



LAGOS STATE GOVERNMENT
ECONOMIC AND FISCAL UPDATE (EFU),
FISCAL STRATEGY PAPER (FSP) AND
BUDGET POLICY STATEMENT (BPS)

FY2023-2025

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Abbreviations

BPS	Budget Planning Strategy
CBN	Central Bank of Nigeria
CIA	Central Intelligence Agency
COFOG	Classifications of Functions of Government
CPIA	Country Policy and Institutional Assessment
CRF	Consolidated Revenue Fund
DSA	Debt Sustainable Analysis
DMD	Debt Management Department
EIU	Economic Intelligence Unit
EFU	Economic and Fiscal Update
eGIS	Enterprise Geographic Information System
EMTL	Electronic Money Transfer Levy
ERGP	Economic Recovery Growth Plan
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FDI	Foreign Direct Investment
FIRS	Federal Inland Revenue Service
FMF	Federal Ministry of Finance
FSP	Fiscal Strategy Paper
FRA	Fiscal Responsibility Acts
GDP	Gross Domestic Product
HRM	Human Resource Management
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IPP	Independent Power Project
KPI	Key Performance Indicator
LASG	Lagos State Government
LASPPA	Lagos State Public Procurement Agency
LIRS	Lagos State Internal Revenue Service
LSDP	Lagos State Development Plan
LUC	Land Use Charge
MDAs	Ministry, Department and Agencies
MoF	Ministry of Finance
MTBF	Medium-term Budget Framework
MTEF	Medium-term Expenditure Framework
MTFF	Medium-term Fiscal Framework
MTSS	Medium-term Sector Strategy
NAFTA	North America Free Trade Agreement
NBS	National Bureau of Statistics
NESG	Nigerian Economic Summit Group
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAG	Office of the Accountant General
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PAC	Public Account Committee
PFM	Public Financial Management

PPP	Public Private Partnership
PITA	Personal Income Tax Act
RGDP	Real Gross Domestic Product
SDGs	Sustainable Development Goals
SHoA	State House of Assembly
STO	State Treasury Office
THEMES	Traffic Management & Transportation, Health & Environment, Education & Technology, Making Lagos a 21st century economy, Entertainment & Tourism and Security & Governance
TWG	Technical Working Group
TPRM	THEMES Peer Review Mechanism
VAT	Value Added Tax
WEO	World Economic Outlook

Section 1 Introduction and Background

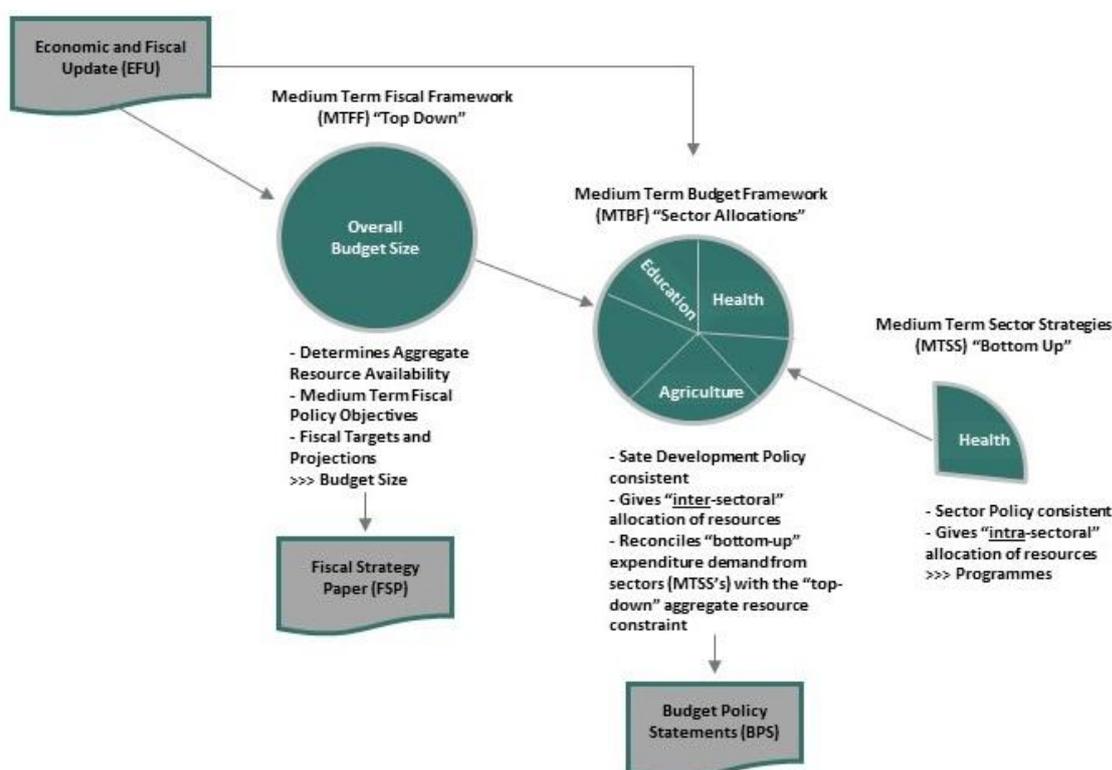
1.A Introduction

1. The Economic and Fiscal Update (EFU) provides economic and fiscal analyses which form the basis for budget planning process. It is aimed primarily at policy makers and decision takers in Lagos State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.
2. On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.
3. Lagos State Government decided to adopt the preparation of the EFU-FSP-BPS for the first time in 2012 as part of the movement toward a comprehensive MTEF process. This is the 11th rolling iteration of the document and covers the period 2023 -2025.

1.A.1 Budget Process

4. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:
 - i. Medium Term Fiscal Framework (MTFF);
 - ii. Medium Term Budget Framework (MTBF);
 - iii. Medium Term Sector Strategies (MTSS).
5. It commences with the conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year’s budget.
6. The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

7. In accordance with international best practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Lagos State Government (LASG) for the period 2023-2025.
8. The purpose of this document is three-fold:
 - i. To provide a backwards looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update;
 - ii. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTF; and
 - iii. Provide indicative sector envelopes for the period 2023-2025 which constitute the MTBF.
9. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis in order to inform the budget planning process. It is aimed primarily at budget policy makers and decision takers in the Lagos State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:
 - Overview of Global, National and State Economic Performance;
 - Overview of the Petroleum Sector;
 - Trends in budget performance over the last six years.
10. The FSP is a key element in the LASG Medium Term Expenditure Framework (MTEF) process and annual budget process. As such, it determines the resources available to fund the Government's growth and poverty reduction programme from a fiscally sustainable perspective.

1.A.3 Preparation and Audience

11. The purpose of this document is to provide an informed basis for the 2023-2025 budget preparation cycle for all of the key Stakeholders, specifically:
 - Executive Council (ExCo);
 - State House of Assembly (SHoA);
 - Ministry of Economic Planning and Budget (MEPB);
 - Ministry of Finance (MoF);
 - All Government Ministries, Departments and Agencies (MDAs); and
 - Civil Society Organisations.
12. The document is prepared within in the first two quarters of the year prior to the annual budget preparation period. It is prepared by Lagos State Government (EFU-FSP-BPS) Working Group using data collected from International, National and State organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for Public Finance Management (PFM)

13. Legislative Framework for PFM in Lagos State

- A. Financial Control & Management (2009)** – The **Financial Control and Management** was enacted to ensure that the requisite rules and regulations that would guarantee probity and transparency in the control and management of public funds and resources of government are put in place. Some key provisions of the law are:
- i. Authority of remission of funds to the Consolidated Revenue Account resides with each MDAs;
 - ii. Public money shall be paid into the Consolidated Revenue Fund or other appropriate funds;
 - iii. No public or official account shall be opened in any bank without prior authority in writing of the Ministry;

- iv. Contingency funds may be utilized for making money available to meet expenditure which is not provided for in the appropriation law of Consolidated Revenue Fund;
- v. The State Commissioner may limit or suspend expenditure if the public interest so requires; and
- vi. The Accountant General shall transmit to the Auditor-general accounts showing the financial position of the State at the beginning of a fiscal year.

B. Public Procurement Laws - The Lagos State **Public Procurement Law** was enacted in Y2011, "to establish the State council on public procurement as the regulatory authorities responsible for the monitoring and oversight of public procurement, harmonizing the existing government policies and practices by regulating, setting standard, developing the legal framework and professional capacity for public procurement in Lagos state and for related matters". The law sets out provisions for:

- vii. Open Competitive bidding using clearly defined criteria;
- viii. Promotion of economy, efficiency and equal opportunities to all interested bidders;
- ix. Simple, sustainable and standardised with uniform application;
- x. Executing in an effective, efficient, transparent, timely and equitable manner to ensure accountability;
- xi. Public monitoring of the procurement process and the implementation of contracts awarded;
- xii. Procurement plans shall be supported by prior budgetary appropriation; and
- xiii. Strictly adhere to the procurement implementation process.

C. Audit Laws 26th July, 2011

- xiv. The Auditor General will determine which auditing standards should be applied and may establish audit programmes and code of ethics specific to the audit performed by him. Notes will provide information about the basis of preparation of the financial statements and specific accounting policies;
- xv. After the close of each fiscal year, the Accounting officer will prepare and submit to the Accountant-General, with a copy to the Auditor-General, appropriation accounts of the monies expended under the votes for which they are responsible;
- xvi. Without prejudice, any person who fails to reply to an audit query within the specified period may be liable to disciplinary action;
- xvii. Review of the Auditor-General's audit report will be done by the Public Accounts Committee (PAC);
- xviii. Annual estimates & expenditures must be prepared and submitted to the House at least 90 days before beginning of each year; and
- xix. The Auditor-General may amend the draft plan after comments from the House or PAC and submit to the Ministry of Economic Planning & Budget for inclusion in the State budget.

D. Fiscal Responsibility Acts (FRA) 30th July, 2007

- xx. Although, FRA provides for the preparation of MTEF, but at States' discretion, this can be modified as appropriate. The Lagos State Government therefore, provides for the preparation of MTBF, over the next three financial years, not later than four months before the commencement of the next financial years as prepared by the Ministry of Economic Planning & Budget;
- xxi. The State also provides that the MTBF shall be the basis for the preparation of the annual budget;
- xxii. Mandates the Accountant-General of the State to prepare the annual cash plan of each financial year; and
- xxiii. The State also borrow for only capital expenditure and human development on not more than 3% interest rate with long amortisation period and on approval.

14. Institutional Framework for PFM in Lagos State –

- A. The Executive arm of the government proposes the budget and implements it after legislative approval. MDAs assist the Executive to perform these functions and receive authorization of the Governor to commence project execution. The Governor's express authorization is necessary for MDAs to award contracts (despite being in the approved budget) and for the treasury to honour due Certificates.
- B. The House of Assembly appropriates expenditure in the budget, maintains oversight over budget execution, and enforces audit findings. The Auditor General reviews and reports on budget implementation. Lagos State Public Procurement Agency (LASPPA), Lagos Internal Revenue Service (LIRS), MoF and MEPB, are key executive PFM institutions.
- C. The MEPB coordinates strategic fiscal planning and the budget preparation. The MoF manages public finances. The State Treasury Office (STO) and the Debt Management Office (DMO) are semi-autonomous and professional arms of the MoF, each charged with specific functions. The LIRS performs revenue administration; the STO performs treasury and accounting functions, while the DMO manages public debt. Treasury and accounting functions include receipt of revenue (not generation), expenditure management, financial reporting and internal audit. The STO deploys personnel to run the finance and internal audit departments of MDAs. MDAs prepare monthly returns of transcripts and bank reconciliation statements to the Accountant General. The LASPPA regulates public procurement, ensuring compliance with best practices.

1.B.2 Overview of Budget Calendar

15. Indicative Budget Calendar for Lagos State Government is presented below:

Table 1: Budget Calendar

SN	SUBJECT	ACTIVITY	PROPOSED DATE	ACTION BY
1	Conclusion on 2021 & Inception of Y2022 Budget	Y2022 Budget Analysis	January	MEPB
		Issuance of Y2022 Budget Operational Guidelines	January	MEPB
2	Budget Performance Appraisal	4th Quarter/Full Year Y2021 Budget Performance Appraisal	January	MEPB
		1st Quarter Y2022 Budget Performance Appraisal	April	MEPB
		2nd Quarter/Mid-Year Review of Y2022 Budget Performance	July	MEPB
		3rd Quarter Y2022 Budget Performance Appraisal	October	MEPB
		Y2022 Budget Performance Appraisal for the 4th Quarter/Full Year	January, 2023	MEPB
3	Implementation of the Y2022 Budget	Publishing of Citizens Guide	February	MEPB
		Publishing of Abridged Budget Document	March	MEPB
		Hosting of detailed Budget on Lagos State Website	January	MEPB
4	Commencement of Y2023 Budget Preparation	Meeting with Major Revenue Generating Agencies and Ministry of Establishment Training & Pensions on Fiscal Strategy 2023-2025	April,2022	MEPB
		Preparation and Adoption of Fiscal & Sector Strategy for 2023-2025	June,2022	MEPB
		Presentation of 2023-2025 Economic & Fiscal Update/MTBF to EXCO/Forwarding to HOA	June,2022	MEPB
		Function Group Budget Disaggregation Meeting	July,2022	MEPB
		Submission of Function Group agreed figure	July,2022	MEPB
5	Commencement of Y2023 Budget Preparation	Budget Consultative Forum	August,2022	MEPB
		Ikeja Division		
		Badagry Division		
		Lagos Division		
		Ikorodu Division		
		Epe Division		
6	Preparation of Y2023 Budget Estimates	Issuance of Y2023 Call Circular	August,2022	MEPB
		Submission of Budget Proposals	August,2022	All MDAs
		Evaluation of Proposals/Workshop on MTSS/Budget Allignment	September,2022	MEPB
		Uploading of Budget proposals into the Oracle	September,2022	MEPB
		Bilateral Budget discussions	September,2022	All MDAs
7	Collation of Bilaterally Agreed Budget Figures	Compilation of Revenue, Personnel Cost, Overhead Cost,Capital Cost etc	September,2022	MEPB
		Production of Budget summary table	September,2022	MEPB
8	Y2023 Draft Budget	Presentation of Y2023 Draft Budget to the State Treasury Board for Consideration and Approval	October,2022	MEPB
		Presentation of Y2023 Draft Budget to the State Executive Council for Consideration and Approval	October,2022	MEPB
		Presentation of the Y2023 Appropriation Bill to the House of Assembly	October,2022	HC (MEPB)
		EXCO Legislative Parley on Proposed Y2023 Budget	October,2022	EXCO/LSHA
9	Legislative Processes	Consideration of the Appropriation Bill by the House of Assembly	October - December	LSHA
		Passing of Y2023 Appropriation Bill into law by House		
10	Appropriation Law	Printing of the Appropriation Law	December	LSHA
		Assent of Y2023 budget by Mr. Governor	December	HE
		Updating of Y2023 Approved Budget into the Oracle	January, 2023	MDAs
11	Conclusion of Y2021 Budget	Y2022 Budget Performance Appraisal for the 4th Quarter/Full year	January, 2023	MEPB

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

War Sets Back the Global Recovery

16. The International Monetary Fund's (IMF's) April 2022 World Economic Outlook (WEO) Update, provides that the war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution. Economic damage from the conflict will contribute to a significant slowdown in global growth in 2022. A severe double-digit drop in GDP for Ukraine and a moderate contraction in Russia are more than likely, along with worldwide spill overs through commodity markets, trade, and financial channels. Even as the war reduces growth, it will add to inflation. Fuel and food prices have increased rapidly, with vulnerable populations—particularly in low-income countries—most affected.
17. Elevated inflation will complicate the trade-offs central banks will face between containing price pressures and safeguarding growth. Interest rates are expected to rise as central banks tighten policy, exerting pressure on emerging market and developing economies. Moreover, many countries have limited fiscal policy space to cushion the impact of the war on their economies.
18. The invasion has contributed to economic fragmentation as a significant number of countries sever commercial ties with Russia and risks derailing the post-pandemic recovery. It also threatens the rules-based frameworks that have facilitated greater global economic integration and helped lift millions out of poverty.
19. In addition, the conflict adds to the economic strains wrought by the pandemic. Although many parts of the world appear to be moving past the acute phase of the COVID-19 crisis, deaths remain high, especially among the unvaccinated. Moreover, recent lockdowns in key manufacturing and trade hubs in China will likely compound supply disruptions elsewhere.
20. Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 projection in the January World Economic Outlook Update. Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term.
21. Crucially, this forecast assumes that the conflict remains confined to Ukraine, further sanctions on Russia exempt the energy sector (although the impact of European countries' decisions to wean themselves off Russian energy and embargoes announced through March 31, 2022, are factored into the baseline), and the pandemic's health and economic impacts abate over the course of 2022.
22. With a few exceptions, employment and output will typically remain below pre-pandemic trends through 2026. Scarring effects are expected to be much larger in emerging market and developing economies than in advanced economies—reflecting more limited policy support and generally slower vaccination—with output expected to remain below the pre-pandemic trend throughout the forecast horizon.
23. Unusually high uncertainty surrounds this forecast, and downside risks to the global outlook dominate—including from a possible worsening of the war, escalation of sanctions on Russia, a sharper-than-anticipated deceleration in China as a strict zero-COVID strategy is tested by Omicron, and a renewed flare-up of the pandemic should a new, more virulent virus strain emerge.
24. War-related interruptions to production, trade sanctions, and strongly impaired access to cross-border payment systems will disrupt trade flows, notably for energy and food. The magnitude of these changes depends not only on the decline in exports because of the conflict and sanctions, but also on the elasticity of global supply and demand. Although the price of oil has risen sharply, spare capacity in other countries and the release of petroleum reserves will likely mean that these increases will be contained over the medium term. In contrast, the relatively inflexible infrastructure needed to transport gas (pipelines are more important for gas than for oil, for example) means that global supply can adjust less easily, raising the prospect of higher prices for longer.
25. Prices of agricultural commodities are likely to rise further—particularly wheat (together, Russia and Ukraine account for close to 30 percent of global wheat exports) and, to a lesser extent, corn. These

changes will add to already soaring prices of staple foods and mean that disruptions to Ukraine and Russian exports may be windfalls for other commodity exporters. The sharp increases in commodity prices echo those in the 1970s, when a regional conflict also prompted a spike in fossil fuel prices.

