# KWARA STATE DEBT SUSTAINABILITY ANALYSIS-DEBT MANAGEMENT STRATEGY (DSA-DMS) REPORT

**DECEMBER, 2023.**

# Contents

## 1.0 INTRODUCTION

### 1.1 Background

Kwara State DSA analyzes trends and patterns in the State's public finances during the period 2018-2022, and evaluates the ability of the State to sustain its debt in the long term (2023-2032). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability assessment conducted by Kwara State Technical Team appraised recent revenue, expenditure, State Public Debt trends, and related policies adopted by the State Government, including shocks scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances. The main objective of the debt strategy is to ensure that the government's financing needs and payment obligations are met at the lowest possible cost, consistent with a prudent degree of risk and also conform to the State fiscal policy. The intension is to assist the State Government in striking a balance between the State's program execution and new borrowing by utilizing recent trends in the State's public finances.

### 1.2 SUMMARY OF FINDINGS

During the period under review, the State exhibits a moderate debt position that is sustainable in the medium term (although more could still be done to ensure that the sustainability is maintained both in the medium-term and the long-term). A moderate debt position results from the State's performance in terms of mobilizing IGR-underpinned by the successful tax administration reforms introduced in the recent past, its control of recurrent expenditure growth and its moderate level of public debt. The State's revenue institution (Kwara Internal Revenue Service-KWIRS) is now improved and has extended its automation with more competent personnel to follow the State's vision with the deployment of up-to-date technology as well as introduction of harmonized billing system. Also worthy of mention is the enactment of new Tax Administration Law, Land Use Charge Administration Law (Kw-GIS), introduction of Area Offices in all the 16 LGAs and computerization of all MDAs and introduction of cashless transactions in State Government Hospitals, and execution of some capital projects which include Garment Factory, Modern Innovation Hub, International Conference Center and International Visual Arts Center to mention few. Given the State own forecasts for the economy and reasonable assumptions concerning the State revenue and expenditure policies going forward, the medium-term outlook for the public debt appears sustainable, but more still need to be done to improve the level of sustainability in the long-term.

The State pursues prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State reliance on a mix of sources of finance; these include external concessional loans and domestic low-cost financing. Given the State's forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies going forward, the medium-term cost-risk profile for the public debt portfolio appears consistent with debt-management objectives of the state.

**2.0    KWARA STATE FISCAL AND DEBT FRAMEWORK**

**2.1    Fiscal (Revenue and Expenditure) Reforms in the last 3 to 5 years:**

In Kwara State, the fiscal reform that has taken place between last three to five years involved the reform and restructure of the State Revenue Generating Agency. The former Board of Internal Revenue (BIR) under the State Ministry of Finance was restructured and reformed into Kwara Internal Revenue Service (KWIRS), operating as an autonomous agency and independent, having as the head, the Chairman/Chief Executive.

There was also an effort to ensure that the State secure a Revenue Consolidation Law that supersedes the consolidated revenue codes, resolution approved by the State House of Assembly. The law has been finally passed by the State House of Assembly in 2022. This reform has to do with standardizing revenue charges to reflect current realities. In addition to that, the State is also working assiduously towards pension system reform.

**2.2    Kwara State approved 2023 Budget and Medium Term expenditure Frame work MTEF, 2023-2026**

**2.2.1   Approved 2023 Budget**

The State 2023 Budget was prepared amidst a challenging domestic environment due to the persistent banditry; kidnapping, fuel subsidy removal and other problems which include global economic recession, high oil prices and heightened global economic uncertainty have had important implications for our economy. In addition to this is the externality effects of Russian-Ukrainian war which has distorted the global economy with is attendant consequence on some variables such as inflation, food supply etc. Based on the foregoing fiscal assumptions and parameters, the Kwara State total revenue estimated fund for 2023 Budget is estimated at ₦154.753 billion. This includes Internally Generated Revenue, Statutory Allocation, Value Added Tax, Other Statutory Revenue, Grants, Opening Balance, Domestic Loans, Foreign Loans and Sales of Government Assets. An aggregate expenditure of ₦203.762 billion is proposed by the Kwara State Government in the same year 2023. The 2023 proposed Expenditure comprises, Debt Servicing (Interest and Principal) of ₦14.917 billion, other Recurrent Expenditure of ₦44.000 billion, and Capital Expenditure of ₦50.856 billion, respectively.

The indicative four year fiscal framework for the period 2023-2026 is presented in the table below

Kwara State Medium Term Fiscal Framework 2023-2026

Macro-Economic Framework

**Table 2.2.2 Indicative Four-Year Fiscal Framework**

| Items | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|
| National Inflation | 21% | 13% | 12% | 11 |
| National Real GDP Growth | 15% | 16% | 13% | 13% |
| Oil Production Benchmark (MBPD) | 1.4900 | 1.7000 | 1.9000 | 1.9000 |
| Oil Price Benchmark | $102/b | $102/b | $102/b | $102/b |
| NGN:USD Exchange Rate | 435.56 | 435.56 | 435..56 | 435.56 |
| Other Assumptions | | | | |
| Mineral Ratio | 36% | 36% | 36% | 36% |
| | | | | |
| **Recurrent Revenue** | **2023** (in billion) | **2024** | **2025** | **2026** |
| Statutory Allocation | 26,346.00 | 28,980.00 | 31,878.00 | 35,066.00 |
| Net Derivation | | | | |
| VAT | 22,673.00 | 27,208.00 | 32,649.00 | 39,179.00 |
| IGR | 37,000.00 | 38,600.00 | 39,500.00 | 41,725.00 |
| **Total Recurrent Revenue** | **86,019.00** | **94,788.00** | **104,027.00** | **115,970.00** |
| Recurrent Expenditure | | | | |
| Personnel | 48,000.00 | 51,555.00 | 54,000.00 | 58,000.00 |
| Overheads | 45,989.80 | 51,245.00 | 53,500.00 | 57,800.00 |
| TOTAL | **93,990.00** | **102,800.00** | **107,500.00** | **115,800.00** |
| Social Contribution and Social Benefits | 10,352.00 | 11,685.74 | 16,087.76 | 17,971.52 |
| Special Programmes | | | | |
| Grants and Contributions | | | | |
| Public Debt Charge | 8,841.00 | 10,323.00 | 13,536.00 | 14,708.00 |
| Transfer to Local Government | 1,481.52 | 1,497.80 | 1,551.74 | 1,568.80 |
| Transfer to Internal Revenue Services | 1,481.52 | 1,497.80 | 1,551.74 | 1,568.80 |
| Transfer to Capital Account | 35,924.90 | 27,402.34 | 37,567.34 | 39,349.49 |
| Capital Receipts | | | | |
| Grants | 45,734.00 | 47,000.00 | 50,952.00 | 52,637.00 |
| Other Capital Receipts | | | | |
| **Transfer to OSOPADEC** | | | | |
| Reserves | 33,143.50 | 0.00 | 0.00 | 0.00 |
| Contingency Reserve | | | | |
| Planning Reserve | 16,571.75 | 14,782.00 | 7,391.00 | |
| **Total Reserves** | 49,715.25 | 14782 | 7391 | 0 |
| | | | | |
| **Capital Expenditure** | **50,855.79** | **52,014.79** | **56,209.33** | **60,544.00** |
| Discretional Funds | | | | |
| Non-Discretional Funds | | | | |
| | | | | |
| **Financing** | **26,255.00** | **18,966.00** | **17,838.00.00** | **20,493,00** |
| | | | | |
| **Total Budget Size** | | | | 284,334.43 |
| | 239,550.94 | 220,7562.13 | 248,687.29 | |
| | | | | |
| **Ratios** | | | | |
| Growth in Recurrent Revenue | 9.00 | 9.00 | 9.00 | 10.00 |
| Growth in Recurrent Expenditure | 28.62 | 8.57 | 4.37 | 7.17 |
| Capital Expenditure Ratio | 20.24 | 2.23 | 7.46 | 7.16 |
| Deficit to Total Expenditure | 17.56 | 1.68 | 3.12 | 4.28 |

*Note: The DSA-MTDS report is based on the exchange rate of N435.56 US $1 from the national Medium Term Expenditure Framework (MTEF) prepared in 2022 which is yet to be review alongside other macro-economic indicators to reflect current economic realities*

### 2.2.2 Key objectives of Approved 2023 Budget

i**.**      To resuscitate the state economy through investment in infrastructure

ii      Poverty alleviation, Food security and livelihood support to the poor and vulnerable households in the State.

iii      To reduce cost of Governance through institutional reform and ensure enhanced funding toward capital investment that stimulate economic growth.

iv      To significantly reduce youth unemployment through direct jobs, public works and entrepreneurship development.

v.      To provide a more conducive business friendly and secured environment for investors through provisions of socio-economic development for enhance productivity in the State economy.

vi.      To expand productive based of the State economy through increased agricultural value chain and industrial development.

vii.      To accommodate implementation of new minimum wages


### 2.2.3 Medium Term Policy Objective and Target

The overall medium term objectives are:

i.      Rebuilding infrastructure and human capacity development through upgrading and rehabilitation of school facilities in the State and providing conducive learning environment with competitive facilities across public schools in the State.

ii.      Driving industrialization through promotion of small and medium scale enterprises

iii.      Promote health delivery and hygienic water supply and sanitation.

iv.      Strengthen public-private partnership arrangement to promote investment and growth driven economic activities.

v.      Ensure sustainable social protection initiatives with focus on the poor and vulnerable.

vi.      Creation of job in Agribusiness through infrastructural support, and subsidizing of agricultural inputs and machineries.

