658	382,965,347,678	357,996,119,852
Actual	130,695,484,903	234,707,000,421	227,807,742,744	187,459,276,700	215,814,589,674	400,876,725,338	0
Performance	87.8%	131.8%	104.5%	100.0%	95.9%	104.7%	0.0%
Growth		79.58%	-2.94%	-17.71%	15.13%	85.75%	0.00%

49. Statutory allocation is a transfer from the Federation Account to States. The revenues flow from mineral sector (NNPC and DPR) and non-mineral sector (Customs and Excise and Companies Tax). The accruals into federation account are then shared between the three tiers of government based on defined sharing ratios. As an oil producing state, Delta State also attracts a share of "net derivation" which is a share of 13% of mineral revenues.

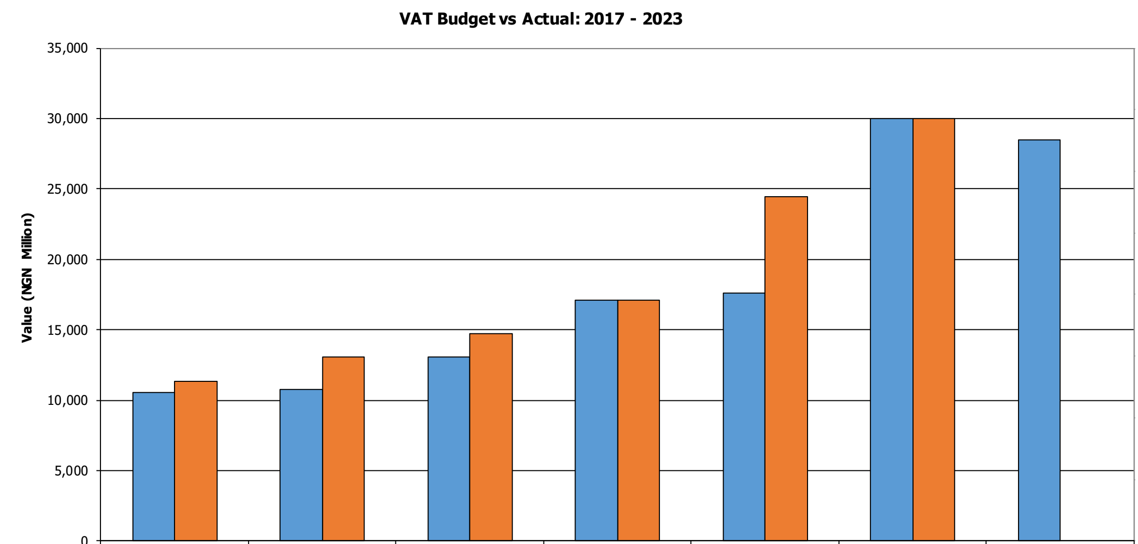
50. The performance against budget in the above graph does not take into consideration other federation accounts transfers, which is shown separately. Overall, it has been variable over the period observed – with actual exceeding budget in 2018, 2019 and 2022. All other years' actual was less than budget. The trend in actual receipts was upwards from 2017 to 2020, increasing from 130 billion in 2017 to 234 billion in 2018 which represents a growth rate of 80%, and dropped by -2.94% in 2019. Actual receipt further dropped from 227 billion in 2019 to 187 billion in 2020 due to the outbreak of the COVID-19. Actual receipt increased from 187 billion in 2020 to 215 billion in 2021 and moved significantly to 400 billion in 2022.

51. The huge difference/increase is as a result of price and production increases and an increase to the mineral ratio (which is itself affected by various factors including leakage, contracting models, etc).

52. The price of crude oil as well as production dropped in 2020 due to the outbreak of the Corona Virus (COVIS-19) which ravaged the world over. Crude Oil price in the International market fell below $30 per barrel for some months due to COVID-19 pandemic resulting to drop in actual receipts. This necessitated the State to review the approved 2020 budget from 383 billion to 282 billion because of the reality of COVID-19 pandemic and drop in revenue.

53. The figures for Statutory allocation are gross (i.e. before debt servicing deductions and any other deductions), which is done directly by FAAC. For this reason, the actual receipt figures may vary slightly from those in the audited financial statements of the State.

Figure 12: VAT



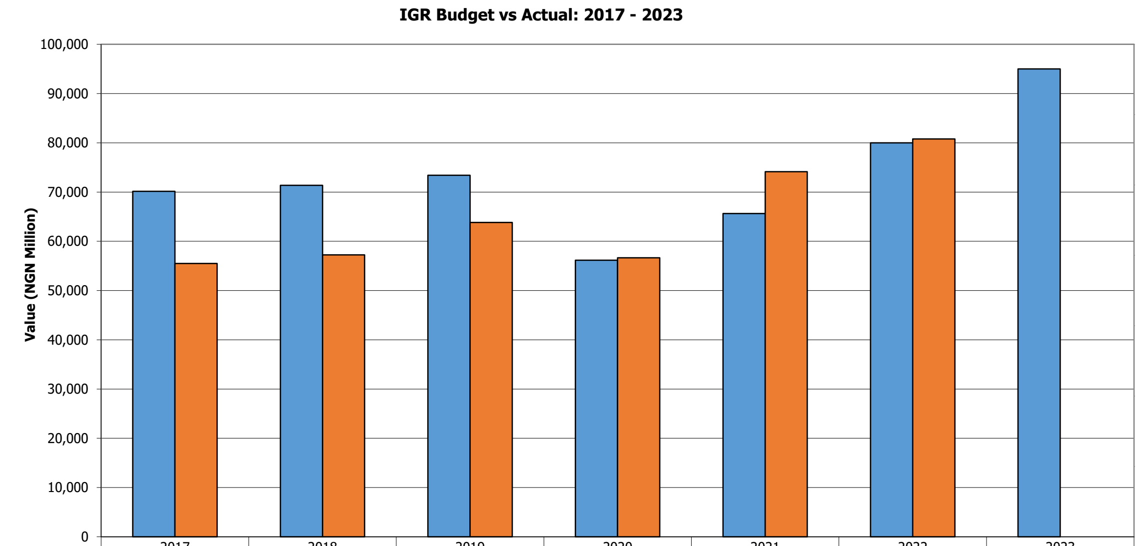
	2017	2018	2019	2020	2021	2022	2023
Budget	10,515,786,230	10,767,532,297	13,051,179,721	17,071,039,084	17,599,558,070	30,001,536,922	28,492,352,180
Actual	11,321,599,918	13,060,073,804	14,694,067,128	17,071,036,206	24,447,074,360	29,992,454,339	0
Performance	107.7%	121.3%	112.6%	100.0%	138.9%	100.0%	0.0%
Growth		15.36%	12.51%	16.18%	43.21%	22.68%	0.00%

