

Economic Diversification and Fiscal Sustainability of Oil-Producing States



CASE STUDY: DELTA STATE



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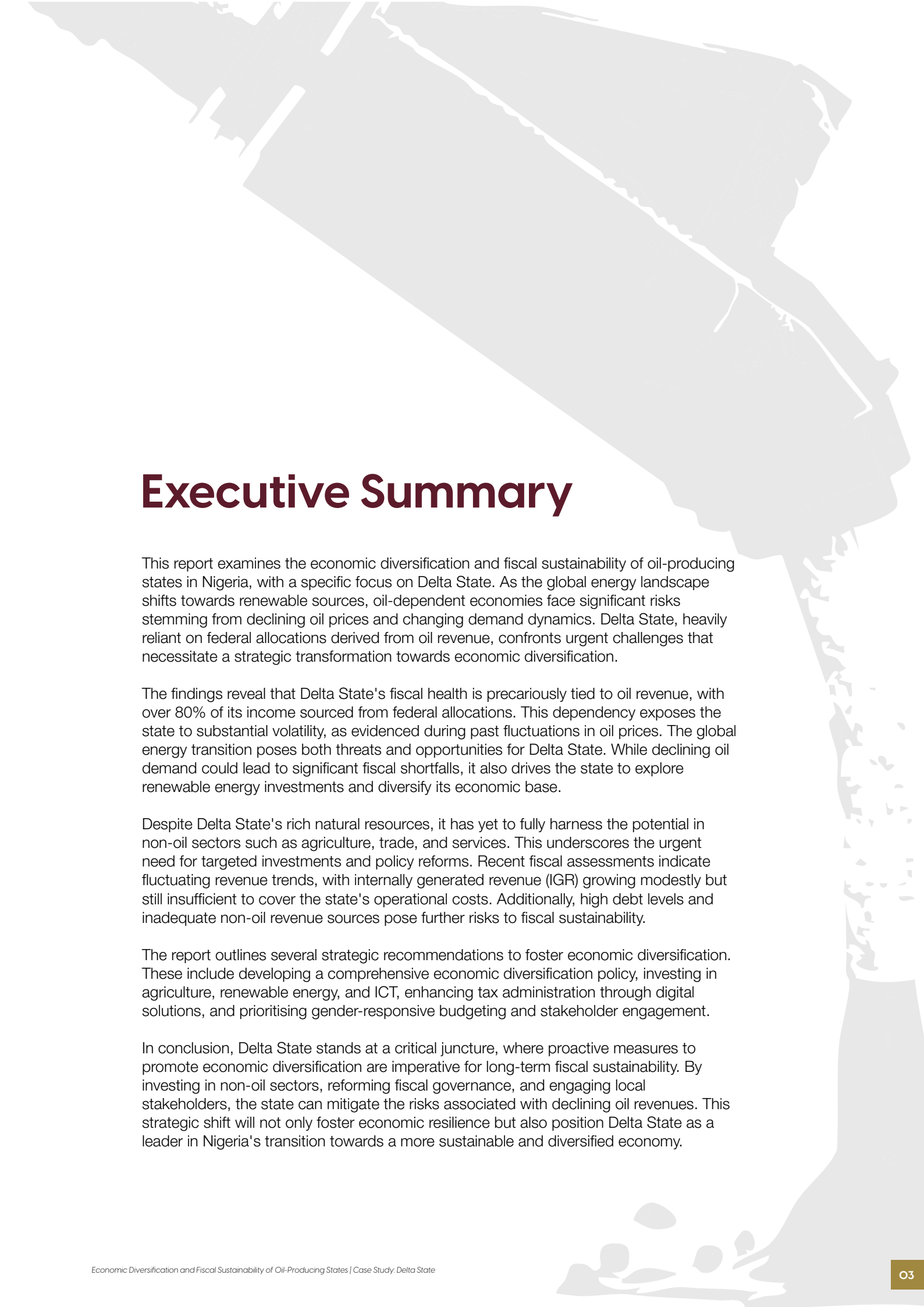
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Executive Summary

This report examines the economic diversification and fiscal sustainability of oil-producing states in Nigeria, with a specific focus on Delta State. As the global energy landscape shifts towards renewable sources, oil-dependent economies face significant risks stemming from declining oil prices and changing demand dynamics. Delta State, heavily reliant on federal allocations derived from oil revenue, confronts urgent challenges that necessitate a strategic transformation towards economic diversification.

The findings reveal that Delta State's fiscal health is precariously tied to oil revenue, with over 80% of its income sourced from federal allocations. This dependency exposes the state to substantial volatility, as evidenced during past fluctuations in oil prices. The global energy transition poses both threats and opportunities for Delta State. While declining oil demand could lead to significant fiscal shortfalls, it also drives the state to explore renewable energy investments and diversify its economic base.

Despite Delta State's rich natural resources, it has yet to fully harness the potential in non-oil sectors such as agriculture, trade, and services. This underscores the urgent need for targeted investments and policy reforms. Recent fiscal assessments indicate fluctuating revenue trends, with internally generated revenue (IGR) growing modestly but still insufficient to cover the state's operational costs. Additionally, high debt levels and inadequate non-oil revenue sources pose further risks to fiscal sustainability.

The report outlines several strategic recommendations to foster economic diversification. These include developing a comprehensive economic diversification policy, investing in agriculture, renewable energy, and ICT, enhancing tax administration through digital solutions, and prioritising gender-responsive budgeting and stakeholder engagement.

In conclusion, Delta State stands at a critical juncture, where proactive measures to promote economic diversification are imperative for long-term fiscal sustainability. By investing in non-oil sectors, reforming fiscal governance, and engaging local stakeholders, the state can mitigate the risks associated with declining oil revenues. This strategic shift will not only foster economic resilience but also position Delta State as a leader in Nigeria's transition towards a more sustainable and diversified economy.



Introduction

1.1 Background and Context

The global shift from fossil fuels to renewable energy (the energy transition), driven by climate change, is a major driver of declining international oil prices. This decline in global oil prices poses a significant threat to economies that depend primarily on oil and gas for revenue. Oil revenues account for between 50% and 80% of the revenues accruing to oil-producing states, which threatens their fiscal sustainability¹.

The energy transition in Nigeria requires collaboration between federal and subnational governments. However, the prevailing emphasis on the federal level often neglects the vital contributions of subnational governments, especially in oil-rich states. These subnational entities play a crucial role in fostering socio-economic resilience during the transition, mainly because of their proximity to citizens and their understanding of local needs.

Delta State is one of the nine oil-rich states in Nigeria, with over 80% of its revenue from the federal government allocation². The fiscal sustainability of Delta State is severely threatened due to its reliance on federal transfers, which are primarily derived from oil revenue. As renewable energy sources are increasingly adopted worldwide, the oil demand is facing significant threats. This shift highlights the pressing need for local economies, particularly in Delta State, to diversify their economic base. With the traditional reliance on oil revenues becoming less sustainable, Delta State must proactively explore alternative economic avenues.

According to BudgIT's State of States 2024 Report,³ Delta State ranked 11th in its fiscal performance, and its internally generated revenue, IGR, grew from N79.87 billion in 2022 to N99.98 billion in 2023. A breakdown of the

1. Nafi Quarshie, Tengi George-Ikoli, 2022. Ending Nigeria's Oil Dependency: Not If, But When...and How. Available at <https://resourcegovernance.org/articles/ending-nigerias-oil-dependency-not-if-whenand-how>

2. BudgIT State of States, 2024 Report. Available at: https://budgit.org/post_publications/state-of-states-2024-report-2/

3. BudgIT State of States, 2024 Report. Available at: https://budgit.org/post_publications/state-of-states-2024-report-2/

IGR reveals that approximately 87% of the revenue was generated from tax sources, while the remaining 13% came from non-tax sources. In 2023, FAAC allocation to Delta State amounted to N580.60 billion, translating to 85.31% of total state revenue and a year-on-year increase (of FAAC) of 28.89% from N450.46 billion in 2022 to N580.60 billion in 2023.

