LAGOS STATE

DEBT SUSTAINABILITY ANALYSIS (DSA)

AND

DEBT MANAGEMENT STRATEGY (DMS) REPORT

NOVEMBER 2025

SFTAS

States Fiscal Transparency, Accountability and Sustainabilty

Developed by the Lagos State Debt Management Office

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1.0 INTRODUCTION

1.1 BACKGROUND

Lagos State continues to demonstrate a prudent balance between its developmental financing needs and long-term debt sustainability. The State's fiscal policy framework, anchored on the Budget of Sustainability 2025, reflects a deliberate strategy to maintain macro-fiscal stability, deepen internally generated revenue, and embed sustainability principles across public investment planning.

The 2025 Debt Sustainability Analysis (DSA) evaluates Lagos State's public finance trends for the period 2020–2024 and projects debt dynamics for 2025–2034. The analysis is firmly anchored on the macro-fiscal assumptions and strategic policy directions articulated in the Medium-Term Expenditure Framework (MTEF 2025–2027), the State's central fiscal planning instrument that translates its medium-term development aspirations into measurable financial targets. The MTEF provides the fiscal anchor for expenditure prioritisation, debt management, and resource mobilisation, ensuring coherence between Lagos State's annual budgets, its long-term development agenda under the Lagos State Development Plan (LSDP 2052), and the overarching vision of achieving a sustainable, inclusive, and globally competitive economy.

The Lagos State Debt Management Office (DMO), in line with the Debt Management Law (2015), remains focused on managing debt at the lowest possible cost consistent with prudent risk levels, while supporting infrastructure renewal and social investments under the THEMES+ agenda. Macroeconomic fundamentals have evolved strongly: State GDP is projected to rise from ₦43.06 trillion in 2023 to ₦49.96 trillion in 2025, representing average real growth of 8–10% per annum (MTEF 2025–2027). Despite inflationary and exchange-rate pressures, Lagos maintains a sustainable fiscal position, driven by robust IGR mobilisation, efficient expenditure control, and an increasingly diversified funding structure that includes Green Bonds, Sukuk, and emerging Securitization instruments.

1.2 SUMMARY OF FINDINGS

Low Debt Distress Risk:

All key debt indicators for Lagos State remain well below national and international prudential thresholds, confirming a low risk of debt distress. As at the review period, Debt-to-GDP stands at approximately 3.1%, Debt-to-Revenue at 122%, Debt Service-to-Revenue at 29%, and Personnel Cost-to-Revenue at 18%. These ratios demonstrate strong fiscal discipline, prudent debt management, and sustainable borrowing practices consistent with the State’s medium-term fiscal strategy.

Sustained Revenue Performance:

Revenue performance remains resilient, supported by ongoing reforms in automation, compliance, and digital integration. Total revenue is projected to grow from ₦2.29 trillion in 2025 to ₦3.0 trillion by 2027, representing a compound annual growth rate (CAGR) of approximately 12%. Internally Generated Revenue (IGR) continues to drive about 80% of total revenue growth, supported by the deployment of e-Billing platforms, Eko Revenue Cloud, and the e-GIS system, which has enhanced efficiency, expanded the tax net, and strengthened revenue assurance across key sectors.

Fiscal and Debt Sustainability:

The State’s debt portfolio remains stable and well-structured, with a balanced mix of domestic and external financing aligned to long-term fiscal sustainability. Ongoing reforms in debt recording, risk monitoring, and cost management continue to reduce exposure to refinancing, interest rate, and exchange rate risks.

Strong Institutional and Policy Framework:

The Medium-Term Expenditure Framework (MTEF 2025–2027) provides a coherent framework for maintaining fiscal discipline, improving debt transparency, and ensuring that borrowing remains targeted at growth-enhancing and self-liquidating projects. The State’s proactive fiscal stance positions it strongly to sustain macroeconomic stability and investor confidence over the medium term.

2.0 LAGOS STATE FISCAL AND DEBT FRAMEWORK

2.1 FISCAL REFORMS IN THE LAST FIVE YEARS

2.1.1 The State Fiscal and Debt Framework

The Lagos State Fiscal and Debt Management Framework remain a cornerstone of the State's governance architecture and a driver of its economic transformation, supporting citizens' aspirations for good governance, inclusive growth, and enduring prosperity. As the State further expands its economic footprint and deepens its institutional capacity, the following policy pillars have been instrumental in shaping its financial governance:

Formulation, Coordination, and Implementation of Financial Policy and Regulations: Lagos State continues to strengthen the institutional foundations of its public financial management system through targeted reforms and technology-driven initiatives designed to enhance fiscal discipline, transparency, and accountability across all Ministries, Departments, and Agencies (MDAs). Although comprehensive stand-alone policy manuals on budgeting, accounting, and debt management are still being developed, the State has taken major steps toward modernising its fiscal governance architecture. Recent initiatives include:

- **Accounting Reform and Digitalisation**: In 2025, the State commenced the overhaul of its 30-year-old accounting framework with the planned rollout of a new Digital Accounting Manual and integrated financial reporting tools. The initiative aims to standardise accounting procedures, improve audit trails, and attract investment by enhancing fiscal transparency and comparability of financial statements across MDAs.
- **Enhanced Revenue Administration**: Lagos has deployed a new Revenue Portal and Electronic Billing Infrastructure (the Lagos Revenue Portal – LRP) to streamline collection processes, improve taxpayer convenience, and minimise leakages. Complementing this is the implementation of the Eko Revenue Cloud and the Digital Addressing System, which strengthens taxpayer identification and compliance monitoring, particularly within the informal sector.

- **Digital Taxation and Compliance Expansion**: To improve fiscal sustainability, the State has launched an e-tax strategy targeting revenue from the digital economy, covering online businesses, content creators, and cross-border digital service providers, thereby widening the revenue base while aligning with global best practice.
- **Institutional Strengthening in Debt Management**: The Lagos State Debt Management Office (DMO) is currently developing a comprehensive Debt Management Strategy and Policy Framework to codify procedures for borrowing, debt recording, reporting, and risk management, ensuring that all debt operations remain within sustainability thresholds and are integrated with the State's Medium-Term Fiscal and Expenditure Framework.
- Implementation of the land-use-charge rollout and intensification of compliance monitoring across local governments and LCDAs. Tax incentives and reliefs for compliant individuals and enterprises to encourage voluntary fulfillment of obligations and deepen the taxpayer registry.

Collectively, these initiatives represent a deliberate transition toward a digitally enabled, rules-based financial management system that supports efficient resource allocation, transparent budgeting, and sound debt administration, hallmarks of Lagos State's evolving fiscal governance model.

Lagos State has made significant investments in developmental and productive projects across multiple sectors, focusing on infrastructure renewal, sustainable mobility, and social inclusion. These projects underscore the State's commitment to sustaining economic growth and improving the quality of life for its residents.

Road Infrastructure

- Completion of 61 roads spanning approximately 56.52 km and five bridges, with 147 new road and bridge projects currently ongoing across various Local Government Areas (LGAs).
- Ojota–Opebi Link Bridge and Approach Roads, nearing completion; designed to decongest Ikeja traffic and provide a direct link between Opebi, Mende, Maryland, and Ojota.

- Abaranje Road, Igando–Ikotun (Alimosho LGA) – newly completed dual carriageway improving connectivity within the State's most populous local government area.Ijegun–Ijagemo Road and Akesan–Igando Road, targeted for completion by Q4 2025 to enhance access to industrial clusters and adjoining communities.
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- Rehabilitation of Eti-Osa–Lekki–Epe Expressway (Phase II), upgrade works between Eleko T-Junction and Abraham Adesanya, improving coastal logistics and access to Lekki Free Zone.
- Fourth Mainland Bridge Project (Phase I)– preparatory and design phases concluded; financing structured via Public-Private Partnership (PPP), with construction expected to commence in late 2025.
- Ongoing Inner-City Road Rehabilitation Programme across Mushin, Somolu, Badagry, and Epe, including asphalt overlay, drainage improvement, and installation of energy-efficient streetlights.

Inter-Modal Transportation

- Blue Line Rail System (Marina–Mile 2)– now fully operational, with three new trainsets (12 coaches) delivered in 2025 to improve frequency and capacity.
- Blue Line Extension (Mile 2–Okokomaiko) – construction commenced as part of Phase II of the Lagos Rail Mass Transit (LRMT), with commissioning targeted for 2026.
- Red Line Rail (Agbado–Oyingbo)– in final testing phase, expected to carry over 500,000 passengers daily upon full commissioning.
- Omi Eko Electric Ferry Project (€410 million AFD-supported)– 75 electric ferries, 25 jetty upgrades, and 15 new routes across Lagos Lagoon, positioning Lagos as Africa's first subnational with a decarbonised ferry system.
- AI-Powered BRT System– integration of artificial-intelligence-based route planning through partnership with Optibus and CapitalCore to optimise scheduling and reduce fuel consumption.

- Expansion of Ferry Terminals at Falomo, Badore, Mile 2, and Ikorodu, complemented by cashless e-ticketing and mobile boarding systems to promote seamless multimodal travel.

Security and Emergency Management

- Provision of over 300 patrol vehicles and logistics assets to the Lagos State Security Trust Fund (LSSTF), enhancing policing coverage and response capability across all 57 LGAs/LCDAs.
- Launch of a Smart City Command-and-Control Centre in Alausa, integrating over 1,000 CCTV feeds from major transport corridors, markets, and public facilities.
- Upgrade of Regional Emergency Coordination Centers (RECCs) at Lekki, Alimosho, and Ikeja with modern communication and dispatch technology.
- Expansion of Lagos State Emergency Management Agency (LASEMA) Response Units, including new outposts at Epe and Badagry, with drone-assisted surveillance and high-capacity rescue equipment.
- LASAMBUS Modernisation Programme– refurbishment of 50 ambulances, establishment of new ambulance points in Agboju, Ikorodu, and Ojodu, and introduction of GPS-linked emergency routing.

Tourism and Creative Economy

- Lagos Film City, Ejirin (Epe Division)– a 100-hectare creative complex under development to host studios, post-production suites, creative hubs, and hospitality facilities, positioning Lagos as Africa's leading film production destination.
- Creative Industry Support Grants and Loans– expansion of the Lagos State Creative Industries Initiative (LACI) and LSETF creative-sector facilities, supporting over 1,000 entrepreneurs across film, fashion, music, and digital media.
- Tourism Redevelopment Projects: rehabilitation of Freedom Park and Glover Memorial Hall, upgrade of the Badagry Heritage Museum and Point-of-No-Return Corridor, and establishment of the Lagos Tourism Masterplan

Implementation Committee to drive eco-tourism across Epe, Ikorodu, and Lekki.

- Festival and Cultural Promotion: revival of the Eyo Festival, expansion of the One Lagos Fiesta, and scaling of the Lagos Food & Drinks Festival, reinforcing Lagos as a year-round cultural and leisure destination.

This expanded narrative integrates both fiscal reform measures and tangible capital investments, portraying a coherent picture of Lagos State's strategic approach to sustainable development, infrastructure expansion, and fiscal prudence, consistent with the objectives of the Budget of Sustainability 2025 and the Medium-Term Expenditure Framework (2025–2027).

2.2 LAGOS STATE APPROVED 2024 BUDGET AND MEDIUM–TERM EXPENDITURE FRAMEWORK (MTEF), 2024-2026

2.2.1 Approved 2025 Budget

The Lagos State Year 2025 Budget, themed "Budget of Sustainability," reflects the Government's firm commitment to fiscal prudence, social inclusion, and the consolidation of infrastructure-driven growth. Anchored on the THEMES+ governing agenda, where the "plus" underscores enhanced focus on Social Inclusion, Gender Equality, Youth Empowerment, and Environmental Sustainability, the 2025 Budget serves as a Strategic Policy Instrument for translating the State's long-term development aspirations into measurable fiscal outcomes.

It aligns closely with the Lagos State Development Plan (LSDP 2023–2052) and the Sustainable Development Goals (SDGs), providing a coherent framework for achieving inclusive and sustainable prosperity. The Budget also reflects key assumptions and policy targets set out in the Medium-Term Expenditure Framework (MTEF 2025–2027).

The approved 2025 Appropriation Law has a total outlay of ₦3.366 trillion, representing a 49% increase over the 2024 "Budget of Renewal" (₦2.267 trillion). The Budget seeks to consolidate prior gains in infrastructure renewal, expand the revenue base through digitisation and compliance, and deepen investment in human capital and environmental resilience.

Of the total projected outlay, ₦2.288 trillion is expected to accrue from the State's Internally Generated Revenue (IGR), Federation Account Allocations (FAAC), and other sources. The remaining ₦398.662 billion represents a carefully structured budget deficit, designed to be financed through a mix of domestic and external borrowing

The financing structure reflects the State's deliberate policy to sustain infrastructure investment while maintaining debt sustainability within prudential thresholds. Borrowing is focused on economically productive and socially inclusive projects with measurable returns, consistent with the principles of transparency, fiscal responsibility, and value-for-money.

Revenue composition under the 2025 fiscal plan comprises Internally Generated Revenue (IGR) ₦1.4 trillion, FAAC Transfers ₦626.14 billion, and Grants ₦52. 549 billion. Expenditure is strategically weighted in favour of capital investment, with ₦2.07 trillion allocated to capital expenditure and ₦1.296 trillion to recurrent expenditure. This reinforces Lagos State's infrastructure-led development model, ensuring sustained momentum in roads, housing, transport, energy, education, and healthcare.

The Budget of Sustainability, therefore, reflects the State Government's renewed commitment to maintaining a stable fiscal environment, safeguarding long-term debt sustainability, and reinforcing Lagos' position as a model for subnational fiscal governance and economic competitiveness in Africa.

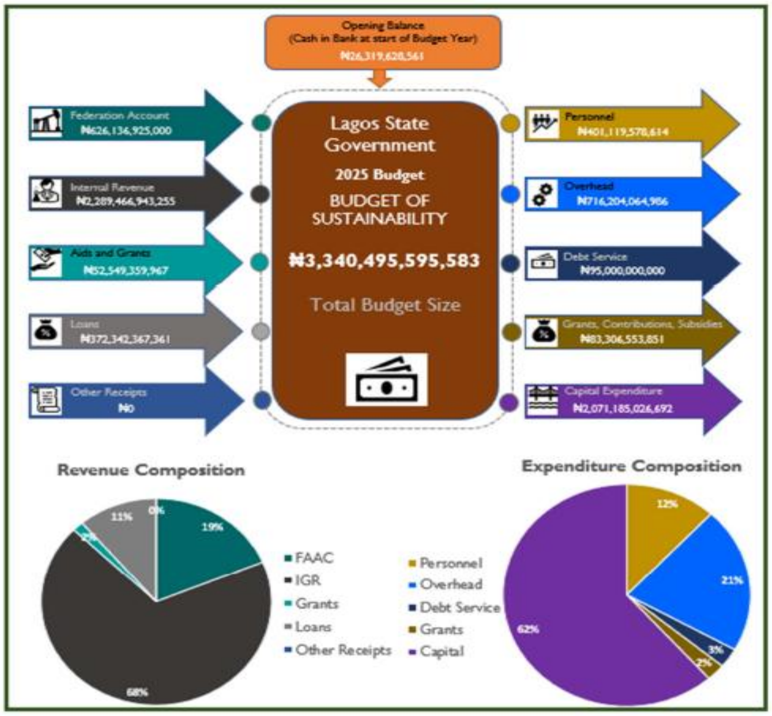


Figure 2 Budget Overview

2.2.2 The Key Objectives of the Approved 2025 Budget

The Y2025 Budget of Sustainability (₦3.366 trillion) translates the THEMES+ agenda into actionable priorities, balancing infrastructure consolidation with social inclusion, environmental stewardship, and prudent financing. It draws its framing from the Governor's 2025 presentation and subsequent signing communication, the Citizens' Budget, and budget releases.

Its overarching goal is to ensure that economic expansion remains sustainable, inclusive, and environmentally responsible, while maintaining fiscal prudence and long-term debt sustainability. Specifically, the 2025 Budget seeks to achieve the following key objectives:

- **Sustain Infrastructure Sustainability & Completion of Ongoing Projects:** Deliver and complete high-impact transport, housing, drainage, and social assets, anchored by a ₦1.052 trillion infrastructure envelope (≈31% of total budget), to decongest traffic, reduce business costs, and raise productivity. Priority pipelines include Blue/Red Rail, Ojota–Opebi Link Bridge, Eti-Osa–Lekki–Epe Phase II, inner-city roads, ferry terminals, and jetty upgrades.
- **Deepen Revenue Independence & Fiscal Sustainability**: Target an ~80% internal revenue share through compliance, economic intelligence, and technology-enabled administration (Lagos Revenue Portal, e-billing) to fund growth without excessive borrowing; sustain debt service within prudential limits. Strengthening Internally Generated Revenue through the ongoing digital transformation of tax administration, automation of the Lagos Revenue Portal, and expansion of the tax base within the formal and informal sectors, to sustain a minimum IGR contribution of 70% of total revenue and progressively reduce dependence on Federal Transfers.
- **Promote Economic Diversification & Job Creation**: Scale MSME and innovation support via LSETF and creative-industry programmes; leverage logistics, tech, and manufacturing corridors to create new jobs and broaden the tax base.
- **Invest in Human Capital Development**: Strengthen Education and Healthcare Delivery through sustained investment in Schools, Tertiary Institutions, and

Healthcare Infrastructure. The Budget allocates over ₦210 billion to education and ₦195 billion to health, with a focus on learning outcomes, digital literacy, maternal and child health, and the expansion of primary healthcare coverage.

- **Advance Social Inclusion, Gender Equality & Youth Development (THEMES+):** Expand social-protection and youth employability programmes so growth is broad-based and no demographic is left behind, core to the "+" in THEMES+. Mainstream Social Protection, Gender Equality, and Youth Empowerment programmes such as Eko Cares, Sanwo-Olu Listens, and the Graduate Internship Scheme are being expanded to reach more than 300,000 vulnerable and unemployed residents, ensuring equitable access to opportunities.
- **Strengthen Environmental Sustainability & Climate Resilience:** Prioritise flood control, drainage, clean mobility, and waste-to-wealth initiatives; ensure capital outlays and project selection align with sustainability screens outlined in the 2025 framework. Implement priority projects under the Green Bond Framework to promote renewable energy, waste-to-wealth initiatives, and sustainable urban drainage systems. Over ₦88 billion is earmarked for environmental renewal projects, including flood mitigation, waste management, and air-quality improvement.
- **Enhance Governance, Transparency & Digital Public Finance:** Consolidate digital reforms (accounting upgrades, analytics-driven monitoring, open fiscal reporting) to improve allocative efficiency, reduce leakages, and support investor confidence in the State. Deepen the deployment of e-governance tools across MDAs to strengthen service delivery, data analytics, and fiscal monitoring to enhance transparency, reporting accuracy, and policy coordination.
- **Maintain Prudent Borrowing & Debt Sustainability**: Finance an estimated ₦398.66bn deficit through a calibrated mix of domestic/external borrowing and alternative financing and ring-fencing proceeds for productive assets; keep debt ratios within national and internal thresholds. Align borrowing with the State's Medium-Term Debt Strategy to ensure that all new loans and

bonds are tied to self-liquidating or revenue-generating projects. The 2025 budget targets a Debt-to-GDP ratio below 25% and a Debt-Service-to-Revenue ratio below 30%, consistent with fiscal responsibility benchmarks.