54. VAT is established under an act that states that goods and services are taxed at 7.5%, and is collected by the Federal Inland Revenue Service. The receipts are then distributed across the three tiers of government. States receive a combined 50% share, from which Delta receives a share based on defined ratios.

55. States have little direct influence over the VAT receipts except through their own VAT collection effort which is one of the ratios used to determine distributions amongst states.

56. Actual VAT performance has been fluctuating as receipt decreased in 2017. From 2017, VAT has been on the increase with 2017, 2018, 2019 surpassing budget with performance of 107%, 121% and 112.6% respectively while equalling budget in 2022 with 100%. In the years under consideration, Delta State has performed above budget except 2020 and 2022 which have 100% performance. Actual receipt for the first 6 months 2023 is 18 billion. This shows substantial increase. The future trend in national GDP and inflation as well as performance of FIRS on VAT collections must be taken into consideration when forecasting VAT for the period 2024 - 2026.

Figure 13: IGR



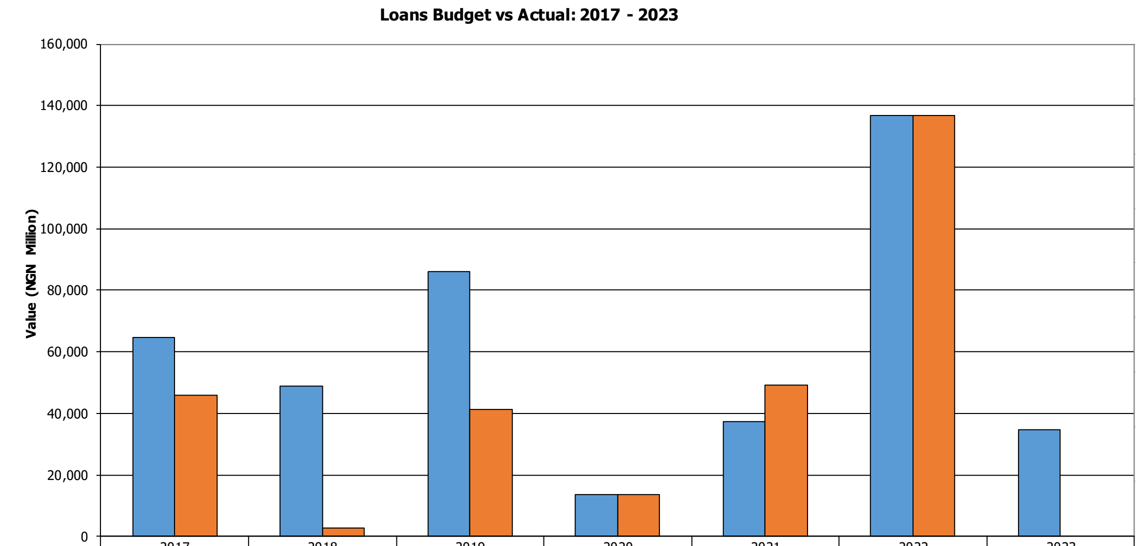
	2017	2018	2019	2020	2021	2022	2023
Budget	70,165,959,503	71,360,419,715	73,410,363,076	56,175,953,034	65,644,976,105	80,000,000,000	95,000,000,000
Actual	55,508,781,154	57,256,991,293	63,836,720,896	56,638,484,033	74,147,700,089	80,784,294,786	0
Performance	79.1%	80.2%	87.0%	100.8%	113.0%	101.0%	0.0%
Growth		3.15%	11.49%	-11.28%	30.91%	8.95%	0.00%

57. Internally Generated Revenue (IGR) is collected by the Delta State Internal Revenue Service (IRS) and revenue collecting MDA's. The major sources of IGR are PAYE, lands and land Services, withholding

tax, dividends from state investments, fines, fees, licenses and other sources.

58. Actual IGR was N55 billion in 2017, but moved to N57 billion in 2018, N63 billion in 2019, dropped to 56 billion in 2020 and moved upward to 74 billion in 2021 with a significant rise to N80 billion in 2022.