This research focuses on promoting policies that enhance economic diversification and fiscal sustainability in Delta State. By engaging local stakeholders and examining current fiscal frameworks, it aims to identify ways for the state to reduce its reliance on oil revenues. The goal is to ensure that local initiatives are recognised in national discussions, enabling Delta State to contribute effectively to broader economic and environmental objectives while addressing its unique challenges and opportunities.

The urgency for Delta State to transition towards a more diversified economy cannot be overstated. As the demand for oil faces significant threats from the global shift to renewable energy, the state must seek viable non-oil revenue streams to mitigate the risks posed by volatile oil markets. Prioritising economic diversification will not only strengthen Delta State's fiscal resilience but also align with national and global energy transition goals.

This strategic transformation is crucial for ensuring long-term economic stability and environmental sustainability in an evolving energy landscape, positioning Delta State as a proactive participant in Nigeria's future economic development.



1.2 Methodology and Scope

This research employs a mixed-method approach, integrating desk research and analysis with focus group discussions to provide a comprehensive understanding of Delta State's economic diversification and fiscal sustainability.

A thorough fiscal assessment of Delta State was conducted to quantify its dependency on oil and gas revenues. This involved analysing financial data from various government sources, including budgets and revenue reports, to identify trends in revenue generation and pinpoint vulnerabilities associated with fluctuating oil markets. To gather qualitative insights, focus group discussions were held with key stakeholders in Delta State, including community leaders, representatives from civil society organisations, and government officials. These discussions aimed to capture local perspectives on

economic resilience and the challenges posed by the energy transition. By engaging diverse viewpoints, the research seeks to highlight the state's unique socio-economic dynamics.

This research focuses on Delta State's efforts to diversify its economy and enhance fiscal sustainability amid a changing energy landscape. Key areas of exploration include identifying viable non-oil revenue streams and assessing the state's financial health, all while emphasising the importance of local voices in shaping policies that support economic resilience and sustainable development. This comprehensive approach ensures that the research not only quantifies Delta State's economic dependencies but also provides actionable insights for policymakers and stakeholders to facilitate a successful energy transition.

1.3 Objective

- Advance a just energy transition in which oil-producing states mitigate the economic and social transition risks.
- Provide concrete policy, legislative, and regulatory recommendations that enable oil-producing states to respond better to the energy transition.
- Highlight opportunities for economic diversification to promote fiscal sustainability in subnational governments.



National and Sub-National Oil Dependency - Fiscal Sustainability

2

2.1 Dependency on Oil and Gas Revenue

Oil and gas revenue account for a significant share of Nigeria's income and foreign exchange. In Q4 2022, oil accounted for nearly 80% of total exports⁴, and by the end of 2021, it accounted for 41% of federally collected revenue⁵. This heavy reliance exposes the country to fluctuations in the international crude oil market. Despite ongoing calls to diversify the economy, Nigeria's dependence on oil and gas has continued for decades. The urgency of diversification has never been clearer, especially amid the energy transition in the coming decades.

Delta State's fiscal structure is heavily tied to oil revenue, with over 80% of its budget derived from the Federation Account Allocation Committee (FAAC), which distributes oil rents among federal, state, and local governments. This reliance has exposed Delta State to oil

price volatility, as seen during the 2014 commodity crash and the 2020 pandemic-induced crisis, leading to fiscal instability and limited internally generated revenue (IGR). For instance, Delta State's Internally Generated Revenue (IGR) is significantly lower than that of other states, such as Lagos, which relies on the Federation Account Allocation Committee (FAAC) for less than 50% of its revenue. The heavy dependence on oil has also fostered weak fiscal governance and underinvestment in non-oil sectors, exacerbating socio-economic challenges in Delta State, including poverty and unemployment, despite its resource wealth.

4. National Bureau of Statistics. Q4 2022 foreign trade statistics

5. Central Bank of Nigeria. 2021 Statistical bulletin- Public Finance

2.2 Impact of Energy Transition on Oil and Gas Demand

The global energy transition, driven by climate goals and the shift to renewable energy, is reshaping oil and gas demand. The International Energy Agency's (IEA) 2022 World Energy Outlook projects a decline in oil demand from 95 million barrels per day to under 25 million by 2050 under a net-zero emissions scenario, with natural gas demand dropping from 4.2 billion to 1.2 billion cubic meters⁶. Key export markets for Nigeria's oil, such as India and Spain, have committed to achieving carbon neutrality by 2030–2050, which is expected to reduce demand for Nigerian crude. Since January 2025, Brent crude has traded between \$60 and \$78 per barrel, according to Intercontinental Exchange (ICE) benchmarks. After peaking in the second quarter, prices have fallen around 15%, settling in early October between \$62 and \$67 per barrel. This, however, poses a fiscal risk for oil producers like Nigeria and Delta state, a

central hub for oil production⁷. The state's oil fields, operated by multinational corporations such as Shell and Chevron, face declining foreign investment as international oil companies divest their Nigerian assets in favour of greener energy portfolios.

Additionally, environmental degradation from oil activities, such as spills contaminating farmlands and rivers, has already strained local livelihoods. The transition may exacerbate these issues if not managed with a focus on remediation and diversification. However, the transition also presents opportunities for Delta State to invest in renewable energy, such as solar and wind, leveraging its coastal geography and abundant sunlight to create new revenue streams and jobs.

2.3 Projected Impact of Falling Oil Demand on Revenue in Nigeria

Falling oil demand is projected to have a significant impact on Nigeria's fiscal landscape, with implications for Delta State. A 2021 analysis by Coffin et al. estimates a 46% decline in oil and gas revenues (\$9 trillion) for 40 "petrostate" countries, including Nigeria, between 2021 and 2040 under the IEA's Sustainable Development Scenario, with Nigeria facing a 69% revenue drop compared to 2015–2019 levels⁸. For Delta State, which relies on FAAC allocations and a 13% derivation principle (mandating 13% of oil revenue to be allocated to oil-producing states), this translates to a severe fiscal shortfall.

Between 2009 and 2019, oil-producing states received N6.588 trillion (\$4.35 billion), with Delta State among the top beneficiaries. A sustained decline in oil prices, potentially to \$40 per barrel, could render the state fiscally unviable without alternative revenue sources. Budget cuts, delayed infrastructure projects, and reduced public services are likely outcomes that will disproportionately affect vulnerable populations. Moreover, Delta State's limited internally generated revenue (IGR) is hampered by weak tax systems and an informal economy, exacerbating its vulnerability. The state must urgently enhance fiscal resilience to mitigate these risks.