**3.0      REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2018-2022**

**3.1      Revenue**

The State's Revenue stood at N133.313 billion in 2022 compared to N121.420 billion in the 2021, which represent an increase of N11.890 billion or 9.79 percent. The Revenue has shown improvement from 2019-2022 resulting to an increase in the financial resources to the real sector of the economy and effective implementation of economic policies in the State. The Gross FAAC allocation that comprises the statutory allocation, VAT among others increased from ₦52.125 billion in 2020 to ₦60.551 billion in 2021 which shown a rise of 16.17% or ₦8.426 billion, the increases can be attributed to the pickup of economic activities after the COVID-19 Pandemic period of 2020.

The State's Internally Generated Revenue (IGR) shows a growth during the period under review, the IGR shows a significantly growth from ₦ 23.133 billion in 2018 to ₦ 30,637 billion in 2019 and declined in 2020 to N19,624 billion later rise again in 2021 from ₦27.962 billion to ₦35.468 billion in 2022. The improvement in IGR can be attributed to tax administration reforms. These reforms covered legal, institutional and operational frameworks. Along the line, several reforms activities were instituted to strengthen the IGR collection which serves as bedrock for other reforms. New Revenue Administration Law was passed among other things, to consolidate State revenue code covering all State IGR sources. Revenue sources were expanded to include Introduction of Land Use Charge and all revenue leakages were blocked through automation processes.

**Table 3.1  Kwara Revenue Performance (2018-2022)**

|  | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Total Revenue | 88,001 | 108,447 | 101,230 | 121,420 | 133,313 |
| Gross FAAC Allocation | 49,939 | 57,920 | 52,125 | 60,551 | 62,845 |
| IGR | 23,133 | 30,637 | 19,624 | 27,962 | 35,468 |
| Grants | 14,929 | 19,889 | 29,481 | 32,907 | 35,000 |



Chart 1: Revenue (N$ million)
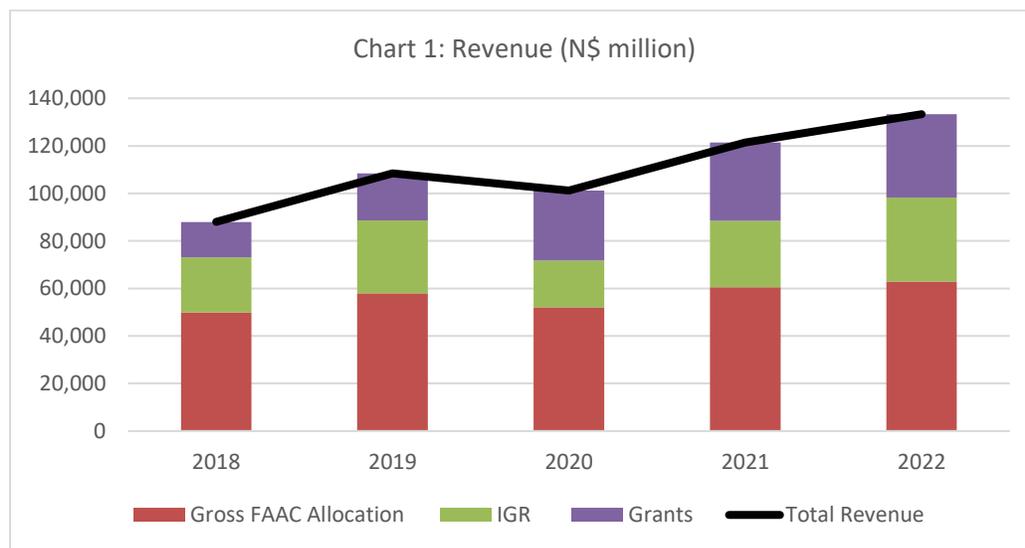
## 3.2 Expenditure Performance

The State Total Expenditure includes Capital expenditure, Personnel Costs, Overhead costs, other recurrent expenditure, and Debt Service (interest payment and principal repayment). In 2022 the State total expenditure amounted to ₦137,072.3 billion compared to ₦89,560 billion as at end December 2018 which represents an increase of ₦47,511.9 billion or 53,05 percent. The personnel cost stood at ₦21,373 billion in 2018, ₦25.508 billion in 2019, ₦31,163 billion in 2020, ₦36,376 billion in 2021 and ₦38,368 in 2022 respectively. The overhead costs stood at ₦28.718 billion in 2022 compared to ₦26,689 billion in 2021. Capital expenditure amounted to ₦40.562 billion in 2022, ₦38,909 billion in 2021, ₦27.636 in 2020, ₦29,879billion in 2019 and ₦25,114 billion in 2018 respectively. The Total Debt Service that comprises the interest payments and principal repayment stood at ₦15,038 billion as at end December 2022 compared to ₦6,972 billion as at December 2018. Total Expenditure increases in the period under review except for the year 2020 where it decline due to Covid 19 to 96.517.9 from 101,280.7 and start rises again from 2021 and 20222 (₦ 126,130.7- ₦ 137,072) respectively because of election time that draws along that time

**Table 3.2    Kwara State Expenditure (2018-2022)**

| | Figures in Billion | | | | |
|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** |
| Total Expenditure | 89.560 | 101,280 | 96,517 | 126,130 | 137,072 |
| Personnel | 21,373 | 25,506 | 31,163 | 36,376 | 38,368 |
| Overhead Costs | 15,317 | 18,129 | 18,973 | 26,689 | 28,718 |
| Debt Service (interest+Ammortization) | 6,972 | 7,202 | 6,997 | 9,225.1 | 15,038 |
| Other Recurrent Expenditure | 20,639 | 20,845 | 14,237 | 6,931 | 15,000 |
| Capital Expenditure | 25,114 | 29,879 | 27,636 | 38,909 | 40,562 |



Chart 2: Expenditure (N$ million)
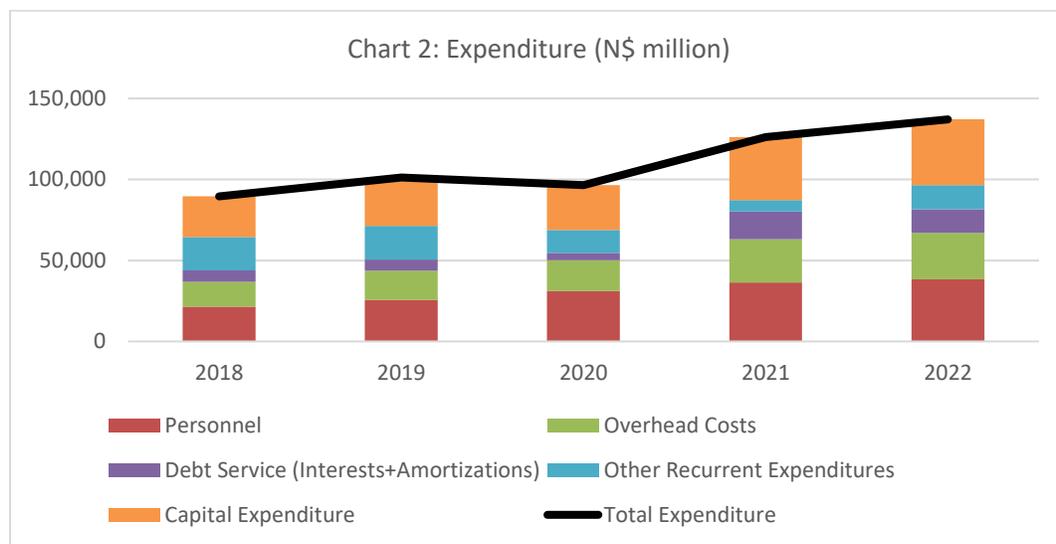
## 3.3    STATE DEBT PORTFOLIO, 2018 - 2022

The total State's Debt stock (Domestic & External) amounted to ₦126,399 billion as at end December 2022 compared to ₦128,706 billion as at end December 2021, representing slightly decline of ₦2.307 billion or 1.8 percent. The reduction in the Total Debt Stock was reflected in both Domestic and External debt stock; while External Debt Stock increased from ₦15,941 billion in 2021 to ₦17.017 billion in 2022, the Domestic

Debt Stock marginally decline from ₦112,764.8 billion in 2021 to ₦109,382 billion in 2022 representing by 2.99% reduction.

**Table 3.3.1  Kwara State Debt Stock (2018-2022)**

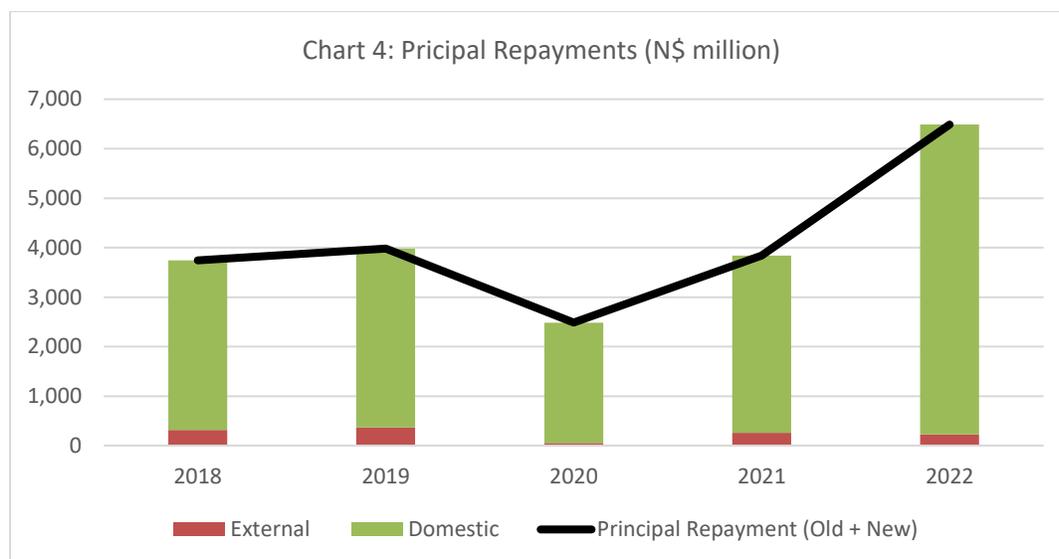|  | Figures in Billion | | | | |
| --- | --- | --- | --- | --- | --- |
|  | 2018 | 2019 | 2020 | 2021 | 2022 |
| Outstanding Debt (Old+New) | 71,013 | 77,777 | 81,966 | 128,706 | 126,399 |
| External | 12,305 | 14,403 | 14,436 | 15,941 | 17,017 |
| Domestic | 58.708 | 63.375 | 67.530 | 112,764 | 109,382 |