Figure 14: Capital Receipts



	2017	2018	2019	2020	2021	2022	2023
Budget	64,836,282,623	48,703,979,556	86,022,380,188	13,500,000,000	37,329,786,163	136,972,958,659	34,816,314,467
Actual	45,760,667,185	2,756,149,772	41,138,671,875	13,477,271,558	49,321,580,457	136,967,001,303	0
Performance	70.6%	5.7%	47.8%	99.8%	132.1%	100.0%	0.0%
Growth		-93.98%	1392.61%	-67.24%	265.96%	177.70%	0.00%

59. Capital Receipts include grants, loans and all other capital receipts. Loans have been drawn from the capital market through issuance of bonds, credits from the international development partners, and some short-term bank borrowings. Grants come from international development partners and SDG grants from federal government. Capital receipts also include sale of state assets/investments, and other one-off credits.

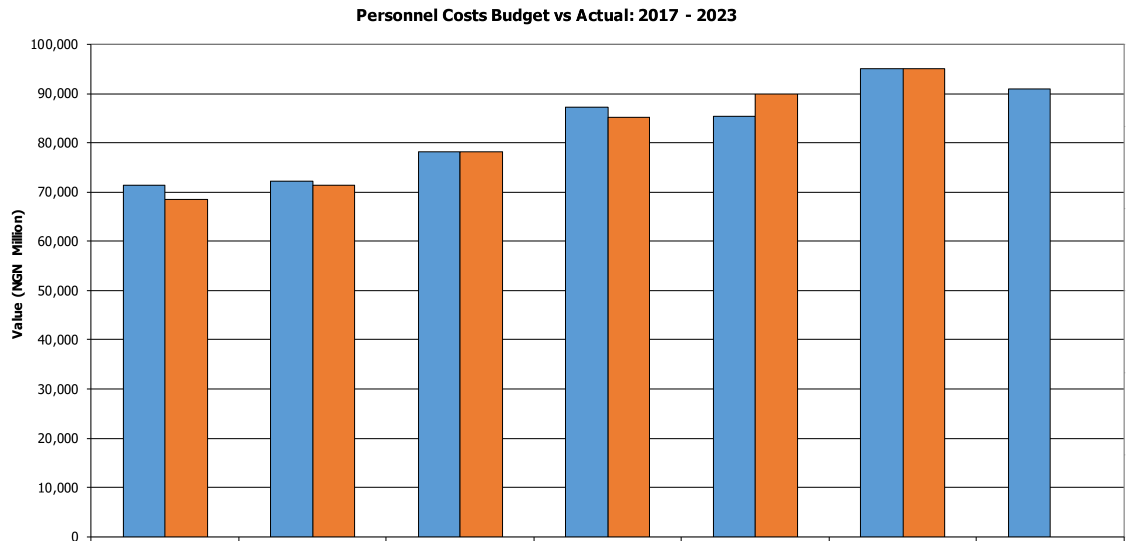
60. Performance against budget over the period has been low. This is because some development partners funding (loans and grants) are not captured in the budget or the accounts. In 2018, the performance was just 5.7%. However, in 2022 the performance was 100%. This could be attributed to completion of projects across the state for the past administration's finishing strong mantra.

61. Going forward, when forecasting loans and grants, due consideration should be given to both realism in terms of what facilities can be realistically negotiated with creditors, and the debt sustainability ratios included.

Expenditure Side

62. On the expenditure side, the document looks at Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2017 - 2022, plus the 2023 budget. The historical analysis is based on the original budgets for the period 2017 – 2022. Delta State in some of the years revised/amended the original budget without expanding the original budget size and also supplemented in 2018, reviewed downward in 2020 and supplemented in 2022.

Figure 15: Personnel



	2017	2018	2019	2020	2021	2022	2023
Budget	71,404,327,013	72,183,985,223	78,174,271,190	87,340,020,258	85,303,761,431	95,067,211,152	91,035,657,320
Actual	68,545,192,209	71,289,737,052	78,172,030,822	85,112,943,659	89,978,558,862	95,067,211,152	0
Performance	96.00%	98.76%	100.00%	97.45%	105.48%	100.00%	0.00%
Growth		4.00%	9.65%	8.88%	5.72%	5.66%	0.00%

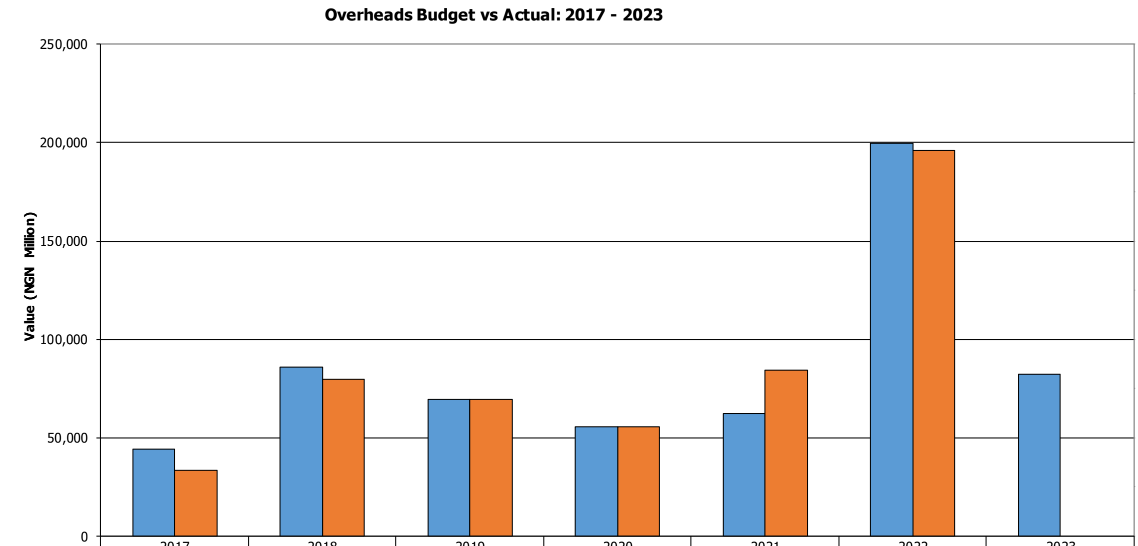
Year

63. Personnel costs relate to the salaries and allowances of public servants and political office holders.

64. Actual Personnel costs has been stable from 2017 to 2022. Personnel Costs increased from N71 billion in 2017 to N85 billion in 2021 and N95 billion in 2022. Personnel costs performance against budget has always been very close to budget from 2017 to 2020 as variance in the 5 years

was less than 10%. However, Actual surpassed budget in 2021 and equalled budget in 2022.

