



LAGOS STATE GOVERNMENT
MEDIUM TERM BUDGET FRAMEWORK
(MTBF) DOCUMENT

FY2024 - FY2026

Comprising:

Economic and Fiscal Update (EFU);

Fiscal Strategy (FS); and

Budget Policy Statement (BPS)

July 2023

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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

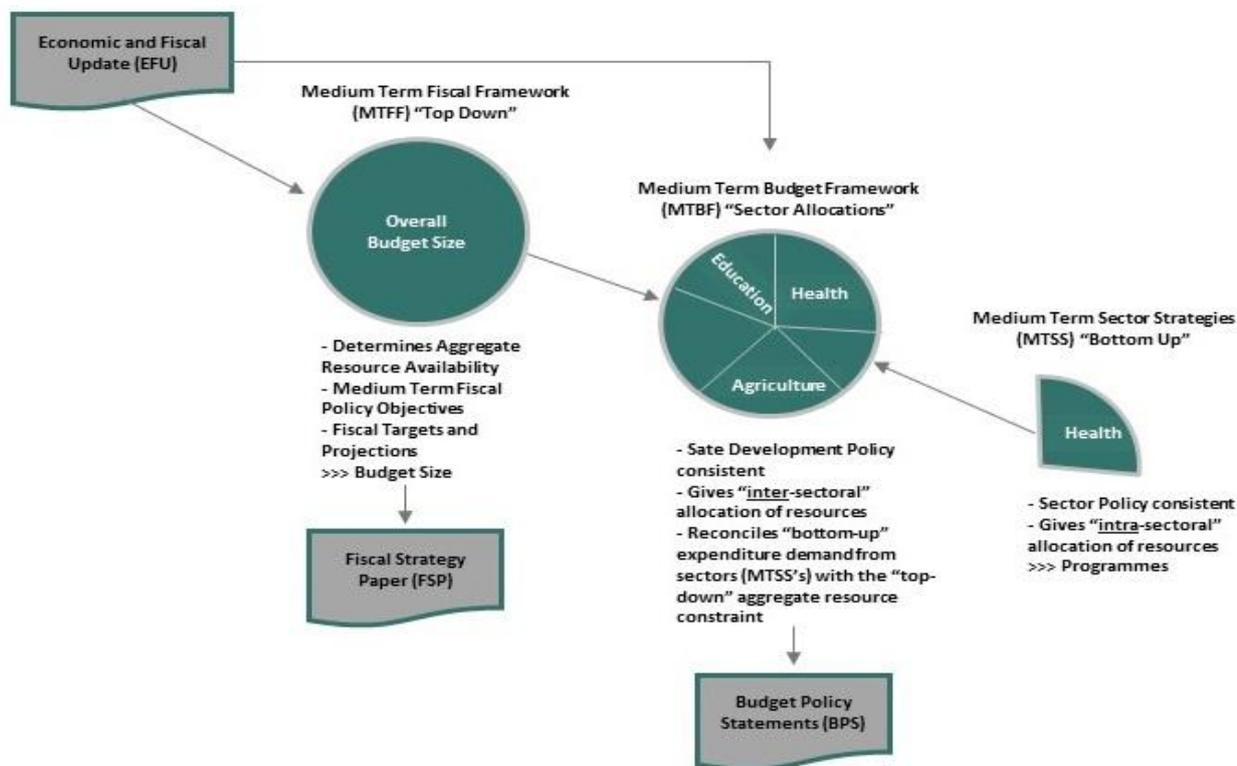
1. The MTEF is a budgeting approach that sets out a strategic and comprehensive plan for the Lagos State government finances over a medium-term period, typically three to five years. It focuses on aligning budgetary resources with government policies and objectives, ensuring fiscal sustainability and debt management, and improving resource allocation efficiency. Effectively, it establishes a framework wherein the Executive Council (ExCo) can engage in comprehensive discussions regarding the cross-sectoral allocation of resources within the budget for the year 2024, as well as projections for the subsequent years of 2025 and 2026.
2. The Economic and Fiscal Update (EFU) of this MTEF document provides an assessment of the State's economic and fiscal situation. This section will provide an analysis of the current economic conditions, fiscal performance, and outlook for the State, along with policy recommendations. The EFU will include the analysis of several economic components including macroeconomic analysis, fiscal performance, medium-term fiscal outlook, structural reforms and policy recommendations, social and distributional implications (poverty level, income inequality, GDP Per Capita), National policy impacts, and Risks and contingency planning.
3. The Fiscal Strategy (FS) aims to address key challenges, capitalize on strengths, and promote sustainable economic development by enhancing revenue mobilization, prudent expenditure management and accountability, sectoral diversification and promoting MSMEs, infrastructure development, human capital development, sustainable development and climate resilience, and monitoring, evaluation, and adaptation.
4. The Budget Policy Statement (BPS) is a comprehensive document that builds upon the outcomes of the Economic and Fiscal Update (EFU) and the Fiscal Strategy (FS). It outlines the government's policy objectives, strategies, and priorities for achieving fiscal sustainability, economic growth, and social development. Emphasizing fiscal discipline and sustainability, the statement focuses on driving economic growth, creating employment opportunities, promoting social development through social inclusion and community engagement, and allocating resources to key sectors. It highlights the government's commitment to effective public financial management, transparency, and accountability. The statement also emphasizes the importance of monitoring and evaluating budget outcomes to ensure effective implementation. Overall, the Budget Policy Statement serves as a roadmap for the budget process, promoting transparency, trust, and efficient allocation of resources.

