



DELTA STATE DEBT SUSTAINABILITY ANALYSIS REPORT - DEBT MANAGEMENT STRATEGY

REPORT 2024

**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 internally generated revenue but at times monies are borrowed also to fund some of the infrastructural developmental projects in order to ensure that these projects are completed within the specified time frame. This has resulted in the accumulation of debt which may have 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 2019-2023 and a long-term projected period of 2024-2033 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, and the State debt stock as a percentage share of revenue are well below the threshold. However, the debt service as a percentage share of revenue as depicted in the chart shows that Delta State Debt is easily serviceable from year 2019 to year 2030, but the threshold was threatened in year 2031 which means that the ability of the State to service its debt is becoming difficult while the State debt becomes completely unserviceable from year 2032 to year 2033 due to the fact that the debt service as a share of revenue chart has completely bridge the threshold line of 40% during the projected years from 2032 to 2033. This mean that the long term outlook for Delta State public debt is not sustainable towards the end of the projected years in 2032 and 2033. Moreover, the rise in Delta State's total expenditure between the base year 2019 and projected year of 2033, 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 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 2019 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 2019 to 2023 has constructed over 98 trunk roads covering about 688km; and currently almost 702km 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 2030, the state would become a net producer of hides and skin, beef and other agricultural products for consumption and export.

2.2 2024 BUDGET:

Delta State 2024 budget was predicted on some assumptions including that the average price of oil will be \$70 a barrel in 2024 and will remain unchanged in real terms over the medium term; that the 2024 daily oil production benchmark will be 1.65million barrel per day; that the GDP growth rate will be 3.75 percent. 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 2023.

The total of Delta State year 2024 budget is N724,979,313,867.00[seven hundred and twenty four billion, nine hundred and seventy nine million, three hundred and thirteen thousand, eight hundred and sixty seven naira] to execute projects and programs of Government. This is made up of N316,624,462,710.79 (three hundred and sixteen billion, six hundred and twenty four million, four hundred and sixty two thousand, seven hundred and ten naira, seventy nine kobo) for recurrent which represent 43.67% of the total 2024 budget expenditure and capital of N408,354,851,156.21 [four hundred and eight billion, three hundred and fifty four million, eight hundred and fifty one thousand, one hundred and fifty six naira twenty one kobo] which represents 56.33% of the total 2024 budget expenditure. The 2024 budget shows an increase of N163,158,717,343.00 (one hundred and sixty three billion, one hundred and fifty eight million, seven hundred and seventeen thousand, three hundred and forty three naira) over the 2023 approved budget figure of 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) which represent 29% increase from the year 2023 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 2024 budget as earlier stated, the sum of N316,624,462,710.79 (three hundred and sixteen billion, six hundred and twenty four million, four hundred and sixty two thousand, seven hundred and ten naira, seventy nine kobo) is earmarked for recurrent expenditure which represent 43.67% of the total 2024 budget for the year. This figure is higher than the sum of N235,208,340,101.00 (billion naira) recurrent expenditure approved in the 2023 budget by an absolute difference of N81,416,122,609,790.00 is 34.6% increase from the recurrent budget of year 2023. A major part of the year 2024 recurrent budget is the N164,314,725,872.79 billion earmarked for Personnel cost which is 51.9% of the total recurrent budget figure for the year. The Personnel cost for 2024 is higher than the 2023 budget figure of N91,035,657,320 by N73,279,068,552,790 billion naira or 80%; which is high due to State Government planned to pay Civil Servant minimum wage in 2024 as agreed between Federal Government and Labour as well as payment for the traditional annual increment arising from promotions and other progression within the year. It is also worthy to note at this point that this increase in personnel cost for 2024 was due to the State Government political will to pay minimum wage to its workers and this is one of the major reasons while the 2024 total budgetary provision was quite higher than budgetary provision of the previous year 2023. The sum of N106.6 billion which was estimated for Overhead cost in 2023 is higher than that of the 2023 budget of N82,083,259,293 by N24,516,740,707 billion or 29.9%. Furthermore, the year 2024 capital budget expenditure of N408,354,851,156.21 is higher than 2023 capital budget expenditure of N326,612,256,423.00 by the amount of

N81,742,594,733.21 which represent an increment of 25 percent. The State is of high hope that this 2024 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. The 2024 Budget was anchored on the following indices:

- 1.The year 2024 State assumption for inflation was 23.5%.
- 2.The year 2024 assumption for oil price benchmark was \$70 per barrel.
- 3.The exchange rate for year 2024 was N750 per dollar.
- 4.The oil production benchmark (MBPD) for year 2024 budget was 1.65 mbpd.
- 5.The GDP Growth Rate for year 2024 was projected at 3.75%

Going forward, the State will in its medium-term expenditure framework from 2025-2027 produce its annual budget based on year 2024 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 2025, 2026 and 2027 fiscal years has been earmarked at 1.75 mbpd, 1.75mbpd and same 1.75mbpd for each year respectively during the three years medium term period and the State hope to achieve these production benchmark as a result of the on-going present peace in the State and good pipeline surveillance. Delta State as regarding revenue generation during the medium term period of 2025 to 2027 has strong believe that with the removal of oil subsidy, the inflow from oil revenue source will significantly improve in 2025 and beyond. In addition, it is assumed that with the world economy opening up after the COVID-19 outbreak, the oil price benchmark will rise above \$75.00 per barrel earmarked from 2025-2027 due to Russian inversion of Ukraine which has led to high price of crude oil in the International Market and will result in extra statutory allocation accrual to Delta State, but the State

used oil price benchmark of \$75.00 in order not to be over ambitious. The Government is also of the hope that low productivity in the State economy presently experienced as one of the last effects 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 from 2025 upwards for all its socio-economic activities involving monetary transaction will adopt the exchange rate of N1,200/US\$1, since the national Medium-Term Expenditure Framework (MTEF) towards the end of year 2024 has officially reviewed the exchange rate upward to N1,200/US\$1. This is because the State is expecting capital inflow as export of commodities in the oil sector and agricultural sector increases from 2025 to 2027.

MEDIUM TERM BUDGET FORECAST

The indicative medium term budget forecast for the period 2024 – 2027 is presented in the table below.

11: Medium Term Budget Framework.

| Fiscal Framework | | | | |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Recurrent Revenue | 2024 | 2025 | 2026 | 2027 |
| Opening Balance | 10,000,000,000 | 10,000,000,000 | 10,000,000,000 | 10,000,000,000 |
| Statutory Allocation/Net Derivation | 458,523,684,191 | 581,854,276,721 | 640,039,704,393 | 691,242,880,744 |
| VAT | 45,763,396,566 | 71,243,569,397 | 74,093,312,173 | 76,316,111,538 |
| IGR | 110,304,108,619 | 134,092,848,109 | 140,797,490,515 | 145,021,415,230 |
| Excess Crude / Other Revenue | 60,000,000,000 | 100,000,000,000 | 100,000,000,000 | 100,000,000,000 |
| Total Recurrent Revenue | 684,591,189,376 | 897,190,694,227 | 964,930,507,081 | 1,022,580,407,513 |
| Recurrent Expenditure | | | | |
| Personnel Costs | | | | |
| Social Contribution and Social Benefit | 164,314,725,873 | 213,829,233,252 | 218,105,817,917 | 222,467,934,275 |
| Overheads | 14,314,725,874 | 15,746,198,462 | 16,061,122,431 | 16,382,344,880 |
| Grants, Contributions and Subsidies | 92,303,507,495 | 117,280,056,705 | 119,625,657,839 | 122,018,170,996 |
| Public Debt Service | 10,000,000,000 | 10,000,000,000 | 10,000,000,000 | 12,152,461,998 |
| Total | 35,691,503,469 | 00 | 30,000,000,000 | 28,000,000,000 |
| | 316,624,462,711 | 392,546,991,888 | 393,792,598,187 | 401,020,912,149 |
| | | 69 | | |
| Transfer to Capital Development | 367,966,726,665 | 504,643,702,339 | 571,137,908,893 | 621,559,495,364 |
| Capital Receipts | | | | |
| Grants | 3,000,000,000 | 9,500,000,000 | 9,500,000,000 | 9,500,000,000 |
| Other Capital Receipts | 37,388,124,492 | 29,388,124,492 | 29,388,124,492 | 29,388,124,492 |
| Total | 40,388,124,492 | 38,888,124,492 | 38,888,124,492 | 38,888,124,492 |
| Reser v es | | | | |
| Contingency Reserve | | | | |
| Planning Reserve | | | | |
| Total Reserves | | | | |
| | - | | | |
| Capital Expenditure | 408,354,851,157 | 543,531,826,831 | 610,026,033,385 | 660,447,619,856 |
| Discretionary Funds | | | | |
| Non-Discretionary Funds | | 0 | 0 | 0 |
| Financing | | 0 | | |
| Total Budget Size | 724,979,313,868 | 936,078,818,719 | 1,003,818,631,573 | 1,061,468,532,005 |

4.3: Description of Assumptions Underpinning the MTB Forecasts from 2024-2027.

1. Statutory Allocation/Net Derivation – estimated using own value-based forecast of actual receipts (Jan. – June, 2024). In making projection for the 2025 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 2025 and beyond.

2. VAT - estimated using own value-based forecast. The estimate for 2025 is in line with the current rate of receipts. Actual receipt from Jan. - June, 2024 is N35.2 billion. This shows significant increase.
3. 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 has led 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, 2024 is N133.2 billion. An estimated figure of N100 billion is proposed for 2025 not to be over ambitious.
4. Internally Generated Revenue (IGR) - IGR forecast is estimated using the actual receipt of N65 billion from Jan. - June, 2023. The actual collection of N67b in the first 6 months shows that we will surpass the approved budget of N110b. Also, with the renewed vigour the State Government is going about revenue drive, it is expected that IGR will increase in 2025.
5. Grants -. SUBEB is assumed at N2 billion per annum, SABER N2 billion, external grants, NEWMAP (EIB) 2.65 billion, WASH N138 Million, UNICEF N3.6 billion, Cares Programme N10 billion, SURWASH N2 billion, RAAMP N2 billion NFWP N2 billion e.t.c.
6. Social Benefits/Social Contribution - include current pension liabilities plus contributions, gratuities, Contributory Health Scheme.
7. Consolidated Revenue Fund - includes loan repayments (principal and interest), 2.5% LG pension fund, 10%, IGR to LG. LG IGR transfer is a function of IGR.
8. Personnel - The current administration has put in place measures to stabilize the personnel cost. However, personnel cost is estimated to hugely go up due to the approved N70,000 new minimum wage as well as promotion, recruitment in some key establishments. In forecasting for 2025 we considered actual for Jan. - June, 2024 (N53.4b) to project till Dec, 2024. The personnel cost for 2025 is expected to grow due to the federal government

and Labour Union agreeing on the new minimum wage across the country.

9. 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 (N33.9) from Jan. - June 2024 to arrive at the forecast. It is envisaged that the price of oil in the international market will be stable and be beyond \$70 per barrel as well as economic activities will pick up. Removal of fuel subsidy and increase in activities in 2025 will necessitate increased expenditures on overheads.
10. Capital Expenditure - This is based on recurrent revenue surplus and capital receipts.

FOOTNOTE: “The MTBF from 2025 - 2027 included as part of this DSA-MTDS report is based on the exchange rate of N1,200 to US \$1 from the National Medium-Term Expenditure Framework (MTEF) prepared in 2024, which had been 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 2024 IN DELTA STATE.

Delta State total budget for the year 2024 N724,979,313,867.00 [seven hundred and twenty four billion, nine hundred and seventy nine million, three hundred and thirteen thousand, eight hundred and sixty seven naira] to execute project and programmes of Government. The amount is only N1.00 (one naira) lower than the MTB forecast for year 2024. This difference of N1.00 between the actual 2024 budget amount and the MTBF amount for 2024 is insignificant and it was due to the high amount of internally generated revenue collection in the State as a result of blockage of revenue leakages and new flowing revenue from the newly completed film village as well as the game village which helped to boost revenue accruing to State from tourism; therefore, the State decided to maintain almost same fiscal policy strategy in its year 2024 actual budget with only N1.00 lower amount difference in the 2024 actual budget to preserve debt sustainability and keep the State 2024 actual budgetary provision to the amount of N724,979,313,867.00 that is almost the same figure as the MTBF amount of N724,979,313,868.00. Thus the State has no need for fiscal adjustment in its 2024 actual budget. Also, the State in year 2024 Fiscal year for all its socio-economic activities involving monetary transaction adopted the exchange rate of N750/1US \$ based on the exchange rate of N750 to US \$1 adopted at the time of preparation of the 2024 actual budget as a result of the fall in Naira value caused by federal government devaluation of the Naira exchange rate to US Dollar 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 2024 to 2027. Moreover, during the 2024 Fiscal year, the MTB Forecast for oil production of 1.65mbpd for year 2024 was adopted and retained at same 1.65mbpd 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 the previous 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,
2019-2023

I: TABLE 1: REVENUE PERFORMANCE 2019-2023

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Actual | Actual | Actual | Actual | Actual |
| FAAC | 40,960,436,830.57 | 28,864,390,000.00 | 19,807,610,000 | 20,124,800,000.00 | 18,557,500,000.00 |
| Statutory | 61,808,714,151.81 | 37,893,660,000.00 | 30,233,310,000 | 79,419,600,000.00 | 31,315,800,000.00 |
| Derivation | 171,490,407,134.93 | 153,042,870,000.00 | 189,733,060,000 | 170,000,000,000.00 | 500,000,000,000.00 |
| VAT | 14,767,378,587.54 | 13,290,640,000.00 | 24,447,070,000 | 24,951,500,000.00 | 43,855,000,000.00 |
| IGR | 60,338,363,355.97 | 56,638,480,000.00 | 71,747,750,000 | 80,000,000,000.00 | 122,916,600,000.00 |
| Capital Receipt/Grant | 12,391,899,939.18 | 9,460,280,000.00 | 58,290,700,000 | 85,000,000,000.00 | 83,180,300,000.00 |
| Total | 361,757,200,000.00 | 299,190,320,000.00 | 394,259,500,000.00 | 459,495,900,000.00 | 799,825,100,000.00 |

From the above revenue table, it could be seen that the only year that revenue declined between 2019 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 **N361,757,200,000.00** in 2019 but in 2020 it declined from year 2019 figure of N361,757,200,000.00 to N299,190,320,000.00 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 it also rises to N459,495,900,000.00 in 2022 and further rises to N799,825,100,000.00 in 2023.

ii: TABLE 2: EXPENDITURE TREND FROM 2019 - 2023.