- **Targeted Sector Execution & Performance Management:** Tie releases to performance and cash-flow discipline, with quarterly implementation tracking to keep execution aligned with 2025 macro-fiscal assumptions and MTEF targets.
- **Accelerate Infrastructure Consolidation and Urban Connectivity:** Prioritise completion and continuation of high-impact projects such as the Blue and Red Line Rail Systems, Ojota–Opebi Link Bridge, Fourth Mainland Bridge, Eti-Osa–Lekki–Epe Expressway (Phase II), and over 140 ongoing road and bridge projects. The 2025 capital plan allocates more than ₦1.05 trillion to Transport, Works, and Infrastructure Development to improve productivity, reduce travel time, and stimulate commerce.
- **Promote Economic Diversification and Job Creation:** Expand support for SMEs and innovation-driven enterprises through targeted interventions under the Lagos State Employment Trust Fund (LSETF) and the Creative Industries Initiative (LACI). The State aims to generate over 400,000 direct and indirect jobs by supporting entrepreneurship in manufacturing, technology, and creative sectors.

The 2025 Budget of Sustainability thus provides a balanced framework for maintaining Lagos State's fiscal stability while sustaining the momentum of inclusive growth. It reinforces the State's reputation as a model of responsible subnational financial management, committed to leveraging innovation, transparency, and sustainable financing to achieve long-term economic resilience.

2.2.3 Indicative Three-Year Fiscal Framework

The Lagos State Medium-Term Fiscal Framework (MTEF) for 2025–2027 provides a forward-looking projection of revenues, expenditures, and overall fiscal balance, underpinning the State's medium-term budgeting and debt management strategy. It demonstrates Government's resolve to maintain fiscal discipline while sustaining infrastructure investment and improving service delivery outcomes across all sectors.

This analysis uses an indicative three-year fiscal framework for the years Y2025-Y2027, with data estimated for Y2025, Y2026 and Y2027. The table below shows the indicative three-year fiscal framework for the period Y2025-Y2027:

FISCAL ITEMS	APPROVED Y2024 (₦'M)	PROJECTIONS Y2025 (₦'M)	Y2026 (₦'M)	Y2027 (₦'M)
TOTAL REVENUE	**1,880,851**	**2,288,420**	**2,613,398**	**3,000,272**
Opening Balance	25,000	-	-	-
Internally Generated Revenue	1,189,618	1,545,648	1,801,463	2,220,241
Capital Receipts	94,605	100,507	104,219	108,083
Federal Transfer	569,629	642,265	707,714	780,031
TOTAL RECURRENT EXPENDITURE	**952,431**	**1,142,098**	**1,187,422**	**1,246,314**
Debt Servicing	91,073	181,106	130,330	83,513
Total Personnel Cost	302,861	346,647	381,311	419,443
Total Overhead Cost	558,496	614,345	675,780	743,358
TOTAL CAPITAL EXPENDITURE	**1,315,546**	**1,470,224**	**1,703,309**	**1,984,734**
Capital Expenditure	947,653	1,065,231	1,283,790	1,598,332
Repayment	367,893	404,993	419,519	386,402
TOTAL EXPENDITURE (BUDGET SIZE)	**2,267,976**	**2,612,322**	**2,890,731**	**3,231,048**
Closing Balance	-	-	-	-
FINANCING REQUIREMENT (BORROWING)	**(387,125)**	**(323,902)**	**(277,335)**	**(230,776)**

2.2.4 Medium Term Policy Objectives and Targets

The Medium-Term Expenditure Framework (MTEF) indicates a steady and sustained rise in Total Revenue from ₦1.579 trillion in 2024 to ₦1.755 trillion in 2025, and further to ₦2.015 trillion by 2026, equivalent to a 27.6% cumulative increase over the two-year period. This upward trajectory is driven primarily by Internally Generated Revenue (IGR) reforms, including digitalisation of revenue processes, automation of tax collection, expansion of the taxpayer database, and strengthened enforcement under ongoing LIRS revenue optimisation initiatives.

Statutory Allocations and VAT are projected to increase moderately in response to exchange-rate adjustments and a gradual recovery in national oil and non-oil revenues. Capital Receipts also reflect expectations of improved inflows from development finance institutions, PPP arrangements, and planned bond issuances. Overall, the revenue framework underscores the Government's commitment to sustained fiscal consolidation and enhanced efficiency in tax administration.

Total Expenditure is expected to grow from ₦1.964 trillion in 2024 to ₦2.178 trillion in 2025, and subsequently to ₦2.473 trillion in 2026, representing a moderate annual growth pattern consistent with the State's investment-driven development agenda. The expenditure composition reveals a deliberate emphasis on capital spending, supported by prudent management of recurrent obligations.

Recurrent Expenditure is projected to rise from ₦857.9 billion in 2024 to ₦923.2 billion in 2025, and ₦985.4 billion in 2026, averaging about 40% of total expenditure over the medium term. The gradual increase accommodates personnel cost adjustments, enhanced overhead requirements, and debt service obligations, while maintaining strict expenditure discipline.

Capital Expenditure increases from ₦1.106 trillion in 2024 to ₦1.255 trillion in 2025, and ₦1.487 trillion in 2026, representing approximately 60% of total expenditure. This aligns with Lagos State's infrastructure renewal priorities under the T.H.E.M.E.S+ Agenda, reinforcing the Government's strategy of front-loading capital investments in transportation, housing, water, education, healthcare, and other growth-inducing sectors

The MTEF indicates a gradual widening, rather than narrowing, of the fiscal deficit: from ₦385 billion in 2024 to ₦423.5 billion in 2025, and ₦457.8 billion in 2026. As a share of total revenue, the deficit hovers between 24% and 23%, reflecting moderate fiscal pressure but remaining within manageable thresholds given the State's strong revenue base and borrowing capacity.

The financing strategy will continue to leverage a mix of domestic borrowing through bond issuances and structured loans; external concessional financing targeted at high-impact capital projects; and alternative financing instruments such as securitisation, PPP structures, and Green/Sustainability Bonds to diversify funding sources and manage debt-service exposure.

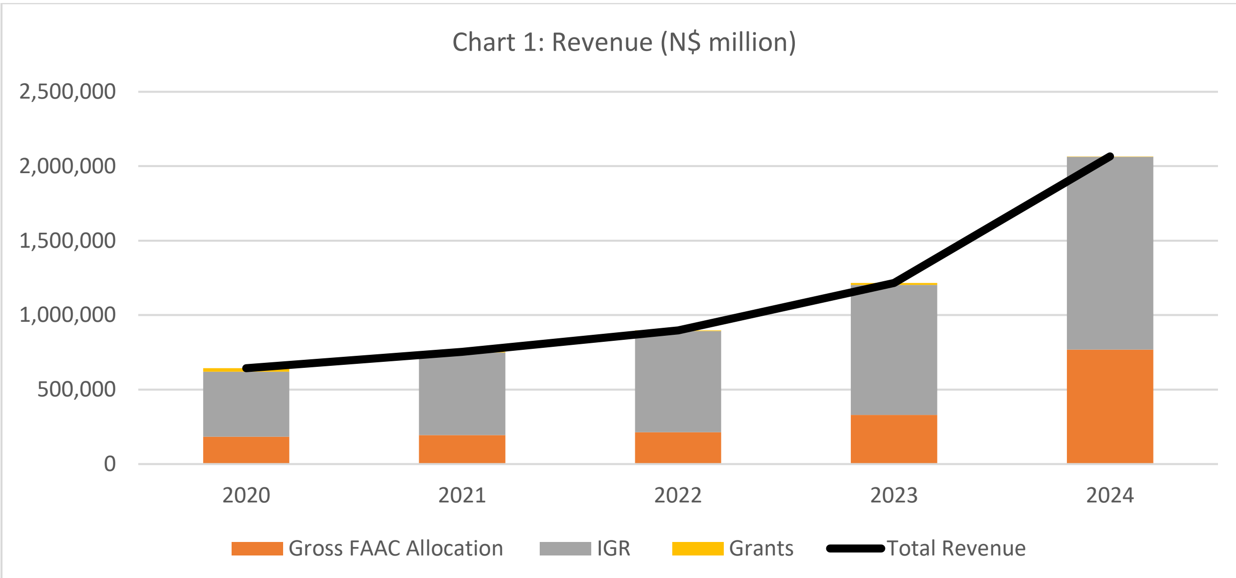
Fiscal Sustainability Outlook

Over the medium term, Lagos State's fiscal operations will remain anchored on revenue diversification and optimisation through technology-driven collection systems; Expenditure efficiency via continuous reprioritisation and result-based budgeting; and Debt sustainability management, ensuring that borrowings are ring-fenced to self-liquidating and growth-inducing projects.

3.0 STATE REVENUE, EXPENDITURES AND PUBLIC DEBT (2020-2024)

This section covers two subsections: (a) Revenue, Expenditure, Overall and Primary Balance, (b) Existing Public Debt Portfolio

3.1 Revenue, Expenditure, Overall and Primary Balance



3.1.1 AGGREGATE TOTAL REVENUE COMPOSITION AND TREND FROM Y2020 TO Y2024

The total revenue increased from N643.8billion in Y2020 to N2.066 trillion in Y2024. The performance recorded in the Revenue Chart above is due to aggressive Revenue growth policies of the present administration, resulting in steady growth in IGR.

3.1.2 FAAC ALLOCATION TREND

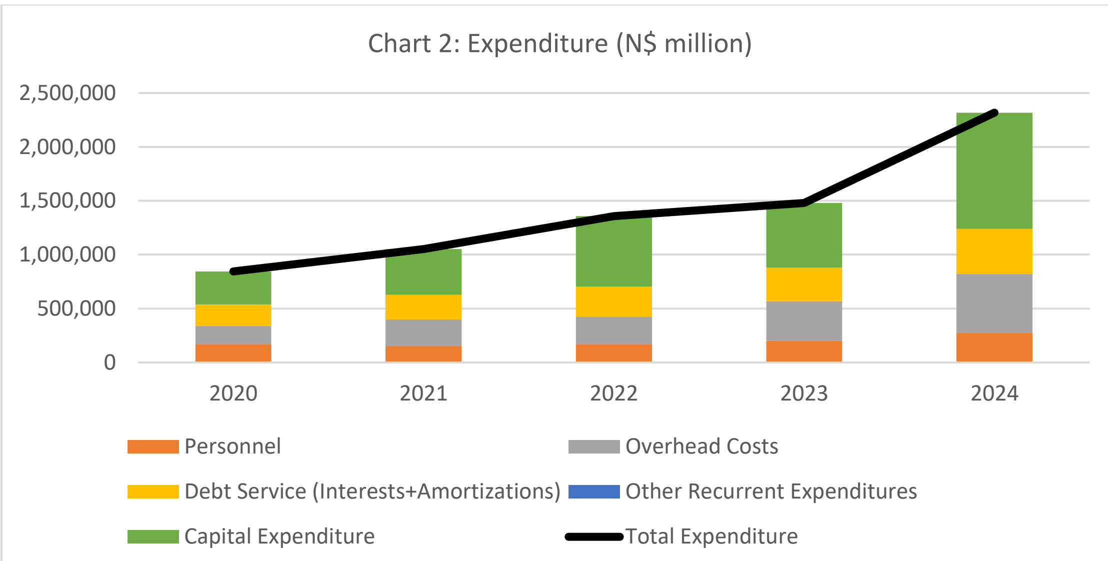
The FAAC component also experienced progressive growth from ₦183.3 billion in Y2020 to a significant ₦769.5 billion in Y2024. The increase was largely driven by growth in Statutory Allocation due to the federal Government Policies.

3.1.3 INTERNALLY GENERATED REVENUE TREND

The IGR grew significantly from ₦437.16 billion in Y2020 to an impressive ₦1.292 Trillion in Y2024. This achievement reflects the State's targeted efforts to enhance tax compliance, improve infrastructure, and foster an enabling business environment that stimulates economic activity.

3.1.4 AGGREGATE TOTAL EXPENDITURE TREND

Total expenditure rose from ₦844.5 billion in Y2020 to ₦2,318 trillion in Y2024. The sharp increase reflects higher spending on infrastructure projects and rising debt service obligations. Recurrent expenditure (personnel, overhead costs, and debt service) consistently accounted for a significant share of total spending.



3.1.5 EXPENDITURE VARIATION

Capital Expenditures: There was an increase in capital expenditure from N304.94 billion in Y2020 to N1,077 billion in Y2024, highlighting the State's commitment to infrastructure development.

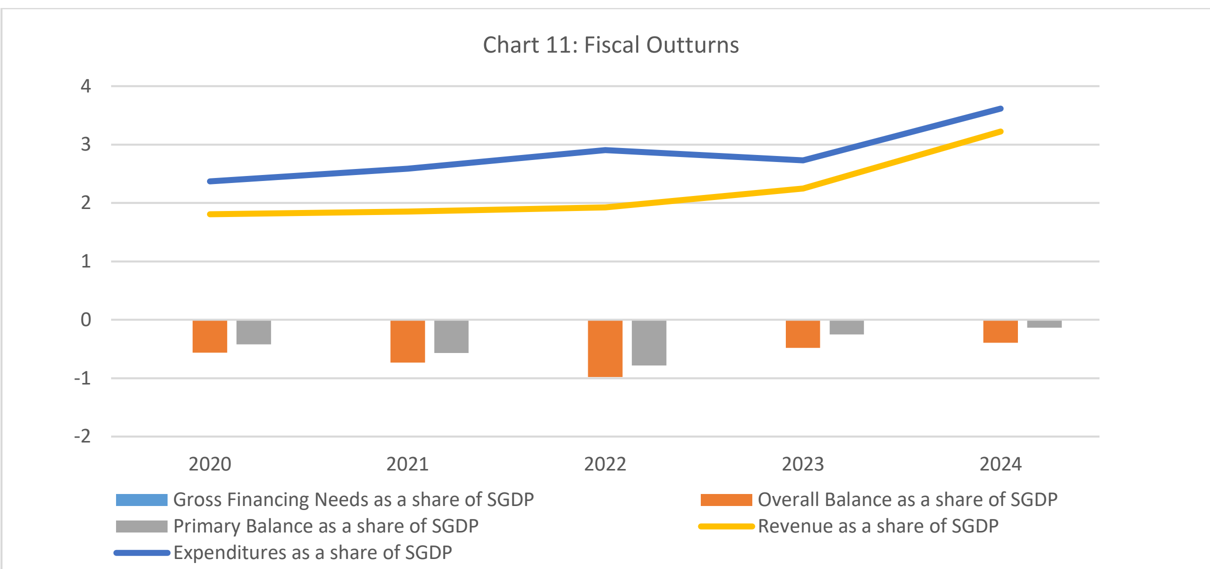
Debt Service: There was a sharp increase in the debt service from N200.7 billion in Y2020 to N416.12 billion in Y2024 due to an instability in the exchange rate, high interest rate, and repayment of existing Loan facilities.

Overhead Costs: Overhead Costs increased from N168.08 billion in Y2020 to N546.37 billion in Y2024. This is due to the increased cost of repairs and maintenance of Government public facilities and infrastructures, which includes repairs/maintenance of roads, renovation/rehabilitation of Schools, Hospitals, and Housing Estates, Purchase of drugs, medical equipment, improved welfare package for frontline medical personnel, and establishment/equipment of the Security agencies across Lagos Metropolis, and rising inflation rate.

Personnel Cost: The Personnel cost increased from N170.76 billion in Y2020 to N277.99 billion in Y2024, this reflects adjustments for new minimum wages, yearly promotion of staff, and employment of personnel.

3.1.6 OVERALL AND PRIMARY BALANCE TREND

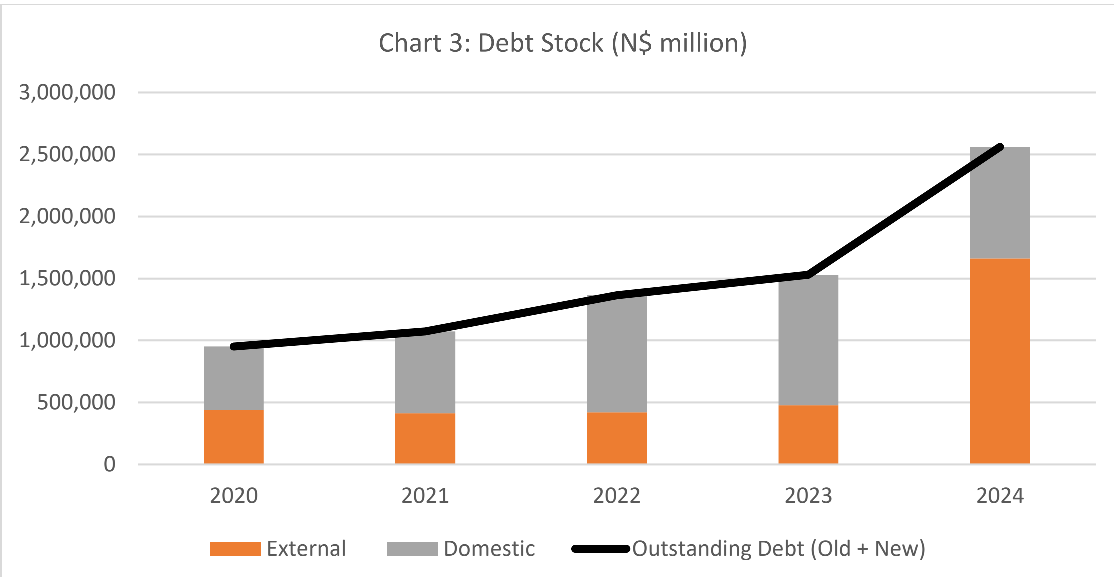
	2020	2021	2022	2023	2024
Gross Financing Needs as a share of SGDP	0	0	0	0	0
Overall Balance as a share of SGDP	-1	-1	-1	0	0
Primary Balance as a share of SGDP	0	-1	-1	0	0
Revenue as a share of SGDP	2	2	2	2	3
Expenditures as a share of SGDP	2	3	3	3	4



FISCAL OUTTURNS

The overall fiscal balance as a share of State GDP has remained in deficit since 2020, largely driven by sustained capital investments that outpace FAAC inflows. Primary deficits persist as the State deliberately prioritizes infrastructure development to catalyse long-term economic growth and competitiveness.

3.2 Existing Public Debt Portfolio



3.2.1 PUBLIC DEBT STOCK

The total public debt stock of Lagos State recorded a steady increase over the five years, rising from about ₦951 billion in 2020 to approximately ₦2.56 trillion in 2024. The consistent upward trend underscores the Government's strategic recourse to borrowing to fund high-impact infrastructure and social projects that underpin long-term economic growth and fiscal resilience.

Domestic debt remains the largest component of the State's portfolio, growing from roughly ₦513 billion in 2020 to about ₦900.2 billion in 2024, representing an average share of 60–65% of total debt stock. The increase reflects sustained issuances of State bonds and drawdowns from commercial bank facilities to finance large-scale infrastructure in transportation, housing, education, and health sectors. The State's emphasis on naira-denominated borrowing mitigates foreign-exchange risk exposure and leverages its robust credit standing within Nigeria's Sub-nationals

External loans also rose moderately from about ₦437.6 billion in 2020 to an estimated ₦1.661 trillion in 2024, largely driven by the combined effect of exchange-rate depreciation and the drawdown of new concessional loans from multilateral and bilateral partners. The depreciation of the naira during the period significantly inflated the domestic value of foreign-currency loans, thereby increasing debt-service obligations and highlighting the importance of maintaining a cautious balance between external and domestic borrowing.

3.2.2 EXISTING PUBLIC DEBT PORTFOLIO COMPOSITION

As shown in Chart 3 above, the debt portfolio remains domestically tilted, with internal loans and bonds accounting for roughly 64%, while external loans constitute 36% of total debt. Despite the rise in the nominal stock, Lagos State's debt continues to be strategically managed within sustainability thresholds, consistent with the Lagos State Debt Management Strategy (2023–2027). Borrowing decisions are anchored on financing self-liquidating, growth-enhancing projects, ensuring that debt remains a catalyst for inclusive development rather than a source of fiscal strain.