1.A.1 Budget Process

5. 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).
6. It commences with the conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget.

7. The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

8. In accordance with international best practice in budgeting, the production of a combined EFU, FS, and BPS is the first step in the budget preparation cycle of the Lagos State Government (LASG) for the period Y2024-Y2026.
9. 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 MTFF; and
 - iii. Provide indicative sector envelopes for the period 2024-2026 – Budget Policy Statement.
9. The EFU is presented in Section 2 of this document. It provides economic and fiscal analysis in order to inform the budget planning process. The report presents an overview of the State's macroeconomic situation, including key economic indicators such as GDP growth rate, inflation rate, prevalent oil price and production levels, and exchange rate. It analyses recent economic developments and provides an assessment of factors influencing the State's economic performance. It includes:
10. Overview of Global, National and State Economic Performance;
 - Analysis of revenue streams from Federal Allocation such as VAT, CIT, Distributed Mineral Resources, and NCS
 - Overview of the Petroleum Sector;
 - Trends in budget performance over the last six years.
11. The FS 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 Government to fund economic growth and poverty reduction programmes from a fiscally sustainable perspective. Implementing this fiscal

strategy will require strong leadership, effective governance, and continuous stakeholder engagement. It is crucial for the state government to ensure transparency, accountability, and inclusiveness throughout the implementation process, fostering trust and collaboration among various stakeholders.

1.A.3 Preparation and Audience

12. The purpose of this document is to provide an informed basis for the 2024-2026 budget preparation cycle for all 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.
13. The document is prepared in July prior to the annual budget preparation period. It is prepared by the Economic Intelligence Department (EID) of the Ministry of Economic Planning and Budget (MEPB), and the MTBF Technical Working Group (TWG), using primary & secondary data collected from International, National and State sources.

1.B Background

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

14. Legislative Framework for PFM in Lagos State

A. Lagos State Revenue Administration Law - The Lagos State Revenue Administration Law, enacted in 2006 and still in force, establishes the framework for managing and collecting revenue for Lagos State and its Local Government Councils. Key provisions of the law include the establishment of the Internal Revenue Service and its powers to assess, collect, and enforce taxes, as well as promote economic activities and development through tax revenues. The law also empowers the Service to collaborate with relevant agencies, investigate tax fraud, maintain databases, and undertake research for effective tax administration.