Chart 3: Debt Stock (N$ million)
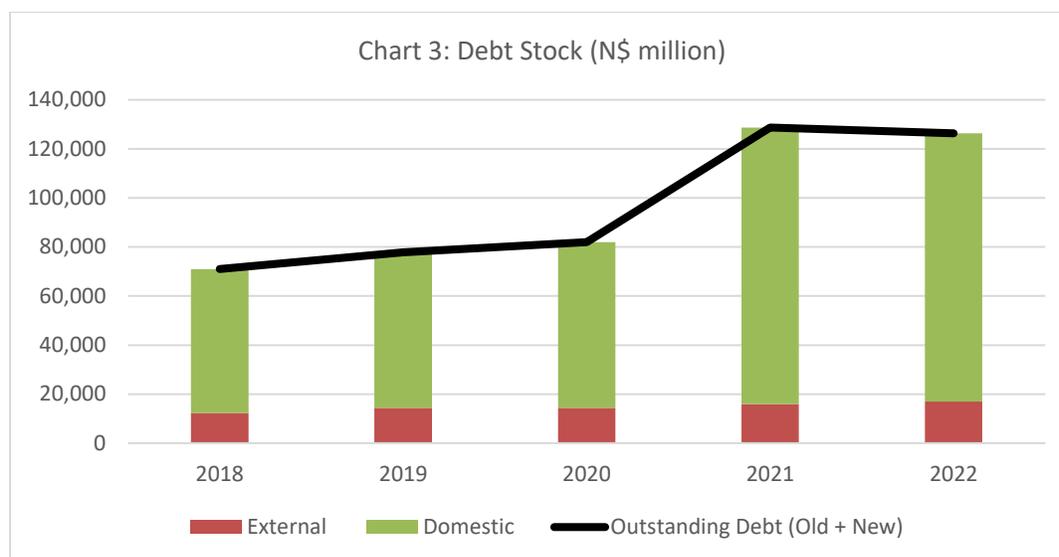
Chart 3: shows a sharp increase in Domestic Debt Stock from ₦67.530 billion in 2020 to ₦112.764.8 billion in 2021 and a slight decline to ₦109,382 billion in 2022. The increase (in 2020) was due majorly to additional debt incurred through Capitalization of Interest on Budget Support Facility, procurement of Bridging Facility and State Bond issuance while decline recorded in 2022 was due to consistent and timely repayment and the fact that, state did not procure any additional loans or debts.

Kwara State Debt Portfolio as at the end of 2022 consists of external debt ₦17.017 billion or 13.46 percent and Domestic debt amounted to ₦109,382 billion or 86.53%, respectively. The State holds a medium cost and medium risk debt portfolio. The debt portfolio has an average domestic interest rate of 22 percent and average external interest of 3 percent in 2022. The State debt portfolio is minimally exposed to currency, rollover, and interest rate risks. Exposures to currency fluctuations is limited because the foreign currency–denominated loans are only 13.46% of total debt stock in 2022. Most of the loans in the State debt portfolio are not fixed-rate obligations, thus affected by changes in interest rates. A large portion of these loans have maturities ranging from 5 to 25 years and include financing from the Federal Government and Multilateral organizations. Therefore, rollover/refinancing risk associated with potential deterioration of domestic financial conditions is reasonably negligible.

Kwara State Debt Service principal repayment stood at ₦6.487 billion in 2022 compared to N3.743 billion in 2018. The interest repayment amounted to ₦8.892 billion in 2022 compared to ₦3.626 billion in 2018. The principal repayments service and Interest Payments service made were on both External Debt and Domestic Debt respectively.

**Table 3.3.2  Kwara State Debt Service-Principal Repayment  (2018-2022)**

|  | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Principal Repayment (Old+New) | 3,743 | 3,984 | 2,486 | 3,838 | 6,487 |
| External | 316 | 367 | 55 | 261 | 227 |
| Domestic | 3,427 | 3,617 | 2,431 | 3,577 | 6,260 |



Chart 4: Pricipal Repayments (N$ million)

### 3.3.3  Kwara State Debt Service-Interest Repayment  (2018-2022)

|  | Figures in Billion | | | | |
|---|---|---|---|---|---|
|  | 2018 | 2019 | 2020 | 2021 | 2022 |
| Interest Payment (Old+New | 3,626 | 3,693 | 4,833 | 5,938 | 8,892 |
| External | 81 | 107 | 267 | 290 | 114 |
| Domestic | 3,545 | 3,586 | 4,567 | 5,648 | 8,778 |

Chart 5: Interest Payments (N$ million)
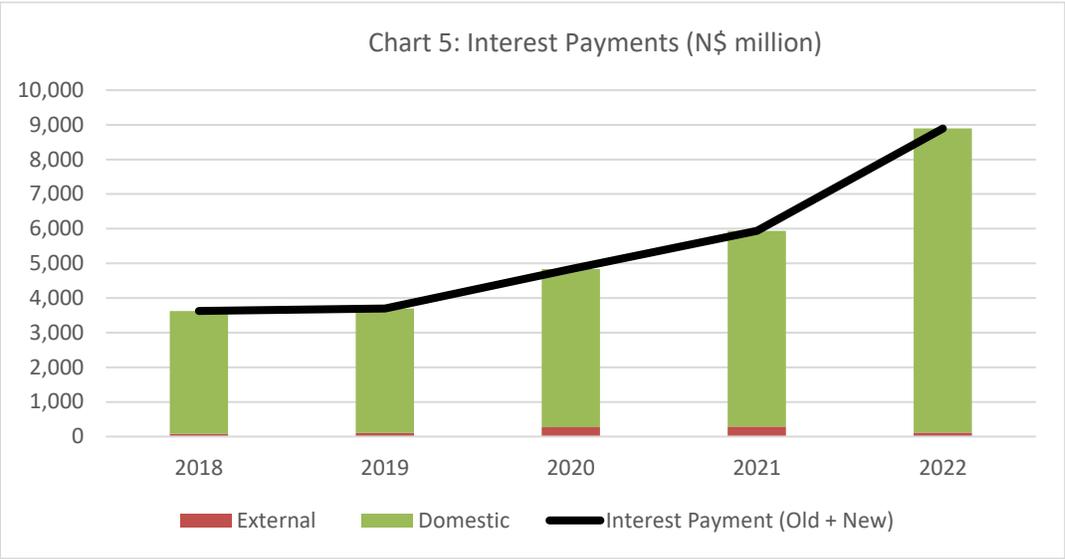
**4.0    DEBT SUSTAINABILITY ANALYSIS**

**A debt sustainability analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowing affects or impacts its present and future ability to meet future debt service obligations. It is a consensus that a key factor for achieving external and domestic debt sustainability is macroeconomic stability.** The concept of debt sustainability refers to the ability of the Government to honor its future financial obligations as at when due. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed 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. Government therefore should endeavor to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the State, thereby leading to serious financial crises.

**KWARA STATE DEBT SUSTAINABILITY ANALYSIS**
Table 4.0.1 shows the State Debt as a percentage of GDP (with indicative threshold of 25%). The sustainability position of the State's total debt portfolio in the fiscal block shows an unstable trend from 2018 – 2021 and then a gradually increasing ratio from 2022 – 2028 which is still within the threshold but very close to the limit, indicating that there would be no room for additional borrowing. However, from the period 2029-2032, the GDP to debt ratio is clearly above the threshold for the four consecutive years (26%- 39%) The implication is that, the State need to boost its economic activities to improve on its GDP. Table 4.0.2 to 4.0.3 shows debt as a percentage of revenue and debt service as a percentage of revenue both are below the threshold from 2018-2027 but from 2028-2032 it exceeded the thresholds of 200% & 40% respectively which indicates that the state debt position would no longer be sustainable. On table 4.0.4. Personnel Cost as a percentage of revenue, this is below the threshold throughout the projection period of (2018-2032). This development is as a result of effort put up by the State government. Table 4.0.5 Debt service as a percentage of gross FAAC allocation (without any indicative threshold) estimated to increase from 24% in 2022 to 27% in 2024 and experienced sharp rise of 44% in 2025  and then increase to 194% in 2032. Interest payment as a percentage of revenue revealed that, the maximum exposure of

the state interest towards revenue is 7% from the year 2022 and 12% 2025 with overall positive outlook. Looking at the External Debt service as a percentage of revenue, the maximum exposure of the state revenue towards external debt shows that the external debt of the state was properly managed, peaking at 63% in 2029.