Table 2: Lagos State Debt Stock as at Y2024		
Component	**Amount**	**As a percentage of Total Debt**
	N	**%**
External	1,961,782,254,517.00	70%
Domestic	846,860,273,417.00	30%
Total Debt	**2,808,642,527,934.00**	**100%**

As at the end of Year 2024, Lagos State's total public debt stock stood at approximately ₦2.81 trillion, comprising both domestic and external obligations. This reflects the State Government's deliberate strategy of leveraging debt to accelerate infrastructure delivery, promote economic competitiveness, and sustain its growth trajectory.

External obligations constitute ₦1.96 trillion, representing about 70% of total debt stock. The increase in external exposure reflects the significant material impact of exchange rate depreciation and the drawdown of new concessional and project-tied loans from multilateral and bilateral partners. These loans were primarily contracted to finance critical infrastructure projects in transport, climate adaptation, and urban development. However, the substantial naira depreciation in 2023–2024 significantly inflated the domestic value of these foreign-denominated debts, heightening the cost of debt servicing.

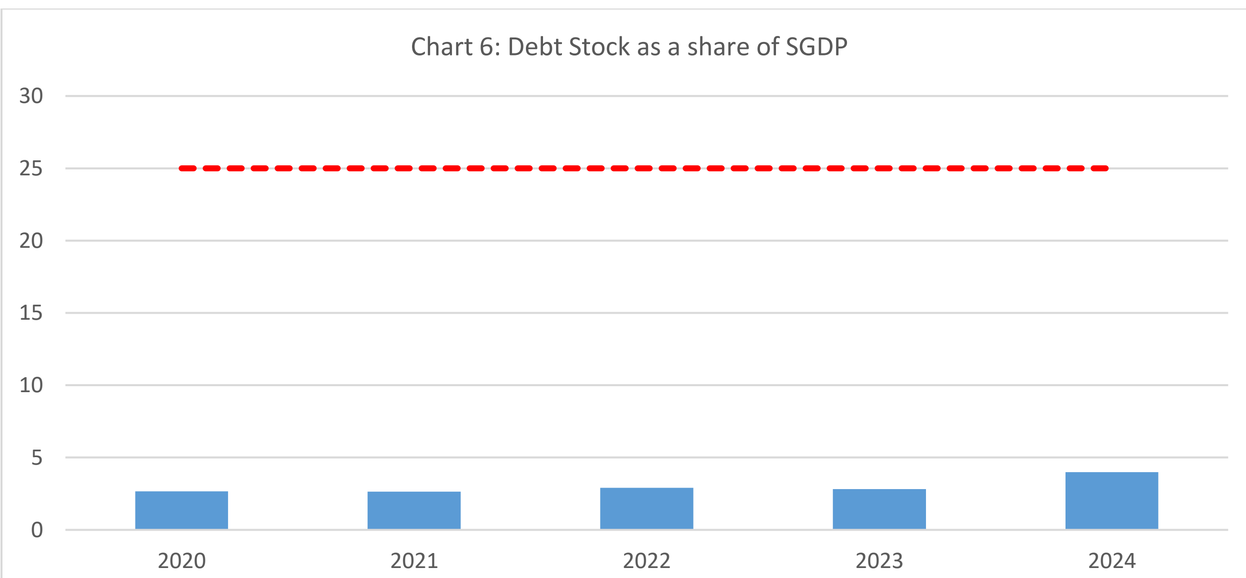
Domestic debt, stood at ₦846.86 billion, representing 30% of the total portfolio. This component includes outstanding bonds and commercial bank loans, primarily raised to fund infrastructure projects with high socio-economic returns. The State continues to favour domestic borrowing instruments to reduce exchange-rate exposure, stimulate local capital market activity, and leverage investor confidence in Lagos' Subnational Debt Instruments.

The State continues to adopt a strategic debt management approach, balancing the objectives of cost minimisation, risk mitigation, and fiscal sustainability. Borrowing is guided by principles of prudence, transparency, and accountability, ensuring that debt remains an enabler of inclusive growth rather than a source of fiscal vulnerability.

4.0 SUSTAINABILITY ANALYSIS

A Debt Sustainability Analysis (DSA) evaluates the extent to which a government's existing debt and anticipated borrowings influence its current and future ability to meet debt service obligations. It recognizes that achieving both external and public debt sustainability depends fundamentally on maintaining macroeconomic stability. Debt sustainability, in essence, refers to the government's capacity to fulfill its financial commitments over time without resorting to significant fiscal or debt adjustments. Since fiscal policies and institutional frameworks governing revenue generation and expenditure shape these obligations, sustainability hinges on the government's ability to implement and maintain prudent fiscal policies. In contrast, when fiscal policies result in excessive debt accumulation, they become unsustainable and may compel the government to implement corrective measures to mitigate the adverse effects of a rising debt burden.

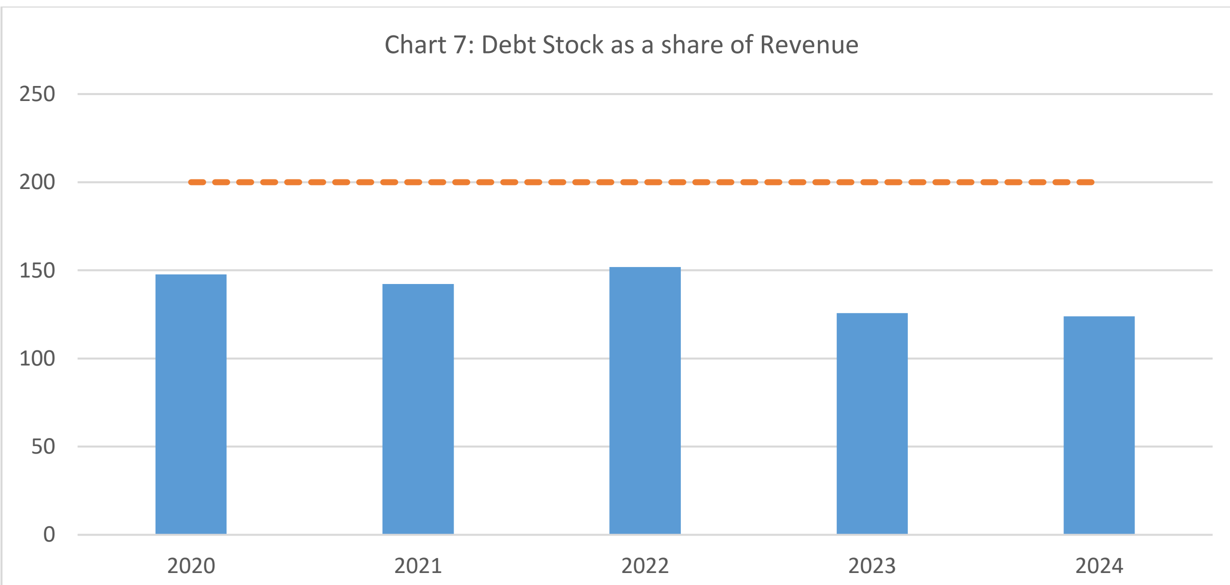
4.1 LAGOS STATE DEBT SUSTAINABILITY ANALYSIS



The chart above illustrates Lagos State's debt stock as a percentage of State Gross Domestic Product (SGDP) between 2020 and 2024. The blue bars depict the annual debt-to-SGDP ratio, while the red dashed line represents the prudential benchmark of 25% for subnational debt sustainability.

From the chart, Lagos State's debt stock remained significantly below the 25% SGDP threshold throughout the period under review. This trend demonstrates that the State has maintained a sustainable debt position, with prudent borrowing practices aligned with both national and international debt management standards.

Although there was a marginal uptick in 2024, reflecting increased infrastructure financing and exchange rate adjustments, the ratio still stayed comfortably within acceptable limits. This underscores Lagos State's strong macroeconomic fundamentals, robust revenue base, and disciplined fiscal management framework, ensuring that debt accumulation remains proportionate to the State's productive capacity.

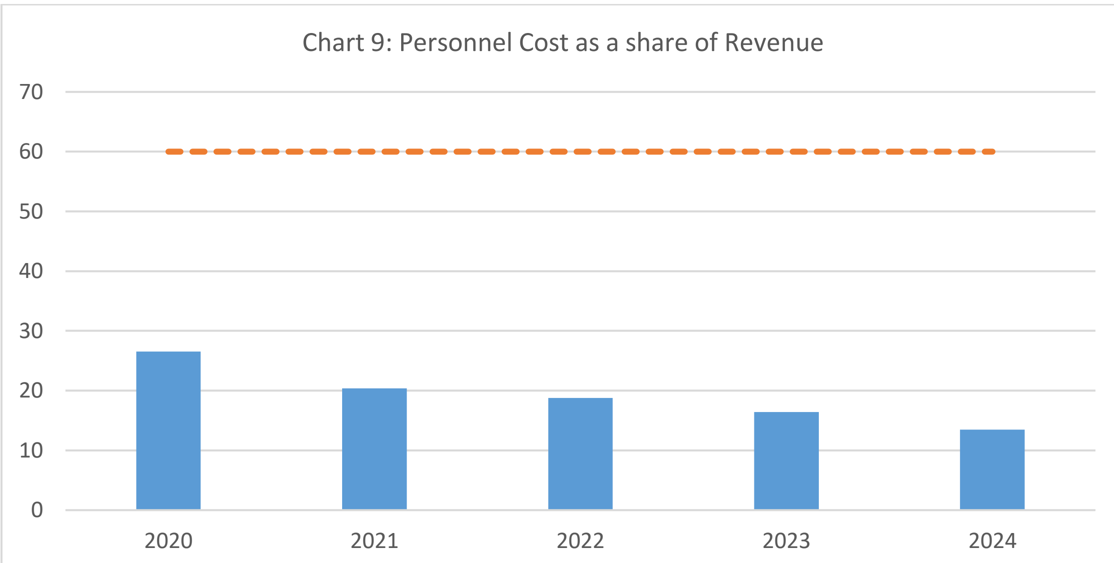


The chart depicts Lagos State's total debt stock as a percentage of total revenue between 2020 and 2024. The red dashed line represents the 200% prudential threshold for Subnational entities, as prescribed by the Federal Debt Management Office (DMO).

Throughout the review period, Lagos State's debt-to-revenue ratio remained well below the 200% benchmark, averaging between 130% and 150%, which indicates a sustainable debt position. The declining trend observed from 2022 to 2024 reflects improvements in the State's revenue mobilization efforts, particularly from

Internally Generated Revenue (IGR), alongside cautious and strategic borrowing aligned with fiscal sustainability objectives.

Overall, this performance underscores Lagos State's strong debt-carrying capacity, prudent fiscal discipline, and continuous effort to maintain borrowing within sustainable limits, ensuring that debt obligations remain adequately supported by recurring revenues.



The chart illustrates the ratio of Lagos State's personnel cost to total revenue between 2020 and 2024. The red dashed line represents the 60% prudential threshold for personnel expenditure as prescribed under the Fiscal Responsibility Framework.

As shown, the State consistently maintained its personnel cost well below the 60% benchmark throughout the five years. The ratio declined steadily from around 27% in 2020 to approximately 14% in 2024, reflecting improved expenditure control and sustained efforts to optimise personnel-related spending.

This downward trend demonstrates the State's commitment to fiscal discipline, efficient payroll management, and the successful implementation of reforms such as the adoption of automated payroll verification and the integration of digital human resource systems.

4.2 MEDIUM-TERM BUDGET FORECAST

Lagos State's medium-term debt and fiscal sustainability outlook for 2025–2027 remains strong, reflecting prudent fiscal management, strategic investment priorities, and consistent revenue-growth performance anchored on the Medium-Term Expenditure Framework (MTEF 2025–2027) and the Year 2025 Appropriation Law. The approved ₦3.366 trillion 2025 Budget, comprising ₦2.071 trillion (62%) capital expenditure and ₦1.295 trillion (38%) recurrent expenditure, demonstrates a sustained commitment to growth-enhancing capital outlays, while preserving fiscal discipline on recurrent spending. This capital-biased structure underscores the administration's drive to consolidate infrastructure renewal, accelerate economic diversification, and enhance competitiveness consistent with the THEMES+ Agenda.

The MTEF 2025–2027 projects both revenue and expenditure to grow at a Compound Annual Growth Rate (CAGR) of approximately 12%, underpinned by aggressive internal revenue mobilisation, improved tax compliance, digitalisation of land-based charges through the e-GIS system, and continuous optimization of revenue-yielding assets. The Lagos Internal Revenue Service (LIRS) remains pivotal in achieving these targets, leveraging automation and analytics to expand coverage within the informal sector, thereby broadening the tax base and strengthening fiscal sustainability.

Quantitatively, key fiscal indicators affirm that Lagos State's debt profile remains well within prudential limits. As at 2024, Debt-to-SGDP stood at 4%, far below the 25% threshold, reflecting the State's large and expanding economic base. Similarly, Debt-to-Revenue at 124% remains comfortably below the 200% sustainability benchmark, while Debt Service-to-Revenue of 22% also compares favourably against the 40% prudential ceiling. Personnel costs continue to be efficiently managed, constituting just 13% of total revenue—far below the 60% limit—thereby preserving ample fiscal space for capital and debt-service obligations. Additionally, Debt Service-to-FAAC Allocation stands at 59%, Interest Payment-to-Revenue at 8%, and External Debt Service-to-Revenue at 4%, all of which indicate a healthy liquidity position and a sustainable debt-servicing capacity.

In line with the MTEF's medium-term projections, total revenue is expected to rise steadily toward 4.4% of SGDP by 2026, supported by a 12% annual growth trajectory in IGR and improved federal transfers. Expenditure growth is projected to follow the same trend, maintaining a balance between fiscal expansion and sustainability. The State's deficit, estimated at approximately ₦398.66 billion in 2025, remains within manageable limits and is to be financed through a mix of domestic and external borrowings, including capital-market instruments, consistent with the State's Debt Management Strategy (DMS).

Overall, the fiscal and debt indicators confirm that Lagos State's debt-carrying capacity remains robust, underpinned by a diversified revenue base, disciplined expenditure management, and an expanding SGDP estimated between ₦50 trillion and ₦66 trillion over the medium term. The government's continued prioritisation of capital investments in transportation, housing, education, healthcare, and digital infrastructure will further strengthen economic resilience, stimulate private-sector activity, and enhance the long-term sustainability of the State's debt portfolio.

LAGOS STATE DEBT BURDEN INDICATORS AS AT YEAR END 2024

INDICATOR	THRESHOLD	RATIO
Debt as a % of SGDP	25%	4%
Debt as a % of Revenue	200%	124%
Debt Service as a % of Revenue	40%	22%
Personnel Cost as a % of Revenue	60%	13%
Debt Service as a % of FAAC Allocation	NIL	59%
Interest payment as a % of Revenue	NIL	8%
External Debt Service as a % of Revenue	NIL	4%

In summary, the MTEF 2025–2027 and Year 2025 Budget provide clear evidence of Lagos State's ability to sustain its fiscal operations within prudential thresholds. The combination of a 12% revenue growth trajectory, declining personnel ratios, and debt metrics significantly below statutory limits underscores a well-managed and sustainable fiscal position. By maintaining this balance between growth and prudence, Lagos State is well-positioned to preserve fiscal stability, attract investment, and continue its trajectory toward becoming Africa's foremost competitive mega-city.

4.3 BORROWING OPTIONS

The deficit financing will be sourced through a balanced mix of external concessional and single-digit loans, domestic borrowings, bonds, and other local financing instruments, all of which remain well within the State's established fiscal sustainability parameters. Under the Baseline Scenario One (S1), Lagos State's apportionment of the Year 2024 planned borrowing options is outlined as follows:

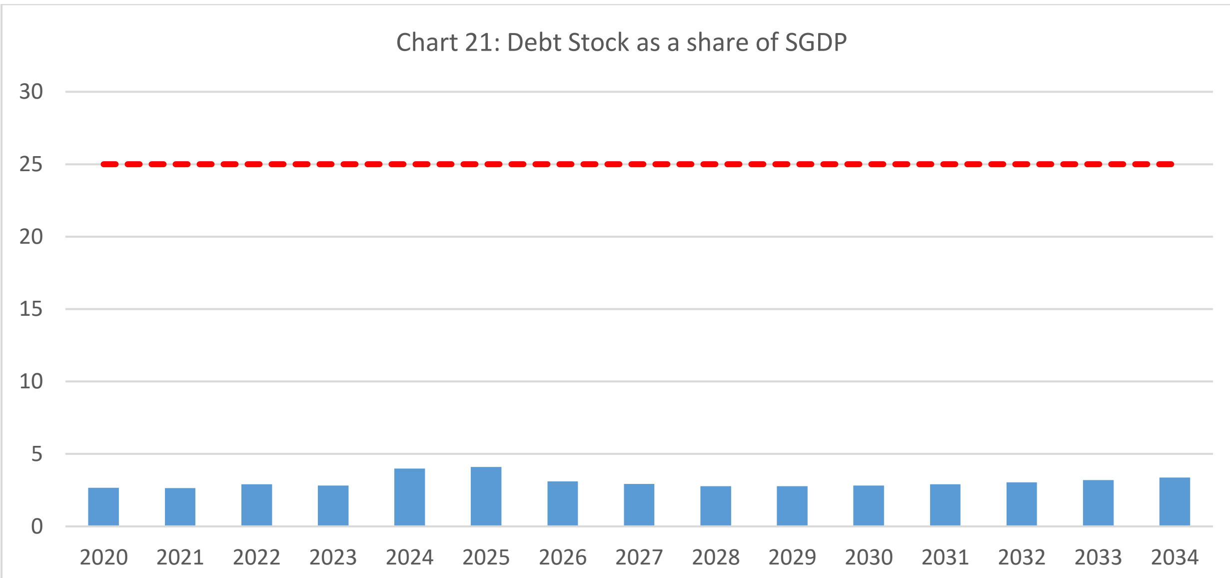
S/N	ITEM	WEIGHT (%)	TENOR	INTEREST RATE (%)
1	Commercial Loan	60	5 years	27.5
2	State Bond	30	6 years and above	18
3	External Loan	10	30 years	2.5

The State's planned borrowings of ₦387.13 billion, ₦323.90 billion, ₦277.34 billion, and ₦230.78 billion for fiscal years 2024, 2025, 2026, and 2027 respectively, will be apportioned in line with the approved borrowing structure outlined above. The external loan component consists primarily of bilateral facilities with tenors ranging from 30 to 40 years, moratorium periods of 7–10 years, and an average interest rate of about 2.5%. However, external financing remains relatively constrained due to limited borrowing envelopes and the lengthy processing timelines typically associated with multilateral and bilateral facilities.

4.4 DSA SIMULATION RESULTS

There is an urgent imperative to diversify and strengthen government revenue sources while reducing reliance on oil-related inflows, given recent shocks arising from volatility in global oil prices. Enhancing and consolidating revenue performance remains central to sustaining Lagos State's developmental agenda.

The State therefore recognizes the need to adopt practical, innovative, and sustainable strategies to significantly expand its revenue base and identify new income streams. Accordingly, the government remains firmly committed to deploying creative and technology-driven approaches to boost internally generated revenue, finance its expenditure commitments, and further diversify its fiscal ecosystem



The chart presents Lagos State's projected Debt Stock as a percentage of State Gross Domestic Product (SGDP) from 2020 to 2034. The red dashed line represents the 25% prudential threshold for Subnational debt sustainability, while the blue bars illustrate the actual and projected debt-to-SGDP ratios for the period under review.

As shown, Lagos State's debt-to-SGDP ratio remains significantly below the 25% benchmark throughout the 15-year projection horizon. The ratio peaks around 2024–2025, reflecting increased borrowing to finance large-scale infrastructure projects, before gradually moderating and stabilizing in subsequent years. This trajectory indicates that while the State continues to leverage debt strategically to support its capital development programme, it remains firmly within sustainable limits.

The moderation in debt ratios from 2026 onward reflects expected improvements in SGDP growth, enhanced revenue mobilisation, and efficient debt management practices. These efforts, coupled with prudent borrowing policies and an expanding economic base, will ensure that the State's debt burden remains sustainable over the medium to long term.