Key provisions of the law:

- i. Establishment of Internal Revenue Service (IRS) with powers to assess and collect taxes.
- ii. Collaboration with ministries and agencies to review tax regime and promote economic development.
- iii. Investigation and prevention of tax fraud and evasion in collaboration with law enforcement.
- iv. Measures for identifying and seizing proceeds of tax fraud or evasion.

B. 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. Bonds, Notes, and Other Securities, Issuance Law

The Lagos State Bonds, Notes, and Other Securities Issuance Law, enacted in 2008, provides a comprehensive framework for issuing financial instruments like bonds and notes to fund developmental projects in the state. The law ensures transparent issuance, management, and redemption of these securities, with a focus on investor protection and responsible financial management. Notably, the law establishes a consolidated debt service account to efficiently handle debt-related payments, enhances fiscal discipline, and outlines permissible fund uses to align with development priorities. This law plays a crucial role in facilitating economic growth while maintaining financial prudence in Lagos State.

Key provisions of the law:

- xiv. Issuance Process: The law outlines the process for issuing bonds, notes, and other securities, including requirements for approval, documentation, and registration.
- xv. Debt Limit: The law sets a maximum limit on the amount of debt the Lagos State Government can incur through securities issuance to ensure responsible financial management.
- xvi. Use of Proceeds: It specifies how the funds raised through securities issuance should be used, ensuring transparency and accountability in project financing.
- xvii. Investor Protection: The law includes provisions to safeguard the interests of investors, including disclosure requirements and regulations to ensure the proper management of funds raised through securities issuance.

C. Audit Laws 26th July 2011

- xviii. 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;
- xix. 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;
- xx. Without prejudice, any person who fails to reply to an audit query within the specified period may be liable to disciplinary action;
- xxi. Review of the Auditor-General's audit report will be done by the Public Accounts Committee (PAC);
- xxii. Annual estimates & expenditures must be prepared and submitted to the House at least 90 days before beginning of each year; and

xxiii. 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

xxiv. 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 MTEF, 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;

xxv. The State also provides that the MTEF shall be the basis for the preparation of the annual budget;

xxvi. Mandates the Accountant-General of the State to prepare the annual cash plan of each financial year; and

xxvii. 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.