6. International Energy Agency (2022). World Energy Outlook 2022. Available at: <https://iea.blob.core.windows.net/assets/830fe099-5530-48f2-a7c1-11f35d510983/WorldEnergyOutlook2022.pdf>

7. The IEA Forecasts Global Oil Surplus in 2026 as OPEC+ Increases. Abdel-Latif Boureima, Ange Jason Quenum. 16 October 2025. Available at [https://www.ecofinagency.com/news-industry/1610-49610-the-ia-forecasts-global-oil-surplus-in-2026-as-opec-increases-output#:~:text=The%20International%20Energy%20Agency%20\(IEA,%20\\$62%20and%20\\$67%20per%20barrel](https://www.ecofinagency.com/news-industry/1610-49610-the-ia-forecasts-global-oil-surplus-in-2026-as-opec-increases-output#:~:text=The%20International%20Energy%20Agency%20(IEA,%20$62%20and%20$67%20per%20barrel)

8. Coffin, M., Dalman, A., and Grant, A. (2021). Beyond Petrostates. Carbon Tracker Initiative: The burning need to cut oil dependence in the energy transition. Available at https://s1.elespanol.com/2021/02/10/actualidad/citi_that_will_disproportionately_affectbeyond_petrostates_report_feb21-3.pdf, is,exacerbating

2.4 Impact of fading oil and gas revenues on subnationals

The decline in oil revenues will have a profound impact on Nigeria's subnational governments, particularly oil-producing states such as Delta, Bayelsa, and Akwa Ibom, which rely on the FAAC for over 80% of their budgets. In Delta State, fading oil revenues threaten fiscal sustainability, as the state's high dependence on oil revenue, backed by federal allocations, leaves little room for independent fiscal manoeuvring, unlike Lagos and Ogun, which have diversified their revenue through taxation and industrialisation. Federal transfers have increased significantly in recent years, but vulnerability to external factors beyond the control of the federal or state government also poses significant risks to fiscal sustainability. Examples of such external shocks include the 2008 global recession, the 2016 supply glut (oil price crash), and the 2020 COVID-19 pandemic. The impact includes:

- **Fiscal Instability:** Reduced FAAC allocations will strain Delta State's ability to fund salaries, pensions, and infrastructure, potentially leading to social unrest.
- **Socioeconomic Challenges:** High unemployment—already a concern in the Niger Delta (18% youth unemployment in 2023)—could worsen, fueling crime and militancy, as seen in past conflicts such as the Ogoni protests and the 2003–2009 militia movement.

- **Legacy Environmental Damage:** Decades of oil spills have degraded Delta State's farmlands and fisheries. Declining revenues may limit funds for environmental remediation, perpetuating poverty among local communities.
- **Inequity:** The unequal distribution of oil wealth has historically marginalised Delta State's residents, with 70% of Niger Delta inhabitants living below \$2/day despite the region's oil wealth. Reduced revenues could deepen this disparity.

Delta State stands at a critical juncture as global energy transitions and falling oil demand threaten its fiscal stability. Its heavy reliance on oil revenue and federal allocations, coupled with environmental and socioeconomic challenges, underscores the urgency of a fiscal reset. By enhancing IGR, investing in non-oil sectors, supporting the energy transition, and reforming fiscal governance, Delta State should diversify its economy and build resilience. Learning from subnational peers like Lagos and leveraging opportunities in non-oil sectors, Delta State can chart a path toward sustainable development, reduce its vulnerability to oil market shocks, and ensure equitable growth for its residents.



Energy Transition Risk

3

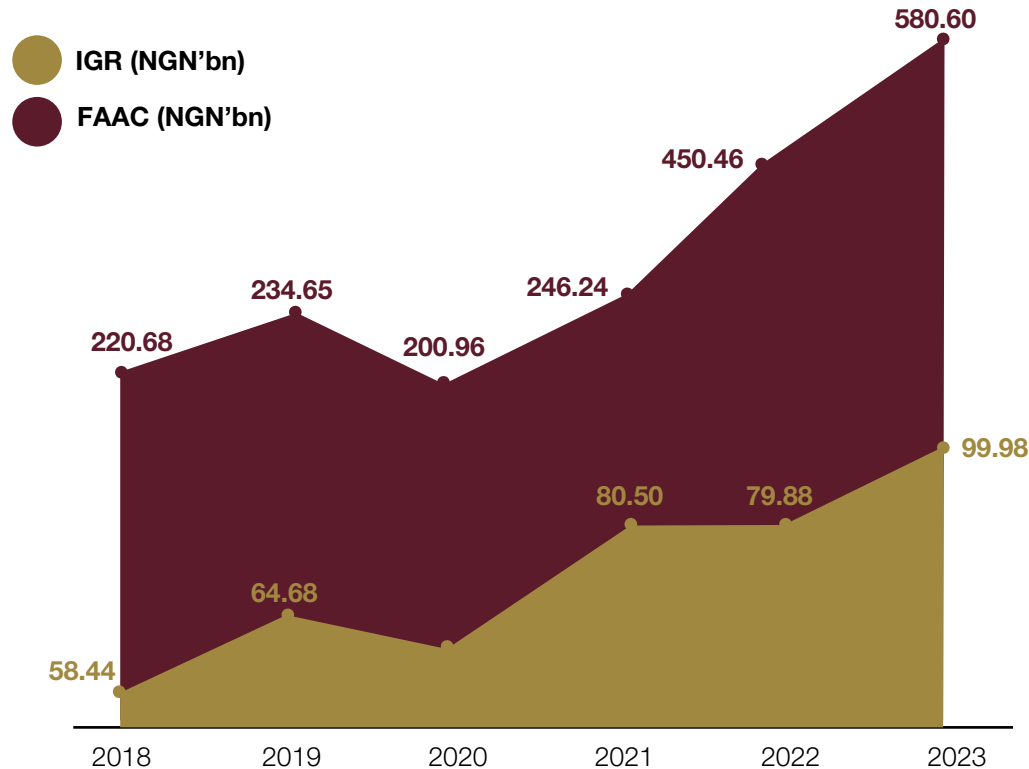
Delta State's economic framework is significantly reliant on federal allocations. According to recent assessments, the state's revenue from the Federation Account Allocation Committee (FAAC) constituted over 80% of its total recurrent revenue in 2021, 2022, and 2023. This dependency exposes Delta State to substantial fiscal risks, particularly amid the global shift towards clean energy and declining oil demand.

Revenue Composition

Although the state's internally generated revenue (IGR) increased slightly from N79.88 billion to N99.98 billion, it remains inadequate to cover the rising operational expenses. A further breakdown of operating expenses shows that for 2023, personnel and overhead costs account for approximately 69% of expenses, totalling N127.63 billion and N79.03 billion, respectively⁹. This financial strain indicates that Delta State faces challenges in sustaining public services and capital projects without a more robust revenue base.

9. Budget State of States 2024 Report. Available at: https://budget.org/post_publications/state-of-states-2024-report-2/

Distribution of Delta State Revenue Stream



Source: Budget State of States report (2020 -2024)

Nigeria's economy is heavily dependent on oil and gas revenue, which accounts for a significant share of its income and foreign exchange. In Q4 2022, oil accounted for nearly 80% of total exports, while by the end of 2021¹⁰, it contributed 41% to federally collected revenue¹¹. This long-standing reliance has left the country vulnerable to fluctuations in the international crude oil market, emphasising the urgent need for economic diversification, particularly in light of the inevitable global energy transition.