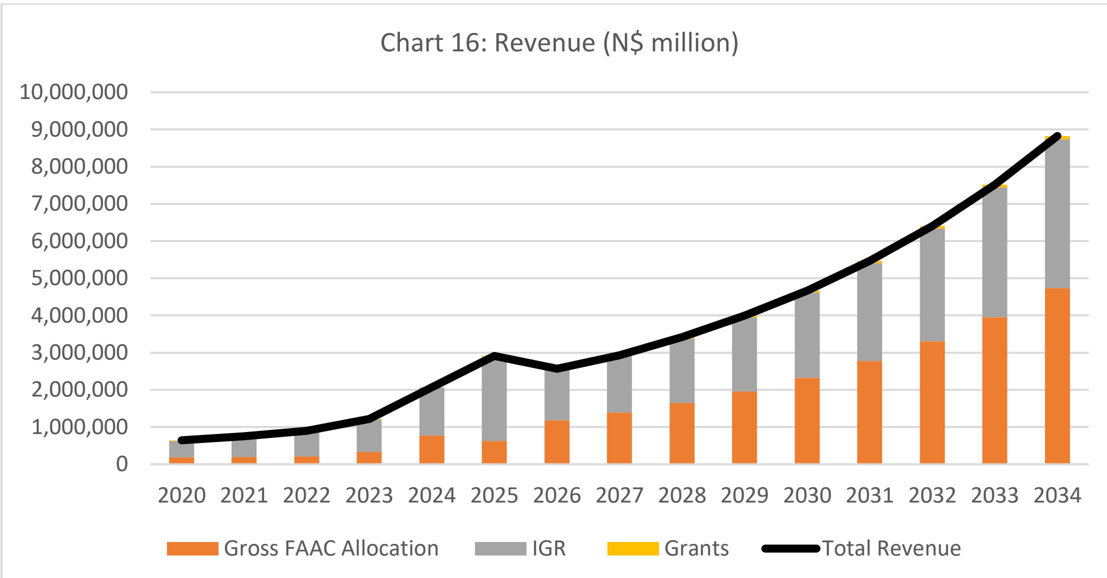


Chart 16 illustrates Lagos State's revenue trend from 2020 through 2034, disaggregated into Internally Generated Revenue (IGR), Gross FAAC Allocation, and Grants, with the black line representing Total Revenue.

The chart reveals a consistent upward trajectory in total revenue, reflecting the State's deliberate focus on strengthening its fiscal base through robust revenue reforms, digitalisation initiatives, and targeted compliance enforcement. Notably, revenue growth accelerates sharply from 2024 onwards, driven primarily by improvements in IGR performance and a gradual rise in FAAC inflows. The trend reflects the sustained impact of reforms outlined in the Medium-Term Expenditure Framework (MTEF) 2025–2027, which project a 12% compound annual growth rate (CAGR) in total revenue over the medium term.

IGR continues to dominate the State's revenue profile, underscoring the effectiveness of the Lagos Internal Revenue Service (LIRS) in expanding the tax base, integrating informal sector operators, and enhancing collection efficiency through the deployment of technology platforms such as the e-GIS and central billing systems. Gross FAAC Allocations also record a steady rise over the projection period, reflecting both improved national oil receipts and the State's equitable share of federal transfers. Grants, although comparatively smaller, contribute modestly to total revenue growth, mainly from externally funded development projects and performance-based fiscal transfers.

By 2034, total revenue is projected to approach the ₦9–10 trillion mark, driven by continued economic expansion, stronger compliance mechanisms, and enhanced fiscal autonomy. The widening revenue base, coupled with prudent expenditure management, positions Lagos State to maintain a sustainable fiscal path, reduce reliance on debt financing, and support long-term infrastructure and social investments.

Overall, the chart demonstrates Lagos State's strong revenue resilience and capacity to sustain fiscal growth over the long term. The progressive increase in total revenue relative to GDP reinforces the State's commitment to fiscal sustainability, economic diversification, and the attainment of its vision of becoming Africa's model mega-city.

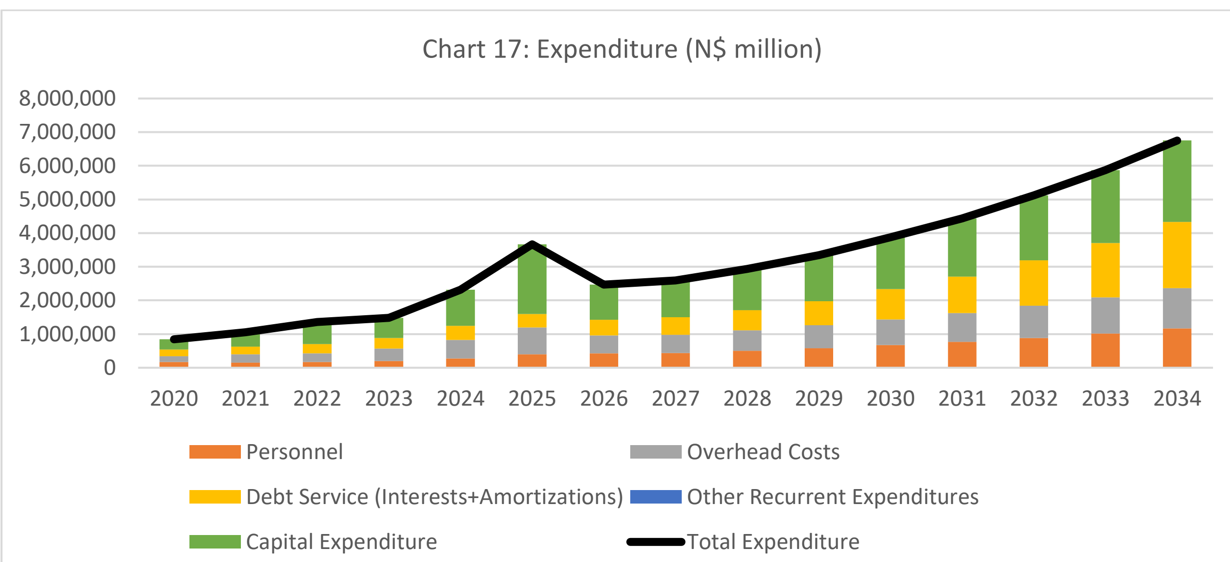


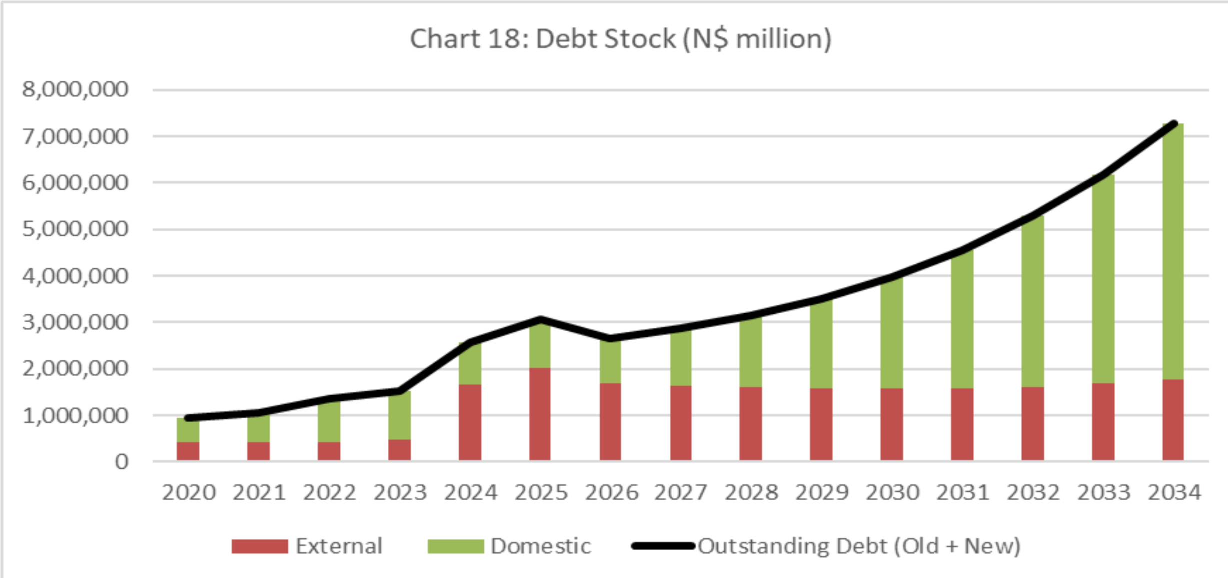
Chart 17 illustrates Lagos State's expenditure trends from 2020 to 2034, disaggregated into Personnel Cost, Overhead Costs, Debt Service (Interest and Amortization), Other Recurrent Expenditures, and Capital Expenditure, with the black line representing Total Expenditure.

The chart reveals a steady upward trajectory in total expenditure over the review and projection periods, reflecting the State's continued investment in infrastructure, human capital, and service delivery. Expenditure growth is most pronounced in 2024 and 2025, corresponding with the implementation of large-scale capital projects financed under the Year 2025 Appropriation Law, which allocates ₦2.071 trillion (62%) to capital expenditure and ₦1.295 trillion (38%) to recurrent costs. This peak reflects Lagos State's deliberate strategy to sustain growth-enhancing capital investments that expand the productive base of the economy and support medium-term revenue growth.

From 2026 onward, total expenditure growth moderates but continues to rise steadily, maintaining alignment with projected revenue expansion. Capital expenditure remains the largest component, highlighting the State's commitment to infrastructure renewal, urban regeneration, and sustainable economic transformation. Debt service obligations are projected to increase moderately in nominal terms, consistent with new borrowing to fund capital projects; however, the Debt Service-to-Revenue ratio (22%) remains comfortably below the 40% prudential benchmark, confirming the sustainability of Lagos State's debt obligations.

Personnel and overhead costs remain well contained, reflecting ongoing payroll management reforms, workforce rationalization, and the application of digital HR and payroll systems. The Personnel Cost-to-Revenue ratio of 13%, far below the 60% threshold, further underscores the State's fiscal discipline and its ability to sustain recurrent commitments without compromising capital investment capacity.

Overall, the projected expenditure pattern demonstrates Lagos State's balanced fiscal approach, prioritizing capital formation and debt sustainability while ensuring efficient recurrent spending. This alignment between revenue growth and expenditure control reinforces the State's medium-term fiscal resilience and its ability to maintain macroeconomic stability in pursuit of inclusive and sustainable development.



The chart above reveals a steady rise in total debt stock over the review period, reflecting the State's continued use of strategic borrowing to finance priority infrastructure and socio-economic projects. The debt stock increases notably between 2023 and 2025, corresponding with the implementation of major capital programmes under the 2025 Appropriation Law, before stabilising and growing more gradually from 2026 onwards. This growth pattern aligns with Lagos State's Medium-Term Expenditure Framework (MTEF 2025–2027), which projects total planned borrowings of ₦387.13 billion, ₦323.90 billion, ₦277.34 billion, and ₦230.78 billion for 2024, 2025, 2026, and 2027, respectively.

The composition of the debt portfolio remains well-balanced, with domestic debt accounting for a larger share of the total, driven by bonds and other local financing instruments that support infrastructure investment while deepening the domestic capital market. External debt, though smaller in proportion, provides access to concessional financing from multilateral and bilateral partners, typically with tenors of 30–40 years, moratorium periods of 7–10 years, and average interest rates of about 2.5%. These favourable terms help reduce refinancing risks and debt-service pressures over the medium-to-long term.

By 2034, the debt stock is projected to rise moderately, in line with Lagos State's expanding fiscal operations and ambitious infrastructure agenda. However, the Debt-to-SGDP ratio, which remains at an average of 4%, well below the 25%

prudential threshold, confirms that the State's debt remains sustainable. The Debt-to-Revenue (124%) and Debt Service-to-Revenue (22%) ratios also indicate strong capacity to meet obligations without compromising fiscal stability.

Overall, the trend depicted in the chart underscores Lagos State's prudent debt management approach, leveraging debt as a catalyst for infrastructure-driven growth while maintaining key fiscal indicators within sustainable limits. This approach aligns with the Lagos State Debt Management Strategy (DMS), which prioritises concessional and long-tenor financing, active portfolio monitoring, and a gradual shift toward self-financing through enhanced revenue performance.

4.4.1 DEBT STOCK AS A SHARE OF REVENUE

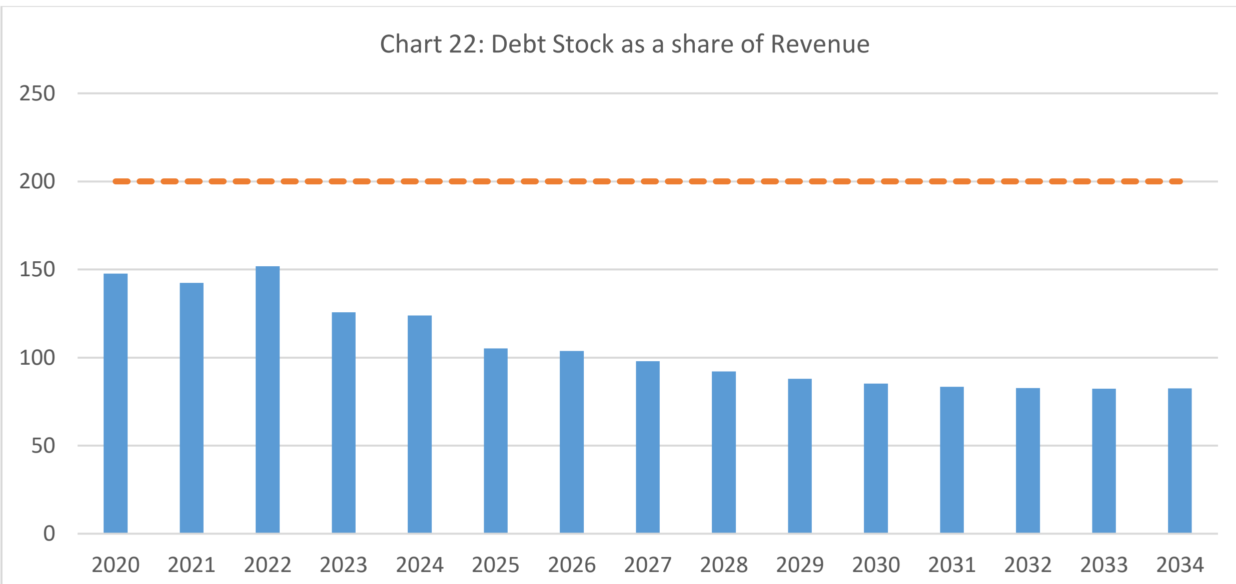


Chart 22 illustrates Lagos State's Debt Stock as a percentage of Total Revenue from 2020 to 2034, benchmarked against the 200% prudential threshold for subnational debt sustainability.

The chart shows a consistent downward trend in the Debt-to-Revenue ratio, declining from approximately 150% in 2020–2021 to below 100% from 2027 onward. This sustained moderation reflects improved revenue performance driven by expanded Internally Generated Revenue (IGR), efficiency reforms, and prudent borrowing practices. The gradual reduction in the ratio indicates that Lagos State's revenue base is growing at a faster pace than its debt stock, underscoring the State's strengthening fiscal capacity and resilience.

The ratio remains comfortably below the 200% benchmark throughout the projection period, confirming that the State's debt levels are sustainable and well-managed. This trend aligns with the projections under the Medium-Term Expenditure Framework (MTEF 2025–2027), which anticipates revenue growth at a compound annual rate of about 12%, supported by the deployment of technology-enabled revenue collection systems, enhanced compliance, and diversification of income sources.

By maintaining a conservative borrowing strategy, anchored on concessional and long-tenor financing, transparent debt recording, and prioritisation of self-liquidating infrastructure projects, Lagos State continues to preserve its strong debt-carrying capacity. The consistent decline in the debt-to-revenue ratio reflects the government's commitment to fiscal prudence, sustainability, and creditworthiness, ensuring that borrowing remains firmly within fiscal and legal limits.

Overall, this performance reaffirms Lagos State's strategic fiscal direction, leveraging debt to stimulate growth while expanding the revenue base to maintain long-term sustainability and safeguard intergenerational fiscal balance.

4.4.2 DEBT SERVICE AS A SHARE OF REVENUE

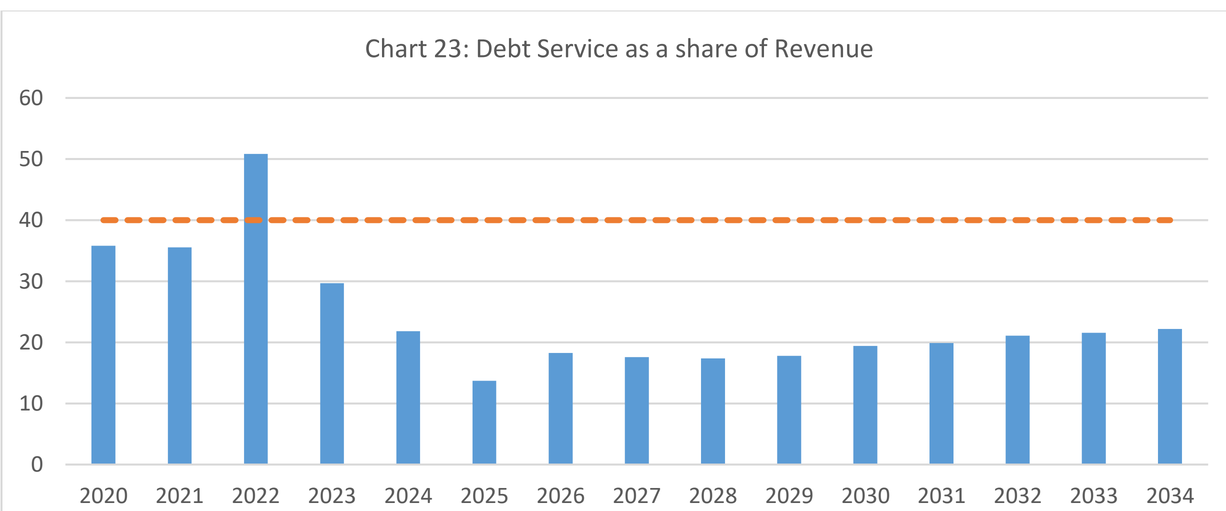


Chart 23 depicts Lagos State's Debt Service as a percentage of Total Revenue between 2020 and 2034, benchmarked against the 40% prudential threshold for debt sustainability as prescribed by the Federal Debt Management Office (DMO).

The chart shows that Lagos State's Debt Service-to-Revenue ratio experienced fluctuations between 2020 and 2023, peaking above the prudential benchmark in 2022 due to elevated debt servicing obligations and exchange rate adjustments affecting external debt repayments. However, from 2024 onwards, the ratio declines steadily and stabilizes between 20% and 25%, remaining comfortably below the 40% sustainability ceiling throughout the projection period.

This sustained moderation reflects improved revenue performance, effective debt refinancing, and the restructuring of high-cost obligations into longer-tenor, lower-interest facilities. The trend also demonstrates the State's strengthened debt management framework, which prioritizes concessional and single-digit financing and aligns borrowing strictly with productive, self-liquidating capital projects.

Over the medium-to-long term, the stability of the Debt Service-to-Revenue ratio underscores Lagos State's robust fiscal discipline and capacity to meet its obligations without undermining service delivery or capital investment. The consistent alignment of this indicator below the prudential threshold confirms that the State's debt service burden remains manageable and sustainable, even under conservative revenue growth scenarios outlined in the Medium-Term Expenditure Framework (MTEF 2025–2027).

In summary, Lagos State's debt service profile reflects a healthy fiscal position, strengthened by proactive liability management, growing revenue inflows, and adherence to debt sustainability principles. This trajectory ensures that debt remains a strategic tool for development financing rather than a fiscal constraint, thereby reinforcing investor confidence and the State's strong credit standing.