15. 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

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

Table 1: Budget Calendar

S/N	SUBJECT	ACTIVITY	START DATE	RESPONSIBILITY
1	Conclusion on 2022 Budget & Inception of Y2023 Budget	a) Y2023 Budget Analysis	January, 2023	MEPB
		b) Issuance of Y2023 Budget Operational Guidelines	January, 2023	MEPB
2	Budget Performance Appraisal	a) 4th Quarter/Full Year Y2022 Budget Performance Appraisal	January, 2023	MEPB
		b) 1st Quarter Y2023 Budget Performance Appraisal	April, 2023	MEPB
		c) 2nd Quarter/Mid-Year Review of Y2023 Budget Performance	July, 2023	MEPB
		d) 3rd Quarter Y2023 Budget Performance Appraisal	October, 2023	MEPB
		e) Y2023 Budget Performance Appraisal for the 4th Quarter/Full Year	January, 2024	MEPB
3	Implementation of the Y2023 Budget	a) Publishing of Citizens Budget	January – March, 2023	MEPB
		b) Publishing of Abridged Budget Document	January – March, 2023	MEPB
		c) Hosting of detailed Budget on Lagos State Website	January, 2023	MEPB
4	Commencement of Y2024 Budget Preparation	a) Preparation and Adoption of Fiscal & Sector Strategy for 2024-2026	March-June 2023	MEPB
		b) Meeting with Major Revenue Generating Agencies and Ministry of Establishment Training & Pensions on Fiscal Strategy 2024-2026	April, 2023	MEPB
		c) Presentation of 2024-2026 Economic & Fiscal Update/MTBF to EXCO/Forwarding to HOA	May – June, 2023	MEPB
		e) Budget/Function Group Disaggregation Meeting	July, 2023	MEPB
		f) Submission of Function Group agreed figure	July, 2023	MEPB
		g) Budget Consultative Forum		
5	Commencement of Y2024 Budget Preparation	i) Ikeja Division	August, 2023	MEPB
		ii) Badagry Division	August, 2023	MEPB
		iii) Lagos Division	August, 2023	MEPB
		iv) Ikorodu Division	August, 2023	MEPB
		v) Epe Division	August, 2023	MEPB
6	Preparation of Y2024 Budget Estimates	a) Issuance of Y2024 Call Circular	August, 2023	MEPB
		b) Submission of Budget Proposals by MDAs	August, 2023	All MDAs
		c) Evaluation of Proposals/Workshop on MTSS/Budget Alignment	August – September, 2023	MEPB
		d) Uploading of Budget proposals into the Oracle	August – September, 2023	MEPB
		e) Budget Bilateral discussions	September, 2023	MEPB
7	Collation of Bilaterally Agreed Budget Figures	a) Compilation of Revenue, Personnel Cost, Overhead Cost, Capital Cost etc	September, 2023	MEPB
		b) Production of Budget summary table	September, 2023	MEPB
8	Y2023 Draft Budget	a) Presentation of Y2024 Draft Budget to the State Treasury Board for Consideration and Approval	October, 2023	MEPB
		b) Presentation of Y2024 Draft Budget to the State Executive Council for Consideration and Approval	October, 2023	MEPB
		c) EXCO Legislative Parley on Proposed Y2024 Budget	October, 2023	ExCo/LSHA
		d) Presentation of the Y2024 Appropriation Bill to the House of Assembly	October, 2023	HE
9	Legislative Processes	a) Consideration of the Appropriation Bill by the House of Assembly	October – December, 2023	LSHA
		b) Passing of Y2024 Appropriation Bill into law by House of Assembly		
10	Appropriation Law	a) Printing of the Appropriation Law	December, 2023	LSHA
		b) Assent of Y2024 budget by Mr. Governor	December, 2023	HE
		c) Uploading of Y2024 Approved Budget into the Oracle	January, 2024	MDAs
11	Conclusion of Y2023 Budget	Y2023 Budget Performance Appraisal for the 4th Quarter/Full year	January, 2024	MEPB

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

A Rocky Recovery

16. The International Monetary Fund’s (IMF’s) World Economic Outlook (WEO) April 2023 Update gave insight that the global economy is currently facing a period of high uncertainty due to a combination of adverse shocks over the past three years, such as the COVID-19 pandemic and Russia's invasion of Ukraine. These shocks have had unforeseen consequences, including pent-up demand, supply disruptions, and spikes in commodity prices, leading to inflation reaching multi-decade highs in many economies.
17. The International Monetary Fund’s (IMF’s) July 2023 World Economic Outlook (WEO) Update¹, provides that global growth is projected to fall from 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024 on an annual average basis. Compared with projections in the April 2023 WEO, growth has been upgraded by 0.2 percentage point for 2023, with no change for 2024. The forecast for 2023–24 remains well below the historical (2000–19) annual average of 3.8 percent. It is also below the historical average across broad income groups, in overall Gross Domestic Product (GDP) as well as per capita GDP terms.
18. Advanced economies continue to drive the decline in growth from 2022 to 2023, with weaker manufacturing, as well as unique factors, offsetting stronger services activity. In emerging market and developing economies, the growth outlook is broadly stable for 2023 and 2024, although with notable shifts across regions. On a year-over-year basis, global growth bottomed out in the fourth quarter of 2022. However, in some major economies, it is not expected to bottom out before the second half of 2023.
19. World trade growth is expected to decline from 5.2 percent in 2022 to 2.0 percent in 2023, before rising to 3.7 percent in 2024, well below the 2000–19 average of 4.9 percent. The decline in 2023 reflects not only the path of global demand, but also shifts in its composition toward domestic services, lagged effects of United States (US) dollar appreciation—which slows trade owing to the widespread invoicing of products in US dollars—and rising trade barriers.
20. These forecasts are based on a number of assumptions, including those regarding fuel and nonfuel commodity prices and interest rates. Oil prices rose by 39 percent in 2022 and are projected to fall by about 21 percent in 2023, reflecting the slowdown in global economic activity. Assumptions regarding global interest rates have been revised upward, reflecting actual and signalled policy tightening by major central banks since April 2023. The Federal Reserve and Bank of England are now expected to raise rates by more than assumed in the April 2023 WEO—to a peak of about 5.6 percent in the case of the Federal Reserve—before reducing them in 2024. The European Central Bank is assumed to raise its policy rate to a peak of 3¾ percent in 2023 and to ease gradually in 2024. Moreover, with near-term inflation expectations falling, real interest rates are likely to stay up even after nominal rates start to fall.
21. For advanced economies, the growth slowdown projected for 2023 remains significant: from 2.7 percent in 2022 to 1.5 percent in 2023, with a 0.2 percentage point upward revision from the April 2023 WEO. About 93 percent of advanced economies are projected to have lower growth in 2023, and growth in 2024 among this group of economies is projected to remain at 1.4 percent.