Similarly, Delta State has historically relied on oil and gas revenues sourced from federal allocations through the Federation Account Allocation Committee (FAAC). An analysis from 2018 to 2023 shows a concerning trend: FAAC allocations surged from N220.68 billion in 2018 to N580.60 billion in 2023, indicating an increasing vulnerability to fluctuations in federal funding as global energy markets shift towards decarbonization. While internally

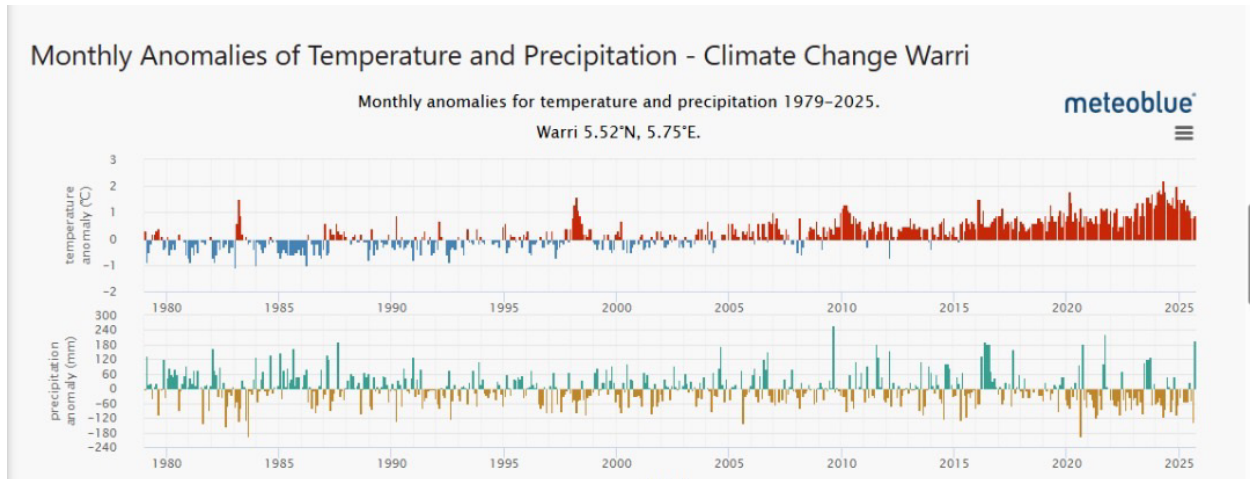
generated revenue (IGR) has grown modestly from N58.44 billion in 2018 to N99.98 billion in 2023, it remains a small fraction of total revenue, limiting the state's capacity to sustain public services and infrastructure independently.

This dependence on oil revenues poses significant financial risks, particularly if global demand for fossil fuels declines. A downturn in oil prices or reduced demand due to climate policies could severely impact Delta State's ability to fund essential services and infrastructure projects. The Energy Transition Risk Assessment highlights critical vulnerabilities linked to the state's reliance on oil and gas revenues. To mitigate these risks, Delta State must prioritise the development of alternative income streams and invest in renewable energy, agriculture, and technology sectors. Enhancing IGR is essential to achieving financial resilience amid global shifts in the energy market.

10. National Bureau of Statistics. Q4 2022 foreign trade statistics
11. Central Bank of Nigeria. 2021 Statistical bulletin- Public Finance

Effects of Climate Change

Figure 1: Delta State monthly anomalies for temperature and precipitation, 1979-2025



Source: https://www.meteoblue.com/en/weather/historyclimate/change/warri_nigeria_2319133

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The top graph illustrates the temperature anomaly for each month from 1979 to the present. This anomaly indicates how much warmer or colder a month was compared to the 30-year climate average from 1980 to 2010. In the graph, months marked in red were warmer than usual, while those in blue were cooler than normal. In many areas, there has been a noticeable increase in warmer months over the years, reflecting the impact of global warming.

The lower graph depicts the precipitation anomaly for every month since 1979. This anomaly shows whether a month experienced more or less precipitation than the 30-year climate mean for 1980-2010. Thus, months represented in green were wetter, while those in brown were drier than average. Evidently, Delta State has consistently had

more warm than cold months over the last quarter-century. Similarly, there have been more months with higher precipitation in recent years. The results include flood events which lead to economic, environmental, health, agricultural and infrastructural damage. Marine ecosystems are also at risk, while the cost of fishing rises as weather-related events increasingly affect the blue economy. Like other oil-producing states in Nigeria's Niger Delta region, Delta State is affected by the impacts of climate change, with severe and fatal consequences for its citizens. The 2024 displacement tracking matrix report revealed that almost 29,000 people were displaced by flooding. Thirty-two thousand six hundred ninety-two farmlands were affected, and nearly 11,000 houses were completely or partially damaged.



Demographic, Economic, and Social Overview

4.1 Population

Delta State, located in the Niger Delta region of Nigeria, is home to an estimated population of over 5.6 million people (National Population Commission estimates, 2022 projection)¹². The state's population is diverse, comprising several ethnic groups, including the Urhobo, Isoko, Itsekiri, Ijaw, and Anioma. With a relatively young demographic profile—over 60% of residents under 35—and a large working-age population, Delta has a large potential workforce that could be harnessed for economic diversification. However, high dependency ratios, rural–urban migration, and uneven access to social infrastructure pose challenges for balanced growth. The youthful population provides an opportunity to drive innovation and entrepreneurship if supported by enabling policies, particularly in non-oil sectors.

4.2 Current Economic Structure

Delta State's economy is heavily reliant on oil-backed federal transfers. As one of Nigeria's leading crude oil producers, the state hosts extensive petroleum infrastructure and several multinational oil companies. While a significant source of revenue for the country and the state, oil revenue is vulnerable to external shocks, such as global oil price fluctuations, which can affect state revenues and budget management. For instance, in 2021, a decline in oil prices resulted in a significant drop in the state's revenue from the Federation Account Allocation Committee (FAAC). There is, however, an increasing recognition of the importance of diversifying into other economic activities that can provide stable, internally generated revenue streams. The state's financial structure is characterised by a significant focus on the extractive industry, while non-oil sectors remain underdeveloped, offering untapped opportunities.

12. Delta State Fact Check. Available at: <https://deltastate.gov.ng/index/#:-:text=Name:%20Delta%20State,Postal%20Codes:%20320001%20to%20334196>

4.3 Breakdown of GDP Contributions (Oil vs. Non-oil Sectors)

Delta State is one of the states in Nigeria's Niger Delta oil-producing region. The state's primary growth potential lies in agri-business, light manufacturing, healthcare, tourism, energy, and mining. Given the high levels of unemployment, enhancing support for these areas will be crucial in accelerating the diversification effort, consolidating poverty reduction achievements, and attracting foreign direct investment¹³.



13. Oxford Business Group Report. Available at: <https://oxfordbusinessgroup.com/reports/nigeria/2024-report/delta-state-chapter/>

4.3 Major non-oil industries (e.g., agriculture, trade, services)

Agriculture – Delta's fertile land and riverine environment support crops such as cassava, yam, oil palm, and rice, as well as fisheries and aquaculture. However, much of the agricultural activity remains subsistence-based, with limited value chain development. Expanding agro-processing could generate significant jobs and revenue.

Trade and Commerce – Urban centres like Warri, Asaba, and Sapele serve as commercial hubs, with vibrant wholesale and retail markets. The sector benefits from Delta's position as a transit point between southern and eastern Nigeria.

Services – Education, hospitality, transport, and entertainment are emerging areas, with Asaba becoming a regional conference and film production hub; the creative industry is gaining traction.

Light Manufacturing – Small-scale manufacturing exists in food processing, furniture making, and textiles, but remains constrained by infrastructure deficits and high production costs. These industries have the potential to become engines of fiscal sustainability if given supportive infrastructure, credit access, and market linkages.