26. Inflation is expected to remain elevated for longer than in the previous forecast, driven by war-induced commodity price increases and broadening price pressures. For 2022, inflation is projected at 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies—1.8 and 2.8 percentage points higher than projected in January.
27. Although a gradual resolution of supply-demand imbalances and a modest pickup in labour supply are expected in the baseline, easing price inflation eventually, uncertainty again surrounds the forecast. Conditions could significantly deteriorate. Worsening supply-demand imbalances—including those stemming from the war—and further increases in commodity prices could lead to persistently high inflation, rising inflation expectations, and stronger wage growth. If signs emerge that inflation will be high over the medium term, central banks will be forced to react faster than currently anticipated—raising interest rates and exposing debt vulnerabilities, particularly in emerging markets.
28. An increase in core sovereign interest rates before the war in Ukraine had already placed pressure on borrowers in some emerging market and developing economies. Markets have so far differentiated between countries directly and indirectly implicated in the conflict. Sovereign and credit default swap spreads have widened the most for Belarus, Russia, and Ukraine. Smaller extensions in spreads have occurred in other regional economies, such as Hungary and Poland.
29. A generalized flight to safety as the war continues could put other economies under stress too. More broadly, average spreads had—prior to the war—looked like previous tightening cycles, in 2018 and in the 2013 taper tantrum. Since then, spreads have generally increased moderately. And compared with previous episodes, there is also more differentiation across borrowers, with greater dispersion of spreads now than in 2013 or 2018. This reflects heterogeneity in country circumstances, including in the build-up of private debt and contingent liabilities.
30. The economic outlook (GDP growth rate and inflation rate) of selected countries is shown in tables 2 and 3 below.
31. Countries selected are chosen to represent G20, BRINCS, MINT, N-11, Petro-economies, and other large African countries.

Table 2 : Real GDP Growth - Selected Countries

Table 2: Real GDP Growth - Selected Countries							
Country	Actual				Forecast		
	2018	2019	2020	2021	2022	2023	2027
Mexico	2.2	-0.2	-8.2	4.8	2.0	2.5	2.0
Indonesia	5.2	5.0	-2.1	3.7	5.4	6.0	5.2
Turkey	3.0	0.9	1.8	11.0	2.7	3.0	3.3
United States	2.9	2.3	-3.4	5.7	3.7	2.3	1.7
Germany	1.1	1.1	-4.6	2.8	2.1	2.7	2.1
United Kingdom	1.7	1.7	-9.3	7.4	3.7	1.2	1.5
China	6.8	6.0	2.2	8.1	4.4	5.1	4.8
Ghana	6.2	6.5	0.4	4.2	5.2	5.1	7.5
South Africa	1.5	0.1	-6.4	4.9	1.9	1.4	1.4
Brazil	1.8	1.2	-3.9	4.6	0.8	1.4	2.0
Angola	-2.0	-0.7	-5.6	0.7	3.0	3.3	3.9
Nigeria	1.9	2.2	-1.8	3.6	3.4	3.1	2.9

Source: IMF's World Economic Outlook, April 2022

Country	Actual				Forecast		
	2018	2019	2020	2021	2022	2023	2027
Mexico	4.9	3.6	3.4	5.7	6.8	3.9	3.0
Indonesia	3.3	2.9	2.0	1.6	3.3	3.3	2.9
Turkey	16.3	15.2	12.3	19.6	60.5	37.2	15.0
United States	2.4	1.8	1.2	4.7	7.7	2.9	2.0
Germany	1.9	1.4	0.4	3.2	5.5	2.9	2.0
United Kingdom	2.5	1.8	0.9	2.6	7.4	5.3	2.0
China	2.1	2.9	2.4	0.9	2.1	1.8	2.0
Ghana	9.8	7.1	9.9	10.0	16.3	13.0	6.0
South Africa	4.6	4.1	3.3	4.5	5.7	4.6	7.8
Brazil	3.7	3.7	3.2	8.3	8.2	5.1	3.0
Angola	19.6	17.1	22.3	25.8	23.9	13.2	6.4
Nigeria	12.1	11.4	13.2	17.0	16.1	13.1	11.5

Source: IMF's World Economic Outlook, April 2022

1.A.2 Africa

32. The African Economic Outlook, 2021 provides that real gross domestic product (GDP) in Africa rebounded strongly in 2021, growing by 6.9 percent. This rebound was supported by recovery in global demand, higher oil prices benefiting oil-exporting economies, easing of COVID-19 restrictions in most countries, and associated growth in domestic consumption and investment. Africa's real GDP growth is, however, projected to decelerate to 4.1 percent in 2022, reflecting ebbing of base effects and uncertainties related to the persistence of the COVID-19 pandemic and the impact of the Russia Ukraine conflict.
33. Growth varies widely across countries and regions. Economic growth in 2021 was highest in North Africa (11.7 percent) and East Africa (4.8 percent). In 2022, growth is expected to decelerate to 4.5 percent in North Africa and to stabilize at 4.7 percent in East Africa. Average growth in 2021 in West Africa was 4.3 percent and is projected to remain strong at 4.1 percent in 2022.
34. Growth in Central Africa is projected to rise to 4.6 percent in 2022, from 3.4 percent in 2021. Southern Africa's estimated growth of 4.2 percent represented the largest recovery, from a contraction of 6.0 percent, underpinned by strong recovery in Botswana (12.5 percent), Mauritius (4.0 percent), and South Africa (4.9 percent). Growth in the region is projected to slow down to 2.5 percent in 2022 as the effects of large fiscal stimuli peter out. Africa's growth outlook is highly uncertain, with risks tilting to the downside. The spill over effects from the Russia-Ukraine conflict and related sanctions on Russia may cause a larger decline in global output than currently projected. A combination of low COVID-19 vaccination rollout and emergence of new COVID-19 variants may force countries to retain some restrictions. Other downside factors include heightened debt vulnerabilities, tight global financial conditions as inflationary pressures rise, the effect of the Russia-Ukraine conflict and related sanctions on Russia, climate and environmental risks, and other socio-political and security issues.
35. Upside factors include faster vaccination rollout, a comprehensive resolution of debt problems, and policies to accelerate structural transformation and build economic resilience. Macroeconomic fundamentals have generally improved, but considerable challenges remain in the medium term, due largely to persistence of the pandemic effects and volatility induced by the impact of the Russia-Ukraine conflict. The average fiscal deficit in Africa is projected to narrow to 4.0 percent of GDP in 2022, from 5.1 percent in 2021, reflecting scaling down of COVID-19-related interventions and relative strengthening of domestic revenues. However, rising commodity prices triggered by the Russia-Ukraine conflict represent a major headwind for the fiscal situation in the short to medium term, especially for economies dependent on imports of energy and food commodities.

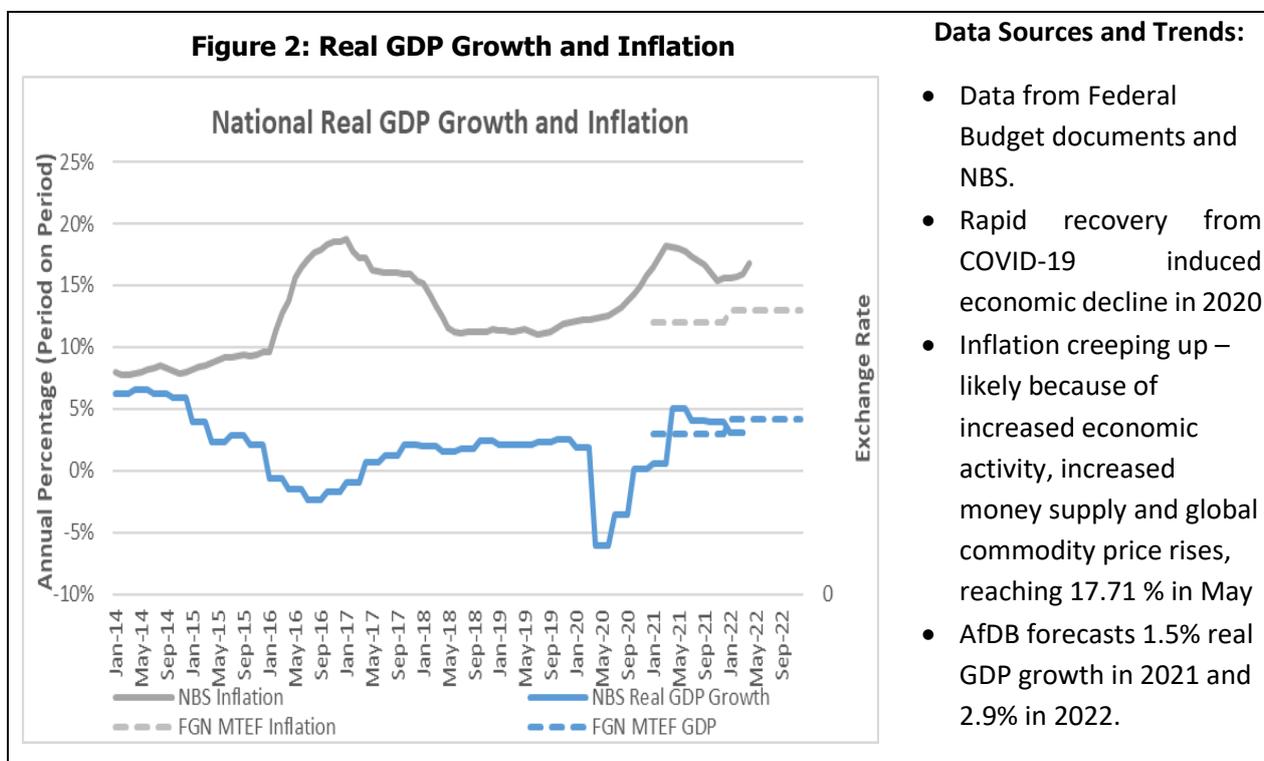
36. The average current account deficit is projected to be 2.0 percent of GDP in 2022, down from 2.4 percent in 2021, underpinned by expected narrowing of the trade deficit and current transfers. Exchange rate fluctuations fell in most countries in 2021, supported by improved foreign exchange inflows. The outlook for exchange rates in 2022 and beyond depends on developments in international financial markets, especially on the back of the Russia–Ukraine conflict and normalization of monetary policy in advanced economies. Average inflation is projected to accelerate to 13.5 percent in 2022 from 13.0 percent in 2021, fuelled by a sharp rise in commodity prices, especially energy and food, due to escalation of the Russia–Ukraine conflict.
37. Sovereign debt remains a threat to economic recovery despite recent debt relief initiatives. Although Africa’s debt-to-GDP ratio is estimated to stabilize around 70 percent in 2021 and 2022, from 71.4 percent in 2020, thanks to growth recovery and debt relief measures, it will remain above pre-pandemic levels. The international financial community’s initiatives, such as the Debt Service Suspension Initiative (DSSI), the Common Framework, and the International Monetary Fund’s August 23rd, 2021, general allocation of \$650 billion-equivalent Special Drawing Rights (SDRs) have also helped alleviate liquidity pressures in many countries by boosting external buffers. However, these initiatives have not erased debt vulnerabilities, with 23 African countries either in or at risk of debt distress as of February 2022. Additional structural reforms such as debt restructuring, and reprioritizing public spending are required to ensure long-term debt sustainability. Reconfiguring the global debt relief architecture, including reinstating the DSSI, will be crucial in supporting debt-ridden African countries’ transition toward a path of sustainable debt in the medium to long term.
38. Despite a rebound in growth, the impacts of the COVID-19 pandemic on lives and livelihoods in Africa continued in 2021. The Bank estimates that about 30 million Africans were pushed into extreme poverty in 2021 and that about 22 million jobs were lost in African countries the same year due to the pandemic. These outcomes are likely to continue in 2022 and 2023. When the prolonged effect of economic disruptions stemming from the Russia–Ukraine conflict is accounted for, the number of additional Africans who could be pushed into extreme poverty is estimated to be 1.8 million in 2022 and 2.1 million in 2023.
39. Workers in the informal sector, mainly women and youth, are the hardest hit. In addition, several African countries, such as Eswatini, South Sudan, and Uganda, closed schools for more than 36.7 weeks (the global average from the onset of the pandemic to October 2021)—equivalent to more than a half-year of schooling—eroding the positive trends in education over the past decade. Additional financing needs are estimated at about \$432 billion over 2020–22 (a revision from the previously estimated \$484 billion due in part to better-than-anticipated fiscal positions) and translated into an average of \$144 billion a year over this period to support the recovery.
40. Africa’s low vaccination rates are constraining faster economic recovery and increasing the health impact of COVID-19. These rates—15.3 percent of people were fully vaccinated by End-March 2022 against a target of at least 60 percent in most other global regions—are attributed to a combination of supply and demand-side impediments. Improving vaccination rates by tackling vaccine hesitancy and improving vaccine supply is key to reducing infections and mortality and to quickening the economic recovery. African countries will thus need to speed up their current vaccination rollout if they are to close the vaccination gap with other regions.

Nigerian Economy

41. Nigeria’s economy – The effect of global economic integration has significant effect on Nigerian economy with positive and negative developments in parts of the globe having varying degrees of impact. The shocks of higher commodity prices due to the ongoing Russia–Ukraine conflict which has led to slow growth rate, regional disintegration among major global trading partners and blocks as well as the volatility in global monetary policy and capital flows are having implications on Nigeria. This has resulted in distributional and financial shocks, arising particularly from Nigeria’s huge dependence on crude oil revenue.
42. The negative effect of oil price since mid-year 2014 and the volatility in oil production has continued to expose the Nigerian economy to both domestic and external vulnerabilities. Decline in oil exports even with Nigeria being allocated an increase in OPEC output quota further reinforced the oil price effects, a reversal of the current account surplus as well as pressures on the foreign reserves and the exchange rate. To accommodate the pressures on the reserves, the foreign exchange policy has been revised continually. This has generated some pass-through effects on the volume of trade and led to rising

inflation especially, given the nature of the exchange rate change and access restrictions. A flexible exchange rate policy has been instituted to stimulate trade and foreign investment in the economy, but its effect is yet to be felt in 2022. It is noteworthy that Nigeria has struggled to meet its production targets due to operational challenges and insecurity amid growing crude oil theft and pipeline vandalism.

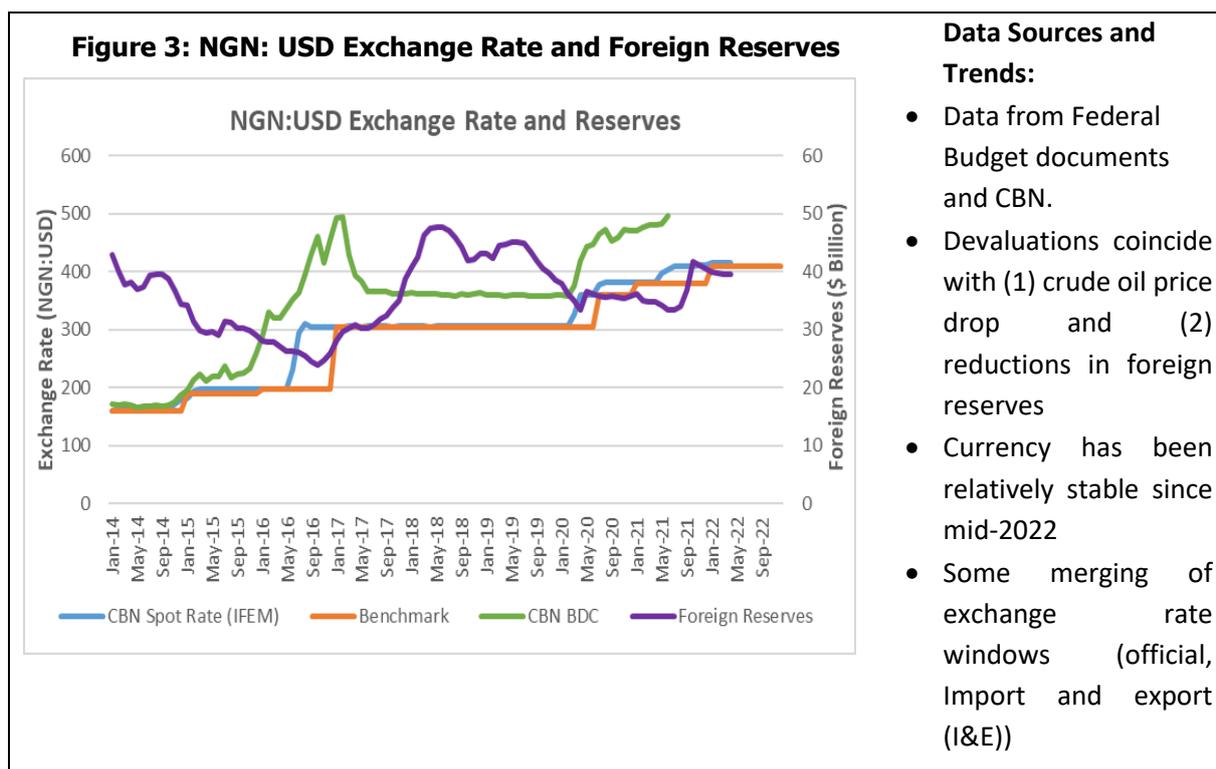
43. Real GDP - Nigeria’s economy entered a recession in 2020, with the real GDP contracting by 1.8%, reversing three years of recovery from 2017 to 2020. This downturn resulted from the fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. However, in the fourth quarter of 2020, the Nigerian economy expanded by 0.11%; exiting one of its worst recessions, having posted a decline of 6.1% and 3.6% in 2020 Q2 and 2020 Q3, respectively. Data from the NBS from March 2011 to March 2022 shows an average real growth rate of 2.6 % and a nominal growth rate of 3.11%. Note that the data reached an all-time high of 6.9 % in March 2011 and a record low of -6.1 % in June 2020.
44. Overall, 2022 real GDP growth as estimated by the World Bank have been revised to 3.8% up from 2.5% projected earlier in the year. The upward revision of Nigeria’s growth forecast for 2022 was hinged on high oil prices coupled with reforms initiated by the passing of the Petroleum Industry Act (PIA) and the expected completion of the Dangote refinery in 2023.
45. According to the IMF forecast, it is expected that Nigeria’s economy will expand by 3.4% in 2022. The Federal 2022-2024 MTEF anticipates 2.5% growth in 2021, increasing to 4.2% in 2022 and a decline of 2.3% in 2023.
46. Inflation (CPI) reached 15.63% (year-on-year) in December 2021 representing a 0.13 percent points lower than the rate recorded in December 2020 which stood at 15.75%. This shows a slowing down in the rate when compared to the corresponding period of 2020 17% in 2021 according to the National Bureau of Statistics (NBS). IMF forecast shows that inflation is expected to be at 16.1% by the end of 2022. The decrease in end of 2021 inflation has been attributed to a marginal slowdown in food inflation in the previous months.
47. The national quarterly real GDP growth and year on year inflation rates from January 2014 and May 2022 are shown in figure 2 below.



