LAGOS ECONOMIC DEVELOPMENT UPDATE (LEDU) 2025

Lagos State Economic Outlook: Charting a Resilient Path Towards a Sustainable Future

Economic Intelligence Department
Ministry of Economic Planning and Budget
The Secretariat, Alausa, Ikeja Block 19, P.O Box 202, Ikeja , Lagos State

Foreword

Mr. Ope George
Honourable Commissioner,
Ministry of Economic Planning
and Budget

The Lagos Economic Development Update (2025) themed "Lagos Economic Outlook: Charting a Resilient Path Towards a Sustainable Future" stands as a testament to the unwavering commitment of the Lagos State Government to transparency, evidence-based policymaking, and sustainable economic growth. As the Honourable Commissioner for Economic Planning and Budget, it is my privilege to present this second edition, which provides an in-depth analysis of the dynamic interplay between global, national, and local economic landscapes and their implications for Lagos State.

Lagos remains the economic nerve centre of Nigeria and a hub of innovation, investment, and opportunities within Africa. In a rapidly evolving global economy, maintaining this leadership position requires forward-thinking policies, a deep understanding of emerging trends, and the ability to anticipate and mitigate risks. This update provides actionable insights into key economic developments, including sectoral performance, fiscal sustainability, social protection, and the labour market, while highlighting the policies driving progress and the challenges that require our urgent attention.

The 2025 edition builds on the successes of the maiden edition, delving further into critical issues such as capital importation, inflation, and macroeconomic outlook. It also underscores the importance of building resilience against possible vulnerabilities such food insecurity, climate change, revenue gap, energy deficit and skill gaps in a manner that ensures inclusive and sustainable future.

As we look toward the future, this document serves not only as an economic update but also as a call to action for policymakers, stakeholders, and the private sector to collaborate in building a Lagos that is resilient, competitive, and inclusive. I commend the Economic Intelligence Department and all contributors for their hard work in producing this exceptional resource.

Together, let us chart a path towards shared prosperity and a sustainable future for Lagos residents.

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Acknowledgements

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While every effort has been made to ensure the accuracy and reliability of the data and findings presented in this report, the interpretations and conclusions do not necessarily reflect the views of the Lagos State Executive Council. Furthermore, the Lagos State Government does not guarantee the absolute accuracy of the data contained herein or its potential applications. To all contributors, partners, and stakeholders whose collective efforts made this report possible, we extend our profound gratitude for your dedication and invaluable support.

For enquiries or further clarifications regarding this report, kindly reach out via email to akalao@lagosstate.gov.ng. For more information on the Ministry of Economic Planning and Budget and its activities, please visit our official website: https://mepb.lagosstate.gov.ng/.

Abbreviations and Acronyms

BRT/BRI	Bus Rapid Transit/Bus Rapid Intervention
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CBN	Central Bank of Nigeria
EID	Economic Intelligence Department, Lagos
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIPP	Lagos State Graduate Internship Placement Programme (GIPP)
GIPP	Graduate Internship Placement Programme
IDPs	Internally Displaced Persons
IMF	International Monetary Fund
KNBS	Kenya National Bureau of Statistics
LAMATA	Lagos Metropolitan Area Transport Authority
LASG	Lagos State Government
LBS	Lagos Bureau of Statistics
LDMO	Lagos Debt Management Office
LEEP	Life Skills Economic Empowerment Programme (LEEP)
LJLA	Lateef Jakande Leadership Academy (LJLA) Fellowship Programme
LMIS	Lagos Market Information System
LSDP	Lagos State Development Plan
LSETF	Lagos State Employment Trust Fund
MPC/MPR	Monetary Policy Committee/Monetary Policy Rate
MPED	Ministry of Planning, Economic Development & International Cooperation, Egypt
NBS	National Bureau of Statistics
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PMS	Premium Motor Spirit
SSA	Statistics South Africa
WEO	World Economic Outlook

Overview

The Lagos Economic Development Update (LEDU) 2025 provides an in-depth analysis of the economic trajectory of Lagos State amidst global, national, and local developments. Positioned as Nigeria's economic nerve centre, Lagos continues to grapple with global economic headwinds while leveraging targeted policies to foster resilience, competitiveness, and inclusive growth. This document offers a comprehensive assessment of Lagos' macroeconomic performance, fiscal sustainability, labour market dynamics, and emerging risks, serving as a resource for policymakers, investors, and stakeholders.

Global economic growth is projected at **3.2 percent for 2025,** driven by robust performances in emerging markets such as India and China, despite ongoing geopolitical tensions and tightening financial conditions. In Nigeria, reforms like exchange rate unification and fuel subsidy removal have yielded mixed outcomes. National GDP growth for 2024 averaged 3.08 percent, with oil sector recovery outpacing non-oil contributions. However, inflation remains elevated, peaking at 34.19 percent in mid-2024, reflecting the cascading effects of subsidy removal, exchange rate depreciation, and global commodity price volatility.

Lagos remains a dominant economic hub, contributing 22.36 percent to Nigeria's GDP in 2024H1, with its nominal GDP estimated at **₦27.39 trillion**. Despite challenges, Lagos recorded a real GDP growth rate of 5.26 percent in 2024Q2, driven by structural reforms and targeted investments. Key sectors such as trade and information and communication sustained growth, although manufacturing and public administration faced contractions due to high borrowing costs and inflationary pressures. Capital importation to Lagos, a critical indicator of investor confidence, totalled $650.41 million in 2024Q3. While this reflects a decline from earlier quarters, year-on-year growth underscores the state's resilience. Foreign portfolio investments dominated inflows, highlighting investor preference for short-term instruments amid economic uncertainty. Efforts to diversify capital sources remain pivotal for sustaining growth.

The fiscal trajectory of Lagos State showcases robust revenue generation and innovative policy measures. Internally generated revenue (IGR) accounted for 70 percent of total revenue in 2023, reflecting the state's fiscal autonomy. In 2024, revenue performance reached 106.6 percent, driven by several initiatives and increased federal transfers post-subsidy removal. However, expenditure performance variability highlights the need for enhanced budget execution and prioritisation. Capital expenditure (CAPEX) consistently exceeded recurrent expenditure, peaking at 68 percent of total spending in 2023Q4. This underscores Lagos' focus on infrastructure and long-term growth. However, balancing CAPEX with recurrent spending remains critical to sustaining development while addressing operational demands.

The labour market in Lagos reflects both opportunities and persistent challenges. Labour demand remains robust, particularly in trade, information technology, and transportation sectors. However, skill mismatches, barriers to re-entry, and gender disparities constrain jobseekers. Educational qualifications remain a critical determinant, with higher degree holders faring better in employment outcomes. Notable interventions include the Lagos Graduate Internship Placement Programme (GIPP) and targeted empowerment initiatives. These efforts aim to address unemployment and skill gaps while promoting inclusive labour market participation. However, sustaining these interventions requires deeper alignment with private sector demands and scalable skill development programmes.

The Lagos State Government's policy agenda for 2025 focuses on enhancing fiscal sustainability, promoting sectoral diversification, and addressing vulnerabilities. **Key initiatives include:**

- **Expanding infrastructure through projects like the blue and red rail lines and waterway transport.**
- **Strengthening social interventions such as the "Ounje Eko" food subsidy programme and transport fare reductions.**
- **Advancing fiscal reforms to enhance revenue mobilization and optimise public spending.**

Economy size for Lagos is projected to approach **₦51 trillion by 2025**, with inflation expected to moderate gradually. Sustained policy reforms, private sector engagement, and strategic investments will be crucial in achieving these goals.

However, there are a couple of risks that pose a threat to the economic stability of the state, such as persisting insecurity in major food producing states and climate-induced disruptions exacerbating supply chain vulnerabilities, impacting food prices and availability, thus leading to food insecurity. Mismatches between education outputs and labour market needs are hindering productivity and economic competitiveness, highlighting skills gaps. Rising sea levels and flooding pose significant risks to infrastructure, urban settlements, and livelihoods. There is also the issue of inadequate electricity supply and reliance on imported petroleum products, which undermine industrial and economic activities, as well as rapid urbanisation, which strains housing, infrastructure, and social services, intensifying socioeconomic inequalities. There is also high revenue gap as the revenue-to-GDP remains very low. Addressing these risks require the following:

- Boosting domestic productivity and food management systems to achieve sustainable food security.
- Promoting skill development and strengthening private-sector collaboration.
- Building climate resilience through regional collaboration, expanding climate finance, improving monitoring mechanisms, and fostering community participation.
- Bridging the energy deficit by enhancing climate finance, streamlining regulatory processes, investing in capacity building, and strengthening infrastructure resilience.
- Mitigating migration challenges through improved urban planning, promoting social integration, expanding affordable housing, and improving migration governance.
- Designing strategies to optimize domestic revenue mobilization.

Charting a path of resilience for a sustainable future requires strong collaboration between the public and private sectors, as well as development partners, to address structural bottlenecks and help Lagos achieve its vision of inclusive prosperity and global competitiveness.

Part 1:

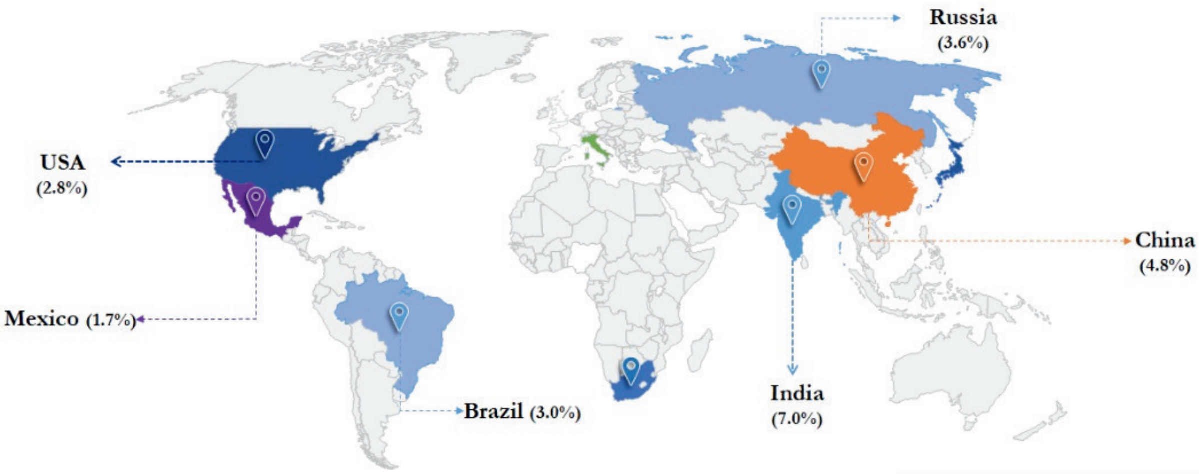
Global and National Economic Development

1. Brief Overview of Global and National Economic Landscape

1.1. Global Economy Snapshot

The global economy is projected to have a steady growth rate[1] of 3.2 percent in 2024 and 2025 (Figure 1.1). The growth is expected to be driven by the performance of some developed economies, especially the United States and Spain, with growth rates of 2.8 percent and 2.9 percent, respectively, and some emerging market and developing economies, particularly India, China, Russia, and Brazil, with growth rates of 7.0 percent, 4.8 percent, 3.6 percent, and 3.0 percent, respectively. These countries play a significant role in strengthening the global growth prospect in 2024. According to the World Economic Outlook[2] (WEO) projections (Figure 1.1), the real growth rate for the global economy is expected to remain at 3.2 percent in 2025. In advanced economies, the United States, with a strong growth of 2.8 percent in 2024, is expected to revert towards its potential (2.2 percent) in 2025. Advanced European economies such as Canada (2.4 percent) and Spain (2.1 percent) are expected to record modest growth rebounds in 2025. In emerging and developing markets, economies are expected to maintain very stable growth of 4.2 percent in 2024 and 2025, with emerging Asian countries expected to continue robust performance. Moreover, countries such as India (6.5 percent) and China (4.5 percent) are expected to perform below 2024.

Figure 1.1 Economic Outlook Projections (Real GDP growth, %)



Data: IMF and World Economic Outlook & Graphic: EID Research

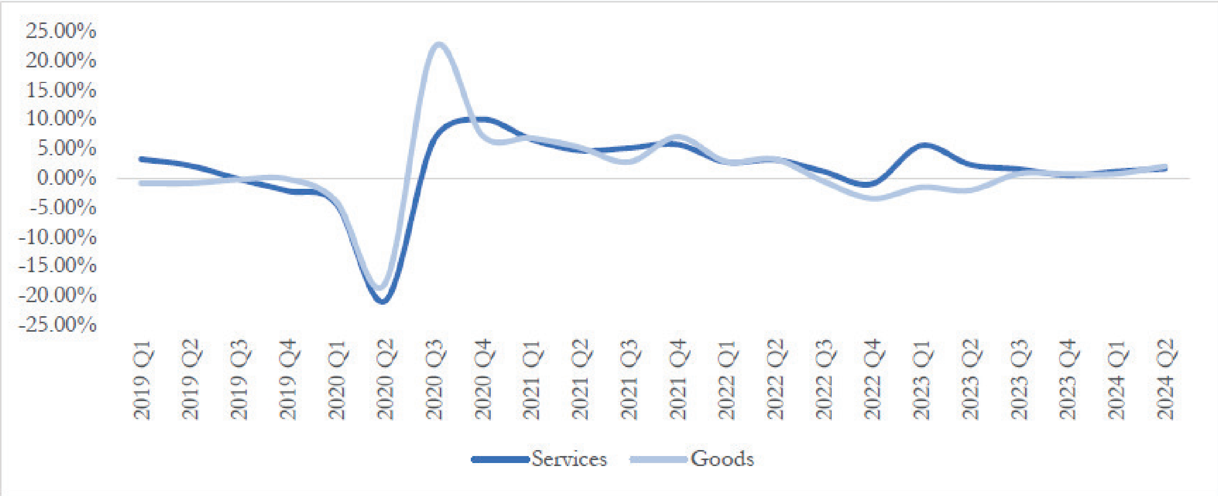
The global battle against inflation[3] also yielded positive results in 2024 as the IMF projection indicated a further decline in headline inflation to 3.5 percent by the end of 2025 compared to a peak of 9.4 percent year-on-year recorded in the third quarter of 2022. Since inflation[4] is hovering close to the targets of several banks, there is observed monetary easing in most countries. The decline in inflation without triggering a global recession is a significant achievement, driven by the easing of supply disruptions, improved labour supply, and effective monetary policy.

[1] https://www.imf.org/en/Blogs/Articles/2024/10/22/as-inflation-recedes-global-economy-needs-policy-triple-pivot
[2] https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024?cid=bl-com-AM2024-WEOEA2024002
[3] https://www.imf.org/en/Blogs/Articles/2024/10/22/as-inflation-recedes-global-economy-needs-policy-triple-pivot
[4] https://www.imf.org/en/Blogs/Articles/2024/10/22/as-inflation-recedes-global-economy-needs-policy-triple-pivot

These factors, alongside the unwinding of pandemic and war-related shocks, helped anchor inflation expectations and prevent harmful wage-price spirals. Additionally, the year witnessed significant improvement in international trade (Figure 1.2). According to Global Trade Update[5] the United States of America and developing countries, especially some Asian developing economies, are expected to add about $250 billion and $100 billion to goods and services trade[6] in the first half of 2024 relative to the second half of 2023. The surge in global trade could be attributed to strong export growth in China (9 percent), India (7 percent), and the US (3 percent) in the first quarter of 2024.

Consequently, the persistence of positive trends may expand the global trade value for 2024 to $32 trillion[7] Despite a decline in inflation and a boost in global trade and services, there are undesirable developments that undermine growth recorded in 2024, including the escalation of conflicts (Gaza-Lebanon-Israel war), rising Iran-Israel tension, the complexity of conflicts in some African countries, rising tension in the South China Sea, the deteriorating Russia-Ukraine war, tariffs and trade policy uncertainty, and global financial conditions tightening. These factors can also pose serious risks for commodity markets, lower output, and persist in tightening monetary policy in 2025.

Figure 1.2 Global Trade in Goods and Services (%)



Data: UN Trade and Development (UNCTAD) & Chart: EID Research

These global developments could impact Nigeria, including Lagos State, by increasing economic uncertainty and volatility in commodity markets, which are crucial for Nigeria's oil-dependent economy. Tightening global financial conditions and trade policy uncertainties may reduce foreign investment and trade flows, potentially slowing economic growth in Lagos State. Additionally, escalating conflicts and geopolitical tensions could disrupt global supply chains, indirectly affecting prices and availability of goods in Lagos State.

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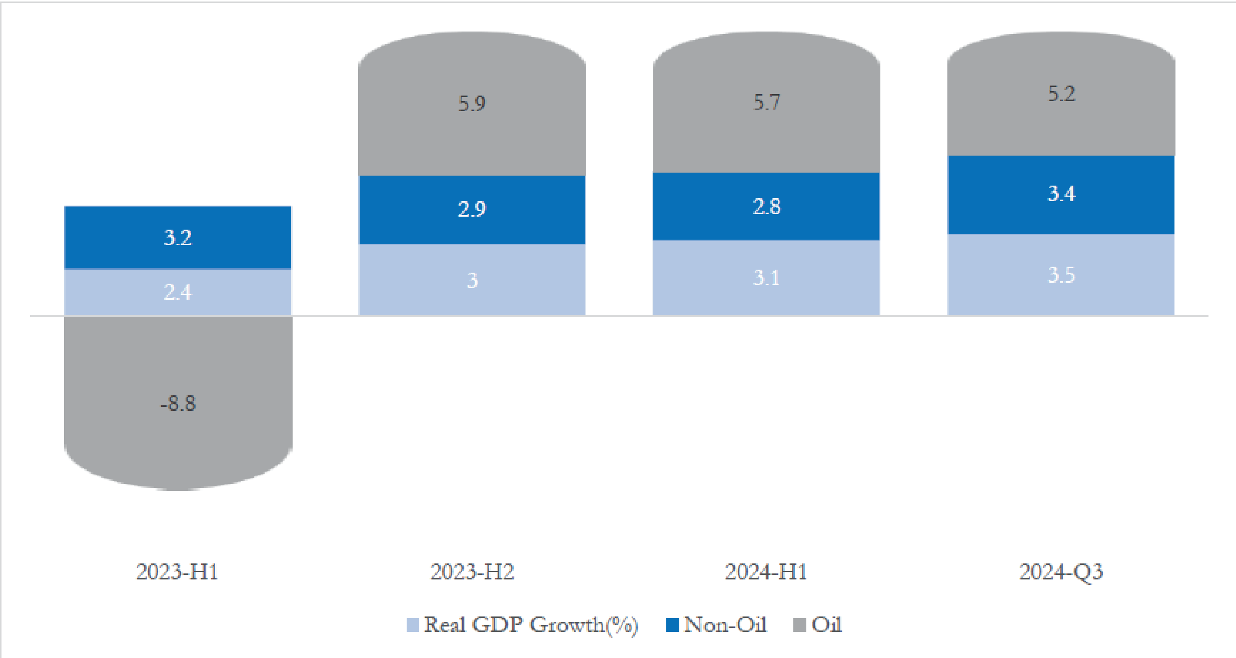
[5] https://unctad.org/publication/global-trade-update-july-2024
[6] https://unctad.org/publication/global-trade-update-july-2024
[7] https://unctad.org/publication/global-trade-update-july-2024

1.2. National Economy Snapshot

The performance of the Nigerian economy in 2024 has been significantly shaped by a mix of progress and challenges across various socioeconomic indicators. This was due to the lingering effect of several policy reforms, which include exchange rate unification and energy policy reforms. Despite the policy shocks, data[8] from the National Bureau of Statistics (NBS) reveals that Nigeria recorded an average growth rate of 3.08 percent in the first half of 2024 (2024H1) (Figure 1.3). This was higher than the 2.4 percent experienced in 2023H1. Additionally, the oil sector recorded a growth rate of 7.92 percent in 2024H1 relative to -8.82 percent in 2023H1. It contributed 6.04 percent to the Gross Domestic Product (GDP) in 2024H1, higher than 5.78 percent in 2023H1. On the other hand, the non-oil sector grew by 2.80 percent in 2024H1, which is lower than the 3.18 percent recorded in 2023H1. The sector continues to dominate the real output with a share of 93.96 percent in 2024H1, though slightly lower than 94.22 percent recorded in the corresponding first half of 2023 (Figure 1.4). The oil sector outpaced the non-oil sector after exiting recession in 2023Q4. The sectoral performance also reveals the service sector as the largest contributor, with a share of 58.40 percent in 2024H1, up from 57.86 percent in 2023H1. In terms of real growth, the sector recorded 4.05 percent in 2024H1, lower than 4.39 percent in 2023H1. The financial sector played a significant role in the service sector's performance as a major growth contributor. It grew by 30.02 percent in 2024H1, higher than 24.11 percent in 2023H1, due to benefits from financial sector reforms initiated by the Central Bank of Nigeria (CBN).

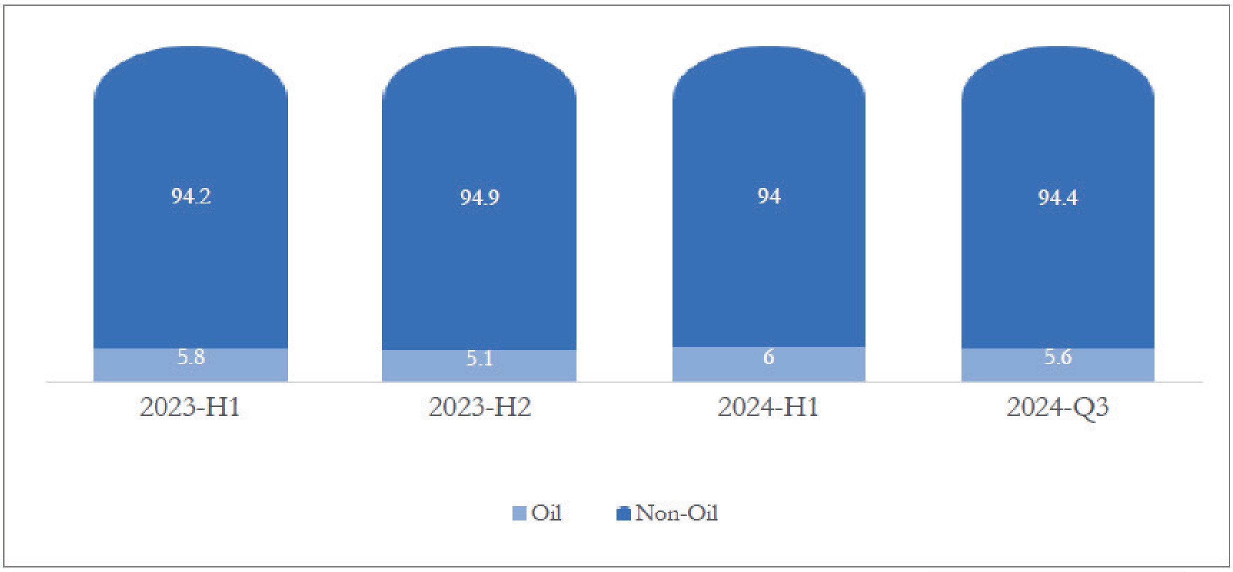
Figure 1.3 Real Growth Rates (%)



Data: National Bureau of Statistics & Chart: EID Research

[8] https://www.nigerianstat.gov.ng/elibrary/read/1241549

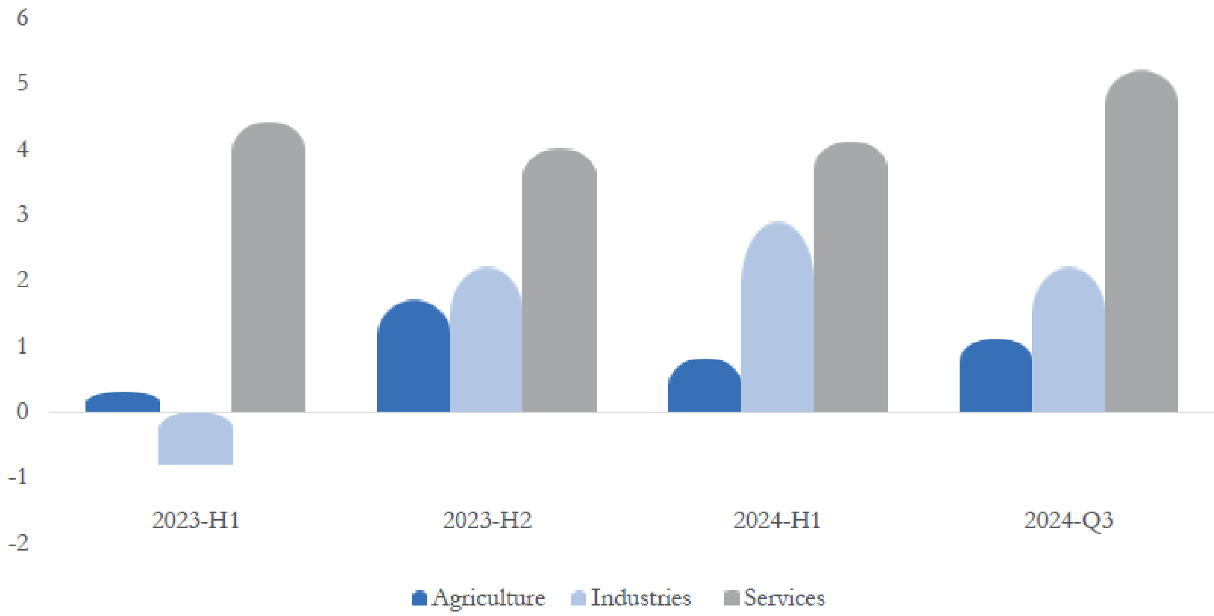
Figure 1.4 Contribution of Oil and Non-oil Sectors (%)



Data: National Bureau of Statistics & Chart: EID Research

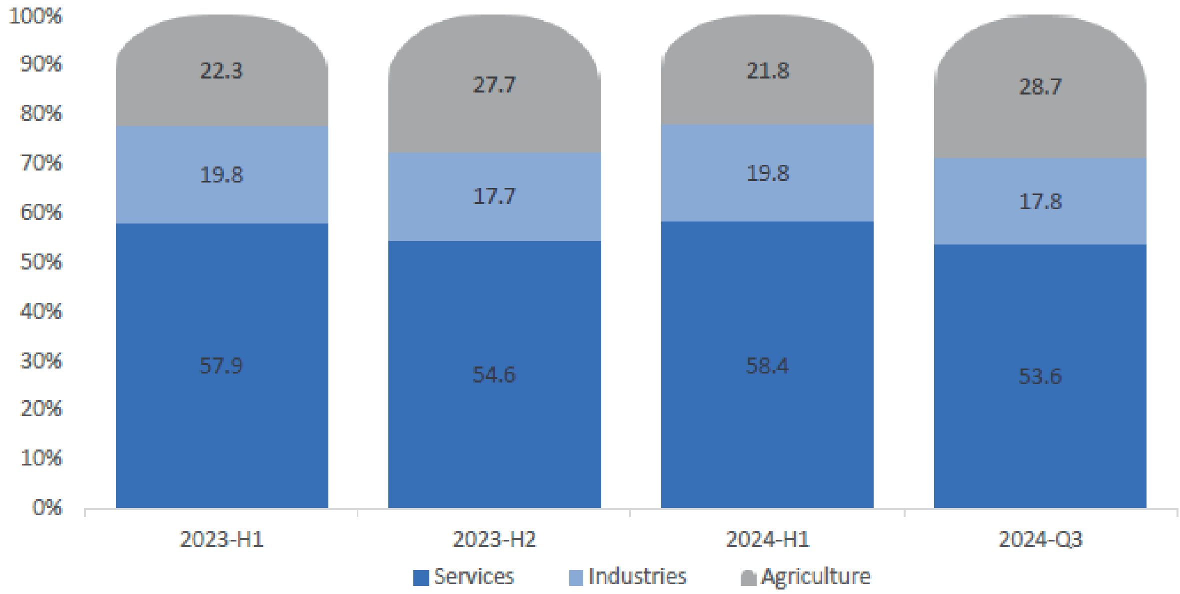
Agriculture's contribution declined to 21.84 percent in 2024H1 from 22.34 percent in 2023H1 (Figure 1.6). Additionally, its low growth declined to 0.80 percent in 2024H1 from 1.70 percent in 2023H2 (Figure 1.5) due to major factors such as persisting insecurity, climate change (flooding), and logistic challenges. The industrial sector grew by 2.86 percent in 2024H1, up from -0.81 percent in 2023H1. However, its contribution slightly declines to 19.75 percent in 2024H1 from 19.81 percent in 2023H1. In a recent data release by NBS, the Nigerian economy recorded another improvement with a real growth rate of 3.46 percent in the third quarter of 2024 (2024Q3), which is higher than the 2.54 percent recorded in 2023Q3. The service sector played a significant role as it recorded a growth of 5.19 percent compared to agriculture (1.14 percent) and industry (2.18 percent) in the same quarter. Additionally, there was an improvement in the contribution of agriculture as it increased from 22.61 percent in 2024Q2 to 28.65 percent in 2024Q3 relative to the decline experienced by industry and service sectors from 18.62 percent and 58.76 percent, respectively, in 2024Q2 to 17.77 percent and 53.58 percent in 2024Q3. The oil sector accelerated more than the non-oil sector, as indicated by their growth rates of 3.37 percent and 5.17 percent, respectively. In terms of contribution, the non-oil sector continues to dominate with a slight improvement from 94.3 percent in 2024Q2 to 94.43 percent in 2024Q3. However, the oil sector witnessed a decline from 5.7 percent in 2024Q2 to 5.57 percent in 2024Q3.

Figure 1.5 Sectoral Growth (%)



Data: National Bureau of Statistics & Chart: EID Research

Figure 1.6 Sectoral Contribution (%)

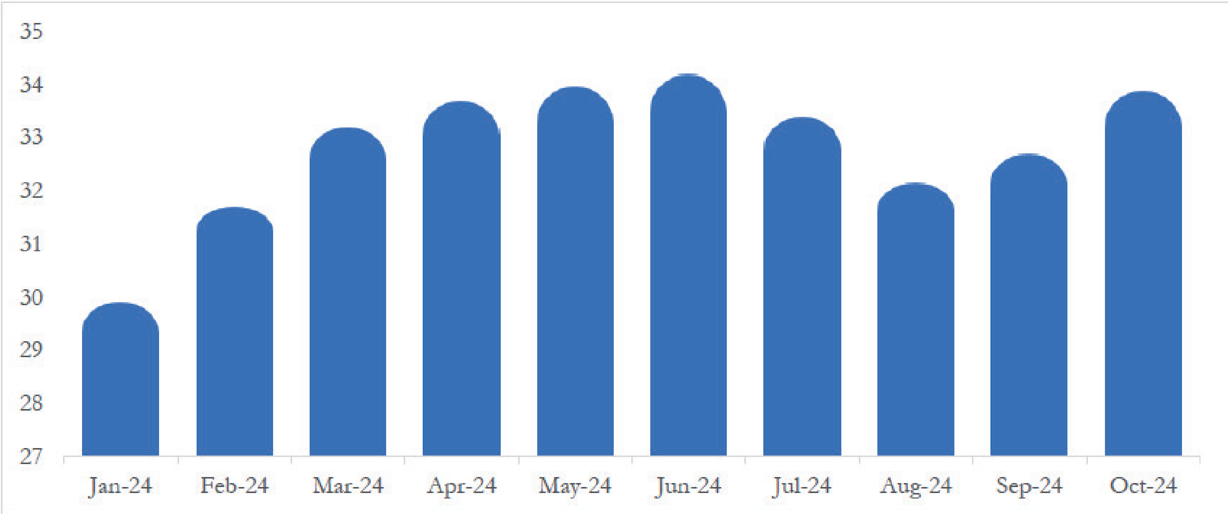


Data: National Bureau of Statistics & Chart: EID Research

Furthermore, there is increasing pressure in price levels as headline inflation rose from 29.9 percent in January 2024 to a peak of 34.19 percent in June 2024 (Figure 1.7). However, it started decelerating between July (33.40 percent) and August (32.15 percent). The deceleration was short-lived as the inflation started accelerating to 32.70 percent and 33.88 percent in September and October, respectively. Similarly, food inflation increased from 35.41 percent in January 2024 to a peak of 40.87 percent in June 2024. It also decelerated 39.53 percent in July to 37.52 percent in August. However, it increased to 37.77 percent (September) and 39.16 percent (October), respectively. The elevated price level from January was the aftermath of fuel subsidy removal, persistent insecurity, flooding, and logistic challenges increasing global commodity prices and exchange rate depreciation, which significantly affect productivity and operating costs.