4.4 Employment Trends: Link between non-oil sectors and job creation

In Delta State, the oil sector contributes minimally to employment. Most jobs are found in agriculture, trade, services, and the informal sectors. For example, agriculture alone employs over 40%¹⁴ of the state's working population, while trade and services together account for another significant share. Nigeria's National Bureau of Statistics (NBS) "Labour Force Statistics: Unemployment and Underemployment Report" for the fourth quarter of 2020 put the unemployment rate for Delta State fractionally higher at 31.1%. Despite these figures, Delta State had the second lowest poverty rate in Nigeria in 2020 and the ninth lowest rate in the NBS' Multidimensional Poverty Index published in November 2022.¹⁵

This trend underscores the critical role of non-oil sectors in reducing unemployment and fostering inclusive growth. A diversified economy anchored in labour-absorbing industries would not only enhance fiscal sustainability but also mitigate the socio-economic risks associated with oil price volatility. Policies that strengthen non-oil sectors will have a double dividend: creating jobs for the growing youth population and expanding the state's internally generated revenue (IGR) base. This, in turn, will reduce the fiscal shocks caused by overdependence on federal oil allocations.

14. Ojeh, V. N., Origho, T., & John, P. H. (2012). Agriculture as an index of socio-economic development of Delta State of Nigeria. *World Environment*, 2(4), 62-68.

15. Oxford Business Group 2024 Report. Available at: <https://oxfordbusinessgroup.com/reports/nigeria/2024-report/delta-state/diverse-opportunities-boosting-the-potential-of-the-non-oil-sector-for-sustainable-growth-analysis/>

Fiscal Outlook

5

Table: Five-year revenue and expenditure trend

	2020	2021	2022	2023	2024
Revenue Trend	297,787,195,257	270,948,060,713	330,176,213,346	534,850,671,805	692,198,913,171.39
Expenditure Trend	349,765,214,247	255,663,444,729.29	382,027,825,493	661,332,766,929	522,717,708,351
State Debt Profile	253,020,628,610	272,032,185,320	179,976,290,099	331,188,069,017	426,716,301,353.94

Source: BudgIT State of States report (2020-2024)

5.1 Revenue Trend (IGR, Gross FAAC, and Aids & Grants, Capital Receipts)

Over five years, Delta State's revenue trajectory has been quite tumultuous. The journey began in 2020 with a revenue of N297.79 billion, but it fell by 9.01% in 2021 to N270.95 billion, likely due to external shocks such as oil price fluctuations or the lingering effects of the COVID-19 pandemic. A significant turnaround occurred in 2022, with a 21.85% increase to N330.18 billion, likely indicating a rebound in economic activity or enhanced tax collection. In 2023, there was an impressive surge of 62.03%, bringing the total to N534.85 billion, followed by another increase of 29.38% in 2024, culminating in N692.20 billion. These increases could have enabled the state to finance additional infrastructure and development initiatives. Nonetheless, such significant variations suggest an unstable revenue framework, possibly linked to unpredictable oil prices and the funds generated.

5.2 Expenditure Trend (Personnel, Overhead, Capital Expenditure, and Debt Service)

In 2020, the state had an initial budget of N349.77 billion, but in 2021, it reduced its expenditures by 26.88% to N255.66 billion. A significant turnaround occurred in 2022, with spending increasing by 49.45% to reach N382.03 billion. The most notable surge occurred in 2023, when expenses increased by 73.06% to N661.33 billion. This period of heightened spending indicates a strong push for investment, infrastructure, or increased salaries for civil servants. However, in 2024, spending declined by 20.96% to N522.72 billion, suggesting the need for an adjustment. Although higher expenditures may have spurred growth, they raise concerns about long-term viability.

5.3 Debt (Foreign, Domestic, and Total Debt)

Debt began at N253.02 billion in 2020 and rose by 7.52% to N272.03 billion in 2021. However, 2022 brought a pleasant surprise: a 33.85% decrease to N179.98 billion, likely due to repayments or a debt restructuring. Unfortunately, this downward trend did not continue. In 2023, debt surged by 83.98% to N331.19 billion, and continued to rise in 2024 by 28.82%, ending at N426.72 billion. The resurgence of debt presents fiscal challenges, particularly if it is not accompanied by revenue increases or enhanced economic productivity. High debt servicing costs could limit available resources for health, education, and infrastructure while putting pressure on future budgets.

Analysis of Government Spending

6

6.1 Health

Personnel			Overhead		Capital Expenditure		Total Allocation	
Year	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	14,923,565,146.57	16,973,389,445.94	721,760,000.00	231,917,437.00	7,024,411,682.00	1,983,941,787.07	22,669,736,828.57	19,189,248,670.01
2022	13,723,565,146.57	18,036,791,740.85	404,000,000.00	1,367,623,991.96	11,919,759,054.00	14,134,441,040.39	12,694,759,054.00	34,215,411,082.48
2023	17,227,665,072.65	20,915,553,535.25	405,000,000.00	615,412,117.25	27,479,373,574.74	17,416,976,452.61	45,695,638,647.39	40,509,639,271.89
2024	34,111,992,802.39	23,405,726,652.23	2,200,599,999.50	1,181,933,901.70	10,767,970,029.15	10,767,965,266.45	47,080,562,831.04	39,109,015,026.41

Source: BudgIT State of States report (2020-2024)

Between 2021 and 2024, the Delta State's Ministry of Health experienced considerable variations in spending, characterised by persistent overspending on personnel costs, which reached 131.42% above budget in 2022 before decreasing slightly to 97.93% in 2024. Overhead expenses were inconsistent, with significant overages—338.43% in 2022—and underutilisation in 2021 (32.13%) and 2024 (53.72%), indicating inadequate cost control measures. The execution of capital expenditures improved significantly, from a low of 28.24% in 2021 to nearly 100% by 2024, demonstrating a gradual improvement in project execution. Total budget utilisation soared to an unsustainable 269.56% in 2022, indicating either poor planning or spending driven by emergencies, whereas in the other years it remained underutilised despite increased allocations. To enhance fiscal discipline and efficiency, the ministry should implement payroll audits to manage personnel overspending, enforce tighter controls on overhead costs, establish performance-based budgeting practices, strengthen project monitoring and evaluation for capital spending, and improve transparency through regular public financial disclosures.

6.2 Education

Personnel			Overhead		Capital Expenditure		Total Allocation	
Year	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	41,164,212,073.69	40,478,761,531.96	3,741,199,976.00	904,024,314.27	24,415,836,162.80	4,204,698,978.95	69,321,248,212.49	45,587,484,825.18
2022	1,931,179,120.00	42,729,615,354.83	5,887,566,425.00	2,103,690,641.38	38,339,083,899.54	34,267,551,658.90	46,232,829,444.54	79,613,868,742.57
2023	46,307,803,162.38	54,584,449,650.60	3,811,886,425.00	2,610,916,625.68	44,840,999,999.00	37,646,333,180.27	95,692,008,130.88	106,503,544,479.87
2024	74,460,758,896.32	62,911,732,962.90	7,086,570,228.20	3,903,139,792.62	44,677,139,137.00	44,267,902,189.34	126,224,468,261.52	128,609,602,533.09

Between 2021 and 2024, the Delta State Ministry of Education consistently exceeded budget forecasts, particularly in personnel and capital expenditures. Personnel expenses were consistently elevated, surpassing budget allocations annually, reaching a peak of 162.93% in 2022 and fluctuating between 84.5% and 133.94% in subsequent years. Although overhead costs were slightly more controlled, they still exceeded projections in 2022 and 2024 by 35.76% and 8.44% respectively. Capital expenditure significantly improved from a low of just 3.74% in 2021 to achieving full execution at 100.01% in 2024, indicating better project delivery, yet still highlighting substantial underachievement in 2021. The overall utilisation of allocations varied, ranging from 66.23% in 2021 to 101.89% in 2024, while 2022 saw considerable overspending at 171.84%, indicative of unplanned or emergency expenses. To promote efficiency and financial discipline, the ministry ought to implement a zero-based budgeting strategy, focus on needs-driven capital investments, set spending limits with compliance oversight for overheads, and ensure accountability in payroll management to control excessive personnel costs. Additionally, establishing real-time budget-monitoring and performance-assessment systems would enhance transparency and align expenditures with actual educational outcomes.