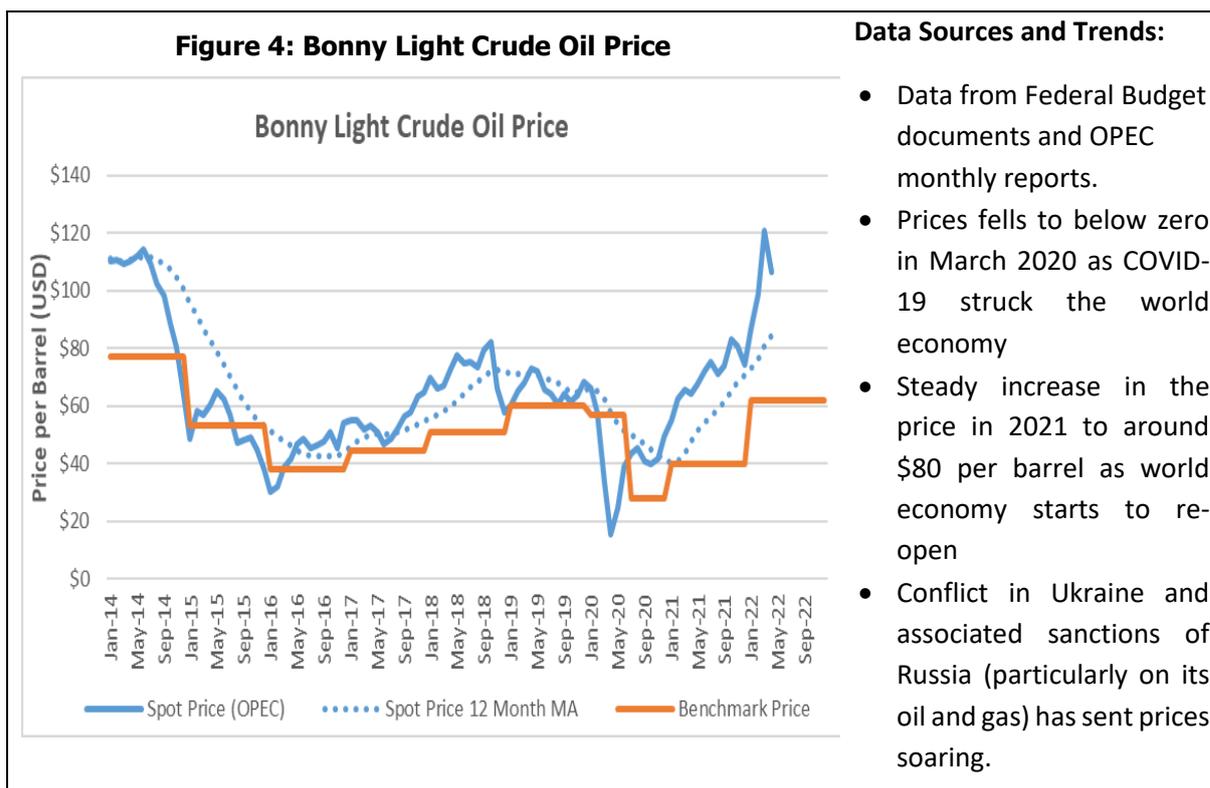
48. Foreign Exchange Rate – the Naira devalued against the dollar from 305 to 360 to 380 and to 415 by end of May 2022. Foreign reserves have been on the decline since mid-2019 (25% drop from April 2019

to April 2020) and have remained relatively stable since the COVID pandemic. Foreign reserve stood at \$41.91 billion in November 2021 amid steady increase in global oil prices.

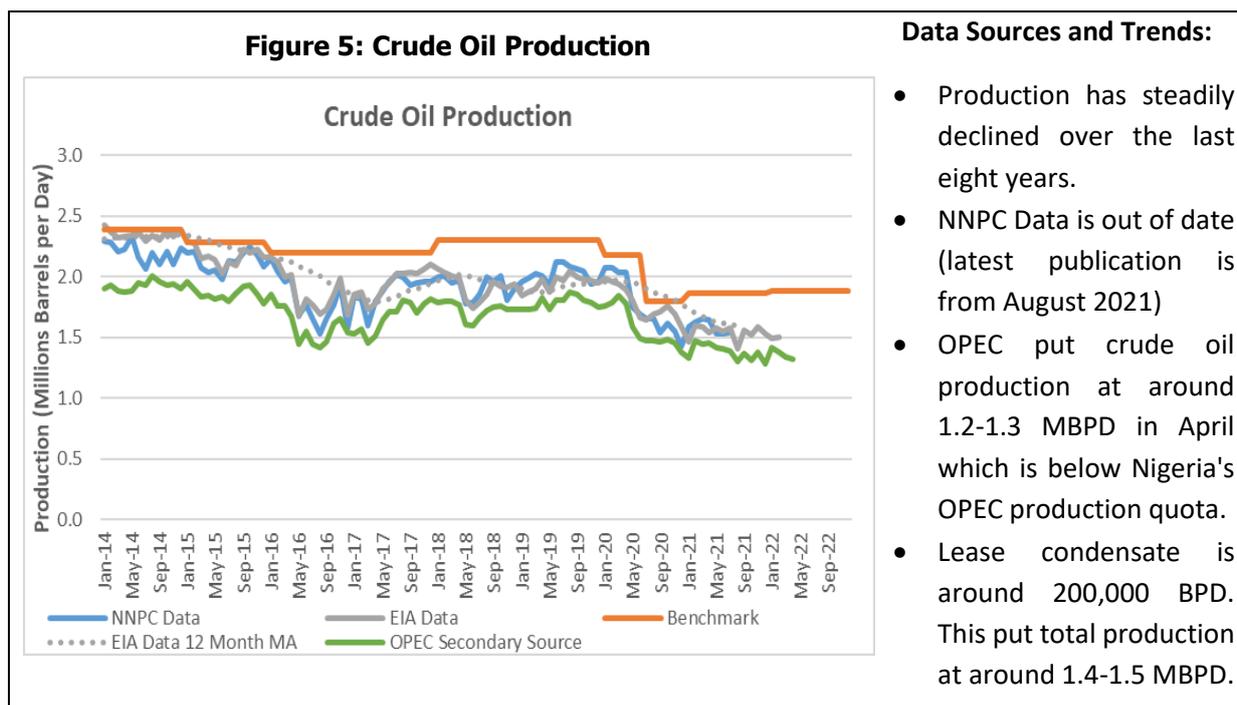
49. In 2022, arbitrage opportunities witnessed significant increase, weakening the convergence of foreign exchange windows. This is partly attributed to the ripples of economic downturn since the Russia–Ukraine conflict. Also, the fall in foreign reserve potentially condenses the policy options available to the Central bank of Nigeria (CBN) in controlling monetary aggregates.
50. The NGN:USD exchange rate, which is a key crude oil revenue parameter, for the period January 2014 to May 2022, along with the benchmarks assumed in the Federal Government budgets over the same period and foreign reserves, are shown in Figure 3 below.



51. Crude oil price has trended upwards since the beginning of Ukraine-Russian conflict on February 24th, 2022, rising by US\$89.69 by 24th February 2022 to US\$117.17 by June 6th, 2022. This implies that crude oil price has increased by 23% in less than four months. The increase in the price of crude oil has been driven by the Ukraine-Russian conflict and other factors such as the failure of OPEC and non-OPEC members to increase their production level when the conflict began. These factors will continue to sustain high crude oil price in the second quarter of 2022. However, it is important to always consider that the crude oil market is highly volatile. This only serves to remind authorities of the delicacies and unpredictability that reinforce the rationale for a benchmark that is set significantly below the current / forecast price.
52. Crude Oil (Bonny Light) Price (spot price and benchmark for the period of January 2014 to May 2022 are presented in Figure 4 below.

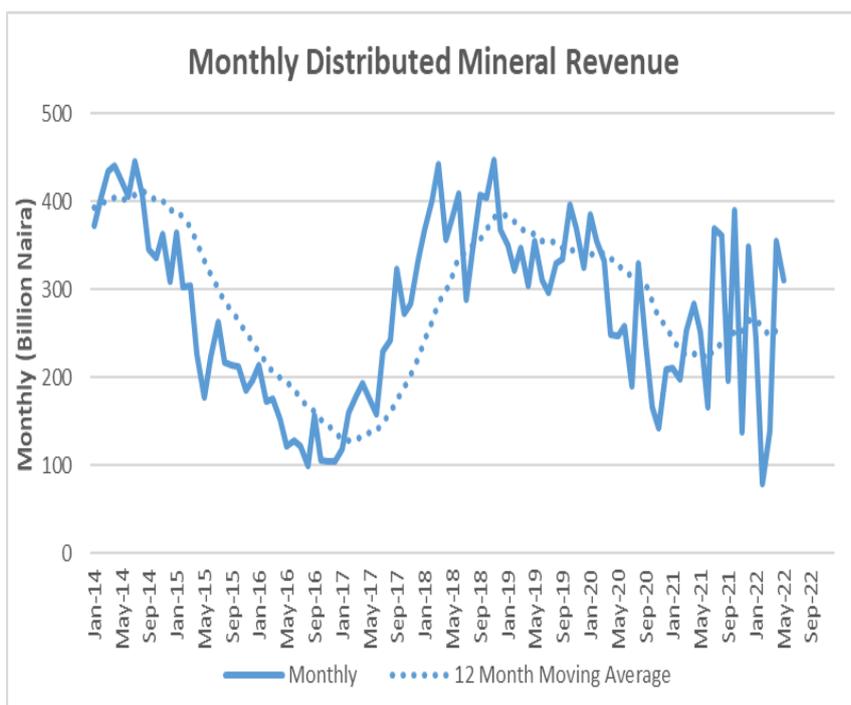


53. As indicated in figure 4 above the current price of about \$117 is higher than the average price of \$70.68 recorded in 2021. The current price (6th June 2022) is \$117.68. EIA is forecasting an average price of \$103.37 for Brent Crude in 2022. The IMF forecast in its April 2022 WEO suggest a price of around \$101.08 for Brent Crude – somewhat lower than EIA.
54. **Crude Oil Production** for Nigeria in the first quarter of 2022 rose by 5.07 percent to 1.388 million barrels a day compared to 1.321 million barrels produced daily in the fourth quarter of 2021. However, this number fell to an average of 1.219 million barrels per day (mbpd) in April 2022, representing a 1.53% decline compared to 1.238mbpd recorded in March. The fall is happening despite OPEC increasing Nigeria’s oil production quota from the 1.735mbpd target approved in May 2022 to a new target of 1.772mbpd for June 2022. The new quota is significantly higher than the current levels at which Nigeria is producing. Interestingly, African countries like Gabon, Congo, and Libya recorded a decline in their daily average crude oil production. However, the likes of Algeria, Angola, Iraq, Saudi Arabia, UAE, and Venezuela saw an uptick in their crude production.
55. Lease condensate, which is captured as part of crude oil production from a budgeting perspective, is around 200,000 BPD. This put total production at around 1.4-1.5 MBPD (NNPC figures are out of date, the latest available figures are for July 2021). Several things are likely to impact crude oil production in the medium term, including the Petroleum Industry Bill (PIB) and any significant boycott of Russian oil because of the conflict in Ukraine.
56. Crude Oil Production (including condensates) for the period January 2014 to May 2022 along with the benchmark is presented in figure 5 below.



57. The policy thrust of the Economic Sustainability Plan (ESP) and National Development Plan include deregulation of the price of refined petroleum products and the establishment of a sustainable framework for maintaining the national strategic stock; remittance of 100% of royalties and taxes paid to NNPC into the Federation Account as well as sustained periodic reconciliation with DPR and FIRS. The implementation of the Finance ACT 2021 and VAT reforms, development of business continuity plans for tax and custom administration and rationalization of ineffective tax incentives and exemptions as well as increased remittances and recovery of unremitted revenues from GOEs.
58. Monthly distributed Mineral Revenues (Statutory Allocation (SA) and Net Derivation (ND)) to the three tiers of government from January 2014 to May 2024 inclusive are shown in figure 6 below.

Figure 6: Distributed Mineral Revenues

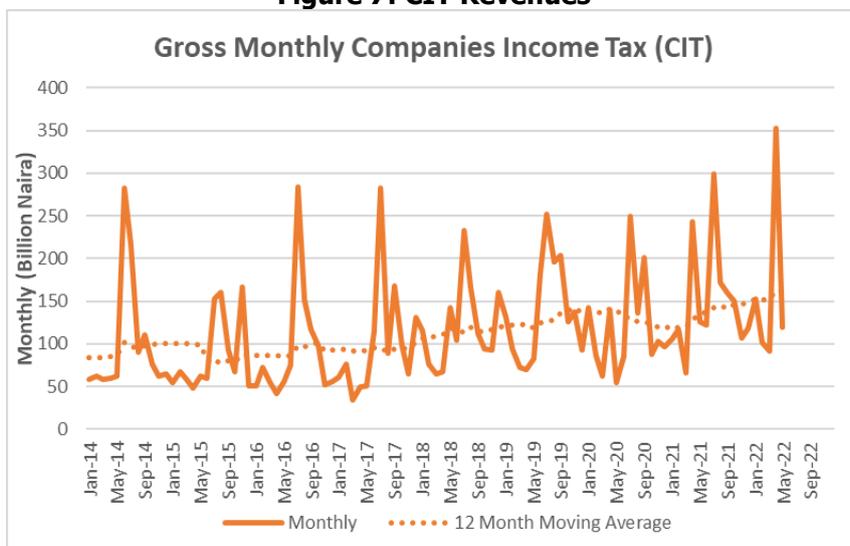


Data Sources and Trends:

- Data from FAAC summary sheets (OAGF).
- Significant dips in 2015-2016 and 2020 due to crude oil price crash.
- Significant volatility over the last 18 months, partially due to the fuel subsidy and major variations in prices
- There are currently a series of refunds to Crude Oil producing States for revenues channeled to the excess crude account and Sovereign Wealth Fund.

59. A total of N656.6 billion generated as revenue in the month of April 2022 has been disbursed to the federal, states and local governments as allocation for May 2022. This was lower than the last month (March FAAC distributed in April) of N725.6 billion. NNPC reported a Premium Motor Spirit (PMS) Under Recovery in the April 2022 to the tune of N271 billion. The continued subsidisation of PMS means that little to known of the benefit of increases in crude oil prices are translating into increased distribution mineral revenue.
60. Gross Companies Income Tax (CIT) revenues, which are distributed as part of Statutory Allocation, from January 2014 to May 2022 inclusive are shown in Figure 7 below. The graph also includes linear trend.

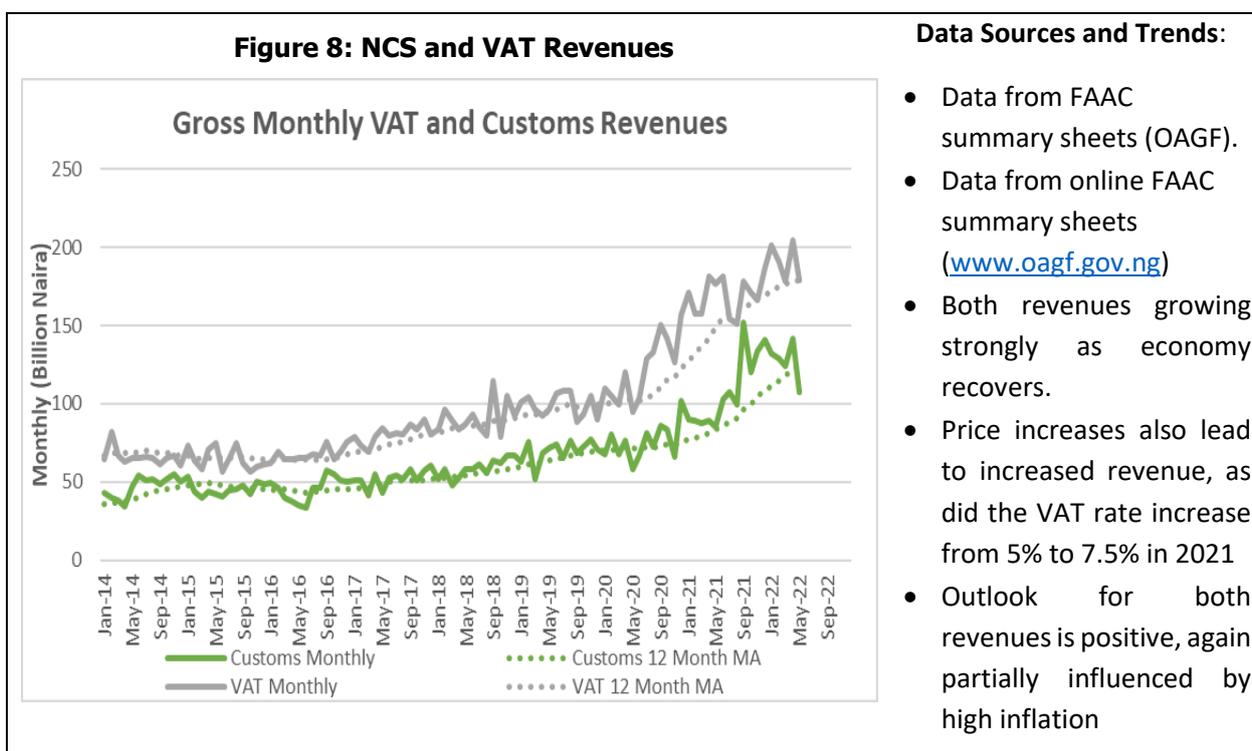
Figure 7: CIT Revenues



Data Sources and Trends:

- Data from FAAC summary sheets (OAGF).
- Revenues dipped in late 2020 and early 2021 due to economic decline and tax expenditures
- CIT spikes each June / July, but this is sometimes deducted as excess revenue and distributed later in the year
- Overall performance is averaging N150 billion per month

61. The graph shows the annual spike in distributions (collections from the previous month) that is in line with the annual tax returns and payment cycle in FIRS. This generally happens in July because June collections are distributed in June, the month many companies file their return.
62. Nigeria generated a sum of N532.48 billion from Company Income Tax (CIT) in the first quarter of 2022, an increase of 35.6% compared to Q1 2021. High CIT in Q1 2022 compared to the volume in Q1 2021 is something to cheer Nigeria as this show growth of the non-oil sector. It is also a signal for policy makers towards planning for a sustainable increase for non-oil revenue.
63. There is also a clear upward trend in CIT as shown by the linear trend line (which is useful given the level of fluctuation). Forecast of CIT for full-year 2022 is still difficult, it will be easier once the mid-year collections are known.
64. Customs and Excise duties (NCS), which is distributed as part of Statutory Allocation, and Value Added Tax (VAT) which is distributed in its own right for the period January 2014 to May 2022 are shown in Figure 8 below.