The mounting policy intervention appears to be responding to elevated price levels between July and August, but the increase in premium motor spirit price in September further exacerbates the price level, undoing the little gains recorded in July and August. The resultant effect of the elevated price has fed into higher transportation and production costs. It has also significantly reduced disposable income, weakened consumer demand, and dwindled profit margins. To tame inflation, the CBN has explored its monetary policy instruments, especially the monetary policy rate (MPR). In 2024, the CBN has severally adjusted the MPR (875 basis points). The recent adjustment was done in November 2024 when the MPR was increased from 27.25 percent to 27.50 percent, representing an additional 25 basis. Despite this effort, inflation remains very high.

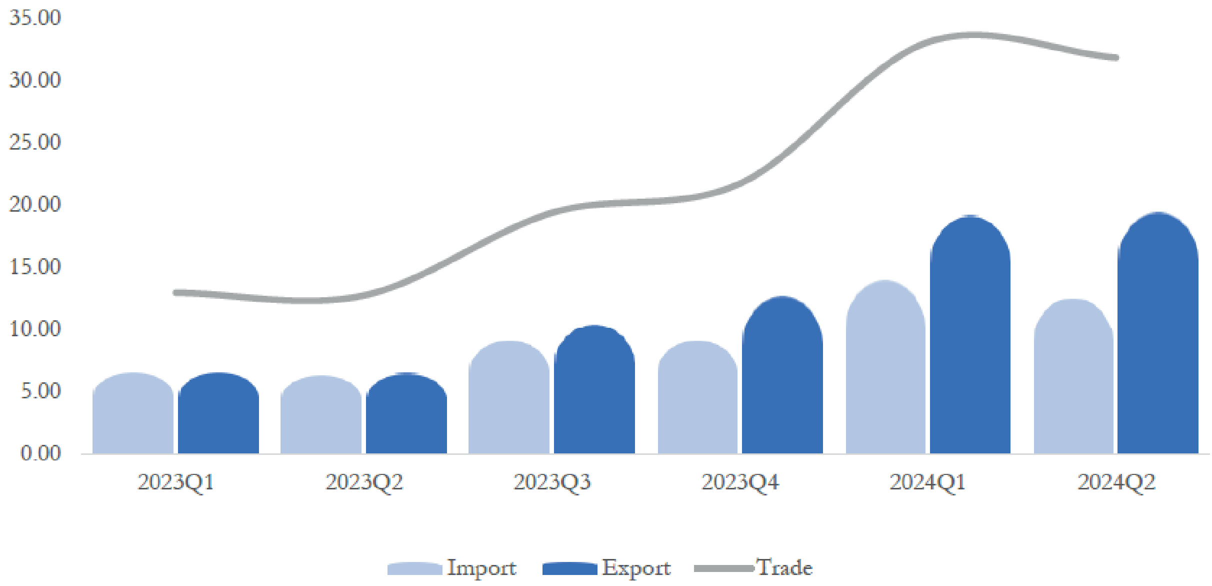
Figure 1.7 Headline Inflation (%)



Data: National Bureau of Statistics & Chart: EID Research

Irrespective of the economic volatility, Nigeria's external position continues to improve in the first and second quarters of 2024. External trade expanded from N21.75 trillion in 2023Q4 to N31.89 trillion in 2024Q2, representing a 46.62 percent increase (Figure 1.8). However, it slightly declined by 3.77 percent when compared to 2024Q1 (N33.14 trillion). The total value of exports increased to N19.42 trillion in 2024Q2 from N12.69 trillion and N19.17 trillion in 2023Q4 and 2024Q1, respectively. This represents a 53.03 percent and 1.31 percent increase from the respective quarters. Import also recorded expansion by 37.8 percent from N9.05 trillion in 2023Q4 to N12.47 trillion in 2024Q2. However, it declined by 10.74 percent to N12.47 trillion from N13.97 trillion in 2024Q1. Trade surplus increased to N6.95 trillion in 2024Q2 from N3.64 trillion in 2023Q4 and N5.20 trillion in 2024Q1. This was due to a decline in imports and an increase in non-crude oil exports and non-oil exports in 2024Q2. Additionally, capital importation recorded tremendous progress in 2024Q1 and Q2 compared to 2023Q4. It rose to US$2.60 billion in 2024Q2 from US$1.09 billion in 2023Q4 but was lower than the US$3.38 billion recorded in 2024Q1. The performance of both export and capital importation serves as a significant improvement in foreign market liquidity and management. This was reflected in the improvement of foreign reserves from US$32.91 billion in 2023Q4 to US$34.19 billion in 2024Q2. The increase in interest rates motivated by high MPR reflects the surge in total capital importation in the first half of the year.

Figure 1.8 External Trade Position



Data: National Bureau of Statistics & Chart: EID Research

On the economic outlook for the national economy, the IMF World Economic[9] Outlook has projected a growth rate of 3.2 percent for 2025. Additionally, the Veriv Economic Outlook[10] provided three case scenarios for the growth projection. First scenario (base-case), growth was projected around 3.1 percent for 2025. This was anchored on the assumptions that crude oil prices will average US$82 per barrel (with stable geopolitical tensions in the Middle East), an exchange rate of N1790/$1 and a PMS price of N1300/litre. The second scenario (best-case), growth was projected to be around 3.64 percent in 2025. This was anchored on the assumptions that crude oil price will be around US$90 per barrel, the exchange rate of N1370/$1, and PMS will be N1100/litre. In the third scenario (worst scenario), the economy was projected to grow at 2.53 percent based on the assumptions that crude oil prices will trade below US$70 per barrel (if oil demand weakens and OPEC+ increases supply), and the exchange rate will depreciate to N1900-2000/$1. The global uncertainty and the effectiveness of the ongoing reforms will play a significant role in shaping the performance of the national economy in 2025. Global uncertainty, coupled with mixed outcomes from Nigeria's ongoing reforms, could create a mixed impact on the economic performance of Lagos. While reforms like subsidy removal and exchange rate unification may attract foreign investments and boost economic efficiency in the long term, global tensions and tighter financial conditions might dampen investor confidence and limit access to capital. For Lagos, as Nigeria's economic hub, these dynamics could lead to short-term inflationary pressures, slower growth in key sectors, and increased pressure on infrastructure and social services.

[9] https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024?cid=bl-com-AM2024-WEOEA2024002

[10] https://www.verivafrica.com/2025outlook

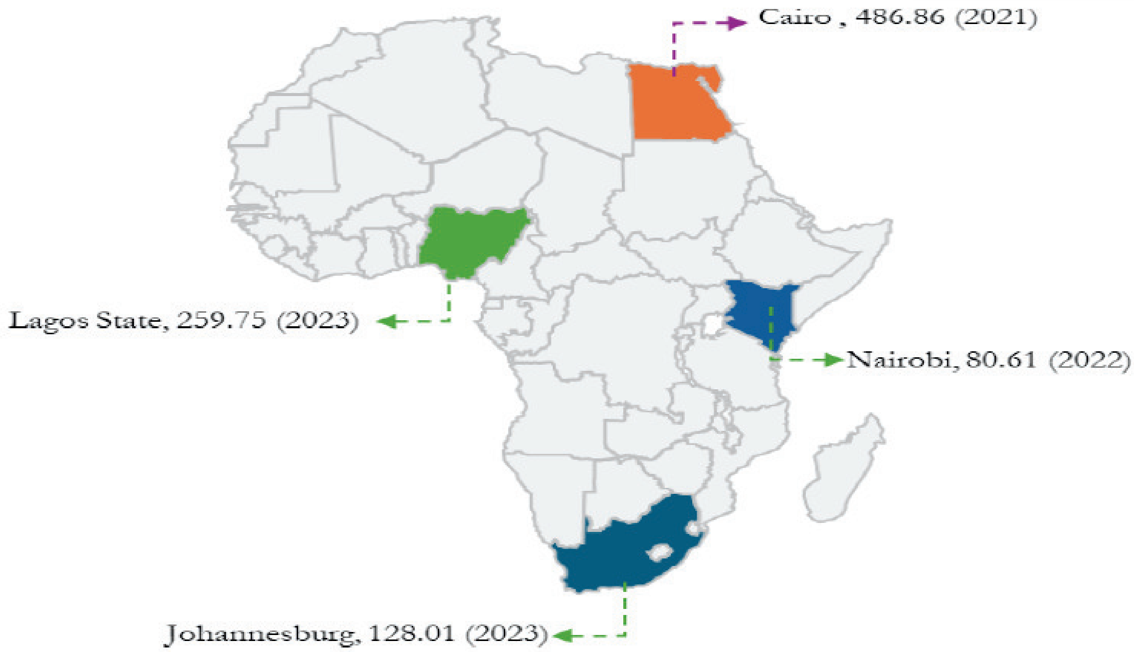
Part 2:

Recent Macroeconomic Development in Lagos State

2.1 Comparison of Lagos Economy with Top Cities in Africa

Lagos State remains one of the top economic hubs in Africa, largely driving economic activities in West Africa. Data from the National Bureau of Statistics and Lagos Bureau of Statistics (LBS) show that national GDP stood at ₦234.43 trillion, with Lagos contributing ₦43.06 trillion, representing 18.38 percent of the national economy in 2023. For the first half of 2024, the national economy recorded a GDP of ₦122.51 trillion, with Lagos accounting for ₦27.39 trillion, which now represents 22.36 percent of Nigeria's GDP. This shows significant improvement and expansion of economic activities in the state. The improvement in the business environment and remarkable resourcefulness of the Lagos workforce have positioned the state at the forefront of Nigeria's economic prowess compared to other states. Using the purchasing power parity approach,[11] Lagos is ranked second as one of the largest city economies in Africa, following Cairo (Figure 2.1). The state boasts an economy size of US$259.75 billion in 2023. This indicates its pivotal role as a crucial commercial hub for West Africa and Africa as a whole. In line with the Lagos State Development Plan (LSDP) target of realising an economic size of US$800 billion-US$1 trillion by the year 2052, the state is on the path to achieving this objective. However, this will largely depend on the sustainability and constant review of policies and reforms to propel the economy towards sustainable development.

Figure 2.1: Performance of Top African Cities (US$ Billion, PPP)



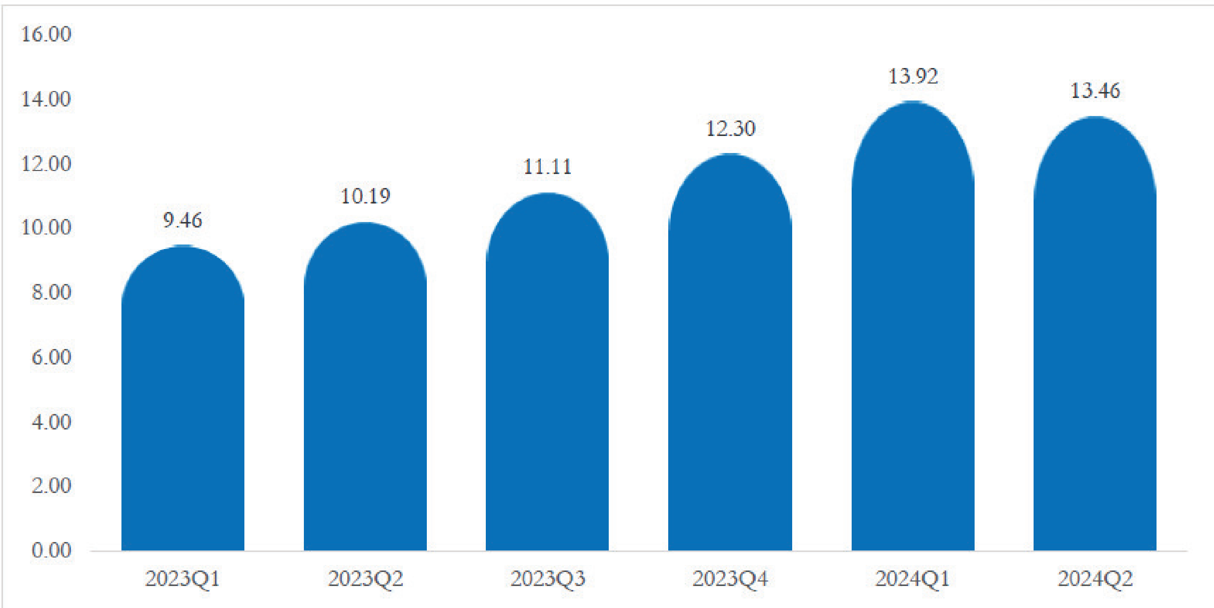
Data: LBS, SSA, KNBS, MPED, WDI; Calculation & Chart: EID Research

[11] There have been challenges in accurately converting GDP from local currency to dollars. Most computations rely on the nominal exchange rate, which can be misleading as it reflects only the currency-to-currency rate and not the monetary value of goods and services. In this report, we explore the purchasing power parity (PPP) approach, which provides a more accurate reflection of the value of domestic goods and services in terms of foreign prices. A detailed methodology is thoroughly discussed in the World Bank's Nigeria Development Update report for October 2024. https://knowledge4policy.ec.europa.eu/publication/nigeria-development-update-staying-course-progress-amid-pressing-challenges_en

2.2 Macroeconomic Performance

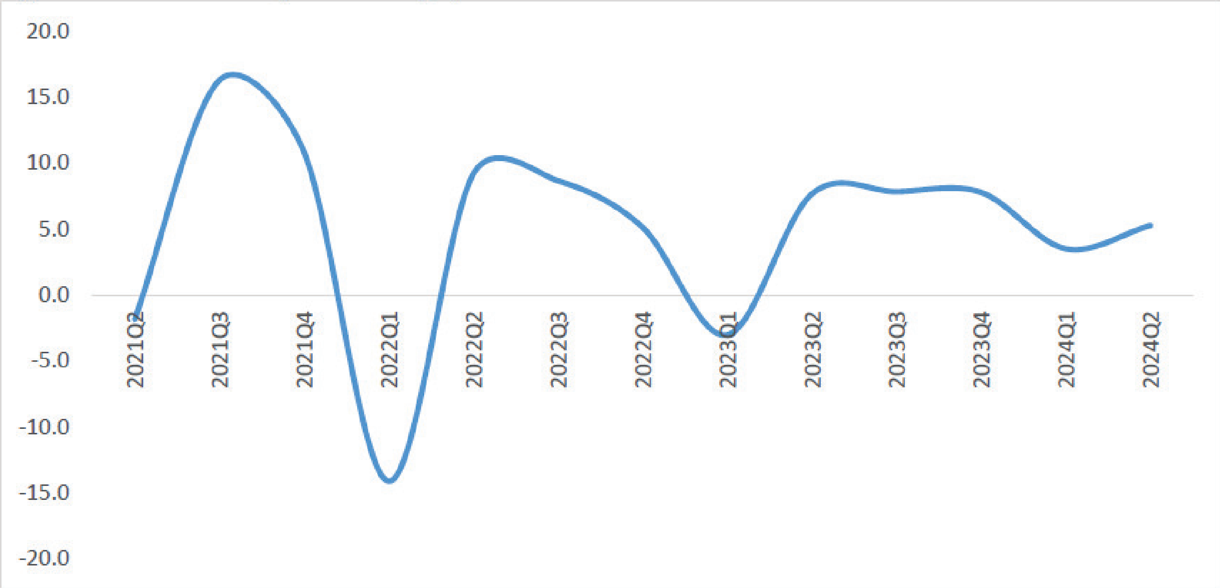
In the second quarter of 2024, Lagos State's economy experienced a marginal contraction, declining to N13.46 trillion from N13.92 trillion in the first quarter (see Figure 2.2). Nevertheless, the economy expanded to N27.38 trillion as of the first half of 2024 (2024H1), reflecting a notable increase compared to N19.65 trillion in 2023H1. This expansion underscores a significant improvement in economic performance. Projections suggest that the Lagos state economy will approach a value of N51 trillion by the end of 2024. Despite the persistent challenges posed by ongoing national reforms and heightened global uncertainties, Lagos state's real GDP registered positive growth in the second quarter of 2024. The economy recorded a real growth rate of 5.26 percent in 2024Q2, an acceleration from the 3.51 percent growth observed in the first quarter (Figure 2.3). This improved performance is largely attributable to structural reforms across key sectors, which have enhanced the economy's resilience to volatility stemming from national economic adjustments. However, risks remain as elevated price levels and high interest rates could dampen household consumption and corporate investment, respectively. Moreover, rising global uncertainties, including escalating regional conflicts and persistent inflationary pressures, continue to weigh on the state's economic outlook. To sustain the positive momentum, it is essential to enhance the implementation of domestic policies geared towards infrastructure development. Key initiatives, such as the construction of the blue and red rail lines, the expansion of waterway transport, and the rehabilitation and development of road networks, alongside targeted supports for small businesses and youth employment, will be critical in fostering economic resilience and long-term growth under the current economic conditions.

Figure 2.2: Nominal GDP (N' Trillion)



Data Source: LBS

2.3: Growth rate of real GDP (%)



Data: LBS & Chart: EID Research

2.3 Analysis of Sectoral Performance

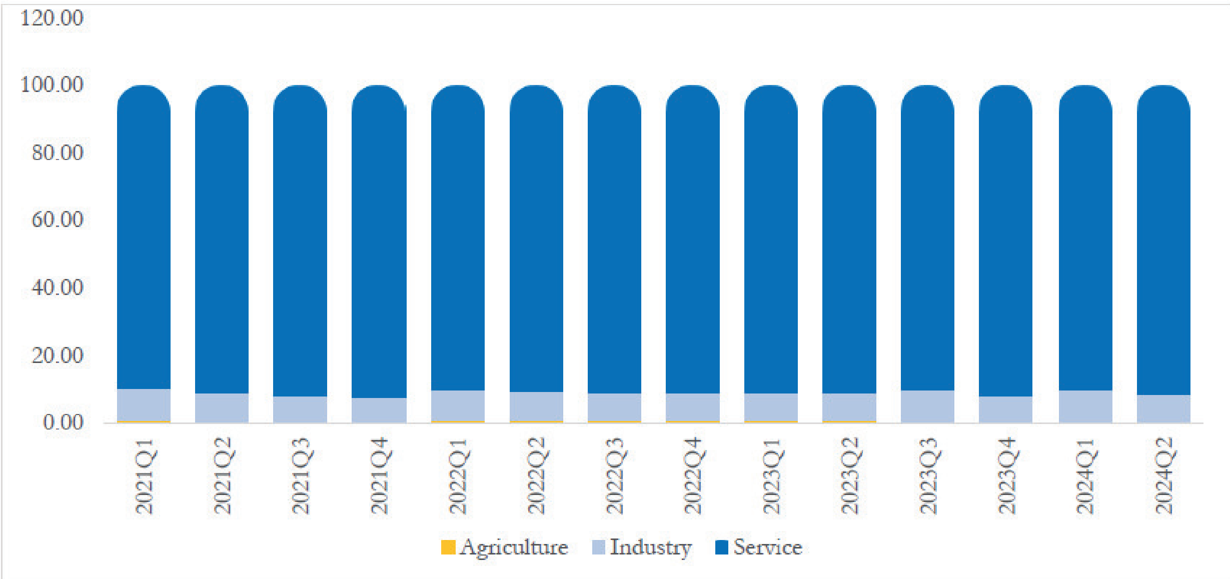
Agriculture sector: The agriculture sector recorded a marginal improvement in its contribution to real GDP in the second quarter of 2024, rising to 0.55 percent from 0.50 percent in the first quarter. However, this contribution remains below the 0.62 percent registered in the second quarter of 2023 (Figure 2.4). Despite the modest share in overall GDP, the sector posted a significant growth rate, rebounding from a contraction of -0.84 percent in 2024Q1 to an impressive 16.95 percent in 2024Q2 (Figure 2.5). This recovery was driven by strong performance across key sub-sectors, including crop production (14.58 percent), livestock (11.88 percent), forestry (2.84 percent), and fishing (70.71 percent). The resurgence of the agriculture sector is vital as the state intensifies its efforts to ensure food security. These results may indicate that recent policy initiatives such as empowering farmers with fertiliser, the Lagos Agripreneurship Programme (LAP 20), and the distribution of agricultural inputs and productive assets are beginning to yield positive outcomes, reflected in the enhanced performance across both the agriculture sector and its sub-sectors. Ongoing interventions by the Ministry of Agriculture and Food Systems, notably the progression to the second phase of its strategic roadmap, are designed to address the structural challenges constraining sectoral growth. Key measures include the harmonisation of the farmer database, increased investments in mechanisation to bolster crop production, and the strengthening of upstream capacities. While significant investments have been directed toward improving marketing, storage, and logistics infrastructure, these efforts must be complemented by substantial gains in agricultural productivity and value chains to secure sustainable, long-term growth for the sector and the state economy.

Industrial Sector: The industrial sector experienced a contraction in both its contribution to real GDP and real growth rate in the second quarter of 2024, following a remarkable performance in the first quarter. The sector's share in the real GDP declined to 7.88 percent in 2024Q2, down from 9.22 percent in 2024Q1 (Figure 2.4). Moreover, the sector recorded a negative real growth rate of -10.03 percent in 2024Q2, a sharp reversal from the substantial growth rate of 24.4 percent achieved in 2024Q1 (Figure 2.5). This decline was primarily driven by a contraction in the manufacturing sub-sector, which accounts for 86.74 percent of the total industrial output.

Notably, economic activities within food, beverages, and tobacco, which represent 90.17 percent of manufacturing output, saw a significant negative growth of -13.44 percent in 2024Q2, compared to the robust growth of 29.12 percent recorded in 2024Q1. The persistent effects of national policy reforms, including substantial currency devaluation and high borrowing costs due to elevated policy interest rates, have been significant constraints on business expansion in the sector. These macroeconomic challenges have weighed heavily on the industrial sector, particularly manufacturing, curbing its capacity for sustained growth. On the demand side, the purchasing power of consumers has eroded, forcing them to reduce their consumption.

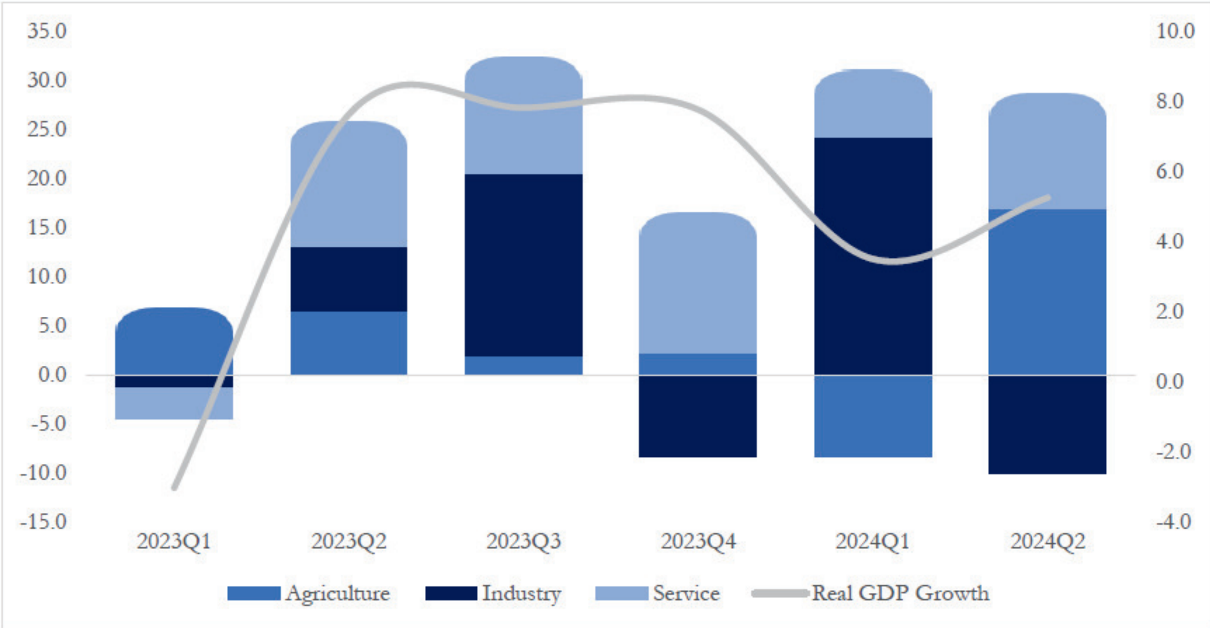
Service sector: The service sector continues to dominate the economic landscape of Lagos State, contributing the largest share to the state's GDP in 2024. In the second quarter of 2024, the sector accounted for 91.57 percent of real GDP, a slight increase from 90.29 percent recorded in the first quarter (Figure 2.4). Trade, as a key component of the sector, saw its contribution rise from 51.8 percent in 2024Q1 to 53.1 percent in 2024Q2. This was followed by the information and communication sub-sector, which accounted for 24.81 percent in 2024Q2, up from 22.4 percent in 2024Q1. However, the financial and insurance sub-sector experienced a decline, with its contribution decreasing from 10.1 percent in the first quarter to 9.26 percent in the second quarter of 2024. Despite this, the overall service sector recorded an improvement in its real growth rate, increasing from 1.8 percent in 2024Q1 to 6.76 percent in 2024Q2 (Figure 2.5). This robust growth can be attributed to the strong performance of key sub-sectors such as trade, accommodation and food services, transportation and storage, information and communication, and other services. The sector’s resilience and continued expansion underscore its pivotal role in driving the state's economic growth, despite challenges in specific sub-sectors.

Figure 2.4: Analysis of Sectoral Contribution



Data: LBS; Calculation & Chart: EID Research

Figure 2.5: Sectoral Analysis of Growth Performance

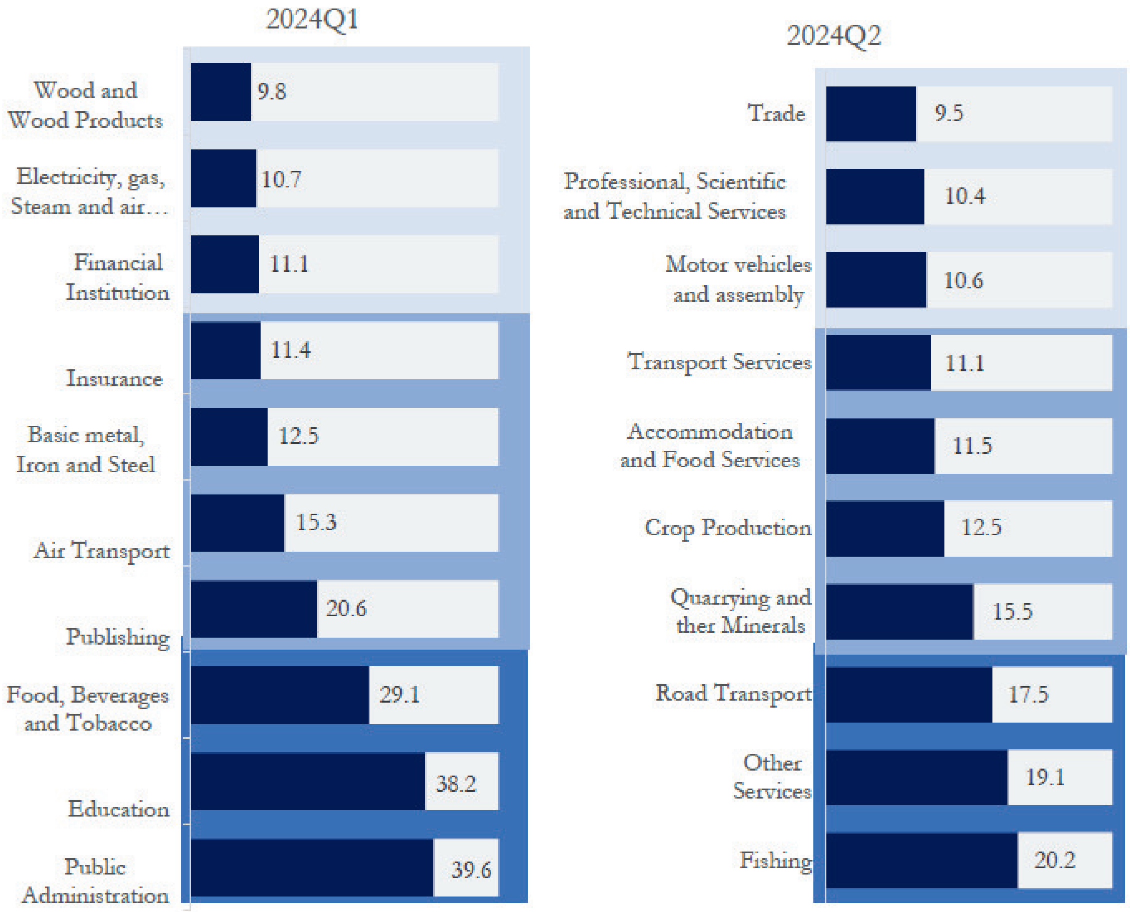


Data: LBS; Calculation & Chart: EID Research

2.4 Top Expanding and Contracting Economic Activities

The performance breakdown of various economic activities in Lagos State for the second quarter of 2024 reveals significant shifts compared to the first quarter of the year (Figure 2.7). Several economic activities were key drivers of growth in 2024Q2. Notably, fishing emerged as the fastest-growing activity, with a real growth rate of 20.2 percent, followed by other services and road transport, which posted real growth rates of 19.1 percent and 17.5 percent, respectively. Other high-performing activities included quarrying and other minerals, crop production, accommodation and food services, transport services, motor vehicle and assembly, professional, scientific, and technical services, and trade. Interestingly, none of the top-performing activities from 2024Q1 maintained their growth momentum in 2024Q2, reflecting a marked shift in sectoral performance. This change may be attributed to the increasingly volatile economic environment. Persistent challenges, such as exchange rate depreciation, rising PMS prices, ongoing national policy reforms, and seasonality, have disproportionately affected sub-national economies like Lagos, which plays a prominent role in service-oriented activities. Overall, the real growth performance of sub-sectors in 2024Q2 was lower than in 2024Q1, indicating that the broader economic environment has tempered the expansion across key industries in Lagos State.