6.3 Water Supply/Sanitation

Personnel			Overhead		Capital Expenditure		Total Allocation	
Year	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	951,236,046.00	840,268,777.27	-	10,789,000.00	-	141,891,107.86	951,236,046.00	992,948,885.13
2022	842,564,505.00	808,098,416.98	78,549,940.00	24,727,599.24	-	1,198,647,650.19	921,114,445.00	2,067,451,666.41
2023	1,495,081,420.24	934,787,054.30	82,400,000.00	3,689,000.00	2,905,469,380.00	1,162,659,463.23	4,535,034,740.24	2,243,636,017.53
2024	1,231,562,850.21	1,004,801,191.85	158,800,000.00	8,429,649.03	1,205,288,205.89	1,099,382,638.89	2,595,651,056.10	2,136,841,479.77

The Delta State Ministry of Water Supply/Sanitation displayed inconsistent financial performance from 2021 to 2024, particularly with recurrent budget deficits, primarily in capital expenditures. In 2021, the actual allocation exceeded the N951.33 million budget by 4.37%, while capital expenditures exceeded the budget by 37.96%, indicating an aggressive approach to project execution. This trend worsened in 2022, resulting in a shocking 145.34% budget overspend, with overhead costs soaring by 190.86% and capital spending rising by 55.83%, indicating inadequate cost-control measures. Although 2023 experienced a less severe budget excess of 50.04%, capital expenditures still exceeded the budget by 43.37%, while personnel and overhead spending were below forecasts. In 2024, expenses stabilised with a slight overspend of 0.43%, but the underspending in personnel and overhead (18.41% and 27.07% below budget, respectively) indicated potential staffing deficiencies or operational inefficiencies. These trends reflect weaknesses in budget forecasting and inconsistent implementation. To address future imbalances, the Ministry should implement robust systems for tracking expenditures, conduct quarterly audits, and adopt zero-based budgeting aligned with strategic objectives.

6.4 Environmental Protection

Personnel			Overhead		Capital Expenditure		Total Allocation	
Year	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	116,792,507.00	438,172,334.37	612,500,000.00	146,546,799.00	1,120,000,000.00	193,246,213.34	1,849,292,507.00	777,965,346.71
2022	411,040,438.00	493,486,964.96	284,800,000.00	86,381,075.00	1,179,000,000.00	657,202,870.45	1,463,800,000.00	2,010,169,823.07
2023	1,057,326,750.24	955,210,166.07	617,700,000.00	69,186,016.00	1,300,000,000.00	6,212,471,569.00	2,975,026,750.24	7,396,022,751.07
2024	672,328,995.58	590,198,866.31	712,200,000.00	26,928,750.00	505,626,250.00	261,731,098.40	1,890,155,245.58	982,573,714.71

The Delta State Ministry of Environmental Protection displayed significant discrepancies in budget execution from 2021 to 2024, with differences between planned and actual spending across all sectors. In 2021, the total actual expenditure amounted to N777.97 million, which was 57.92% below the N1.85 billion budget, even with a personnel cost overrun of 275.23%. Conversely, 2022 experienced a 37.29% overspend primarily due to excessive capital expenditures, while overhead costs were underutilised by 69.66%. The year 2023 underscored severe financial mismanagement, with overall overspend reaching an extraordinary 211.38% and capital expenditure exceeding the budget by 390.11%. However, in 2024, the trend shifted back to underperformance, resulting in a 48.02% shortfall against the budget, including a 96.22% underspend on overhead. These variations indicate underlying issues in financial planning and execution. To improve fiscal stability, the Ministry should adopt rigorous budget forecasting methods, ensure up-to-date expenditure tracking, and conduct quarterly variance analyses to identify and address root causes.

6.5 Social Protection

Personnel			Overhead		Capital Expenditure		Total Allocation	
Year	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021	752,299,877.00	9,975,386,766.70	5,265,100,000.00	34,454,346.72	2,284,536,188.00		8,301,936,065.00	10,009,841,113.42
2022	6,208,664,576.00	23,237,390,939.36	230,800,000.00	584,020,755.83	1,103,000,000.00	1,350,308,518.25	1,355,300,000.00	25,375,159,664.41
2023	6,795,633,473.49	4,550,680,554.87	3,015,600,000.00	456,596,226.97	9,876,425,237.00	488,388,809.32	21,137,158,710.49	5,665,816,079.07
2024	7,646,500,670.63	6,511,917,062.71	4,091,700,000.00	417,348,016.95	1,396,649,636.24	1,240,692,606.87	13,138,950,306.87	8,278,837,676.53

Between 2021 and 2024, the Delta State Ministry of Social Protection consistently exceeded its budget across major expenditure categories, indicating persistent challenges in budget precision and oversight. In 2021, personnel expenses surged to N9.98 billion, a staggering 1,226.02% above the planned N752.30 million, while the total allocation exceeded the N8.30 billion budget by 20.55%. The situation worsened in 2022, as actual capital expenditure outstripped the N1.14 billion budget by 2,384.21%, resulting in a total budget overspend of 109.23%. In 2023, the total allocation exceeded expectations by 12.03%, driven by a 41.57% overspend in overhead costs. While 2024 showed some improvement with a slight 3.28% budget overrun, personnel costs still exceeded the budget by 40.85%. These ongoing discrepancies reveal fundamental flaws in financial planning, forecasting, and operational coherence.

6.6 Agriculture

Personnel			Overhead		Capital Expenditure		Total Allocation	
Year	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2021		1,566,703,916.20	22,800,000.00	1,012,693,678.00	2,049,462,663.00		2,072,262,663.00	2,579,397,594.20
2022	1,462,629,543.00	1,574,508,651.38	10,200,000.00	526,004,583.56	1,623,500,000.00	588,446,494.93	3,098,129,543.00	2,794,549,989.90
2023	2,124,099,329.24	1,708,880,289.14	82,400,000.00	3,689,000.00	13,989,918,635.00	203,174,943.80	16,197,617,964.24	1,927,404,232.94
2024	1,996,167,896.56	1,877,098,955.99	158,400,001.00	103,127,750.00	773,905,500.00	77,028,854.66	2,928,473,397.56	2,065,205,560.65

A review of the Delta State Ministry of Agriculture's budget and actual spending from 2021 to 2024 reveals notable differences between planned and actual funds allocated in key areas, including Personnel, Overhead, and Capital Expenditure. Personnel expenses have consistently exceeded budgeted amounts, rising from N1.46 billion in 2021 to N1.99 billion in the 2024 budget, with actual expenditures rising even more dramatically to N1.88 billion in 2024, resulting in an average annual overspend of 12.3%. Overhead costs were significantly underestimated in both 2023 and 2024, with actual expenses exceeding projected figures by 30.7% and 456.5%, respectively, indicating either inadequate forecasting or unforeseen expenditures. The most concerning shortfall pertains to Capital Expenditure: in 2022, merely 35.6% of the N1.65 billion budget was utilised, and in 2024, only 9.9% of the N773.9 million allocation was spent, highlighting a critical failure in executing developmental initiatives. Overall, actual total allocations have regularly fallen behind budgeted amounts (except 2021), culminating in the lowest implementation rate of 71.1% in 2024. This pattern underscores underlying problems in planning, execution, and prioritisation.



Why Non-Oil Revenue?