65. VAT shows a clear upward trend since late-2015. This is to be expected as the general price level rose quite significantly over the same period, which should transfer straight into additional VAT (for VAT-able items). Given the increase in VAT from 5% to 7.5%, in the 2020 Finance Act, there have been significant spike in VAT over the last twenty-one months from August 2020. There is still a level of monthly volatility that makes it slightly difficult to forecast. However, with the economy returning to positive real growth and inflation staying slightly above 10% for some time, it is anticipated that VAT will continue to grow in nominal terms.
66. Exchange rate controls import policy and devaluing Naira may have affected some Customs receipts. However, there are still some short-term volatility and Federal Revenue reforms should increase collections in the medium term, but the timing of impact remains uncertain.

2.A.2 Lagos State Economy

67. Lagos State, one of the largest economies in Africa and fastest growing cities in the world with an estimated population of 28.1 million is an important subset of Nigeria’s economy. It contributes significantly to both production and consumption capacity of the entire economy. The State has an unprecedented history of economic growth and transformation generating the highest internally

generated revenue in Nigeria. The variety of her sources of IGR span from but not limited to manufacturing, construction, transportation, wholesale and retail trade etc; accounting for her gross domestic product (GDP)

68. The economy is characterized by the volume of economic activities that take place within major sectors. It accommodates 65% of Nigeria's businesses, over 2,000 manufacturing companies, 200 financial institutions and the largest collection of small and medium scale enterprises (MSMEs) in Africa. StartupBlink (2021) ranked Lagos as the leading African city which has outperformed its competitors; Cape Town, Johannesburg and Nairobi when it comes to attractiveness for business start-ups. It has made name for itself as a tech hub rapidly advancing towards 24-hour economy
69. Lagos State Government's vision is to become Africa's 21st Century Economy, global economic and financial hub that is safe, secure, functional and productive; achieved through poverty eradication and sustainable economic growth through infrastructure renewal and development. The THEMES agenda is the strategic economic framework in the past two years the present administration is keened upon in further positioning as the economic hub of Africa. The strategic framework document is premised on Lagos State Development Plan (LSDP) to achieve the following economic agendas: Traffic Management & Transportation, Health & Environment, Education & Technology, Making Lagos a 21st century economy, Entertainment & Tourism and Security & Good Governance
70. The administration has significantly achieved the economic agenda of THEMES:

Traffic Management and Transportation

The Lagos State government integrated road, rail and water transportation systems, and continuously rehabilitated the bad roads:

- ✓ The Administration embarked on massive continuous construction, reconstruction, rehabilitation and palliation of integrated bad roads and expansion of road infrastructures in the twenty (20) Local Governments (LGs) and thirty-seven (37) Local Council Development Areas (LCDAs) in the State. Completed the construction of 1.4 km dual carriage Pen- Cinema Bridge, Agege.
- ✓ There is an on-going Blue Line and Red Line rail construction of aggregate 64.5km spanning from Agbado to Marina and Okokomaiko to Marina. The administration launched one thousands modern ride-hailing service technology-driven GAC-branded "LAG RIDE" taxis, one hundred and sixty-five (165) high and medium busses and five hundred (500) Mini Buses to support the masses with better and affordable means of transportation. In addition, completed the construction of three (3) Bus Rapid Transportation Terminals in Yaba, Mafoluku and Oshodi

Health and Education

The healthcare system in Lagos State has been anchored on a comprehensive health insurance scheme for all residents to make healthcare accessible and affordable

- ✓ Completed and Commissioned Maternal & child care Centres (MCCs) in the five (5) divisions in the state – IBILE
- ✓ On-going reconstruction of 150 bed New Massey street children's Hospital, when completed it will be largest in Africa
- ✓ Construction and renovation of thirty-nine (39) Primary Health Centres (PHCs) and 102 new locally assembled waste compactor trucks were launched into the existing fleet
- ✓ Over three hundred thousand (300,000) Lagosians enrolment in the Lagos State Health Insurance Scheme, Ile-Eko

To keep our environment clean and sustainable, the Lagos State Government has provided better waste management and disposal facilities. The waste management system has also intensified drive on waste disposal, where people who properly sort their waste for collection are rewarded

- ✓ Construction of drainage system and secondary collectors to reduce floods and accompanying disasters across the State
- ✓ Expansion of the Olusosun Dumpsite to forty-two (42) acres to accommodate more waste and ensure trucks have quicker turnaround time

- ✓ 102 new locally assembled waste compactor trucks were launched into the existing fleet.

Education and Technology

The Lagos State Government planned to increase access to public education in Lagos, especially primary and secondary schools.

- ✓ The State government embarked on renovation of public schools for conducive learning in all the Local Government Areas and Local Council Development Areas (LCDAs) as well as distribution of 86,000 dual sets of furniture
- ✓ Under the Eko Excellence in Child Education and Learning (EKOEXCEL), teachers have been trained and retrained to upskill them for modern teaching methodology. And launching of <https://ekosuccesscloud.com/> website, an online learning platform introduced to engage students in classroom activities.
- ✓ The government encouraged tech start-ups to flourish and ensure that the children are in tune with the technological advancements found in most parts of the world
- ✓ Implemented fibre-metro network – Over 3,000 km of fibre connection across the State for swift internet connectivity

Making Lagos a 21st Century

- ✓ The state government established the Lagos State Employment Trust Fund (LSETF), which had created more than 400,000 new jobs and also added 150,000 new taxpayers to the tax bracket
- ✓ Completed and commissioned over 1000 housing units in Ikorodu, Badagry, Surulere, etc
- ✓ Unveiled 5-year food security roadmap

Entertainment and Tourism

- ✓ There was construction and completion of four theatres in Lagos West and East senatorial districts and establishment of two Stadia
- ✓ Completed with fully furnished Glover Memorial Hall
- ✓ The government developed tourism sites and assets in Lagos state and created a tourism calendar around important events such as the Eyo Festival, Lagos Global World Theatre Day, Eko Film Festival and Lagos Fishing Festival and Lagos Cultural Day such that it will attract local and international tourists

Security and Good Governance

- ✓ Provision of one hundred and twenty (120) Patrol Vehicles and thirty-five (35) Motorcycles for use by Security Operatives
- ✓ Installation of one hundred and fifty (150) CCTV surveillance cameras have been deployed
- ✓ Introduction of Articulated and Allied Vehicle Number Plate (AVNP), for robust database on all articulated and similar vehicles to assist in providing and sharing valuable information with other law enforcement Agencies of Government; the Federal Road Safety Corps, the Nigeria Police Force

71. Ehingbeti, the Lagos Economic Summit is an ingenious socio-economic apparatus which started in Y2000, has contributed significantly to the evolution of Lagos State into a major economy in sub-Saharan Africa and an admirable megacity, with expanding potentialities. The summit, hosted by successive administrations has consistently redefined the dynamics of public-private sector collaboration for development across social and economic indices in Lagos State.
72. Ehingbeti is an avenue for executing developmental projects and initiatives. The past summits have made notable achievements not limited to;
 - A. establishment of the Lagos agricultural youth empowerment scheme
 - B. increased large mechanised rice cultivation from 200 hectares to over 500-hectare acreage
 - C. establishment of the Lagos rice mill situated at Imota

- D. construction of Lekki-Epe expressway, Lekki-Ikoyi link bridge, pen cinema bridge, Agric Isawo road, international airport road, opening of regional road and rehabilitation of Ibeju Lekki-Epe road network
 - E. construction of three (3) operational independent power plants in Akute, Island I & II and Alausa
 - F. the establishment of IBILE gas and oil projects creating alternating power generation and distribution infrastructure and making Lagos a major gas production and exporting hub
 - G. numerous initiatives and policies aimed at providing incentives for foreign direct investment and encourage ease of doing business etc
73. Since its inception the Lagos State Government has implemented 193 out of 206 resolutions. The eighth edition in Y2021 themed "For A Greater Lagos: Setting the Tone for the Next Decade anchored on the crystallisation of the THEMES programme. The summit ended with eleven (11) resolutions which include
- A. government continues to provide an enabling environment and support of technology hubs
 - B. the need to harness the power of the teeming youth population through policies and programs to unleash their potential
 - C. improve the state education system to provide 21st century relevant education
 - D. project the Lagos brand and take advantage of the coming single Africa market
 - E. increase collective investment in the infrastructure of the future – telecommunications, green economy and renewable energy
 - F. improve transparency and accountability through revenue institutions as well as prudent deployment of tax policy
 - G. boost the capacity of the state to manage data for development and conduct rigorous, qualitative and qualitative research
 - H. improve inclusive of the vulnerable in society and make the required social investments to meet their needs, while recognising the place of citizens as critical stakeholders
 - I. build strong law enforcement institutions with zero-tolerance for law breaking, indiscipline and unethical behaviour while leveraging on technology to drive e-governance and security
 - J. improve public enlightenment and increase awareness of and participation in government programmes
 - K. renew commitment to improve partnerships and collaboration across national, state and other sub-national governments, the private sector, civil society, and the international community
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 - K. renew commitment to improve partnerships and collaboration across national, state and other sub-national governments, the private sector, civil society, and the international community
75. The Lagos State is tackling unemployment through the Lagos State Employment Trust Fund (LSETF). LSETF has been an avenue for supporting entrepreneurs through provision of technical and financial support such that it generates employment that will stimulate equitable economic prosperity in the State. In the last five (5) years, over eight billion Naira (N8bn) had been disbursed to over twelve thousand (12,000) businesses creating both direct and indirect jobs in the State.

State Macroeconomic Position

76. According to Table 10 below, Lagos State GDP growth rate grew to 11.26% in Y2021, indicating positive growth rate compared to -3.75% in Y2020. Macro-economic indicators showed that economic activities in the State increased as the economy rebounded triggered by vaccination, increased investment and activities in the finance, insurance and manufacturing sector as well as improved household consumption.

Table 4: Lagos State Outlook

Macroeconomic Indicators	Actual		Projections			
	Y2020	Y2021	Y2022	Y2023	Y2024	Y2025
State GDP growth rate (%)	-3.75	11.26	6.76	7.12	6.65	6.23
Estimated GDP (Trillion Naira)	29.72	26.59	28.39	30.41	32.43	34.45
Inflation Rate (%)	10.59	17.59	17.06	17.48	17.90	18.33
Population (Million)	27.2	28.4	29.3	30.2	31.2	32.2
Population growth rate (%)	3.2	3.2	3.2	3.2	3.2	3.2

Note: Current Actual Data for Y2020 are – GDP growth rate (6.00%), GDP value (N23.90Trn) and Inflation (15.73%).

Source: Lagos Bureau of Statistics (2022)

77. The unending development of devious geopolitical dynamics that triggered the Russia-Ukraine conflict without a doubt poses high implications for the Nigerian economy being the leading oil-producing country in Africa. By extension, Lagos economy feels the impact as it is the economic hub of Nigeria and West Africa which housed 65% of companies' headquarters in manufacturing, technology and services.
78. As an import-dependent economy housing the largest sea port in the country, there exists supply chain disruption. Russia and Ukraine are major exporters of durum wheat (used in the production of flour for bread and noodles), fertiliser's mackerel, herring and other fish types, iron ore, dairy and agricultural products to Nigeria. The disruption in global shipment prompted by imposed sanctions against Russia as well as its aftermath has led to a surging increase in the price of the diesel.
79. The rising cost of production, labour retrenchments adding to the growing rate of unemployment (54.8% as at Y2021) and reduction of businesses operations will influence the overall State's output on quarterly and yearly basis.
80. The State is not exempted from imported inflation especially the fallout crisis and sanctions imposed on Russia as food insecurity is another major challenge in the State. Though, the Agriculture-based Youth Empowerment Scheme (Agric-YES) to boost agriculture and mitigate food insecurity, there is a tendency that inflation rate will be higher than the expected 17.06% by the end of Y2022.

Macroeconomic Framework for Lagos State

81. Macroeconomic objectives for the medium term, intended to support the achievement of the overarching goals amongst others include:
- A. strategically improving on revenue generation for the State through technological innovations in the Manufacturing sector;
 - B. enhancing revenue reforms;
 - C. ensuring efficiency in personnel and overhead expenditure;
 - D. allocating greater resource availability for capital development
 - E. ensuring priority is given to completion of ongoing capital projects before new projects are commenced;
 - F. increasing investment in the Tourism, Culture and Creative Sector of the economy in order to ensure maximum contribution towards productivity and output that will stimulate growth;
 - G. ensuring continuity of Accountability and Transparency in the discharge of duties by the Public servants; and
 - H. maximizing the benefit of the new status of the State as one of the 100 resilient cities of the world in order to attract more Foreign Direct Investment (FDI).

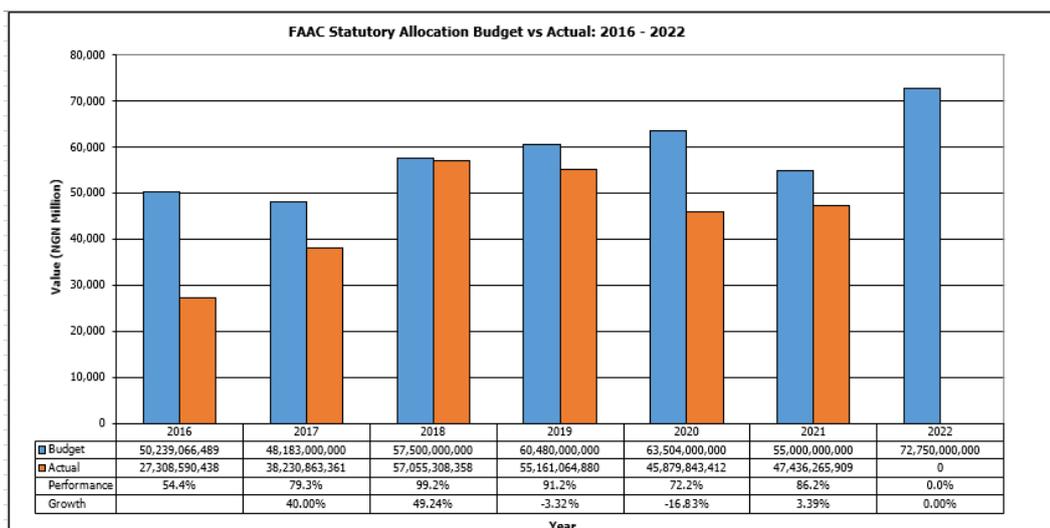
2.B Fiscal Update

2.B.1 Historic Trends and Performance

Revenue Trend

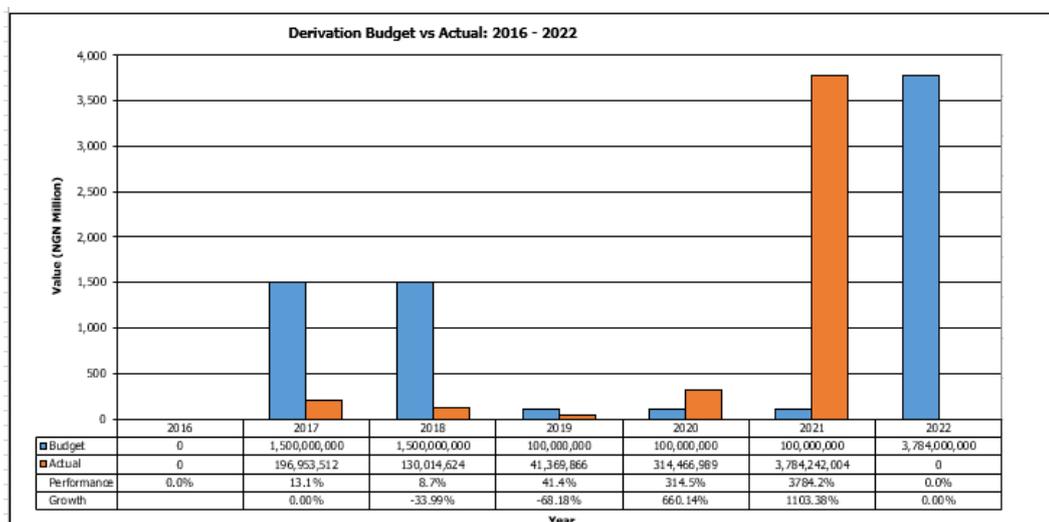
82. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, other Federation Account receipts and Capital Receipts – budget versus actual for the period 2015-2020 (six years historic) and a three (3) year forecast for the period of 2022-2024.