**4.0.1: Debt as a Percentage of GDP**

|  | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt as a % of GDP | 9 | 10 | 8 | 12 | 11 | 15 | 16 | 18 | 19 | 21 | 24 | 26 | 30 | 34 | 39 |
| Threshold | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |

Table 4.0.2: Debt as a Percentage of Revenue

|  | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt as a % of Revenue | 81 | 72 | 81 | 106 | 95 | 134 | 150 | 165 | 179 | 193 | 222 | 245 | 281 | 318 | 347 |
| Threshold | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |

4.0.3:  Debt Service as Percentage of Revenue

|  | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt Service as a % Revenue | 8 | 7 | 7 | 8 | 12 | 10 | 13 | 22 | 33 | 36 | 47 | 99 | 63 | 92 | 117 |
| Threshold | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |

4.0.4 Personnel Cost as a Percentage of Revenue

|  | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Personnel Cost as a % of Revenue | 24 | 24 | 31 | 30 | 29 | 31 | 31 | 30 | 29 | 29 | 28 | 28 | 27 | 26 | 25 |
| Threshold | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |

4.0.5: Debt Service as a percentage of Gross FAAC Allocation

|  | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Debt Service as percentage of Gross FAAC | 15 | 13 | 14 | 16 | 24 | 21 | 27 | 44 | 64 | 66 | 84 | 171 | 107 | 153 | 194 |
| Interest as Percentage of Revenue | 4 | 3 | 5 | 5 | 7 | 5 | 7 | 12 | 17 | 22 | 25 | 19 | 38 | 49 | 55 |
| External | 0 | 0 | 0 | 0 | 0 | 1 | 4 | 4 | 3 | 3 | 3 | 63 | 2 | 2 | 2 |

## 4.1    MEDIUM-TERM BUDGET FORECAST

Debt sustainability analysis of the State is predicated on the continuous effort of the government to improve the revenue generation from ₦37.000 billion in year 2023 to ₦61.500 billion in 2032. The economy is expected to gradually recover from year 2022 position, with real GDP expanding at an average annual rate of 9.4%. Oil Revenue is projected base on FGN macro-economic indicators and 26.67% revenue distributable to States as indicated in the FGN MTEF 2023-2026, the moderate recovery will be supported by economic growth through diversification and increase share of VAT. The tax administration

reforms adopted by the State Government is expected to boost resources inflow from IGR, as well as numerous projects embarked upon by the government such as Garment Industry, ICT Hub, Visual Art Centre and Virtual Farm are expected to boost industrial and agricultural production in the State and consequently impact positively on the State economy. With this, the IGR is expected to grow from N37,000 billion in 2023 to 61,500 billion in 2032. All these measures notwithstanding, the state has projected to borrow the sum of N57.563 Billion, N75.115 Billion and N99.459 Billion in the years, 2024, 2025 and 2026 respectively to bridge the fiscal gap that exist in the state MTEF 2022-2026.

**TABLE 4.1  KWARA STATE DEBT BURDEN INDICATORS AS AT END-2022**

| Indicators | Threshold | Ratio |
|---|---|---|
| Debt as % of GDP | 25% | 11 |
| Debt as % of Revenue | 200% | 95 |
| Debt Service as % of Revenue | 40% | 12 |
| Personnel Cost as % of Revenue | 60% | 29 |
| Debt Service as % of FAAC Allocation | Nil | 24 |
| Interest Payment as % of Revenue | Nil | 7 |
| External Debt Service as % of Revenue | NIl | 0 |

The State has reformed its Tax Administration to improve its IGR in order to sustain its debt. These reforms include; enactment of new revenue administration law, Land Use charge administration law (Kw-GIS), introduction of Area Offices in all the 16 LGAs and computerization of all MDAs and introduction of cashless transactions in State Government Hospitals, with these, the IGR is expected to grow from  N37.000 billion in 2023 to N 61.500 billion in 2032.

In 2022, the State Total Revenue increased from N121,420 to N133,313 representing an increase of 9.8% over the preceding year. In the same period, the State total expenditure also increased from N126,131 to 137,072 representing an increase of 8.7%, while budget balance for the same year 2022 was -2,310. Total Debt was N126,299 as against N128,706 representing a decline of 1.8%. The recorded increase in total expenditure is not unexpected, due to the fact that, 2022 was a year that precede an election year and the State Government usually struggle as much as possible to put finishing touches to so many ongoing projects in order to enhance the chance of winning the election.

## 4.2    BORROWING OPTIONS

**The State Government intends to finance its new borrowings from 2023 – 2032 mainly through Commercial bank loans (maturity 1 to 5 years) with an average of 22.0% interest, commercial bank loans (maturity 6 years above) estimated at 25.0%, state bonds (maturity 1-5 years) 20.0%, state bond (maturity 6 years and above) at 20.0% and other domestic financing 17.0% with 7 years maturity, over projection period.**

External Borrowing - Terms (Interest rate, maturity and Grace Period): External borrowing is not considered to be a viable option due to the current exchange rate volatility which may increase the cost of borrowing, which is the reason the State has decided to utilize more of domestic borrowing options.

## 4.3    DSA SIMULATION RESULTS

Recent shocks necessitate the urgent need to significantly diversify and improve government revenues and reduce the current heavy dependence on oil revenue sources. The State Government remains committed in using innovative ways to raise the revenues required to finance its expenditure and diversify its revenue sources. The medium-term target is to increase the Revenue-to-GDP ratio to 7%, improved revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

The State Total Revenue (including grants and excluding other capital receipts) is projected to increase from ₦133.313 billion in 2022 to ₦347.797 billion in 2032, representing an increase of ₦214.484 billion or

160.87% percent over the projection period. Gross FAAC Allocation projected to grow from ₦62.845 billion in 2022 to ₦201.997 billion in 2032, translating to an expected increase of ₦139.152 billion or 221 percent. Grants is projected to grow from ₦35.000 billion in 2022 to ₦75.300 billion in 2032. Considering both revenue and expenditure status the state will required additional fund to enable it meet all intending obligations from available financial borrowing options throughout the projection period therefore, the budget balance of ₦3.759 billion to ₦415.205 billion will be source for from 2022 to 2032. The projections were sourced from the Approved 2023 Budget; MTEF, 2022-2023; 2024-2032 projections as estimated by the Ministry of Planning Economic Development.

The Internally Generated Revenue (IGR) system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue generating MDAs in the state as well as employing appropriate technology. In addition, efforts will be made to drag more businesses in the informal sector into the tax net. (However, this does not implies that Government has completely closed its door to some sort of tax waivers to encourage some new industries on a short term basis to achieve some log-term objectives of industrialization). IGR is estimated to grow by ₦24.500 billion (from ₦37.000 billion in 2023 to ₦61.500 billion in 2032), over the projection period.

In conclusion, in the fiscal year 2022, total revenue is 134,762.20 billion as against the total expenditure of 137,072.25 billion, there creating a negative budget balance of -2,310.10 for the fiscal year. Total public debt for the same period under review is 126,399.10 billion. This is not surprising because government was committed to more spending in order for the economy to recover from the devastating impact of Covid 19 pandemic on one hand, and on the other hand, repayment of most of the government loan facility (hitherto on suspended on moratorium) resumed.



Chart 16: Revenue (N$ million)
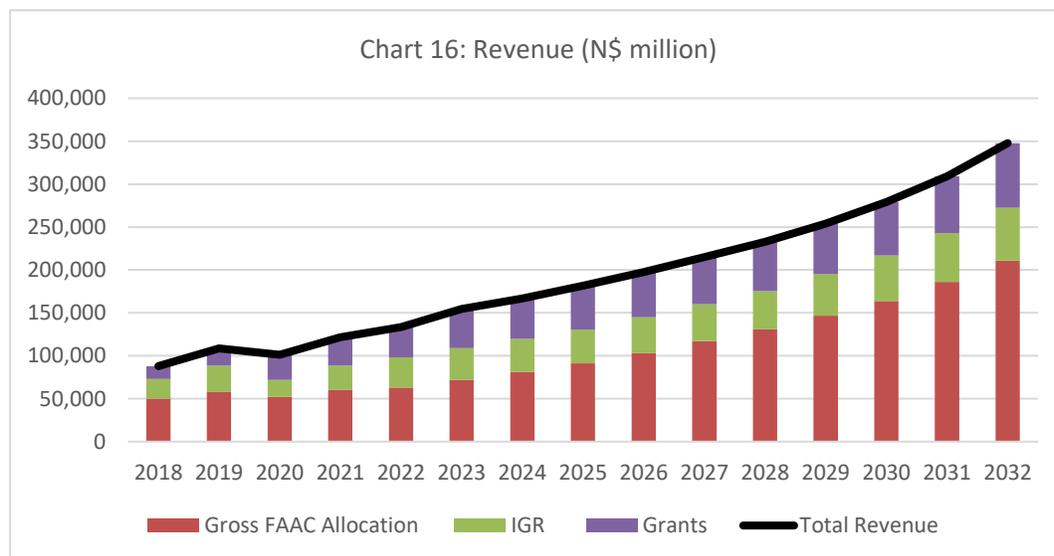
Total expenditure projection for 2023 is ₦203.762 billion, in 2024 ₦224.339 billion, in 2025 ₦256.694 billion, in 2026, ₦297.066 billion; in 2027, ₦325.277 billion; in 2028 ₦375.029 billion; in 2029 ₦535.192 billion in 2030 ₦478.897 billion in 2031 ₦609.823 billion and in 2032 ₦762.902 billion, indicating stability from 2018-2028 in the State expenditure growth and recovery effort ;and, a sharp rise in 2029, then a decline in 2030 and a steady rise again from 2030-2032 due to unstable economic realities. Other Recurrent Expenditures estimated to increase from ₦44.000 billion in 2023 to ₦80.000 billion in 2032. Overhead cost to increase from ₦45.990 billion in 2023 to N90.600 billion in 2032, and Debt Service expected to grow from ₦14.917 billion in 2023 to ₦408.402 billion in 2032. Capital Expenditure estimated