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Actual (Accrued Basis) | Actual (Accrued basis) | Actual (Accrued basis) | Actual (Accrued basis) | Actual (Accrued basis) |
| Salaries | 75,635,373,045.94 | 71,853,604,393.64 | 98,571,910,000.00 | 87,289,800,000.00 | 103,398,700,000.00 |
| Overhead | 105,853,030,450.76 | 107,225,625,685.18 | 68,377,260,000.00 | 72,097,000,000.00 | 145,549,800,000.00 |
| Other | 34,886,276,194.06 | ,560,578.52 | 00 | 13,993,200,000.00 | 21,000,000,000.00 |
| Recurrent Capital Ex | 64,886,276,194.06 | 61,473,010,000.00 | 170,399,500,000.00 | 284,138,300,000.00 | 252,717,000,000.00 |
| Public Debt charge | 103,632,734,935.93 | 9,342.66 | 00 | 5,006,600,000.00 | 250,159,700,000.00 |
| Repayments | 3,714,469,179.25 | 0,000.00 | 00 | 6,967,000,000.00 | 10,000,000,000.00 |
| Total | 388,608,160,000.00 | 281,941,000,000.00 | 384,969,880,000.00 | 469,491,900,000.00 | 809,825,100,000.00 |

Was in year 2019 and it shows that in year 2020 economic activities caused by the effect of corona virus pandemic, but with the gradual growth in economic activities, the Expenditure increases to the amount of N384,969,880,000.00 in year 2021, it further increases to the amount of N469,491,900,000.00 in year 2022 and finally increased to the amount of N809,825,100,000.00 in year 2023. 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 N809, 825,100,000.00 in year 2023. **Table 4:**

DELTA STATE TOTAL EXTERNAL DEBT STOCK FROM 2019 - 2023

| Creditor / Loan Title | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------------------|--------------|--------------|------------------|------------------|--------------|
| EDF: Delta State Oil Palm Dev. (29%) | 3,635,251.45 | 3,112,834.18 | 1,236,905,710.78 | 1,123,623,763.06 | 2,260,331.74 |
| IDA: Delta State Health System Dev. | 1,385,218.30 | 1,383,860.54 | 543,398,947.85 | 533,577,048.60 | 1,116,592.42 |
| IDA: Delta State HIV/AIDS | 1,592,423.08 | 1,605,984.46 | 612,815,868.15 | 589,217,912.77 | 1,226,263.98 |

| | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| programme | | | | | |
| IDA: Delta State third fadama project. | 5,757,367.46 | 5,768,904.30 | 2,295,219,566.42 | 2,312,781,979.18 | 5,069,067.17 |
| IDA: Delta State 2nd HIV/AIDS programme | 3,332,218.40 | 3,391,257.65 | 1,373,567,946.72 | 1,378,590,005.39 | 3,008,898,.52 |
| IDA: Delta State employment and Expenditure for Result | 45,705,000.65 | 45,705,000.00 | 18,875,708,218.44 | 20,500,978,041.56 | 45,705,000.65 |
| IFAD: Delta State community based Natural Resources Mgt Project. | 1,121,941.79 | 1,088,577.05 | 425,243,124.21 | 416,570,716.91 | 885,550.82 |
| Total in USD | 62,529,421.13 | 62,056,418.73 | 61,412,768.79 | 59,871,451.27 | 59,271,705.30 |
| Total in Naira | 19,071,473,444.65 | 23,581,439,117.87 | 25,362,859,382.58 | 26,855,339,467.46 | 53,308,556,844.88 |

The table above shows that the dollar values of the State External debt declined steadily on a year to year basis comparison between year 2019 when it was \$**62,529,421.13** and continue to decline even up to year 2023 when it finally reduces to \$**59,271,705.30**. However, the naira value of the State External debt shows a different trend between year 2019 to year 2023. The naira equivalent of State external debt rises on a year to year basis comparison between year 2019 when it was **N19,071,473,444.65** and increases steadily up to year 2023 when it was finally **N53,308,556,844.88**. The sharp increase from **N26,855,339,467.46** in year 2022 to **N53,308,556,844.88** in year 2023 was orchestrated by the higher exchange rate in the value of the Dollar caused by the devaluation of naira in the foreign exchange market.

TABLE 5: DELTA STATE TOTAL EXTERNAL DEBT SERVICES FROM 2019- 2023 IN NAIRA

| Categories | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|
| existing external debt Services by categories | | | | | |
| Total External | 338,957,827. | 207,371,730. | 254,739,223. | 520,269,692. | 491,736,76 |

| Debt Services in naira | 69 | 96 | 03 | 68 | 4.28 |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| EDF/IDA/IFAD | 338,957,827.69 | 207,371,730.96 | 254,739,223.03 | 520,269,692.68 | 491,736,764.28 |
| /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 2019 when it was N**338,957,827.69**, but fell to N**207,371,730.96** 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 N**254,739,223.03** and further rises in year 2022 to N**520,269,692.68** but it declined to N **491,736,764.28** in year 2023 which was a transitional year of the present administration IN Delta State government.

TABLE 6: DELTA STATE DOMESTIC DEBT STOCK FROM 2019 - 2023

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| existing domestic debt stock by categories | | | | | |
| Total Domestic Debt | 233,892,694,776.08 | 227,018,001,548.77 | 215,757,900,000.00 | 304,245,915,945.65 | 373,407,744,509.06 |
| Commercial | | | | | |
| Loans | 1,335,617,487.32 | 9,500,000,000.00 | 13,047,459,954.38 | 26,685,402,469.89 | 141,395,621,589.02 |
| State Bonds | | | | | |
| Contractors' Arrears | - | 95,998,332,911.38 | 82,731,720,000.00 | 114,630,909,520.70 | 83,402,921,451.09 |
| | 117,644,134,053.18 | 14,690,084,316.30 | 16,960,736,177.62 | 23,936,752,727.43 | 21,656,389,439.54 |
| Pensions & Gratuity | 12,326,872,629.17 | | | | |

| | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Government-to-Government Borrowing | 65,762,739,969.11 | 99,907,368,943.63 | 95,949,338,160.24 | 92,407,074,969.25 | 59,505,166,157.31 |
| Salary Arrears & Other Staff Claims | - | | | | |
| Judgement Debt | 572,597,091.61 | 570,136,458.00 | 533,835,458.00 | 469,035,001.00 | 470,730,035.00 |
| Other Liabilities | 36,250,733,545.69 | 6,352,158,919.46 | 6,534,793,312.04 | 46,116,741,257.38 | 66,976,915,837.10 |

The table above shows that the State Domestic debt was N **233,892,694,776.08** in 2019 compared to N**373,407,744,509.06** in 2023 which shows an increase of 59.6%

TABLE 7: DELTA STATE DOMESTIC PRINCIPAL PAYMENT FROM 2019 - 2023

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| existing Domestic Amortization Total | 61,309,117,258.05 | 71,984,509,216.26 | 83,607,500,000.00 | 138,252,400,000.00 | 79,375,711,501.60 |
| Commercial Loans | - | 411,403,581.82 | 18,526,384,969.48 | 1,240,000,000.00 | 9,501,133,089.2 |
| State Bonds | - | | | | |
| Contractors' Arrears | 51,595,139,987.20 | 50,116,887,562.05 | 61,143,800,000.00 | 108,310,700,000.00 | 48,619,600,239.99 |
| Pensions & Gratuity | 6,000,000,000.00 | 3,800,000,000.00 | 2,400,000,000.00 | 7,494,900,000.00 | 1,480,366,539.23 |
| Government-to-Government Borrowing Salary | 1,188,939,427.39 | 3,779,118,072.39 | 2,491,364,018.97 | 907,100,000.00 | |
| Arrears & Other Staff Claims | - | | | | |
| Judgment Debt | - | 67,500,000.00 | 45,001,000.00 | | |

| | | | | | |
|------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| Other Liabilities | 2,525,037,843.46 | 13,809,600,000.00 | 3,203,898,616.50 | 20,299,700,000.00 | 18,774,611,633.17 |
| existing Domestic Mortgages | 61,309,117,258.05 | 71,984,509,218.626 | 83,607,500,001.00 | 138,252,400,007.00 | 179,375,711,501.60 |

The table above shows that the State domestic principal payment was **N61,309,117,258.05** in 2019 compare to **N79,375,711,501.60** in the year 2023 which shows an increase between 2019 and 2023, which shows a 29.4% increase in year 2023 when compared to the principal repayment in the beginning of the base year 2019.

TABLE 8: DELTA STATE DOMESTIC INTEREST PAYMENTS

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------------------------|--------------------------|--------------------------|-------------------------|-------------------------|
| existing Domestic Interest Payments (commercial + state bond) | 14,061,024,962.61 | 10,663,988,731.09 | 12,109,823,820.57 | 3,539,120,000.00 | 4,741,442,218.38 |
| Commercial Loans | 14,061,024,962.61 | 10,663,988,731.09 | 12,109,823,820.57 | 3,539,120,000.00 | 4,741,442,218.38 |
| State Bonds | | | | | |

The table above shows that the State Domestic interest payment was **N14,061,024,962.61** in year 2019 compared to **N4,741,442,218.38** in year 2023.

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 2019 to 2023.

Delta State total public debt 2019 to 2023.

| Years | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total Domestic Debt | 233,892,694,776.08 | 227,018,001,548.77 | 215,757,900,000.00 | 304,245,915,945.65 | 373,407,744,509.06 |
| Total External Debt | 19,071,473,444.65 | 23,581,439,117.87 | 25,362,859,382.58 | 26,855,339,467.46 | 53,308,556,844.88 |
| Total Public Debt | 252,964,168,220.73 | 250,599,440,666.64 | 241,120,759,382.58 | 331,101,255,413.11 | 426,716,301,353.94 |

The above table of Delta State Total public debt between 2019 to 2023 shows that the State total public debt in 2019 was **N252,964,168,220.73** and the State total public debt declined to **N250,599,440,666.64** in year 2020 and continue to decline to the amount of **N241,120,759,382.58** in year 2021, **N331,101,255,413.11** in year 2022 respectively. However, the State debt rises again to the amount of **N426,716,301,353.94** at the end of the historical period of 2023, thereby showing an uneven trend of falling and rising during the base year period between year 2019 and year 2023.