Figure 16: Overheads



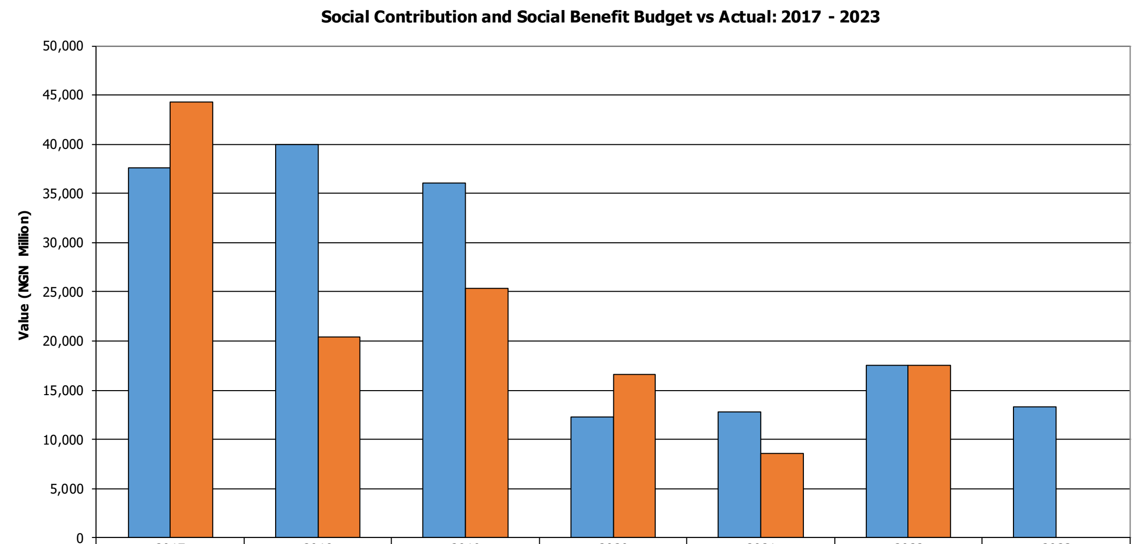
	2017	2018	2019	2020	2021	2022	2023
Budget	44,142,105,913	85,908,637,650	69,558,540,717	55,598,813,525	62,523,368,878	199,807,297,940	82,543,259,293
Actual	33,326,159,385	79,637,342,833	69,558,540,717	55,598,757,293	84,375,581,068	196,108,393,840	0
Performance	75.50%	92.70%	100.00%	100.00%	134.95%	98.15%	0.00%
Growth		138.96%	-12.66%	-20.07%	51.76%	132.42%	0.00%

65. Overhead expenditure are 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.

66. In all the years except 2021 which surpassed budget, overhead expenditure were very close to the original budget. The reason can be attributed to constant funding and running of government activities which were funded from overhead costs.

67. There is the concerted effort to drop actual overhead expenditure to make way for capital development due to prudent management, reduction in overheads occasioned by fiscal constraints, and centralized spending on some operations of government.

Figure 17: Social Benefits/Public Debt Charges

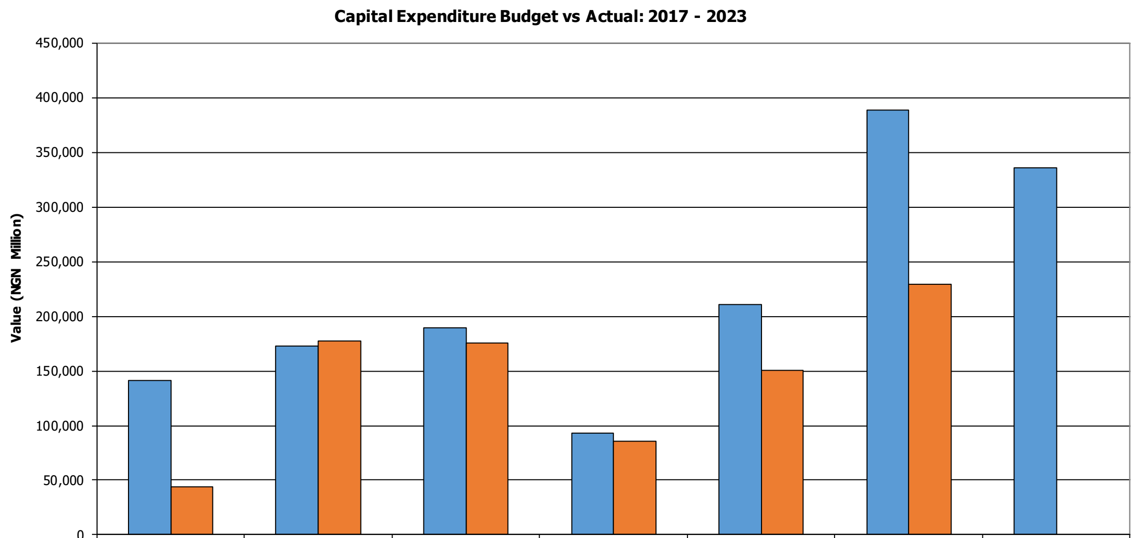


	2017	2018	2019	2020	2021	2022	2023
Budget	37,574,017,281	40,003,573,132	36,115,490,246	12,304,100,000	12,808,000,000	17,557,631,734	13,275,230,932
Actual	44,319,859,374	20,418,278,378	25,329,441,059	16,559,115,846	8,593,348,736	17,557,631,734	0
Performance	117.95%	51.04%	70.13%	134.58%	67.09%	100.00%	0.00%
Growth		-53.93%	24.05%	-34.63%	-48.11%	104.32%	0.00%