to increase over the projection period from ₦50.856 billion in 2023, ₦56.209 billion in 2025, ₦71.200 billion in 2028 and ₦95,500 billion in 2032, respectively, except Other Recurrent Expenditures projected to be increase throughout the projection period as provided in the Approved 2023 Budget; MTEF, 2022-2023; 2024-2032 projections as estimated by the Ministry of Planning & Economic Development official.
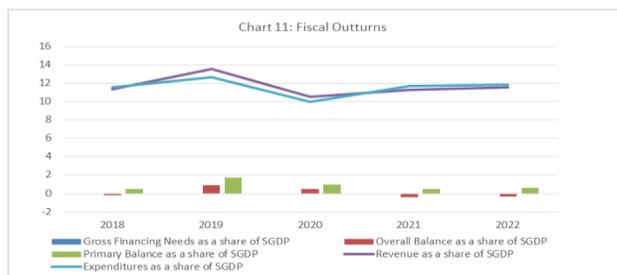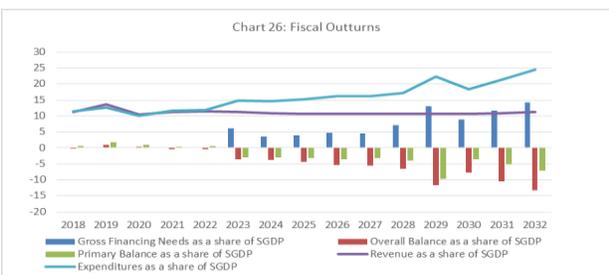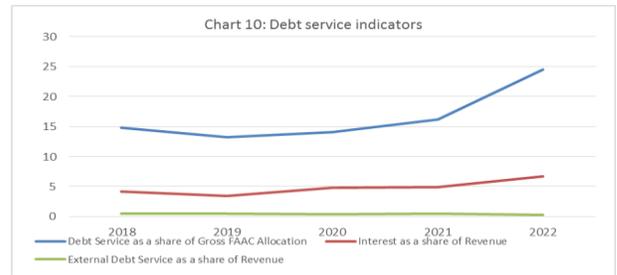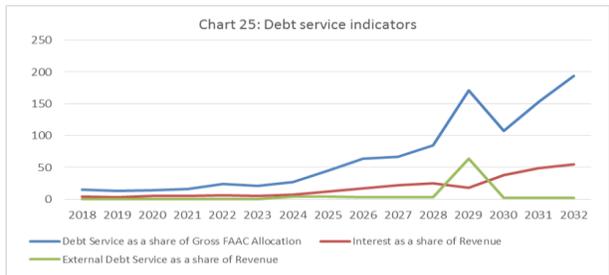

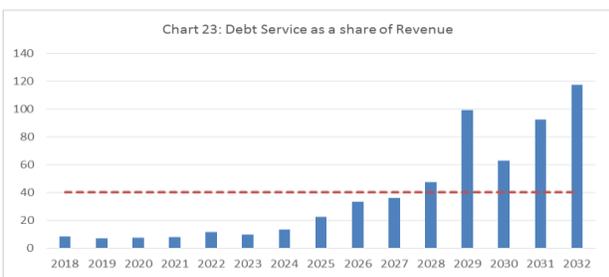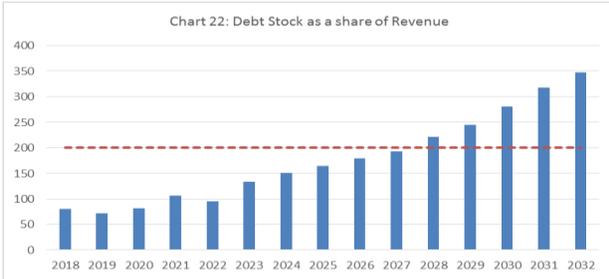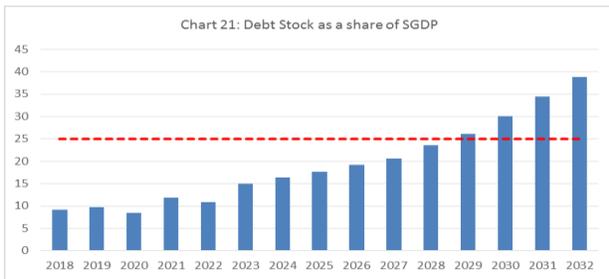
Chart 17: Expenditure (N$ million)
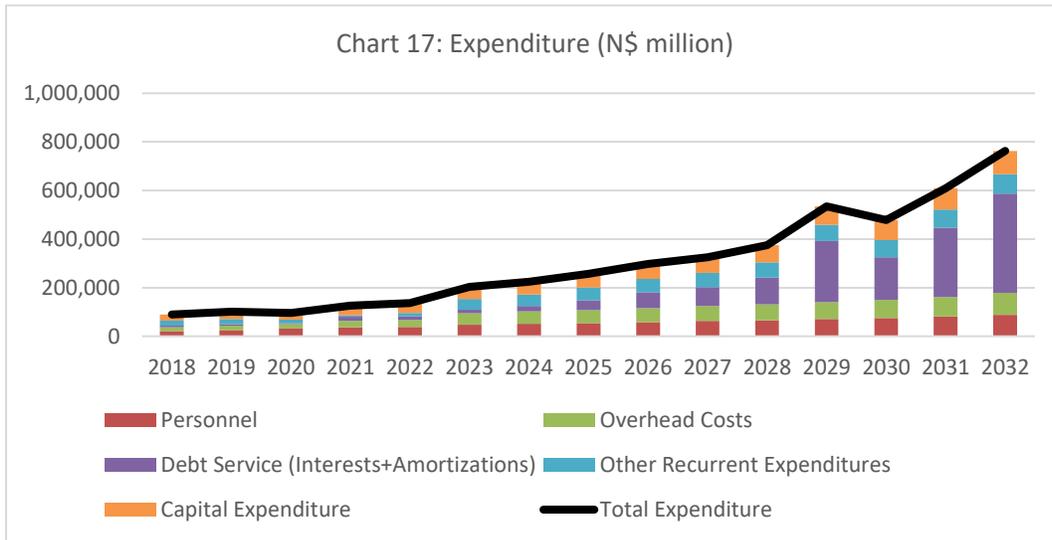
As a result of the State's modest increase in GDP, gradual improvement in IGR, increase in Personnel, Overhead costs, and Capital Expenditure. The projected expenditure is expected to increase gradually. The State's Debt Stock is estimated to increase from ₦207.111 billion in 2023 to ₦1,207.884 trillion in 2032, representing an increase of N1.773 trillion over the projection period. External Debt projected to reduce from ₦103.716 to about ₦64.947 billion or 37.39 percent and Domestic Debt to increase from ₦103.394 billion to ₦1,142.986 trillion over the projection period. External Debt experienced increase all through the projected years; it particularly had a sharp rise from 86.943 in 2027 to 236.752 in 2028 because by that period, it is assumed that most of the foreign loan (such NG-CARES, ACREASAL, SAPZ, AGILE, RAAMP etc) being signed up by the State would be matured then counting against the State as a result of prompt payment of counterpart funding among other steps taken by the State government.



Chart 18: Debt Stock (N$ million)
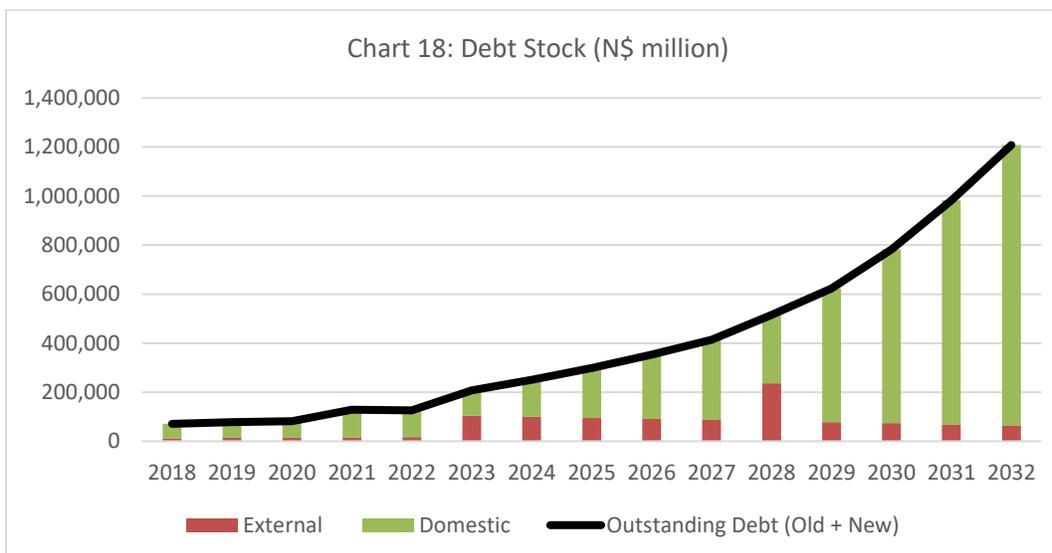
**KWARA STATE MAIN FINDING**