7.1 Importance of Non-oil Revenue in Fiscal Sustainability

The state's diverse agricultural zones offer significant opportunities for growth. By providing timely support and resources to farmers, Delta can enhance agricultural productivity and increase revenue. However, several challenges impede the full realisation of non-oil revenue potential. Structural barriers, such as inadequate infrastructure and limited access to export markets, hinder the growth of these sectors. For instance, the lack of proper road networks and agricultural cluster facilities restricts the

movement of goods, thereby negatively impacting productivity and profitability. Moreover, policy and administrative challenges further complicate the situation. Currently, jurisdiction over mineral resources, such as laterite sand, is under federal control, preventing Delta State from fully benefiting from its natural resources. This underscores the necessity for decentralised revenue sources that would enable the state to leverage its mineral wealth.

Delta State Budget Credibility- 2024

Budgeted	Sectors	% Implementation	Actual
39,654,439,440.48	Health	98.75%	39,160,409,250.45
125,205,157,918.86	Education (primary, secondary, higher and technical)	102.02%	127,739,252,377.13
2,595,651,056.10	Water Resources	82.90%	2,151,782,479.77
1,725,155,245.58	Environment	57.00%	983,288,714.71
4,259,304,099.26	Trade and Investment	62.55%	2,664,017,821.03
2,935,873,397.56	Agriculture and Natural Resources	68.17%	2,001,358,378.58

Health Sector

The budget for the health sector was set at N39,654,439,440.48, with actual expenditures totalling N39,160,409,250.45, resulting in an implementation rate of 98.75%. This high level of budget credibility reflects exceptional execution capabilities within the sector. Such near-total implementation is crucial for enhancing healthcare infrastructure, service delivery, and public health outcomes, thereby laying a solid foundation for human capital development. This consistency in spending also bolsters the credibility of fiscal planning.

Education Sector (Primary, Secondary, Higher and Technical)

The education sector was allocated N125,205,157,918.86, with actual spending reaching N127,739,252,377.13, resulting in an implementation rate of 102.02%. This overspending indicates both a robust implementation capacity and possibly unforeseen financial demands. The excess of approximately N2.5 billion suggests either effective utilisation of funds or the need for supplementary allocations during the fiscal year. High investment in education is essential for developing the skilled workforce necessary for economic diversification, particularly in technical fields.

Water Resources

The budget for water resources was N2,595,651,056.10, while actual expenditures totalled N2,151,782,479.77, resulting in an implementation rate of 82.90%. Although this rate is relatively high, it leaves N443.9 million unspent. A reliable water supply is vital for public health and sanitation, and can support agricultural or industrial activities, indirectly contributing to economic diversification.

Environment Sector

The environment sector was budgeted at N1,725,155,245.58, with actual expenditure of N983,288,714.71, resulting in an implementation rate of 57.00%. This moderate-to-low rate, leaving 43% of the budget unspent, reveals significant challenges. Underfunding in environmental protection hampers efforts to manage pollution, waste, flooding, and conservation. The consequences are dire, affecting health, the environment, and the state's attractiveness to sustainable investment and tourism, which are essential to diversification. This situation may also escalate long-term remediation costs and undermine fiscal sustainability.

Trade and Investment

The budget for trade and investment was set at N4,259,304,099.26, with actual spending at N2,664,017,821.03, resulting in a concerning implementation rate of 62.55%. The nearly 38% of the budget that remains unspent raises alarms regarding economic diversification. This sector is crucial for promoting non-oil industries, attracting investment, and facilitating business growth. The inability to utilise N1.6 billion of the planned budget severely limits Delta State's capacity to implement strategies to reduce oil dependence, create jobs in emerging sectors, and stimulate private enterprise, thereby obstructing progress toward diversification.

Agriculture and Natural Resources

For agriculture and natural resources, the budgeted amount was N2,935,873,397.56, while actual spending reached N2,001,358,378.58, resulting in an implementation rate of 68.17%. Agriculture is vital for ensuring food security, providing raw materials, and enhancing export potential. The failure to utilise N934.5 million limits initiatives aimed at boosting productivity, supporting farmers, and developing agribusiness. This reliance on oil revenues further weakens the state's long-term economic resilience and fiscal sustainability.

Overall Observations

Delta State presents a contrasting picture. Key social sectors, such as health and education, demonstrate exceptional budget execution, with implementation rates nearing or exceeding 100%. Conversely, critical economic and environmental sectors, including trade and investment, agriculture, and the environment, exhibit significantly lower credibility, with implementation rates ranging from 57% to 68.17%.

The low implementation rates in trade and investment, as well as agriculture and natural resources, are particularly troubling. These sectors serve as primary drivers for moving the economy beyond oil dependence. Chronic underfunding in these areas directly impedes diversification strategies, stifles non-oil growth, and leaves the state vulnerable to fluctuations in oil prices. Additionally, the underperformance of the environment sector undermines the ecological foundation necessary for sustainable agriculture, tourism, and overall livability.

Implications for Fiscal Sustainability

On the positive side, the high credibility of budgets for major social sectors highlights strong public financial management (PFM) capacity in these areas, thereby enhancing short-term predictability for essential services. However, the persistent under-implementation in critical economic sectors represents a significant inefficiency. This not only wastes planning resources and delays essential investments in diversification but also signals potential weaknesses in revenue generation, procurement, or project management in these sectors. While the overspending in education may be justified, it requires ongoing monitoring to maintain long-term fiscal balance. The inability to fully fund planned economic diversification initiatives perpetuates reliance on oil, posing a direct threat to long-term fiscal sustainability.

While Delta State has made progress in increasing non-oil revenue, significant challenges remain. Addressing structural barriers, decentralising revenue sources, and improving policy frameworks will be essential for maximising the potential of non-oil revenue. By doing so, Delta State can achieve greater fiscal sustainability and economic resilience amid fluctuating oil revenues.



7.2 Lessons from Other Case Studies on Non-oil Revenue Generation in Nigeria

Nigeria has a wealth of experiences from various states that have successfully diversified their revenue streams beyond oil. These case studies provide valuable insights for Delta State as it seeks to enhance its own non-oil revenue generation.

Lagos State – Tax Reforms and E-Governance: Lagos State has implemented comprehensive tax reforms that

have significantly increased its internally generated revenue (IGR). In 2023, the IGR of Lagos State was 71.82%¹⁶. The use of e-governance platforms for tax collection has streamlined processes, minimised corruption, and enhanced transparency. Delta State can adopt similar digital solutions to improve revenue collection efficiency.

7.3 Global/National Context: Successful non-oil revenue models from other regions/countries.

1. United Arab Emirates (UAE) – Tourism and Trade: The UAE, particularly Dubai, has successfully transitioned from an oil-dependent economy to a diverse one, heavily relying on tourism and trade¹⁷. The non-oil sector accounts for 74% of the nation's Gross Domestic Product (GDP)¹⁸. In 2019, tourism contributed 11.5% to the UAE's GDP¹⁹. The country's non-oil trade grew by around 65% between 2013 and the end of 2023²⁰.

Key Takeaway: Delta State can leverage its natural resources and cultural heritage to develop a robust tourism sector that attracts both local and international visitors.

2. Singapore – Financial Services and Trade: Singapore transformed itself into a global financial hub by creating a favourable regulatory environment for businesses²¹.

Key Takeaway: Delta State can create a conducive business environment to attract

investments in financial services and other sectors, enhancing non-oil revenue generation.

3. Finland – Technology and Innovation: Finland has transformed its economy by investing in technology and innovation, particularly in the IT and telecommunications sectors²². The service sector contributes 72.7% to the country's gross domestic product (GDP).²³

Key Takeaway: Delta State should invest in technology and innovation, supporting local entrepreneurs and creating a vibrant tech ecosystem that diversifies revenue sources.