Figure 9: Statutory Allocation



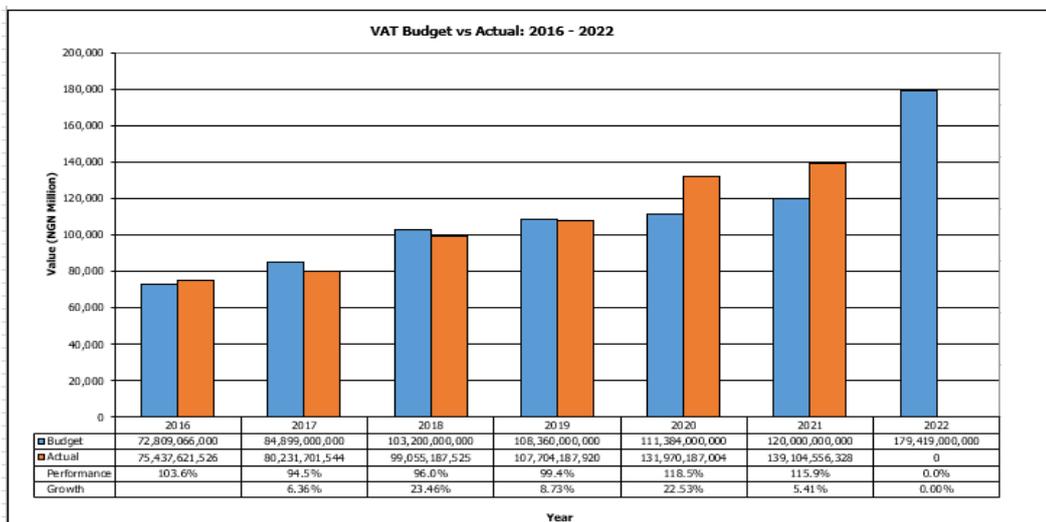
83. **Figure** shows budgeted and actual revenues from Federal Government statutory allocations between Y2016 and Y2022. The State has received an aggregate of N271bn for the years under review. The economy sustained its momentum recovery in Y2021 from the global disruptions caused by COVID-19, crashed crude oil price and reduced crude oil production in Y2020. On YoY, from economic downturn in Y2020, allocation increased by 3.39% in Y2021 while performance against budgeted stood at 86.2%. Given the economic realities that is shaping the economic outlook in Y2022 such as inverse relationship between crude oil production and price, subsidy payment, exchange rate volatility, statutorily allocation may be adversely affected. Though, the budget allocation for Y2022 is N72.75bn, to collect significant amount, reforms to revive the oil sector must be put in place and reduce foreign exchange volatility.

Figure 10: Derivation Crude



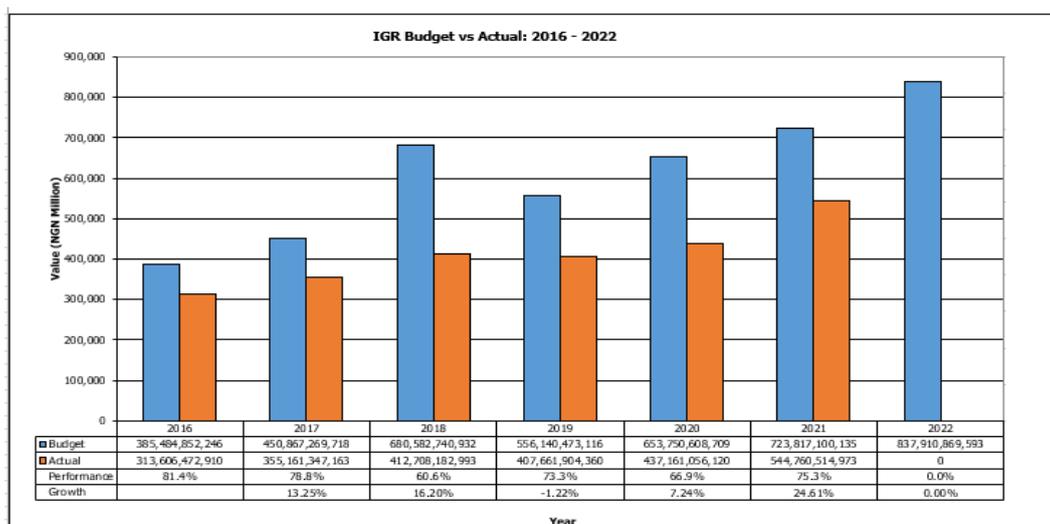
84. **Figure 10** shows 13% Derivation of proceeds from crude oil and condensates sales earmarked for the development of host communities in the Oil Producing States of the Federation. Given the significant performance in Y2021, collection increased by 3784.2 per cent while performance against budgeted stood 1103.38 per cent. The momentum can be continued in Y2022 as shown in the budgeted amount of N3.78bn with the administration’s ease of doing business initiative

Figure 11: VAT



85. **Figure 11:** shows budgeted and actual Value Added Tax (VAT) between 2016 and 2022. Lagos State topped the share of VAT collection by virtue of economic and productive activities compared with other States. The aggregate of tax collected amounted to N633.5 billion under the review years
86. Since 2019 when the VAT rate was increased from 5% to 7%, the State’s VAT collection increased by 29.2%. The VAT collection performed above the budgeted in 2021 by 115.9%. on YoY, VAT collected increased by 5.4% in Y2021
87. Lagos State stands at a vantage point of getting more revenue from VAT collection if the tussle between Federal and States favours Lagos State through court order. The budgeted is 49.5% increased against Y2021

Figure 12: IGR

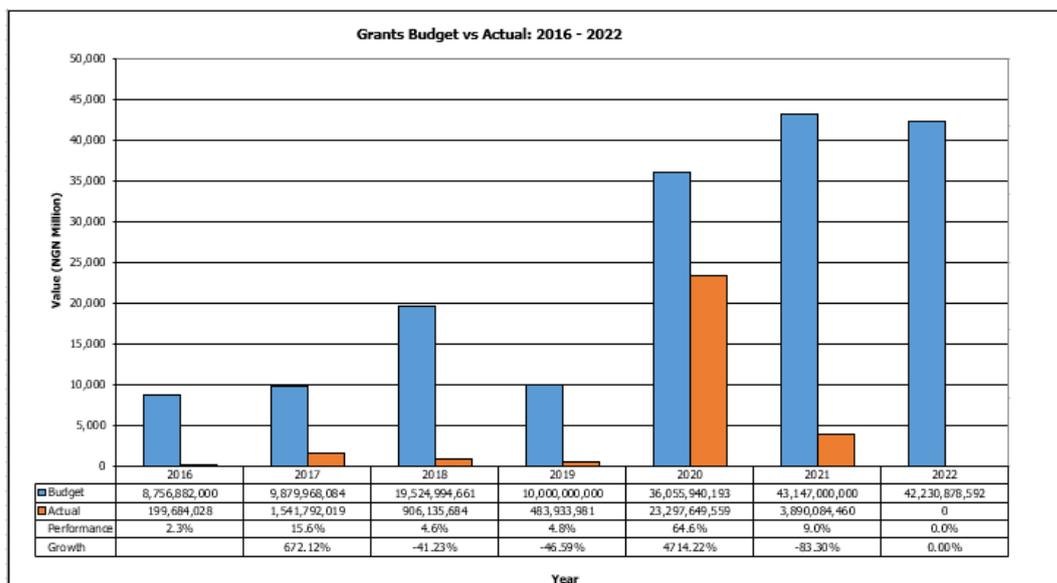


88. **Figure 12** shows budgeted and actual figures for Internally Generated Revenue for Lagos State between Y2016 and Y2022. The State continued to top in the IGR compared to other States in the

Federation. On YoY, the IGR performed at 76.8% and grew to 27.10% in Y2021 from 7.24% in Y2020 from Y2019

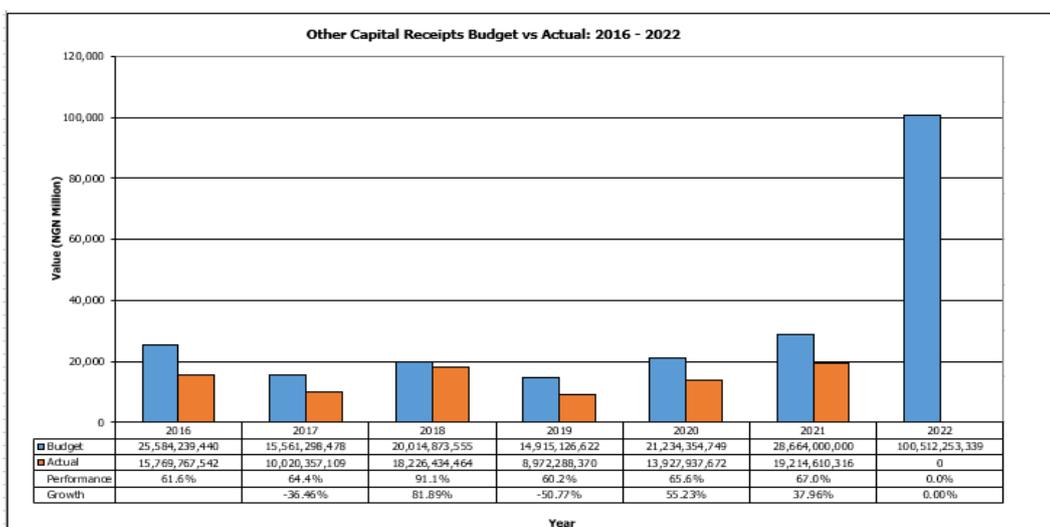
- 89. The IGR is expected to contribute about 68% to the estimated total revenue of N1.23t of the Y2022 State’s Appropriation Budget with a monthly average of N81b. The State intensifies efforts to expand tax net by bringing more taxpayers, explore opportunities in the informal sector, transport as well as real estate, fix loopholes and gaps in tax administration

Figure 13: Grants



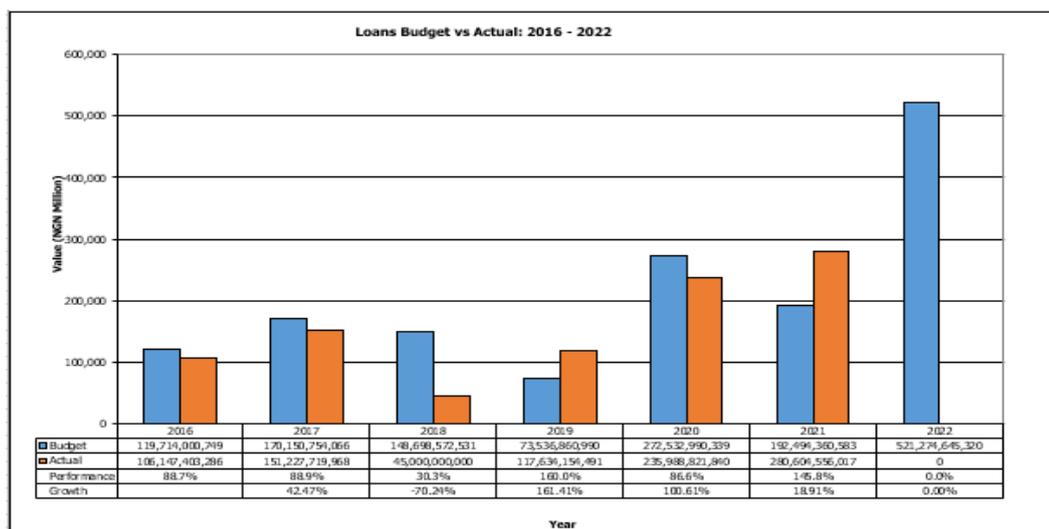
- 90. **Figure 13** shows the grants received between Y2016 and Y2021. In Y2020, it increased than previous years which is due to contributions to lessen the effect of COVID-19 pandemic that disrupted the economic activities. On YoY, in Y2021 performance against budget stood at 7.9% against the 64.6% in Y2020 showing low grants were collected
- 91. In furtherance to the State’s economic agenda giving priority to infrastructure development and provision, grants can be given to complement government governments spending on capital projects.

Figure 14: OTHER CAPITAL RECEIPTS



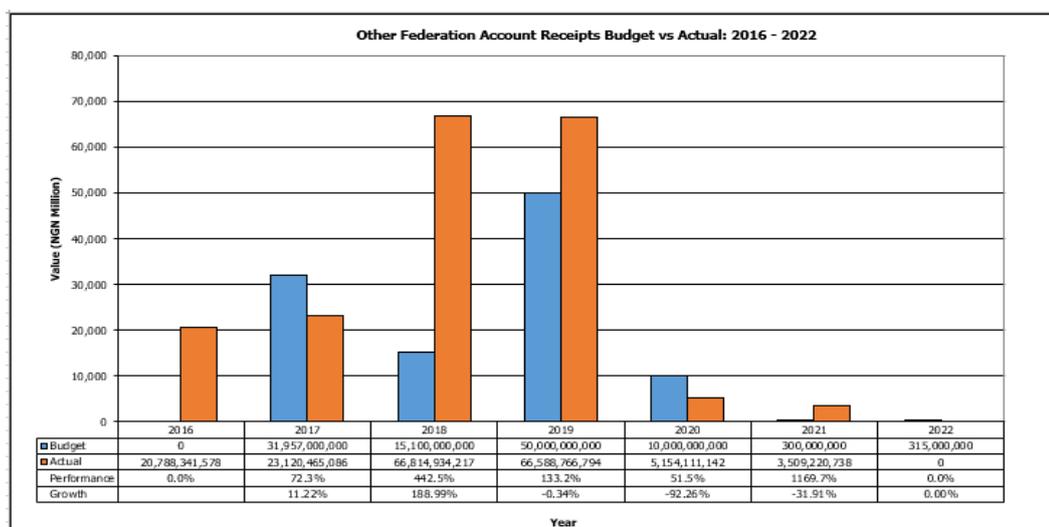
92. **Figure 14** shows the capital receipts from Y2016 to Y2021. Capital receipts relate to sale of state assets (mostly housing), returns from federal government on road construction, etc. On YoY, the Actual capital receipts between Y2021 grew by 38% while its performance against the budget stood at 67% in the same year above 65.8% in 2020. The capital receipts are expected to grow in Y2022 with the projection of N100.5b billion representing 2.51% above the projected value in Y2021.

Figure 15: LOANS / FINANCING



93. **Figure 15** Shows the Financing between Y2016-Y2022. The ratio of the State’s loan repayment and debt service over total revenue amounts to 21.7% for the year ended 31st December 2021. As a developing State, Loans are necessary to ensuring that Capital Projects are implemented promptly to achieving a viable economy. Hence, it is ensured that most Loans obtained are long term with good moratorium periods.

Figure 16: OTHER FEDERATION ACCOUNT



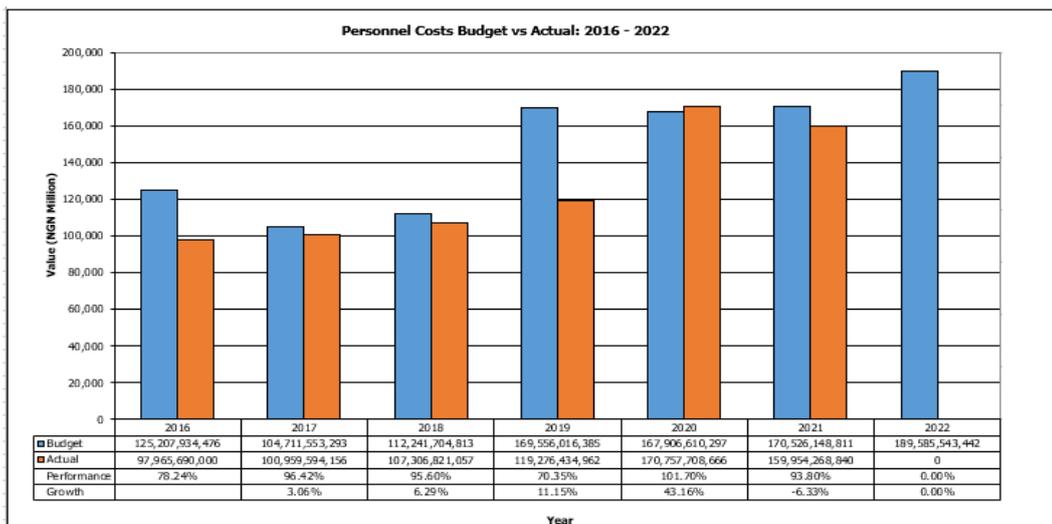
94. **Figure 16.** shows the Other Federation Receipts between Y2016 and Y2022 periods. Other Federation Accounts Receipts accounts for receipts from the Federation Accounts in respect of non-recurring and extraordinary inflows, which includes but not limited to refunds of excess charges, Paris Club, road rehabilitation amongst others.

95. Although it outperformed in Y2021 compared to Y2020, COVID-19 pandemic affected the other federation receipts drastically. On YoY, it declined by 92.3% in 2020 and further reduced by 31.9% in Y2021.

Expenditure Performance

96. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period Y2016-Y2022.

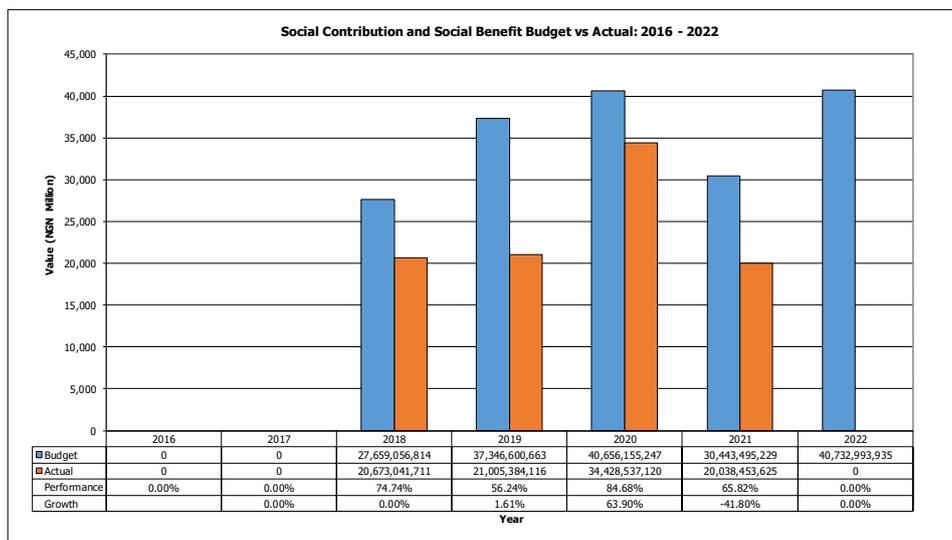
Figure 17: Personnel Costs



97. **Figure** shows budgeted and actual personnel costs from Y2016 to Y2022. Actual Personnel costs have witnessed a steady increase over the years from about N97 billion in Y2016 peaking at about N170 billion in Y2020 due to the new minimum wage approved in Y2019, additional employment of teachers and medical personnel.