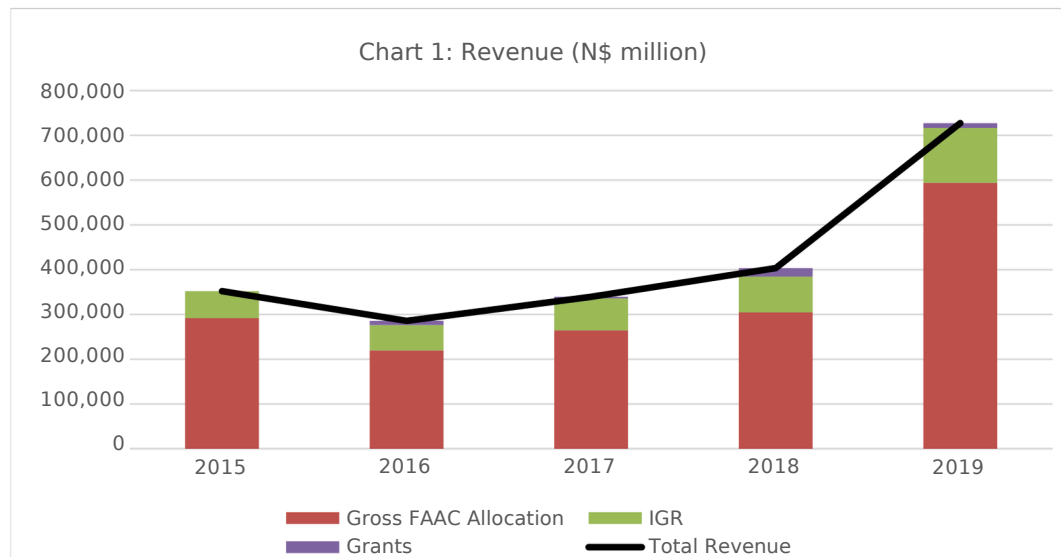
The total amount of only domestic debt in 2019 was N 233,892,694,776.08 billion which rises to **N373,407,744,509.06** billion in 2023, while the total domestic debt servicing in year 2019

was N75,370,142,220.66 and it rises to N84,117,153,719.98 in year 2023. The total External debt in 2019 was N19,071,473,444.65 and it rises to 2020, the amount of N23,581,439,117.87

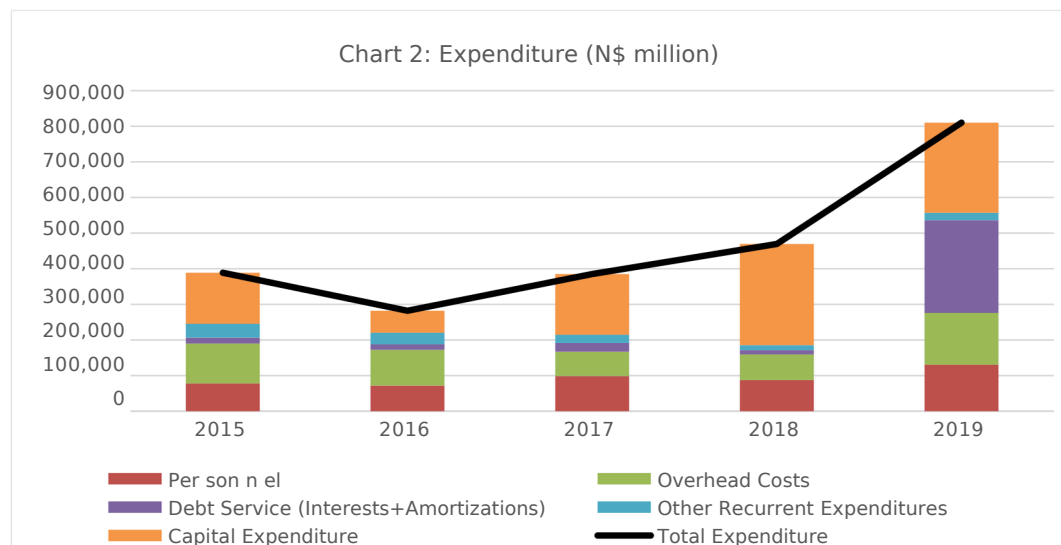
N25,362,859,382.58 in 2021 and N26,855,339,467.46 in 2022 after which it rises sharply to the amount of **N53,308,556,844.88** in 2023 as a result of the increase in the value of Dollar caused by the devaluation of the naira in the foreign exchange market. The amount of only total external debt services in year 2019 was N338,957,827.69 compared the amount of N491,736,764.28 in year 2023. Also, the total amount of total public debt servicing in 2019 was N252,964,168,220.73 billion compared to N426,716,301,353.94 in 2023 which shows a 68.6% increase in the total debt service repayment of the State between 2019 and 2023.

Domestic debt was 92.4% percent of total debt in 2019 and it fell to 87.5% in 2023. It was observed also that the external debt was only 7.6% percent of total debt in 2019, and it rises to 22.5% in 2023. 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 2019 contractors' arrears was N117,644,134,053.18 billion compared to N83,402,921,451.09 in 2023. 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

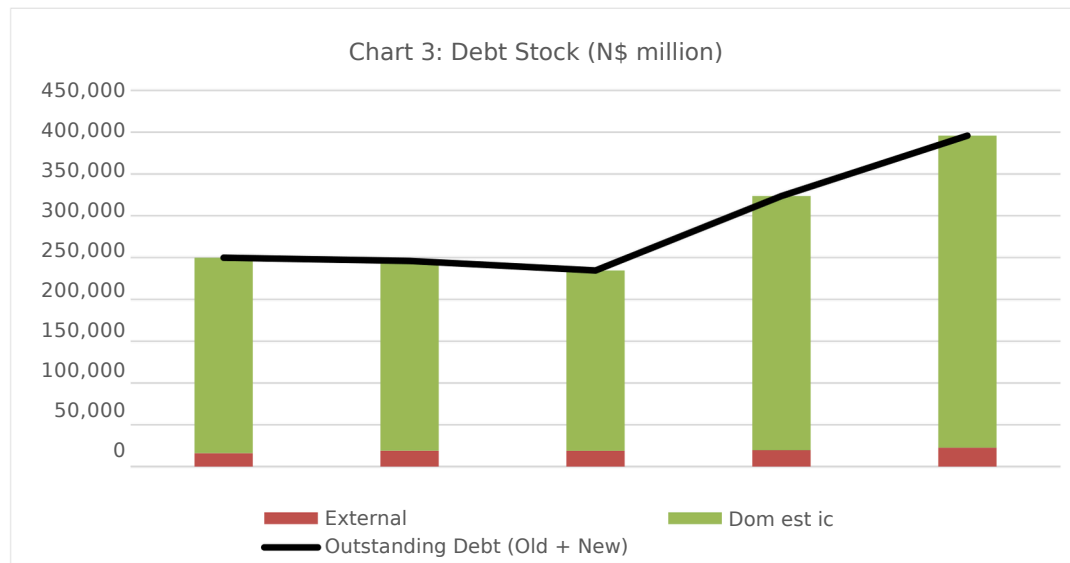


The above chart shows that Delta State Revenue in 2019 declined from 2019 to 2020 and rises gently between 2020 and 2022, after which it rises sharply up to 2023 **Projected Total expenditure chart**



The above chart shows that the State total expenditure fell from 2019 down to 2020 after which it rises up to 2023

DEBT STOCK



The above chart shows that the State total public debt was fairly even from year 2019 to 2021 after which it rises from year 2021 up to year 2023.

CHAPTER FOUR

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

4.0: CONCEPT OF DEBT SUSTAINABILITY ANALYSIS:

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 access 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 Delta State 2024 budget was predicted on some assumptions including that the average price of oil will be \$70 a barrel in 2024 and will remain unchanged in real terms over the medium term; that the 2024 daily oil production benchmark will be 1.65million barrel per day; that the GDP growth rate will be 3.75 percent. 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 2023.

MACRO ECONOMIC FRAMEWORK

| Item | 2024 Budget | 2025 | 2026 | 2027 |
|---------------------------------|-------------|-----------|-----------|-----------|
| National Inflation | 23.5% | 23.5% | 23.5% | 23.5% |
| National Real GDP Growth | 3.75% | 3.30% | 3.30% | 3.30% |
| Oil Production Benchmark (MPBD) | 1.65MBPD | 1.75 MBPD | 1.75 MBPD | 1.75 MBPD |
| Oil Price Bench Mark | \$70.00 | \$75.00 | \$75.00 | \$75.00 |
| NGN: USD Exchange Rate | 750.0 | | 1,200.0 | 1,200.0 |
| Other Assumptions | | 1,200.0 | | |
| Mineral Ratios | 32% | 32% | 32% | 32% |

Fiscal Framework and Assumptions

1. 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.

2. 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.

TABLE 12: DELTA STATE BUDGET BALANCE FROM YEAR 2019 TO 2023.

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------------|-----------|----------|----------|----------|-----------|
| Budget Balance | -26,851.0 | 17,249.2 | 9,289.7 | 4.0 | -10,000.0 |
| Opening Cash & Bank Balance Closing | 32,730.7 | 5,879.8 | 23,129.0 | 32,418.6 | 32,422.6 |
| Cash & Bank Balance | 5,879.8 | 23,129.0 | 32,418.6 | 32,422.6 | 22,422.6 |

The above table shows that in year 2019, the budget balance, the opening cash & bank balance and the closing cash & bank balance was -N26,851,960,000.00, N32,730,710,000.00 and N5,879,800,000.00 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, 418,600,000.00 and N22, 422,600,000.00 respectively.

TABLE 13: CLOSING CASH AND BANK BALANCE FROM 2024 - 2027.

| 2024 | 2025 | 2026 | 2027 |
|-------------------|-------------------|-------------------|-------------------|
| 29,087,900,000.00 | 27,977,700,000.00 | 26,496,100,000.00 | 27,853,900,000.00 |

The above table shows that the closing cash and bank balance was N29,087,900,000.00 in year 2024, N 27,977,700,000.00 in year 2025, N 26,496,100,000.00 in year 2026 and N 27,853,900,000.00 in year 2027 respectively.

4.2: BORROWING ASSUMPTIONS

2024 2025 2026 2027 2028

| | | | | | | | | | | | | |
|-----------|----------|----------|-----------|----------|----------|-----------|-----------|------|------|------|-----------|-----------|
| 121,714.3 | 29,436.1 | 32,612.3 | 100,221.2 | 85,643.8 | 95,664.5 | 118,345.5 | 136,287.9 | 2029 | 2030 | 2031 | 2032 | 2033 |
| | | | | | | | | | | | 162,342.6 | 178,128.9 |

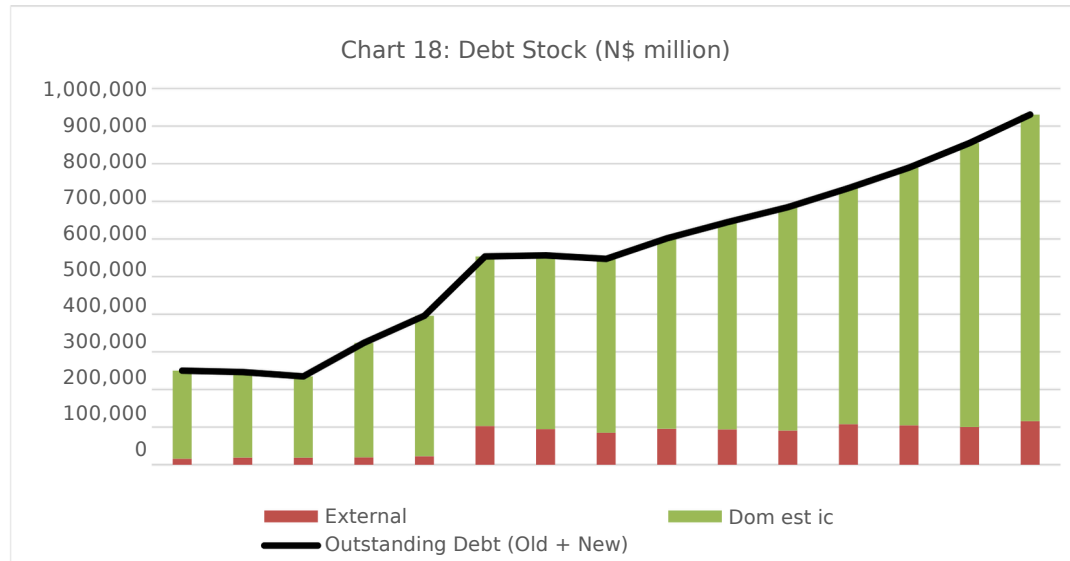
DELTA STATE GROSS BORROWING REQUIREMENTS FROM 2024-2033

Looking at the gross borrowing requirements from 2024 to 2033, it shows that there is paucity of fund to execute developmental projects and the need for Delta State to borrow from 2024 to 2033 through a commercial bank loan with a maturity of 5 years to include a grace period of 1 years, with an average of 35.00%, and another commercial bank loan of maturity between 8 years to include a grace period of 1 year with an average of 35%, and also the State bond with a maturity of 8 years to include a grace period of 1 year with an average of 25%. The State will also employ other domestic financing method to obtain fund for its developmental projects with a maturity of 7 years to also include a grace period of 1 year with an average of 10%. The State will

also go for external financing through multilateral or bilateral financing of its projects for a maturity period of 15 years with an average of 5% include a grace period of 1 year. 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.

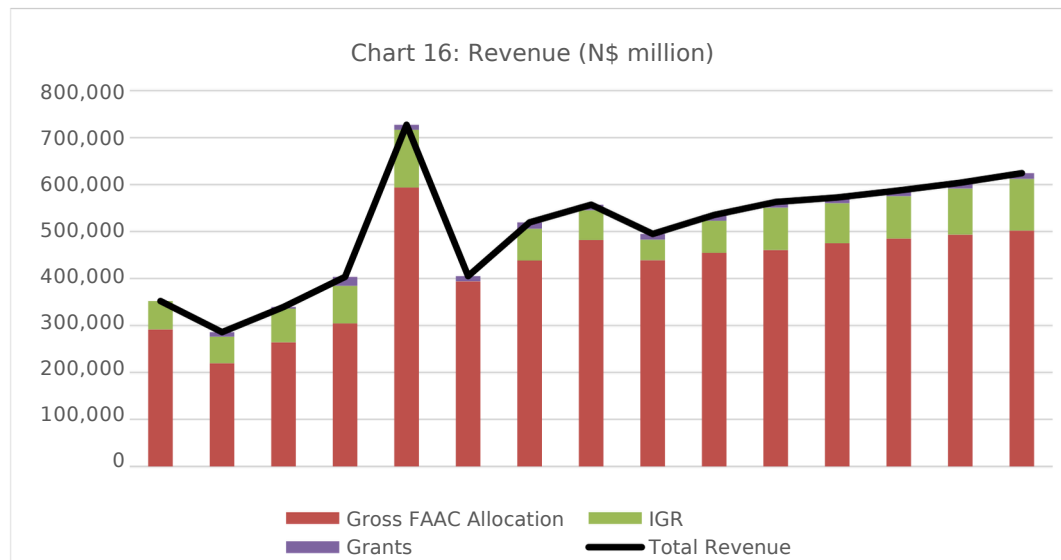
4.5.0: DSA SIMULATION RESULTS AND FINDINGS

4.5.1: Debt Stock Chart.