Year

68. Social Benefits/Public Debt Charges include pensions and gratuities, public debt charges, state government transfer to local governments. In all the years performance was close to budget except in 2017 and 2020 which surpassed budget.

Figure 18: Capital Expenditure



	2017	2018	2019	2020	2021	2022	2023
Budget	141,336,590,270	172,462,245,524	189,746,382,856	92,937,485,152	210,625,771,321	388,895,273,400	336,128,570,890
Actual	44,193,137,446	177,522,214,266	175,076,567,345	85,773,133,108	150,417,128,151	228,994,957,694	0
Performance	31.27%	102.93%	92.27%	92.29%	71.41%	58.88%	0.00%
Growth		301.70%	-1.38%	-51.01%	75.37%	52.24%	0.00%

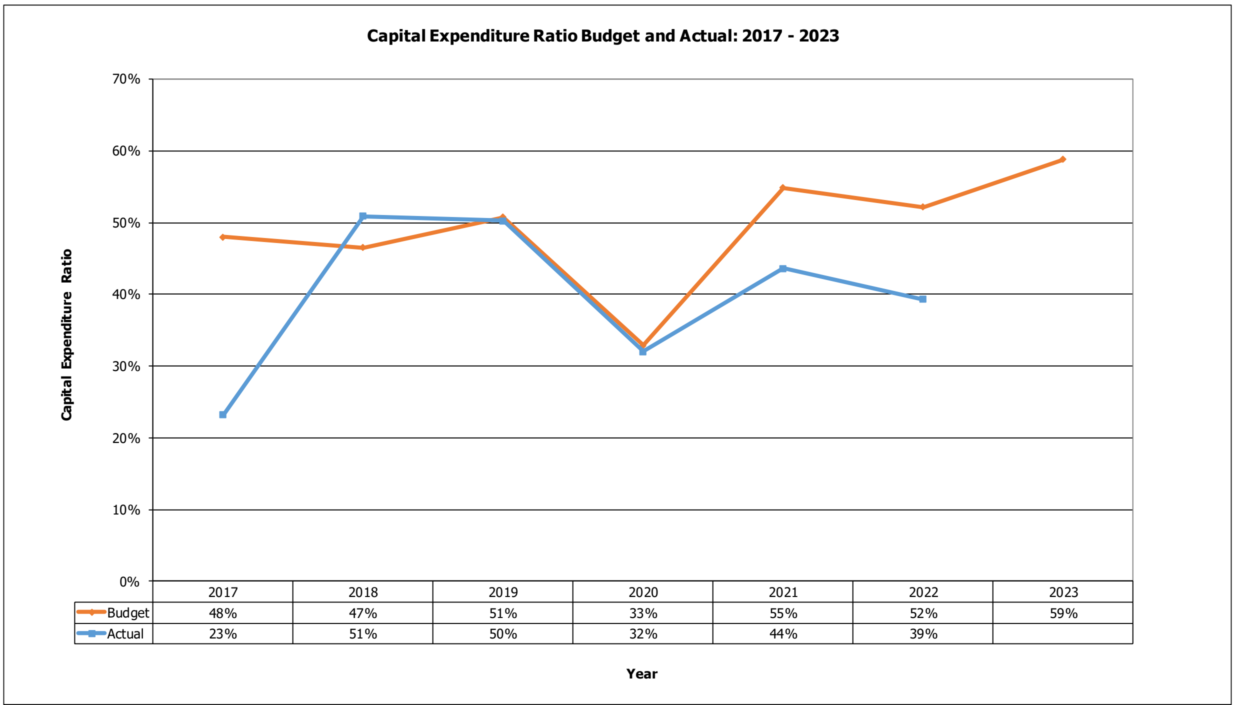
Year

69. Capital Expenditure relates to public investments and development programmes of government.

70. Capital Expenditure performance in 2017 was not impressive as it was just 31.27%. This was largely due to a short-fall in capital receipts and the need to fund recurrent expenditure monthly. The low performance in 2017 was based on actual releases (cash accounting). However, in 2018 the performance was 102.93%. This is as a result of accrual accounting being operated. Generally speaking, although the percentage achievement was relatively low comparatively but the outcome and impact of the interventions are enormous as it was focused and need based.

71. When considering the aggregate resource envelope for 2024 - 2026, it is important to be realistic otherwise sectors will be given unrealistic envelopes for planning purposes and will not be able to implement programmes and projects in their MTSSs.

72. Figure 19: Capital Expenditure Ratio



73. The ratio of actual capital expenditure in 2017 increased to 51% in 2018. The actual capital expenditure ratio in 2017 was significantly

below budget throughout, it can be attributed to non-realisation of capital receipts which would have funded the projected amount of capital expenditure in the face of dwindling revenue from IGR and FAAC. The increase in 2018 is attributable to better forecasting of statutory allocation as well as Paris Club refund.