4.4.3 PERSONNEL COST AS A SHARE OF REVENUE

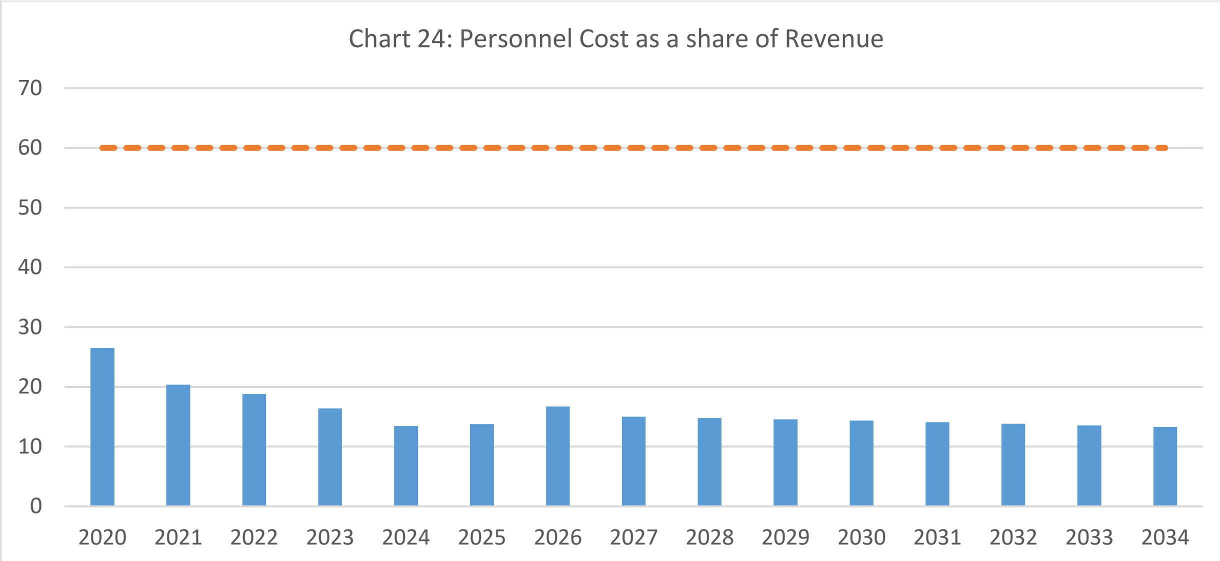


Chart 24 illustrates Lagos State's Personnel Cost as a percentage of Total Revenue between 2020 and 2034, benchmarked against the 60% prudential threshold established under the Fiscal Responsibility framework.

The chart indicates a consistent downward trend in personnel cost relative to total revenue over the review and projection period. The ratio declined from approximately 27% in 2020 to about 13–14% from 2024 onward, remaining well below the prudential ceiling throughout the forecast horizon. This sustained moderation reflects the State's deliberate fiscal policy to contain recurrent expenditure and prioritise resource allocation towards capital and developmental projects.

The stability of the ratio underscores the effectiveness of ongoing public sector reforms, including payroll automation and periodic staff audits. These reforms have improved transparency, eliminated ghost workers, and enhanced expenditure efficiency.

Furthermore, maintaining personnel costs significantly below the 60% benchmark provides Lagos State with ample fiscal space to meet debt service obligations and expand infrastructure investments without compromising operational sustainability. This prudent management of recurrent expenditure complements the State's medium-term objective of achieving a balanced, growth-oriented fiscal structure, as outlined in the MTEF 2025–2027.

In summary, the chart confirms that Lagos State continues to exhibit strong fiscal discipline and cost efficiency, ensuring that recurrent spending remains sustainable while preserving the flexibility required to finance growth-driving projects. This performance supports long-term fiscal sustainability and reinforces the State's position as a model of responsible Subnational financial management.

4.4.4 FISCAL OUTTURNS

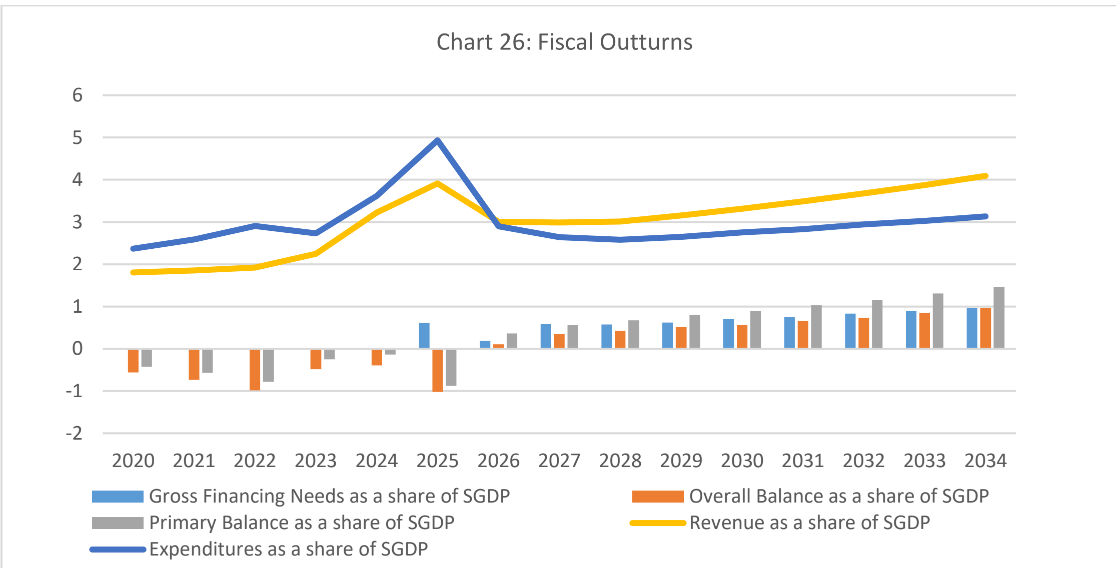


Chart 26 presents Lagos State's Fiscal Outturns between 2020 and 2034, expressed as a percentage of State Gross Domestic Product (SGDP). The chart captures five key fiscal indicators: Revenue, Expenditure, Overall Balance, Primary Balance, and Gross Financing Needs, providing a clear depiction of the State's fiscal trajectory over the historical and projection periods.

The data show a broadly sustainable fiscal position, with revenue and expenditure ratios to SGDP rising gradually in tandem with the State's economic expansion. Revenue as a share of SGDP increases steadily from about 2.0% in 2020 to over 4.0% by 2034, driven by improvements in Internally Generated Revenue (IGR), enhanced collection efficiency, and diversification of the State's fiscal base through digital reforms such as the e-GIS system. Expenditure as a share of SGDP follows a similar pattern, peaking sharply around 2024–2025 due to large-scale capital outlays under the 2025 Appropriation Law, before stabilizing and rising moderately thereafter. This trend reflects the government's commitment to growth-enhancing capital spending while maintaining recurrent expenditure discipline.

The Overall Fiscal Balance exhibits periodic deficits during the early years (2020–2024), associated with strategic borrowings to fund infrastructure and social projects. However, from 2026 onwards, the deficit gradually narrows, reflecting stronger revenue inflows and improved fiscal consolidation measures. The Primary Balance, which excludes interest payments, turns positive from 2025, indicating that the State's revenues are sufficient to cover its non-interest expenditures. This shift signals improved fiscal health and a transition toward self-sustaining budget operations.

The Gross Financing Needs (GFN) as a share of SGDP remain modest across the projection horizon, peaking temporarily in 2024–2025 due to planned borrowings for capital-intensive projects, then tapering off thereafter. This controlled financing requirement underscores the government's cautious approach to debt accumulation and its adherence to fiscal sustainability thresholds.

Overall, the chart highlights Lagos State's strong fiscal consolidation path, anchored on rising revenues, prudent expenditure management, and controlled financing needs. The State's fiscal indicators demonstrate resilience and a credible medium-term outlook consistent with the MTEF 2025–2027 assumptions. By maintaining this trajectory, Lagos State is well-positioned to sustain macro-fiscal stability, strengthen investor confidence, and preserve long-term debt sustainability.

4.4.5 SUMMARY OF FINDINGS

Lagos State's debt sustainability outlook remains robust, with all key fiscal indicators well within prudential thresholds. The State's Debt-to-SGDP ratio (4%), Debt-to-Revenue ratio (124%), Debt Service-to-Revenue ratio (22%), and Personnel Cost-to-Revenue ratio (13%) reflect a strong fiscal position and prudent debt management framework. Sustained growth in Internally Generated Revenue, combined with disciplined expenditure control, has strengthened the State's capacity to meet its obligations without compromising capital investment. With debt stock projected to remain below the 25% SGDP ceiling and fiscal deficits financed through a balanced mix of concessional and domestic borrowings, Lagos State continues to demonstrate high debt-carrying capacity, fiscal discipline, and resilience. This prudent management ensures long-term fiscal sustainability and reinforces Lagos State's position as a financially credible and investment-ready Subnational economy

4.5 DSA SENSITIVITY ANALYSIS

The State remains exposed to certain fiscal risks, primarily stemming from potential adverse macroeconomic developments at the national level and possible reversals in the implementation of its revenue and expenditure policies. To assess the resilience of its fiscal position, a sensitivity analysis has been conducted, incorporating both macroeconomic and policy shocks to test the robustness of the baseline sustainability scenario discussed in the preceding sections. Under these alternative scenarios, it is assumed that any revenue shortfall or additional expenditure requirements arising from such shocks would be financed through a combination of external and domestic borrowings. In line with this approach, the outcome of the State's DSA Sensitivity Analysis is presented below:

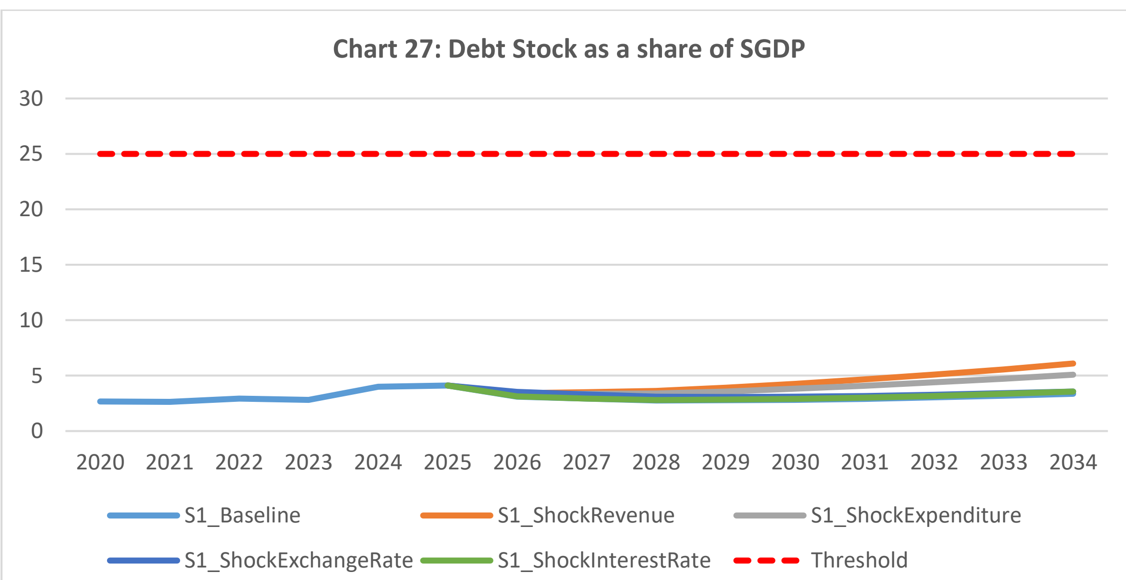


Chart 27 illustrates the outcome of the Debt Sustainability Sensitivity Analysis under various macroeconomic and policy shock scenarios, expressed as Debt Stock as a percentage of State Gross Domestic Product (SGDP) for the period 2020–2034. The scenarios evaluated include the Baseline (S1_Baseline), as well as shocks to Revenue, Expenditure, Exchange Rate, and Interest Rate, all benchmarked against the 25% prudential threshold.

The results indicate that even under adverse conditions, Lagos State's Debt-to-SGDP ratio remains well below the prudential ceiling throughout the projection horizon. The baseline scenario stays relatively stable around 4–5%, while the shock scenarios, though exhibiting mild upward deviations under revenue and exchange rate shocks, remain significantly below the 25% threshold. This demonstrates the State's strong debt-carrying capacity and fiscal resilience against macroeconomic fluctuations.

The modest sensitivity of the ratio to revenue and expenditure shocks highlights Lagos State's robust fiscal structure, supported by a diversified revenue base, disciplined borrowing practices, and effective debt management. The limited impact of interest rate and exchange rate shocks further reflects the State's preference for concessional, long-tenor financing instruments, which help to mitigate refinancing and exchange rate risks.

Overall, the analysis confirms that Lagos State's debt position remains sustainable and resilient, even under stressed scenarios, underscoring the prudence of its fiscal strategy and the effectiveness of ongoing debt management reforms.

Chart 28: Debt Stock as a share of Revenue

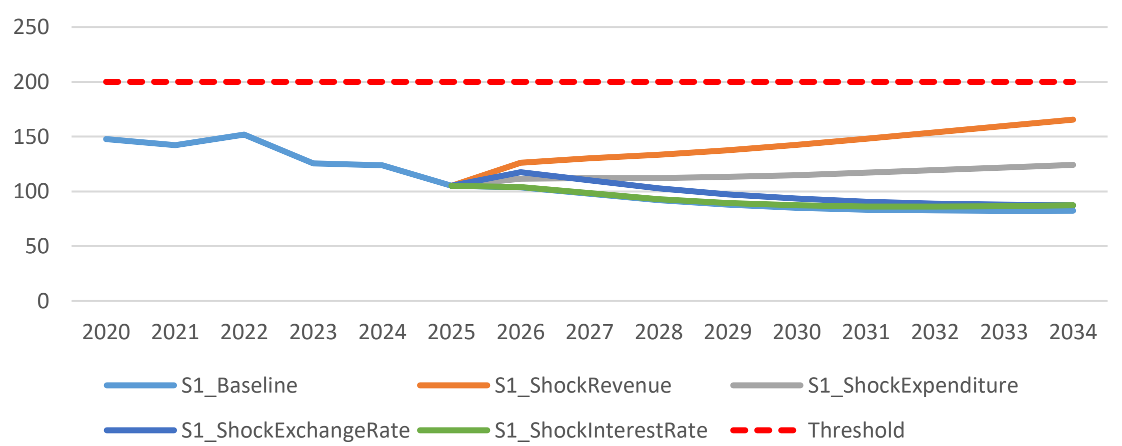


Chart 28 presents the results of the Debt Stock-to-Revenue Sensitivity Analysis under alternative macroeconomic and policy shock scenarios for the period 2020–2034. The analysis examines the impact of shocks on Revenue, Expenditure, Exchange Rate, and Interest Rate on Lagos State's debt sustainability, benchmarked against the 200% prudential threshold.

The chart shows that across all scenarios, Lagos State's Debt-to-Revenue ratio remains comfortably below the 200% ceiling throughout the projection horizon. The Baseline Scenario (S1_Baseline) maintains a gradual decline in the ratio, from approximately 150% in 2021 to around 90% by 2034, reflecting sustained revenue growth and prudent borrowing practices. Among the stress tests, the Revenue Shock scenario exhibits the most pronounced upward movement, peaking slightly above 140%, followed by a moderate rise under the Expenditure Shock scenario. However, even under these adverse conditions, the ratio remains significantly within sustainable bounds.

The limited sensitivity of the indicator under Exchange Rate and Interest Rate shocks highlights the State's low exposure to refinancing and exchange-rate risks, owing to its preference for long-tenor, concessional, and predominantly naira-denominated debt instruments. This outcome reaffirms the robustness of Lagos State's debt portfolio and its capacity to withstand macroeconomic volatility without breaching fiscal prudential limits.

In summary, the results confirm that Lagos State's debt position remains sustainable and resilient under both baseline and shock scenarios. The steady improvement in the Debt-to-Revenue ratio, even when stressed, underscores the State's solid fiscal fundamentals, strong revenue base, and effective debt management framework, all of which contribute to preserving long-term fiscal sustainability and investor confidence.

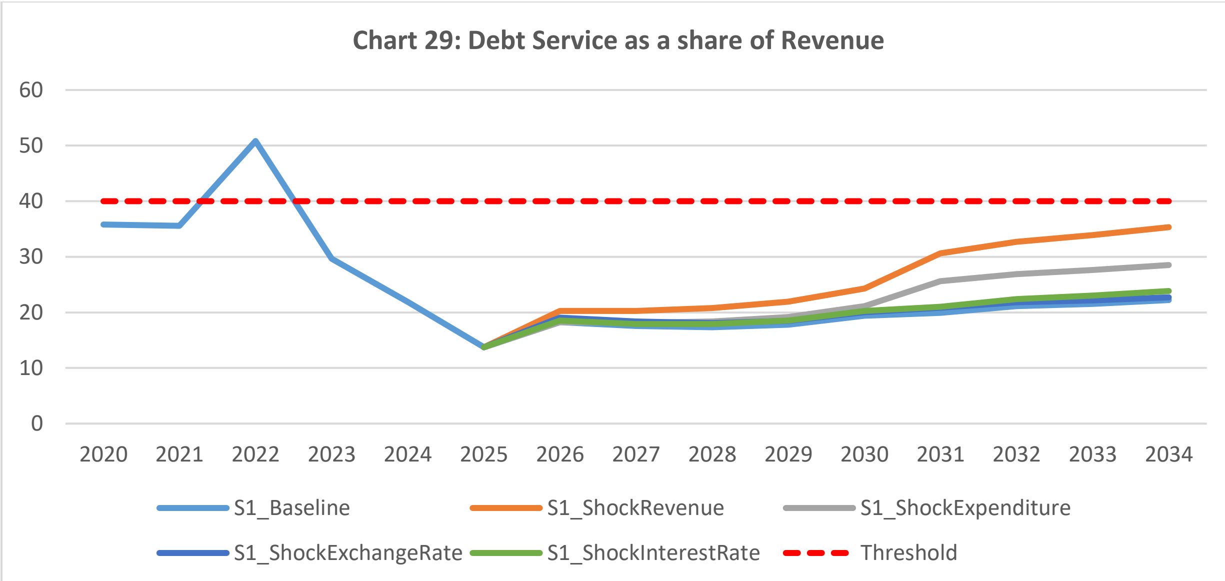


Chart 29 presents the Debt Service-to-Revenue ratio under the Baseline Scenario (S1) and four alternative shock scenarios, Revenue Shock, Expenditure Shock, Exchange Rate Shock, and Interest Rate Shock, benchmarked against the 40% prudential threshold for debt service sustainability.

The chart indicates that Lagos State's Debt Service-to-Revenue ratio remains below the prudential ceiling throughout the projection period across all scenarios. Under the Baseline Scenario, the ratio peaks temporarily in 2022 at slightly above 50%, reflecting elevated servicing obligations and exchange rate adjustments, before declining sharply and stabilizing between 15% and 25% from 2025 onwards. This downward trend reflects improved revenue performance, liability management initiatives, and the restructuring of high-cost obligations into longer-tenor, lower-interest instruments.

Among the simulated shocks, the Revenue Shock scenario exerts the most pressure on the ratio, pushing it closer to 35% by 2034, while Expenditure, Interest Rate, and Exchange Rate shocks produce only marginal increases, all remaining comfortably within the 40% prudential limit. This demonstrates the robustness of Lagos State's debt servicing capacity and its low vulnerability to short-term macroeconomic volatility.