The above chart shows that the State total public debt was fairly even from year 2019 to 2021 after which it increased to 2024 and was fairly even again from year 2024 up to 2026, it then rises steadily through the projected years up to 2033.

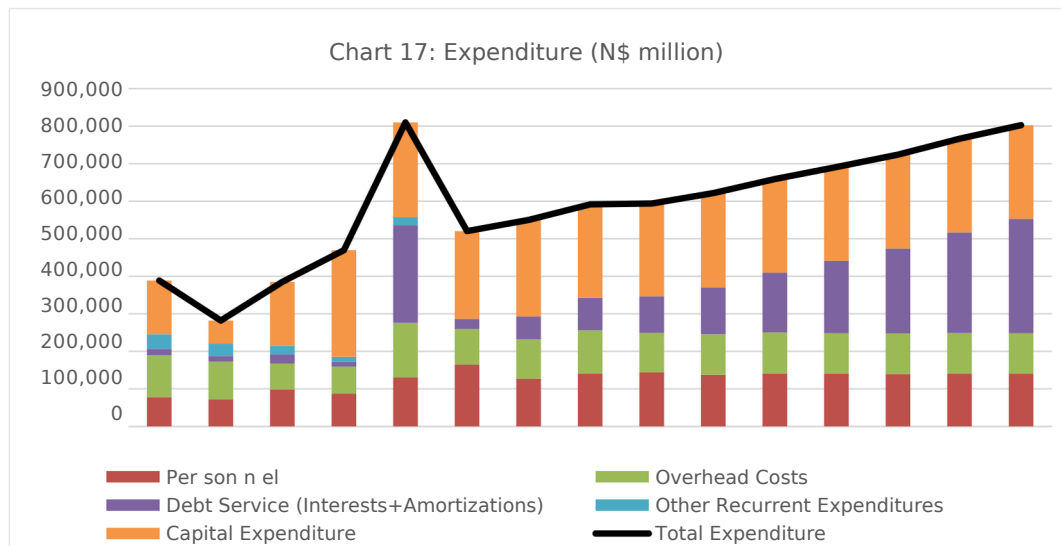
4.5.2: Projected revenue chart



The above chart shows that the revenue of the State declined in year 2020 from its higher position in year 2019. After year 2020 it rises gently up to year 2022 from where it rises sharply to its greatest point in year 2023 due to high internally revenue the State generated during that year as a result of the newly completed film village / amusement

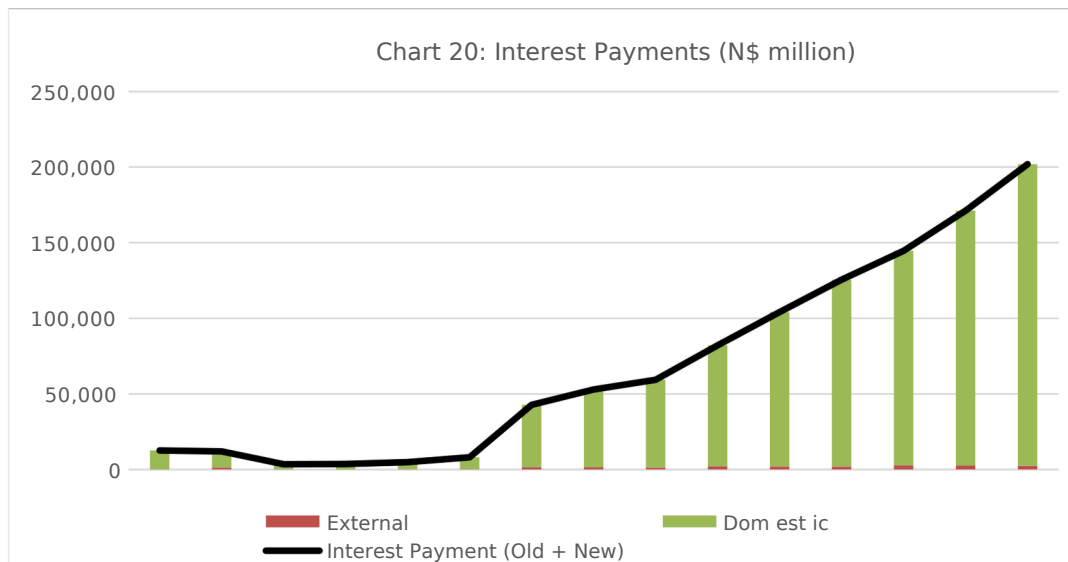
park and also due to the blockage of revenue leakages that year. After 2023 the revenue curve shows an uneven trend of fallen and rising up to year 2027 after which it rises gently and steadily up to the end of the projected year in 2033

4.5.3: Projected Total expenditure chart



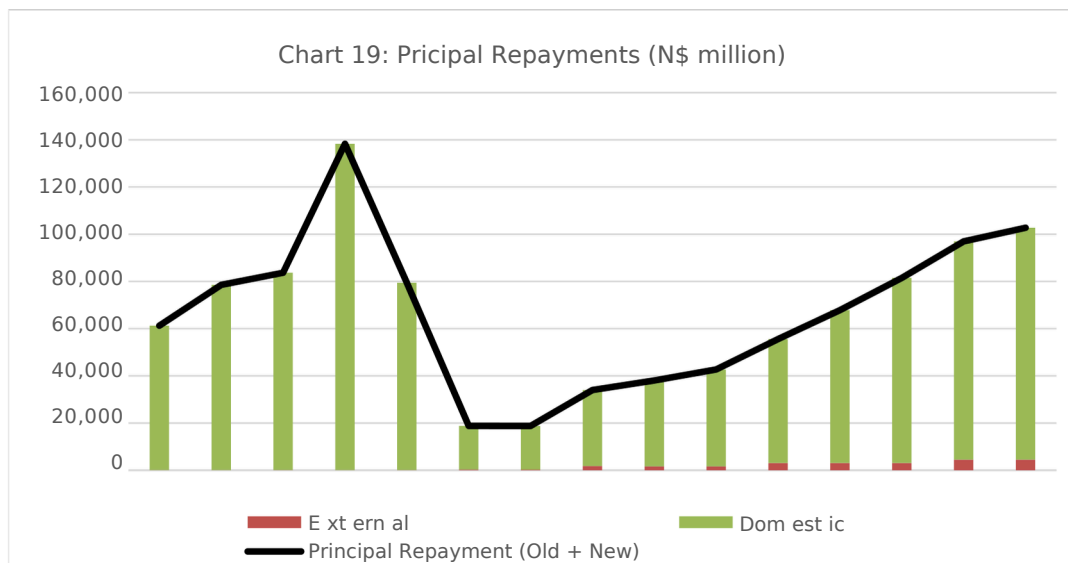
The above chart shows that the State total expenditure declined from its previous higher position in year 2019 to a lower position in year 2020 after which it rises to its peak in year 2023. Then it took a downward trend in year 2024 after which it rises gently up to the end of the projected year in 2033.

4.5.4: Interest Payments Chart

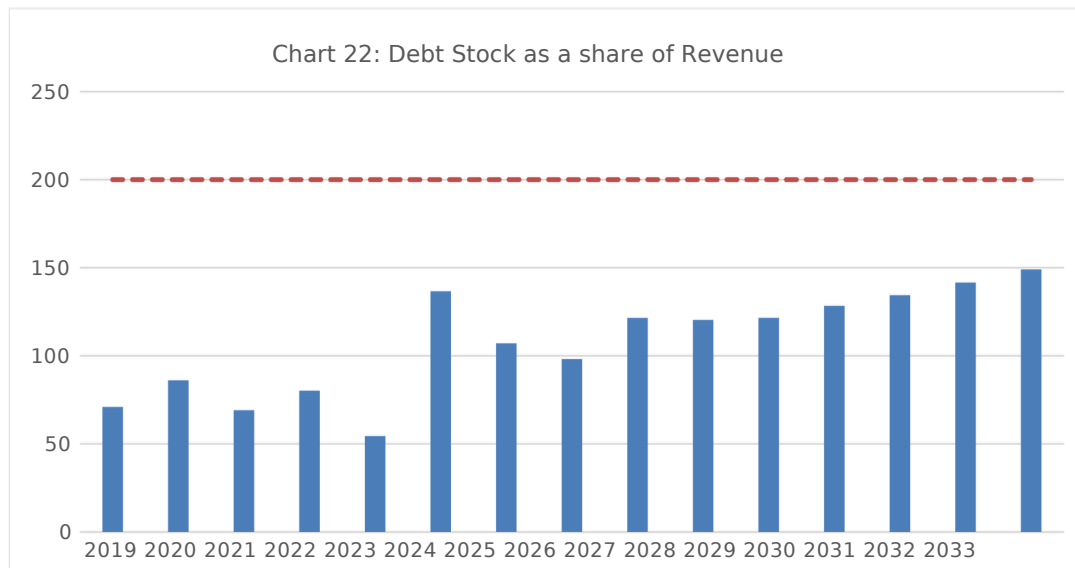


The above Chart shows that the State payment was fairly steady from 2019 to 2024 after which it rises steadily from 2024 to the end of the projected year of 2033.

4.5.5: Total Principal Repayments Chart

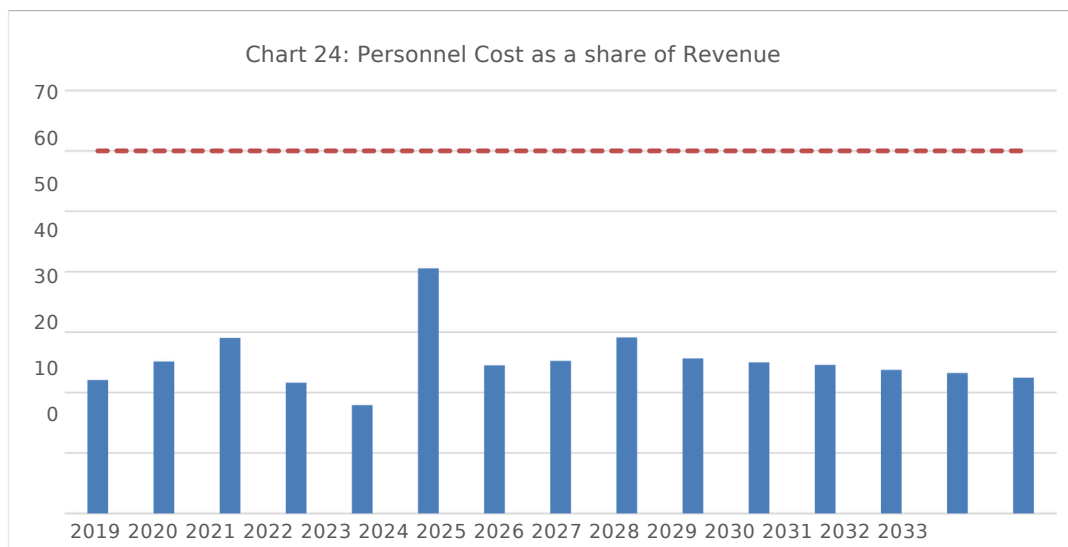


The State Principal Repayment chart curve rises in an uneven manner up to year 2022 after which it fell sharply down to its lowest level between year 2022 and year 2024. The repayment remain the same between 2024 and 2025, after which it rises up to the projected year of 2033.



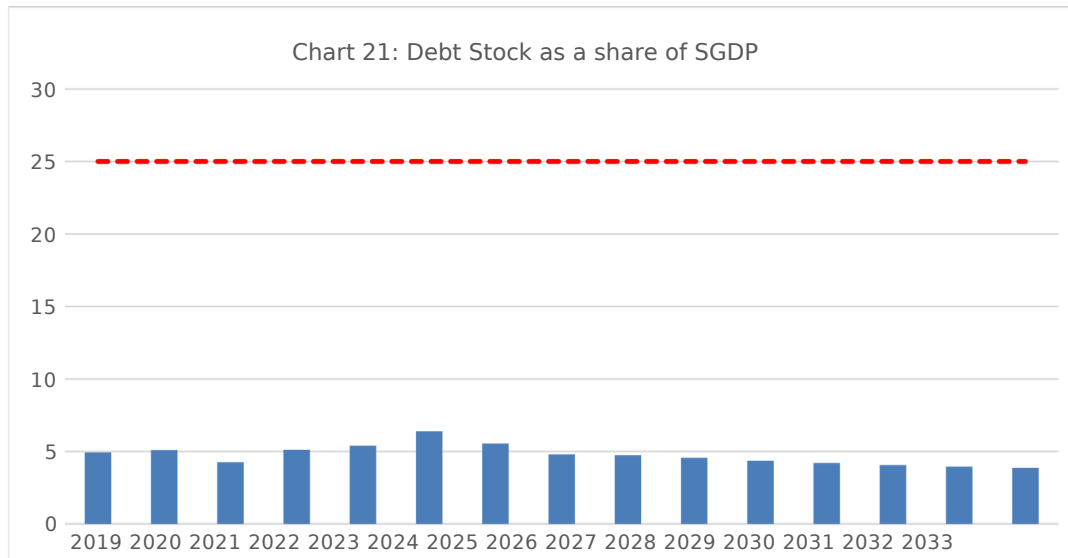
The above chart shows that the State debt stock as a percentage share of revenue was well below the 200% threshold line through the base year from 2019 to 2023 and also through the projected years from 2024 to 2033.