Debt Position

Table 19: Debt Position as at 31st December 2022

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2022**
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	35.75%
2	Total Domestic Debt/IGR	150%	243.19%
3	Total External Debt/Total Revenue	50%	6.24%
4	Total Public Debt/Total Revenue	100%	41.99%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	0.05%
7	Total Debt Service/Total Revenue	15%	13.21%
8	Domestic Debt Service/IGR	10%	89.53%
			2022 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2022**		**Naira**
1	Total Domestic Debt		196,461,783,739
2	Total External Debt		34,279,604,625
3	**Total Public Debt**		**230,741,388,363**
4	Total Domestic Debt Service 2022		72,323,897,565
5	Total External Debt Service in 2022		269,384,995
6	**Total Public Debt Service**		**72,593,282,560**

74. The total debt stock (External and Internal) as at 31st December 2022 is N230,741,388,363. The external stock is N34,279,604,625 which is related to loans from EDF (Export Development Fund), IDA (International Development Association) and IFAD (Internal Fund for Agricultural Development) while internal debt stock stood at N196,461,783,739 which is related to infrastructure development bond, commercial loans and contractual arrears.

75. The State is doing well in most of the solvency and liquidity ratios. The state exceeded two ratios in 2022, viz: Total Domestic Debt/IGR and Domestic Debt Service/IGR. It is therefore recommended that the state should reduce the level of net financing from domestic sources.

SECTION 3.

3.A MACRO ECONOMIC FRAMEWORK

We are yet to receive the federal government assumptions for 2024 – 2026 Fiscal Strategy Paper. However, based on current reality, Crude Oil production benchmark is put at 1.4 million barrels per day (mbpd), Oil price at $75 and NGN:USD exchange rate of N750:$1.

Macro-Economic Framework

Item	Revised 2023	2024	2025	2026
National Inflation	14.13%	24.00%	20.00%	18.00%
National Real GDP Growth	3.30%	3.60%	4.30%	5.30%
Oil Production Benchmark (MBPD)	1.70	1.40	1.60	1.80
Oil Price Benchmark	$57.00	$75.00	$70.00	$70.00
NGN:USD Exchange Rate	370	750	750	750
Other Assumptions				
Mineral Ratio	27%	32%	32%	32%

3.B Fiscal Framework and Assumptions

Policy Statement

76. 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.

77. The strategic framework and economic direction in this regard, is hinged on the M.O.R.E 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 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.

Objectives and Targets

78. The key targets from a fiscal perspective are:

- A medium-term target of 60-40 for capital expenditure to Recurrent Expenditure through reduced recurrent expenditure.
- Bring debt position in line with federal debt management office benchmarks;
- Complete all ongoing projects in the long term to avoid abandoning of projects;
- Budget for pending contractual commitments in line with IPSAS requirements;
- Create efficiencies in business processes to reduce wastage through establishment of best practice in public procurement processes.

3.C Indicative Three-Year Fiscal Framework

79. The indicative three-year fiscal framework for the period 2024 - 2026 is presented in the table below.

Fiscal Framework				
Recurrent Revenue	**2023**	**2024**	**2025**	**2026**
Opening Balance	**-**	**10,000,000,000**	**10,000,000,000**	**10,000,000,000**
Statutory Allocation/Net Derivation	417,429,950,556	447,958,684,190	453,999,735,428	467,619,727,491
VAT	41,020,027,745	45,763,396,566	46,678,664,497	47,612,237,787
IGR	105,051,532,018	110,304,108,619	113,613,231,878	115,885,496,515
Excess Crude / Other Revenue	88,016,280,985	60,000,000,000	60,000,000,000	60,000,000,000
Total Recurrent Revenue	**651,517,791,303**	**674,026,189,375**	**684,291,631,803**	**701,117,461,794**
Recurrent Expenditure				
Personnel Costs	109,392,399,295	164,088,598,943	167,370,370,922	170,717,778,340
Social Contribution and Social Benefit	14,314,725,874	14,314,725,874	14,457,873,133	14,602,451,865
Overheads	97,013,352,747	97,013,352,747	98,953,619,802	100,932,692,198
Grants, Contributions and Subsidies	14,700,810,306	10,000,000,000	14,700,810,306	14,700,810,306
Public Debt Service	52,567,068,898	35,691,503,469	25,000,000,000	35,000,000,000
Total	**287,988,357,121**	**321,108,181,034**	**320,482,674,163**	**335,953,732,709**
Transfer to Capital Account	**363,529,434,182**	**352,918,008,341**	**363,808,957,640**	**365,163,729,085**
Capital Receipts				
Grants	7,944,000,000	3,000,000,000	2,944,000,000	2,944,000,000
Other Capital Receipts	47,204,438,959	37,388,124,492	37,388,124,492	37,388,124,492
Total	**55,148,438,959**	**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	**521,836,731,728**	**393,306,132,833**	**404,141,082,132**	**405,495,853,577**
Discretional Funds		393,306,132,833	404,141,082,132	405,495,853,577
Non-Discretional Funds		0	0	0
Financing	103,158,858,588	0	0	0
Total Budget Size	**809,825,088,849**	**714,414,313,867**	**724,623,756,295**	**741,449,586,286**

3.D Assumptions.

80. Statutory Allocation/Net Derivation – estimated using own value based forecast of actual receipts (Jan. – June, 2023). 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. Also, with the removal of oil subsidy, the inflow from this revenue source will significantly improve in 2024 and beyond.

81. 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.

82. 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 $75 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 N60 billion is proposed for 2023.

83. 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 approved N105b. Also, with the renewed vigour the State Government is going about revenue drive, it is expected that IGR will increase in 2024.