Overall, the results confirm that Lagos State's debt service burden remains sustainable, even under stressed fiscal and macroeconomic conditions. The State's prudent borrowing strategy, anchored on concessional, long-tenor financing and disciplined fiscal management, continues to safeguard liquidity and ensure adequate fiscal space for infrastructure investment and service delivery.

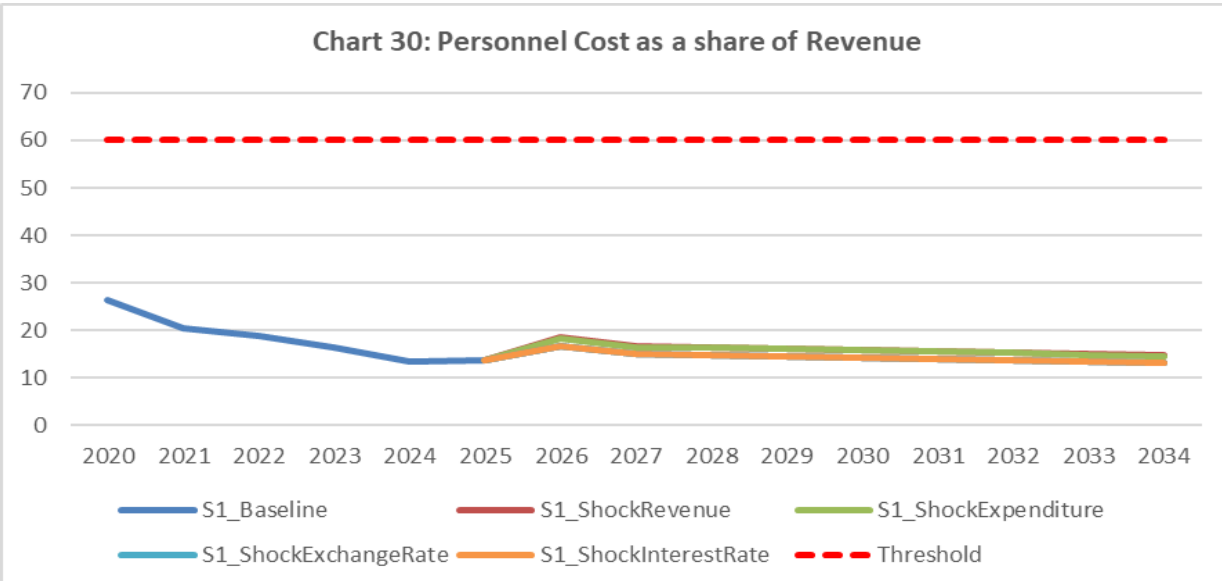


Chart 30 illustrates Lagos State's Personnel Cost-to-Revenue ratio under the Baseline (S1) and four alternative shock scenarios, Revenue Shock, Expenditure Shock, Exchange Rate Shock, and Interest Rate Shock, benchmarked against the 60% prudential threshold for personnel expenditure sustainability.

Across all scenarios, the Personnel Cost-to-Revenue ratio remains well below the 60% limit throughout the projection period, reflecting sustained fiscal discipline and efficient expenditure management. The ratio declines from approximately 26% in 2020 to around 13–15% from 2025 onward, maintaining stability across the medium to long term. Even under adverse conditions, the simulated shocks result in only marginal increases, with no scenario breaching the prudential ceiling.

This performance underscores Lagos State's continued success in controlling recurrent expenditure, supported by public financial management reforms such as payroll automation, workforce rationalization, and enhanced efficiency in the management of personnel-related costs. The minimal sensitivity of this indicator to macroeconomic and policy shocks highlights the resilience of the State's fiscal framework and the prioritization of sustainable recurrent spending.

Overall, the analysis confirms that Lagos State's wage bill remains sustainable and fiscally manageable, ensuring that adequate resources are preserved for capital investment and debt servicing. This further reinforces the State's long-term fiscal stability and alignment with prudent expenditure benchmarks.

5.0 DEBT MANAGEMENT STRATEGY

Public debt management involves formulating and implementing a strategy to ensure that government financing needs are met at the lowest possible cost over the medium-to-long term, while maintaining a prudent level of risk.

The Debt Management Strategy (DMS) outlines various policy options and approaches for meeting the State's financing requirements, presenting alternative borrowing strategies and funding compositions. It provides a detailed breakdown of the funding mix between domestic and external debt, and within these categories, illustrates the respective proportions of each instrument type, thereby guiding the State toward a balanced, cost-effective, and sustainable debt portfolio.

5.1 ALTERNATIVE BORROWING OPTIONS

Strategy 1 (S1)– Baseline Scenario

Strategy 1 represents the Baseline Financing Mix derived from the parameters of the Year 2024 fiscal framework and the Medium-Term Expenditure Framework (MTEF) 2025–2027. Under this strategy, the State's domestic gross financing is composed of commercial bank loans, State bonds, and other domestic financing instruments.

Specifically, commercial bank loans with maturities of 1–5 years account for 60% of total domestic financing, while State bond issuances (maturity of 7–10 years) constitute 20%, and external concessional loans make up the remaining 10% of total funding. Over the projection period (2024–2034), external borrowings are expected to consist primarily of concessional loans from the World Bank and the African

Development Bank (AfDB), averaging 10% of total borrowing, alongside bilateral loans averaging 2.5%.

This strategy reflects the State's balanced approach to debt management—optimizing domestic market access while maintaining exposure to low-cost, long-tenor external financing to fund fiscal deficits at minimal cost and with prudent risk exposure.

Strategy 2 (S2)– Domestic Borrowing Focus

Under Strategy 2, the State's financing mix assumes a heavier reliance on the domestic market to close its funding gap over the projection period. This includes commercial bank loans, State bonds, and other domestic instruments (including CBN-backed facilities). The rationale for this strategy lies in ease of access, shorter approval timelines, and the flexibility to renegotiate borrowing terms when necessary.

Here, commercial bank loans (1–5 years) and domestic bonds (6–10 years) each account for 50% of the total domestic borrowing requirement, ensuring a relatively balanced maturity structure while maintaining financing stability within the domestic capital market.

Strategy 3 (S3)– Mixed Domestic and External Financing

Strategy 3 adopts a diversified funding structure, combining both domestic and external borrowing sources. Under this strategy, commercial bank loans (1–5 years) account for 50%, domestic bonds (1–5 years) for 35%, and external concessional financing for 15% of total borrowing.

This financing composition provides a moderate-cost structure while mitigating foreign exchange exposure through a balanced blend of local-currency debt and concessional external loans. It enables the State to optimize borrowing costs while maintaining a manageable debt service profile.

Strategy 4 (S4)– External Concessional Financing Emphasis

Strategy 4 assumes a funding mix heavily weighted toward external concessional financing, with 30% of the borrowing sourced from commercial bank loans and 70%

from bonds throughout the projection period. This strategy is premised on maximizing the benefits of fixed interest instruments and long-tenor facilities, thereby reducing refinancing and interest-rate risks.

Summary of Strategic Options

The four strategies above were developed based on a comprehensive risk–cost analysis, considering macroeconomic conditions, interest rate expectations, exchange rate exposure, and access to both domestic and external financing sources. While the Baseline Strategy (S1) remains the reference scenario, alternative strategies (S2, S3, and S4) provide flexible pathways for the State to respond effectively to changing fiscal and market conditions, ensuring that borrowing remains cost-effective, sustainable, and aligned with Lagos State's long-term fiscal objectives.

5.2 DEBT MANAGEMENT STRATEGY SIMULATION RESULTS

In evaluating the Debt Management Strategy (DMS) and deriving comparative results, the Baseline Strategy (S1) serves as the reference point against which the three alternative strategies, S2, S3, and S4, are assessed. The evaluation is based on key debt performance indicators, namely: the Debt Stock-to-Revenue ratio, Debt Service-to-Revenue ratio, and Interest-to-Revenue ratio, as earlier highlighted.

The analysis examines the cost and risk implications associated with each alternative strategy relative to the baseline scenario. This involves assessing the trade-offs between borrowing costs and exposure to fiscal and market risks, including interest rate, refinancing, and exchange rate risks. By comparing these indicators across strategies, the analysis identifies which financing option delivers the most sustainable and cost-efficient outcome for the State over the medium to long term, while maintaining debt at manageable and prudent levels.

5.2.1 DEBT STOCK/REVENUE

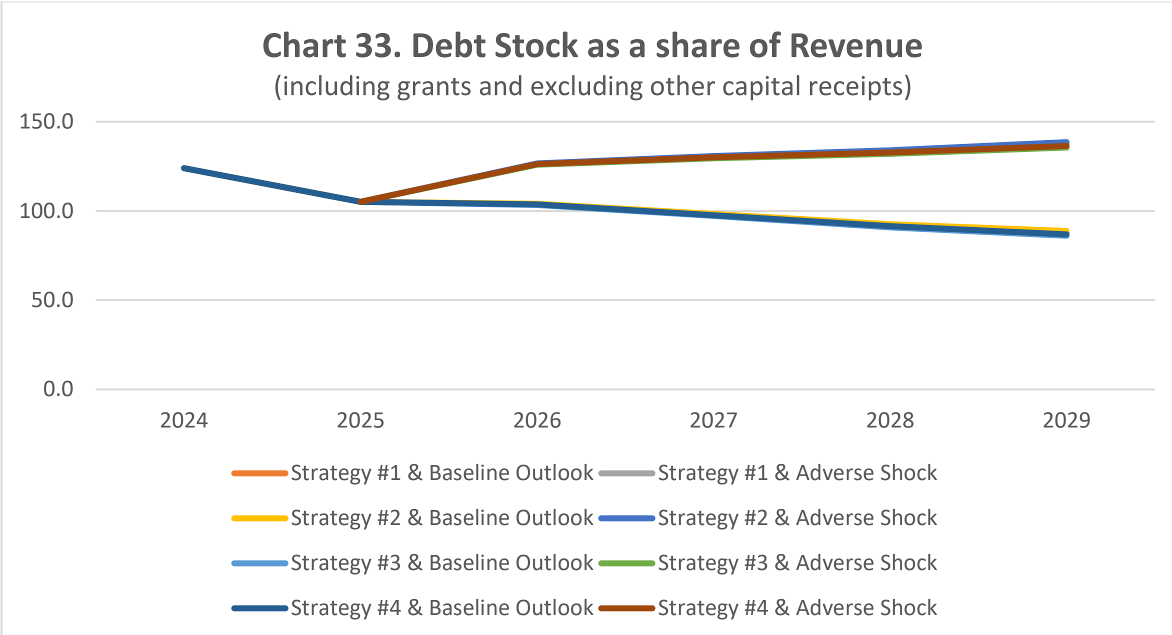
The table below illustrates the comparative assessment of the four debt management strategies (S1–S4) was conducted using the key debt performance indicators: Debt Stock-to-Revenue ratio, Debt Service-to-Revenue ratio, and Interest-to-Revenue ratio. The analysis also incorporates the cost and risk trade-offs associated with each strategy under both baseline and adverse shock scenarios, where the Revenue Shock is identified as the primary adverse condition for all strategies.

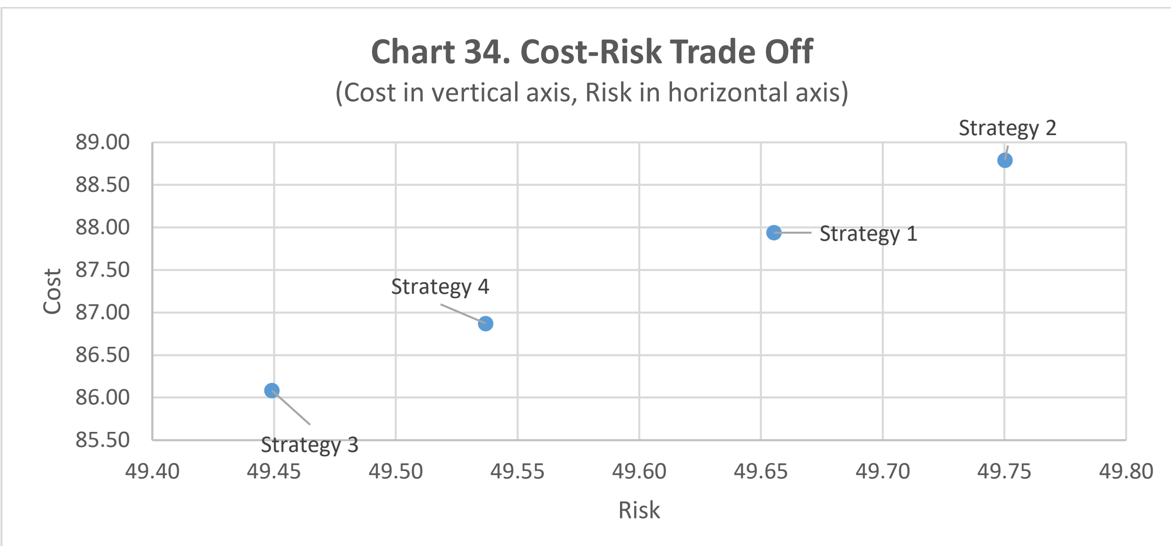
The results of the cost–risk analysis indicate that Strategy 1 (Baseline) presents a moderate cost level (87.9) and a risk measure of 49.7, establishing it as the benchmark for comparison. Strategy 2, which places greater emphasis on domestic borrowing, records the highest cost (88.8) and slightly higher risk (49.8), reflecting the relatively higher interest rates and rollover exposure associated with commercial bank loans. Strategy 3, which adopts a mixed financing structure combining domestic and concessional external borrowing, yields a lower cost (86.1) and risk level of 49.4, suggesting a more balanced trade-off between cost efficiency and risk exposure. Strategy 4, with a heavier reliance on external concessional financing, achieves a cost of 86.9 and a risk measure of 49.5, also reflecting a favourable outcome due to the long tenors and lower interest rates characteristic of such facilities.

Overall, the analysis demonstrates that while the differences in cost and risk levels across strategies are marginal, Strategies 3 and 4 deliver the most cost-effective and risk-moderate outcomes, making them viable alternatives to the baseline. Nevertheless, **Strategy 1 (Baseline) remains** the most balanced and realistic approach, aligning closely with the State's MTEF 2025–2027 framework and its objective of maintaining fiscal prudence, minimizing refinancing pressures, and ensuring long-term debt sustainability under both normal and stressed conditions.

								COST	RISK measured only in 2029
S1_Tables	Indicator2_baseline	**Debt Stock as % of Revenue (including grants and e:**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	
S1_Tables	Indicator2_baseline	Strategy #1 & Baseline Outlook	124.0	105.1	103.7	97.8	92.0	87.9	49.7
S1_Tables	Indicator2_shock	Strategy #1 & Adverse Shock		105.1	126.3	130.3	133.4	137.6	
S2_Tables	Indicator2_baseline	Strategy #2 & Baseline Outlook	124.0	105.1	104.0	98.2	92.6	88.8	49.8
S2_Tables	Indicator2_shock	Strategy #2 & Adverse Shock		105.1	126.7	130.7	134.0	138.5	
S3_Tables	Indicator2_baseline	Strategy #3 & Baseline Outlook	124.0	105.1	103.3	97.2	90.9	86.1	49.4
S3_Tables	Indicator2_shock	Strategy #3 & Adverse Shock		105.1	125.9	129.6	132.1	135.5	
S4_Tables	Indicator2_baseline	Strategy #4 & Baseline Outlook	124.0	105.1	103.7	97.6	91.4	86.9	49.5
S4_Tables	Indicator2_shock	Strategy #4 & Adverse Shock		105.1	126.3	130.0	132.7	136.4	

For Strategy #1, Adverse Shock is Revenue
For Strategy #2, Adverse Shock is Revenue
For Strategy #3, Adverse Shock is Revenue
For Strategy #4, Adverse Shock is Revenue





Charts 33 and 34 present a comparative analysis of Lagos State's debt sustainability under the four proposed financing strategies, highlighting their relative cost-risk trade-offs. Chart 33 shows that the Debt Stock-to-Revenue ratio remains well below the 200% prudential benchmark across all strategies and scenarios (baseline and adverse shock). While all strategies maintain a downward trajectory from 2024 through 2029, Strategy 3 and Strategy 4 demonstrate superior resilience, with lower debt-to-revenue ratios even under stress conditions, reflecting their diversified funding mix and reliance on concessional, long-tenor external financing. In contrast, Strategy 2, which relies more heavily on domestic commercial borrowing, records a slightly higher ratio under both baseline and shock scenarios, indicating greater cost exposure.

Chart 34 further illustrates the cost-risk relationship across strategies, showing that Strategy 3 achieves the most optimal balance, with the lowest cost (≈86.1) and lowest risk (≈49.4) among all options. Strategy 4 also performs strongly, offering a marginally higher cost but a comparable risk profile. The Baseline Strategy (S1) maintains moderate cost and risk levels, representing a realistic and sustainable reference path consistent with the State's MTEF 2025–2027 framework. Overall, the analysis confirms that Strategies 3 and 4 provide the most efficient financing options, minimizing cost while keeping risk well within prudential limits, thereby reinforcing the sustainability of Lagos State's debt management framework.

								COST	RISK measured only in 2029
		Debt Service as % of Revenue (including grants and	2024	2025	2026	2027	2028	2029	
S1_Tables	Indicator4_baseline	Strategy #1 & Baseline Outlook		13.7	18.2	17.6	17.4	17.8	4.1
S1_Tables	Indicator4_shock	Strategy #1 & Adverse Shock		13.7	20.3	20.3	20.8	21.9	
S2_Tables	Indicator4_baseline	Strategy #2 & Baseline Outlook		13.7	18.3	17.3	17.5	17.8	4.1
S2_Tables	Indicator4_shock	Strategy #2 & Adverse Shock		13.7	20.4	20.1	20.9	22.0	
S3_Tables	Indicator4_baseline	Strategy #3 & Baseline Outlook		13.7	18.0	16.9	16.4	16.3	3.9
S3_Tables	Indicator4_shock	Strategy #3 & Adverse Shock		13.7	20.0	19.5	19.7	20.2	
S4_Tables	Indicator4_baseline	Strategy #4 & Baseline Outlook		13.7	18.0	16.3	16.4	15.9	3.9
S4_Tables	Indicator4_shock	Strategy #4 & Adverse Shock		13.7	20.0	18.9	19.7	19.8	

Note: the blue block prints "S1_Tables | Indicator4_baseline" on its first line, beside the header row.