¹ [World Economic Outlook Update, July 2023: Near-Term Resilience, Persistent Challenges \(imf.org\)](https://www.imf.org/en/Publications/WEO/Issues/2023/07/27/world-economic-outlook-update-july-2023)

22. For emerging market and developing economies, growth is projected to be broadly stable at 4.0 percent in 2023 and 4.1 percent 2024, with modest revisions of 0.1 percentage point for 2023 and –0.1 percentage point for 2024. However, this stable average masks divergences, with about 61 percent of the economies in this group growing faster in 2023.
23. In sub-Saharan Africa, growth is projected to decline to 3.5 percent in 2023 before picking up to 4.1 percent in 2024. Growth in Nigeria in 2023 and 2024 is projected to gradually decline, in line with April projections, reflecting security issues in the oil sector. In South Africa, growth is expected to decline to 0.3 percent in 2023, with the decline reflecting power shortages, although the forecast has been revised upward by 0.2 percentage point since the April 2023 WEO, on account of resilience in services activity in the first quarter.
24. Global headline inflation is set to fall from an annual average of 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024, broadly as projected in April, but above pre-pandemic (2017–19) levels of about 3.5 percent. About three-quarters of the world’s economies are expected to see lower annual average headline inflation in 2023. Monetary policy tightening is expected to gradually dampen inflation, but a central driver of the disinflation projected for 2023 is declining international commodity prices. Differences in the pace of disinflation across countries reflect such factors as different exposures to movements in commodity prices and currencies and different degrees of economic overheating. The forecast for 2023 is revised down by 0.2 percentage point, largely on account of subdued inflation in China. The forecast for 2024 has been revised upward by 0.3 percentage point, with the upgrade reflecting higher-than-expected core inflation.
25. Core inflation is generally declining more gradually. Globally, it is set to decline from an annual average of 6.5 percent in 2022 to 6.0 percent in 2023 and 4.7 percent in 2024. It is proving more persistent than projected, mainly for advanced economies, for which forecasts have been revised upward by 0.3 percentage point for 2023 and by 0.4 percentage point for 2024 compared with the April 2023 WEO. Global core inflation is revised down by 0.2 percentage point in 2023, reflecting lower-than-expected core inflation in China, and up by 0.4 percentage point in 2024. On an annual average basis, about half of economies are expected to see no decline in core inflation in 2023, although on a fourth quarter-over-fourth-quarter basis, about 88 percent of economies for which quarterly data are available are projected to see a decline. Overall, inflation is projected to remain above target in 2023 in 96 percent of economies with inflation targets and in 89 percent of those economies in 2024.
26. The balance of risks to global growth remains tilted downward, but adverse risks have receded since the publication of the April 2023 WEO. The resolution of US debt ceiling tensions has reduced the risk of disruptive rises in interest rates for sovereign debt, which would have increased pressure on countries already struggling with increased borrowing costs. The quick and strong action authorities took to contain banking sector turbulence in the United States and Switzerland succeeded in reducing the risk of an immediate and broader crisis.
27. More favourable outcomes for global growth than in the baseline forecast have become increasingly plausible. Core inflation could fall faster than expected—from greater-than-expected pass-through of lower energy prices and a compression of profit margins to absorb cost increases, among other possible causes—and declining job vacancies could play a strong role in easing labor markets, which would reduce the likelihood of unemployment having to rise to curb inflation. Developments along these lines would then reduce the need for monetary policy tightening and allow a softer landing.
28. Scope exists for more favorable surprises to domestic demand around the world, as in the first quarter of 2023. In numerous economies, consumers have not yet drained the stock of excess savings they accumulated during the pandemic; this could further sustain the recent strength in consumption. Stronger policy support in China than currently envisaged—particularly through means-tested transfers to households—could further sustain recovery and generate positive