84. Grants –. SUBEB is assumed at N1 billion per annum, SABER N2 billion, external grants, NEWMAP (EIB) 2.65 billion, WASH N138 Million,

UNICEF N3.6 billion, Cares Programme N5 billion, SURWASH N2 billion, RAAMP N2 billion NFWP N2 billion e.t.c.

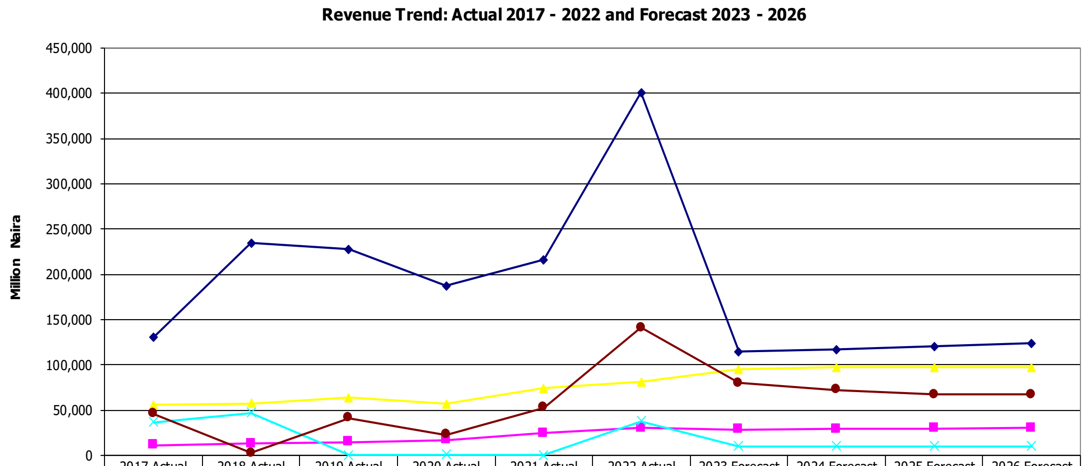
85. Social Benefits/Social Contribution – include current pension liabilities plus contributions, gratuities, Contributory Health Scheme. It also includes loan repayments (principal and interest), 2.5% LG pension fund, 10%, IGR to LG. LG IGR transfer is a function of IGR.

86. 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. The personnel cost for 2024 is expected to grow due to the ongoing negotiation between the federal government and Labour Union as a result of the subsidy removal and recruitment of teachers.

87. 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.

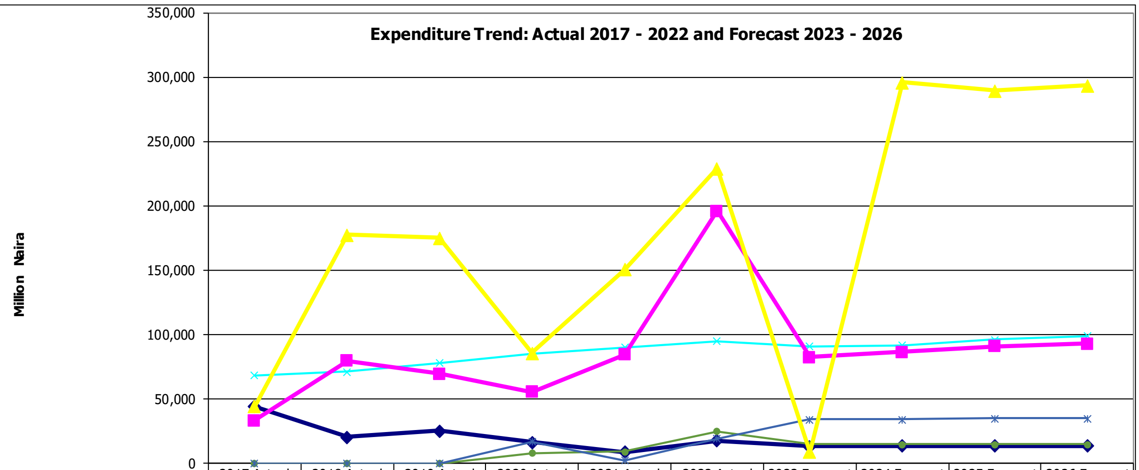
88. Capital Expenditure – This is based on recurrent revenue surplus and capital receipts.

Figure 20: Delta State Revenue Trend



	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Stat.Allocation	130,695,484,9	234,707,000,4	227,807,742,7	187,459,276,7	215,814,589,6	400,876,725,3	114,558,758,3	116,849,933,5	120,355,431,5	123,966,094,4
VAT	11,321,599,91	13,060,073,80	14,694,067,12	17,071,036,20	24,447,074,36	29,992,454,33	28,492,352,18	29,062,199,22	29,643,443,20	30,236,312,07
Total IGR	55,508,781,15	57,256,991,29	63,836,720,89	56,638,484,03	74,147,700,08	80,784,294,78	95,000,000,00	96,900,000,00	96,900,000,00	96,900,000,00
Other Federation Account Receipts	36,572,882,22	47,244,796,00	0	1,000,970,392	0	37,870,614,53	10,000,000,00	10,000,000,00	10,000,000,00	10,000,000,00
Capital Receipts	45,760,667,18	2,756,149,772	41,138,671,87	22,937,548,32	52,762,900,45	141,121,636,3	80,148,438,95	72,332,124,49	67,332,124,49	67,332,124,49