For Strategy #1, Adverse Shock is Revenue
For Strategy #2, Adverse Shock is Revenue
For Strategy #3, Adverse Shock is Revenue
For Strategy #4, Adverse Shock is Revenue

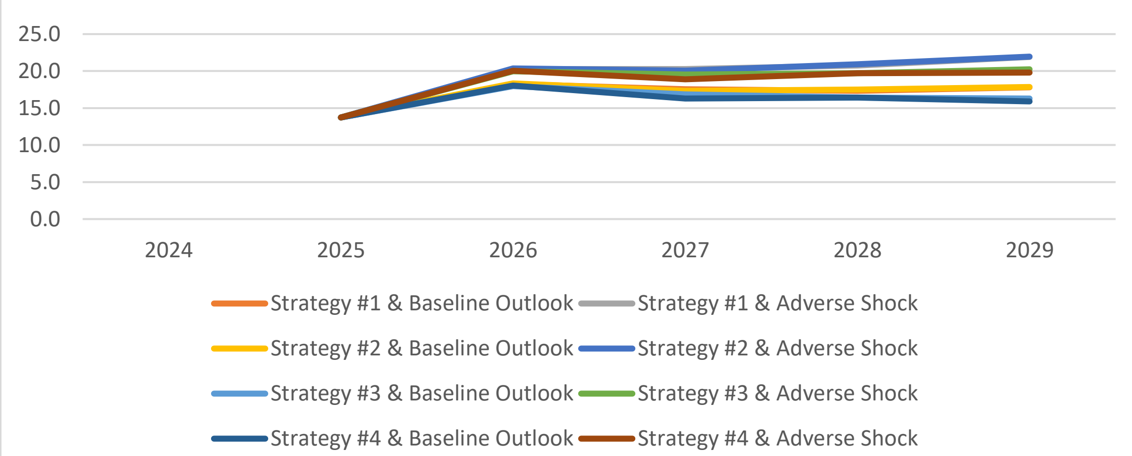


Chart 37. Debt Service as a share of Revenue
(including grants and excluding other capital receipts)

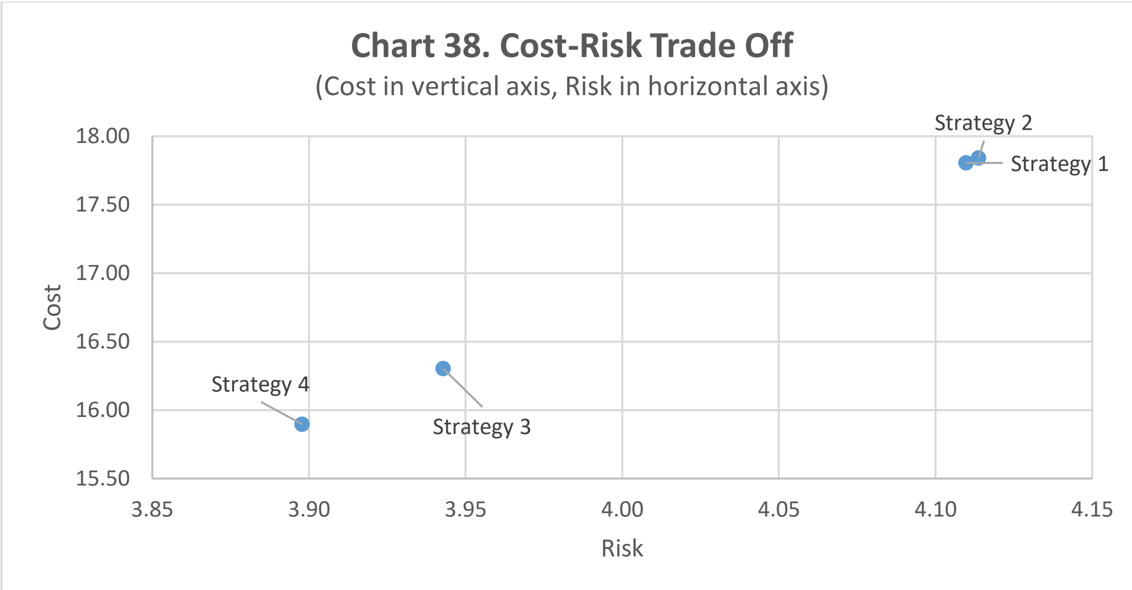


Chart 38 illustrates the cost–risk trade-off across the four debt management strategies, highlighting their relative efficiency in balancing borrowing costs against fiscal risks. The chart shows that Strategies 3 and 4 achieve the most favourable outcomes, offering the lowest cost (≈16.0–16.5) and lowest risk (≈3.9) profiles, reflecting the benefit of a diversified funding mix and higher reliance on concessional, long-tenor external financing. In contrast, Strategies 1 and 2, which depend more heavily on domestic borrowing, exhibit slightly higher costs (≈17.5–18.0) and marginally higher risk levels (≈4.1), indicating greater sensitivity to domestic interest rate and refinancing pressures. Overall, the analysis confirms that Strategies 3 and 4 provide the most cost-efficient and risk-moderate approaches, positioning them as the optimal options for sustaining Lagos State's medium-term debt strategy.

5.2.3 INTEREST/REVENUE

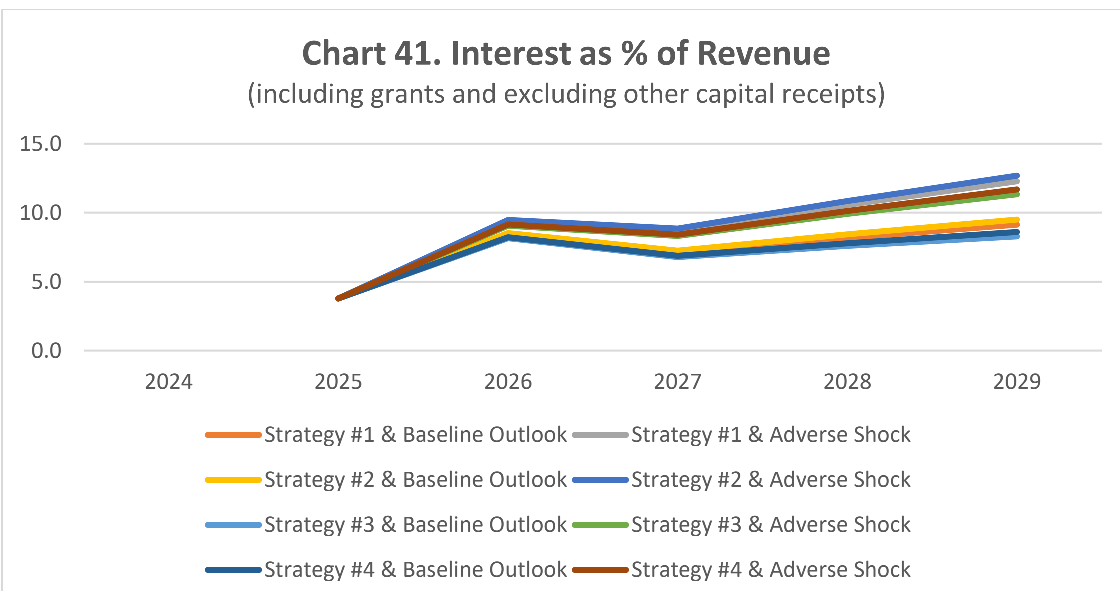
The table below presents the Interest-to-Revenue ratio for Lagos State across the four debt management strategies (S1–S4) under both baseline and adverse revenue shock scenarios for 2024–2029. Across all strategies, interest payments as a share of revenue remain moderate and within sustainable limits. Under baseline conditions, the ratio stabilizes around 8–9% by 2029, indicating prudent debt servicing relative to revenue performance. Under adverse shocks, however, interest costs rise marginally, peaking between 11–13%, reflecting the impact of reduced revenue inflows.

In terms of cost and risk outcomes, Strategies 3 and 4 deliver the most favourable results with lower interest costs (8.3–8.6%) and minimal risk exposure (≈3.1), supported by their diversified and concessional funding mix. Conversely, Strategy 2, which relies more heavily on domestic borrowing, records the highest cost (12.7%) and slightly elevated risk (3.2). Overall, the analysis confirms that Strategies 3 and 4 remain the most cost-efficient and resilient options for Lagos State, even under revenue stress scenarios.

								COST	RISK measured only in 2029
		Interest as % of Revenue (including grants and exclu	2024	2025	2026	2027	2028	2029	
S1_Tables	Indicator6_baseline	Strategy #1 & Baseline Outlook		3.8	8.4	7.1	8.2	9.1	3.1
S1_Tables	Indicator6_shock	Strategy #1 & Adverse Shock		3.8	9.4	8.7	10.6	12.3	
S2_Tables	Indicator6_baseline	Strategy #2 & Baseline Outlook		3.8	8.5	7.3	8.4	9.5	3.2
S2_Tables	Indicator6_shock	Strategy #2 & Adverse Shock		3.8	9.5	8.8	10.8	12.7	
S3_Tables	Indicator6_baseline	Strategy #3 & Baseline Outlook		3.8	8.2	6.8	7.6	8.3	3.1
S3_Tables	Indicator6_shock	Strategy #3 & Adverse Shock		3.8	9.1	8.3	9.9	11.3	
S4_Tables	Indicator6_baseline	Strategy #4 & Baseline Outlook		3.8	8.2	6.9	7.8	8.6	3.1
S4_Tables	Indicator6_shock	Strategy #4 & Adverse Shock		3.8	9.1	8.4	10.1	11.7	

Note: the left block of the table begins one row above the strategies with "S1_Tables | Indicator6_baseline" on the header row.

For Strategy #1, Adverse Shock is Revenue
For Strategy #2, Adverse Shock is Revenue
For Strategy #3, Adverse Shock is Revenue
For Strategy #4, Adverse Shock is Revenue



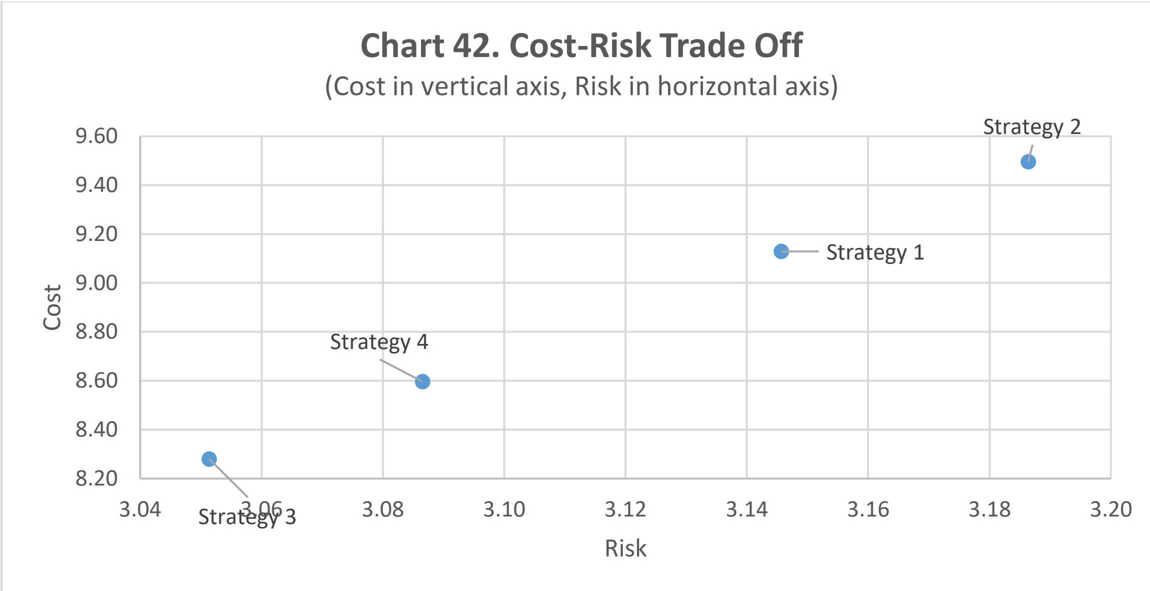


Chart 42 illustrates the cost–risk trade-off among the four debt management strategies, highlighting their relative efficiency in balancing borrowing costs against fiscal risk exposure. The analysis shows that Strategy 3 offers the most optimal outcome, with the lowest cost (≈8.2%) and lowest risk (≈3.05), reflecting its balanced funding structure that combines moderate domestic borrowing with concessional external financing. Strategy 4 follows closely with a slightly higher cost (≈8.6%) but comparable risk, benefiting from its heavy reliance on low-interest, long-tenor external loans.

In contrast, Strategies 1 and 2, which depend more heavily on domestic borrowing, exhibit higher costs (≈9.0–9.5%) and greater risk (≈3.15–3.18) due to exposure to domestic interest rate fluctuations and shorter maturities. Overall, Strategies 3 and 4 demonstrate the most cost-efficient and risk-resilient profiles, reinforcing their suitability as preferred financing options for Lagos State's medium-term debt strategy.

5.3 DMS ASSESSMENT

The cost–risk assessment indicates that Strategy 3 outperforms the Baseline Strategy (S1) in terms of cost efficiency and risk moderation. With an optimized mix of 50% domestic loans, 35% domestic bonds, and 15% concessional external financing, S3 achieves a lower cost of borrowing and a reduced risk profile, as confirmed by the debt service and interest-to-revenue ratios. This structure mitigates refinancing pressures inherent in short-term domestic loans while limiting exposure to foreign exchange risks through a controlled level of external debt. Furthermore, the concessional element of S3 enhances fiscal flexibility, ensuring that debt service obligations remain sustainable relative to revenue over the medium term.

Accordingly, Strategy 3 (S3) is recommended as the preferred debt management strategy for Lagos State. It represents the most cost-effective and risk-resilient option, maintaining fiscal stability and supporting the State's capital investment agenda. The strategy aligns with the State's Medium-Term Expenditure Framework (MTEF 2025–2027) and debt sustainability objectives, providing the optimal blend of affordability, accessibility, and resilience needed to sustain growth and safeguard long-term fiscal sustainability under prevailing macroeconomic conditions

Mr. Abayomi Oluyomi
Honourable Commissioner of Finance

2025

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	Lagos State GDP projections has been applied here as provided by the Federal Debt Management Office (See Control sheet)	Federal Debt Management Office
Revenue	**Revenue**	Projection for revenue have been derived from State's Y2025 Approved Budget and Y2024-Y2026 MTEF , VAT and Statutory Allocations projected by Federal Debt Management Office (See Control Sheet). Total Revenue is projected to grow at 12% p. a largely driven by IGR. it rises from about ₦ 2.97 trn in 2025 to ₦ 8.95 trn in 2034, roughly 12 % annual average growth, with a small dip in 2026. That's consistent with a long-term fiscal or revenue projection for Lagos State. Specifically the Summary of Growth Patternis as follows: Year Projected Revenue (₦ bn) YoY Growth (%) 2025 2,968.2 — 2026 2,615.8 –11.9 2027 2,989.1 +14.3 2028 3,484.8 +16.6 2029 4,066.6 +16.7 2030 4,750.2 +16.8 2031 5,554.9 +16.9 2032 6,503.6 +17.1 2033 7,624.4 +17.2 2034 8,950.8 +17.4	DSA Team, Lagos State Debt Management Office, Federal Debt Management Office
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Statutory Allocation has been applied here as provided by the Federal Debt Management Office (See Control sheet)This component represents ~16 – 20 % of total revenue across the projection horizon (based on your total revenue path), complementing IGR, grants, and other non-tax sources with Average annual nominal growth (2025–2034): ≈ 17 %.The sharp rise in 2026 (+387 %) indicates the normalisation of FAAC inflows after an unusually low base in 2025 — possibly due to temporary revenue compression, delayed remittances, or exceptional deductions at source. From 2027 onward, statutory transfers rise steadily at ~17 % per year, in line with the expected expansion of national oil and non-oil revenues, VAT pool growth, and moderate inflation.	Federal Debt Management Office
	1.a. of which Net Statutory Allocation ('net' means of deductions)	Derivation revenue represents the **13 % constitutional allocation** from oil and gas revenue to producing states. Derivation revenue contributes a stable 0.1 – 0.2 % of Lagos State's total revenue, providing predictable oil-based income to complement IGR and FAAC transfers. The projection assumes stable 10 % annual nominal growth beginning in 2025, reflecting a combination of real output increases, moderate oil price appreciation, and naira depreciation. 2025 baseline at ₦ 3.9 billion reflects stabilization after earlier volatility in FAAC oil component. 2026–2034: consistent 10 % annual increase, driven by: Higher oil export receipts (price × volume), Exchange-rate effects increasing nominal naira inflows, steady remittance of 13 % derivation by NNPC Ltd under the PIA framework and elimination of arrears and improved reconciliation of oil proceeds at FAAC.	DSA Team, Lagos State Debt Management Office
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)		DSA Team, Lagos State Debt Management Office
	3. Other FAAC transfers (exchange rate gain, augmentation	"Other FAAC" is projected to account for 25–30 % of total FAAC transfers, becoming a key driver of aggregate federal transfers to Lagos State. Sustained growth enhances fiscal space for capital expenditure and supports debt service resilience. Moderate volatility necessitates conservative cash-flow management and maintenance of liquidity buffers. The projection assumes an initial moderation in 2026 (–20.5 %) due to expected fiscal tightening, followed by sustained 30 % annual nominal growth as economic	

	3. Other FAAC transfers (exchange rate gain, augmentation, others)	"Other FAAC" is projected to account for 25–30 % of total FAAC transfers, becoming a key driver of aggregate federal transfers to Lagos State. Sustained growth enhances fiscal space for capital expenditure and supports debt service resilience. Moderate volatility necessitates conservative cash-flow management and maintenance of liquidity buffers. The projection assumes an initial moderation in 2026 (−20.5 %) due to expected fiscal tightening, followed by sustained 30 % annual nominal growth as economic activity and consumption taxes expand. Year 2025–2026 dip reflects conservative assumption due to anticipated FAAC reconciliation of 2024 arrears and policy rationalization by the Federation while Year 2027–2034 growth trend driven by Increased consumption and digital transactions, boosting VAT and EMTL, Exchange rate revaluation enhancing naira value of oil-related FX components and Broader tax base and improved remittance compliance under the Fiscal Responsibility and Revenue Mobilization reforms.	DSA Team, Lagos State Debt Management Office
	4. VAT Allocation	VAT projected by Federal Debt Management Office (See Control Sheet). The very large jump in Y2026 (+59.25%) implies either a low 2025 base (arrears/unrecorded VAT in 2025) or a one-off policy/administrative change that caused a large catch-up in 2026 (e.g., major VAT remittance reconciliation, new VAT measures, or reversal of prior exemptions).From 2028 onward the series applies a steady +17% nominal growth each year — a sustained, high nominal growth pace driven by a mix of inflation, stronger consumption, VAT base expansion, and better compliance/collection.	DSA Team, Lagos State Debt Management Office
	5. IGR	IGR is projected to grow by 12% in the medium term and expected to increase with growth in the economy. IGR remains the dominant revenue source, contributing over 60% of total state revenue in early years, and maintaining strong correlation with economic activity. Growth enhances fiscal independence and reduces exposure to FAAC volatility. Sustained IGR improvement strengthens creditworthiness and debt service capacity.2026 contraction: Reflects rationalization of duplicated taxes and improved accounting separation between FAAC and IGR inflows, while Y2027–2034 Sustained 15% annual growth underpinned by Economic recovery boosting PAYE, withholding, and consumption-related taxes, Increased compliance through the State Revenue Administration Law and automation, broadened coverage of property tax and land use charge and enforcement of presumptive tax for SMEs and informal sector operators.	MTEF 2024-2026, DSA Team, Lagos State Debt Management Office

	6. Capital Receipts	Capital Reciept is projected to grow by 12% in the medium term and expected to increase with growth in the economy	
	6.a. Grants	Grants remain a **small but strategic component** (1–2 % of total revenue) supporting capital expenditure and social programs, provides foreign exchange inflows that ease budget financing pressure and Enhances debt sustainability by providing non-debt resources for capital projects. Year 2027–2034 will be driven by higher external grant inflows for social and environmental projects, enhanced project implementation capacity within MDAs leading to improved disbursement rates and expansion in climate finance and donor-supported infrastructure projects.	DSA Team, Lagos State Debt Management Office
	6.b. Sales of Government Assets and Privatization Proceeds		DSA Team, Lagos State Debt Management Office
	6.c. Other Non-Debt Creating Capital Receipts	A One-off declineis expected in 2026 (–13.6%), followed by a steady 12% nominal growth through 2034 and a reflection of moderate, sustainable increase in capital receipts from asset-related sources.	DSA Team, Lagos State Debt Management Office
Expenditure	**Expenditure**	The State's capital expenditure is projected to decline from ₦2.07 trillion in 2025 to ₦1.05 trillion in 2026, following the completion of major ongoing infrastructure projects. From 2027 onward, capital spending is expected to grow at an average nominal rate of 12% annually, reflecting continued investment in transport, housing, environment, and technology sectors. The projections are anchored on improved fiscal discipline, increased PPP participation, and enhanced capital project monitoring to ensure value for money.	
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Y2025 is a **peak personnel cost year** (₦3.27 trillion) due to arrears and wage adjustments, 2026 shows a correction phase, aligning spending with fiscal targets, while Y2027–2034 projects steady nominal growth (~12%), consistent with inflation and controlled headcount expansion.	MTEF 2023-2025
	2. Overhead costs	Year 2025 witnessed High baseline (₦799.5bn) with Inflation, administrative expansion, one-off ICT rollout as the key drivers, while Y2026 had a sharp efficiency correction (₦529.8bn) and Y2027 TO Y2034had a steady 12% annual nominal growth with Inflation, service expansion, gradual wage-linked cost as the key drivers	MTEF 2023-2025