4.5.7: Personnel cost as a share of Revenue Chart.



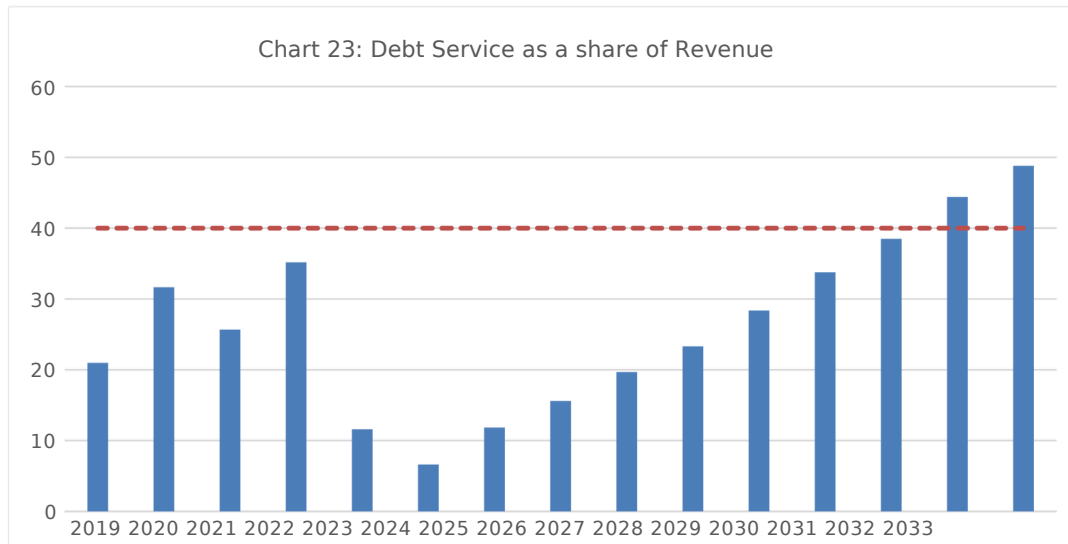
The above chart shows that the personnel cost of Delta State is well below the 60% threshold.

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



The above chart shows that the State Debt Stock as a share of GDP was below the threshold both in the base year periods of 2019 to 2023 and also through the projected years from 2024 to 2033.

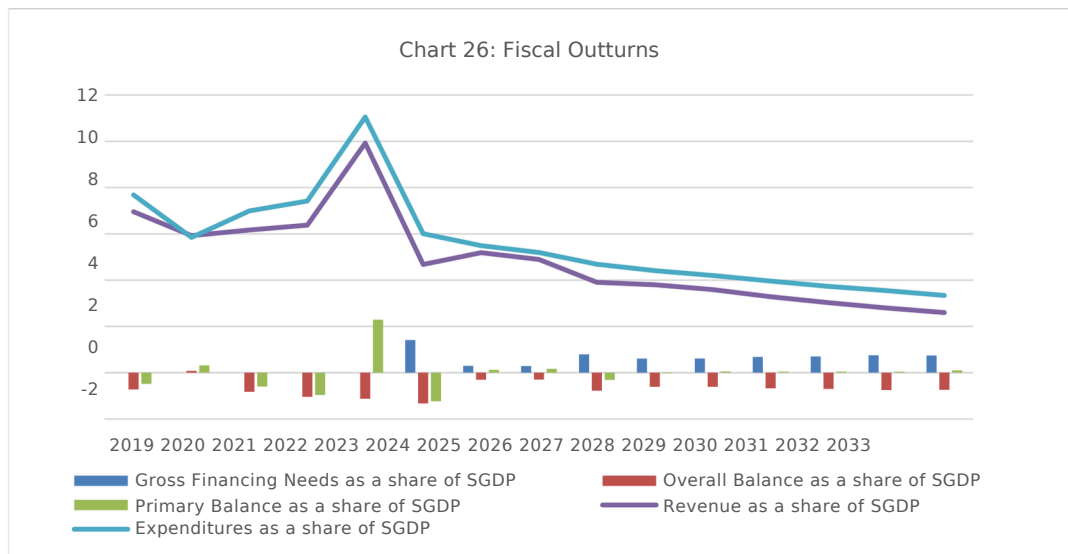
4.5.9: Debt Service as a % share of Revenue



The above chart shows that Delta State Debt is easily serviceable from year 2019 to year 2030, but the baseline was threatened in year 2031 which means that the ability of the State to service its debt is becoming difficult while the State debt becomes completely unserviceable from year 2032 to year 2033 due to the fact that the debt service as a share of revenue chart has completely bridge the threshold line of 40% during

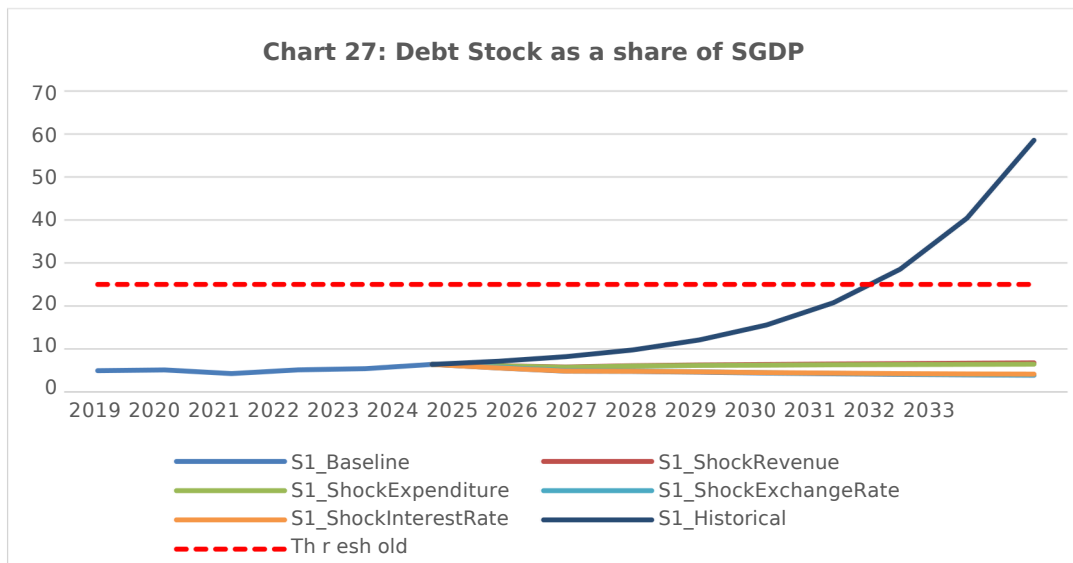
the projected years from 2032 to 2033. This mean that the long term outlook for Delta State public debt is not sustainable towards the end of the projected years in 2032 and 2033.

4.5.10: Fiscal Outturns Charts.



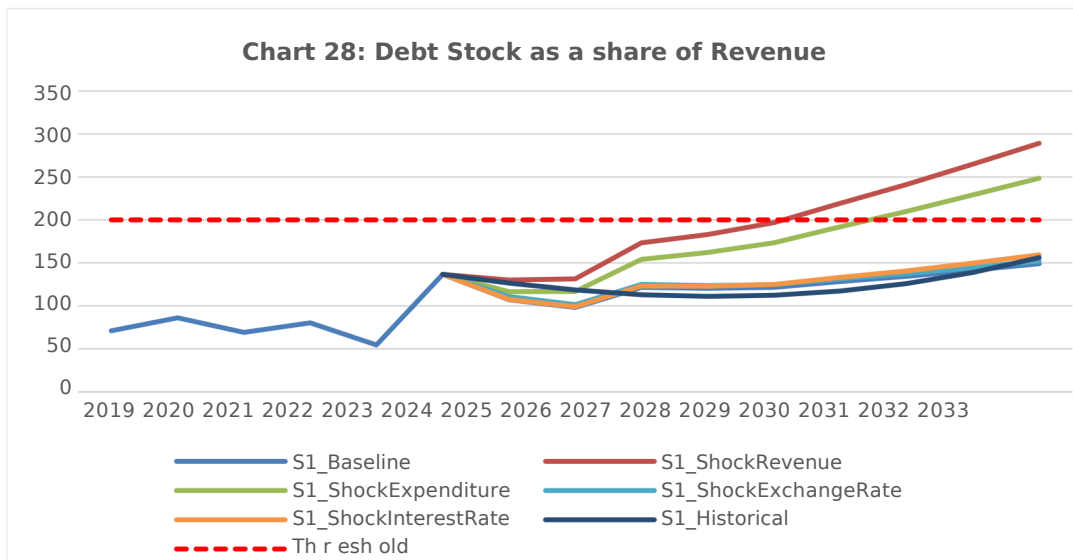
The above chart shows Delta State Gross Financing need as a share of SGDP, Primary Balance, as a share of SGDP, Expenditure as a share of SGDP, Overall Balance as a share of SGDP, and Revenue as a share of SGDP

4.5.11: Baseline, Shock and it Scenario



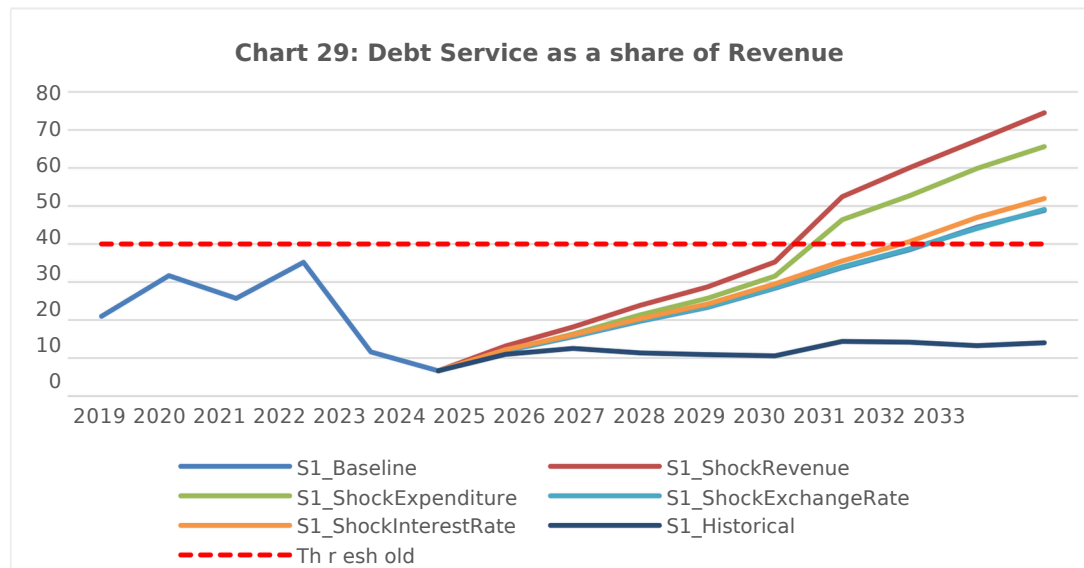
The above chart shows that the Debt Stock as a percentage share of SGDP is below the threshold line from year 2019 to 2030, but it bridges the threshold line in the projected years of 2031, 2032 and 2033.

4.5.12: Baseline, Shock and it Scenario.



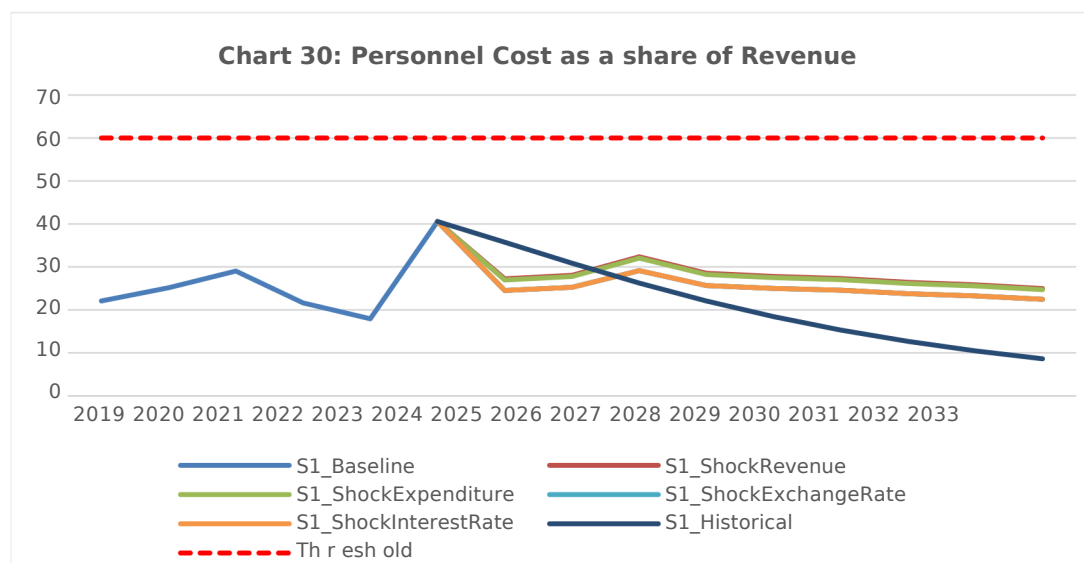
The above chart shows that the Debt stock as a share of revenue curve was just below the threshold from 2019 to 2029, but the revenue and the expenditure curve rises above the threshold line from 2030 to 2033. Consequently, the shock revenue curve, expenditure curve rises above the base line as a result of the shock between years 2030 to 2033.