The Baseline Scenario Results shows that the ratio of Debt as a percentage of GDP is projected at 11 percent in 2022, 15% in 2023, 16% in 2024, 18% in 2025, 19% in 2026, 21% in 2027, 24% while from 2028 to 2032 is above the indicative thresholds of 25%, (e.g. in 2028,26% in 2029, 30% in 2030, 34% in 2031 and 39% in 2032) The ratio of Debt as a percentage of Revenue estimated is within the threshold in 2023-2027 and from 2028-2032 it exceeded the indicative threshold of 200%. Budget balance remain positive in year 2023 (N35,788.60) and changed to negative from 2024-2027 and becomes positive from 2028-2032 (11,722.06, 30,335.00, 29,928.00, 32,290.00 and 28,388.00) respectively. In addition the ratio of Debt Service to Revenue is same scenario with the debt as percentage of revenue while debt as a percentage of Personnel Cost remain under the thresholds over the projection period from 2023 to 2032, with the determination and efforts by the State through its various initiatives and reforms in the key sectors of the economy.
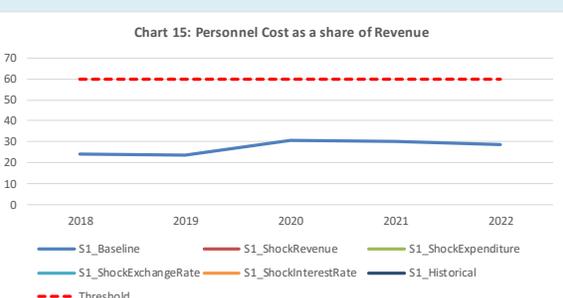
Chart 21: Debt Stock as a share of SGDP


Chart 22: Debt Stock as a share of Revenue
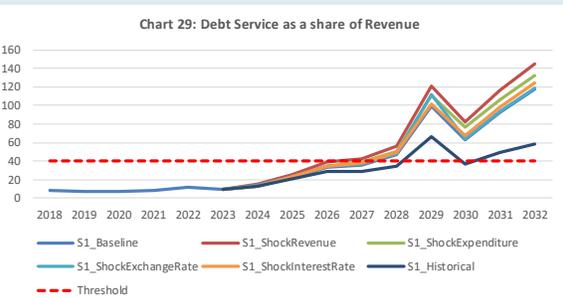

Chart 23: Debt Service as a share of Revenue


Chart 24: Personnel Cost as a share of Revenue


Chart 25: Debt service indicators
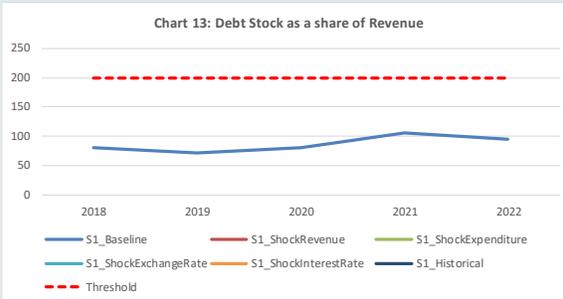

Chart 10: Debt service indicators


Chart 26: Fiscal Outturns
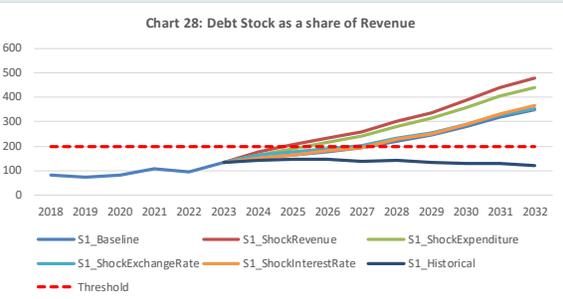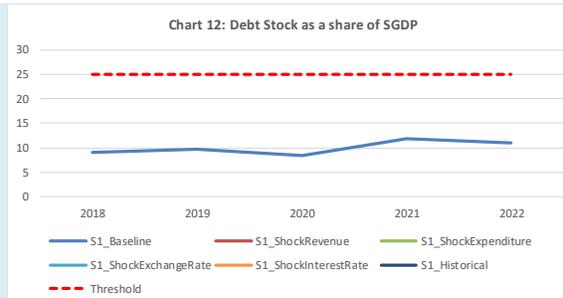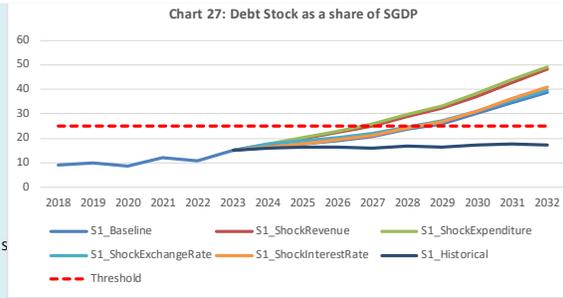

Chart 11: Fiscal Outturns

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**CONCLUSION**

Kwara State DSA result shows that, the State is at moderate risk of Debt Distress. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output will result to a proportionate increase in revenue. There is therefore, the need for the State Government to speed up efforts aimed at diversifying away from crude oil (FAAC) as well as implement far-reaching policies that will improve IGR in the State as well the State GDP. This has become critical, given the continued volatility in the FAAC allocation and the knowledge that debt contraction is not out of tune, in as much as it can help to improve the State IGR, GDP as well as the general welfare of the people of the State.

## 4.4 DSA Sensitivity Analysis

The State faces important sources of fiscal risk associated with the possibility of adverse country wide macroeconomic conditions and reversal of the State's revenue and expenditure policies due to her heavy dependency on the share of federally collected Revenue. Sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenario discussed in the previous sub-section. Considering both macroeconomic and policy shocks, it is assumed that projected domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

The 2023 DSA analysis shows that Kwara State remains at moderate risk of debt distress under sensitivity analysis. The State DSA analysis shows deterioration in relation to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks that would lead to increase Gross Financing needs over the projection period (2023 − 2032). This implies that in case of any negative variation in many of the variables mentioned above, the state will necessarily need to result to further borrowing in form of bailout.

**Chart 27: Debt Stock as a share of SGDP**

S1_Baseline — S1_ShockRevenue — S1_ShockExpenditure
S1_ShockExchangeRate — S1_ShockInterestRate — S1_Historical
Threshold

**Chart 12: Debt Stock as a share of SGDP**

S1_Baseline — S1_ShockRevenue — S1_ShockExpenditure
S1_ShockExchangeRate — S1_ShockInterestRate — S1_Historical
Threshold

**Chart 28: Debt Stock as a share of Revenue**

S1_Baseline — S1_ShockRevenue — S1_ShockExpenditure
S1_ShockExchangeRate — S1_ShockInterestRate — S1_Historical
Threshold

**Chart 13: Debt Stock as a share of Revenue**

S1_Baseline — S1_ShockRevenue — S1_ShockExpenditure
S1_ShockExchangeRate — S1_ShockInterestRate — S1_Historical
Threshold

**Chart 29: Debt Service as a share of Revenue**

S1_Baseline — S1_ShockRevenue — S1_ShockExpenditure
S1_ShockExchangeRate — S1_ShockInterestRate — S1_Historical
Threshold

**Chart 14: Debt Service as a share of Revenue**

S1_Baseline — S1_ShockRevenue — S1_ShockExpenditure
S1_ShockExchangeRate — S1_ShockInterestRate — S1_Historical
Threshold

**Chart 30: Personnel Cost as a share of Revenue**

S1_Baseline — S1_ShockRevenue — S1_ShockExpenditure
S1_ShockExchangeRate — S1_ShockInterestRate — S1_Historical
Threshold

**Chart 15: Personnel Cost as a share of Revenue**

S1_Baseline — S1_ShockRevenue — S1_ShockExpenditure
S1_ShockExchangeRate — S1_ShockInterestRate — S1_Historical
Threshold

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**5.0      PUBLIC DEBT MANAGEMENT**

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 term, consistent with a prudent degree of risk and government policy. Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolio that would arise from a range of possible issuance strategies, considering factors such as macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

The Debt Management Strategy provides alternative strategies to meet the financing requirements for the State. The Strategies are shown by the breakdown of funding mix (domestic debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. Following four strategies are assessed by the government. The State Debt Management Strategy, 2023-2027, analyses the debt management strategies outcomes of the three debt-management performance indicators namely Debt Stock to Revenue, Debt Service to Revenue and Interest to Revenue. The cost is measured by the expected value of performance indicator in 2027, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2027 caused by an un-expected shock as projected in the most adverse scenario. The State is mindful of the potential risk of exchange rate fluctuation, hence the decision to try as much as possible to avoid the choice of foreign loan. Risk is measured by the deviation from the expected value.

**5.1      ALTERNATIVE BORROWING OPTIONS**

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2023 and MTEF 2023-2026. The alternative borrowing options chosen by the State include State Bonds, Commercial Bank Loans and other domestic borrowing option such as FGN/CBN Concessionary loan. The reasons for the choice borders on cost and risk involved and possibility of funding some specific investment project of the state. Commercial bank loans (maturity 1-5 years) accounts for 21.4% over the strategic period, commercial bank under 6 years & above accounts for 12.37%, State bonds (1-5 years maturity) account for 21.55% and State bonds of maturity of 6 years & above account for 26.78%, other domestic financing account for 4.97%, external finance concessionary for 4.56% while other external financing for 8.37% over the DMS period.

Strategy 2 (S2) Is 100% financing through Commercial Bank Loans of maturity 1-5 years which spread over the projection period. The State government will focus its financing on Commercial bank loans of 1-5 years maturity.

Strategy 3 (S3) The government financing on this strategy is 100% mainly through other domestic financing with maturity of 7 years as against other financing options over the DMS period.