	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		DSA Team, Lagos State Debt Management Office
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		
	5. Capital Expenditure	Total expenditure is projected to decline sharply from N3.27 trillion in 2025 to N2.00 trillion in 2026 following the completion of major infrastructure projects. Thereafter, total spending is expected to grow at an average nominal rate of 12% annually through 2034. The trend reflects sustained investment in infrastructure, human capital, and service delivery, anchored on prudent fiscal management, enhanced revenue mobilization, and improved budget execution efficiency.	MTEF 2023-2025
Closing Cash and Ba	Closing Cash and Bank Balance	The State's Closing Cash Balance is projected to increase from ₦215.9 billion in 2025 to ₦18.2 trillion by 2034. This significant growth trajectory reflects strong fiscal performance, prudent expenditure control, and effective cash management policies. The rising balances serve as a fiscal buffer to meet future obligations, support capital investment, and enhance debt sustainability. The trend underscores the government's commitment to long-term fiscal prudence and efficient public financial management.	DSA Team, Lagos State Debt Management Office
Debt Amotization an	**Debt Outstanding at end-2024**		
	External Debt - amortization and interest	Interest Rate: 2.5%. Maturity: 30years. Grace Period on Principal Repayment: 10years.	DSA Team, Lagos State Debt Management Office
	Domestic Debt - amortization and interest	Interest Rate: 23%. Maturity: 5years. Grace Period on Principal Repayment: 1 year.	DSA Team, Lagos State Debt Management Office
	New debt issued/contracted from 2025 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest Rate: 2.5%. Maturity: 30years. Grace Period on Principal Repayment: 10years.	DSA Team, Lagos State Debt Management Office
	External Financing - Bilateral Loans		DSA Team, Lagos State Debt Management Office
	Other External Financing		DSA Team, Lagos State Debt Management Office
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	27.5% interest rate with 5 years maturity and moratorium of 1 year	DSA Team, Lagos State Debt Management Office
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 1 to 5 years)		DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 6 years or longer)	18% interest rate with 10 years maturity and moratorium of 2 years	DSA Team, Lagos State Debt Management Office
	Other Domestic Financing		DSA Team, Lagos State Debt Management Office
Proceeds from Debt-	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		

corresponding to De	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	60% of required borrowing : Interest Rate: 27.5%. Maturity: 5years. Grace Period on Principal Repayment: 1years.	DSA Team, Lagos State Debt Management Office
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 1 to 5 years)		DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 6 years or longer)	30% of required borrowing : Interest Rate: 18%. Maturity: 5years. Grace Period on Principal Repayment: 2years.	DSA Team, Lagos State Debt Management Office
	Other Domestic Financing		DSA Team, Lagos State Debt Management Office
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	10% of required borrowing : Interest Rate: 2.5%. Maturity: 30years. Grace Period on Principal Repayment: 10years.	DSA Team, Lagos State Debt Management Office
	External Financing - Bilateral Loans		DSA Team, Lagos State Debt Management Office
	Other External Financing		DSA Team, Lagos State Debt Management Office
Proceeds from Debt-	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
corresponding to De	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	50% of required borrowing : Interest Rate: 25%. Maturity: 5years. Grace Period on Principal Repayment: 1year.	DSA Team, Lagos State Debt Management Office
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 1 to 5 years)		DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 6 years or longer)	50% of required borrowing : Interest Rate: 18%. Maturity: 5years. Grace Period on Principal Repayment: 2years.	DSA Team, Lagos State Debt Management Office
	Other Domestic Financing		DSA Team, Lagos State Debt Management Office
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		DSA Team, Lagos State Debt Management Office
	External Financing - Bilateral Loans		DSA Team, Lagos State Debt Management Office
	Other External Financing		DSA Team, Lagos State Debt Management Office
Proceeds from Debt-	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
corresponding to De	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	50% of required borrowing : Interest Rate: 27.5%. Maturity: 5years. Grace Period on Principal Repayment: 1year.	DSA Team, Lagos State Debt Management Office
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)	35% of required borrowing : Interest Rate: 25%. Maturity: 5years. Grace Period on Principal Repayment: 1years.	DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 6 years or longer)		
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	15% of required borrowing : Interest Rate: 2.5%. Maturity: 30years. Grace Period on Principal Repayment: 10years.	DSA Team, Lagos State Debt Management Office
	External Financing - Bilateral Loans		
	Other External Financing		

Proceeds from Debt-corresponding to De	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	30% of required borrowing : Interest Rate: 25%. Maturity: 5years. Grace Period on Principal Repayment: 1year.	DSA Team, Lagos State Debt Management Office
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 1 to 5 years)		DSA Team, Lagos State Debt Management Office
	State Bonds (maturity 6 years or longer)	70% of required borrowing : Interest Rate: 18%. Maturity: 5years. Grace Period on Principal Repayment: 2years.	DSA Team, Lagos State Debt Management Office
	Other Domestic Financing		DSA Team, Lagos State Debt Management Office
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		DSA Team, Lagos State Debt Management Office
	External Financing - Bilateral Loans		DSA Team, Lagos State Debt Management Office
	Other External Financing		DSA Team, Lagos State Debt Management Office

Indicator	Actuals					Projections									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	35,639,959.61	##########	46,756,388.71	54,164,048.64	64,114,868.67	74,415,164.27	85,352,490.35	98,091,692.19	113,678,877.23	126,481,960.78	140,726,991.62	156,576,369.05	174,210,782.61	###########	#########
Exchange Rate NGN/US$ (end-Period)	305.80	306.50	326.00	379.00	1,300.00	1,602.69	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00
Fiscal Indicators (Million Naira)															
Revenue	**893,694.07**	**1,053,195.16**	**1,247,689.48**	**1,624,436.32**	**2,535,652.72**	**3,367,698.77**	**2,723,293.20**	**3,503,997.09**	**4,078,322.13**	**4,777,808.75**	**5,657,073.88**	**6,642,826.08**	**7,855,877.44**	**9,243,455.72**	**#########**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	45,879.84	47,436.27	49,474.06	42,886.53	20,206.41	100,800.00	491,320.11	574,844.53	672,568.10	786,904.68	920,678.47	1,077,193.81	1,260,316.76	1,474,570.61	#########
1.a. of which Net Statutory Allocation ('net' means of deductions)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	314.47	3,784.54	0.00	0.00	0.00	3,900.00	0.00	4,290.00	4,719.00	5,190.90	5,709.99	6,280.99	6,909.09	7,600.00	8,360.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	5,154.11	3,509.22	2,186.44	64,356.74	299,138.61	169,437.00	134,747.80	175,172.14	227,723.78	296,040.92	384,853.19	500,309.15	650,401.89	845,522.46	#########
4. VAT Allocation	131,970.18	139,104.56	161,762.70	222,449.67	450,109.66	352,000.00	560,547.29	634,149.66	741,955.10	868,087.47	1,015,662.33	1,188,324.93	1,390,340.17	1,626,698.00	#########
5. IGR	437,161.06	555,651.32	679,462.78	874,024.77	1,292,832.51	2,230,177.00	1,343,805.00	1,505,061.60	1,730,820.84	1,990,443.97	2,289,010.56	2,632,362.15	3,027,216.47	3,481,298.94	#########
6. Capital Receipts	273,214.41	303,709.25	354,803.50	420,718.61	473,365.53	511,384.77	192,873.00	610,479.16	700,535.31	831,140.82	1,041,159.33	1,238,355.05	1,520,693.06	1,807,765.72	#########
6.a. Grants	23,297.65	3,890.08	5,361.30	12,255.00	3,951.96	52,549.00	34,136.80	38,233.22	42,821.20	47,959.75	53,714.92	60,160.71	67,379.99	75,465.59	84,521.46
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	13,927.94	19,214.61	31,418.66	29,980.00	253,310.37	59,290.00	51,205.20	57,349.82	64,231.80	71,939.62	80,572.37	90,241.06	101,069.99	113,198.38	126,782.19
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	235,988.82	280,604.56	318,023.50	378,483.61	216,103.20	399,545.77	107,531.00	514,896.12	593,482.30	711,241.46	906,872.04	1,087,953.28	1,352,243.08	1,619,101.74	#########
Expenditure	**844,481.96**	**1,052,157.04**	**1,357,368.99**	**1,478,156.66**	**2,317,868.81**	**3,671,361.77**	**2,472,177.66**	**2,592,896.35**	**2,934,057.89**	**3,347,883.74**	**3,877,388.67**	**4,435,030.77**	**5,124,083.56**	**5,870,143.83**	**#########**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	170,757.71	153,535.51	168,711.18	199,411.90	277,987.82	401,120.00	429,151.42	440,510.95	506,587.59	582,575.73	669,962.09	770,456.40	886,024.87	1,018,928.60	#########
2. Overhead costs	168,080.42	244,968.23	256,266.32	369,568.67	546,374.16	799,511.00	529,826.42	541,775.36	606,788.40	679,603.01	761,155.37	852,494.02	954,793.30	1,069,368.50	#########
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	50,874.61	66,878.93	94,050.65	127,405.95	163,578.75	109,822.01	215,983.19	208,869.15	279,837.81	364,664.39	464,661.52	583,704.19	727,475.52	893,373.57	#########

3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	10,526.42	31,499.88	50,166.91	71,481.47	87,811.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	40,348.19	35,379.06	43,883.74	55,924.48	75,767.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Capital Expenditure	304,936.59	424,468.17	651,897.69	598,367.06	1,077,387.67	2,071,185.00	1,045,414.42	1,095,713.92	1,227,199.59	1,374,463.54	1,539,399.17	1,724,127.07	1,931,022.31	2,162,744.99	########
6. Amortization (principal) payments	149,832.63	162,306.19	186,443.15	183,403.07	252,540.42	289,723.76	251,802.21	306,026.97	313,644.50	346,577.07	442,210.52	504,249.09	624,767.56	725,728.18	867,838.14
Budget Balance ('+' means surplus, '-' means deficit)	**49,212.11**	**1,038.12**	**-109,679.51**	**146,279.67**	**217,783.91**	**-303,663.00**	**251,115.54**	**911,100.74**	**1,144,264.24**	**1,429,925.01**	**1,779,685.21**	**2,207,795.30**	**2,731,793.88**	**3,373,311.89**	**########**
Opening Cash and Bank Balance	**214,915.37**	**264,127.48**	**265,165.60**	**155,486.09**	**301,765.76**	**519,549.67**	**215,886.67**	**467,002.20**	**1,378,102.94**	**2,522,367.18**	**3,952,292.19**	**5,731,977.40**	**7,939,772.70**	**10,671,566.57**	**########**
Closing Cash and Bank Balance	**264,127.48**	**265,165.60**	**155,486.09**	**301,765.76**	**519,549.67**	**215,886.67**	**467,002.20**	**1,378,102.94**	**2,522,367.18**	**3,952,292.19**	**5,731,977.40**	**7,939,772.70**	**10,671,566.57**	**14,044,878.47**	**########**

Financing Needs and Sources (Million Naira)

Financing Needs						**458,835.77**	**158,736.20**	**572,245.94**	**657,714.11**	**783,181.08**	**987,444.42**	**1,178,194.34**	**1,453,313.07**	**1,732,300.13**	**########**
i. Primary balance						-362,953.00	560,164.74	853,750.91	1,080,032.44	1,357,985.39	1,699,112.84	2,117,554.24	2,630,723.89	3,260,113.51	########
ii. Debt service						399,545.77	467,785.40	514,896.12	593,482.30	711,241.46	906,872.04	1,087,953.28	1,352,243.08	1,619,101.74	########
Amortizations						289,723.76	251,802.21	306,026.97	313,644.50	346,577.07	442,210.52	504,249.09	624,767.56	725,728.18	867,838.14
Interests						109,822.01	215,983.19	208,869.15	279,837.81	364,664.39	464,661.52	583,704.19	727,475.52	893,373.57	########
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-303,663.00	251,115.54	911,100.74	1,144,264.24	1,429,925.01	1,779,685.21	2,207,795.30	2,731,793.88	3,373,311.89	########
Financing Sources						**458,835.77**	**158,736.20**	**572,245.94**	**657,714.11**	**783,181.08**	**987,444.42**	**1,178,194.34**	**1,453,313.07**	**1,732,300.13**	**########**
i. Financing Sources Other than Borrowing						59,290.00	51,205.20	57,349.82	64,231.80	71,939.62	80,572.37	90,241.06	101,069.99	113,198.38	126,782.19
ii. Gross Borrowings						399,545.77	107,531.00	514,896.12	593,482.30	711,241.46	906,872.04	1,087,953.28	1,352,243.08	1,619,101.74	########
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						239,727.46	64,518.60	308,937.67	356,089.38	426,744.87	544,123.23	652,771.97	811,345.85	971,461.05	########
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						119,863.73	32,259.30	154,468.84	178,044.69	213,372.44	272,061.61	326,385.99	405,672.92	485,730.52	587,906.63
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						39,954.58	10,753.10	51,489.61	59,348.23	71,124.15	90,687.20	108,795.33	135,224.31	161,910.17	195,968.88
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Debt Stocks and Flows (Million Naira)

Debt (stock)		**951,123.30**	**1,072,427.95**	**1,364,250.85**	**1,528,718.57**	**2,561,292.28**	**3,057,882.52**	**2,659,447.87**	**2,868,317.02**	**3,148,154.82**	**3,512,819.21**	**3,977,480.73**	**4,561,184.93**	**5,288,660.45**	**6,182,034.01**	**#########**
External		437,648.73	413,437.85	419,440.18	475,758.70	1,661,100.56	2,009,694.76	1,681,162.61	1,643,235.60	1,612,512.17	1,592,294.17	1,586,692.58	1,587,208.14	1,617,730.23	1,682,605.82	#########
Domestic		513,474.58	658,990.10	944,810.66	1,052,959.87	900,191.72	1,048,187.76	978,285.26	1,225,081.42	1,535,642.65	1,920,525.04	2,390,788.16	2,973,976.78	3,670,930.22	4,499,428.20	#########
Gross borrowing (flow)							**399,545.77**	**107,531.00**	**514,896.12**	**593,482.30**	**711,241.46**	**906,872.04**	**1,087,953.28**	**1,352,243.08**	**1,619,101.74**	**#########**
External							39,954.58	10,753.10	51,489.61	59,348.23	71,124.15	90,687.20	108,795.33	135,224.31	161,910.17	195,968.88
Domestic							359,591.19	96,777.90	463,406.51	534,134.07	640,117.31	816,184.84	979,157.96	1,217,018.77	1,457,191.57	#########
Amortizations (flow)		**184,241.41**	**207,407.58**	**366,051.13**	**240,988.72**	**293,181.10**	**289,723.76**	**251,802.21**	**306,026.97**	**313,644.50**	**346,577.07**	**442,210.52**	**504,249.09**	**624,767.56**	**725,728.18**	**867,838.14**
External		11,244.27	14,834.60	14,306.23	18,314.06	63,596.24	78,128.61	85,121.81	89,416.62	90,071.66	91,342.15	96,288.80	108,279.76	104,702.22	97,034.58	97,034.58
Domestic		172,997.14	192,572.98	351,744.90	222,674.66	229,584.86	211,595.15	166,680.40	216,610.35	223,572.84	255,234.92	345,921.72	395,969.33	520,065.34	628,693.59	770,803.55
Interests (flow)		**46,432.18**	**60,411.91**	**90,475.54**	**119,725.10**	**158,323.45**	**109,822.01**	**215,983.19**	**208,869.15**	**279,837.81**	**364,664.39**	**464,661.52**	**583,704.19**	**727,475.52**	**893,373.57**	**#########**
External		4,617.58	5,630.41	4,544.91	5,871.15	18,194.40	21,529.34	22,478.03	21,938.82	22,340.36	22,881.67	23,658.10	24,679.36	26,230.12	27,692.09	30,428.20
Domestic		41,814.60	54,781.50	85,930.63	113,853.95	140,129.05	88,292.67	193,505.16	186,930.33	257,497.44	341,782.72	441,003.43	559,024.83	701,245.40	865,681.48	#########
Net borrowing (gross borrowing minus amortizations)							**109,822.01**	**-144,271.21**	**208,869.15**	**279,837.81**	**364,664.39**	**464,661.52**	**583,704.19**	**727,475.52**	**893,373.57**	**#########**
External							-38,174.03	-74,368.71	-37,927.01	-30,723.43	-20,218.00	-5,601.59	515.57	30,522.08	64,875.59	98,934.29
Domestic							147,996.04	-69,902.50	246,796.16	310,561.24	384,882.39	470,263.11	583,188.62	696,953.44	828,497.98	992,916.35
Debt and Debt-Service Indicators																
Debt Stock as % of SGDP		**2.67**	**2.64**	**2.92**	**2.82**	**3.99**	**4.11**	**3.12**	**2.92**	**2.77**	**2.78**	**2.83**	**2.91**	**3.04**	**3.19**	**3.37**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		**147.74**	**142.35**	**151.88**	**125.72**	**123.96**	**105.12**	**103.70**	**97.84**	**92.03**	**87.94**	**85.18**	**83.47**	**82.60**	**82.30**	**82.43**
Debt Service as % of SGDP							**0.54**	**0.55**	**0.52**	**0.52**	**0.56**	**0.64**	**0.69**	**0.78**	**0.84**	**0.91**
Debt Service as % of Revenue (including grants and excluding other capital receipts)							**13.74**	**18.24**	**17.56**	**17.35**	**17.80**	**19.42**	**19.91**	**21.12**	**21.56**	**22.21**
Interest as % of SGDP							**0.15**	**0.25**	**0.21**	**0.25**	**0.29**	**0.33**	**0.37**	**0.42**	**0.46**	**0.51**
Interest as % of Revenue (including grants and excluding other capital receipts)							**3.78**	**8.42**	**7.12**	**8.18**	**9.13**	**9.95**	**10.68**	**11.36**	**11.89**	**12.37**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							**13.79**	**16.73**	**15.03**	**14.81**	**14.58**	**14.35**	**14.10**	**13.84**	**13.57**	**13.28**
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2029																
For Debt Stock as % of SGDP the adverse shock is: Revenue	**Revenue**															
Debt Stock as % of SGDP							**4.11**	**3.42**	**3.51**	**3.61**	**3.91**	**4.26**	**4.65**	**5.09**	**5.57**	**6.10**
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	**Revenue**															
Debt Stock as % of Revenue (including grants and excluding other capital receipts)							**105.12**	**126.33**	**130.32**	**133.37**	**137.59**	**142.60**	**148.11**	**153.93**	**159.78**	**165.52**
For Debt Service as % of SGDP the adverse shock is: Revenue	**Revenue**															
Debt Service as % of SGDP							**0.54**	**0.55**	**0.55**	**0.56**	**0.62**	**0.73**	**0.96**	**1.08**	**1.18**	**1.30**
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	**Revenue**															
Debt Service as % of Revenue (including grants and excluding other capital receipts)							**13.74**	**20.27**	**20.29**	**20.76**	**21.91**	**24.31**	**30.61**	**32.69**	**33.92**	**35.32**
For Interest as % of SGDP the adverse shock is: Revenue	**Revenue**															
Interest as % of SGDP							**0.15**	**0.25**	**0.23**	**0.29**	**0.35**	**0.41**	**0.48**	**0.54**	**0.61**	**0.68**
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	**Revenue**															
Interest as % of Revenue (including grants and excluding other capital receipts)							**3.78**	**9.36**	**8.69**	**10.57**	**12.27**	**13.79**	**15.15**	**16.41**	**17.45**	**18.40**