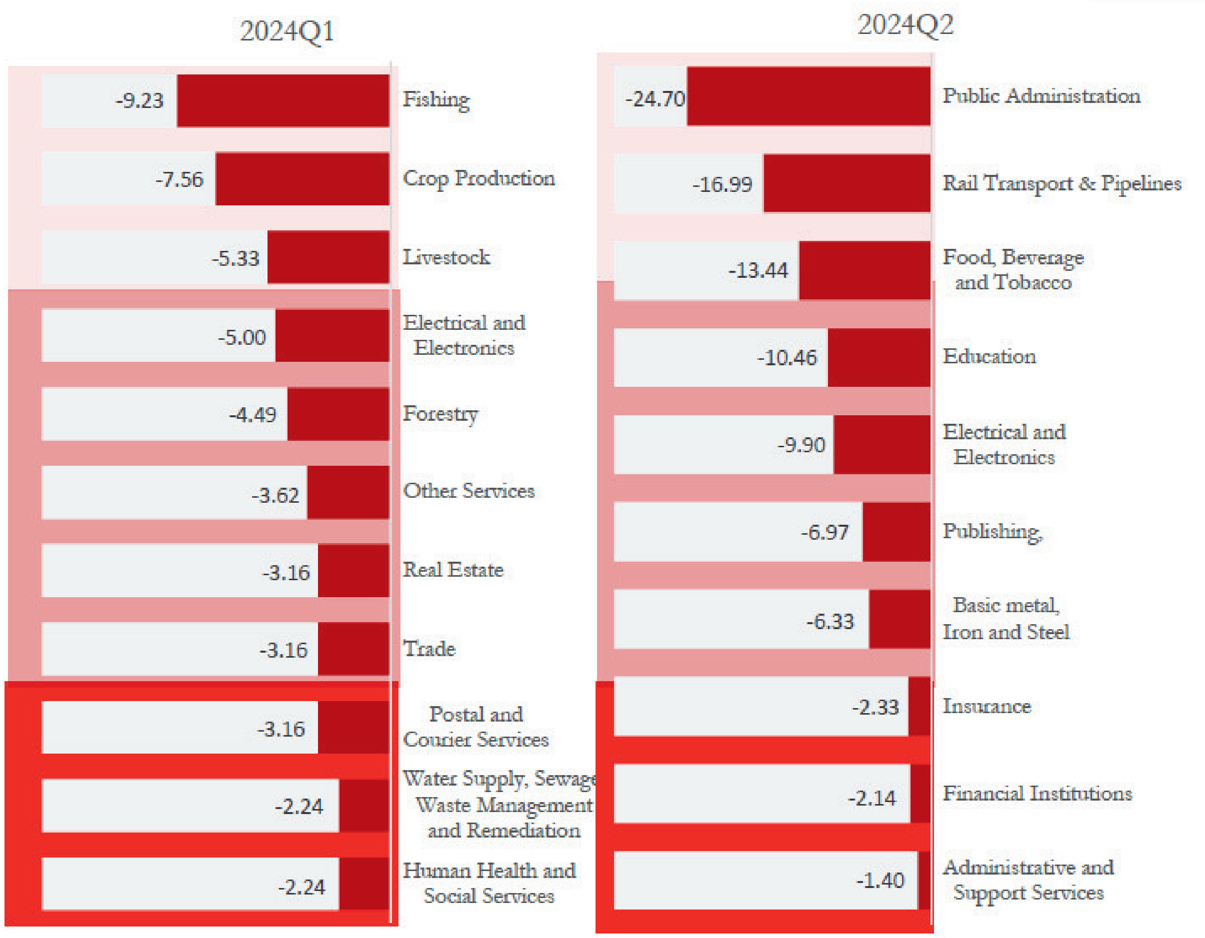
Figure 2.6: Comparison of top performing sub-sectors



Data: LBS; Calculation & Chart: EID Research

Further analysis reveals a sharp contraction in Lagos State's economy in the second quarter of 2024 compared to the first quarter. The most significant declines were concentrated in the industrial and service sectors. Public administration recorded the steepest contraction, with a negative growth rate of -24.7 percent, in stark contrast to its 39.6 percent growth in 2024Q1. Notably, the economic activities that dragged down growth in 2024Q2 were not among the weaker performers in 2024Q1. This shift between top-performing and contracting sectors underscores the differential impact of the volatile economic environment on productivity within the state. The industrial sector, in particular, has been increasingly affected by adverse macroeconomic conditions, including a depreciating currency, rising energy prices, and elevated policy interest rates. These factors have stifled the sector’s productive capacity, hindering its contribution to overall growth.

Figure 2.7: Comparison of contracting sub-sectors



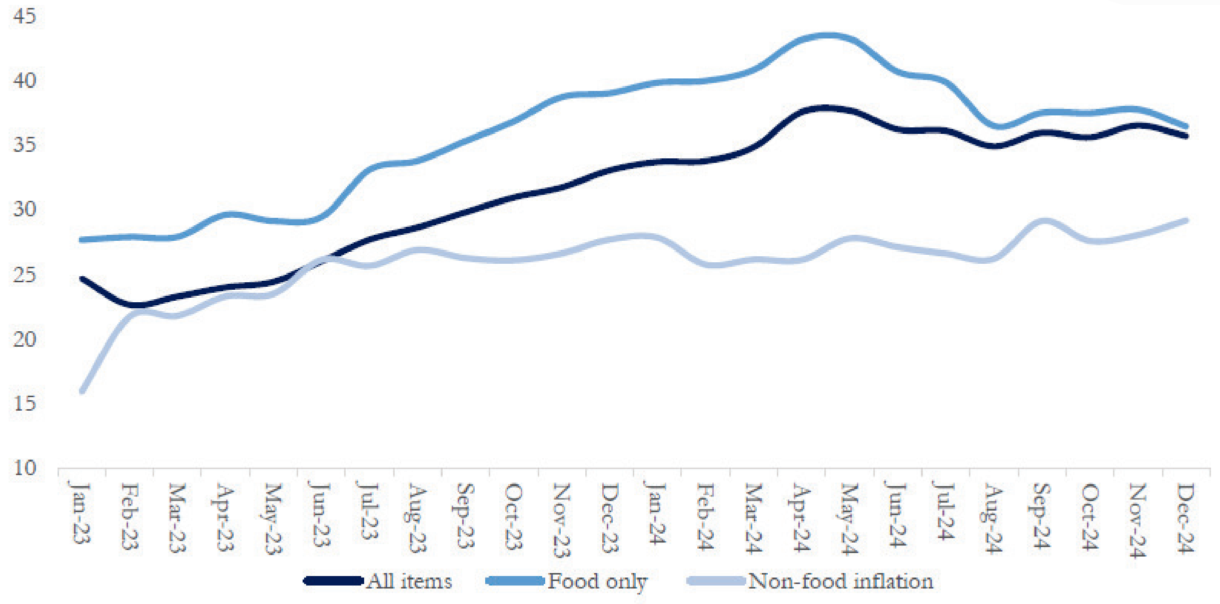
Data: LBS; Calculation & Chart: EID Research

2.5 Inflation

Despite the elevated 2-digit inflation rate in Lagos State, headline, food, and non-food inflation continued to decline for the third consecutive month to 35.71 and 36.45 percent respectively, in December 2024 (Figure 2.8). However, non-food inflation saw an increase to 29.17 percent in December 2024. Headline and food inflation decelerated after peaking at 37.67 and 43.22 percent, respectively, in May 2024. This shows that both headline and food inflation declined by 1.96 and 6.77 percentage points, respectively. On a month-on-month basis, headline and food inflation declined to 2.49 and 2.51 percent in December 2024, respectively, from 2.57 and 3.11 percent in November 2024.

The tightening of monetary and fiscal policy interventions, such as the exchange rate stabilisation policy and the 25-basis point increase in the Monetary Policy Rate (MPR) to 27.50 percent at the November 2024 MPC meeting, can be said to have partially contributed to the further decline. These measures are reflections of continuing attempts to control the inflation rate. However, food and energy prices have considerably impacted the overall price levels in the state. Factors such as naira depreciation and energy price hikes, especially premium motor spirit (PMS), majorly influence inflation. While external factors like geopolitical tensions and crises, exchange rate fluctuations in the value of imported goods, and international trade dynamics like trade policies and tariffs affect food inflation in the state, spillover effects like flooding, regional insecurity, and cost of logistics are internal factors. The rigidity in the price level was further compounded when the anticipated production of PMS by the Dangote Oil Refinery failed to result in lower PMS prices but trending prices. This further exacerbates the transportation and production costs and erodes the purchasing power of households in the state.

Figure 2.8: Inflation in Lagos

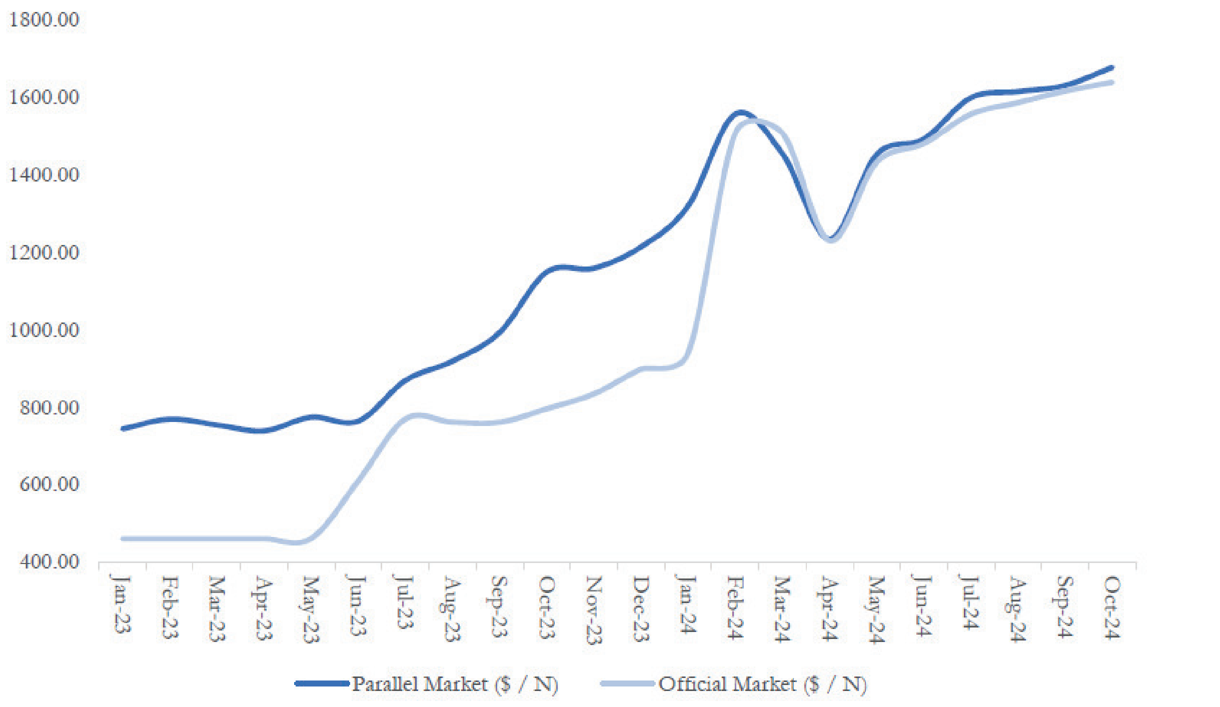


Data: LBS & Chart: EID Research

Apart from the known monetary driver of inflation (money supply), Lagos utilised the largest share of forex due to huge commercial activities. According to NBS, Lagos State accounts for 90.57 percent of total trade operations in the country. Since the introduction of forex reforms, the exchange rate premium has been drastically reduced. On the other hand, it has resulted in huge depreciation of the Naira from June 2023. The exchange rate reform has significantly influenced the price level. Our macro-econometric model for Lagos inflation forecasting revealed a positive and significant relationship between inflation and the parallel market exchange rate in the state. The co-movement between inflation and the exchange rate was very similar after the unification of the exchange rate (Figures 2.8 and 2.9).

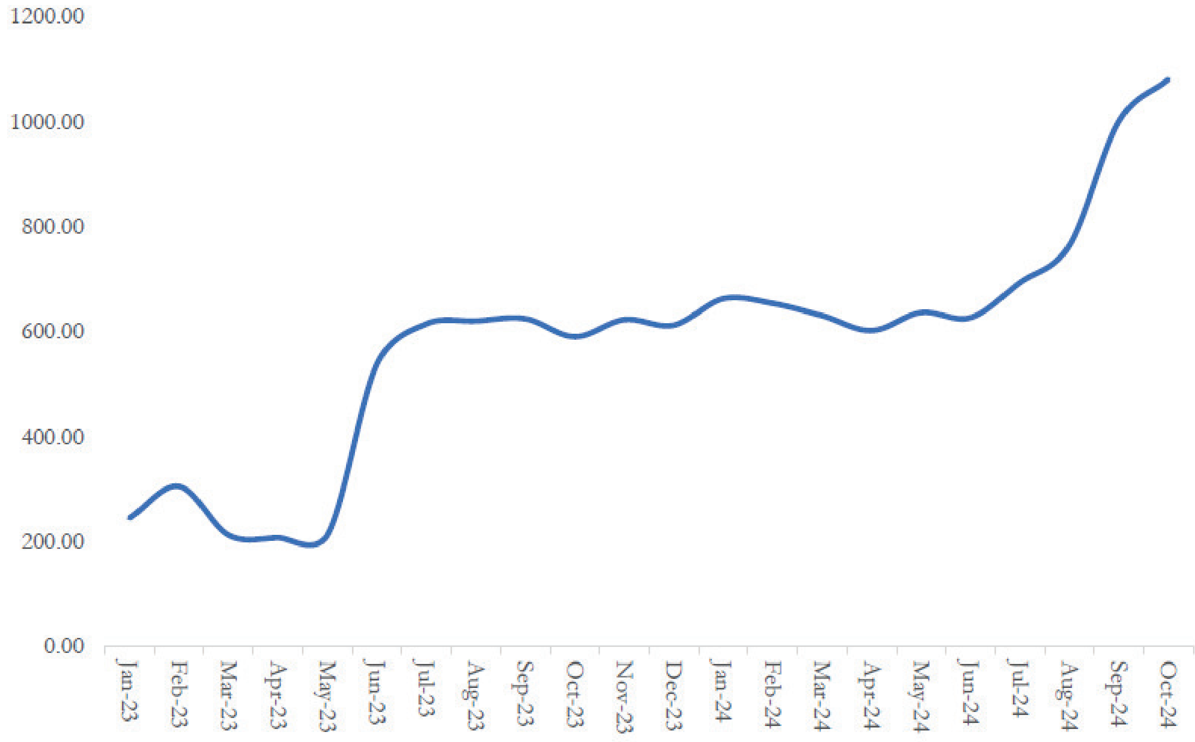
Another factor that further aggravates inflation in the state is energy prices. The removal of fuel subsidy in May 2023 has worsened household welfare and business operation in the state. The average price of PMS increased to N1,006.50 in October 2024 from N213.89 in May 2023 (Figure 2.10). Within 18 months, the average PMS price has grown by 370.57 percent. Within 10 months (January-October 2024), average PMS price grew by 51.80 percent. This partly explains the sluggishness in the decline of the elevated price level. Additionally, non-economic factors also contribute to the worrisome inflation level. These include conflicts in the major food-producing states as well as exploitation by state and non-state actors at different points of product transportation, among others.

Figure 2.9: Exchange Rate Movement



Data: Central Bank of Nigeria and Nairametrics & Chart: EID Research

Figure 2.10: Trending Premium Motor Spirit Price in Lagos



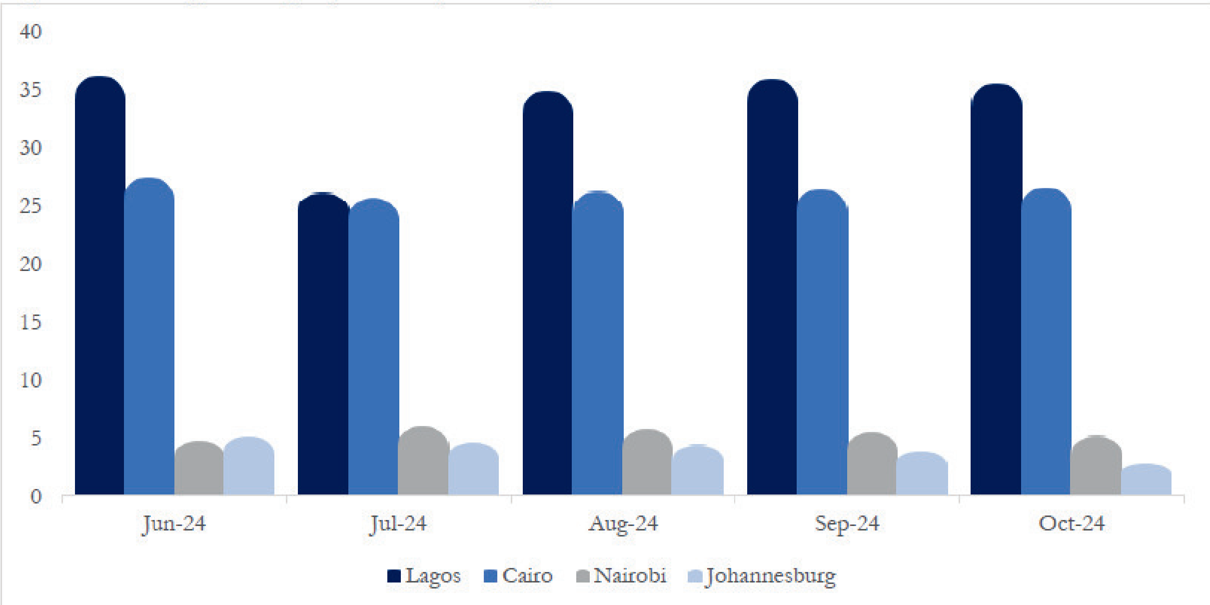
Data: NBS & Chart: EID Research

In cushioning the effect of rising inflation, the CBN recently raised MPR to 27.50 percent as part of its ongoing monetary policy tightening measures to achieve the 21 percent inflation target. The primary goal of inflation targeting is to maintain price stability. Since the beginning of the year, the Lagos State government (LASG) has continued to implement several interventions. These include a N35,000 wage award for civil servants and the distribution of palliatives to vulnerable households. The introduction of the first and second phases of the “Ounje Eko” Initiative to lessen the impact on its residents. By offering a 25 percent discount off the actual prices of the commodities, the initiative has reduced the impact of rising staple food prices. Also, the LASG has maintained its 25 percent transportation fare decrease on the government's trimodal transportation system in response to the increasing PMS prices. Additionally, the federal government has approved fiscal measures targeting essential food items during the year. These measures involve temporary duty and VAT waivers on specific imports where there are local production gaps, effective from July 15 to December 31, 2024. Eligibility for these waivers is restricted to compliant businesses with a strong governance track record and sufficient agricultural capacity, with 75 percent of imports required to be sold through recognised commodities exchanges.

2.6 Comparison of Inflation Rates between Lagos and Leading Cities in Africa.

The inflation targeting frameworks in South Africa and Kenya have successfully maintained inflation rates within single digits since their respective introductions in 2000 and 2013. South Africa's inflation target range of 3–6 percent has led to an average inflation rate of 4.14 percent between June and October 2024. Similarly, Kenya's target range of 2.5–7.5 percent has resulted in an average inflation rate of 5.4 percent during the same period. Interestingly, Egypt adopted an inflation-targeting framework in 2022 and has since witnessed a gradual decline in the inflation rate, with the average inflation standing at 26.47 percent as of June 2024 (Figure 2.11). Also, Lagos State recorded average inflation of 28.54 percent in the same period. Apparently, Lagos and Egypt still faced challenges of elevated price levels. Inflation targeting is a central banking strategy where monetary policy is adjusted to achieve a predetermined annual inflation rate, with the primary objective of ensuring price stability. In Nigeria, the responsibility for implementing inflation targets primarily falls on the CBN in collaboration with the federal government. Lagos State can support these efforts by addressing supply-side factors through targeted initiatives, policies, and programmes. This collaborative effort between federal and state governments is crucial for finding solutions to mitigate the impact of inflation on citizens' welfare and economic stability.

Figure 2.11: Comparison of Inflation Top three African Cities

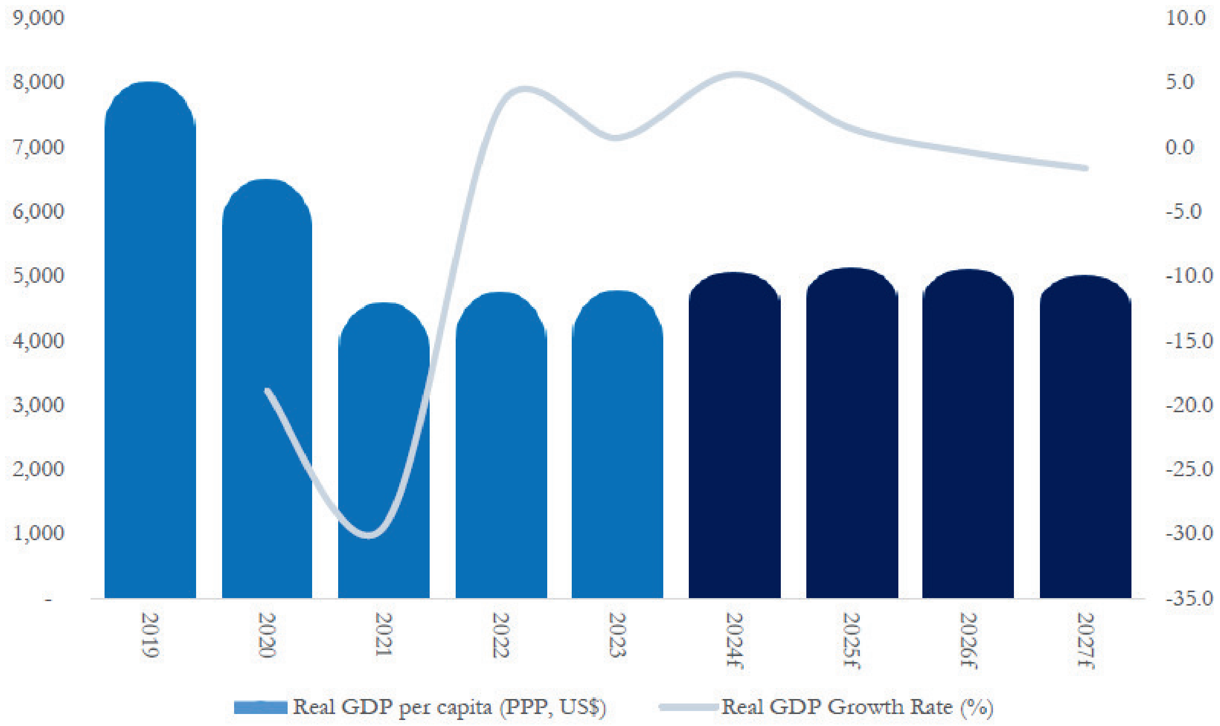


Data: LBS; Chart: NBS, CBE, SARB and CBK & Chart: EID Research

2.7 Slow recovery of GDP per Capita

The consecutive shocks experienced in the state have undermined the social benefits of growth. The adverse effect of the COVID-19 pandemic significantly weakened the remarkable progress recorded in 2019. Specifically, the real GDP per capita stood at US$8,019 in 2019, but the effect of the COVID-19 pandemic resulted in a significant decline to US$6,505 and US$4,588 in 2020 and 2021, respectively (Figure 2.12). It recovered with a growth rate of 3.3 percent in 2022 but slowed down in 2023 with a growth rate of 0.7 percent. This was due to multiple global and domestic shocks arising from oil price volatility, the Russian-Ukrainian war, Middle-East conflicts, trade policy wars, exchange rate reforms, fuel subsidy removal, among others. Despite these challenges, the income level is expected to significantly improve with a growth rate of 5.7 percent (US$5,043) at the end of 2024.

Figure 2.12: Real GDP per capita (PPP, US$) and Growth (%)



Data: LBS, WDI; Calculation & Chart: EID Research

2.8 Social Protection

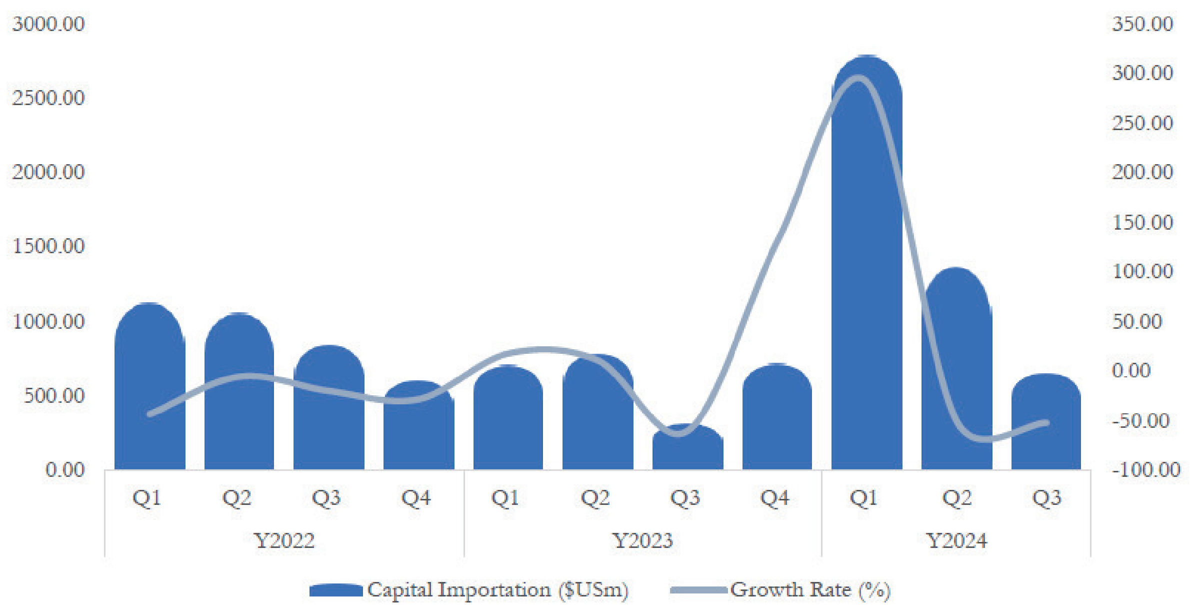
The economic reforms implemented in the country, including the unification of exchange rates and the removal of subsidies, have had a profound and enduring impact on household welfare across various states, including Lagos State. These reforms have led to a significant increase in the prices of PMS, food, and household items, exacerbating the welfare challenges faced by the most vulnerable populations and pushing segments of the middle-income class below the poverty line. Specifically, the rise in PMS prices has substantially increased transportation costs, leading to a spillover effect of an increase in non-food commodities, while food inflation has eroded the purchasing power of households. The adverse effects of these reforms on households in Lagos necessitated the introduction of targeted social intervention programmes. According to data from the Social Protection Coordinating Department of the Ministry of Economic Planning and Budget, the Ministry of Agriculture launched the "Ounje Eko" palliative initiative between March and December 2024. This programme provided support to 1,740 beneficiaries and played a critical role in mitigating the effects of food inflation and improving the welfare of vulnerable households. In addition, the Ministry introduced the "Ounje Eko" Discount Market in 2024, which offered a 25 percent discount on food packages comprising various essential food items. This initiative benefitted 991,060 Lagos residents during the same period, significantly alleviating the impact of inflation on household welfare. In the transport sector, the Ministry of Transportation, through the Lagos Metropolitan Area Transport Authority (LAMATA), implemented a 25 percent fare reduction on Bus Rapid Transit (BRT) and Bus Rapid Intervention (BRI) services. This initiative eased transportation cost burdens for Lagos residents, benefiting 16.84 million people between January and December 2024. Likewise, LAMATA introduced another programme offering a 25 percent reduction in transport fees, which supported 708,427 residents. Collectively, these transport-related social assistance programmes benefitted a total of 18.54 million Lagos residents during the year. In summary, these social interventions have been instrumental in cushioning the adverse effects of economic reforms, improving welfare for vulnerable households, and mitigating the inflationary pressures on food and transport costs in Lagos State.

2.9 Capital Importation

2.9.1 Size and Growth of Capital Importation to Lagos

Capital importation serves as a critical indicator of the health of an economy, reflecting the level of investor confidence in the economy. As Nigeria's commercial hub, Lagos state has consistently attracted a substantial share of foreign investments, thereby playing a pivotal role in shaping the broader national economic trajectory. In the third quarter of 2024 (2024Q3), Lagos State recorded capital importation totalling $650.41 million, marking a significant decline of 52.45 percent compared to the $1,367.84 million recorded in the second quarter of 2024 (2024Q2). This follows a similar decline observed in the preceding quarter. The consecutive reductions come after an unprecedented surge in the first quarter of 2024 (2024Q1), during which capital inflows rose by 290.97 percent compared to the fourth quarter of 2023 (2023Q4). The volatility in quarterly performance highlights the influence of short-term speculative investments, as evidenced by the composition of foreign portfolio investment (FPI), with money market instruments accounting for approximately 71.79 percent of total FPI. Additionally, seasonal market activities contributed to the unusually high inflows observed earlier in the year. Nevertheless, a year-on-year analysis provides a more stable perspective. The capital importation figure for 2024Q3 represents a robust increase of 110.59 percent compared to the $308.87 million recorded in the third quarter of 2023 (2023Q3). This sustained year-on-year growth underscores the underlying resilience of the economy of Lagos State amid fluctuating quarterly trends.

Figure 2.13: Capital Importation to Lagos (2022-2024)



Data: NBS; Calculations & Chart: EID Research

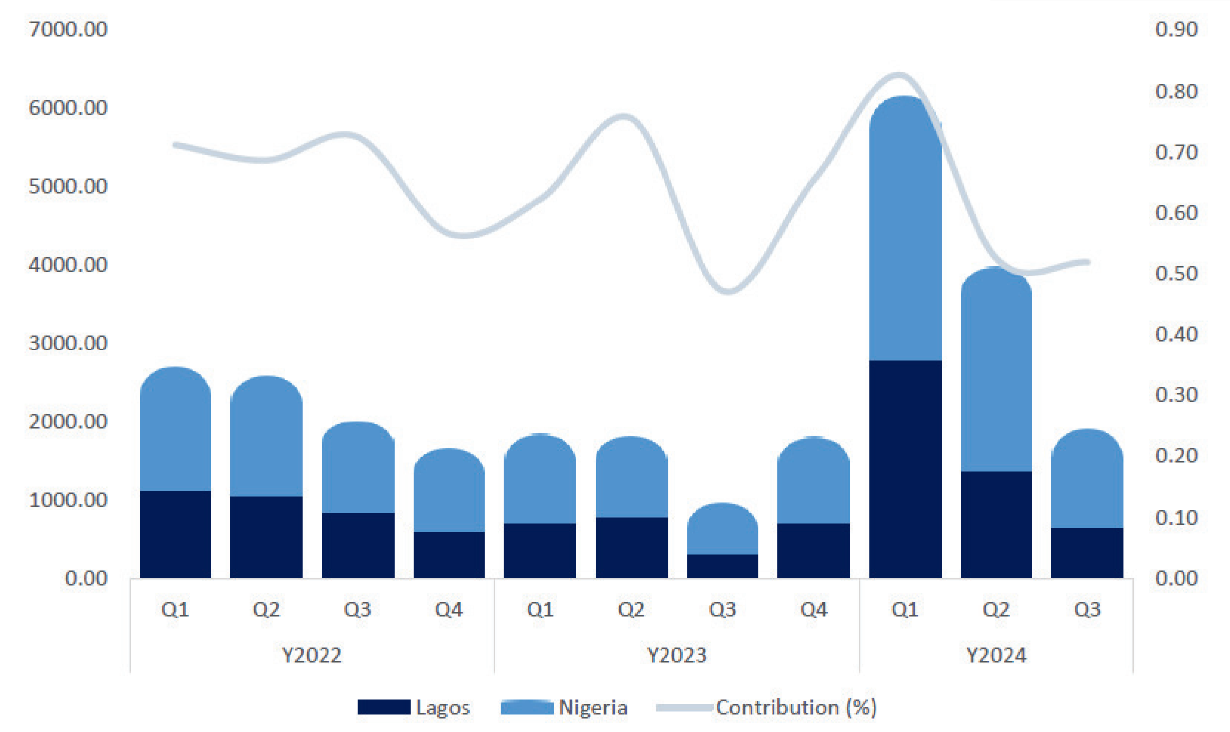
This underscores that Lagos State remains a preferred destination for foreign capital despite the quarterly contraction. The steady year-on-year growth highlights the resilience of the Lagos economy, which continues to attract both foreign direct and portfolio investments, even amidst global economic challenges and domestic uncertainties. The recent data reaffirms the strategic importance of Lagos as a focal point for capital inflows, with the state's robust infrastructure, investor-friendly policies, and targeted economic reforms providing a degree of insulation against broader market volatility.