These global examples illustrate that successful non-oil revenue models are built on diversification, sustainability, and investment in key sectors. By adopting similar strategies, Delta State will be able to enhance its economic resilience and reduce dependency on FAAC allocation, paving the way for a more sustainable fiscal future.

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7.4 Opportunities for Upscaling Non-oil Revenue

As global markets shift away from fossil fuels, Delta State faces a critical challenge due to its heavy reliance on oil revenue. The need for economic diversification is urgent, especially as fluctuating oil prices threaten the state's financial stability. To build resilience and secure a sustainable economic future, Delta State must leverage its existing strengths and explore new revenue streams across various sectors.

Blue Economy

Delta State's strategic coastal location presents immense potential for developing a robust Blue Economy. By harnessing its marine resources, the state can enhance fisheries, maritime transportation, and eco-tourism. Investing in modern infrastructure and sustainable practices will position Delta State as a regional leader in ocean-based economic activities. Expanding aquaculture and port development will not only create jobs

but also attract domestic and international tourism, generating substantial revenue. Promoting eco-friendly tourism initiatives should align economic growth with global climate goals, emphasising the preservation of marine ecosystems.

Agriculture

Agriculture offers a significant opportunity for Delta State as it seeks to diversify its economy. With fertile soil and a favourable climate, the state should expand its agricultural base, particularly in staple crops like cassava, as well as high-value exports such as oil palm. By investing in agribusiness and modern farming practices, Delta State can enhance food security, reduce reliance on oil revenues, and create a stable, high-growth sector. Developing agro-processing capabilities will allow the state to capture more value from agricultural products and create jobs across the supply chain.



Information and Communication Technology (ICT)

The ICT sector represents a burgeoning opportunity for Delta State, especially given Nigeria's expanding tech ecosystem. By investing in digital infrastructure and creating technology incubation centres, Delta State can position itself as a regional tech hub. Encouraging innovations in fintech, software development, and digital services will stimulate local economic growth. Partnerships with educational institutions will help cultivate a skilled workforce, attract further investment, and expand job opportunities in the digital economy.

Manufacturing

Delta State has considerable manufacturing potential, which can help reduce dependence on oil revenues. The state can attract investments in food processing, textiles, and other industries by establishing industrial clusters and free trade zones. Incentives such as tax breaks and streamlined regulations can make the state an attractive destination for both local and foreign investors. Collaborations with established companies through public-private partnerships (PPPs) will enhance

the manufacturing landscape, ensuring that investments align with sustainable development goals.

Renewable Energy

As part of its diversification strategy, Delta State should capitalise on the global transition to renewable energy. By leveraging resources under the new Electricity Act, Delta should explore opportunities in waste-to-energy projects and other sustainable energy initiatives. This focus not only addresses local energy challenges but also positions the state as a leader in clean energy solutions, attracting investments and creating jobs in the emerging green economy.

By strategically investing in the Blue Economy, agriculture, ICT, manufacturing, and renewable energy, the state can build a resilient economic framework that withstands market fluctuations. Public-private partnerships will be essential in mobilising resources and expertise, ensuring that these initiatives are sustainable and beneficial for all stakeholders. Through a comprehensive, targeted approach, Delta State can secure a prosperous, diversified economic future for its citizens.



Recommendations

8

To bolster economic resilience and enhance non-oil revenue generation, Delta State should adopt a series of strategic recommendations. These recommendations draw on stakeholder engagements and best practices tailored to the unique context of Delta State:

1. Delta State should establish a robust policy framework aimed at diversifying its economy beyond oil. This policy should outline actionable steps to mitigate the social, environmental, and economic impacts of transitioning away from fossil fuels. Key elements include:

- Conducting a thorough assessment of current institutional capacities related to economic diversification governance.
- Developing strategic plans for capacity-building within government institutions, aligning these with broader diversification objectives.

- Implementing training programs for officials on policy development, project management, and stakeholder engagement.

2. Investment in Agriculture and Agribusiness: Recognising agriculture's potential, Delta State should invest in modern farming practices, mechanisation, and agro-processing facilities. This will boost food security and reduce reliance on oil revenues. The state should also promote high-value crops and develop export-oriented initiatives to enhance agricultural profitability and create jobs.

3. Delta State's coastal resources present a significant opportunity for a thriving Blue Economy. The government should invest in sustainable fisheries, aquaculture, and eco-tourism initiatives. Developing port infrastructure and promoting maritime trade will attract investments and create a dynamic economic environment.

4. To address energy challenges and support economic growth, Delta State should invest in renewable energy projects.

Leveraging the new Electricity Act, the state can explore waste-to-energy solutions and solar power initiatives, reducing reliance on fossil fuels and improving energy access for businesses.

5. Implementing digital solutions for tax administration and revenue collection will enhance efficiency and transparency.

Transitioning from cash-based systems to digital platforms will reduce corruption and improve accountability in revenue management.

6. Granting full autonomy to the Delta State Internal Revenue Service will improve revenue collection and combat inefficiencies.

Digital tax platforms will enhance accountability and reduce revenue leakage.

7. To foster an enabling environment for small and medium enterprises (SMEs), Delta State should invest in critical infrastructure, including power generation and transport networks.

Enhancing security and harmonising taxes and fees will also ease the burden on businesses and stimulate economic growth.

8. The government should collaborate with civil society organisations (CSOs) to create a comprehensive state investment strategy.

This should include regular audits of underperforming investments and partnerships with private sector players to optimise asset management and generate additional revenue streams.

9. Delta State should actively engage with private sector partners to attract investments in renewable energy solutions.

10. Ongoing public awareness campaigns should be implemented to educate citizens about the importance of economic diversification and the impacts of declining oil revenues.

Crafting relatable messages will help build community support for diversification initiatives.

11. Delta State should continue to manage its debt prudently, ensuring fiscal stability through effective borrowing and repayment strategies.

Maintaining a healthy debt profile will minimise risks and provide a stable foundation for future investments.



Implications for Policy and Practice

1. Delta State should develop a comprehensive economic diversification policy that outlines actionable steps, timelines, and responsible agencies, incorporating stakeholder consultation to align with community needs.

2. Policies must prioritise investment in non-oil sectors, particularly agriculture and technology, to stimulate job creation and revenue generation, including providing incentives for local businesses and enhancing infrastructure.

3. The state government should actively promote investments in renewable energy projects, align with global sustainability goals, and facilitate public-private partnerships to leverage external expertise and funding.

4. Public Awareness and Education: Initiating campaigns to educate citizens about the importance of economic diversification and the potential of non-oil sectors is essential to foster community support for policy initiatives.

5. Implementing robust monitoring and evaluation frameworks for diversification initiatives will ensure transparency and accountability, enabling the identification of challenges and recalibration of strategies.

6. Strengthening collaboration with civil society organisations and the private sector can enhance resource mobilisation and expertise sharing, addressing gaps in service delivery and economic development.

7. Improving fiscal governance through transparency and accountability measures will build public trust and encourage compliance with tax regulations, thereby increasing revenue.

8. Ensuring that economic diversification policies are gender-responsive will optimise resource allocation and enhance productivity, using gender-disaggregated data to inform policy planning.

9. Delta State must remain adaptable to global economic trends, particularly the energy transition, with policies flexible enough to respond to emerging opportunities and challenges.

By pursuing these research directions and implementing the outlined policy implications, Delta State can effectively navigate the challenges posed by declining oil revenues and work toward a more sustainable, diversified economic future.

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