98. Actual in Y2021 stood above the pre-COVID periods. On YoY, the performance in Y2021 stood at 93.80% against the 101.70% in Y2020. The fall is adduced to the retirements of top officials and resignation of some workers. Though, it is expected to rise as budgeted to be N190b as workers are employed.

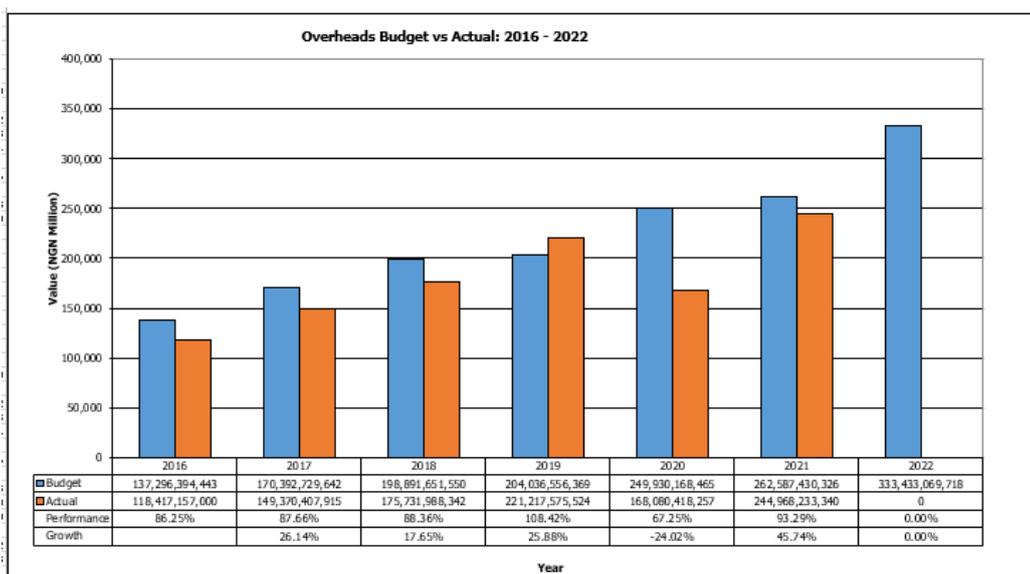
Figure 18: Social Contribution and Social Benefit



99. **Figure** Shows Social Contribution and Benefits which includes Pension defined contribution plan, Health Insurance premium, Severance & Gratuity amongst others.

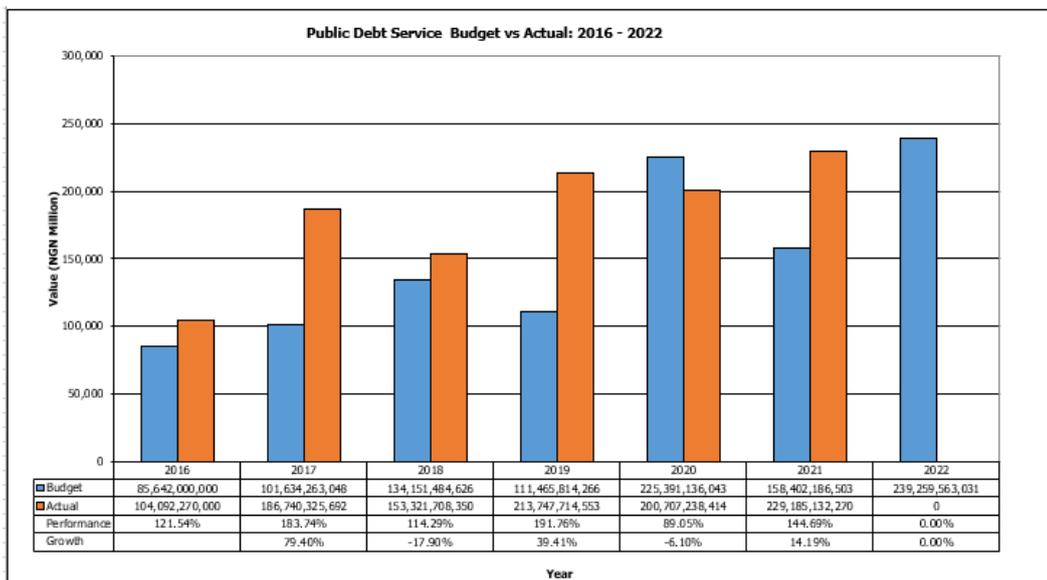
100. Its budget performance stood at 41.80% in Y2021 compared to 63.90% performance in Y2020. This is as a result of retirements of top officials and resignation of some workers.

Figure 19: Overhead



101. **Figure 19** shows budgeted and actual overheads from Y2016–Y2022. Overheads increased over the years except in Y2020 with a decline by 24.02% and increased to 45.74% in Y2021. The performance in Y2021 stood at 93.29%.

Figure 20: Public Debt Service

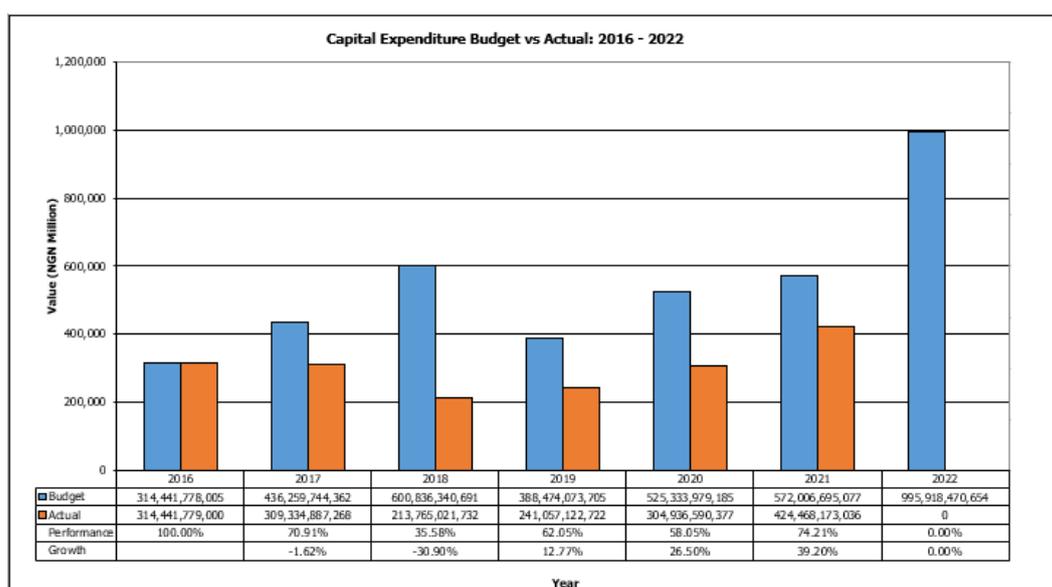


stood at 93.29%.

102.

103. **Figure 20** shows budgeted and actual Public Debt Service (PDS) from Y2016–Y2022. Lowest and Highest record of PDS were experienced in Y2016 and Y2019 with actual figures at about N104 billion and about N214 billion respectively.

104. On Y-o-Y, PDS grew by 20.29% from (6.10%) in Y2020 to 14.19% in Y2021. The performance in Y2021 stood at 144.69% against the 80.05% in Y2020. The budgeted for Y2022 is N239b

Figure 21: Capital Expenditure

105. **Figure 21** shows budgeted and actual capital expenditure for Y2016 to Y2022. The Administration is keen to improving capital infrastructures in the State. Capex Performance grew from 26.50% in Y2020 to 39.20% in Y2021.
106. On Y-o-Y, performance stood at 74.12% in Y2021 above 58.05% in Y2020 indicating the State's commitment to infrastructure development and renewal.

Table 5: Sectoral Expenditure – Personnel: Budget Vs Actual

Personnel Expenditure by Sector												
No.	Sector	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	Performance	Average Budget	Average Actual
1	General Public Services	36,896,117,227	28,079,594,078	77,499,573,683	29,023,183,721	65,951,064,597	51,756,857,879	45,852,735,640	31,968,689,916	62.26%	36.57%	25.56%
2	Public Order and Safety	2,730,307,152	3,738,945,077	3,946,870,346	6,635,705,899	7,177,573,461	9,806,367,202	12,029,391,914	10,169,064,204	117.26%	4.19%	5.51%
3	Economic Affairs	5,967,574,224	6,195,938,640	7,171,522,960	7,911,829,418	8,507,549,866	11,510,178,317	12,245,562,604	11,413,052,705	109.26%	5.48%	6.72%
4	Environment	638,000,190	1,205,911,803	1,455,134,949	1,671,191,749	2,281,168,281	2,500,754,313	2,528,419,391	2,508,403,344	114.25%	1.12%	1.43%
5	Housing and Community Amenities	1,826,423,463	2,193,777,109	2,237,503,242	2,441,663,214	2,275,801,028	3,245,894,555	3,076,197,694	3,296,113,495	118.71%	1.52%	2.03%
6	Health	22,683,034,716	24,980,344,767	33,044,843,303	29,170,664,595	37,338,524,275	38,313,240,562	41,081,371,144	42,035,076,762	100.26%	21.69%	24.42%
7	Recreation, Culture and Religion	281,474,149	327,968,852	399,313,845	367,124,042	384,792,241	566,340,649	647,120,322	562,022,278	106.47%	0.28%	0.33%
8	Education	40,565,311,764	39,878,095,107	43,045,524,098	41,238,248,699	41,392,886,990	51,932,916,065	51,838,388,115	50,474,837,075	103.78%	28.59%	33.31%
9	Social Protection	653,461,929	706,245,624	755,729,960	816,823,625	835,075,689	1,124,569,125	1,226,961,997	1,108,248,599	108.20%	0.56%	0.68%
	Total	112,241,704,814	107,306,821,057	169,556,016,386	119,276,434,961	166,144,436,436	170,757,708,666	170,526,148,811	153,535,508,378	89.07%	100.00%	100.00%

Table 6: Sectoral Expenditure – Overhead: Budget Vs Actual

Overhead Expenditure by Sector											
No. Sector	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	Performance	Average Budget	Average Actual
1 General Public Services	110,837,894,015	147,637,669,964	88,977,196,428	187,537,390,699	89,010,435,421	115,496,242,417	108,091,552,493	169,399,973,207	156.22%	39.84%	58.58%
2 Public Order and Safety	19,270,962,297	18,400,535,859	15,118,329,197	17,743,469,950	17,117,946,342	13,634,328,623	15,353,087,223	18,203,501,999	101.68%	6.71%	6.42%
3 Economic Affairs	31,986,128,331	29,554,839,184	30,348,917,190	26,554,164,249	40,564,423,374	35,605,486,255	42,004,703,068	34,701,158,662	87.24%	14.54%	11.94%
4 Environment	11,088,452,462	6,515,289,917	23,205,957,259	14,842,321,624	21,374,205,982	16,751,629,738	28,919,548,564	22,142,906,740	71.23%	8.49%	5.69%
5 Housing and Community Amenities	1,908,227,162	968,077,916	1,880,775,708	933,250,907	1,751,051,106	1,008,037,614	3,337,479,802	2,393,218,005	59.73%	0.89%	0.50%
6 Health	26,956,517,858	20,060,529,941	28,450,516,928	13,295,267,005	34,414,454,606	10,775,552,024	32,055,162,193	24,040,336,372	55.93%	12.23%	6.44%
7 Recreation, Culture and Religion	3,542,520,285	2,993,522,617	2,530,611,995	2,051,360,571	4,129,834,386	2,101,180,739	4,700,177,751	3,504,432,889	71.46%	1.50%	1.01%
8 Education	26,709,201,971	17,332,359,878	31,609,495,964	17,610,779,212	36,362,750,000	21,455,805,513	51,806,389,176	34,853,504,097	62.29%	14.70%	8.62%
9 Social Protection	2,497,329,679	2,121,628,756	2,034,569,970	1,606,685,799	2,537,392,978	2,126,761,685	3,792,794,663	2,608,135,561	77.92%	1.09%	0.80%
Total	234,797,234,060	245,594,454,032	224,156,370,639	282,174,690,016	247,262,494,194	218,955,024,608	290,060,894,933	311,847,167,532	106.25%	100.00%	100.00%

Table 7: Sectoral Expenditure – Capital: Budget Vs Actual

Capital Expenditure by Sector											
No. Sector	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	Performance	Average Budget	Average Actual
1 General Public Services	319,796,507,473	150,535,001,416	213,605,685,085	230,978,224,803	177,946,858,803	217,300,949,757	279,733,942,811	256,667,990,460	86.32%	41.49%	49.37%
1 Public Order and Safety	18,836,836,330	9,736,269,039	16,338,748,184	11,799,408,757	12,769,184,555	6,986,959,053	18,718,081,334	11,946,869,644	60.71%	2.79%	2.34%
1 Economic Affairs	250,428,117,359	91,820,359,615	138,012,306,356	108,639,483,757	195,350,088,608	155,632,641,441	263,821,943,525	224,493,480,048	68.50%	35.48%	33.51%
1 Environment	9,932,830,258	8,724,624,870	21,486,388,972	12,005,866,558	35,046,646,838	31,302,033,472	28,211,630,881	28,939,783,349	85.52%	3.96%	4.67%
1 Housing and Community Amenities	45,770,018,356	13,624,932,206	32,604,718,966	13,640,460,988	26,641,676,830	13,210,425,273	30,614,420,639	21,317,436,948	45.56%	5.68%	3.57%
1 Health	19,633,234,829	8,684,957,559	21,057,709,285	7,484,203,042	25,508,939,615	11,474,267,570	32,459,987,831	15,394,427,497	43.62%	4.13%	2.48%
1 Recreation, Culture and Religion	6,864,273,394	2,077,265,519	3,696,917,992	1,303,789,741	1,199,926,145	492,140,142	1,949,097,547	906,933,281	34.87%	0.57%	0.28%
1 Education	24,176,137,176	10,415,379,700	30,049,002,097	7,117,146,211	30,616,097,431	17,371,794,696	43,289,977,513	25,682,258,065	47.28%	5.36%	3.50%
1 Social Protection	3,644,287,633	1,615,474,469	2,839,596,768	879,138,927	1,982,239,888	998,011,034	4,136,334,895	1,425,191,822	39.02%	0.53%	0.28%
Total	699,082,242,808	297,234,264,393	479,691,073,705	393,847,722,783	507,061,658,713	454,769,222,440	702,935,416,976	586,774,371,115	72.53%	100.00%	100.00%

2.B.2 Debt Position

107. A summary of the consolidated debt position for Lagos State Government is provided in the table below.

Table 8: Debt Position as at 31st December 2021

Debt Sustainability Analysis		
A DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2021
Solvency Ratios		Percentage
1 Total Domestic Debt/IGR	150%	108.93%
2 Total External Debt/Gross FAAC	150%	287.40%
3 Total Public Debt/Total Recurrent Revenue	150%	155.09%
4 Total Public Debt/State GDP Ratio	25%	4.37%
Liquidity Ratios		Percentage
5 Domestic Debt Service/IGR	15%	29.21%
6 External Debt Service/Gross FAAC	10%	34.50%
8 Debt Service Deductions from FAAC/Gross FAAC	40%	100.00%
8 Total Debt Service/Total Recurrent Revenue	25%	30.58%
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2021		Naira
1 Total Domestic Debt		605,296,000,000
2 Total External Debt		557,074,000,000
3 Total Public Debt		1,162,370,000,000
4 Total Domestic Debt Service 2021		162,306,198,079
5 Total External Debt Service in 2021		66,878,934,192
6 Total Public Debt Service		229,185,132,270
C STATE GDP FOR 2021		
1 State GDP		26,587,823,650,000

Source: Economic Intelligence Unit, DMO

108. **From Table** above, Lagos State total public debt to total recurrent revenue, as at December 31, 2021 is 155.09% which surpassed the sustainability threshold of <150%. On the other hand, total public debt to GDP was 4.37% which is within the sustainability threshold of <25% as ascertained by the State Commissioner of Finance.
109. Lagos State debt position is performing unfavourably given the solvency and liquidity ratios above.
110. Increasing the revenue figures has been the major aim for sustaining development. The State needs to take pragmatic and progressing steps to block the leakages in its revenue generation and explore other means such as tourism, human capital remittance from abroad etc. to generate more revenue

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

111. The evidently challenging economy is the foundation upon which the macroeconomic framework and its assumptions for the State were crafted. Our national inflation and real GDP growth for 2022 and the forecast are based on the the April 2022 IMF World Economic Outlook and provided by the Nigeria Bureau of Statistics (NBS) as 16.1 and 3.4% respectively. Crude oil benchmark assumptions (price, production, and exchange rate) are based on the projections from the Lagos Bureau of Statistics. **The mineral ratio is the mid-point between the current 12-month average mineral ratio (of around 16%) and the mineral ratio without fuel subsidy (which would be in the region of about 25%); thus, we adopted a mid-point value of about 21% over the medium term.**

It should however be noted that Lagos has an economy that grows at a faster pace than the national economy (Inflation & Real GDP). For full details see Table below.

Table 9: Macro-Economic Framework

Macro-Economic Framework				
Item	2022	2023	2024	2025
National Inflation	16.10%	13.10%	12.70%	12.30%
National Real GDP Growth	3.40%	3.10%	3.05%	3.00%
State Inflation	17.06%	17.48%	17.90%	18.33%
State Real GDP Growth	6.76%	7.12%	6.65%	6.23%
State GDP Actual	28,386,045,613,333	30,407,314,373,333	32,428,583,133,333	34,449,851,893,333
Oil Production Benchmark (MBPD)	1.5000	1.5000	1.6000	1.8000
Oil Price Benchmark	\$62.00	\$75.00	\$68.00	\$60.00
NGN:USD Exchange Rate	415	415	415	415
Other Assumptions				
Mineral Ratio	16%	22%	25%	25%

Source: Economic Intelligence Unit, LBS, EFU-FSP-BPS 2023-2025

3.B Fiscal Strategy and Assumptions

Policy Statement

112. Gradual but steady recovery of the economy has necessitated the focus of the Lagos State Government to finalise all consolidation achieved with the Y2022 budget, in line with THEME's Agenda initiative and direction for the State. This will be done considering Government's fiscal position, supporting core public services through managing critical cost pressures, and delivering priority and time-sensitive projects.
113. In the bid to present a credible fiscal strategy, the Government will communicate promptly and clearly to MDAs on priority spending and reallocation needs to monitor and control the budget execution.
114. The budget serves as a policy tool for achieving the short, medium and long-term development goals. The Initiatives describe how the government will develop the State through;
- Development of new world-class urban centres to optimize land use and evenly distribute economic and living activity across Lagos State
 - Creation of a multi-modal (road, rail& water) transport network for efficient and flexible means of mobility
 - Democratize access to high speed fixed internet connectivity across government facilities and public spaces
 - Provide clean and safe water at WHO recommended level of a minimum of 15 gallons per capita per day and comprehensive sanitation to all residents equitably and reliably

- Develop best-in-class waste management system to consistently position Lagos in the top 3 cleanest cities in Africa
 - Facilitate additional 100TWh (~6X current supply) of electricity & reliable access across the State.
115. In the bid to present a credible fiscal strategy, the Government will communicate promptly and clearly to MDAs on priority spending and reallocation needs so as to monitor and control the budget execution.