However, the significant quarter-on-quarter decline raises concerns about the sustainability of the capital flows observed in the first quarter of 2024 (2024Q1). This trend suggests the need for additional measures to ensure a stable and sustained inflow of investments in the long term. Given that capital importation is a key driver of economic activity, maintaining investor confidence in Lagos's economy will be critical for continued growth. Policymakers must prioritise stabilising the investment environment by addressing key macroeconomic challenges, including inflation, exchange rate volatility, interest rate fluctuations, and policy uncertainty, all of which could undermine future capital inflows.

2.9.2 Contribution to Capital Importation

Lagos State has long been the epicentre of capital importation in Nigeria, consistently drawing the largest share of foreign investments into the country. In 2024Q2, Lagos attracted $1,367.84 million in capital inflows, accounting for 52.5 percent of the total capital imported into Nigeria, which stood at $2,604.50 million. This further declined to 51.9 percent in 2024Q3. This performance signals a decline from the staggering 82.42 percent share recorded in 2024Q1, marking a notable shift in the distribution of capital importation across the country. The reduction in Lagos' share in 2024Q2 and Q3 is important to note, as it suggests a growing spread of capital inflows to other regions of the country, specifically to the Federal Capital Territory-Abuja, which recorded an historic share of 47.9 percent in 2024Q3. Nevertheless, the sheer volume of capital Lagos brought in during 2024Q2 reflects the enduring attractiveness of the state as an investment hub, especially in sectors that continue to drive the state's economy forward. In comparison to 2023Q3, Lagos' proportion of the national total has improved from 47.2 percent to the current 51.9 percent. However, despite this reduction in share, the absolute value of capital imported into Lagos in 2024Q3 is much higher than the $308.83 million it attracted during 2023Q3.

Figure 2.14: Lagos State Percentage Share of Capital Importation



Data: NBS; Calculations & Chart: EID Research

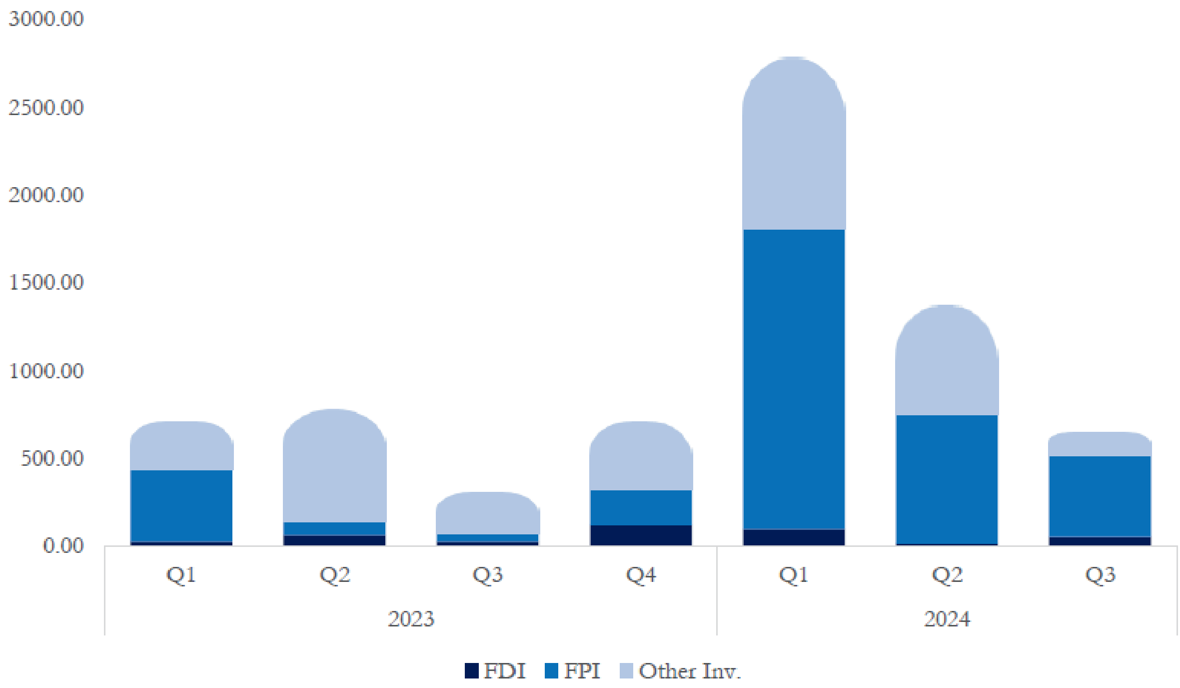
This underscores that the relative contribution of Lagos State to the national pool may be fluctuating; the state continues to grow its capital inflows in real terms year-on-year, which is indicative of a resilient economic base that continues to attract investor confidence. In the third quarter of 2022 (2022Q3), Lagos accounted for 72.4 percent of Nigeria's total capital importation, amounting to $839.71 million. While this represented a higher proportion than in 2024Q3, the actual volume of capital inflows was also significantly greater. This trend highlights a gradual evolution in the capital market: although capital inflows are expanding across Nigeria, Lagos remains a dominant player, even as other regions, particularly the Federal Capital Territory (FCT), gain traction in attracting foreign investments. This dynamic presents a critical consideration for policymakers in Lagos. As competition for capital intensifies across Nigeria, there is an opportunity for Lagos to reassess and refocus its strategies. Strengthening sectors that have traditionally driven foreign investment while identifying and leveraging new areas of growth will be essential. The ability of the state to innovate, adapt, and implement forward-looking policies will be pivotal in maintaining its preeminent position in the capital importation landscape. Sustained efforts to enhance its competitive advantage and address emerging challenges will ensure Lagos continues to attract substantial foreign capital in an increasingly competitive environment.

2.9.3 Breakdown of Capital Importation

The dynamics of capital importation into Lagos State have revealed notable trends across the different types of investments: Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), and Other Investments. The latest data for 2024 highlights significant shifts, with FPI continuing to dominate the overall capital inflows, while FDI remains volatile. A closer look at the components within each investment type uncovers even deeper insights into investor behaviour.

- **Foreign Direct Investment (FDI):** Foreign Direct Investment, which typically signifies long-term investments in physical assets or companies, has been on a downward trajectory for most of 2023 and the early part of 2024. After a brief resurgence in 2024Q1 with FDI reaching $120.28 million, 2024Q2 saw a dramatic drop to $15.67 million but improved to $53.91 million in 2024Q3. This improvement suggests that foreign investors may be observing an improving investment environment due to several reforms initiated by the state, especially in the area of modern infrastructure. It further suggests that investors have strong confidence in the state's potential business opportunities and drive for infrastructure development, quality governance, and policy consistency, all of which are critical for attracting long-term foreign capital.

Figure 2.15: Capital Importation to Lagos (2023-2024), US$ million



Data: NBS; Calculations & Chart: EID Research
Note: Disaggregated figures are extrapolated from Nigeria data via % share.

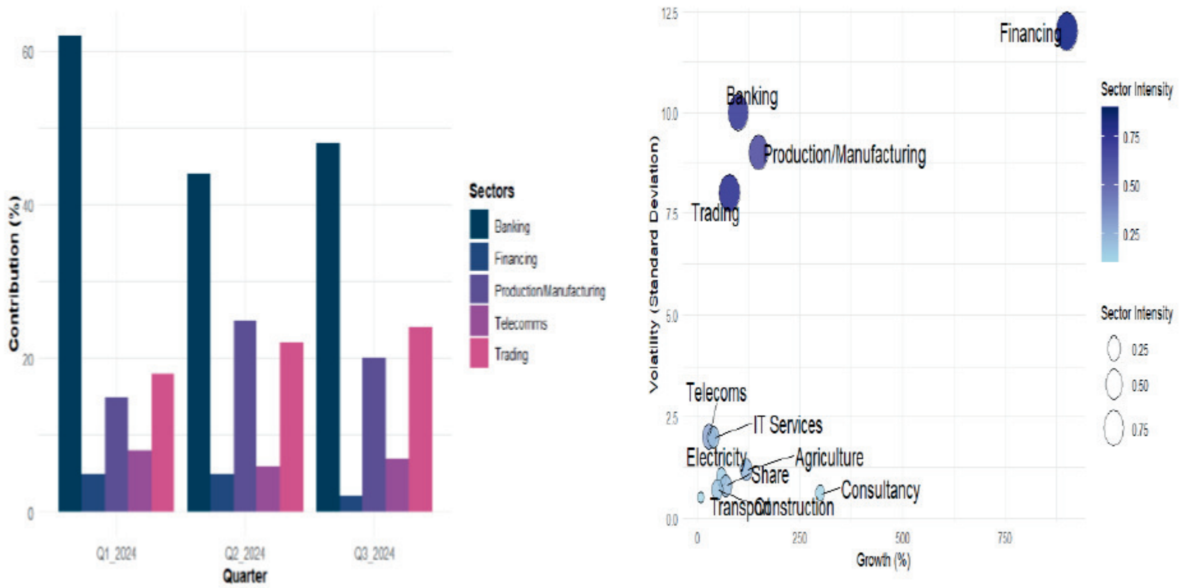
- **Foreign Portfolio Investment:** In stark contrast to FDI, FPI has been the leading driver of capital importation into Lagos. The 2024Q1 period saw an unprecedented spike in FPI inflows, reaching $1,710.70 million, accounting for a significant portion of the total capital imported. While there was a subsequent decline in 2024Q2 and Q3 to $737.73 million and $466.94 million, respectively. These figures remain substantial compared to previous years. Diving deeper into the composition of FPI for 2024Q3, it is clear that money market instruments dominate, accounting for 82.81 percent of the total FPI, with equities and bonds comprising the remaining portion. This preference for short-term money market instruments highlights investors' cautious approach, favouring liquidity and shorter maturity periods over more volatile equity markets or longer-term bonds. This may be a reflection of global market uncertainty or domestic factors such as inflationary pressures or fluctuating interest rates, which make shorter-term investments more attractive.

- **Other Investments:** This category encompasses loans, trade credits, currency deposits, and other claims. In 2024Q1, this category saw significant inflows of $973.58 million, which then fell to $614.45 million and $129.56 million in 2024Q2 and Q3, respectively. While these figures remain robust compared to previous quarters, they indicate a gradual softening in the demand for debt-related capital. Loans, in particular, accounted for 94.35 percent of the total "Other Investments" in 2024Q3, suggesting that Lagos has been heavily reliant on loan financing to bridge capital gaps. This heavy dependence on loans raises questions about the sustainability of this financing approach, particularly as global interest rates rise and access to cheap credit diminishes. The remaining components (trade credits, currency deposits, and other claims) collectively struggled to attract substantial inflows, further emphasizing the dominant role that loans play in this category.

The analysis of capital importation into Lagos State from 2022 to the third quarter of 2024 reveals a fluctuating yet resilient pattern, driven largely by Foreign Portfolio Investment (FPI) and Other Investments. While Foreign Direct Investment (FDI) has struggled to maintain consistent growth, particularly in the wake of global uncertainties and domestic challenges, Lagos has continued to attract substantial inflows through more liquid and short-term instruments, as evidenced by the significant dominance of money market instruments within FPI. This underscores investors' cautious approach, favouring assets that provide liquidity and limit exposure to volatility. Other Investments largely composed of loan financing, have played a pivotal role in bridging capital gaps, but the heavy reliance on debt raises important considerations for sustainability, particularly as the global economic environment shifts toward higher interest rates and tighter liquidity conditions. The composition of Other Investments, with loans accounting for 94.35 percent of the total in 2024Q3, highlights the urgent need for Lagos to diversify its sources of capital to ensure more balanced and long-term growth.

On sectoral performance, the disaggregated analysis reveals banking sector is the consistent largest contributor to the state's capital importation. Though it declined from 61.24 percent in 2024Q1 to 43.15 percent in 2024Q2. The relative stability observed in 2024Q3 (46.25 percent) implies resilience despite external shocks. This further reinforced the huge contribution of FPI and Other Investments as the banking sector serves as a key medium for these investments. The production/manufacturing sector also played a significant role in capital importation as it recorded significant growth of 23.99 percent in 2024Q2 reflecting surge in industrial activities but decline to 15.11 percent in 2024Q3. Furthermore, the trading sector's contribution to capital importation witnessed a sharp decline in 2024Q3 to 5.35 percent after a peak of 21.86 percent in 2024Q2. This suggests the susceptibility of the sector to challenges of exchange rate depreciation and elevated price levels. Impressively, the financing sector which contributed mere 2.24 percent and 1.55 percent in 2024Q1 and Q2, respectively, experienced an extraordinary leap in 2024Q3 (23.51 percent), emerging as a significant growth driver. This surge reflects an increased short-term capital inflow through portfolio and other investments. This is largely due to the CBN hawkish stance through an upward review of policy rate over the months. Some sectors such as financing and production/manufacturing, exhibit both significant growth and high volatility. This shows the high sensitivity of the sectors to reforms in the country especially, the exchange rate, fuel subsidy and high monetary policy rate. This also indicate dynamic but potentially unstable role in the sectors of the Lagos State economy. Additionally, sectors such as consultancy and construction indicate slow growth and low volatility implying that they have a relatively stable bur marginal impact on the state economy. The banking sector demonstrates a moderate growth rate with relatively low volatility. This performance may reflect the positive of banking sector reforms such as bank recapitalisation and exchange rate unification.

Figure 2.16: Sectoral Analysis of Capital Importation



Data: NBS; Calculations & Chart: EID Research
Note: Disaggregated figures are extrapolated from Nigeria data via % share.

Overall, 2024 has seen an impressive surge in total capital importation, reflecting Lagos' strategic importance as a gateway for foreign capital into Nigeria. However, the softening of inflows in 2024Q2 and Q3 signals the importance of continued reforms and policy adjustments aimed at attracting more diverse and long-term investments, particularly within FDI and equity-based FPI. By strengthening investor confidence through improved infrastructure, governance, and fiscal policies, Lagos can position itself not only as a regional financial hub but also as a leading destination for sustainable and transformative investments in Africa.

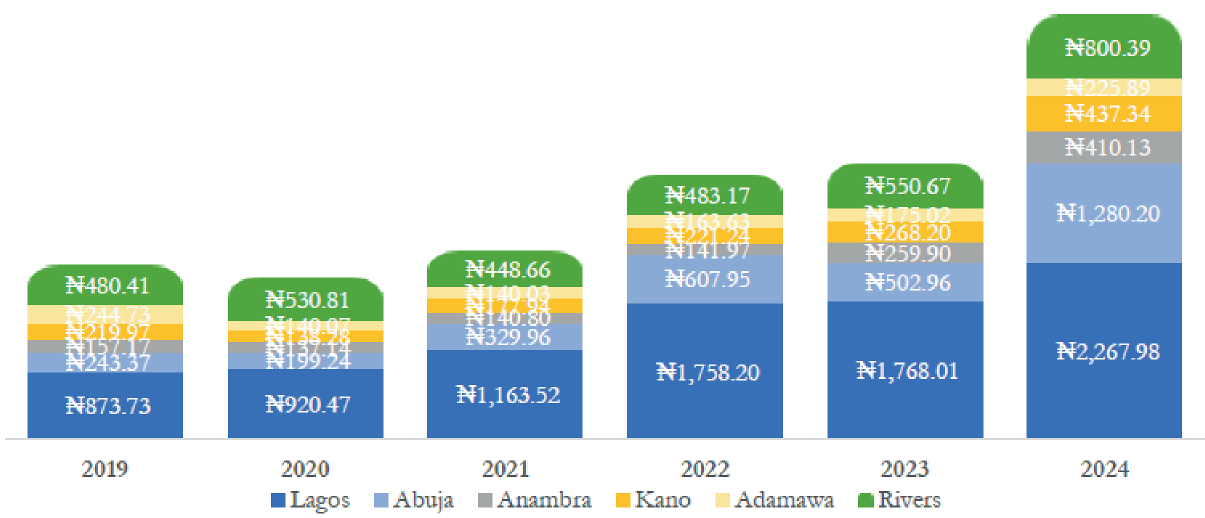
Part 3:

Fiscal Sustainability

3.1 Budget Analysis of Top Nigerian States by Geopolitical Zone

The fiscal landscape in Lagos continues to experience significant positive growth. Between 2019 and 2024, fiscal appropriations highlight the economic disparities among Nigerian states. The budget of Lagos state reflects not only its socioeconomic importance but also its capacity to attract investments and manage substantial fiscal responsibilities. Consistently, Lagos State has the largest budget among all states in Nigeria, underscoring its status as the country's economic hub. The analysis revealed that all five states and the Federal Capital Territory (FCT), Abuja, have recorded consistent increases in their budget sizes. The combined budget size of these states and FCT-Abuja grew from ₦2.22 trillion in 2019 to ₦5.4 trillion in 2024 (Figure 3.1), representing a remarkable growth rate of 144.3 percent over six years. This improvement can be attributed to growing needs in infrastructure development, climate change adaptation, social protection, and responses to various shocks, such as the COVID-19 pandemic, exchange rate depreciation, fuel subsidy removal, and global uncertainties. Notably, Lagos accounted for 39.4 percent of the total budget in 2019, which further increased to 41.8 percent in 2024. This substantial budget size is critical for funding development initiatives and infrastructure projects within the state. Additionally, Lagos's budget demonstrated an impressive growth rate of 159.57 percent during the period. Similarly, FCT-Abuja exhibited exceptional performance, with its budget share rising from 10.97 percent in 2019 to 23.6 percent in 2024, reflecting an extraordinary growth rate of 426 percent. The findings underscore the growing economic disparity among states in Nigeria, driven largely by variations in fiscal capacity, socioeconomic activities, and infrastructure demands. Lagos, as the nation's economic powerhouse, highlights the importance of strategic budget planning in fostering sustainable growth and addressing urban challenges. The substantial increase in the budget of FCT-Abuja signals an evolving role for the capital in accommodating administrative and developmental needs. This trend demonstrates the necessity for other states to strengthen fiscal capacity, optimize resource allocation, and adopt innovative strategies to boost economic development and resilience against global and domestic challenges.

Figure 3.1: Budget Sizes (N'Billion) between 2019 and 2024 of Selected States in Nigeria



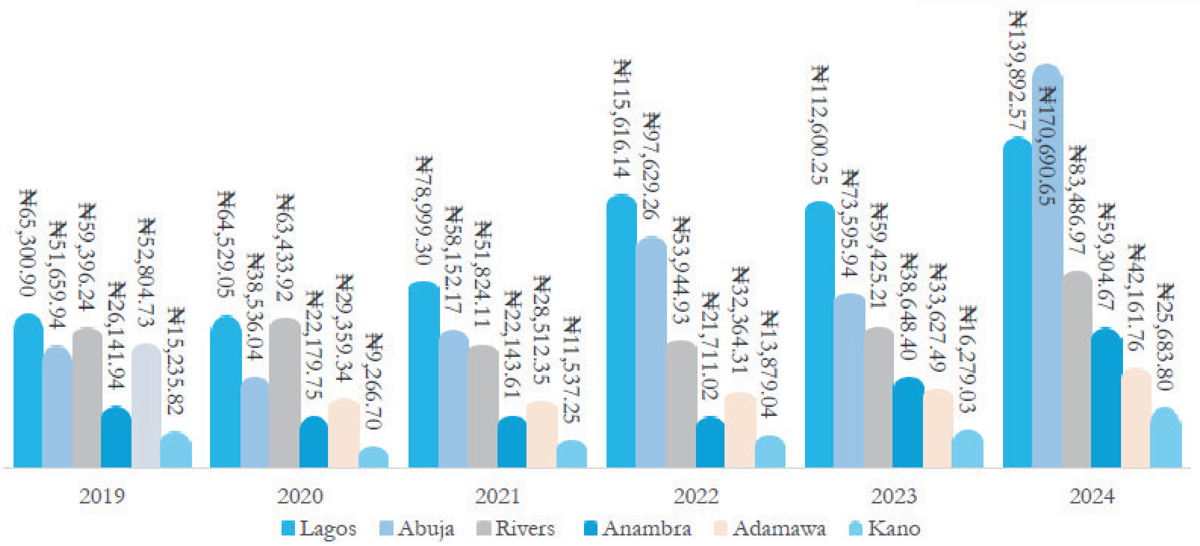
Data: LMEPB, BUDGETPEDIA[12] & Chart: EID Research

[12] budgetpedia.ng/approved-budget/

Lagos consistently recorded the largest budget per capita from 2019 through 2023. However, in 2024, its budget per capita fell below that of FCT-Abuja. Specifically, Lagos's budget per capita rose from ₦65,300 in 2019 to ₦139,892 in 2023, marking an impressive growth rate of 114.2 percent over six years (Figure 3.2). This trend underscores the government's spending power relative to its population, shedding light on the financial resources allocated for public services and developmental initiatives per citizen. In contrast, FCT-Abuja experienced remarkable growth in budget per capita, rising from ₦51,659.94 in 2019 to ₦170,690.65 in 2024, a growth rate of 230.4 percent. This surge reflects Abuja's increasing fiscal capacity, likely driven by its unique status as the nation's capital and its ability to attract significant government and private-sector investments. On the other hand, Kano recorded the lowest budget per capita throughout the six years, increasing modestly from ₦15,235.82 in 2019 to ₦25,683.80 in 2024. This represents a growth rate of just 68.6 percent, highlighting the fiscal challenges faced by the state in meeting the demands of its population.

These variations in budget per capita reveal critical insights into the financial priorities and capacities of different states in Nigeria. Lagos's decline in 2024 highlights the challenges posed by rapid population growth, urbanization, and potential fiscal constraints. It signals the need for the state to explore innovative strategies to boost revenue generation and optimize resource allocation to sustain its development trajectory. FCT-Abuja's impressive growth emphasizes the benefits of a concentrated focus on infrastructure and public service development. However, it also points to the disparity between the capital and other regions, which may contribute to uneven development across the country. Kano's persistently low budget per capita underscores the pressing need for improved fiscal planning, increased revenue generation, and enhanced public service delivery to support its growing population. This disparity highlights the broader issue of fiscal inequality among Nigerian states, emphasizing the importance of tailored policy interventions to ensure balanced regional development.

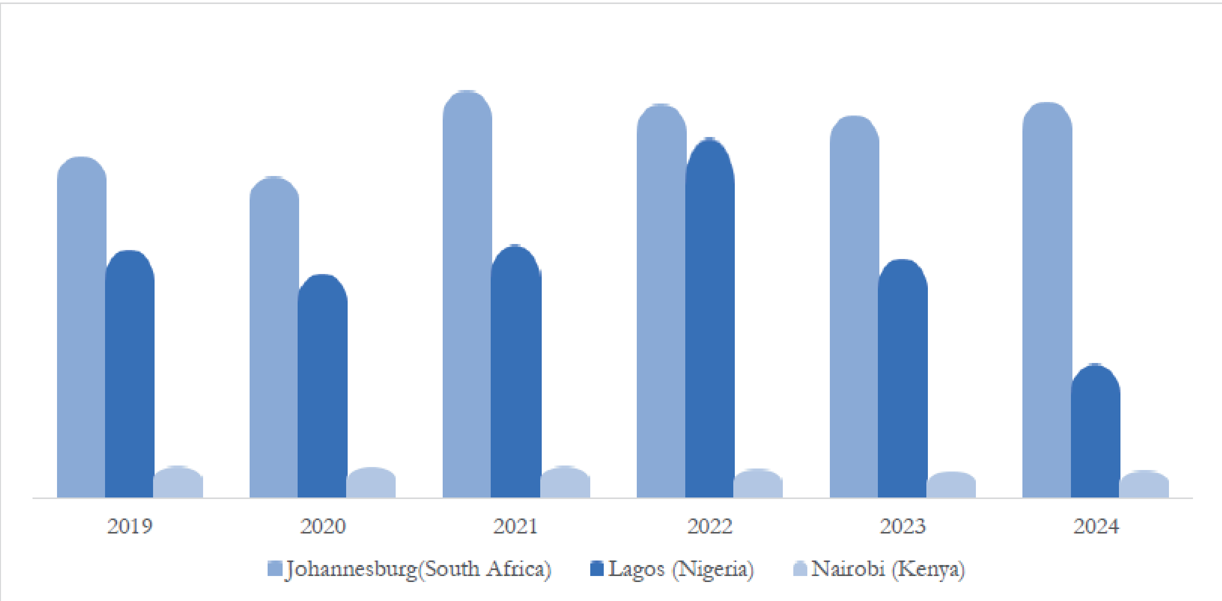
Figure 3.2: Budget per capital of Selected States in Nigeria



Data: LMEPB, BUDGETPEDIA, NBS & Chart: EID Research

Further analysis compares the budgetary sizes of Lagos with other prominent African cities, including Johannesburg, South Africa, and Nairobi, Kenya. Johannesburg recorded the highest cumulative budget size of $26.66 billion, followed by Lagos with $16.73 billion, and Nairobi with the lowest at $2.02 billion (Figure 3.3). Between 2019 and 2024, all three cities experienced growth in their approved budget sizes, with compound annual growth rates (CAGR) of 7 percent for Johannesburg, 17 percent for Lagos state, and 2 percent for Nairobi. Notably, Johannesburg and Nairobi maintained relatively stable budget sizes over the six years, while Lagos displayed significant volatility due to substantial exchange rate depreciation. The budget per capita provides further insight into these cities' fiscal realities. Johannesburg showed a consistent increase in budget per capita, rising from $694.72 in 2019 to $716.84 in 2024 (Figure 3.4). Conversely, Lagos state recorded a much lower budget per capita, which declined from $212.76 in 2019 to $94.78 in 2024. This stark reduction can be attributed to uncontrolled rising migration from neighbouring cities and unfavourable naira depreciation caused by foreign exchange harmonization policies. The comparative analysis highlights significant disparities in fiscal capacity and economic resilience among these cities. Johannesburg's higher budget per capita underscores its ability to provide better infrastructure and social services, reflecting a more stable economic environment. In contrast, the declining budget per capita of Lagos state points to challenges in managing rapid urbanisation and mitigating the effects of exchange rate volatility. These findings emphasize the need for Lagos to implement strategic fiscal policies, enhance revenue generation, and address the structural challenges arising from population pressures and currency instability. Nairobi's slower growth in budget size and per capita spending suggests limited fiscal expansion, underlining the need for Kenya's capital to strengthen its economic base and improve financial planning to meet its growing developmental needs.

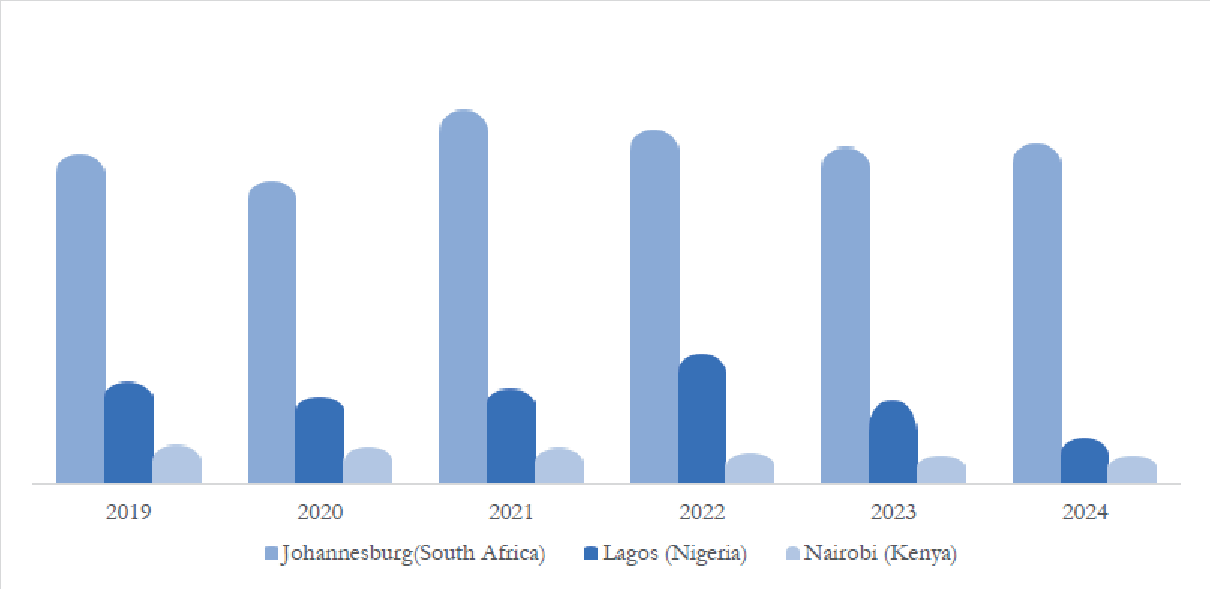
Figure 3.3: Approved Budget Sizes of Leading Cities in Africa (US Dollar)



Data: LMEPB, Joburg Budget,[13] KIPPRA,[14] WDI & Chart: EID Research

[13] https://joburg.org.za/documents_/Pages/Key%20Documents/SDBIP%20IDP%20and%20Budget/links/Budget.aspx
[14] https://repository.kippra.or.ke/handle/123456789/100/bowse?type=title

Figure 3.4: Budget per capita (US$) for Leading Cities in Africa



Data: LMEPB, Joburg Budget[15], KIPPRA[16], Worldpopulationreview & Chart: EID Research

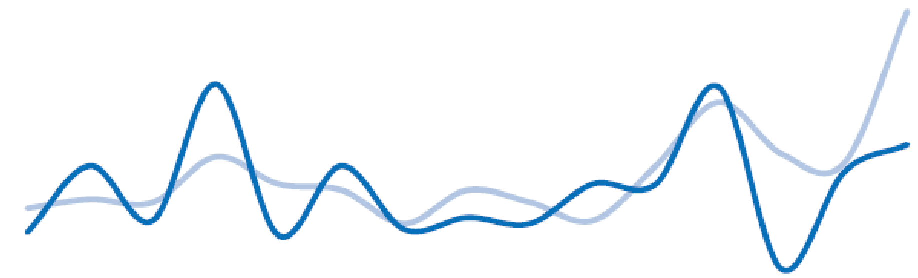
3.2 Analysis of Budget Performance

For ten consecutive quarters, Lagos State has demonstrated consistent and commendable budgetary performance. Revenue performance, which stood at 79.5 percent in 2021, declined slightly to 77.8 percent in 2022 (Figure 3.5). However, it rebounded significantly, reaching 85.8 percent in 2023 and an impressive 106.6 percent in 2024. This remarkable improvement can be attributed to several key initiatives, including the implementation of the Lagos Revenue Portal, frequent updates to the tax register, and increased federal transfers resulting from the removal of the fuel subsidy. On the expenditure side, performance followed a more variable trajectory. It declined from 84.8 percent in 2021 to 72.7 percent in 2022, improved to 86.8 percent in 2023, and then dropped again to 78.3 percent in 2024. Despite these fluctuations, the strong revenue performance in the third quarter of 2024 stands out, highlighting the effectiveness of the State's revenue enhancement strategies.

The findings underscore resilience of Lagos State in revenue generation and its commitment to fiscal innovation. The steady improvement in revenue performance reflects the effectiveness of strategic reforms, including digitized revenue collection and broader fiscal transparency. The increase in federal transfers due to the fuel subsidy removal further highlights the importance of aligning state-level initiatives with national fiscal policies to maximize gains. However, the variability in expenditure performance suggests potential inefficiencies in budget execution and calls for stronger expenditure management frameworks. The dip in 2024 expenditure performance despite record-high revenue indicates the need for improved planning, monitoring, and prioritization of spending to ensure that revenues translate into tangible developmental outcomes. Overall, the achievements of Lagos State in revenue generation are commendable and can serve as a model for other subnational units in Nigeria. Nonetheless, a focus on optimising expenditure management will be crucial in sustaining the State's development trajectory and addressing the growing needs of its population.