Strategy 4 (S4) focuses on financing through State bond facility of 1-5 years maturity with 42.39% and State bond facility of 6 years and above maturity with 57.60%,  Strategy 1 is the only strategy of all the four strategies that utilizes all financing options includes external financing.
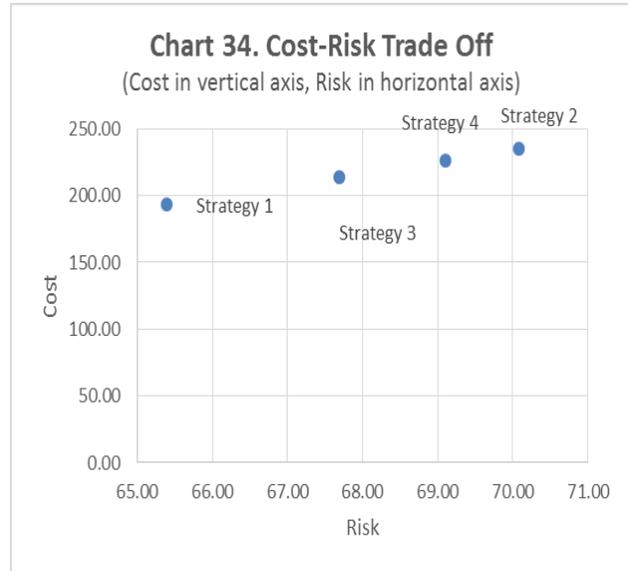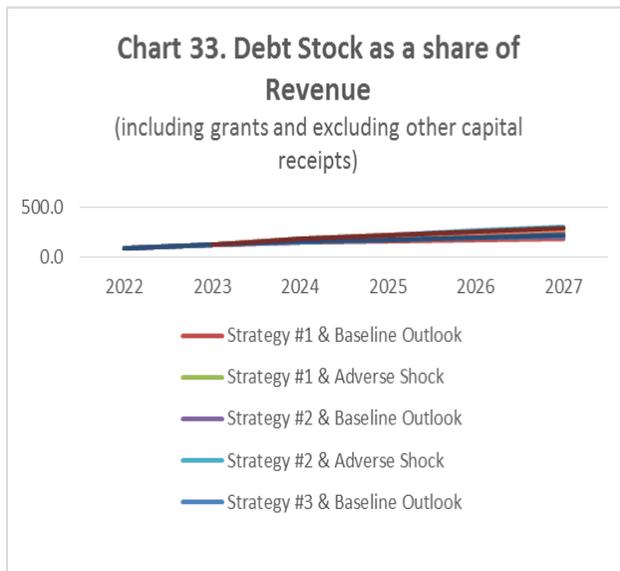
**TABLE 5.1  SHOWING BORROWING OPTIONS**

| S/N | Strategy | Comm. Bank (5 years | Comm. Bank (6 year above) | State Bonds of 5 years | State Bonds of 6 years above | other domestic borrowing | external finance concessionary | other external financing | Total (%) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | S1 | 21.4 | 12.37 | 21.55 | 26.78 | 4.97 | 4.56 | 8.37 | 100% |
| 2 | S2 | 100 | | | | | | | 100% |
| 3 | S3 | | | | | 100 | | | 100% |
| 4 | S4 | | | 42.39 | 57.60 | | | | 100% |

## 5.2   DMS SIMULATION RESULT

**Analysis of strategies and outcomes of the analysis. The cost risk trade off charts illustrate the performance of the alternative strategies with respect to four debt burden indicators**
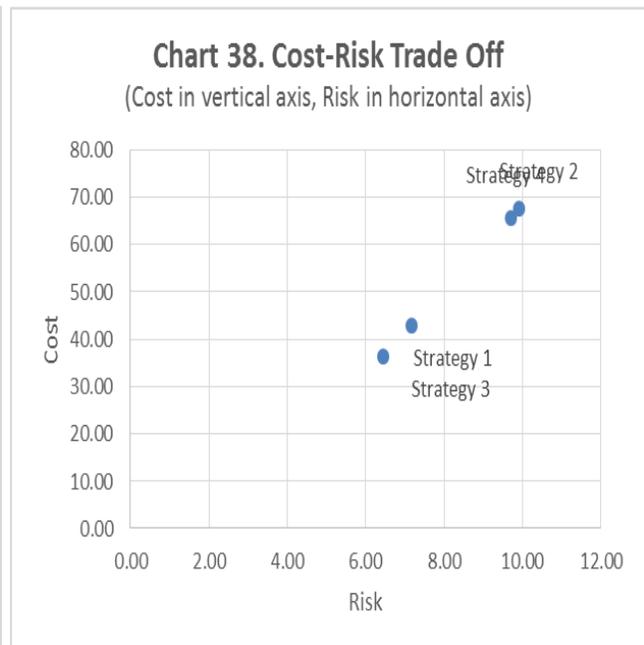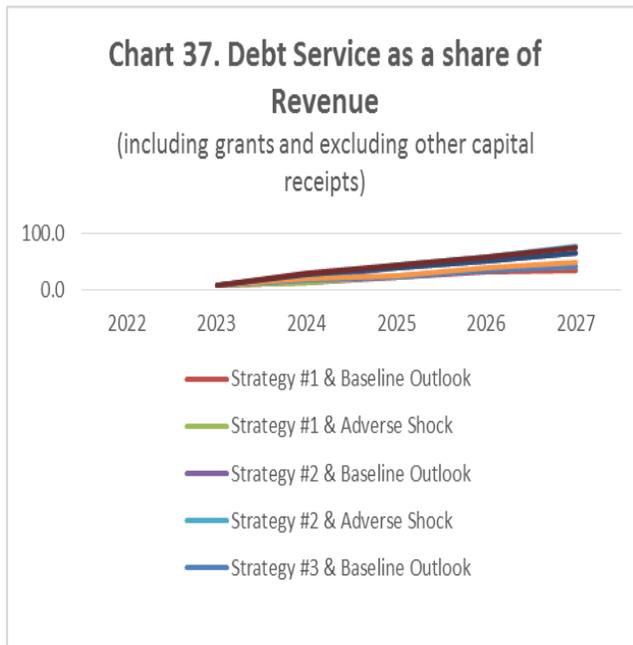
a   **Debt as a Share of Revenue**
- **Strategy 1 & 3 shows the cost ratio of Debt to Revenue estimated increase from 133.8% in 2023 to 192.9% in 2027, as against Strategy 2 (238.6%) and Strategy 4 (226.2%) over the DMS period of 2027. Compared with risk measured of Strategies 2, 3 & 4 which has 70.5%, 67.7% and 69.1% while Strategy 1 is 65.4%.**
- Analysis using this as Debt indicator of debt to revenue shows that S 1 & 3 is the least costly and riskier which was estimated at 192.9% and 65.4% compare to other strategies. On the other hand S2 is the costliest and riskiest strategy which was estimated at 235.1% and 70.1% which concentrated on Commercial bank loans of 5 years over the DMS period of 2023– 2027.



**Chart 33. Debt Stock as a share of Revenue**
(including grants and excluding other capital receipts)

- Strategy #1 & Baseline Outlook
- Strategy #1 & Adverse Shock
- Strategy #2 & Baseline Outlook
- Strategy #2 & Adverse Shock
- Strategy #3 & Baseline Outlook



**Chart 34. Cost-Risk Trade Off**
(Cost in vertical axis, Risk in horizontal axis)

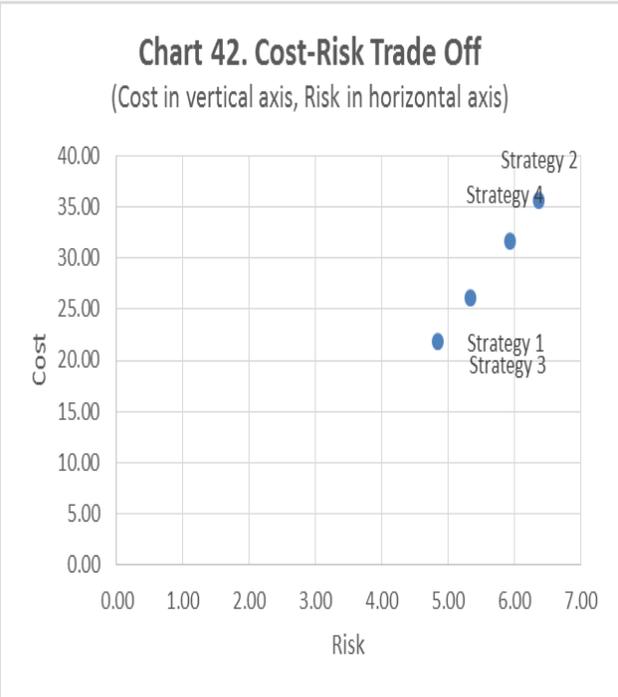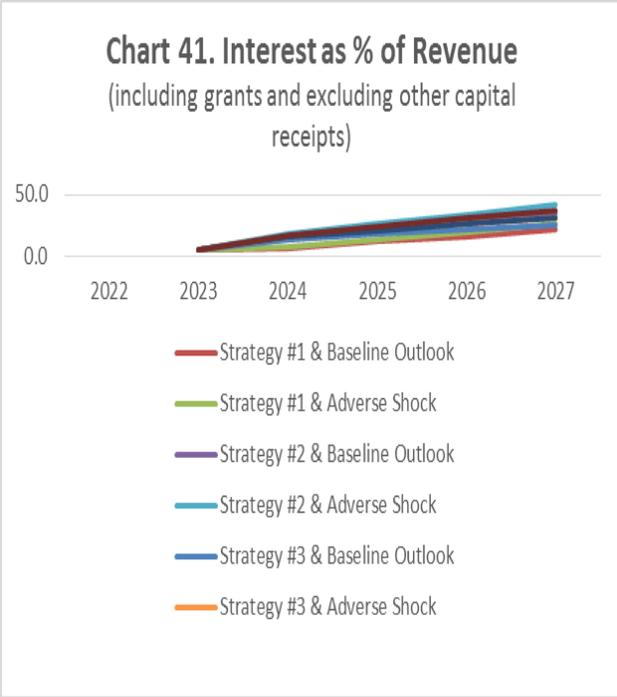b   **Debt Service as a share of Revenue**
- In terms of Debt service to revenue, S1 & S3 have the lowest cost of records. S1 has 9.6% in 2023 to 36.2% in 2027 and S3 has 9.6% in 2023 to 42.8% in 2027 respectively ; and with lowest risk of 6.5% and 7.2% respectively, compared to S4 (costs at 65.6% and risk at 9.7 %), then S2 (costs at 67.4% and risk at 10.1%) respectively as at the end of strategic period of 2027.