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 2019 up to 2029 despite the shock, but Debt Service, was above the threshold from the projected years of 2029 to 2032. In order words it means that Delta State is Liquidity strong up to 2029 but will need to improve on its Revenue generation in the far future from 2029 to 2033.

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.

4:3 MAIN FINDINGS

The main findings are as follows:

- i.** The State total external debt stock in 2019 was N19,071,473,444.65 and it rise to N23,581,439,117.87 in year 2020, and still rise to the sum of N25,362,859,382.58 in 2021, and rises to N26,855,339,467.46 in 2022 and further rises to N53,308,556,844.88 in year 2023 finally.
- ii.** The State total domestic debt stock shows an uneven trend during the historical period from year 2019 to year 2023. In 2019, the total State domestic debt was N233,892,694,776.08 and fell to N227,018,001,548.77 and N215,757,900,000.00 in year 2020 and 2021 respectively and thereafter, it rises to the sum of N304,245,915,945.65 in year 2022 N373,407,744,509.06 in year 2023. The above statement shows that the State total
- iii.** domestic debt in 2023 was higher than what it was in 2019 by the amount of N139,515,049,732.98 which is a 59.6% increment. The State Total Public Debt stock is on the rise too, in 2019 it was
- iv.** N252,964,168,220.73 compared to N426,716,301,353.94 in year 2023. The State total external debt service increase from N338,957,827.69 in 2019 after which it fell to the sum of
- v.** N207,371,730.96 in 2020. However, it rises again to N254,739,223.03 in year 2021, N520,269,692.68. in year 2022 and fell to N491,736,764.28 in year 2023. The total amount of only domestic debt servicing in 2019 was N75,370,142,220.66 compared to the amount of N84,117,153,719.98 in year 2023
- vi.** which indicated an increase in domestic debt servicing in year 2023. The State total Public debt servicing in 2019 was N75,709,100,048.35 compare to the amount of
- vii.**

N84,608,890,484.26 in 2023 which shows 11.7% increase in the total debt service repayment vigor of the State in year 2023.

viii. The external debt was only 7.5% of total debt in 2019 and it rises to 12.4% in year 2023. The increasing force in the state

ix. total public debt is contractors' arrears and need to be checked before it leads to serious debt overhang in the State. In 2019 contractors' arrears

was 117.644,134,053.18 billion compared to N83,402,921,451.09 billion in 2023. In 2019, the percentage of

x. Contractors Arrears in total public debt was 46.5% and it decline

xi. to 19.5% in 2023. The total revenue of the state for the period between 2018 and 2022 is on the increase. In 2019 it was N299,110,000.00 billion compared to N799,825,100,000.00

xii. billion in 2023. The above table shows that the expenditure was **N388,608,160,000.00** in year 2019 and it declined to N281,941,000,000.00 in year 2020 due to reduction in economic activities caused by the effect of corona virus pandemic, but with the gradual growth in economic activities, the Expenditure increases to the amount of

N384,969,880,000.00 in year 2021, it further increases to the amount of **N469,491,900,000.00** in year 2022 and finally increased to the amount of N809,825,100,000.00 in year 2023. 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 **N809,825,100,000.00** in year 2023.

xiii. As at end December 2023, the amount of non-flow debt in the State total Domestic Debt Stock was N105,530,040,925.63 while the amount of non-flow debt in the State total Domestic debt as at end December 2019 was N130,543,603,773.96.

xiv. Findings show that the percentage amount of non-flow debts in the total domestic debt stock as at end December 2023 was 28.2%, while the percentage of flow-debts in the State total Domestic Debt Stock as at end December 2019 was 55.8% 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% both in the historical years from 2019 - 2023 and also during the projected years from 2024 to 2033.

xvi. Furthermore, finding shows that Delta State Debt is easily serviceable from year 2019 to year 2030, but the baseline was threatened in year 2031 which means that the ability of the State to service its debt is becoming difficult while the State debt becomes completely unserviceable from year 2032 to year 2033 due to the fact that the debt service as a share of revenue chart has completely bridge the threshold line of 40% during the projected years from 2032 to 2033. This mean that the long term outlook for Delta State public debt is not sustainable towards the end of the projected years in 2032 and 2033.

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 year period 2019 to 2023 and the projected years from 2024 to 2033.

4.4: 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, and the State debt stock as a percentage share of revenue are well below the threshold. However, the debt service as a percentage share of revenue as depicted in the chart shows that Delta State Debt is easily serviceable from year 2019 to year 2030, but the threshold was threatened in year 2031 which means that the ability of the State to service its debt is becoming difficult while the State debt becomes completely unserviceable from year 2032 to year 2033 due to the fact that the debt service as a share of revenue chart has completely bridge the threshold line of 40% during the projected years from 2032 to 2033. This mean that the long term outlook for Delta State public debt is not sustainable towards the end of the projected years in 2032 and 2033. Moreover, the rise in Delta State's total expenditure between the base year 2019 and projected year of 2033, 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 strategy one as its alternative borrowing options as part of its debt management strategy in order to meet up with its

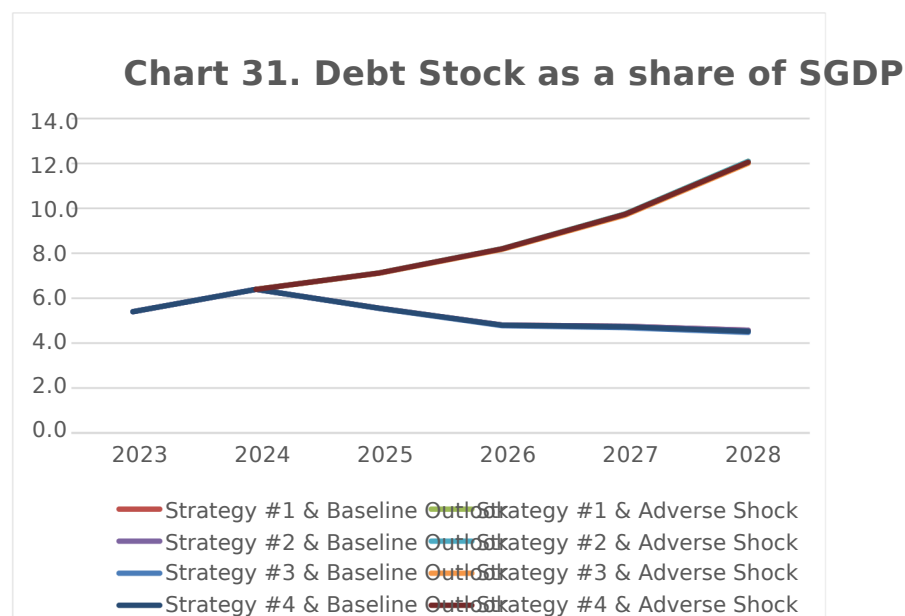
gross borrowing requirements from 2024 to 2033 to execute developmental projects. Therefore, Delta State planned to borrow from 2024 to 2033 through a commercial bank loan with a maturity of 5 years to include a grace period of 1 years, with an average of 5%, and another commercial bank loan of maturity withen 8 years to include a grace period of 1 year with an average of 35%, and also take State bond with a maturity of 8 years to include a grace period of 1 year with an average of 25%. The State will also employ other domestic financing method to obtain fund for its developmental projects with a maturity of 7 years to also include a grace period of 1 year with an average of 10%. The State will also go for external financing through multilateral or bilateral financing of its projects for a maturity period of 15 years with an average of 5% to include a grace period of 1 year. 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.

5.2: DMS SIMULATION RESULTS

During the projection base year period of 2023, the total domestic debt and total external debt of Delta State were N373,407,744,509.06 and N53,308,556,844.88 respectively compared to the projection debt profile position in year 2027 where the total domestic debt was N461,158,564,468.68 and total external debt was N188,658,982,674.03 bringing the total public debt profile of Delta State in the projection year period of 2027 to N649,817,547,142.71 as compared to the total public debt of N426,716,301,353.94 during the projection base year period of 2023. This shows an increase in the total public debt of the State from the projection base year period of 2023 to year 2027 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 from year 2023 to year 2027 after which it bridge the threshold line of 10% as a result of the shock.

An observation from the chart above shows that Strategy 1 and 2 has

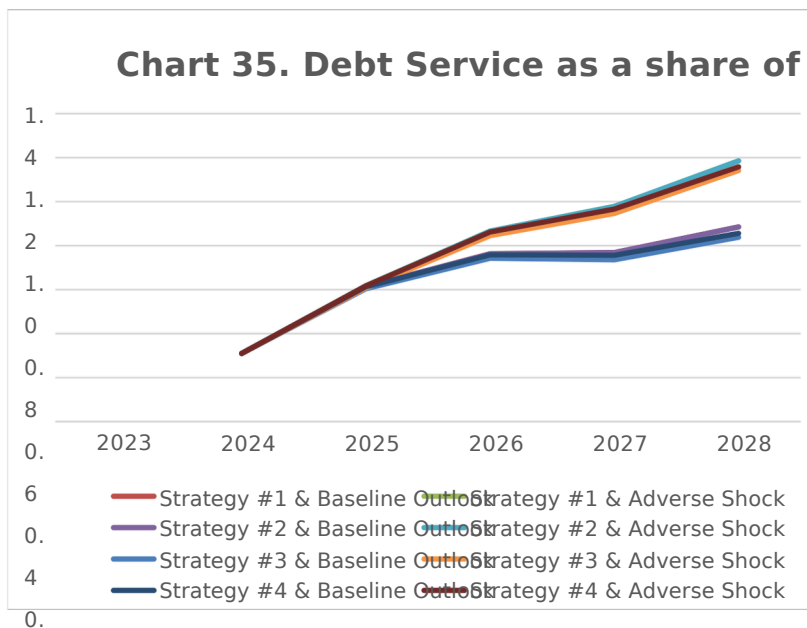
Chart 32. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)



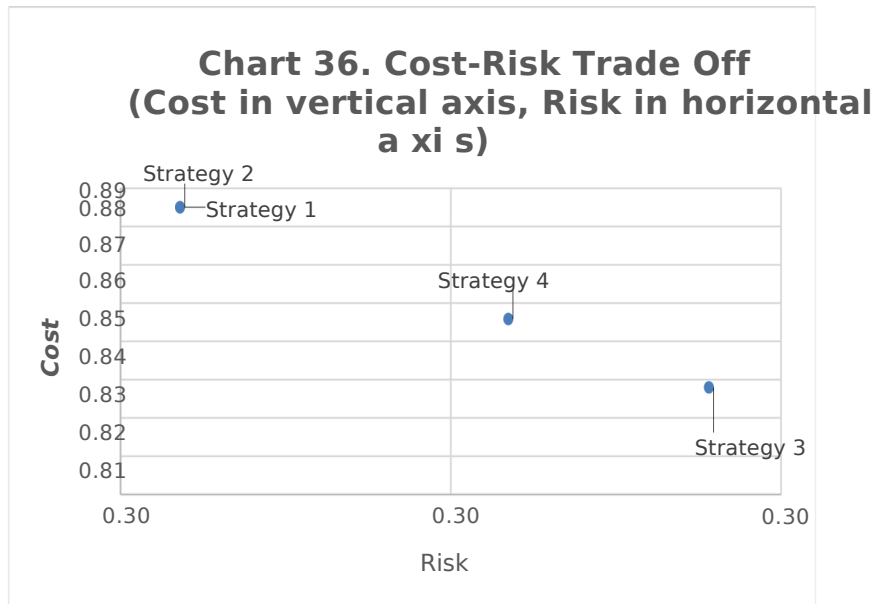
the same highest cost and lowest risk management trade off, while strategy 3 has lowest cost and highest trade off, but strategy 4 has an average cost and risk management trade off. Delta State going by best debt management practices will adopt strategy 4 as best strategy.