[15] https://joburg.org.za/documents_/Pages/Key%20Documents/SDBIP%20IDP%20and%20Budget/links/Budget.aspx
[16] https://repository.kippra.or.ke/handle/123456789/100/browse?type=title

Figure 3.5: Revenue and Expenditure Performance



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2021				2022				2023				2024		
Total Revenue	74	77	76	91	82	80	69	80	76	70	88	109	92	89	139
Total Expenditure	66	88	70	115	65	88	67	71	69	82	82	114	54	86	95

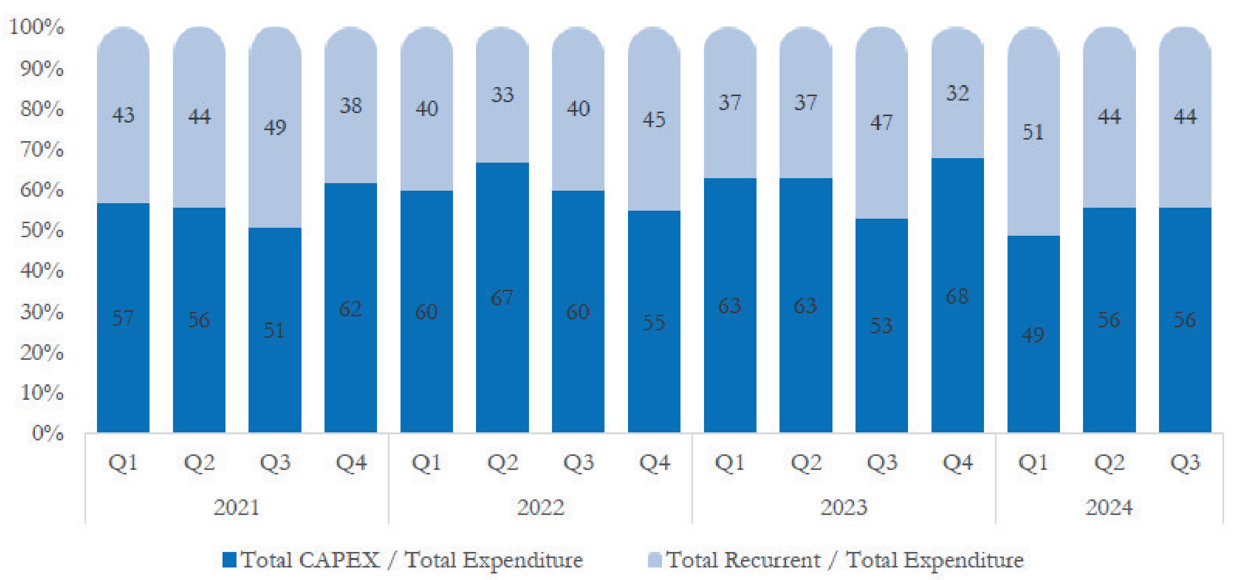
Data: LMEPB & Chart: EID Research

Figure 3.6 reveals notable trends in the allocation of total expenditure of Lagos State between capital expenditure (CAPEX) and recurrent expenditure over the observed period. In 2021, CAPEX consistently exceeded recurrent expenditure across all quarters, with its share ranging from 56 percent to 62 percent. This indicates a strong focus on infrastructure and development projects during the year. Recurrent expenditure accounted for 38 percent to 44 percent, reflecting controlled spending on salaries, administration, and other routine expenses. A slight decline in CAPEX share is observed, dropping from 60 percent in 2022Q1 to 55 percent in Q4. Meanwhile, recurrent expenditure rose gradually from 40 percent to 45 percent. This shift suggests increased spending on operational and administrative costs, potentially linked to inflationary pressures or service delivery needs. In 2023, CAPEX rebounded significantly, peaking at 68 percent in Q4, while recurrent expenditure fell to its lowest at 32 percent. This sharp increase in CAPEX highlights intensified investment in developmental projects, possibly fuelled by improved revenue performance in 2024. CAPEX's share declined slightly to 56 percent in Q2 and Q3, while recurrent expenditure stabilized at 44 percent. This represents a more balanced allocation, reflecting an effort to sustain capital projects while maintaining adequate recurrent spending.

This analysis reflects the sustained prioritisation of CAPEX over the period underscores Lagos State's focus on infrastructure development and long-term economic growth. The peak CAPEX share in 2023Q4 suggests the implementation of significant capital projects, potentially aimed at boosting productivity and urban infrastructure. Also, the rising share of recurrent expenditure in certain quarters, especially in 2022 and early 2024, indicates the state's need to address operational costs. This trend highlights the importance of balancing recurrent and capital spending to avoid compromising infrastructure investment. The observed trends align with Lagos State's revenue performance. The increase in CAPEX during periods of strong revenue growth reflects strategic use of funds for development, while higher recurrent expenditure in 2022 may have been influenced by revenue pressures or inflationary effects.

While CAPEX is critical for development, recurrent expenditure plays a vital role in maintaining service delivery and operational efficiency. The state must ensure that recurrent spending remains efficient and does not undermine long-term investments in infrastructure. In conclusion, Lagos State's budgetary allocation trends indicate a commendable focus on development projects. However, efforts should be made to sustain capital investments while optimising recurrent spending to ensure balanced growth and improved service delivery. These trends also provide a roadmap for other subnational governments in Nigeria to strengthen fiscal discipline and align expenditure with developmental priorities.

Figure 3.6: Total Public Spending Allocation Performance



Data: LMEPB & Chart: EID Research

3.5 Analysis of Total Revenue

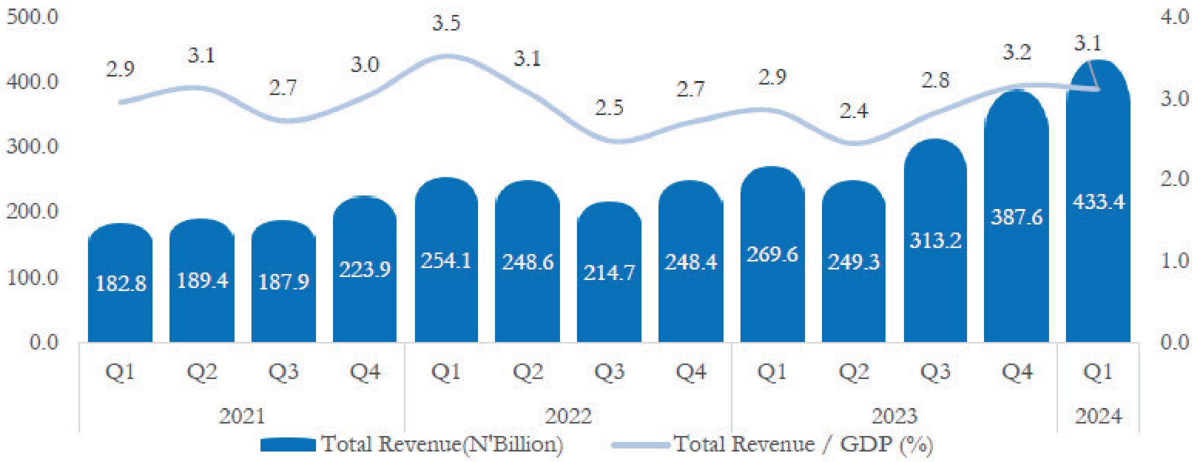
Over the years, Lagos State has demonstrated remarkable growth in its revenue mobilisation, reflecting its position as Nigeria's economic powerhouse. The chart highlights the state's total revenue performance (in ₦ billion) and its share as a percentage of GDP from 2021Q1 to 2024Q1, illustrating a steady journey of fiscal resilience and adaptability. The state's total revenue grew significantly, starting at ₦182.8 billion in 2021Q1 and reaching an impressive ₦433.4 billion in 2024Q1 (Figure 3.7). This upward trajectory was not without challenges, as occasional dips occurred, particularly in 2021Q3 (₦187.9 billion) and 2022Q3 (₦214.7 billion). These declines can be attributed to seasonal factors, external economic pressures, or adjustments in federal allocations. However, Lagos quickly bounced back, with revenues peaking in 2023Q4 and continuing to climb into 2024Q1, demonstrating the effectiveness of its revenue generation strategies.

The revenue-to-GDP ratio, an important metric of fiscal performance, fluctuated moderately throughout the period, ranging from 2.5 percent to 3.5 percent. The highest ratio was recorded in 2021Q2, likely reflecting robust revenue collection mechanisms in relation to the state's GDP at the time. By 2024Q1, the ratio stabilized at 3.1 percent, signalling balanced growth between revenue and economic output. The recovery in revenue performance during 2023 and 2024Q1 is particularly noteworthy. The total revenue surged from ₦249.3 billion in 2022Q4 to ₦387.6 billion in 2023Q4, reaching a new high of ₦433.4 billion in 2024Q1.

This remarkable turnaround can be attributed to the improvement in IGR and federal transfers. The consistent growth in revenue underscores Lagos State's financial autonomy and its ability to sustain its development agenda. The stability of the revenue-to-GDP ratio, despite fluctuations, points to the state's resilience in navigating economic uncertainties while maintaining steady growth.

Looking ahead, Lagos State has a unique opportunity to further increase its revenue-to-GDP ratio by expanding its economic base and optimising revenue collection. Diversifying revenue streams, investing in infrastructure and technology, and strengthening human capital development will be critical in achieving this goal. Additionally, the state's success provides a model for other subnational governments in Nigeria, emphasising the importance of internally generated revenue (IGR) as a pillar of fiscal sustainability. In conclusion, Lagos State's revenue performance over the years has been a testament to its economic strength and adaptive strategies. The record-breaking revenue in 2024Q1 reflects not just fiscal growth but a commitment to building a resilient and prosperous future for its citizens. By continuing to innovate and adapt, Lagos is well-positioned to lead Nigeria's subnational governments toward sustainable development.

Figure 3.7: Trends in Total Revenue to GDP



Data: LMEPB, LBS & Chart: EID Research

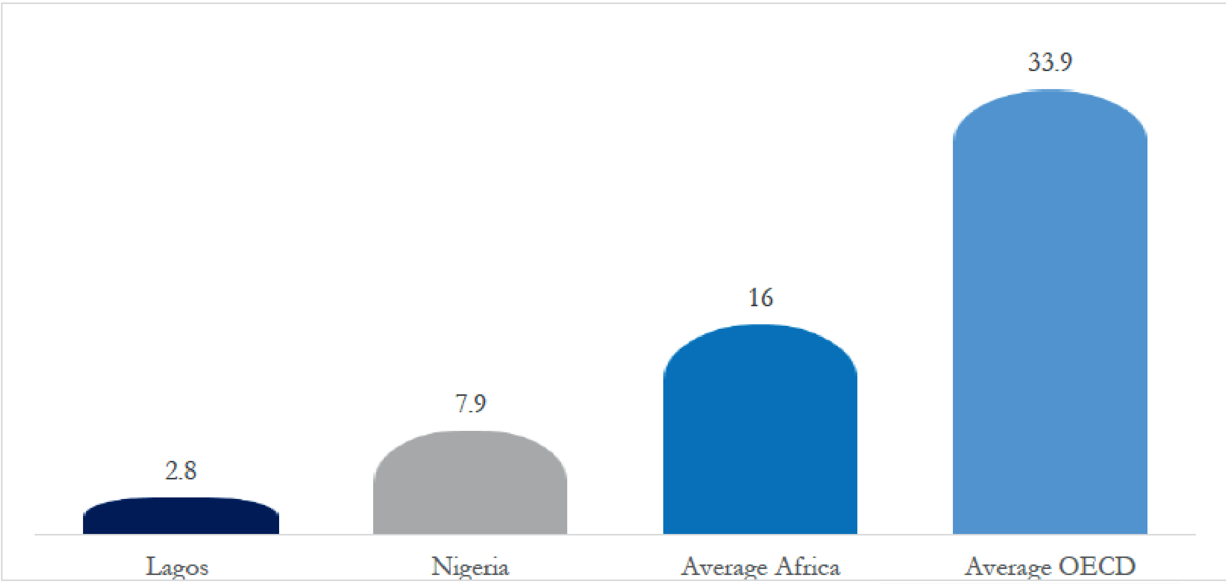
Figure 3.8 provides a comparative analysis of the tax-to-GDP ratios for Lagos, Nigeria, the average across Africa, and the OECD average. The figures reveal a stark disparity, underscoring the urgent need for enhanced revenue mobilisation efforts in Lagos and Nigeria. Lagos, despite being Nigeria's economic hub, has a low tax-to-GDP ratio of 2.8 percent, which is significantly below the national average of 7.9 percent. This is particularly concerning when compared to the African average of 16 percent and the OECD average of 33.9 percent. These numbers highlight the untapped potential of Lagos' tax system, reflecting challenges such as a narrow tax base, informal economic activities, inefficiencies in tax collection, and possible tax evasion.

The national figure of 7.9 percent also underscores Nigeria's underperformance in tax revenue mobilisation relative to its peers on the continent. In contrast, the African average of 16 percent demonstrates that many countries in the region are better leveraging their tax systems to support fiscal sustainability and development. Meanwhile, the OECD average of 33.9 percent shows how advanced economies rely heavily on tax revenues to drive their public services and infrastructure development. For Lagos, this low tax-to-GDP ratio poses both challenges and opportunities. On one hand, it limits the state's fiscal capacity to fund critical infrastructure and social services.

On the other hand, it presents a unique opportunity to expand its tax base and optimise tax administration. Given its status as Nigeria's economic hub, Lagos has the potential to significantly increase its tax-to-GDP ratio by formalising its economy, increasing compliance, and leveraging technology for efficient tax collection.

The implications of improving the tax-to-GDP ratio are profound. For Lagos, higher tax revenues would enable more investments in infrastructure, education, healthcare, and urban development. This would not only improve the quality of life for its residents but also strengthen its position as a competitive global city. For Nigeria, increasing the national tax-to-GDP ratio would reduce reliance on oil revenues and provide a stable financial base for sustainable development. While the current tax-to-GDP ratio for Lagos and Nigeria lags behind regional and global benchmarks, it highlights an area with immense potential for growth. By addressing systemic challenges and implementing strategic reforms, Lagos and Nigeria can unlock significant fiscal capacity to support their developmental aspirations.

Figure 3.8: Tax-to-GDP Ratio in 2023



Data: LMEPB, OECD Revenue Statistics (2024) & Chart: EID Research

3.4 Composition of Total Revenue

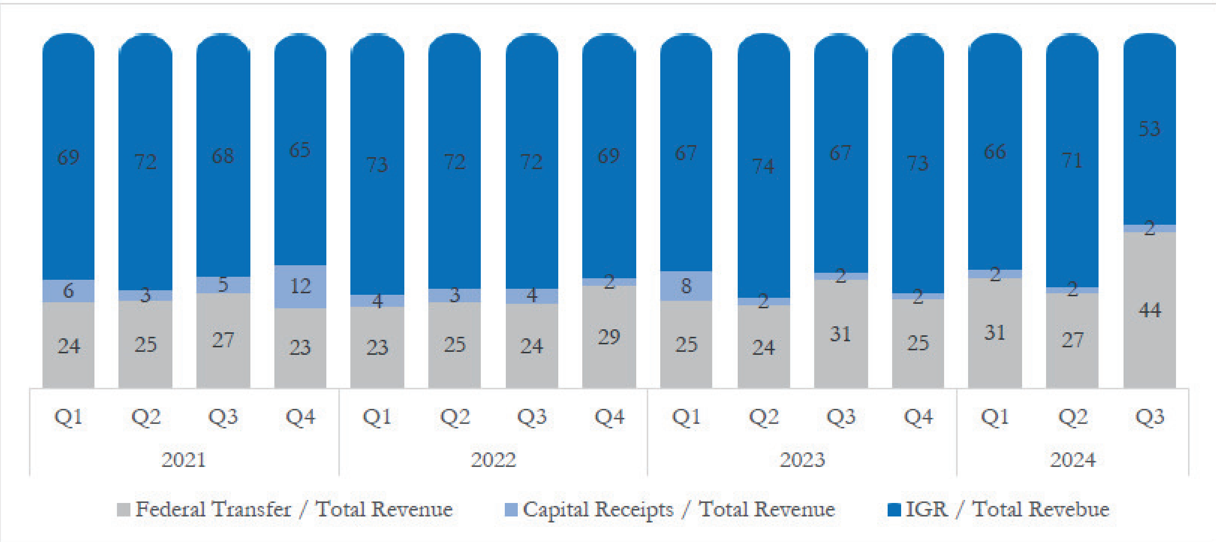
Lagos State's fiscal mobilisation is predominantly driven by its internally generated revenue (IGR), a key indicator of its fiscal autonomy among other states in Nigeria. Over the years, the sustained growth in IGR has enabled the State Government to strategically invest in critical sectors, advancing its comprehensive development agenda. In the fiscal year 2023, Lagos State achieved an aggregate revenue performance of 86 percent against the ₦1.42 trillion budgeted. A closer look at the revenue streams reveals that IGR accounted for 70 percent performance of the total revenue, solidifying Lagos's position as the highest IGR-generating state in the nation (Figure 3.9). The remaining 30 percent performance of revenue was derived from land use charges, fees, and federal transfers, which include statutory allocations, value-added tax (VAT), and other FAAC transfers.

The primary contributor to IGR remains the Pay-As-You-Earn (PAYE) tax, collected by the Lagos Inland Revenue Service (LIRS). Through continuous expansion of the tax net and innovative initiatives, LIRS has bolstered revenue generation, reflecting the state's economic dynamism. The dominance of IGR in Lagos's fiscal structure underscores the state's economic prowess and capacity for self-sustenance. In 2024, the cumulative revenue performance of the state reached new heights. Both IGR and federal transfers exceeded expectations, with performance rates of 116 percent and 193 percent, respectively, amounting to ₦649 billion and a remarkable contribution from federal transfers. These figures highlight the resilience and adaptability of Lagos in leveraging diverse revenue sources to support its ambitious development plans.

To further enhance revenue generation, the Lagos State Government has identified four strategic revenue sources: Place-Based Revenue (leveraging geographical advantages and property-related income streams such as land use charges and property taxes); Value Chain-Based Revenue (harnessing opportunities within key economic sectors by tapping into supply chains and associated business activities); Skill-Based Revenue (developing human capital and creating income streams through skills development, workforce training, and economic empowerment programmes); Portfolio-Based Revenue (broadening investment opportunities and optimizing returns on state-owned assets and enterprises). The consistent dominance of IGR as a revenue source underscores Lagos State's economic independence and financial sustainability. This fiscal autonomy reduces dependence on federal allocations, ensuring greater control over development priorities. The remarkable growth in federal transfers in 2024 further highlights the strategic alignment of state and national policies, particularly the impact of reforms such as the removal of fuel subsidies.

However, maintaining and expanding this growth trajectory requires sustained innovation and fiscal discipline. The state must continue to improve tax compliance, strengthen revenue collection mechanisms, and explore untapped revenue sources. Investments in infrastructure, technology, and human capital remain critical to supporting its revenue diversification strategies. The achievements of Lagos state in fiscal mobilization set a benchmark for other subnational governments in Nigeria, demonstrating the importance of IGR-driven development. By capitalising on its economic strengths and implementing strategic revenue initiatives, Lagos State is well-positioned to achieve long-term growth and sustainable development.

Figure 3.9: Composition of Revenue for Lagos State



Data: LMEPB & Chart: EID Research

3.5 Public Debt Performance

The public debt profile of Lagos State comprises both domestic and external debt. According to the Lagos Debt Management Office (LDMO), the state's total debt reached N2.1 trillion in 2023, with domestic debt accounting for 54 percent and external debt making up 46 percent (Figure 3.10a). This marks a significant increase of N772 billion compared to the total debt stock of N1.3 trillion recorded in 2022, representing a growth rate of 58.1 percent within a single year. The sharp rise in external debt is attributed primarily to exchange rate depreciation and an elevated interest rate environment, according to the LDMO. Debt servicing costs also surged, totalling N306 billion in 2023, with domestic debt service contributing 86 percent and external debt service 14 percent (Figure 3.10b). While the overall rise in debt poses fiscal challenges, the higher share of domestic debt servicing offers certain advantages compared to external debt. Domestic debt is less vulnerable to exchange rate fluctuations, which reduces the risk of cost escalation in naira terms. Additionally, domestic debt servicing tends to strengthen the local financial market, as it circulates within the local economy, creating opportunities for domestic investors and fostering financial stability. However, the rapid increase in debt and the associated high servicing costs, particularly domestic debt, could still constrain resources available for capital projects and social services. This highlights the need for strategic debt management and policies aimed at ensuring fiscal sustainability while maintaining the state's economic growth trajectory.

Figure 3.10: Public Debt Stock and Debt Servicing

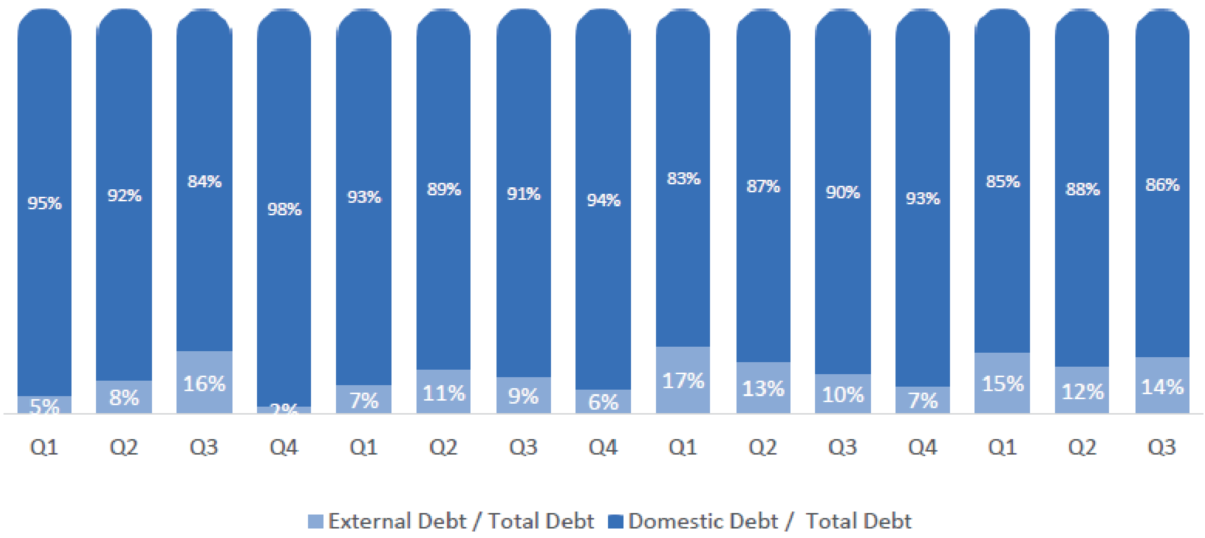
Data: LMEPB, LDMO & Chart: EID Research

Figure 11 illustrates the composition of Lagos State's total debt from 2021Q1 to 2024Q3, highlighting the proportion of domestic and external debt. Over this period, domestic debt consistently accounted for the majority of total debt, while external debt remained relatively low but fluctuated. Domestic debt ranged between 83 percent and 95 percent, with the highest share recorded in 2021Q1 at 95 percent and the lowest in 2023Q1 at 83 percent. Conversely, external debt, which was at its lowest in 2021Q1 at 5 percent, increased gradually, peaking at 17 percent in 2023Q1 before fluctuating between 12 percent and 15 percent in 2024. These variations suggest a changing debt strategy influenced by external economic conditions and fiscal policies.

The increase in external debt between 2022 and 2023 corresponds with reports of exchange rate depreciation and elevated global interest rates, making external borrowing more expensive. While maintaining a higher share of domestic debt reduces exposure to exchange rate fluctuations, it also places pressure on local financial markets and may lead to higher domestic interest rates. The gradual rise in external debt signals a need for prudent debt management to ensure foreign currency liabilities remain within a sustainable threshold. Despite the benefits of reduced exchange rate risk, an excessive reliance on domestic borrowing could limit credit availability for the private sector and increase debt servicing costs.

The observed shifts in debt composition highlight the importance of a balanced approach to debt management. The state must continue to monitor global financial conditions while adjusting its debt strategy to maintain fiscal sustainability. Ensuring an optimal mix of domestic and external debt will be critical in sustaining economic growth and development while mitigating financial risks associated with currency volatility and interest rate fluctuations.

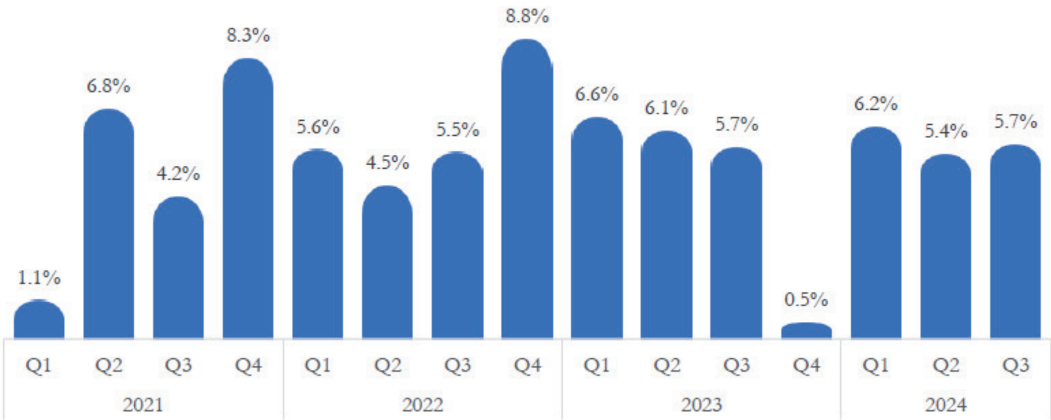
Figure 3.11. Composition of Public Debt



Data: LMEPB, LDMO & Chart: EID Research

Figure 3.12 presents the debt service as a percentage of total revenue for Lagos State from 2021Q1 to 2024Q3, reflecting the fiscal burden of debt repayment over time. The data shows fluctuations in the debt service ratio, with notable peaks in 2021Q4 (8.3 percent), 2022Q4 (8.8 percent), and 2023Q1 (6.6 percent), indicating periods of increased debt repayment obligations relative to revenue. The lowest recorded ratio occurred in 2023Q4 at 0.5 percent, suggesting a temporary easing in debt servicing pressure. Between 2021 and 2022, the debt service-to-revenue ratio exhibited volatility, with significant increases in Q4 of both years, potentially linked to year-end financial obligations or increased loan repayments. In 2023, despite a relatively stable trend in the first three quarters, Q4 saw a sharp drop, which could be attributed to improved revenue inflows or strategic debt restructuring. However, 2024 began with a moderate rise to 6.2% in Q1, followed by a slight decline in Q2 (5.4 percent) and a marginal increase to 5.7 percent in Q3, indicating a relatively stable but persistent debt service burden. The implications of these trends highlight the importance of effective debt management strategies to ensure fiscal sustainability. Periods of high debt servicing costs may limit the state's ability to allocate resources to critical sectors such as infrastructure, health, and education. While the decline in 2023Q4 suggests potential fiscal relief, the resurgence in 2024 underscores the need for continuous monitoring of debt obligations relative to revenue performance. Moving forward, maintaining a sustainable debt service ratio will be essential in ensuring that rising debt obligations do not hinder Lagos State's economic growth and development initiatives.

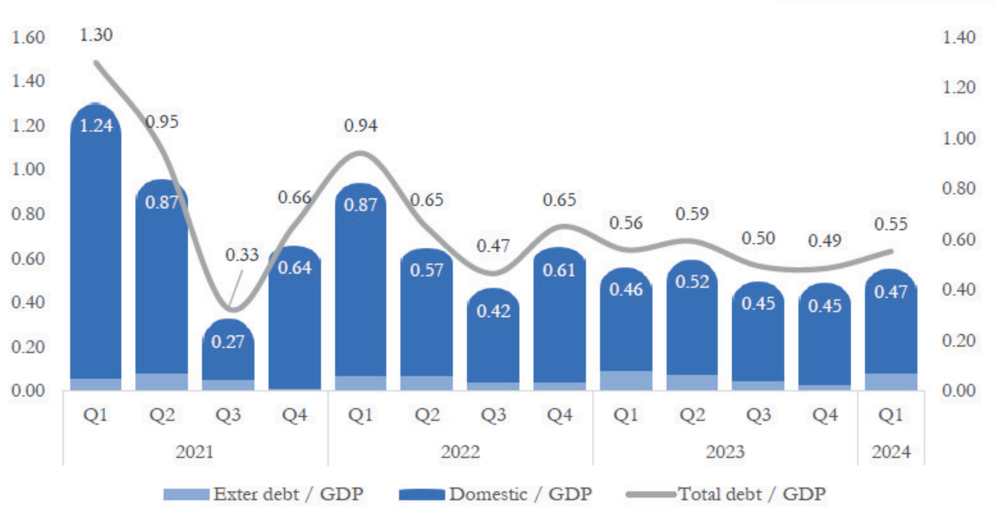
Figure 3.13: Trend of Debt Service (as a Percentage of Total Revenue)



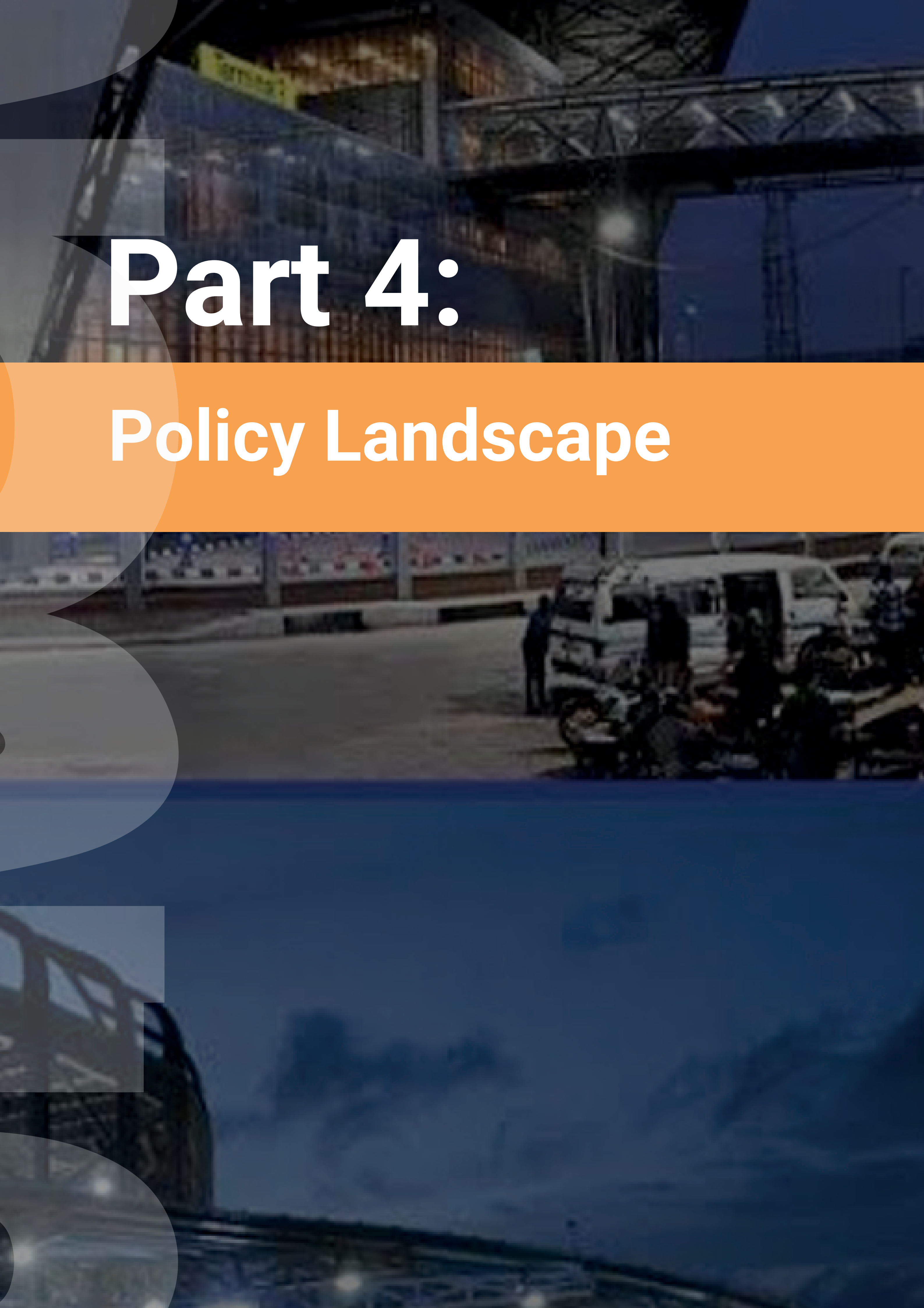
Data: LMEPB, LDMO & Chart: EID Research

The graph (Figure 3.13) illustrates Lagos State's debt-to-GDP ratio from 2021Q1 to 2024Q1, highlighting the contributions of external debt (light blue), domestic debt (blue), and total debt (grey line) relative to GDP. In 2021Q1, the total debt-to-GDP ratio was at its peak (1.3 percent), primarily driven by high domestic debt (1.24 percent), but this ratio saw a sharp decline in subsequent quarters, reaching 0.33 percent in 2021Q3. A rebound occurred in 2021Q4 (0.66 percent) and 2022Q1 (0.94 percent), after which the total debt ratio displayed a more stable trend, fluctuating between 0.47 percent and 0.65 percent from 2022Q2 to 2024Q1. A key observation is the declining share of domestic debt relative to GDP over time, suggesting improved revenue performance, reduced reliance on domestic borrowing, or a shift towards external debt financing. External debt remained a smaller proportion of GDP throughout the period but exhibited slight increases in some quarters, reflecting the impact of exchange rate fluctuations and external borrowing strategies. The total debt-to-GDP ratio stabilised below 0.60 from 2023Q1 onwards, indicating more controlled debt accumulation relative to economic growth. The implications of this trend are significant for fiscal sustainability. The decline from the 2021 peak suggests that the state has improved its debt management, potentially reducing fiscal risks. However, fluctuations in the total debt-to-GDP ratio highlight the need for continued vigilance in managing both domestic and external debt to ensure that borrowing remains within sustainable limits. As Lagos State aims to sustain its economic growth, maintaining a stable and manageable debt profile will be essential to prevent excessive debt burdens that could hinder long-term development.