Figure 21: Delta State Expenditure Trend



	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Personnel Costs	68,545,192,209	71,289,737,052	78,172,030,822	85,112,943,659	89,978,558,862	95,067,211,152	91,035,657,320	91,707,021,271	96,292,372,334	99,181,143,505
Social Contribution and Social Benefit	44,319,859,374	20,418,278,378	25,329,441,059	16,559,115,846	8,593,348,736	17,557,631,734	13,275,230,932	13,673,487,860	13,673,487,860	13,673,487,860
Overheads	33,326,159,385	79,637,342,833	69,558,540,717	55,598,757,293	84,375,581,068	196,108,393,840	82,543,259,293	86,670,422,258	91,003,943,371	92,824,022,238
Grants, Contributions and Subsidies	0	0	0	8,074,115,997	9,339,713,982	25,041,612,968	14,700,810,306	14,700,810,306	14,700,810,306	14,700,810,306
Public Debt Service	0	0	0	16,730,008,578	2,283,611,825	19,303,416,670	33,953,382,250	33,963,382,250	35,000,000,000	35,000,000,000
Capital Expenditure	44,193,137,446	177,522,214,26	175,076,567,34	85,773,133,108	150,417,128,15	228,994,957,69	8,574,553,665	296,059,212,74	289,832,357,84	293,650,966,12

3.E Fiscal Risks

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

Table 22: Risk Matrix

Risk	Likelihood	Impact	Mitigation and Reaction
Delta State's Statutory Allocation/Net Derivation is directly linked to the level of oil production in the state. Any shock that could occur to oil production will result in decreased Statutory transfer and will also threaten IGR due to decreased secondary economic activity in the state	High	High	1. Projections for 2024 - 2026 are conservative 2. To build on efforts to decrease reliance on oil-based revenues over the medium term 3. Diversification of IGR sources
Threat of terrorism increases the cost of security (reducing funds for capital development) and poses a threat to	Low	Low	1. Youth employment 2. Improved internal security through investment, stakeholder consultation, training of security personnel

economic activity nationally (Federal transfers affected)			
Threat to economic activity and business of government in the state due to ecological factors including erosion and flood	Medium	Medium	1. Reliance of meteorological forecasts 2. Pro-active on forecasts 3. Appropriate spending to maintain assets and create new assets that help build ecological resilience 4. Public awareness on climate change and resilience and other environment issues
Threat to oil revenues from global economic and political factors, resulting in drop in oil revenue	High	Very High	1. Reduced reliance on Oil revenues through long term policies such as Delta Beyond Oil which build economic independence and increase IGR 2. Increased efficiency in recurrent expenditure to allow maximum funding for Capital Expenditure 3. Setting aside between 5% and 10%

			of total recurrent revenue as contingency reserve fund. Fund set aside to build the State reserve fund
Inaccurate estimation of resources resulting in overestimation of expenditure envelope	Medium/ High	High	1. Scientific forecasting techniques used to estimate recurrent revenue 2. Awareness raising on importance of prudent budgeting to all stakeholders 3. Clear policy of prioritisation for capital expenditure projects 4. Linkage of revenue sources (particularly capital receipts) to specific projects 5. Clear and transparent budget documentation in line with IPSAS requirements and international best practice

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

Section 4. Budget Policy Statement

4.A Budget Policy Thrust

91. This administration has a clear vision of what it wants to do in as captured in the M.O.R.E. agenda – the focus is on the creation of employment opportunities, a flourishing agriculture and agro-business sector, effective health and education systems, renewed urban infrastructure and enhanced security and peace to bolster economic growth and development. The policy thrust will focus on the following areas:

- road and physical infrastructure development will receive priority attention from the administration.
- implementation of the establishment of new technical colleges across the State.
- strengthening Agricultural and Rural Development Authority (DARDA) to become more efficient and very responsive to farmers' agricultural extension needs and solving farm management problems.
- Health for all Deltans (HeFAD) in line with the Universal Health Coverage mandate of the United Nations Sustainable Development Goals.
- intensifying efforts and measures to upscale agriculture sector interventions.
- expanding Foods Export Initiative to elicit greater private sector participation to include additional commodities with high potentials for diaspora demand.
- connecting our communities, renew our urban centres with network of roads and recreation opportunities for the benefit and enjoyment of current and future generations of Deltans.

- strengthening micro and small-scale enterprises to create employment and supporting MSE recovery through capital gran
- s and loans;
- emphasis will be on social security programme to empower the widows, the girl child, the disabled persons and other vulnerable groups in the society.
- emphasis will be given to ICT based Education
- monitoring and evaluation of government projects and programmes.

4.B Sector Allocations

The total forecast budget size for the 2024 fiscal year as explained in Section 3.C above is **N714,414,313,867** of which the sum of **N321,108,181,034** will be for recurrent expenditure (i.e. Personnel, Overhead, Social Contributions, Public Debt Charge, and Transfer to Local Governments), and, **N393,306,132,833** will be for capital expenditure.

Section 5. Summary of Key Points and Recommendations

92. Below is summary of key points arising from this document:

- The State should sustain its PFM reform programme particularly as it relates to the implementation of IPSAS, update to the SAP based SIFMIS and budget reforms, as well as targeting enhanced IGR performance in order to achieve its fiscal and budget policy objective and priorities;
- Better data recording and sharing between PFM oversight agencies will enable the State to have a clearer picture of its current fiscal position and hence help make better informed decisions.
- The State must continuously grow its internally generated revenue (IGR) by increasing collections in the informal sector through relevant policy articulation and improvement of tax payer identification and collection technology.
- The State must continue to monitor performance of its mineral based revenues in order to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process (i.e. any changes to the crude oil benchmarks (production quota and price) as well as exchange rate for 2024 and beyond.