global spillovers. Such developments, however, would increase inflation pressure and necessitate a tighter monetary policy stance.

29. Despite the recent growth surprises, plausible risks continue to be skewed to the downside. Tight labour markets and pass-through from past exchange rate depreciation could push up inflation and risk de-anchoring longer-term inflation expectations in a number of economies. The institutional setup of wage setting in some countries could amplify inflation pressures on wages. Moreover, El Niño could bring more extreme temperature increases than expected, exacerbate drought conditions, and raise commodity prices. The war in Ukraine could intensify, further raising food, fuel, and fertilizer prices. The recent suspension of the Black Sea Grain Initiative is a concern in this regard. Such adverse supply shocks might affect countries asymmetrically, implying different dynamics for core inflation and inflation expectations, a divergence in policy responses, and further currency movements.
30. Financial markets have adjusted their expectations of monetary policy tightening upward since April but still expect less tightening than policymakers have signalled, raising the risk that unfavourable inflation data releases could—as in the first quarter of 2023—trigger a sudden rise in expectations regarding interest rates and falling asset prices. Such movements could further tighten financial conditions and put stress on banks and nonbank financial institutions whose balance sheets remain vulnerable to interest rate risk, especially those highly exposed to commercial real estate. Contagion effects are possible, and a flight to safety, with an attendant appreciation of reserve currencies, would trigger negative ripple effects for global trade and growth.
31. The economic outlook (GDP growth rate and inflation rate) of selected countries is shown in Table 2 and
- 32.
- 33.
34. Table 3 below.
35. Countries selected are chosen to represent G20, BRINCS, MINT, N-11, Petro-economies, and other large African countries.

Table 2 Real GDP Growth – Selected Economies

Country	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2028
Mexico	-0.2	-8.2	4.8	2.0	1.8	1.6	1.8
Indonesia	5.0	-2.1	3.7	5.4	5.0	5.1	5.0
Turkey	0.9	1.8	11.0	2.7	2.7	3.6	3.0
United States	2.3	-3.4	5.7	3.7	1.6	1.1	2.1
Germany	1.1	-4.6	2.8	2.1	-0.1	1.1	1.1
United Kingdom	1.7	-9.3	7.4	3.7	-0.3	1.0	1.5
China	6.0	2.2	8.1	4.4	5.2	4.5	3.4
Ghana	6.5	0.4	4.2	5.2	1.6	2.9	5.0
South Africa	0.1	-6.4	4.9	1.9	0.1	1.8	1.4
Brazil	1.2	-3.9	4.6	0.8	0.9	1.5	2.0
Angola	-0.7	-5.6	0.7	3.0	3.5	3.7	4.2
Nigeria	2.2	-1.8	3.6	3.4	3.2	3.0	3.0