Fiscal Assumptions

The State Government in FY2022 through Y2022 Budget have taken unprecedented policy actions to redirect existing resources toward health and social support measures. This has necessitated dispensation from the existing fiscal policy objectives or temporary suspension of fiscal rules. The FY2023-FY2025 fiscal strategy setting will provide the opportunity to reassess the impact of the social support measures and start planning to bring public finances on a firm footing. In setting the overall strategy for the FY2023-2025 budget, the government recognize the need to adapt to the exceptional degree of macroeconomic uncertainty and its impact on revenues, opt for a prudent approach, and preserve a medium-term orientation to planning and budgeting.

116. Considering the current situation, government understands the risks and difficulty in making policy decisions based on a single macro-fiscal scenario, hence, the need to outline several scenarios and make policies contingent on them. These policies will be refined and adapted according to different assumptions, especially with regards to the impact on public revenue linked to the economic slowdown. These assumptions are:
- Aggressively develop and maintain Infrastructure
 - Create Employment and enhance food security
 - Improve civic participation, inclusion and cooperation in governance
 - Invest in human capital development, education and healthcare
 - Deploy functional technology in public services
 - Improve capacity to collect due revenues as efficiently as possible
 - Attract investments through Public Private Partnerships
 - Improve the Health care systems, Environment and Public spaces
 - Improve Youth Engagement, Participation and Empowerment
 - Rebuilding Lagos
 - To strategically improve on revenue generation for the State through technological innovations;
 - To engage the Economic Advisory Team with the mandate of providing intelligence (economic and financials) in order to improve the business environment and the overall economy of the State;
 - To ensure efficiency in personnel and overhead expenditure by adopting a Performance Evaluation Review Mechanism that rewards performance in addition to allowing greater resource availability for capital development;
 - To ensure priority is given to completion of ongoing capital projects as a means of consolidating projects since inception; and
 - To ensure continuity of Accountability and Transparency in the discharge of duties by public servants

Objectives and Targets

117. Nearly all countries face significant constraints on their public finances, increased government financing requirements, and more exposure to fiscal risks (particularly contingent liabilities). While loose and more flexible fiscal plans will be necessary, unanchored and non-credible fiscal plans can undermine economic confidence and raise financing costs. Hence, policy objectives to be targeted are as follows:
- i. Maintain overall Fiscal Discipline and Clearly Identify Priority Sectors
TARGET: MDAs must respect ceilings, ensure sustainable spending and greater focus on strategic sectors (health, social spending, support for economic recovery, increase household spending).
 - ii. Create a Well-Drafted Budget Circular to Guide Budget Submissions
TARGET: To capture the main messages about the nature of fiscal constraints and the increased need for reallocations and savings besides clarifying processes.
 - iii. Prepare for Increased Volatility in Revenues and Unprecedented Expenditure Needs
TARGET: To allow for in-year budget adjustments.
 - iv. To Ensure Sustainable Government Spending
TARGET: Adopting adequate revenue estimates and realistic growth in the internally generated revenues i.e. taxes and non-tax revenue.
 - v. To Foster a Renewed Enabling Environment for Investment
 - vi. TARGET: Strengthen ease of doing business in the State and encourage Public Private Partnership (PPP) initiative, and encouraging industrialization in general with the application of policies in line with the objectives and targets outlined above, it is expected that over the medium term, the negative impact of the COVID-19 on the State economy will be addressed to place the economy on a path of sustainable growth through a more rigorous application of the THEMES agenda.
118. The State will have to choose an appropriate strategy for promoting flexibility, which will be influenced by the existing budgetary and institutional settings. The appropriate strategy will vary according to specific factors such as: the level of financial constraint (e.g. ability to access markets), PFM rules (for example, degree of flexibility to reallocate budget envelope along the year, parliamentary scrutiny requirements) or capacities at the MEPB and MDAs to accurately anticipate needs.
119. During the budget negotiation stage, the MoF should be seeking information from MDAs that will support its ability for tighter budget execution monitoring. Requiring all MDAs to prepare spending plans as specifically as possible and subject to formalized approval, will enhance MoF to exact control of FY2022 budget execution.
120. The State government should consider extending any extraordinary expenditure control measures put in place as part of the crisis response that may help in promoting transparency, accountability, and legitimacy, as suggested in the IMF note on "Keeping the Receipts."
121. Budget documentation and approval gain even more importance with the COVID-19 challenges. Authorities need to achieve clarity, credibility, and focus for the legislature, MDAs, and the public.
122. Bolster confidence in the Government's fiscal, economic, and social strategy. Amid high uncertainty and stress, the FY2023 budget will be a key policy document to assure stakeholders across the State, households and businesses, that the government has a credible strategy to mitigate the pandemic and support economic recovery.

3.C Indicative Three-Year Fiscal Framework

123. The indicative three-year fiscal framework for the Y2023-Y2025 is presented in the table below.

Table 10: Indicative Three Years Fiscal framework

FISCAL ITEMS	APPROVED Y2022 (₦ M)	PROJECTIONS		
		Y2023 (₦ M)	Y2024 (₦ M)	Y2025 (₦ M)
TOTAL REVENUE	1,236,922	1,250,540	1,376,508	1,690,534
Opening Balance	77,282	-	-	-
Internally Generated Revenue	815,336	884,402	954,503	1,183,20
Capital Receipts	88,036	94,904	99,226	108,324
Federal Transfer	256,268	271,234	323,779	389,089
TOTAL RECURRENT EXPENDITURE	591,281	619,473	653,218	671,900
Debt Servicing	68,262	88,095	89,198	72,162
Total Personnel Cost	189,586	208,494	229,294	249,076
Total Overhead Cost	333,433	322,884	334,726	350,662
TOTAL CAPITAL EXPENDITURE	1,166,916	1,031,067	1,230,557	1,446,908
Capital Expenditure	995,918	776,817	940,120	1,152,360
Repayment	170,997	254,251	290,438	294,548
TOTAL EXPENDITURE (BUDGET SIZE)	1,758,197	1,650,540	1,883,775	2,118,808
FINANCING REQUIREMENT (BORROWING)	(521,275)	(400,000)	(496,267)	(438,274)

ASSUMPTIONS

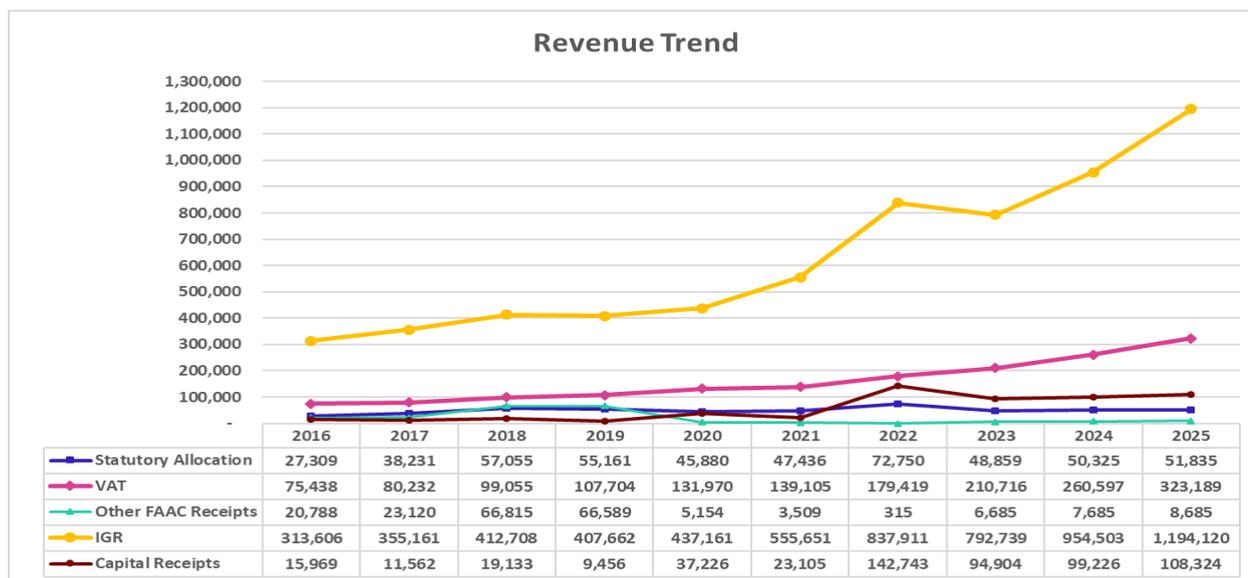
124. **OPENING BALANCE:** The opening balance for Y2022 includes MDA recoveries and balance from loans and bonds proceeds for operational cash flow reasons. We will most likely not have an opening balance in the outer years. Hence, no projection for FY2023-2025.
125. **REVENUE:** Revenue component includes IGR (LIRS, IGR others, grants, other capital receipts, dedicated revenue and investment income) and federal transfer (Statutory allocation, VAT, Derivation and Other FAAC transfer). The target is to progressively grow total revenue towards achieving a 5% of State GDP which currently stands at 2.95% in Y2021 and is projected to increase gradually to 4.00%, 4.28% and 4.88% in Y2023, Y2024 and Y2025 respectively. (Revenue to GDP ratio, not GDP growth rate.)
126. **INTERNALLY GENERATED REVENUE (IGR):** A key fiscal objective is to grow LIRS receipt to N50bn on a monthly basis (as the State's major revenue generating agency). It is expected that LIRS would capture the Informal Sectors into the tax net through collaboration with Local Governments. With the existing stimulants and equipment provided for revenue generating agencies. Also, there exist revenue potentials for Enterprise Geographic Information System (eGIS). Hence, IGR is expected to improve over the Medium term.

127. **STATUTORY ALLOCATION:** Due to economic realities reflecting the current global economic disruptions and fluctuations of key macroeconomic indicators such as oil production and exchange rate, a 3% increase was adopted in estimating for Y2023-Y2025.
128. **DERIVATION:** Derivation receipt includes royalties paid to the State by private operators of active oil wells. The projection for Y2023-Y2025 reflects a 5% increase year on year.
129. **VAT:** As the economic nerve centre of the nation coupled with the current State proposal on VAT collection (If granted), would yield higher returns. Hence, VAT is expected to increase to N211B, N261B and N323B in Y2023, Y2024 and Y2025 respectively.
130. **OTHER FAAC TRANSFER:** A conservative 5% increase of 2021's Actual figure was used to project for Y2022 (3,684,681,775) with expectation of Electronic Money Transfer Levy (EMTL) receipt and kept constant for Outer years.
131. **GRANTS:** An average of 4billion Naira was used to project for Y2023-Y2025. Grants sources includes but not limited to UBEC grants, UNICEF and Bill and Melinda gates Foundation (BMGF).
132. **MISCELLANEOUS CAPITAL RECEIPTS:** This includes receipts from Lagos homes, Land use charge, stamp duties, Rent/Business premise from some MDA's including Lands Bureau, Motor Vehicle Administration Agency and Ministry of Housing.
133. **FINANCING (NET LOANS):** The state obtains loans from both external and internal sources to balance expenditure for each fiscal year.
134. **PERSONNEL:** The 10% increase in the personnel cost is to accommodate probable intake of Staff including Medical personnel, Teachers, redeployment of Corp-members from volatile States, severance pay to political office holders, payment of Pensions, Gratuities and Health Insurance premium.
135. **OVERHEAD:** The State is committed to improve Social Welfare including Health, Education, Civic Engagement as well as building Staff capacities in priority sectors to deliver services. Hence, the above projection for Y2023-Y2025.
136. **PUBLIC DEBT SERVICE:** Debt management strategy (including cost, risks, the fluctuating macroeconomic indicators) was applied in projecting the schedule for debt repayment and interest for the FY 2023-2025.
137. **CONTINGENCY AND PLANNING RESERVES:** Contingency and Planning reserve are 1.5% each of the Total Revenue. The planning reserve is used up during the budget process to augment Some MDA's budget. Contingency reserve is a resilience fund for shocks and stress in each fiscal year.
138. **CAPITAL EXPENDITURE:** Although Y2023 is a transition year, hence would be mainly focused on strategic planning of the economy. However, the increase in Capital expenditure from Y2023 to Y2025 is to demonstrate the administration's commitment to massive infrastructural renewal and development towards achieving the State's vision, rebuilding and actualizing a greater Lagos, and keep the State at par with other leading cities in the world.

3.D Fiscal Trend

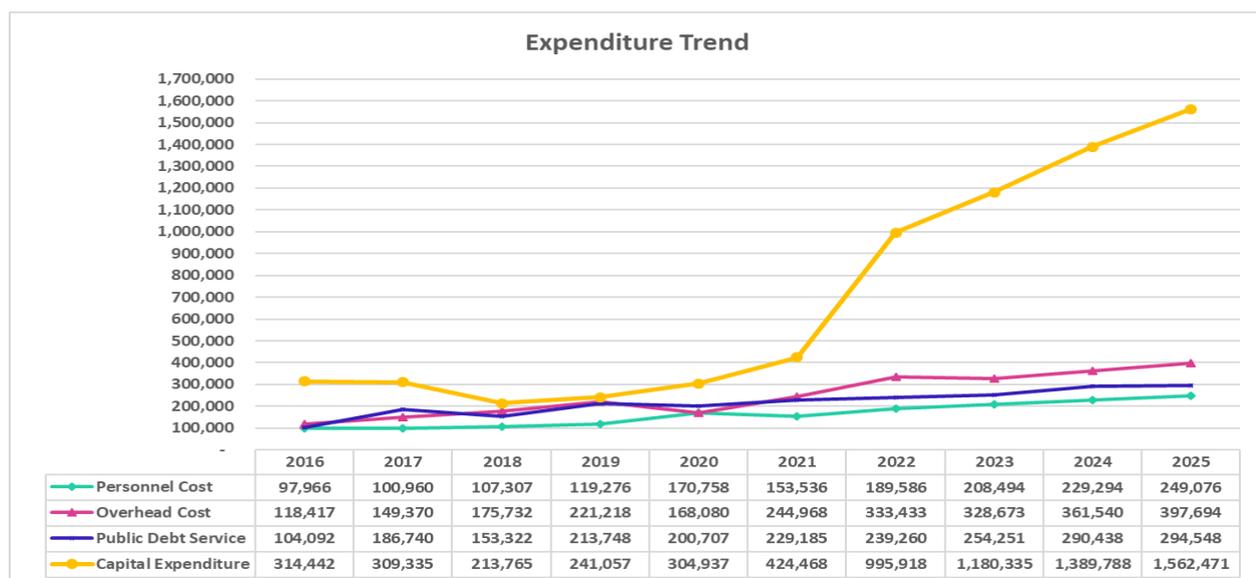
139. Based on the above assumptions, plus actual revenue and expenditure figures for 2016-2021 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and expenditure in the line graphs below:

Figure 22: Revenue Trend



140. **Figure 22: Revenue Trend** shows total revenue (actual & forecast) for Lagos State between Y2016 and Y2025. Statutory allocation and VAT are expected to rise from about N47 billion and N139 billion in Y2021 to about N73 billion and N179 billion in Y2022 respectively. With receipts from EMTL, Other FAAC Transfer is expected to rise to about N7 billion in 2023 and increase gradually. IGR as a major contributor to the State’s total revenue is projected to grow to about 792 billion in Y2023 and further increase to N1.2 trillion in Y2025. As a resilient city and the State Government effort to improve economic activities, revenue performance is anticipated to improve in 2022 and the outer years.

Figure 23: Expenditure Trend



141. **Figure** Shows the State’s Actual and Forecast Total Expenditure from Y2016 to Y2025. It is projected that Personnel cost would increase in year 2023 due to probable recruitment of Staff, severance pay and pensions. Overhead cost is projected to increase to about N329 billion in Y2023 and N397 billion in Y2025. The projection for Public debt service is based on existing debt schedule to be serviced between Y2023 and Y2025.

142. Capital expenditure is forecasted to rise to about N1.6 trillion in Y2025. Personnel costs & Overheads have increased constantly since Y2016 till Y2021. Government actual spending on capital projects is expected to increase to drive infrastructure development, aid economic recovery and sustainability.

3.E Local Government Forecast

143. Based on the Macroeconomic assumptions in section 3.A, the forecasting techniques noted in section 3.B and the vertical and horizontal sharing ratios, the Federation Account revenues have been forecasted for the 20 Local Governments (LGs) of Lagos State.