Figure 3.14: Public Debt to GDP (%)



Data: LMEPB, LDMO & Chart: EID Research



Part 4:

Policy Landscape

4.1 Policy Actions of Lagos State Government in 2024

The budget for 2024 provides the direction of the government for the year. The budget was themed as "The Budget of Renewal", which aims to drive the goals of the THEMES+ Agenda as well as the achievement of Lagos State Development Plan targets for the medium-term. The budget size was N2.268 trillion. The ambitious budget framework allocated N1.316 trillion for capital spending[17] while N952.43 billion was allocated to recurrent spending for the fiscal year. This indicates a capital-to-recurrent expenditure ratio of 58:42, representing changes in the government priority, which is similar to the share ratio in the 2023 fiscal budget. This is necessitated by the adverse effect of domestic policy reforms so that the government can provide support for the vulnerable groups in the state. The 2024 fiscal budget relied heavily on internally generated revenue, as it accounts for 66.54 percent (N1.251 trillion) of the total revenue (N1.880 trillion). The deficit-financing requirement was N387.13 billion, representing 20.6 percent of the total revenue. The budget prioritised modern infrastructure development, human capital development, youth development, food security, social inclusion, digitalisation of public service, and efficient revenue collection strategies.

The maintenance and development of modern infrastructure received a noteworthy allocation of 24.3 percent of the total budget, which is equivalent to N550.69 billion compared to N482.86 billion in 2023. This encompassed pivotal investments in ongoing projects such as the expansion of the rail network (blue and red lines), Lekki-Epe International Airport, several road constructions, and other metro projects within the state. The budget also highlighted the development of affordable housing schemes and urban renewal projects to address the challenge of housing deficit. This necessitated the allocation of N55.924 billion, representing 2.5 percent of the total budget. Some of the housing projects that were captured include the completion of 444 units of building project at Sangotedo Phase II, the completion of 420 units of building projects at Badagry, the phase two construction of 136 units of building projects at Ibeshe II, and others.

The budget also considered the ongoing new Massey Children's Hospital, Omu Creek, Opebi-Mende-Ojota Link Bridge, stadia, rehabilitation of public schools, Lekki-Epe and Lagos-Badagry expressways and commencement of the Fourth Mainland Bridge. Agriculture was not left out in the budget. The continuous supports to the sector were emphasised in the budget. These include increased funding for projections and programmes, comprehensive training programmes and incentives for farmers, aid for micro, small, and medium enterprises (MSMEs), and a 5-year Agriculture roadmap. The budget allocation of N41.67 billion was directed towards Central Food Security, the Cattle Feedlot Project, Fish Processing Hub programmes, the Wholesale Produce Hub, and the market. This is aimed at reducing inflation and promoting food security in the state.

Education also benefitted from the budget with an allocation of N158.27 billion, representing 7 percent. It was expected to foster investment in education infrastructure, digital skills initiatives, and vocational education. It was expected to enhance learning opportunities for every child in the state. The health sector was allocated N162.08 billion, accounting for 7.16 percent of the total budget. The commerce and industry sector were also allocated N10.71 billion, while the environment has an allocation of N82.31 billion. Water received a budgetary allocation of N5.68 billion, while women, youth and sports were allocated N29.13 billion. Social protection was also allocated N44.09 billion in the total budget. Overall, the budget aims to deploy massive investments in different critical areas to advance the realisation of 21st century megacity while ensuring that Lagos residents reap the social benefits of growth and development in the state.

[17] https://lagosmepb.org/wp-content/uploads/Y2024-CITIZENS-BUDGET.pdf

4.2. Key Policy Milestones of 2024

The fiscal year 2024 has witnessed several interventions, policies, and projects guided by the budget of 2024. Building on the remarkable achievements in 2023, several areas of the economy, such as transport, security, food security, housing, youth employment, entertainment, health, education, public order and safety, energy, and social protection, were captured in the budget.

Transportation: The transport sector continues to record impressive progress in terms of government investment. In the course of the year, several projects have been either completed or near completion, as well as the initiation of several projects. Some of the key achievements in road infrastructure include the rehabilitation of Dopemu Road in Agege, the construction of Abiola-Onijemo Link Road with a bridge in Ifako-Ijaiye, the reconstruction of Irede Road in Amuwo Odofin, and the rehabilitation of Oyinkan Abayomi Drive in Ikoyi, Eti-Osa. Other roads in different parts of the state were also completed and commissioned during the year. [18] The government also secured a memorandum of understanding with CCECC to build the Lekki-Epe Link Bridge in the Lekki-Epe axis of Lagos State. More so, the Red Line Rail was also completed and commenced operation between Agbado and Oyingbo with the aim of transporting 500,000 passengers with full operation. After one year of the commencement of full operation of the Lagos Rail Mass Transit Blue Line, about 2 million passengers have explored this transport option. In August 2024, the Blue Line increased daily trips from 54 to 72, reducing travel time between Marina and Mile 2 from 30 to 18 minutes. Additional trains were delivered for the Red and Blue Line operation, with some orders to be delivered at varying times in the subsequent years. The second phase of the Blue Line Rail project is currently ongoing. Water transport has also received a boost with the launching of 15 high-capacity and locally fabricated boats. Other projects in the pipeline include the Purple Line, the 4th Mainland Bridge, and 180 inner roads. These investments have significantly reduced travelling time, enhanced connectivity, and boosted productivity. Given the adverse effect of national reforms, the government introduced a 3-day work week for Levels 1-13 civil servants. More so, a 25 percent reduction on transport services for the State Public Transport (BRT, Train, and Ferry) was introduced to reduce the transport cost of the state residents. This transport palliative cost implies a foregone monthly revenue of N500 million.

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[1] Rehabilitation/Upgrading of Babajide Sanwo-Olu Road (Dopemu Road) in Agege; Construction of Babafemi Dada Road with Bridge, Yinka Folarin, Jamiu Lawal, and Shalom Academy Road Network in Alimosho; Construction of Abaranje Road in Alimosho; Reconstruction and Dualisation of Irede Road in Amuwo-Odofin; Rehabilitation/Upgrading of Mumuni Adio (Buba Marwa) Road in Amuwo-Odofin; Navy Town (Section 1) Road in Amuwo-Odofin; Reconstruction of Old Ojo Road (Phase 1) from Iree to Oluti in Amuwo-Odofin; Rehabilitation of Aradagun-Mosafejo-Ajido-Imeke Road (Phase III) in Badagry; Construction of Samuel Ekundayo Road in Badagry; Reconstruction of Hospital Road, Badagry (Phase 1); Construction of Eluku Street/Mosafejo in Agbowa, Ikosi, Epe; Rehabilitation/Upgrading of Ilabere, Ilu, and Inupa Roads in Ikoyi, Eti-Osa; Rehabilitation of Oyinkan Abayomi Drive in Ikoyi, Eti-Osa; Rehabilitation of Macpherson Avenue in Ikoyi, Eti-Osa; Rehabilitation of Femi Okunnu Road in Ikoyi, Eti-Osa; Rehabilitation/Upgrading of Abudu Smith Street in Eti-Osa; Rehabilitation of an alternative route to Admiralty Circle Toll Plaza in Lekki, Eti-Osa; Construction of Platinum Road, off Lekki Expressway, Igbokusu in Eti-Osa; Rehabilitation/Upgrading of Eti-Osa/Lekki/Epe Expressway Phase IIA (Eleko Junction through Awoyaya to Greensprings, Majek, and Ogidan); Rehabilitation/Upgrading of Eti-Osa/Lekki/Epe Expressway Phase IIB (Greensprings to Abraham Adesanya); Construction of Magbon-Alade Township Roads in Ibeju-Lekki; Construction of Abiola Onijemo Link Road with Bridge in Ifako-Ijaiye; Rehabilitation of Oba Dosunmu Road, Ikeja GRA; Reconstruction/Upgrading of Sobo Arobiodu Street, Ikeja GRA; Rehabilitation of Oduduwa Way and Crescent in Ikeja GRA; Rehabilitation of Sasegbon Street in Ikeja GRA; Construction of Adamo-Akanun-Agunfoye Lugbusi Roads in Ikorodu; Construction of Arowojobe Link Bridge and Approach Road in Mende, Maryland, Kosofe; Reconstruction of the damaged pedestrian bridge at Estate Gate, Alapere, Ketu in Kosofe; Rehabilitation of Demurin Road in Kosofe; Rehabilitation of Agidi Road in Kosofe; Rehabilitation/Upgrading of Church Street in Kosofe; Rehabilitation of St. Finbarr's Road in Kosofe; Construction of Sand Zero Road, Oyingbo in Lagos Mainland; Rehabilitation/Upgrading of Iwaya Road in Lagos Mainland; Rehabilitation/Upgrading of Unity, Umunya, and Alhaji Ganiyu Ose Baby Streets in Oshodi-Isolo.

Agriculture: The government boosted the activities of this sector with huge investments in several areas. Guided by the Lagos State Agricultural and Food Systems Roadmap (2021-2025), the Lagos Central Food Security Systems and Logistics Hub is currently under construction at Ketu-Ereyun and is expected to be completed by the second quarter of 2025. This is aimed at ensuring food security and sufficiency within the state. Through the Ministry of Agriculture and Food Systems, several interventions and programmes have also been initiated during the period under consideration. To address growing food prices, Ounje Eko (first and second phases) was introduced with a discount of 25 percent. Sunday markets were introduced across 42 identified markets to sell food items at affordable rates with a buying threshold of N25,000. Also, 500,000 boxes of food items were distributed to the most vulnerable groups across local government areas and local council development areas to ensure food security. To optimise the investment in Lagos Rice Mill in Imota, a memorandum of understanding was signed with Yihai Kerry Arawana Holdings Co. Limited to boost the rice value chains in the state. The state is also partnering with Niger State under the “Produce for Lagos Initiative” to revolutionise the supply chain of paddy, tubers, and grains. This is to ensure regular access to food supplies, ensuring availability and price stability of essential food items in the state. Additionally, the state also secured 500 hectares of land in Ogun State to boost rice production. In collaboration with the Lagos State Employment Trust Fund (LSETF) and Eko Innovation, the ministry provided support for food systems start-ups with a grant of N100 million. As part of the ministry’s ongoing commitment to enhancing food security and ensuring efficient operation of the food supply chain, the ministry distributed agricultural inputs and productive assets to the 4th cycle of beneficiaries under the Lagos CARES Result Area 2. There is also intensive training for youth under the Lagos Agripreneurship Programme (LAP 20). All these efforts are aimed at increasing the food self-sufficiency of Lagos State from 20 percent to 40 percent while reducing contributions from other states and importation to 60%.

Social Inclusion and Youth Development: LSETF has been playing a significant role in promoting social inclusion and developing youth capacity through several programmes and interventions. Since its inception, it has funded over 221,000 direct and indirect jobs, facilitated more than 83,000 access-to-market opportunities, and trained over 18,000 young people in industry-relevant skills. During the year, it also introduced the Labour Market Information System (LMIS) to boost job creation and enhance the job market in the state. Through the Lateef Jakande Leadership Academy (LJLA), 29 fellows were empowered with leadership skills through a year of intensive training in the public and private sectors. The state, through the Lagos State Graduate Internship Placement Programme (GIPP), onboarded 2,500 interns. The platform was designed to tackle unemployment while assisting young people in gaining valuable skills and experiences. Also, through the Ministry of Women’s Affairs and Poverty Alleviation, 5,512 youths graduated from the 2023/2024 Life Skills Economic Empowerment Programme (LEEP) skill acquisition courses held across 19 skill centres in the state. More so, the Ministry of Wealth Creation and Employment trained 800 artisans and 400 tradesmen from 60 participating trades’ associations and empowered them with modern tools and equipment to enhance their businesses. During 2024, the Micro Enterprise Support Initiative supported 1500 individuals through the Ministry of Women Affairs and Poverty Alleviation. Under the Lagos Market Trader Money initiatives, N750 million in financial support was given to 15,000 beneficiaries (N50,000 each). These programmes and initiatives reflect the government’s efforts towards gender equality and inclusion in line with the THEMES+ development agenda.

Health Sector: To boost infrastructure in the sector, the state inaugurated the two-storey Paediatric Sickle Cell Centre located in the Lagos State University Teaching Hospital (LASUTH), Ikeja. The state is also recording significant progress in the ongoing construction of the new 150-bed, state-of-the-art Massey Children Hospital, which is expected to provide advanced care and a nurturing environment for children. The state is also exploring a public-private partnership approach with the IASO Consortium to build a 120-bed tertiary healthcare facility under the Lagos Medi-Park Village Project in the state. In the area of health insurance, Ilera Eko Standard Jaara Health Insurance Scheme was launched. Additionally, the state introduced Ilera Eko Virtual Booths in five locations across the state to ensure accessible healthcare for those in the informal sector, including market men and women, artisans, and grassroots stakeholders. The State Ministry of Health also conducted a statewide free screening exercise for hypertension and diabetes at over 330 public health facilities across the state. Healthcare initiatives are introduced to benefit over 50,000 women annually with free childbirth services across the state's general hospitals and secondary health facilities.

Pension Clearance: During the year, a Retirement Bond Certificate amounting to N3.1 billion was presented to 1,013 retirees. An additional 2,000 retirees also benefit from the pension payment of N4.46 trillion in 2024. The state has cleared all pension backlogs for the retirees. Between 2019 and 2024, the state has paid a sum of N68.16 billion into the Retirement Savings Accounts (RSAs) of retirees in the Mainstream, Local Government, State Universal Basic Board (SUBEB), Teaching Service Commission (TESCOM), and other parastatals of the state government.

Housing: During the year, the state inaugurated 270 units of two-bedroom flats at the Egan-Igando Mixed Housing Estate; the remaining home units in Clusters Two and Three of the estate are expected to be completed before the year is over. Additionally, 60 units of two- and three-bedroom apartments at Rising Lagos Apartments, equipped with state-of-the-art facilities and designed to enhance residents' quality of life, were unveiled. The state also commissioned the 144-unit mixed development project, Greater Lagos LBIC/WGC Apartments, in Amuwo Odofin. The state, in collaboration with Access Bank Plc, is pursuing the Odonla-Odogunyan Housing Estate Project, which covers 9.98 hectares of land and will feature 704 units spread across 44 blocks, all consisting of modern 2-bedroom apartments. The state also inaugurated 2,200 police housing units at the Ijeh Police Barracks in Ikoyi. These housing initiatives underscore the state's commitment to the welfare of the citizens.

Energy: The state partnered with Harvest Waste Consortium to build a high-efficiency waste-to-energy plant on the Epe landfill. The new waste-to-energy plant is expected to process 2,250 tonnes of waste daily, generating 60-75 megawatts of electricity annually. This innovation will power 40,000 homes, significantly enhancing our energy security and reducing our environmental footprint. It is also expected to reduce 550,000 metric tonnes of $CO2$ emissions daily, improve air quality, and divert 95 percent of our waste from landfills. The state also signed a MoU to implement solar power systems across our tertiary institutions, including Lagos State University and its campuses, Lagos State University of Science and Technology, Lagos State University of Education, and Lagos State College of Medicine. These solar systems are expected to generate about 50 MW and will provide cleaner and more affordable electricity. This project demonstrates our commitment to sustainable energy as a key part of our economic development. The state also signed the Lagos Electricity Bill 2024 into law. This new legislation is expected to tackle the ongoing challenges in our energy sector, aiming to promote economic growth, enhance quality of life, and ensure energy equity for all Lagosians. The law establishes a regulated electricity market that will provide affordable, reliable, and sustainable power. This began back in 2021 when the state launched the Lagos State Electricity Policy in preparation for the domestication of the Electricity Bill.

Budget performance: As of the 30th of September 2024, the state recorded an overall budget performance of 79 percent. This is slightly higher than the 78 percent budget execution recorded in 2023. Notably, both capital and recurrent (debt and non-debt) expenditures have demonstrated impressive performance rates of 77 percent and 81 percent, respectively, for the fiscal year 2023. The performance rate for capital expenditure declined by 3 percentage points when compared to 80 percent recorded in 2023. However, the recurrent performance rate increased by 6 percentage points when compared to 75 percent in 2023. Remarkably, revenue performance rate stood at 110 percent. Between January and September 2024, the state has generated N1.45 trillion compared to its estimate of N1.32 trillion. The performance shows significant improvement in FAAC and independent revenue relative to the same period last year, where an 82.7 percent performance rate was recorded. The state recorded an overall budget performance of 88.5 percent, which is close to our projection range (90-95 percent). With several project executions and interventions, the budget performance for 2024 may be nearing 88-93 percent. The sustainability and effective fiscal management and allocations of the state resources indicate the achievement of key developmental projects and interventions outlined in the fiscal year budget.

4.3 Expected Policy Actions of Lagos State Government in 2025

The policy measures designed for the fiscal year of 2025 was recently captured in the 2025 Appropriation Bill, aptly titled "Budget of Sustainability," reflecting the Lagos State Government's continued commitment to resilience, continuity, and shared prosperity. The budget, totalling ₦3.366 trillion, signifies a remarkable 48.5 percent growth over the 2024 budget of ₦2.267 trillion. It grew more impressively than the 27 percent registered in 2024. This upward trajectory underscores the government's ambition to drive inclusive development and sustainable economic growth in the state. The proposed revenue sources include ₦2.968 trillion from total revenues and a deficit financing of ₦398.662 billion. Internally generated revenue (IGR) forms a substantial portion at ₦2.342 trillion (78.9 percent), while federal transfers contribute ₦626.137 billion (21.1 percent). The deficit financing accounts for 11.8 percent of the budget, a notable improvement from 17.1 percent in 2024, reflecting the state's strategic push toward fiscal sustainability and reduced reliance on borrowings. More so, budgetary IGR recorded a growth rate of 42.3 percent while budgetary federal transfer grew by 4.9 percent. While the budget deficit accounts for the lowest share in the budget, it still grew by 2.98 percent when compared to the 2024 budget.

Regarding expenditure distribution, 38 percent (₦1.279 trillion) is earmarked for recurrent expenses, while a robust 62 percent (₦2.087 trillion) is allocated for capital expenditure. The focus on capital projects aligns with Lagos' long-term infrastructure goals, outpacing the 2024 allocation split of 45 percent for recurrent to 55 percent for capital expenditures. Additionally, the budgetary allocations to capital and recurrent expenditure grew by 58.7 percent and 34.3 percent, respectively. This indicates the government commitment to sustain its investment in modern infrastructure as outlined in the Lagos State Development Plan and THEMES+ Agenda. Notably, sectoral allocations prioritise economic affairs, education, health, social protection, housing & community amenities, public order & safety and the environment.

Specifically, the share of Economic Affairs increased to 33.9 percent (N1.14 trillion) in 2025 from 25.5 percent (N577.98 billion) in 2024. This represents a growth rate of 97.2 percent. While the share of education declined to 6.63 percent (N223.27 billion) in 2025 from 8 percent (N180.69 billion) in 2024, it recorded a growth rate of 23.57 percent. In health, the budgetary share declined to 6.6 percent (N222.15 billion) in 2025 from 7.1 percent (N160.62 billion), whereas its size grew by 38.31 percent.

The budget share of housing and community amenities increased to 3 percent (N101.60 billion) in 2025 from 2.5 percent (N55.92 billion) in 2024, accompanied by a growth rate of 81.69 percent. The environment received a significant boost as its budgetary share increased to 8.5 percent (N287.24 billion) in 2025 from 4 percent (N90.89 billion) in 2024. This represents a remarkable growth rate of 216.03 percent. Public order and safety saw a slight increase in its budgetary share to 4.2 percent (N140.98 billion) in 2025 from 4 percent (N90.48 billion) in 2024, which represents a growth rate of 55.81 percent. The budgetary share of social protection declines to 1.1 percent (N37.34 billion), in 2025 from 1.7 percent (N39.1 billion), which represents a decline of -4.5 percent.

The 2025 fiscal strategy is anchored on five key pillars: Infrastructure Sustainability, Economic Diversification, Social Inclusion and Human Capital Development, Environmental Sustainability, and Governance and Institutional Reforms. These focus areas collectively aim to enhance economic resilience, tackle pressing challenges, and ensure a prosperous future for all Lagosians. While the budget highlights significant strides, it also underscores vulnerabilities, particularly the exchange rate's impact on fiscal planning. The depreciation of the Naira continues to shrink the dollar equivalent of the state's budget, presenting challenges for developmental investments. Thus, collaboration between federal and state governments is imperative to address these macroeconomic headwinds effectively. In summary, the 2025 budget seeks to consolidate achievements, address structural challenges, and foster resilience and sustainable progress across all facets of governance.

4.5 Implications of the Budgetary Allocation

The 2025 budget allocations reflect a strategic prioritisation of economic growth, infrastructure development, and environmental sustainability. The substantial increase in the share of economic affairs to 33.9 percent (₦1.14 trillion) from 25.5 percent (₦577.98 billion) in 2024, with a remarkable growth rate of 97.2 percent, underscores the government's commitment to accelerating economic activities. This focus is likely to drive improvements in critical sectors such as transportation, energy, and industrial development, creating an enabling environment for business expansion and job creation. Additionally, the sharp rise in the allocation for the environment to 8.5 percent (₦287.24 billion), representing a 216.03 percent growth rate, demonstrates a strong resolve to address climate risks, enhance urban resilience, and promote sustainable development in response to Lagos's growing environmental challenges.

Conversely, the reduced budgetary share for education and health, despite recording growth rates of 23.57 percent and 38.31 percent, respectively, raises concerns about the adequacy of investments in human capital development. The decline in education's share to 6.63 percent and health's to 6.6 percent suggests a potential mismatch between sectoral priorities and the increasing demands of a rapidly growing population. Limited funding for these essential social services may impede efforts to improve access to quality education and healthcare, exacerbating social inequalities and undermining long-term socio-economic progress.

The budget allocation for Housing and Community Amenities saw a noteworthy increase, with its share rising to 3 percent (₦101.60 billion) from 2.5 percent (₦55.92 billion) in 2024, reflecting a growth rate of 81.69 percent. This increased funding is critical for addressing the state's housing deficit and enhancing community infrastructure, particularly as Lagos continues to face significant pressures from rapid urbanisation and internal migration. The moderate rise in the allocation for Public Order and Safety to 4.2 percent (₦140.98 billion) from 4 percent (₦90.48 billion), representing a 55.81 percent growth rate, underscores the state's commitment to bolstering security architecture to safeguard lives and property.

However, the decline in the Social Protection budgetary share to 1.1 percent (₦37.34 billion) from 1.7 percent (₦39.1 billion) and a negative growth rate of -4.5 percent may weaken efforts to address poverty, support vulnerable populations, and build social safety nets. In a state with increasing socio-economic disparities, reduced attention to social protection could undermine inclusive development, leaving marginalised groups more vulnerable to economic and environmental shocks. A balanced approach, ensuring adequate funding for social services alongside infrastructure and economic priorities, will be crucial for achieving sustainable and equitable growth.

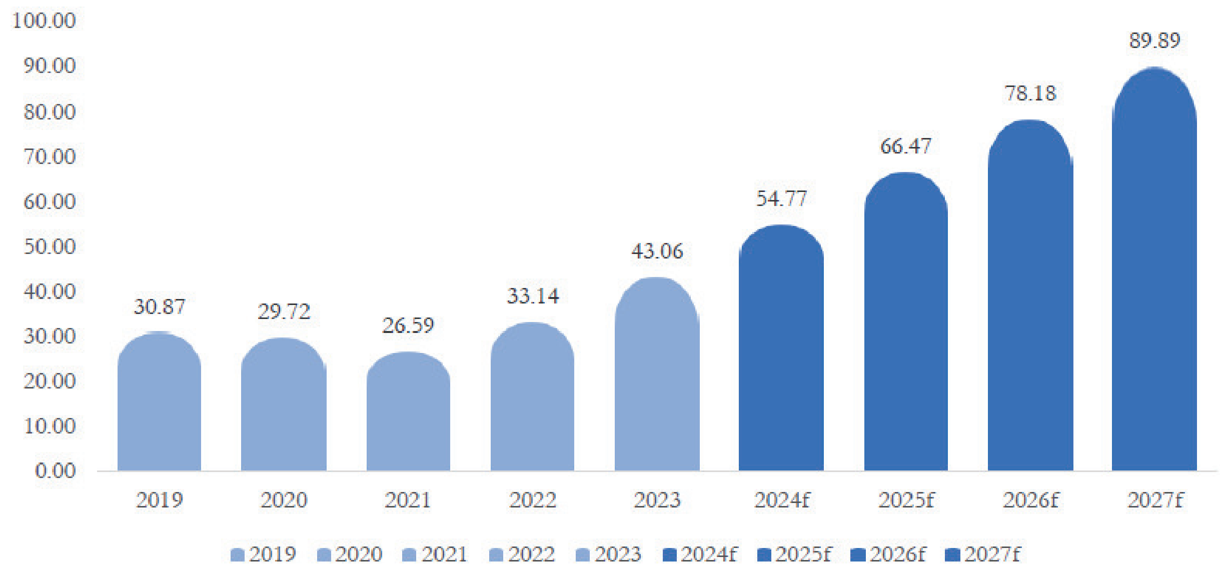
Part 5:

Macroeconomic Outlook for 2025

5.1 Economy Size and growth

The Lagos State economy is projected to expand from ₦43.06 trillion in 2023 to ₦54.77 trillion in 2024 and ₦66.47 trillion in 2025 (Figure 5.1). This upward trend is primarily driven by the continued expansion of the services sector, although the agriculture and industrial sectors are also experiencing growth. The services sector has remained the key driver of the state's economy, reflecting Lagos's position as the commercial hub of Nigeria and West Africa. Over the past four years, the trade, transport, information and communication, arts, entertainment and recreation, and financial and insurance sub-sectors have recorded substantial expansion. Given the state's growing potential in innovation and the significant digital transformation driven by start-ups, the services sector is expected to further strengthen its contribution to nominal GDP. Additionally, the industrial sector, largely propelled by the manufacturing sub-sector, has followed an upward trajectory over the past four years. This expansion is expected to continue through the end of 2024 and into 2025, supported by the rapid development of modern infrastructure across the state. Several key road infrastructure projects have been completed in 2024, alongside the commissioning of the Red Rail Line and the ongoing expansion of the Blue Rail Line. These public investments are anticipated to enhance the productivity of the manufacturing sector, further bolstering Lagos's economic growth trajectory.

Figure 5.1: Nominal GDP Outlook (N' Trillion)



Source: EID Research

Furthermore, scenario analysis captures various considerations that may influence the real growth of the Lagos economy across the four quarters of 2025. Specifically, the baseline scenario assumes a steady upward trend with some fluctuations. Moderate quarterly growth in the agriculture, industrial, and services sectors is expected to drive this performance in 2025. Additionally, the moderate effects of premium motor spirit (PMS) prices, parallel market exchange rates, inflation, trade, and revenue on these sectors are assumed to shape overall economic growth. Based on these assumptions, the Lagos economy is projected to record an average growth rate of 6.52 percent in 2025 (Table 5.1). However, if the exchange rate depreciates further, inflation accelerates, PMS prices rise, and trade and revenue decline, sectoral growth performance will be adversely affected. This scenario poses a significant risk to the overall economic expansion of the state.

Under these conditions, the average growth rate in 2025 is anticipated to decline to 4.43 percent. Conversely, if PMS prices fall due to increased domestic production, the exchange rate remains highly stable, inflation declines significantly as a result of improved supply chains and productivity, and trade and revenue expand substantially, and Lagos is expected to achieve robust growth of 7.99 percent. A favourable macroeconomic environment is anticipated to positively impact sectoral growth performance. Despite the prevailing macroeconomic volatility arising from the lingering effects of fuel subsidy removal and exchange rate unification, the Lagos economy has remained resilient. This resilience is underpinned by increasing investments in modern infrastructure, food security, and social protection, as well as significant improvements in revenue generation from both internally generated revenue (IGR) and federal transfers. With the substantial expansion in the 2025 budget, the macroeconomic outlook appears increasingly optimistic. The considerable allocation to public investment, particularly in road, rail, and water infrastructure, alongside planned increases in environmental investments, is expected to further strengthen economic expansion in the state.

Table 5.1: Real GDP Growth Outlook (%)

	Scenario 1	Scenario 2	Scenario 3
2024Q3	6.40	6.4	6.4
2024Q4	6.42	6	6.31
2025Q1	6.45	5.61	6.23
2025Q2	6.47	5.21	6.15
2025Q3	6.50	4.82	6.06
2025Q4	6.52	4.42	5.98

Source: EID Research

5.2 Inflation

High inflation remained a major macroeconomic challenge for Lagos State in 2024, primarily driven by elevated food prices. Inflation peaked in May 2024 but began to decline thereafter, supported by various interventions, particularly in the agricultural sector. The surge in prices was largely attributed to low agricultural productivity, depreciation of the parallel market exchange rate, and the persistent increase in premium motor spirit (PMS) prices. However, with several strategic investments such as the establishment of central food processing hubs and logistics infrastructure, enhanced collaboration with other states on food production, social protection initiatives, increased domestic PMS production, and reduced exchange rate arbitrage, inflation in Lagos State is expected to maintain a downward trajectory in 2025. Under scenario 3, average headline and food inflation are projected at 34.18 percent and 34.94 percent, respectively, during the first quarter of the year (Table 5.2). Despite this anticipated decline, inflation will remain elevated but is expected to be lower than in 2024. In scenario 2, average headline and food inflation are projected to reach 38.19 percent and 40.61 percent, respectively, in the first quarter. Conversely, under scenario 1, headline and food inflation could rise to 42.47 percent and 46.25 percent, respectively, over the same period. Overall, the planned government initiatives and policy interventions present an optimistic outlook, suggesting a sustained downward trend in inflation throughout 2025.