5.2.2: Debt Service as a share of GDP

Chart 35. Debt Service as a share of GDP

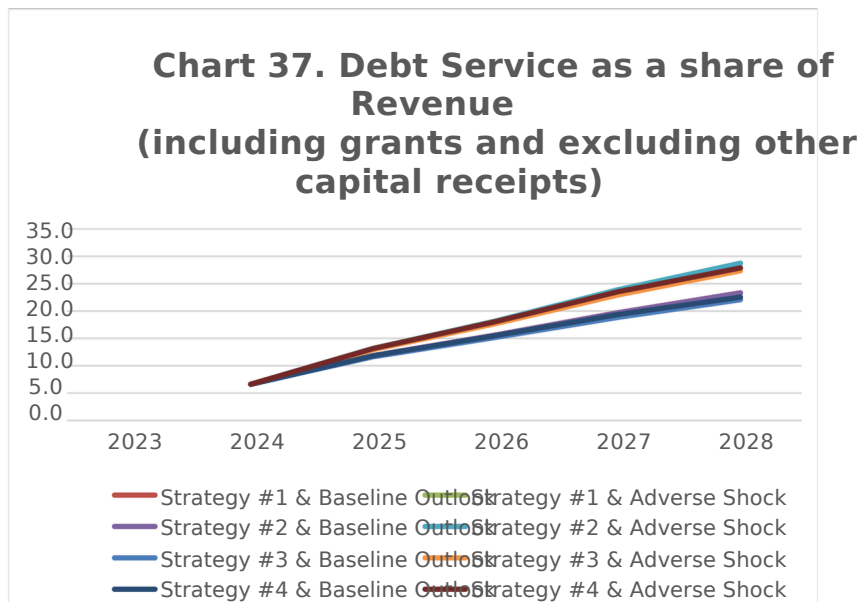


The above chart shows that while the State revenue was slightly rising the amount of debt stock was also rising and below the threshold line of 2.0



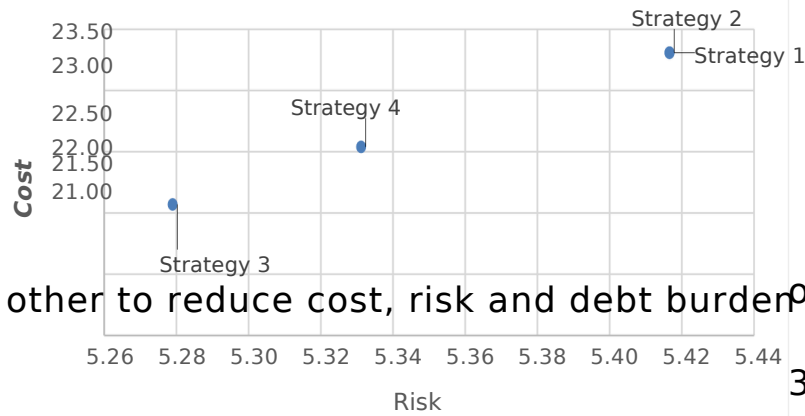
An observation from the chart above shows that Strategy 1 and 2 has the same highest cost and lowest risk management trade off, while strategy 3 has lowest cost and highest trade off, but strategy 4 has an average cost and risk management trade off. Delta State going by best debt management practices will adopt strategy 4 as best strategy.

5.2.3: 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.

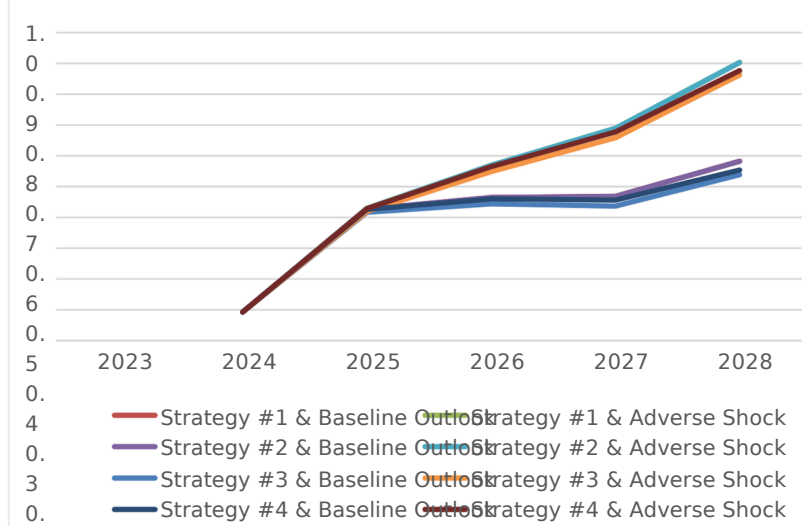
**Chart 38. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)**



An observation from the chart above shows that Strategy 1 and 2 has both the highest risk and cost, 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 other to reduce cost, risk and debt burden of the State for effective debt management.

5.2.5: INTEREST AS A SHARE OF SGDP

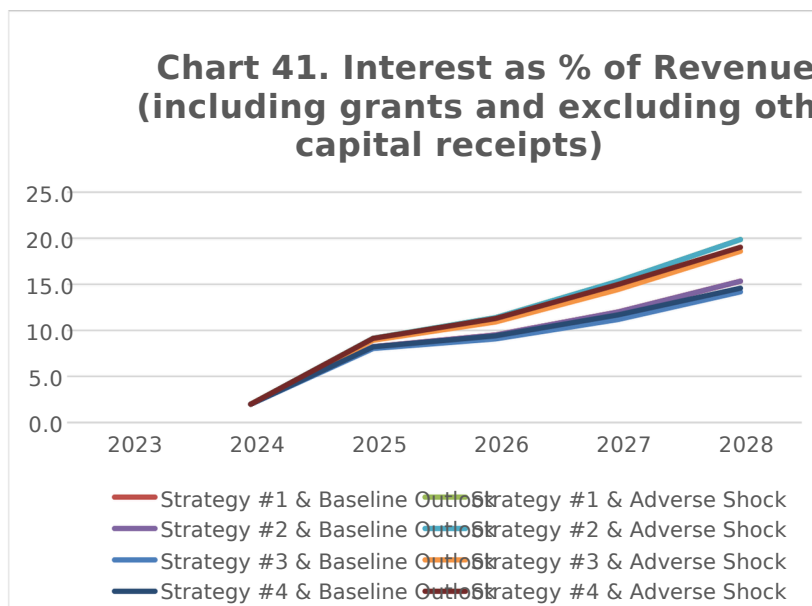
Chart 39. Interest as a share of SGDP



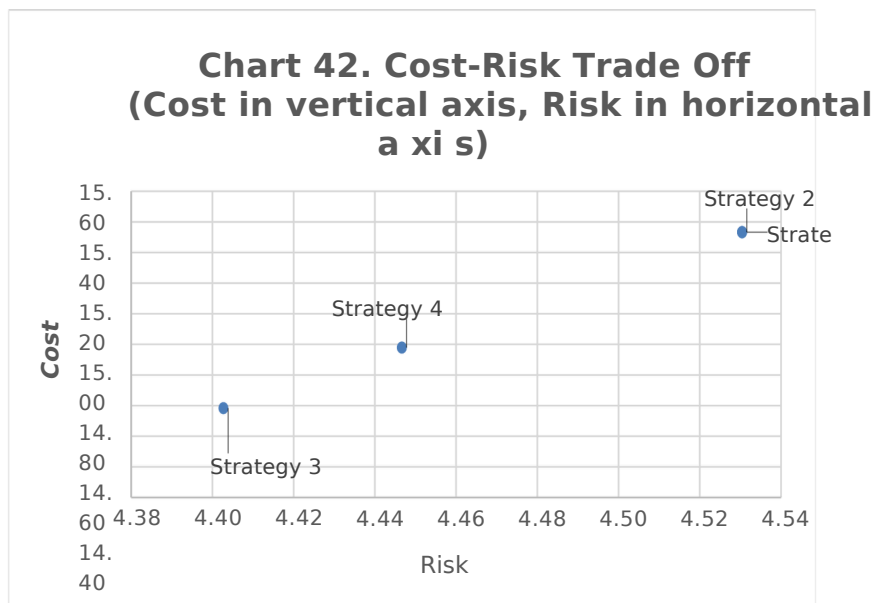
The above chart shows that both the State amount of interest rate and GDP is on the rise but did not bridge the threshold line.

An observation from the chart above shows that strategy 1 and 2 has the highest cost but the lowest risk while strategy 3 has the lowest cost and the highest risk. It could also be seen from the chat above that strategy 4 has an average cost lower cost than strategy 1 and 2 but not lower risk. The chat also shows that strategy 4 has a lower risk than strategy 3 but has a higher cost than strategy 3. Therefore, Delta State will adopt strategy 4 as the best debt management practices.

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 and 2 has the highest cost and the highest risk trade off followed by 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 4 has an average considerable cost and risk trade off advantage because its cost and risk trade off was never too high or too bad in all the strategies while the remaining strategies (1, 2 and 3) either have the highest risk or cost trade off scenario and it was only under Debt service as a share of revenue cost - risk trade off and interest as a percentage share of revenue cost risk trade off scenario that strategy 3 has both the lowest cost and risk advantage. However, going by qualitative decisions, Delta State will adopt strategy 4 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 2027, it is worth mentioning that

improvement

can be expected between the State current public debt portfolio which was **N426,716,301,353.94** in 2023 due to the expected constant yearly deductions in the State debt profile and adoption of the best prudent strategy 4 that has the lowest cost and risk trade off. It is also expected that by the State adopting strategy 4 as its best debt management strategy the exposure to currency risk and rollover risk will be mitigated.

ANNEXURE 1
BASELINE SCENARIO

| | Units | Scale | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|--|---------------|----------------------------|------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| 1. Information on State's Gross Domestic Product (See Note 1 in Guidance for Completing Data Request for State DSA) | | | | | | | | | | | | | | | | | |
| State GDP (at current prices) | Naira | Million | 5,061,243 | 4,824,044 | 5,506,536 | 6,328,708 | 7,331,371 | 8,659,603 | 10,018,035 | 11,390,329 | 12,673,165 | 14,100,480 | 15,688,547 | 17,455,469 | 19,421,392 | 21,608,726 | 24,042,408 |
| Nation GDP (at current prices) | Naira | Million | 145,639,139 | 154,252,319 | 176,075,502 | 202,365,027 | 234,425,914 | 276,896,671 | 320,333,476 | 364,213,502 | 405,233,047 | 450,872,419 | 501,651,925 | 558,150,473 | 621,012,170 | 690,953,666 | 778,772,323 |
| Exchange Rate NGN/US\$ (end-Period) | Naira | USD | 253 | 306 | 307 | 326 | 379 | 1,300 | 1,200 | 1,100 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 3. Information on Revenues, Expenditure, and Financing Needs and Sources (See Note 3 in Guidance for Completing Data Request for State DSA) | | | | | | | | | | | | | | | | | |
| Revenue | Naira | Million | 361,757 | 299,190 | 394,260 | 469,496 | 799,82 | 526,895 | 548,927 | 589,861 | 595,092 | 621,038 | 658,657 | 691,035 | 723,765 | 766,273 | 802,43 |
| 1. Gross Statutory Allocation ('gross' means with no deductions; do not include Net Statutory Allocation ('net' means of deductions)) | Naira | Million | 41,809 | 34,416 | 30,233 | 89,420 | 31,316 | 50,323 | 57,079 | 46,239 | 51,214 | 51,511 | 49,655 | 50,793 | 50,653 | 50,367 | 50,604 |
| 1.a. of which Net Statutory Allocation ('net' means of deductions) | Naira | Million | 26,444 | 20,290 | 20,940 | 20,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1.b. of which Deductions | Naira | Million | 15,365 | 14,127 | 9,293 | 69,420 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Derivation (if applicable to the State) | Naira | Million | 177,715 | 153,043 | 189,733 | 170,000 | 500,000 | 292,766 | 327,108 | 379,477 | 333,117 | 346,567 | 353,054 | 366,246 | 374,956 | 382,418 | 390,873 |
| 3. Other FAAC transfers (exchange rate gain, augmentation, others) | Naira | Million | 57,339 | 18,864 | 19,808 | 20,125 | 18,558 | 19,808 | 20,798 | 20,174 | 21,183 | 22,242 | 23,354 | 23,821 | 25,012 | 26,263 | 26,300 |
| 4. VAT Allocation | Naira | Million | 14,767 | 13,291 | 24,447 | 24,952 | 43,855 | 31,085 | 33,297 | 36,078 | 33,487 | 34,287 | 34,617 | 34,130 | 34,345 | 34,364 | 34,280 |
| 5. IGR | Naira | Million | 60,338 | 56,638 | 71,748 | 80,000 | 122,917 | 110 | 67,676 | 63,568 | 43,785 | 68,343 | 90,232 | 85,453 | 90,342 | 98,342 | 110,046 |
| 6. Capital Receipts | Naira | Million | 9,790 | 22,938 | 58,291 | 85,000 | 83,18 | 132,804 | 42,969 | 44,325 | 112,307 | 98,088 | 107,746 | 130,592 | 148,457 | 174,519 | 190,33 |
| 6.a. Grants | Naira | Million | 0 | 9,460 | 3,441 | 19,000 | 10,594 | 11,012 | 13,533 | 11,713 | 12,086 | 12,444 | 12,081 | 12,204 | 12,243 | 12,176 | 12,208 |
| 6.b. Sales of Government Assets and Privatization Proceeds | Naira | Million | 0 | 0 | 1,000 | 2,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6.c. Other Non-Debt Creating Capital Receipts | Naira | Million | 0 | 0 | 8,528 | 18,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements) | Naira | Million | 9,790 | 13,477 | 45,322 | 45,500 | 0 | 121,792 | 29,436 | 32,612 | 100,221 | 85,644 | 95,665 | 118,388 | 136,214 | 162,343 | 178,12 |
| 6.d.1. of which Borrowings from Domestic bonds | Naira | Million | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6.d.2. of which Borrowings from Commercial bank loans | Naira | Million | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6.d.3. of which Borrowings from External loans | Naira | Million | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expenditure | Naira | Million | 388,608 | 281,941 | 384,970 | 469,492 | 809,82 | 520,230 | 550,037 | 591,343 | 593,734 | 621,449 | 658,835 | 690,746 | 723,865 | 766,269 | 802,40 |
| 1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other) | Naira | Million | 77,714 | 71,854 | 98,572 | 87,290 | 130,399 | 164,315 | 127,334 | 140,683 | 144,111 | 137,376 | 140,723 | 140,737 | 139,612 | 140,357 | 140,235 |
| 2. Overhead costs | Naira | Million | 112,209 | 100,560 | 68,377 | 72,097 | 145,550 | 95,341 | 104,329 | 115,074 | 104,915 | 108,106 | 109,365 | 107,462 | 108,311 | 108,379 | 108,051 |
| 3. Interest Payments (Public Debt Charges, excluding interests deducted from FAAC) | Naira | Million | 12,115 | 11,404 | 12,567 | 5,006 | 250,16 | 8,033 | 42,737 | 52,917 | 59,347 | 82,092 | 104,104 | 125,540 | 144,648 | 171,212 | 201,92 |
| 3.b. of which Interest deducted from FAAC Allocation | Naira | Million | 211 | 92 | 2,284 | 2,006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.c. of which Interest deducted from Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs) | Naira | Million | 11,905 | 11,313 | 10,283 | 3,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs) | Naira | Million | 38,935 | 32,774 | 23,054 | 13,993 | 21,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Capital Expenditure | Naira | Million | 143,172 | 61,473 | 170,400 | 284,138 | 252,717 | 233,752 | 256,869 | 248,668 | 247,318 | 251,174 | 249,054 | 249,182 | 249,803 | 249,346 | 249,444 |
| 6. Amortization (principal) payments | Naira | Million | 4,462 | 3,876 | 12,000 | 6,968 | 10,00 | 18,789 | 18,767 | 34,002 | 38,042 | 42,701 | 55,590 | 67,825 | 81,491 | 96,975 | 102,74 |
| 6.a. of which Amortization of Domestic bonds | Naira | Million | 1,189 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6.b. of which Amortization of Commercial bank loans | Naira | Million | 2,950 | 3,664 | 4,000 | 6,668 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6.c. of which Amortization of External loans | Naira | Million | 323 | 212 | 8,000 | 300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Balance (' + ' means surplus, ' - ' means deficit) | Naira | Million | -26,851 | 17,249 | 9,290 | 4 | -10,000 | 6,665 | -1,110 | -1,482 | 1,358 | -411 | -178 | 289 | -100 | 4 | 31 |
| Opening Cash and Bank Balance | Naira | Million | 32,731 | 5,880 | 23,129 | 32,419 | 32,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 |
| Closing Cash and Bank Balance | Naira | Million | 5,880 | 23,129 | 32,419 | 32,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 | 22,423 |
| Calculation of Financing Needs and Sources | | | | | | | | | | | | | | | | | |
| Financing Needs | Naira | Million | | | | | | | | | | | | | | | |
| Primary balance | Naira | Million | | | | | | | | | | | | | | | |
| Debt service | Naira | Million | | | | | | | | | | | | | | | |
| Amortizations | Naira | Million | | | | | | | | | | | | | | | |
| Interests | Naira | Million | | | | | | | | | | | | | | | |
| iii. Financing Needs Other than Amortization Payments (e.g., Variation in Debt Service) | Naira | Million | | | | | | | | | | | | | | | |
| Financing Sources | Naira | Million | | | | | | | | | | | | | | | |
| i. Financing Sources Other than Borrowing | Naira | Million | | | | | | | | | | | | | | | |
| ii. Gross Borrowings | Naira | Million | | | | | | | | | | | | | | | |
| CONTROL: Financing Needs and Sources Must be Identical (i.e., no financing gap) | | | | | | | | | | | | | | | | | |
| OK OK OK OK OK OK OK OK OK | | | | | | | | | | | | | | | | | |
| 4.A. Reference Debt Management Strategy 51. Information on Planned Borrowings Creating New Debt (new bonds, new loans, etc.) (See Note 4 in Guidance for Completing Data Request) | | | | | | | | | | | | | | | | | |
| Insert planned Borrowings (new bonds, new loans, etc.) as nominal amounts in Million of local currency or Million of US dollars. Total Planned Borrowings must equal the Gross Borrowing Requirement (calculated by the Template in the Baseline Scenario) | | | | | | | | | | | | | | | | | |
| New Domestic Financing in Million of Local Currency | Instrument | Domestic Interest Rate (%) | Maturity (years) | Grace (# of years) | | | | | | | | | | | | | |
| Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, etc.) | Instrument #1 | Domestic | 35.00% | 8 | 1 | | | | | | | | | | | | |
| Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, etc.) | Instrument #2 | Domestic | 35.00% | 8 | 1 | | | | | | | | | | | | |
| State Bonds (maturity 1 to 5 years) | Instrument #3 | Domestic | 25.00% | 8 | | | | | | | | | | | | | |