Figure 11: Local Government FAAC Estimates for 2023

Local Government Council	Statutory Allocation Share	VAT Share	2023			
			Statutory Allocation	VAT	Other Federation Account	Total Transfer
Agege	0.1721%	0.5997%	2,564,631,076	6,050,538,621	145,572,236	8,760,741,934
Ajeromi Ifelodun	0.2212%	0.6492%	3,296,494,284	6,550,449,686	187,113,869	10,034,057,839
Alimosho	0.3567%	0.7804%	5,316,225,660	7,874,253,059	301,756,796	13,492,235,515
Amuwo Odofin	0.1394%	0.5683%	2,077,812,275	5,734,371,623	117,939,684	7,930,123,582
Apapa	0.1172%	0.5460%	1,746,912,495	5,509,569,312	99,157,325	7,355,639,132
Badagry	0.1310%	0.5513%	1,952,983,720	5,562,491,653	110,854,231	7,626,329,604
Epe	0.1203%	0.5381%	1,793,137,427	5,429,390,772	101,781,120	7,324,309,320
Etiosa	0.1452%	0.5616%	2,163,229,544	5,666,619,163	122,788,094	7,952,636,800
Ibeju Lekki	0.0969%	0.5240%	1,444,467,482	5,286,825,376	81,990,101	6,813,282,959
Ifako/Ijaye	0.1653%	0.5926%	2,462,962,489	5,979,039,604	139,801,377	8,581,803,471
Ikeja	0.1429%	0.5672%	2,129,109,229	5,723,288,060	120,851,375	7,973,248,664
Ikorodu	0.1964%	0.6164%	2,927,419,588	6,219,312,072	166,164,646	9,312,896,306
Kosofe	0.2125%	0.6451%	3,167,278,840	6,508,720,182	179,779,410	9,855,778,433
Lagos Island	0.1144%	0.5443%	1,704,995,172	5,491,895,823	96,778,036	7,293,669,031
Lagos Mainland	0.1380%	0.5682%	2,057,350,501	5,733,377,002	116,778,244	7,907,505,746
Mushin	0.2067%	0.6379%	3,080,008,268	6,436,500,845	174,825,804	9,691,334,918
Ojo	0.2005%	0.6302%	2,988,590,555	6,358,585,850	169,636,800	9,516,813,206
Oshodi/Isolo	0.2048%	0.6354%	3,051,600,887	6,410,854,774	173,213,359	9,635,669,021
Shomolu	0.1584%	0.5870%	2,360,127,948	5,922,830,106	133,964,337	8,416,922,391
Surulere	0.1811%	0.6094%	2,699,686,062	6,148,743,004	153,238,156	9,001,667,222
Total	3%	12%	50,985,023,503.85	120,597,656,588.58	2,893,985,000.72	174,476,665,093.15

3.F Fiscal Risks

The fiscal risks of the forecast and analysis laid out above includes but are not limited to.

Table 12: Fiscal Risk

RISK MATRIX				
	RISK	LIKELIHOOD	IMPACT	MITIGATION STRATEGY
1	GLOBAL			
A	Increase in Oil Prices and Reduction in Oil Production	H	<ul style="list-style-type: none"> Reduction in FAAC receipts 	<ul style="list-style-type: none"> State to strengthen diversification, explore natural resources (Bitumen, Clay & Glass-sand) and conversion of Olusun dump-site to generate electricity Lagos to prioritize its economic focus on sectors like the Real estate, transportation sector, construction as a means of generating additional revenue
B	Russia-Ukraine War	H	<ul style="list-style-type: none"> Disruption in supply chain Steady increase in energy and commodity prices leading to inflation Reduction in Foreign Direct Investments 	<ul style="list-style-type: none"> Importation of essential food items should be discouraged and encourage local production Interventions such as mechanized farming, provision of fertilizers and adequate equipment to farmers, to aid increased production The State should also have its own storage system in place that provides for the rainy days (grain silos).
2	FINANCIAL/ECONOMIC			
A	Volatile Macro-Economic Indicators	H	<ul style="list-style-type: none"> Unanticipated changes in macroeconomic variables – exchange rate, inflation rate, interest rates, household consumption, employment and investments, predisposes the State's economy to high volatility in revenue and expenditure 	<ul style="list-style-type: none"> Investments should be more encouraged through the implementation of flexible monetary policies
i	Exchange rate depreciation	H	<ul style="list-style-type: none"> High Debt-GDP ratio 	<ul style="list-style-type: none"> Adoption of sound macroeconomic policies and appropriate debt management strategies Implementation of food system transformation
ii	Food Insecurity	H	<ul style="list-style-type: none"> Shortage in food supply Increase in price of food items 	
B	Tax Evasion and Leakages	H	<ul style="list-style-type: none"> Continuous evasion of taxes by potential taxpayers and loss of revenue from other fees & rates could result in reduction in IGR with negative impact on the overall budget performance An existential culture of tax evasion/avoidance and leakages could discourage potential genuine taxpayers 	<ul style="list-style-type: none"> The value of services provided by the Government should be commensurate to the value of tax being received in order to help build citizens confidence and aid tax compliance A tighter tax administration and collection system should be implemented by the State to avert potential manipulation and corrupt practices in the system

3	POLITICAL			
A	Reduction in aids from donor Agencies/ Loss of Key Diplomatic Relationships	M	<ul style="list-style-type: none"> • Slow economic growth and development • Increase in government spending 	<ul style="list-style-type: none"> • State to focus more on financialization of State-owned assets to attract Foreign Direct Investments
4	ENVIRONMENTAL			
A	Outbreak of Contagious Disease	H	<ul style="list-style-type: none"> • Pressure on existing health facilities • Unexpected government expenditure • Drop in investment inflows • Decline in economic and productive activities 	<ul style="list-style-type: none"> • Effectiveness and Efficiency in the health sector should be prioritized as a resilience strategy • Increased investment in the health sector
5	SECURITY/SOCIAL			
A	Inter-State Migration/ Population Explosion	H	<ul style="list-style-type: none"> • Pressure on State's scarce resources 	<ul style="list-style-type: none"> • Stringent policies should be implemented to discourage unwarranted Inter-State migrants • Policies should be implemented to encourage balanced development
B	Insecurity	H	<ul style="list-style-type: none"> • Disruption in commercial activities resulting to slow economic growth and development • Reduction in Foreign Direct Investment 	<ul style="list-style-type: none"> • The State to focus on driving security awareness and intervention up to the grassroots level • There should be provision of adequate equipment and intelligence to security agencies
C	Low Human development Index	H	<ul style="list-style-type: none"> • Low productivity and sustainability of programmes 	<ul style="list-style-type: none"> • The State should intensify interest in engaging the youths • Continuous capacity building in line with modern technology to increase service delivery • More financial schemes should be provided to encourage MSMEs • Encourage synergy between graduate turnout and workforce demand • The State should continuously advocate the review the constitution to give room for State policing

144. It is of importance to note that every budget comes with its own risk. The implementation of Y2022 budget should however be closely monitored, as should the security situation and impact of the fiscal and economic outlook on the State's economy.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

The year 2022 Budget Policy Statement (BPS) continues to centre around the Administration's THEME agenda. It is written far away from the shadows of covid-19 owing to successful government strategy in managing the pandemic. This Budget is themed "Budget of Consolidation" which is aimed at merging and focusing obsessively on completing ongoing projects, while also expanding social intervention programs and support for citizens, micro, small and medium enterprises.

The BPS sets out the Budget priorities and wellbeing objectives that will guide the Government's Budget decisions.

145. The current overarching policy thrust of the Government is to stimulate the State's economy by aggressively developing and maintaining infrastructure in critical sectors including but not limited to Health, Education, Transport, Technology, and Security.
146. Within these overarching goals, the Government has identified two policy areas that will be a particular focus for Budget 2022 and outer years 2023-2025:
 - **Foster economic growth through infrastructural development to achieve the megacity status:** According to the global start-up ecosystem index, Lagos remains a leading global city in transportation technology, education technology, e-commerce, and retail technology. The State has attracted over \$1billion worth of investment from technology giants like Microsoft and Google. Lagos State remains the highest investment destination for digital infrastructure
 - **Poverty reduction through MDA led initiatives:** The global pandemic, rising inflation, ongoing uncertainty related to the war in Ukraine and the relentless population growth have made Lagos's poverty-reduction goals more challenging than ever. To this end, the State MDAs are consolidating on Government programmes and projects to support employment and improve employability through skill enhancement programs, ensure food security, and incentivize the business environment.
147. **In preparing the Y2022 and outer Y2023-Y2025 budget, the State Government will have to set the following budget policies:**
 - Improve living conditions particularly in the area of healthcare affordability and providing standard and modern healthcare infrastructure
 - Incorporate policy actions to address economic realities that have resulted in a continuous downward trend in revenue accruing to the State from the Federation Account
 - Maintain the State's budgetary strategies of automating tax administration and improving fiscal discipline to guarantee sustainable fiscal deficit
 - To enlist the Economic Intelligence Team with a mission to increase information gathering and respond quickly to policy evaluations in order to improve the State's business environment and the whole economy in general
 - To maintain or reduce personnel and overhead spending while freeing up resources for capital development and ensuring that ongoing capital projects are completed before new ones are started
 - Maximize the State's status as one of the world's 100 resilient cities in order to attract more FDI.

4.B Sector Allocations (3 Year)

148. The Medium-term Fiscal Framework (MTFF) is a scientific framework for estimating aggregate resources available and expenditure using realistic macro-economic assumptions. It is the top-down fiscal strategy to allocating resources as it assists in determining the aggregate resource available to the State within a three-year period, taking into consideration, the medium-term fiscal policy objectives, fiscal targets and projections, as well as the projected macroeconomic variables. It works to the extent to which the Government wants to disaggregate its Revenue and Expenditure items for performance analysis and forecasting. MTFF is a strong basis for sectoral allocation.
149. The overall budget is, thereafter, disaggregated into functions groups based on the State's agenda priorities. This process refers to the functional allocation of resources and is comprehensively covered in the MTEF process. The intra- functional allocation further disaggregates the resource allocation to each of the spending entity, in line with each sector priorities in fulfilling the State's mandate.
150. The insatiable needs and requests of MDAs in comparison with resources available to the Government made it necessary that each MDA prioritizes her requests in line with the Government's overarching policy. Each COFOG group is to come up with its medium-term policy document, highlighting all its programmes and projects (with cost implications) for the year, in order of priority and in line with Government policy thrust.
151. The Ministry of Economic Planning & Budget (MEPB) gives envelopes to the function groups for further disaggregation by the sector headed by the Sector Champion, as MEPB has divulged the responsibility of intra-functional allocation of resources to Sector Champions.
152. The Sector Champion sees to it that the envelope allocated to the group is effectively disaggregated to the respective MDAs under it and in line with government's goals. The Sector champion is usually an Honourable Commissioner from the MDAs within each functional group.
153. Presented in the table below are the indicative three envelopes for Sectors.

Table 13: Indicative Expenditure Ceilings 2023-2025

Aggregate Budget Allocation	Budget Allocation (%)		Proposed Allocations (%)	
	Y2022	Y2023	Y2024	Y2025
1 General Public Service	17.01	17.00	15.06	15.01
2 Public Order and Safety	4.00	4.02	4.05	4.00
3 Economic Affairs	29.55	29.63	29.95	30.24
4 Environmental Protection	5.19	5.21	5.25	5.26
5 Housing	3.18	2.68	3.20	3.23
6 Health	10.23	10.31	10.64	10.66
7 Recreation	0.65	0.65	0.70	0.70
8 Education	13.00	12.60	13.30	14.00
9 Social Protection	0.80	0.82	0.85	0.90
10 Contingency Reserve	1.50	1.50	1.50	1.50
11 Planning Reserve	1.50	1.50	1.50	1.50
12 Public Debt Charges (Loans)	13.39	14.08	14.00	13.00
Total	100	100	100	100

154. Focus should be intensified on sectors that would contribute the most to a rapid recovery of the Lagos State economy (especially with employment levels) while maintaining budgetary sustainability
- The projections for GPS though reduced, is to reflect the continuous effort of Government to reduce cost of governance, has the second highest allocation. This is to accommodate the further implementation of activities that can drive the State towards becoming a 21st Century Economy.
 - Considering the current level of insecurity in the State and the influx of migrants into the State, it is expedient that more attention is paid to security to ensure that Lagos remains the

safe haven that it is, hence the slight increase in 2023 and 2024, with the believe that we would have reached a sustainably resilient stage by 2025

- Irrespective the various infrastructure we possess as a State, there are lots of infrastructures that needs to be put in place to bring Lagos at par with its contemporary cities of the world. The projection is to consistently bridge the infrastructural gap that we have in order to achieve the State's vision.
- This increase is to allow the Implementation of projects such as the climate change action plan, which would in turn impact our air quality management, boost climate change adaptation and increase the liveability index of the State
- The need to increase housing schemes and capacity in the State necessitated the projections over the years.
- This projection is based on the focus of the Government to increase the inflow of tourist to the State and ensure that Lagos remains an attraction for the world.
- This is to ensure the consistent but gradual efforts towards attain the 26% benchmark allocation to Education sector
- This is to ensure more youths, women and physically challenged are engaged and empowered
- 1.5% of total revenue is set aside for contingency. Also, 1.5% of total revenue is set aside for Planning reserve to be used up during budget negotiations
- Debt service projection is as scheduled by DMO using Debt Management Strategy

155. The present administration is committed to aggressively renew and develop infrastructures across the State to achieve a thriving economy through value creating programmes and projects such as:

- Creation of a reliable multimodal transportation system that is safe for commuting,
- Access to affordable healthcare services,
- Construction, rehabilitation and a total refurbishment of the educational system,
- Develop human capacity to drive productivity
- Promote Youth empowerment and innovation
- Make Lagos the most technologically advanced City in Africa and compete with leading cities of the world
- Position the State as a Top 5 destination in Africa
- Provide exemplary leadership, ethical values and conduct as well as encourage Citizens Participation and inclusion in Governance amongst others;

156. The allotted percentage to the Sectors is prioritized in line with each Ministry's mandate towards the achieving the State's overall goal.

4.C Medium-term Sector Strategies (MTSS)

157. MTSS is premised on creating a coherent and transparent budget framework, which is focused on channelling resources to fund the State's developmental needs in an efficient and transparent manner. It is a bottom-up resource allocation strategy that is meant to link up with the top down medium-term budget framework.

158. The primary aim of the MTSS is to chart a three-year expenditure plan for each MDA, focusing on their goals as detailed in their vision and mission statements. Each MDA is to select a maximum of four goals and maximum of Six (6) programmes per goal. This should be within the areas of concentration and strategy to achieve outcomes stated clearly at the beginning of a three (3) year period. The MTSS clearly entails a profiled budget, which states the various approved expenditure

headings and cost allocated for them, over the three years. It also includes the approved programmes upon which expected level of completion over the period is monitored.

159. MTSS is institutionalised for effective allocation of scarce resources, reduction of wastes through identification of overlapping functions and linking goals with outcome, thereby ensuring that spending on programmes meets the needs of the people.
160. The MTBF Document has served to reconcile the top-down aggregate resource constraint provided by the MTFF, with the bottom-up expenditure needs, as articulated by the MDAs in their MTSS. It will provide critical analysis for decision makers in EXCO, over the medium-term allocation of resources. It also helps to promote a prudent budget, which is both revenue driven and policy oriented.

4.D Considerations for the Annual Budget Process.

161. This Y2023-Y2025 MTBF Document will be used to inform the Y2023 Budget Call Circular and in turn, formulate the Annual Budget.
162. The Budget Call Circular (BCC) shall include the following instructions to MDA's for the annual budget submissions among others:
- As stipulated in the existing budgetary guidelines, all MDAs must make adequate provision for all on-going projects, emphasis will be placed towards completion of such projects.
 - The drawdown/repayment schedules of such Loans/Grants are to be reconciled on monthly basis with DMO and Development Partnership Department (DPD) of MEPB.
 - Adequate budgetary provisions must reflect the priorities of the State Government and should be consistent with the Ministerial mandates of respective MDAs.

All supervising Ministries should endorse budget proposals of all Parastatals and Tertiary Institutions under their supervision, to avoid duplications and ensure that these proposals are consistent with the policy thrust of the State Government.

Table 14: Objectives from the fiscal strategy driven by KPIs

OBJECTIVES	ACTIONS
Building Our Team	<ul style="list-style-type: none"> Improve Civic Engagements and Participation in Governance, Leveraging Technology
Building our Future	<ul style="list-style-type: none"> Invest in Human Capital Development (Education, Healthcare and Poverty Eradication)
Building our Economy	<ul style="list-style-type: none"> Attract private sector investments by creating an enabling environment Facilitate Sustainable Social Investment and Enterprise.
Building our 21st Century Mega-City	<ul style="list-style-type: none"> Aggressively develop, upgrade and maintain our infrastructure and systems (Transport, Technology, Education, Health, power, Water etc) Improve the quality of the environment, our public spaces and security generally
Building our Partnership	<ul style="list-style-type: none"> Build Impactful Partnerships with The Federal Government, States, Local Governments, Development Partners and Civil Society

Section 5 Summary of Key Points and Recommendations

163. We summarise below a list of the key points arising in this document:

- Employment and output will typically remain below pre-pandemic trends through 2026;
- There is a need to control price stability and provide a suitable environment for business and investment activities;
- The State Government is intent on continuing significant investment in the rebuilding and recovery of its economy;
- IGR needs to grow to a level commensurate with the level of economic activity in the State;
- Commitment to improve partnerships and collaboration across national, state and other sub-national governments, the Private Sector, Civil Society and the international community must be renewed.

164. Recommendations

- Continue to support the health sector to consolidate gains in the fight against the Covid-19 resurgence, Monkey pox and probable Pandemic;
- The State needs to wean-off more subvented agencies such as Lagos Printing Corporation, Ibile Oil and Gas, LTV 8, Radio and Traffic Lagos amongst others, stirring them to perform optimally;
- Expand social safety nets making growth more equitable to address increasing poverty;
- Need for innovation in financing of budget by winding down Internal/External borrowing and finding alternative sources to generate revenue by increasing commercial/industrial activities;
- Boost capital receipt and other financing options for developmental projects through improved collaboration with Development Partners;
- Fiscal discipline and priority programmes should be emphasised on while allocating resources both at the State and Local Government level;
- Government should collaborate with the private sector to deepen the diversification of the economy to enable economic growth;
- Revenue leakages should be blocked using technology innovation (e.g. central billing system) and generally strengthening tax administration in the State;
- Scaling up active labour market policies to rebuild the workforce for the future of work;
- Intensifying structural transformation through digitalization and economic diversification to build resilience, that can absorb stress and shocks;
- Fostering regional and multinational cooperation to ensure sustained and widespread recovery;
- Focus on human capacity development by up-skilling the workforce and improvement of public services such as Health, Education, Technology and Justice to ensure increased productivity;
- Designated MDA's needs to strictly monitor and ensure maintenance of State's infrastructure;
- It is suggested that debt servicing as scheduled by DMO should not be moderated during bilateral discussion to avoid payment plan disruption.