- Strategies 1 has the lowest cost at 36.2% and minimum risk at 6.5% under the debt service to revenue, followed by S3 cost at 42.8% and risk at 7.2%. But S2 is the costliest at 69.1% with risk of 10.1% as S1 would have been the most preferred strategy but it is a baseline scenario hence S3 is the best option to be considered.



Chart 37. Debt Service as a share of Revenue



Chart 38. Cost-Risk Trade Off

c **Interest as a share of Revenue**
- Strategy 1 is the least cost with regards Interest to Government Revenue which is projected from 5.4% in 2023 to 21.8% in 2027; and, risk at 4.9% while S2 & S4 are the most costly and risky strategies at 35.5% and 31.6% compared to S3 with moderate cost and risk of 26.1% and 5.3% respectively.
- Strategy 2 estimated to have the higher cost after strategy 4, the cost under strategy 1 is 21.8% and the risk is 4.9% at the end of the strategic period 2027.

**Chart 41. Interest as % of Revenue**
(including grants and excluding other capital receipts)



**Chart 42. Cost-Risk Trade Off**
(Cost in vertical axis, Risk in horizontal axis)

5.3 **DMS Assessment**

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of costs and risks would suggest that the recommended strategy be S3, these results were better when compared with Strategy S1. **Strategy 3 was considered as the most feasible of the strategies to implement in the short to medium-term; and, it would still greatly improve the debt portfolio's position relative to the base year 2022**

In comparison to the current debt position, Kwara State debt portfolio stood at ₦109.382 billion as at end-2022, which is expected to increase to ₦1,856,712.5 trillion under Strategy 1 at the end of the strategic period, compared to Strategy 2 (₦ 2,536,810.80 trillion), Strategy 3 (₦1,676,997.7 trillion), and Strategy 4 (₦2,391,363.00 trillion).  In view of the above, strategy 3 is the best option considering the outcome of the strategy which increased the debt portfolio to ₦ 1,676,997.70 trillion from ₦109.382 billion compare to other strategies which have higher increase during the year under review (2023-2027. This represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2022 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context of financing of the fiscal gap through alternative borrowing options, mainly through commercial bank loan, State bond and other domestic financing.

# ANNEX I

| Assumptions: | | Projection Methodology |
|---|---|---|
| **Economic activity** | State GDP (at current prices) | |
| | | |
| **Revenue** | **Revenue** | |
| | 1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here) | As provided by the DMO/WBG |
| | 1.a. of which Net Statutory Allocation ('net' means of deductions) | FGN MTEF 2023-2026 and extended forecast on oil revenue determinant variables (Prices, productions, Exchange rate e.t.c) couple with removal of fuel subsidy. |
| | 1.b. of which Deductions | FGN MTEF 2023-2026 and extended forecast on oil revenue determinant variables (Prices, productions, Exchange rate e.t.c) |
| | 2. Derivation (if applicable to the State) | |
| | 3. Other FAAC transfers (exchange rate gain, augmentation, others) | Removal of fuel subsidy and other trend as increases State earnings |
| | 4. VAT Allocation | Based on trend and responsiveness to changes in IGR this is also add value to State purse |
| | 5. IGR | **projections is based on trend analysise.g ntroduction harmonized tax billing couple with improvement in technology that drive revenue generation** |
| | 6. Capital Receipts | |
| | 6.a. Grants | Based on key inn of government into World Bank related programme by consistently realised of counter part fund as brought many opportunities. |
| | 6.b. Sales of Government Assets and Privatization Proceeds | |
| | 6.c. Other Non-Debt Creating Capital Receipts | Based on performance in 2022 |
| | | |
| **Expenditure** | **Expenditure** | |
| | 1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other) | Projections is based on other variables such as persistent agitation for new minimum wage due to antecedent of fuel subsidy removal will definatly increases the perso |
| | 2. Overhead costs | Projection is based on Trend analysis and some other variables such as inflation as at present is at 26% . |
| | 3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation) | Projections is based on amortization schedules as at now the interest rate on all commercial banks & bonds stands between 20% on bond while 22-25% for commercia |
| | 4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments) | Trend based on growth and some other variables such as rising cost of goods and service stood as at 26% presently. |
| | 5. Capital Expenditure | Based on Government priority, resource availability and some other variables completion of variuos ongoing projects,Government spend more on project because of inf |
| | | |
| **Closing Cash and Bank Balance** | **Closing Cash and Bank Balance** | Projection is based on trend |
| | | |
| **Debt Amotization and Interest Payments** | **Debt Outstanding at end-2022** | |
| | External Debt - amortization and interest | Based on projection and decline in the value of naira |
| | Domestic Debt - amortization and interest | Based on amortization schedules and recapitized of debt facilities and current moratorium that may further lead to further recapitalisation at end of moratorium period |
| | **New debt issued/contracted from 2023 onwards** | Based on capacity, need and affordability |
| | **New External Financing** | Based on need and available offers |
| | External Financing - Concessional Loans (e.g., World Bank, African Development Bank) | Based on need and available offers |
| | External Financing - Bilateral Loans | |
| | Other External Financing | Based on need and available offers |
| | **New Domestic Financing** | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | Based on need and affordability since interest rate for all commercial banks stood as 22-25% |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | |
| | State Bonds (maturity 1 to 5 years) | |
| | State Bonds (maturity 6 years or longer) | Based on amortization schedules almost, new bonds interest payment starts from 20% now. |
| | Other Domestic Financing | Based on amortization schedules |
| | | |
| **Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1** | **Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1** | **Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)** |
| | **New Domestic Financing in Million Naira** | Nil |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | Commercial Bank facility/Agricultural/Infrastructural facility with intertest rate of not less than 22% and 5 years medium term maturity period. |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | Commercial Bank facility/Agricultural/Infrastructural facility with intertest rate of not more than 25% and 6 years medium term maturity period. |
| | State Bonds (maturity 1 to 5 years) | State bonds facility with intertest rate of not more than 20% and 5 years medium term maturity period. |
| | State Bonds (maturity 6 years or longer) | State bonds facility with intertest rate of not more than 20% and 7 years medium term maturity period. |
| | Other Domestic Financing | Other domestic financing facility with intertest rate of not more than 17% and 7 years medium term maturity period with two years grace period. |
| | **New External Financing in Million US Dollar** | Nil |
| | External Financing - Concessional Loans (e.g., World Bank, African Development Bank) | External financing of interest rate of 3% and maturity period of period of 25 years. |
| | External Financing - Bilateral Loans | Nil |
| | Other External Financing | Nil |
| | | |
| **Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2** | **Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2** | |
| | **New Domestic Financing in Million Naira** | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure | Commercial Bank facility/Agricultural/Infrastructural facility with intertest rate of not less than 22% and 5 years medium term maturity period of one year grace. |

| Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2 | **Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2** | |
|---|---|---|
| | **New Domestic Financing in Million Naira** | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | Agric facility with less than 20% interest rate and medium term maturity period |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | Agric facility with less than 20% interest rate and long term maturity period |
| | State Bonds (maturity 1 to 5 years) | State bond with double digit interest rate and long term maturity period |
| | State Bonds (maturity 6 years or longer) | State bond with double digit interest rate and long term maturity period |
| | Other Domestic Financing | other financing with single digit interest rate and long term maturity period |
| | **New External Financing in Million US Dollar** | |
| | External Financing - Concessional Loans (e.g., World Bank, African Development Bank) | external loan financing with single digit interest rate and long term maturity period with grace period |
| | External Financing - Bilateral Loans | Nil |
| | Other External Financing | Nil |

| Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3 | **Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3** | |
|---|---|---|
| | **New Domestic Financing in Million Naira** | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loan | Agric facility with double digit interest rate and medium term maturity period |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure | Agric facility with double digit interest rate and long term maturity period |
| | State Bonds (maturity 1 to 5 years) | State bond with double digit interest rate and long term maturity period |
| | State Bonds (maturity 6 years or longer) | State bond with double digit interest rate and long term maturity period |
| | Other Domestic Financing | other financing with single digit interest rate and long term maturity period |
| | **New External Financing in Million US Dollar** | |
| | External Financing - Concessional Loans (e.g., World Bank, African Development Bank) | external loan financing with single digit interest rate and long term maturity period with grace period |
| | External Financing - Bilateral Loans | Nil |
| | Other External Financing | Nil |

| Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4 | **Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4** | |
|---|---|---|
| | **New Domestic Financing in Million Naira** | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | Agric facilty with double digit interest rate and medium term maturity period |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | Agric and MSMEDF with double digit interest rate and long term maturity period |
| | State Bonds (maturity 1 to 5 years) | State bond with double digit interest rate and long term maturity period |
| | State Bonds (maturity 6 years or longer) | State bond with double digit interest rate and long term maturity period |
| | Other Domestic Financing | other financing with single digit interest rate and long term maturity period |
| | **New External Financing in Million US Dollar** | |
| | External Financing - Concessional Loans (e.g., World Bank, African Development Bank) | external loan financing with single digit interest rate and long term maturity period with short grace period |
| | External Financing - Bilateral Loans | |
| | Other External Financing | |

Ibiyinka Olatunde S.
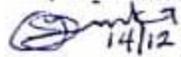
14/12/23

5Head: Debt Management Department,
Kwara State.

HAJI LAFIA ALIU KORA SABI

Hon. Commissioner
Ministry of Planning and Economic Development

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