ANNEXURE II

TABLE 9: TABLE ASSUMPTION

Below is the Table Assumption

| 2024 | | Projection Methodology | Source |
|--------------------------|--|---|--|
| 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, Abuja |
| Revenue | | | |
| | Revenue | | |
| | 1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here) | | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | 1.a. of which Net Statutory Allocation ('net' means of deductions) | The Delta State Fiscal Strategy Paper 2025-2027 projection for oil production was 1.88mbpd. In making projection for the 2023 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 post Election 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, DMO, Ministry of Finance and Economic Development. 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, DMO, Ministry of Finance and Economic |

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

Development. Delta State

DSA Team, DMO, Ministry of Finance and Economic Development. Delta State

3. Other FAAC transfers (exchange rate gain, augmentation, others)

DSA Team, DMO, Ministry of Finance and Economic Development. 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, DMO, Ministry of Finance and Economic Development. 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, DMO, Ministry of Finance and Economic Development. Delta State

6. Capital Receipts

DSA Team, DMO, Ministry of Finance and Economic Development. Delta State

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..

DSA Team, DMO, Ministry of Finance and Economic Development. Delta State

6.b. Sales of Government

The State is expected to Generate more Revenue from concessioning

DSA Team,

| | | | |
|--------------------|---|---|--|
| | Assets and Privatization Proceeds | activity from it developed Capital Asset | DMO,Ministry of Finance and Economic Development. Delta State |
| | 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 2024 to 2026 | DSA Team, DMO,Ministry of Finance and Economic Development. Delta State DSA Team, DMO,Ministry of Finance and Economic Development. Delta State |
| 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 2019 to 2023. Personnel costs performance against budget has always been very close to budget from 2019 to 2023 as variance in the 4 years was less than 5%. | DSA Team, DMO,Ministry of Finance and Economic Development. 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, DMO,Ministry of Finance and Economic Development. Delta State |
| | 3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation) | | DSA Team, DMO,Ministry of Finance and Economic Development. Delta State |
| | 4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead | 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 | DSA Team, DMO,Ministry of Finance and |

| | | | |
|---|---|--|--|
| | Costs and Interest Payments) | school teachers of the State. | <p>Economic Development. Delta State DSA Team, DMO, Ministry of Finance and Economic Development. Delta State DSA Team, DMO, Ministry of Finance and Economic Development. Delta State DSA Team, DMO, Ministry of Finance and Economic Development. Delta State DSA Team, DMO, Ministry of Finance and Economic Development. Delta State DSA Team, DMO, Ministry of Finance and Economic Development. Delta State</p> |
| | 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. | |
| 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 | |
| Debt Amotization and Interest Payments | Debt Outstanding at end-2023 | | |
| | 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 | |
| | 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 | |

New debt issued/contracted from 2024 onwards

New External Financing

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

External Financing - Bilateral Loans

Other External Financing

New Domestic Financing

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)

Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)

The State has a \$50m borrowing plan per Annum at 5% interest rate, 10 years Marturity peroid and 1years grace period

The State has a \$50m borrowing plan per Annum at 5% interest rate, 10 years Marturity peroid and 1years grace period

Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)

The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period

The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1years grace period

Finance and Economic Development. Delta State

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DSA Team, DMO,Ministry of Finance and Economic Development. Delta State

DSA Team, DMO,Ministry of Finance and Economic Development. Delta State

| | | | |
|---|--|--|---|
| | State Bonds (maturity 1 to 5 years) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period | State DSA Team, DMO,Ministry of Finance and Economic Development. Delta State |
| | State Bonds (maturity 6 years or longer) | The State has decided to maintain a 25% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO,Ministry of Finance and Economic Development. Delta State |
| | Other Domestic Financing | The State has decided to maintain a 25% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO,Ministry of Finance and Economic Development. Delta State |
| Proceeds from Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1 | | | |
| Debt-Creating Borrowings corresponding to Debt Strategy S1 | New Domestic Financing in Million Naira Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO,Ministry of Finance and Economic Development. Delta State |
| | Commercial Bank Loans (maturity 6 years or longer, | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1years grace period | DSA Team, DMO,Ministry of |

including Agric Loans,
Infrastructure Loans, and
MSMEDF)

State Bonds (maturity 1 to 5
years)

State Bonds (maturity 6 years
or longer)

Other Domestic Financing

**New External Financing in
Million US Dollar**

External Financing -
Concessional Loans (e.g.,
World Bank, African
Development Bank)

External Financing - Bilateral
Loans

Other External Financing

The State has decided to maintain a 35% interest rate, 8 years Maturity
period and 1 year grace period

The State has decided to maintain a 25% interest rate, 8 years Maturity
period and 1 year grace period

The State has decided to maintain a 25% interest rate, 8 years Maturity
period and 1 year grace period

The State has a \$20m borrowing plan per Annum at 5% interest rate, 8
years Marturity peroid and 1years grace period

The State has a \$20m borrowing plan per Annum at 5% interest rate, 8
years Marturity peroid and 1years grace period

The State has a \$20m borrowing plan per Annum at 5% interest rate, 8
years Marturity peroid and 1years grace period

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Finance and

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| | | | Economic Development. Delta State |
| | | | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| Proceeds from Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2 Debt-Creating Borrowings corresponding to Debt Strategy S2 | New Domestic Financing in Million Naira Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 years grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | State Bonds (maturity 1 to 5 years) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | State Bonds (maturity 6 years or longer) | The State has decided to maintain a 25% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |

| | | | |
|--|---|---|---|
| <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>Other Domestic Financing</p> | <p>The State has decided to maintain a 25% interest rate, 8 years Maturity period and 1 year grace period</p> | <p>DSA Team, DMO, Ministry of Finance and Economic Development. Delta State</p> |
| | <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> | <p>The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Maturity period and 1 years grace period</p> | <p>DSA Team, DMO, Ministry of Finance and Economic Development. Delta State</p> |
| | <p>External Financing - Bilateral Loans</p> | <p>The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Maturity period and 1 years grace period</p> | <p>DSA Team, DMO, Ministry of Finance and Economic Development. Delta State</p> |
| | <p>Other External Financing</p> | <p>The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Maturity period and 1 years grace period</p> | <p>DSA Team, DMO, Ministry of Finance and Economic Development. Delta State</p> |
| <p>Proceeds from Debt-Creating Borrowings</p> <p>corresponding New Domestic Financing</p> | <p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3</p> | | <p>DSA Team, DMO, Ministry of Finance and Economic Development. Delta State</p> <p>DSA Team, DMO, Ministry of Finance and Economic Development. Delta State</p> |

| | | | |
|--|--|---|--|
| to Debt Strategy S3 | in Million Naira | | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 years grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | State Bonds (maturity 1 to 5 years) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | State Bonds (maturity 6 years or longer) | The State has decided to maintain a 25% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | Other Domestic Financing | The State has decided to maintain a 25% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State |
| | New External Financing in Million US Dollar | | |
| External Financing - Concessional Loans (e.g., World Bank, African Development Bank) | The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Marturity peroid and 1years grace period | DSA Team, DMO, Ministry of Finance and Economic Development. Delta State | |

| | | | |
|--|--------------------------------------|--|---|
| | External Financing - Bilateral Loans | The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Marturity peroid and 1years grace period | State DSA Team, DMO,Ministry of Finance and Economic Development. Delta State |
| | Other External Financing | The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Marturity peroid and 1years grace period | |

Proceeds from Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4

| | | | |
|---|---|--|--|
| Debt-Creating Borrowings corresponding to Debt Strategy S4 | New Domestic Financing in Million Naira | | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period | DSA Team, DMO,Ministry of Finance and Economic Development. Delta State |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1years grace period | |
| | State Bonds (maturity 1 to 5 years) | The State has decided to maintain a 35% interest rate, 8 years Maturity period and 1 year grace period | |
| | | | |

State Bonds (maturity 6 years or longer)

The State has decided to maintain a 25% interest rate, 8 years Maturity period and 1 year grace period

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Other Domestic Financing

The State has decided to maintain a 25% interest rate, 8 years Maturity period and 1 year grace period

DSA Team, DMO, Ministry of Finance and Economic Development. Delta State

New External Financing in Million US Dollar

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Maturity period and 1years grace period

DSA Team, DMO, Ministry of Finance and Economic Development. Delta State

External Financing - Bilateral Loans

The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Maturity period and 1years grace period

DSA Team, DMO, Ministry of Finance and Economic Development. Delta State

Other External Financing

The State has a \$20m borrowing plan per Annum at 5% interest rate, 8 years Maturity period and 1years grace period

DSA Team, DMO, Ministry of Finance and Economic Development. Delta State

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COMPOSITION OF THE JOINT DELTA STATE DEBT ANALYSIS TEAM

Participant from the State Debt Management Department, Ministry of Finance:

1. Ekwuabu John Director Debt Management Department
2. Eze Osita Anthony ACAO Debt Management Department.

Participant from State's Loans and Investment Department, Ministry of Finance:

1. Pinick Gibson Director Loans and Investment.


Participant from the State's Office of the Accountant General

1. Ogbaudu Blessing Director, Financial Reporting.

Participant from the State's Budget Department, Ministry of Economic Planning:

1. Orere Richard Assistant Director, programme Analyst.

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

Name: GIBSON E Pinick Signature: 

Date: 30/12/23 Time: 12.35 pm



Functioning Permanent Secretary, Ministry of Finance, Delta State.