Table 5.2: Headline and Food Inflation Outlook (%)

Headline			
	Scenario 1	Scenario 2	Scenario 3
2024M10	35.61	35.61	35.61
2024M11	36.63	39.27	34.07
2024M12	37.43	41.81	33.82
2025M01	37.95	42.27	34.35
2025M02	38.23	42.30	34.04
2025M03	38.38	42.83	34.16
Food			
2024M10	37.48	37.48	37.48
2024M11	39.05	43.34	35.43
2024M12	40.00	44.65	35.10
2025M01	40.51	45.77	34.99
2025M02	40.67	46.51	35.04
2025M03	40.65	46.45	34.75

Source: EID Research

5.3 Fiscal policy

Fiscal policy plays a pivotal role in shaping the economic performance of Lagos State. The budget remains one of the key instruments leveraged by the government to create an enabling macroeconomic environment and build resilience against global and domestic shocks. The execution of the 2024 budget has been commendable, with 79 percent implemented as of the third quarter, compared to 78 percent in 2023. At a more detailed level, 77 percent of capital expenditure and 81 percent of recurrent expenditure have been executed within the same period. While the performance of recurrent expenditure has exceeded that of 2023, capital expenditure implementation has fallen slightly short of the 80 percent achieved in 2023. However, with several projects expected to be completed by the end of 2024, overall budget performance for the year is projected to range between 85 and 87 percent. In executing the ambitious ₦3.37 trillion budget for 2025 expected to be financed by projected revenue generation of ₦2.968 trillion, revenue performance in the first half of the year is forecasted to range between ₦1.388 trillion and ₦1.713 trillion. This projection is based on assumptions that internally generated revenue (IGR), federal transfers, and capital inflows may fluctuate by ±5 percent. If this performance is sustained in the second half of the year, total revenue generation is estimated to fall between ₦2.776 trillion and ₦3.427 trillion (Table 5.3). While achieving the upper limit of this projection remains highly ambitious, actual revenue performance is likely to converge towards the lower bound. Consequently, fiscal policy will play a critical role in fostering a more enabling macroeconomic environment and ensuring sustained economic growth in 2025.

Table 5.3: Total Revenue Outlook (N' Billion)

	Scenario 1	Scenario 2	Scenario 3
2024M10	196.67	157.14	235.70
2024M11	202.83	156.61	245.73
2024M12	208.49	160.19	254.45
2025M01	214.08	160.40	264.11
2025M02	220.04	166.71	272.64
2025M03	227.48	169.57	280.39
2025M04	234.83	179.64	289.72
2025M05	241.76	184.19	299.43
2025M06	249.93	191.59	307.48

Source: EID Research

Part 6:

Labour Market Situation

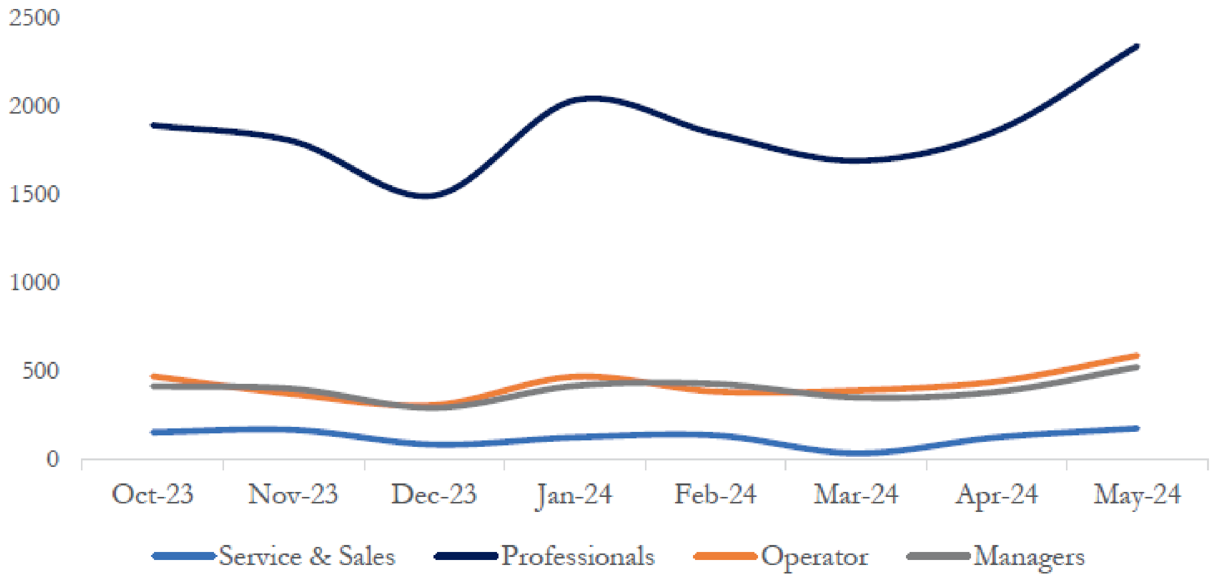
6.1 Labour Demand Situation

The availability of jobs in Lagos State has been assessed through the recently introduced Labour Market Information System by the Lagos State Employment Trust Fund (LSETF). The survey captured job vacancies (both public and private) across the state between 1 October 2023 and 31 May 2024. Over this eight-month period, a total of 22,630 job vacancies were recorded, averaging 2,837 vacancies per month. Figure 6.1 illustrates vacancy trends across major occupational groups. Among these groups, professionals recorded the highest number of published vacancies, rising from 1,895 in October 2023 to 2,343 in May 2024. Conversely, services and sales occupations had the lowest number of vacancies, with a marginal increase from 157 in October 2023 to 179 in May 2024. The data highlights a significant disparity in vacancy distribution across occupational categories.

A further breakdown of job vacancies by sector and average monthly salaries provides additional insights. The analysis reveals that accounting, management, ICT, and finance recorded the highest cumulative job vacancies at 4,447, 3,230, 3,089, and 3,029, respectively, accounting for 19.65 percent, 14.27 percent, 13.65 percent, and 13.38 per cent of total vacancies over the eight-month period. Other sectors such as industry, health, education, transport, and sales registered cumulative job vacancies exceeding 1,000, with shares of 8.33 percent, 7.67 percent, 6.7 percent, 4.83 percent, and 4.52 percent, respectively. However, legal and administration sectors recorded the lowest number of vacancies and shares within the same period. Regarding salary levels, management positions commanded the highest average monthly salary at ₦215,000. Other sectors, including accounting, ICT, legal, health, engineering, finance, industry, and technician roles, had average salaries ranging between ₦100,000 and ₦200,000. In contrast, transport, administration, sales, and education recorded average salaries below ₦100,000. These findings highlight the skills in demand in the Lagos labour market and provide insight into employment trends across sectors. The concentration of vacancies in accounting, management, ICT, and finance suggests these sectors have the highest demand for skilled labour.

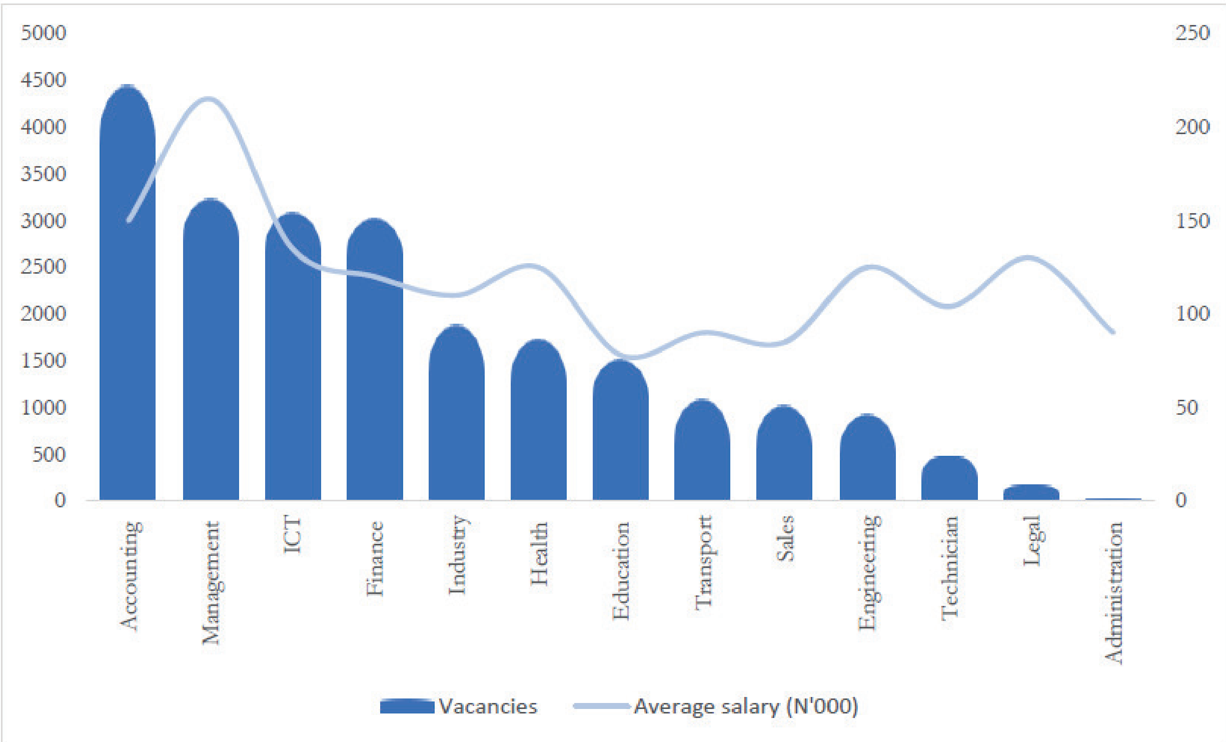
Further analysis examined changes in job postings and salary adjustments to understand labour market dynamics. The legal profession experienced the most significant increase in job postings, rising by 58.82 percent, followed by ICT (38.71 percent), engineering (25.24 percent), finance (25.13 percent), technician (23.81 percent), management (21.2 percent), transport (20.37 percent), industry (16.06 percent), education (13.97 percent), accounting (13.59 percent), and sales (7.83 percent). However, the health sector was the only field to record a decline in job postings, contracting by -2.71 percent. This trend underscores the increasing demand for specialised skills, with legal and ICT skills being highly sought after in the Lagos labour market. In terms of salary changes, engineering roles recorded the highest increase at 100 percent, followed by ICT (39 percent), technician (37.5 percent), and education (31.82 percent), all experiencing salary growth exceeding 30 percent. Meanwhile, finance, industry, health, management, sales, and transport recorded moderate salary increases between 8 and 18 percent. Notably, accounting and legal professions did not experience any salary adjustments. These findings reinforce the evolving skill requirements in the Lagos labour market, reflecting employer demand across various sectors and the wage adjustments that accompany shifts in labour supply and demand.

Figure 6.1: Job Vacancies across Main Occupations in Lagos State



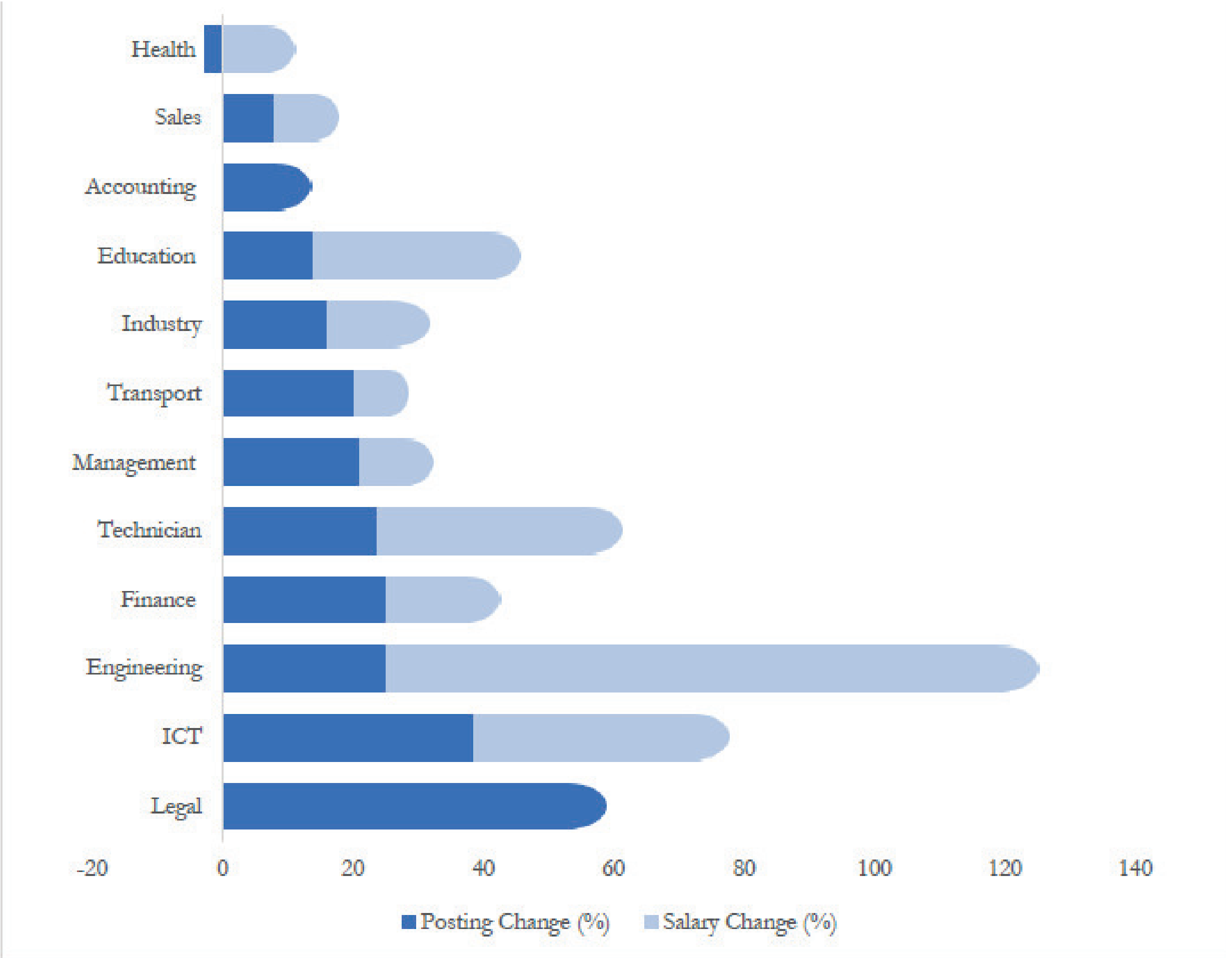
Data: Lagos State Employment Trust Fund & Chart: EID Research

Figure 6.2: Vacancies and Salaries in Key Jobs



Data: Lagos State Employment Trust Fund & Chart: EID Research

Figure 6.3: Changes in Job Posting and Salary in Key Occupations



Data: Lagos State Employment Trust Fund & Chart: EID Research

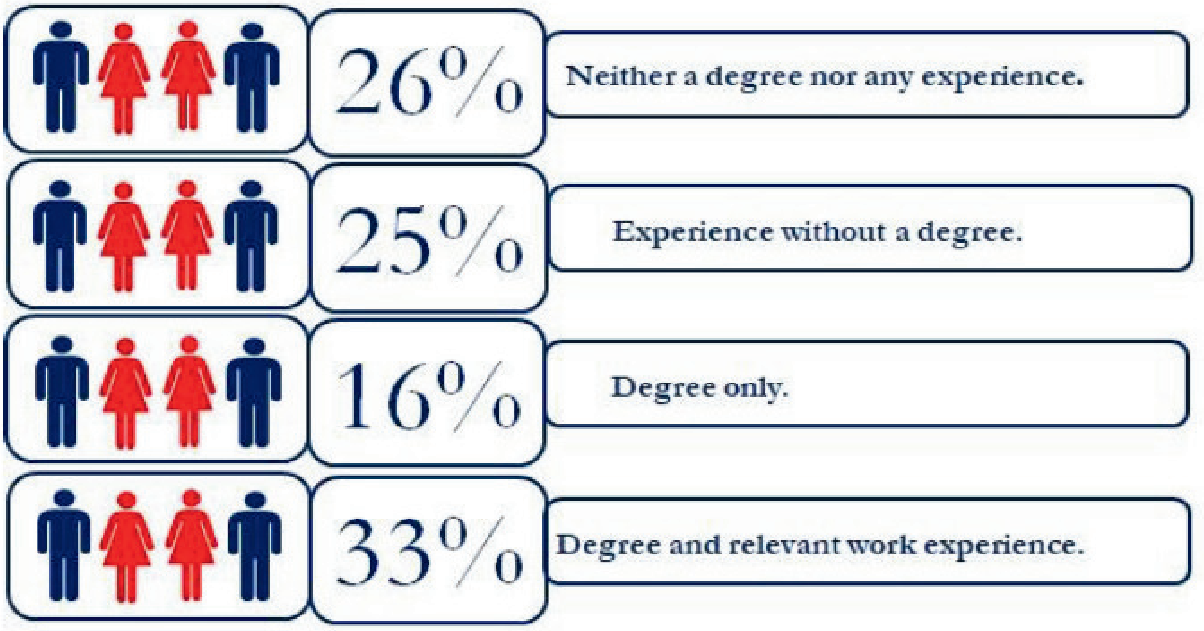
6.2 Labour Supply Situation

The Lagos State Employment Trust Fund (LSETF) has also assessed the supply side of the labour market in its recent survey. Between 31 January 2023 and 31 March 2024, Lagos State recorded 46,450 jobseekers aged 18–64. This equates to an average of 3,318 jobseekers per month. Among them, 51 percent had no qualification, while 42 percent lacked prior work experience. As illustrated in Figure 6.4, 33 percent of jobseekers possessed both a degree and relevant work experience. Conversely, 26 percent had neither a degree nor any experience. Meanwhile, 16 percent of jobseekers held a degree only, while 25 percent had experience without a degree. These figures highlight the challenges in matching labour supply with market demand, particularly given the increasing need for specialised skills and work experience across major occupational categories.

As discussed in the labour demand analysis, the primary occupations in Lagos require advanced skills and experience, yet 67 percent of jobseekers may struggle to secure employment due to their lack of qualifications or relevant experience. The situation is even more concerning for the 26 percent of jobseekers who lack both qualifications and experience, as their prospects of gaining employment in Lagos's formal labour market remain exceptionally low.

Furthermore, the analysis reveals that labour supply currently exceeds labour demand, with a labour market surplus of 481 jobseekers. Notably, 863 of these jobseekers lack both a degree and work experience. Given that most available vacancies require at least one of these qualifications, these 863 jobseekers are unlikely to secure employment in the existing labour market structure. This suggests that a significant portion of the labour force faces structural barriers to employment, effectively excluding them from the pool of viable candidates for most job opportunities in Lagos State. This situation underscores the need for targeted skill development programmes, vocational training, and enhanced workforce planning to improve the employability of jobseekers, ensuring better alignment between labour supply and market demand in Lagos.

Figure 6.4: Distribution of Experience and Degrees of Jobseekers in Lagos State



Data: Lagos State Employment Trust Fund & Chart: EID Research

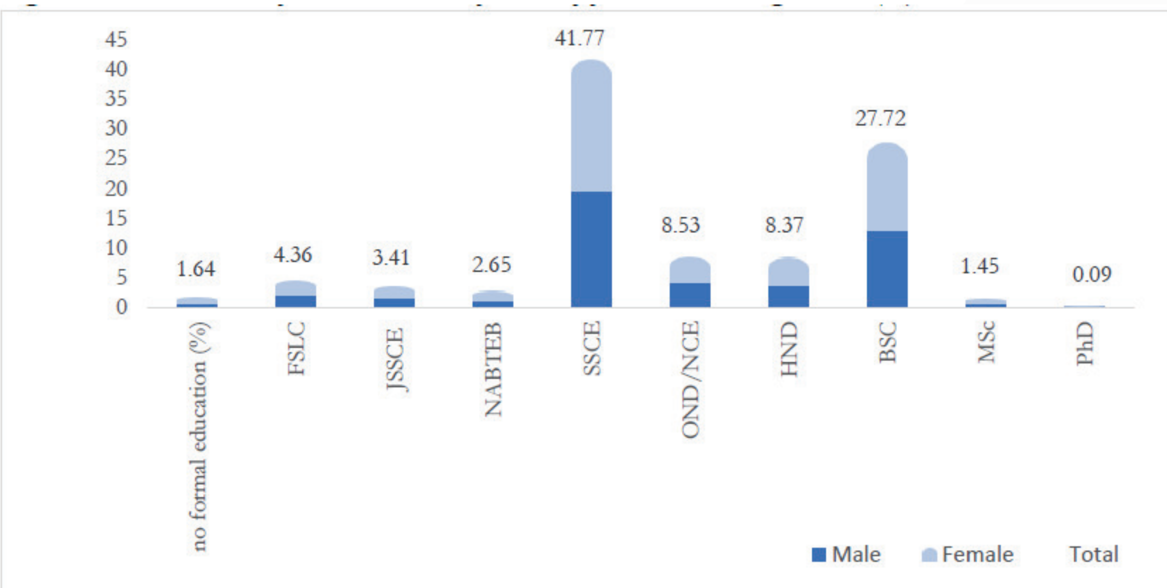
6.3 Educational Qualification Distribution of Jobseekers

The distribution of educational qualifications among jobseekers in Lagos State was also analysed. A small proportion (12.06 percent) of jobseekers had less than a Senior Secondary School Certificate (SSCE) as their highest qualification (Figure 6.5). Jobseekers with SSCE as their highest qualification constituted the largest share at 41.8 percent, followed by those with a bachelor's degree (27.72 percent) and holders of Ordinary National Diploma (OND), Nigeria Certificate in Education (NCE), or Higher National Diploma (HND) (16.9 percent). With 87.9 percent of jobseekers possessing at least an SSCE, the data underscores the importance of higher education in enhancing job prospects within the Lagos labour market. However, when considering labour demand, over 50 percent of jobseekers may struggle to secure higher-skilled roles due to qualification requirements.

6.4 Gender and Employment Characteristics of Jobseekers

A gender-based analysis of jobseekers' educational qualifications revealed minor differences across different levels of education. Figure 6.6 further explores the characteristics of jobseekers in the state. Nearly half (46 percent) of all jobseekers are labour market entrants seeking employment for the first time. Additionally, 26 percent are currently employed but actively searching for alternative job opportunities, suggesting a degree of dissatisfaction with their current employment conditions. Furthermore, 28 percent of jobseekers have prior work experience but are currently unemployed and actively looking for new roles. These insights highlight labour market inefficiencies, particularly in the mismatch between jobseekers' qualifications and market demand, as well as underemployment concerns, which may necessitate policy interventions such as skills development programmes, vocational training, and job placement initiatives to enhance employability.

Figure 6.5: Distribution of Education Qualification of Jobseekers in Lagos State (%)



Data: Lagos State Employment Trust Fund & Chart: EID Research

Figure 6.6: Employment Situation of Jobseekers in Lagos State

Data: Lagos State Employment Trust Fund & Chart: EID Research

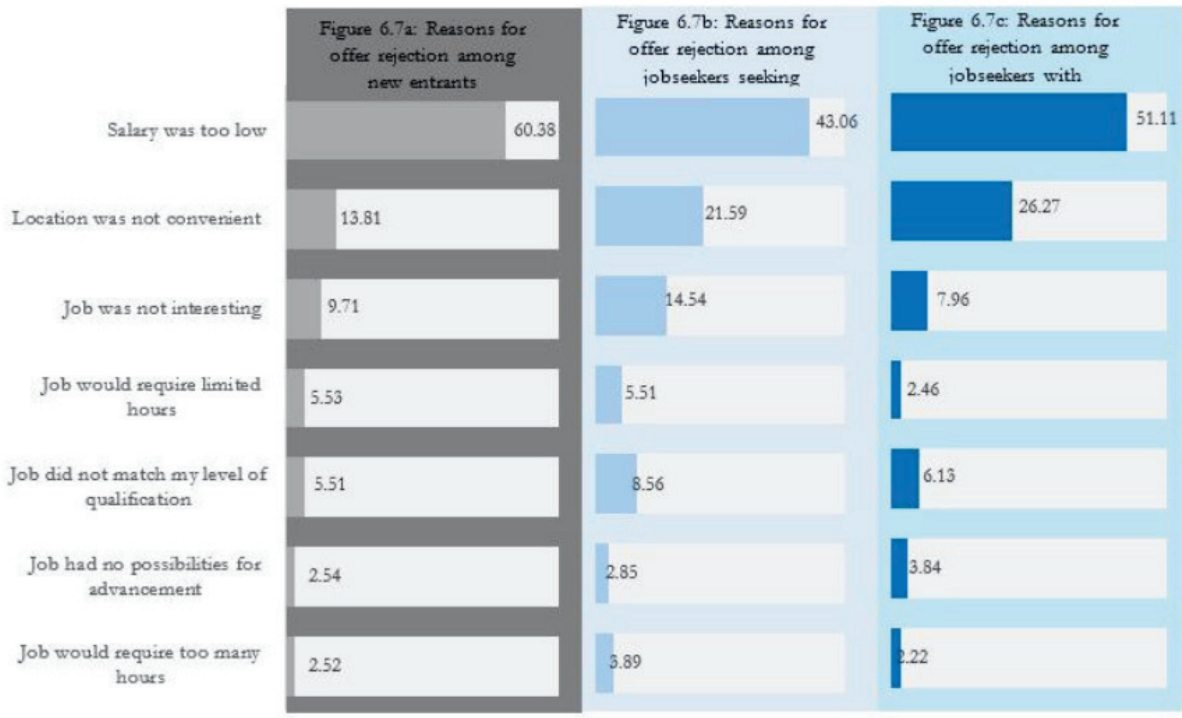
6.5 Challenges Facing Jobseekers

An analysis of labour demand and supply highlights several challenges confronting jobseekers in the Lagos labour market. Findings from the Lagos State Employment Trust Fund (LSETF) survey reveal key impediments to securing employment (Figure 6.7). The challenges were examined across three categories of jobseekers: new entrants, jobseekers seeking alternative employment, and jobseekers with prior work experience. The most prevalent challenges among all three groups include low remuneration, inconvenient job locations, and a lack of interest in available job roles. New entrants (60.4 percent) were most discouraged by low salaries, often leading to job offer rejections, compared to jobseekers seeking alternative jobs (43.1 percent) and those with prior experience (51.1 percent). Additionally, long commuting distances were a more significant concern for jobseekers with prior experience (26 percent) compared to new entrants (13.8 percent) and those seeking alternative jobs (21.6 percent). Moreover, 14.5 percent of jobseekers seeking alternative jobs declined job offers due to the perceived monotonous nature of the roles. Other reasons for job rejections, such as job mismatch, limited working hours, job stagnation, and excessive working hours, accounted for a smaller share of reported challenges.

6.6 Barriers to Labour Market Re-Entry

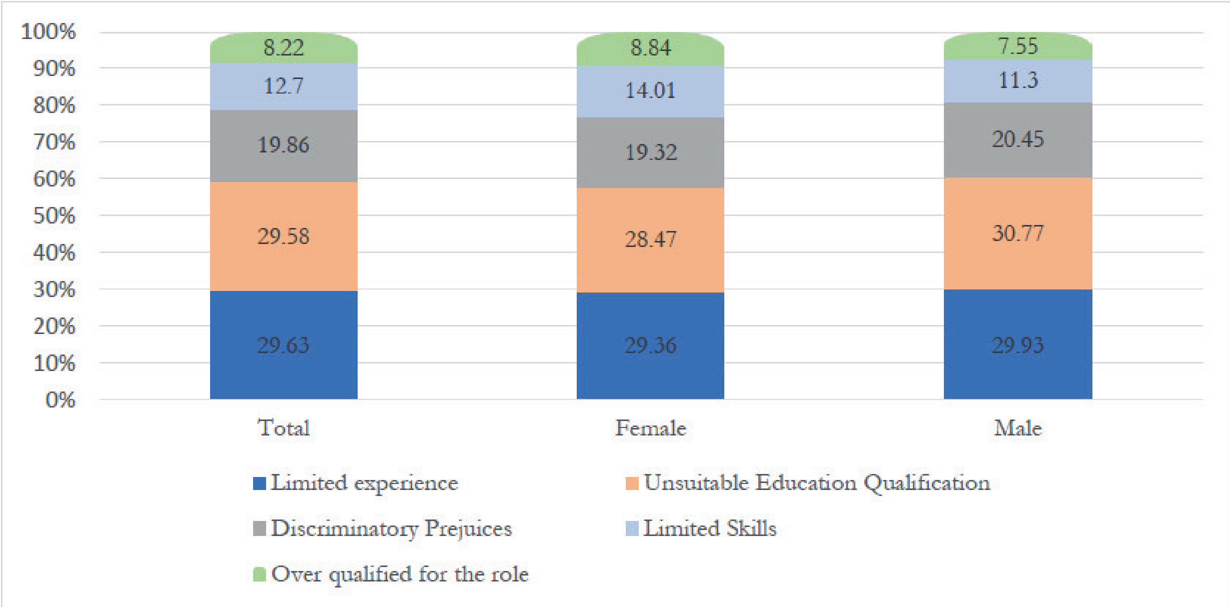
Further analysis (Figure 6.8) explores barriers to re-entering the labour market. Jobseekers frequently cited challenges such as inadequate education, limited work experience, and discriminatory prejudices, including gender, disability, race, and appearance biases. While educational deficiencies and insufficient experience are recognised constraints, it is concerning that discriminatory hiring practices remain a pronounced issue, preventing qualified jobseekers from securing employment despite meeting job requirements. Addressing these barriers will require targeted policy interventions, including skills development programmes, equal opportunity hiring policies, and improved job matching mechanisms, to enhance labour market efficiency and increase employment rates across the state

Figure 6.7: Reasons for offer rejection



Data: Lagos State Employment Trust Fund & Chart: EID Research

Figure 6.8: Barriers to Re-Entry into Labour Market (Ages 16-64 years)



Data: Lagos State Employment Trust Fund & Chart: EID Research

Part 7:

Risks and Vulnerabilities to Lagos Economy

7.1 Food Insecurity

One of the primary drivers of inflation in Nigeria, particularly in Lagos State, is food price volatility. As the commercial hub of the country, Lagos relies heavily on food supplies from other states to meet its high demand. Consequently, shocks such as supply chain disruptions, climate-related events, or conflicts in these food-producing states are rapidly transmitted to prices in Lagos. This dynamic has serious implications for food security, particularly for vulnerable groups, and poses significant risks to the broader Lagos economy.

(i) Current Food Insecurity Trends in Lagos

According to the Famine Early Warning Systems Network[19] (FEWS-NET), Lagos experienced minimal food insecurity in February 2024, in contrast to some states that faced food stress or crisis levels. In conflict-prone areas like Borno State, certain local governments were already experiencing famine conditions. However, by June 2024, Lagos transitioned to a stressed food insecurity classification, reflecting mounting economic pressures driven primarily by elevated food prices. Although FEWS-NET projects that Lagos will maintain a minimal food insecurity status between October 2024 and January 2025, the current strain on food supply chains continues to exacerbate price increases, particularly for staple foods such as rice, beans, and maize.

(ii) Economic Implications of Food Insecurity

Food insecurity presents a major risk to Lagos State's economic stability. Persistently high food prices reduce household purchasing power, forcing families to allocate a greater share of their income to food, thereby limiting discretionary spending and weakening aggregate demand. This, in turn, hinders economic growth and reduces business profitability, particularly in sectors reliant on consumer spending. Moreover, food inflation fuels overall inflation, making it more expensive for businesses to operate and discouraging investment. Socially, increased food insecurity can lead to higher poverty rates and malnutrition, which could further destabilise economic activities in the state.

(iii) Government Interventions to Address Food Insecurity

Recognising the economic and social risks posed by food insecurity, the Lagos State Government has introduced both short-term and long-term strategies to mitigate its impact and ensure food sufficiency.

Short-Term Strategies

- **"Ounje Eko" Phases I and II** – Food distribution initiatives targeted at vulnerable households.
- **Establishment of Food Hubs** – Strategic locations across the state to enhance food accessibility and affordability.
- **Palliative Measures** – Direct support for the most vulnerable groups in Lagos.
- **Imota Rice Mill** – A large-scale processing facility to increase domestic rice production.
- **Central Food Logistics Hub (Ketu-Ereyun)** – Ongoing construction to enhance food storage and distribution.

[19] https://fews.net/

- **Middle-Level Agro-Produce Hub** – Infrastructure investment aimed at reducing post-harvest losses and improving supply chain efficiency.
- **Lagos Red Meat Initiative** – A project to improve livestock farming and meat supply.
- **Eko Agro-Mechanisation Programme** – Supporting farm modernisation and productivity improvements.

Addressing food insecurity is critical not only for social stability but also for the long-term resilience of Lagos' economy. Without sustainable interventions, continued food price volatility could erode economic growth, increase poverty levels, and intensify inflationary pressures. The Lagos State Government's initiatives, if effectively implemented, have the potential to stabilise market prices, enhance local food production, and strengthen the state's economic foundation.

7.2 Skill Gap

A growing skill gap in the Lagos State labour market presents a significant challenge to employment and economic productivity. While job vacancies appear lower than the labour supply, this does not reflect the true market reality. When jobseekers without education or experience are excluded from the labour pool, there is an excess demand for skilled labour. On average, monthly labour demand stands at 2,837 job vacancies, whereas monthly labour supply is 3,318 jobseekers. However, 26 percent (816 jobseekers) lack both education and experience, leaving only 2,502 potentially employable candidates. This analysis reveals that, despite a high number of jobseekers, many lack the necessary qualifications, resulting in a labour market mismatch.

(i) Economic Implications of the Skill Gap

The exclusion of unskilled jobseekers from the effective labour supply creates a dual challenge. While employers struggle to fill key positions, many jobseekers remain unemployed. This skills deficit has far-reaching economic consequences for Lagos State, including:

- **Reduced Economic Productivity** – The inability to match jobseekers with vacancies due to skill deficits constrains business operations, slowing economic growth and industrial expansion.
- **Increased Burden on Social Welfare** – A higher proportion of unskilled, unemployed individuals places financial pressure on social welfare programmes and requires greater government investment in skills development initiatives.
- **Expansion of the Informal Sector –** Many unskilled jobseekers are likely to seek employment in the informal sector, which is less regulated, generates lower tax revenues, and offers fewer worker protections, further limiting economic stability.
- **Brain Drain and Talent Flight** – If skilled professionals find limited opportunities or inadequate incentives in Lagos, they may migrate to other cities or countries, exacerbating the loss of local talent and weakening the workforce's competitiveness.

(ii) Addressing the Skill Gap: Government Interventions

Recognising the risks posed by the skills mismatch, the Lagos State Government has introduced several initiatives to enhance employability and workforce preparedness, including:

- **Life Skills Economic Empowerment Programme (LEEP)** – Equipping jobseekers with essential skills for workforce integration.

If left unaddressed, the skills gap will continue to undermine economic efficiency, worsen income inequality, and increase reliance on social safety nets. By aligning skill development programmes with labour market needs, Lagos State can bridge the gap between job demand and supply, enhance economic competitiveness, and ensure inclusive growth.

7.3 Climate Change

Lagos State is increasingly vulnerable to the impacts of climate change. With its unique geographical location as a coastal megacity and its socio-economic significance, the state faces multidimensional risks that threaten its infrastructure, livelihoods, and overall economic stability. As a low-lying coastal city, Lagos is significantly exposed to rising sea levels, coastal erosion, and extreme weather events. Critical economic activities and infrastructure, such as ports, industrial zones, and residential areas concentrated in flood-prone zones, are at risk. These disruptions could significantly impair Lagos' contribution to Nigeria's GDP, destabilising both local and national economies. Rapid urbanisation and a population exceeding 27 million exacerbate Lagos' susceptibility to climate change. The lack of adequate drainage systems and the overburdening of existing infrastructure increase the frequency and severity of urban flooding. This urban sprawl, combined with poor land use planning, heightens exposure to heatwaves and worsens air quality, adversely impacting public health and productivity.

(i) Sectoral Impacts

- **Transportation Infrastructure:** Recurrent flooding damages roads, bridges, and transit systems, disrupting the movement of goods and services, thereby escalating transportation costs and reducing economic efficiency.
- **Agriculture and Food Security:** Climate change disrupts rainfall patterns, reduces agricultural yields, and threatens food security. The resultant food shortages and price volatility strain household incomes, exacerbating poverty and inequality.
- **Health Sector:** Rising temperatures, flooding, and water scarcity increase the incidence of vector-borne diseases and water contamination. This places additional burdens on the state's healthcare infrastructure and escalates public health costs.
- **Housing and Livelihoods:** Displacement due to flooding affects vulnerable communities, particularly in informal settlements. Coastal erosion further threatens housing and livelihoods, creating socio-economic instability.

(ii) Economic Implications

The financial cost[20] of climate inaction in Lagos is estimated at $22–29 billion. This figure underscores the urgency of addressing climate vulnerabilities to prevent deeper socio-economic inequalities, reduced investor confidence, and long-term damage to key economic sectors.

(iii) Office of Climate Change and Circular Economy (OCCE)

The Lagos State OCCE has spearheaded initiatives aimed at mitigating climate risks while fostering sustainable urban development:

[20] https://fsdafrica.org/wp-content/uploads/2025/01/Appendix-IV-LCARP-Phase-II-Report_compressed.pdf

- **Climate Action Plan (2020–2025):** This roadmap outlines goals for mitigating climate impacts, including reducing emissions and promoting adaptation strategies.
- **International Engagements:** The OCCE collaborates with global organisations such as the UN and Carbonivity to secure climate finance and advance scalable projects.
- **Circular Economy Initiatives:** Programmes promoting waste reduction, recycling, and sustainable production aim to align Lagos with global sustainability goals.
- **Educational Advocacy:** The office actively engages citizens through educational campaigns to bridge the gap between government actions and community involvement.
- **Carbon Registry:** A structured approach to tracking emissions aids the state in meeting its climate objectives.

(iv) Adequacy of Current Interventions: Lagos State's Climate Adaptation

Lagos State has made strides in addressing climate risks through various adaptive measures:

- **Infrastructure Projects:** Public-Private Partnerships (PPPs) have driven investments in climate-resilient infrastructure, including transportation terminals, flood control systems, and urban regeneration projects. These initiatives align with the THEMES+ Agenda, promoting sustainability and urban liveability.
- **Urban Policy Integration:** The comprehensive Urban Development Policy (2022–2050) incorporates energy-efficient standards and relocates vulnerable infrastructure to mitigate environmental risks.
- **Benchmarking Progress:** While state efforts align with local needs, Lagos aims to measure progress against global standards, such as the OECD Climate Resilience Indicators.

Short-Term Strategies

Despite notable progress, significant gaps remain:

- **Regional Collaboration:** Limited integration with neighbouring Ogun State hinders metropolitan-wide resilience planning.
- **Funding Constraints:** Budgetary limitations impede the timely execution of planned interventions.
- **Community Engagement:** Insufficient local participation in project design and implementation reduces sustainability and inclusivity.
- **Monitoring and Evaluation:** Weak frameworks for tracking project outcomes limit data-driven adjustments and transparency.

Climate change poses profound risks to Lagos' economic stability and social well-being. While the state has demonstrated commitment through ambitious policies and projects, persistent gaps require urgent attention. By enhancing regional cooperation, mobilising resources, and fostering inclusivity, Lagos can mitigate the economic and social impacts of climate change and build a resilient, sustainable future.

7.4 Energy Deficit

Energy access and reliability are critical to Lagos State's socio-economic development. As Nigeria's economic hub, Lagos faces significant energy challenges, including an electricity deficit, high energy costs, reliance on fossil fuels, and infrastructure vulnerabilities. These challenges create risks and vulnerabilities that undermine economic growth, public health, and environmental sustainability, while also limiting the state's potential to achieve inclusive development.

(i) Energy Deficit and Infrastructure Challenges

Lagos State's electricity demand far exceeds supply, with a current need of approximately 9,000 megawatts (MW)[21] compared to a meagre supply of 1,000 MW from the national grid, just 11 percent of demand. This shortfall forces over 80 percent of the state's population and businesses to rely on off-grid generators powered by petrol, diesel, or fuel oil,[22] contributing to significant inefficiencies and environmental degradation. The following key aspects amplify the energy deficit's impact:

- **High Cost of Off-Grid Solutions:** Off-grid generators in Lagos produce about 15,000 MW daily[23] but at exorbitant costs, with power generated at ₦130 per kilowatt-hour (kWh) compared to the national grid's ₦50/kWh. This disparity imposes an additional financial burden of approximately ₦5.3 trillion annually on residents and businesses, reducing disposable incomes, limiting investments, and weakening economic productivity.[24]

- **Low Grid Access:** As of 2020, only 31 percent of households in Lagos were connected to the national grid, leaving 69 percent reliant on alternative energy sources.[25] The industrial and commercial sectors also suffer from frequent power outages and low capacity utilisation, affecting manufacturing output and business competitiveness.

- **Ageing and Vulnerable Infrastructure:** Energy infrastructure in Lagos is outdated and highly susceptible to climate impacts, including floods and extreme weather events. These disruptions exacerbate energy insecurity, increase the costs of repairs and maintenance, and disproportionately impact low-income and informal settlements that lack resilient infrastructure.

- **Rising Demand:** Projections indicate that Lagos' energy demand[26] will grow to 29,212 MW by 2030, reflecting its rapid urbanisation and economic growth. However, the current supply trajectory of the national grid falls significantly short, leaving the state unprepared to meet future energy needs.

- **Environmental and Public Health Impacts:** The reliance on off-grid generators produces significant emissions, with Lagos accounting for approximately 39 million tonnes of CO_2 annually.[27] This contributes to poor air quality, respiratory diseases, and other public health challenges, disproportionately affecting vulnerable communities.

- **Economic Disruptions:** Frequent energy shortages disrupt economic activities across all sectors, reducing productivity and increasing operating costs. Small and medium enterprises (SMEs), which are critical to Lagos' economy, are particularly affected as they struggle to afford alternative power sources.

(ii) Barriers to Sustainable Energy Transition

The barriers encapsulate the interconnected challenges of reliance on fossil fuels, high energy costs, limited adoption of renewable energy, and shortages in skilled labour, which collectively hinder efforts to transition to a sustainable, inclusive, and resilient energy system that supports economic growth and environmental sustainability. These challenges are examined as follows:

[21] https://lagosmemr.com/wp-content/uploads/2023/05/Lagos_Electricity_Policy.pdf
[22] https://www.seforall.org/publications/beyond-gensets-advancing-the-energy-transition-in-lagos-state
[23] https://www.seforall.org/publications/beyond-gensets-advancing-the-energy-transition-in-lagos-state
[24] Lagos State Electricity Policy, page 14
[25] https://lagosmemr.com/wp-content/uploads/2023/02/Lagos_State_MEMR__IRP_Report_2022_A.pdf
[26] https://lagosmemr.com/wp-content/uploads/2023/05/Lagos_Electricity_Policy.pdf
[27] https://www.seforall.org/system/files/2024-10/SEforALL%20Beyond%20Gensets%20LASG%20Extended-final.pdf

- **Reliance on Fossil Fuels:** Lagos remains heavily dependent on fossil fuels for electricity generation,[28] with over 4.5 million household generators and micro, small, and medium enterprises (MSMEs) consuming a combined 15.6 billion litres of fuel annually. This dependence not only increases costs but also undermines Nigeria's commitments to global climate goals, making a transition to renewable energy imperative.

- **High Cost of Energy:** The high cost of energy in Lagos significantly impacts economic activity, particularly for SMEs and low-income households. SMEs reportedly spend billions annually on diesel and petrol to power their operations, limiting their competitiveness and stifling job creation. These costs disproportionately burden marginalised groups, perpetuating cycles of poverty and inequality.

- **Transition to Renewable Energy:** The adoption of renewable energy solutions offers Lagos a sustainable path to address its energy challenges. Investments in solar, wind, and biomass energy could not only reduce emissions but also create several green jobs in installation, maintenance, and energy auditing. Expanding decentralised solar photovoltaic (PV) systems and mini-grids in underserved areas would significantly improve access to affordable and reliable electricity.

- **Skilled Labour Shortages:** Lagos faces a significant shortage of skilled labour required to support a transition to renewable energy. Young people and marginalised groups lack access to training in green energy technologies, limiting their participation in the emerging green economy. Strategic partnerships with universities and vocational training centres could address this gap, fostering inclusion and reducing unemployment.

(iii) Regulatory and Policy Frameworks

- **Creation of a Local Electricity Market:** The bill empowers Lagos to establish a local electricity market, independent of the national grid. This market will allow the state to generate, transmit, and distribute electricity within its borders, enhancing energy access for both urban and rural communities, particularly underserved areas.

- **Promotion of Renewable Energy:** The bill incentivises the adoption of renewable energy technologies, such as solar, wind, and biomass. It aligns with global sustainability goals, supporting the transition from fossil fuels to greener, more sustainable energy sources. The promotion of renewable energy will help reduce emissions, lower energy costs, and create new jobs in green technologies.

- **Reduction of Energy Costs:** By establishing the Lagos Electricity Market, the bill introduces the potential for competition, which could drive down the cost of electricity for businesses and households. Lower energy costs are expected to improve the competitiveness of SMEs, stimulate entrepreneurial activity, and support job creation.

- **Skilled Workforce Development:** The bill calls for the development of a skilled workforce for the renewable energy sector. This includes vocational training and partnerships with educational institutions to ensure that Lagos' youth and marginalised groups are equipped with the necessary skills for employment in the growing green energy economy.

- **Strengthening Regulatory Frameworks:** The bill establishes the Lagos Electricity Regulatory Commission and the Lagos Electrification Agency, which will provide oversight, promote transparency, and encourage private-sector investments in the energy sector. These frameworks will help streamline permitting and licensing processes, thus attracting investment in off-grid and decentralised energy solutions.

[28] https://www.seforall.org/taxonomy/term/43

- **Promotion of Public-Private Partnerships (PPPs):** The bill promotes the use of PPPs to finance and implement energy projects, particularly in the renewable energy sector. These partnerships will help reduce the financial burden on the government and accelerate the implementation of energy projects.

- **Promotion of Energy Security:** The bill establishes the Power Enforcement Unit (PEU) to combat electricity theft and sabotage, which undermines the integrity of the energy infrastructure. By improving energy security, the PEU ensures reliable electricity supply for businesses and households, which is vital for economic growth.

- **Addressing Rural Energy Access:** The bill prioritises the electrification of rural and underserved communities through the Off-Grid Electrification Plan, which aims to bring electricity to areas that are not connected to the national grid. This will promote inclusivity, reduce inequality, and enhance productivity in rural areas, particularly in agriculture and small-scale industries.

- **Revenue Generation and Economic Diversification:** The bill's provisions for a self-sufficient energy ecosystem, including the establishment of the Lagos State Electrification Fund, will help generate revenue through levies, fines, and public-private partnerships. The energy sector's development will also support the diversification of Lagos' economy, reducing its reliance on oil revenues.

(iv) Possible Challenges in the Implementation of Electricity Bill

The implementation of the Lagos State Electricity Bill 2024 may face several potential challenges that could impede its success. The top five challenges are as follows:

- **Inadequate Funding and Financial Constraints:** The execution of large-scale energy projects and renewable energy transitions requires significant capital investment. Limited public funds, high upfront costs for renewable technologies, and challenges in attracting private-sector financing could delay or derail key initiatives under the bill. A lack of financial resources may slow infrastructure development, reduce energy access expansion efforts, and undermine the creation of a competitive electricity market.

- **Regulatory and Bureaucratic Inefficiencies:** While the bill aims to establish clear regulatory frameworks, existing inefficiencies in bureaucratic processes, such as lengthy licensing procedures and unclear policy guidelines, may discourage private sector participation and delay project implementation. Slow regulatory approvals could limit investments in decentralised energy solutions, renewable energy adoption, and public-private partnerships, thereby affecting the pace of reform.

- **Limited Technical and Skilled Workforce:** The shortage of skilled labour in the energy sector, particularly in renewable energy technologies like solar panel installation, energy auditing, and system maintenance, poses a significant challenge. Without targeted training and capacity-building programmes, the state may struggle to meet the operational and maintenance needs of renewable energy systems, limiting the potential benefits of the bill.

- **Infrastructure Vulnerabilities:** Lagos' aging energy infrastructure and vulnerability to climate impacts, such as flooding and extreme weather events, could disrupt the implementation of planned energy projects. Frequent disruptions due to infrastructure weaknesses may lead to energy insecurity, increased project costs, and delays in achieving the objectives of the bill.

- **Resistance from Established Interests:** Transitioning to a decentralised electricity market and renewable energy sources may face resistance from established players in the fossil fuel and conventional energy sectors who benefit from the status quo. Lobbying by powerful interests, combined with public scepticism about higher upfront costs for renewable energy, could create barriers to policy enforcement and slow the adoption of sustainable energy solutions.

7.5 Migration Risk

Migration presents both opportunities and challenges to Lagos State. While migration contributes to the state's economic dynamism by providing labour and fostering innovation, it also poses significant risks and vulnerabilities, particularly in terms of infrastructure, housing, and public services. Between 2022 and 2024, Lagos has experienced an unprecedented surge in migration, driven by safety concerns, economic opportunities, and social capital. With a net daily population increase of approximately 3,000 residents,[29] the state faces mounting pressures that threaten its sustainable development.

(i) Population Surge and Housing Deficit

The influx of migrants and internally displaced persons (IDPs) has exacerbated Lagos's already critical housing deficit. The state struggles to accommodate the rapid population growth, resulting in widespread homelessness and the proliferation of slums. Migrants and IDPs, particularly those with limited resources, often settle in peripheral areas where informal housing and inadequate amenities prevail. The lack of affordable housing options fuels the expansion of unplanned settlements, undermining efforts to improve urban living standards.

(ii) Pressure on Infrastructure and Public Services

Lagos's infrastructure and public services may be under immense strain due to the surging population:

- **Transportation Systems:** The existing transportation network may be insufficient to meet the mobility needs of the growing population, resulting in increased congestion, longer commute times, and higher economic inefficiencies.

- **Utilities and Amenities:** Public utilities such as water supply, electricity, and waste management may also be overstretched, reducing the quality of service delivery and threatening public health.

- **Education and Healthcare:** Schools and hospitals may also face overcrowding, limiting access to quality education and healthcare for both existing residents and new arrivals. These pressures impede economic productivity, increase social tensions, and exacerbate inequalities, particularly in marginalised communities.

(iii) Economic and Social Impacts

The economic opportunities that attract migrants also contribute to the mixed profile of economic and non-economic migrants. While skilled migrants enhance labour market competitiveness, the influx of low-skilled workers increases unemployment and underemployment rates, particularly in the informal sector. The inability to integrate migrants effectively into the formal economy further exacerbates poverty and inequality. Socially, the growing insecurity in states such as Kaduna, Yobe, Borno, and Zamfara has intensified internal displacement, with Lagos emerging as a key destination for IDPs.

[29] https://dailytrust.com/6000-people-enter-lagos-daily-but-only-3000-leave-deputy-gov/

The rapid arrival of diverse migrant groups challenges social cohesion, as fear and scepticism among host communities hinder integration efforts. This dynamic exacerbates urban sprawl and contributes to the formation of new slums, which heighten vulnerabilities to environmental and public health risks.

(iv) Government Interventions

The Lagos State Government has implemented several initiatives to mitigate the impacts of migration:

Infrastructural Development: The 2025 budget prioritises the expansion of transportation networks, utilities, and other public services to accommodate the growing population. This focus on infrastructure reflects the state's commitment to enhancing urban resilience and addressing migration-induced challenges.

Internally Generated Revenue (IGR): Reliance on IGR, which accounts for over 70% of Lagos's revenue, is pivotal in funding these projects. However, the scale of required investments remains constrained by the state's comparatively modest budget of $1.3 billion.[30]

Anti-Trafficking Measures: The Lagos State Task Force on Human Trafficking combats irregular migration and exploitation through inter-agency collaboration. This initiative raises awareness, prevents trafficking, and supports victims, contributing to a safer migration framework.

(v) Challenges and Limitations

Despite these efforts, Lagos's resources are insufficient to fully address the demands of its growing population. For comparison, cities like New York, with a similar population size, operate on an annual budget of $237 billion, highlighting the disparity in financial capacity. Additionally, the rapid pace of migration often outstrips the state's ability to implement long-term urban planning and integration strategies effectively.

7.6 Revenue Gap

Lagos State, as Nigeria's economic powerhouse, has demonstrated strong fiscal performance through consistent budget execution and robust Internally Generated Revenue (IGR), predominantly driven by taxation. However, despite these achievements, the state faces a significant revenue gap that poses risks to its fiscal sustainability, infrastructure development, and ability to meet the demands of its rapidly growing population. Addressing this revenue gap is critical for Lagos to achieve its vision of becoming a 21st-century megacity capable of delivering inclusive growth and development.

(i) Current Fiscal Strength and Challenges

Lagos State has maintained a high budget performance of over 80 percent and a revenue performance of approximately 75 percent, reflecting significant progress in mobilising revenue and converting it into impactful project execution. However, several challenges threaten the state's fiscal stability:

- **Rising Public Debt:** As of December 2023, Lagos State's public debt stood at ₦2.10 trillion. A considerable portion of government revenue is allocated to debt servicing, reducing funds available for critical infrastructure and social services. This fiscal constraint limits the government's ability to address pressing challenges, including the housing deficit, infrastructure renewal, and climate adaptation.

- **Lagging Tax-to-GDP Ratio:** Lagos has a tax-to-GDP ratio of just 2.8 percent, significantly below the averages of Africa (16 percent) and OECD countries (33.9 percent). Despite its large economic size, estimated at ₦55 trillion, the state's low tax revenue relative to its GDP highlights substantial untapped potential in revenue mobilisation.

[30] https://ikalevoice.com.ng/lagos-deputy-governor-highlights-population-growth-and-budget-challenges/

- **Overstretched Infrastructure:** With a population nearing 30 million, Lagos faces immense pressure on its infrastructure and public services. Rapid internal migration exacerbates these challenges, increasing the demand for investment in housing, transportation, healthcare, and education.

- **Underutilised Economic Sectors:** The state has yet to fully harness the potential of key sectors such as tourism, sports, and creative industries. These sectors offer opportunities for significant revenue generation, foreign direct investment (FDI) attraction, and job creation but remain underfunded and underdeveloped.

(ii) Implications of the Revenue Gap

The revenue gap poses significant risks to Lagos State's economy and long-term development:

- **Limited Infrastructure Development:** Insufficient revenue hampers the state's ability to build and maintain infrastructure essential for economic growth and social equity.

- **Exacerbation of Inequalities:** Overburdened public services and infrastructure shortages disproportionately affect low-income and marginalised communities, deepening social inequalities.

- **Increased Vulnerability to Climate Risks:** Without adequate resources, Lagos struggles to invest in climate-resilient infrastructure and address the risks associated with rising sea levels, flooding, and extreme weather events.

Part 8:

Policy Suggestions for Sustainable Future

8.1 Boosting domestic productivity and food management systems to achieve sustainable food security

Addressing Agricultural Challenges: Understanding and tackling specific bottlenecks affecting farmers such as fertiliser shortages, transport difficulties, lack of quality seedlings, inadequate mechanisation, insecure land tenure, and limited access to credit, will be critical in enhancing productivity.

Leveraging Technological Innovation: Adopting modern technology in crop production, fishing, livestock, and forestry will improve agricultural output and ensure a more resilient food system in Lagos State.

Supporting Smallholder Farmers: Given the rising population and security concerns in major food-producing regions, targeted support for smallholder farmers will help stabilise food production and supply.

Scaling Up Food Hubs and Logistics: The ongoing construction of a central food hub and logistics system is a promising step. Expanding and optimising this infrastructure will be essential for ensuring sustainable food availability and controlling rising food prices.

8.2 Addressing the skill gap in the labour market

Inclusive Skill Development for Unqualified Job Seekers: Existing skill programmes primarily target students and graduates, leaving many unqualified job seekers without opportunities. The government must create inclusive training initiatives that cater specifically to individuals without formal education.

Dual Pathways for Employment and Entrepreneurship: Skill development programmes should offer two key pathways—upskilling for formal employment through literacy, numeracy, and digital training, and technical skill development for self-employment in vocational fields aligned with market needs.

Strengthening Private Sector Collaboration: The government should establish strong partnerships with private sector organisations to align training programmes with industry demands, ensuring job seekers gain relevant and practical skills.

Industry-Driven Training Modules: By involving private sector experts as training facilitators and advisors, skill development programmes can be tailored to meet real-world workplace requirements in key industries like finance, management, and technology.

8.3 Building climate resilience

Enhance Regional Collaboration: Climate challenges such as flooding, deforestation, and extreme weather conditions extend beyond state boundaries. Establishing joint planning frameworks with Ogun State will allow for a coordinated response to shared climate vulnerabilities, ensuring more effective resource management, infrastructure development, and disaster preparedness. This collaboration can include data sharing, joint policy formulation, and integrated climate action plans to improve resilience across both states.

Expand Climate Financing: Addressing climate risks requires significant investment, which cannot be solely funded by the state government. Lagos should leverage international climate funds, such as the Green Climate Fund (GCF) and the Global Environment Facility (GEF), to secure grants and low-interest loans for climate adaptation and mitigation projects. Additionally, fostering public-private partnerships (PPPs) will encourage private sector investment in renewable energy, sustainable urban development, and disaster risk reduction initiatives.

Strengthen Monitoring Mechanisms: To ensure that climate resilience interventions are effective, the government must develop robust monitoring and evaluation systems. These systems should track the impact of climate policies, early warning systems, and sustainability projects. Regular data collection and analysis will help policymakers refine strategies, improve response times, and ensure accountability in climate adaptation efforts. Utilising technology such as Geographic Information Systems (GIS) and remote sensing can further enhance tracking capabilities.

Foster Community Participation: Building climate resilience requires the involvement of local communities, civil society groups, and grassroots organisations. Engaging residents in climate education, disaster preparedness training, and local adaptation strategies will enhance their ability to cope with environmental challenges. Establishing community-driven initiatives such as urban greening projects, waste recycling programmes, and flood mitigation efforts will ensure long-term sustainability and foster a sense of ownership among residents.

8.4 Bridging the energy deficit

Enhance Climate Finance Access: Expanding energy capacity requires substantial investment. The government should leverage international climate funds, such as the Green Climate Fund (GCF) and the African Development Bank's Sustainable Energy Fund, to supplement state resources. Additionally, fostering public-private partnerships (PPPs) will attract private sector investment in renewable energy projects, reducing reliance on government funding.

Streamline Regulatory Processes: A complex and unclear regulatory environment discourages investors in the energy sector. By simplifying licensing procedures, providing clear policy guidelines, and ensuring transparency in approvals and tariff structures, Lagos can attract more investments in clean energy projects and expand power generation capacity efficiently.

Invest in Capacity Building: A sustainable energy transition requires a skilled workforce. The government should develop vocational training programmes in renewable energy technologies, collaborate with technical institutions, and incentivize private sector participation in workforce training. This will create local employment opportunities while ensuring the availability of skilled professionals to drive energy projects.

Strengthen Infrastructure Resilience: Lagos is vulnerable to climate-related disruptions such as floods and extreme weather events, which can damage power infrastructure. To mitigate these risks, investments should be directed toward climate-resilient power grids, underground cabling, and decentralised renewable energy systems to ensure uninterrupted electricity supply, especially in critical sectors.

Foster Stakeholder Collaboration: Effective energy reform requires broad-based support. The government must engage stakeholders, including private energy providers, community leaders, civil society organisations, and financial institutions, to build consensus and ensure seamless implementation of energy policies. Open dialogue will help identify challenges, align interests, and create an enabling environment for sustainable energy development.

8.5 Mitigating Migration Challenges

Enhance Financial Capacity: As Nigeria operates a federal system, Lagos must proactively leverage international development partnerships to secure additional funding for infrastructure and public services. Engaging organisations such the African Development Bank (AfDB) and the World Bank will provide the necessary financial resources to expand modern infrastructure, reducing the strain on existing facilities caused by rapid population growth.

Strengthen Urban Planning: To accommodate the increasing population and prevent the spread of informal settlements, the state should develop comprehensive long-term urban plans. Implementing policies that discourage loitering and illegal occupancy while promoting structured urban expansion will help maintain order and improve residents' quality of life.

Promote Social Integration: Lagos must implement community-based initiatives to foster unity between migrants and host communities, reducing social tensions and improving urban inclusion. Special attention should be given to migrants from conflict-affected regions, ensuring their integration into communities while documenting all migrants to prevent overstretching state resources.

Expand Affordable Housing: Given the rapid population increase due to migration, Lagos should intensify efforts to address the housing deficit by collaborating with the private sector to provide more affordable housing units. While existing initiatives are in place, scaling up housing projects is crucial to prevent homelessness and ensure decent living conditions for all residents.

Improve Migration Governance: Establishing a robust migration management framework will help monitor population inflows, facilitate migrant integration, and ensure policies align with sustainable development goals (SDGs). A structured migration governance system will also enhance data collection, enabling better planning and resource allocation for long-term urban sustainability.

8.6 Design strategies to optimise domestic revenue mobilisation

Tax System Reforms

While Lagos has made commendable progress in revenue generation, its revenue-to-GDP ratio remains low compared to Africa and OECD countries. To enhance tax collection:

- Streamline tax processes by simplifying compliance and reducing bureaucratic bottlenecks.
- Broaden the tax net to capture more informal businesses and previously untaxed sectors.
- Introduce tax incentives for voluntary compliance to encourage more businesses to register and pay taxes.
- Leverage digital platforms to enhance efficiency, transparency, and reduce revenue leakages in tax administration.

Repositioning Lagos Internal Revenue Service (LIRS)

The Lagos Internal Revenue Service (LIRS) is the state's top revenue-generating agency, but it can be further strengthened to optimise collection by:

- Empowering LIRS as the central coordinating body for revenue generation to enhance tracking and reduce inefficiencies.
- Optimise the Lagos Revenue Portal (LRP) to streamline collection processes, improve reporting, and enhance fiscal accountability.
- Strengthening collaboration between LIRS and other agencies to ensure comprehensive revenue mobilisation and foster efficiency.

Sectoral Development for Revenue Diversification

Lagos has untapped economic potential in key industries that can significantly boost revenue:

- Tourism, Hospitality & Entertainment: The 2024/2025 "Detty December" report showed these sectors generated over $71.6 million, highlighting their economic impact. The state should:
  - Partner with private investors to develop tourism infrastructure.
  - Expand activities beyond December, targeting various global holiday periods to attract tourists year-round.

- Real Estate Development: With Lagos' rapid urban growth:
  - The government should document informal real estate assets to increase property tax revenue.
  - Automate the certificate of occupancy (C of O) process to streamline property registration and unlock revenue from land transactions.

Innovative Revenue Mobilisation

To enhance revenue beyond traditional tax sources, Lagos should:

- Issue green bonds to finance climate adaptation projects, leveraging sustainable finance opportunities.
- Utilise concessions and public-private partnerships (PPPs) for state-owned assets, turning underutilised infrastructure into revenue-generating ventures.

LAGOS ECONOMIC DEVELOPMENT UPDATE (LEDU) 2025

Lagos State Economic Outlook:
Charting a Resilient Path Towards a Sustainable Future

Economic Intelligence Department
Ministry of Economic Planning and Budget
The Secretariat, Alausa, Ikeja Block 19, P.O Box 202, Ikeja , Lagos State