Source: IMF's World Economic Outlook, April-July 2023

Table 3 Inflation – Selected Economies

Country	Actual				Forecast		
	2019	2020	2021	2022	2023	2024	2027
Mexico	3.6	3.4	5.7	6.8	6.3	3.9	3.0
Indonesia	2.9	2.0	1.6	3.3	4.4	3.0	2.5
Turkey	15.2	12.3	19.6	60.5	50.6	35.2	20.0
United States	1.8	1.2	4.7	7.7	4.5	2.3	2.1
Germany	1.4	0.4	3.2	5.5	6.2	3.1	2.0
United Kingdom	1.8	0.9	2.6	7.4	6.8	3.0	2.0
China	2.9	2.4	0.9	2.1	2.0	2.2	2.2
Ghana	7.1	9.9	10.0	16.3	45.4	22.2	8.0
South Africa	4.1	3.3	4.5	5.7	5.8	4.8	4.5
Brazil	3.7	3.2	8.3	8.2	5.0	4.8	3.0
Angola	17.1	22.3	25.8	23.9	11.7	10.8	8.9
Nigeria	11.4	13.2	17.0	16.1	20.1	15.8	14.0

Source: IMF's World Economic Outlook, April-July 2023

1.A.2 Africa

The Outlook for a Two-speed Recovery in 2024

36. The African Economic Outlook, 2022² provides that African economies remain resilient amidst multiple shocks with average growth projected to stabilize at 4.1 percent in 2023–24, higher than the estimated 3.8 percent in 2022. Africa's growth in real GDP was estimated at 3.8 percent in 2022, down from 4.8 percent in 2021 but above the global average of 3.4 percent. The growth slowdown was attributed mainly to the tightening global financial conditions, and supply chain disruptions exacerbated by Russia's invasion of Ukraine, subduing global growth. Growth was also impaired by the residual effects of the COVID-19 pandemic and the growing impact of climate change and extreme weather events. While the deceleration was broad-based, with 31 of the 54 African countries posting weaker growth rates in 2022 relative to 2021, the continent performed better than most world regions in 2022, with the continent's resilience projected to put five of the six pre-pandemic top performing economies—Benin, Côte d'Ivoire, Ethiopia, Rwanda, and Tanzania—back in the league of the world's 10 fastest-growing economies in 2023–24.
37. Growth is projected to rebound to 4 percent in 2023 and consolidate at 4.3 percent in 2024, underpinning Africa's continued resilience to shocks. The forecast for 2023 has been maintained as predicted in the January 2023 edition of Africa's Macroeconomic Performance and Outlook (MEO) published by the African Development Bank Group. However, due to expected slight improvements in medium-term global and regional economic conditions—mainly underpinned by China's re-opening and slower pace of interest rate adjustments—the forecast for 2024 has been revised up by 0.4 percentage points relative to the January 2023 MEO projection. Despite this, climate change, elevated global inflation, and persistent fragilities in supply chains will remain on the watchlist as potential factors for possible slowdowns of growth in the continent.
38. Growth in West Africa, despite macroeconomic challenges in some of the region's large economies, is projected to rise from an estimated 3.8 percent in 2022 to 3.9 percent in 2023 and 4.2 percent in 2024. This favourable outlook reflects higher growth in the region's small economies. Of the nine countries with projected growth rates of 5 percent or higher in 2023, eight are small economies, accounting for 15 percent of the region's GDP and 22 percent of the projected growth.
39. Growth in tourism-dependent economies is projected to decline from an estimated 8.4 percent in 2022 to 4.9 percent in 2023 and 4.4 percent in 2024, reflecting an abating base effect and growth slowdowns in important tourist source markets, especially Europe and North America.
40. Despite the decline, oil prices have remained above the five-year trend, boosting growth in oil-exporting countries since the recession at the peak of COVID-19. Growth in this group, estimated at 4.0 percent in 2022, is projected to strengthen to an average of 4.2 percent in 2023 and 2024. The oil output effect, notably in Libya and Nigeria, could also shore up economic growth as production improves following efforts to tackle insecurity.
41. Growth in other resource-intensive economies is, however, projected to decline from an estimated 3.0 percent in 2022 to 2.4 percent in 2023, with a recovery to 3.5 percent in 2024. The growth deceleration in 2023 is largely attributed to limited diversification and the lower prices of key commodities, notably minerals, amid weak global growth.
42. Non-resource-intensive economies, largely countries with more diversified economic structures, are likely to sustain their resilience. Average growth for the group is projected to

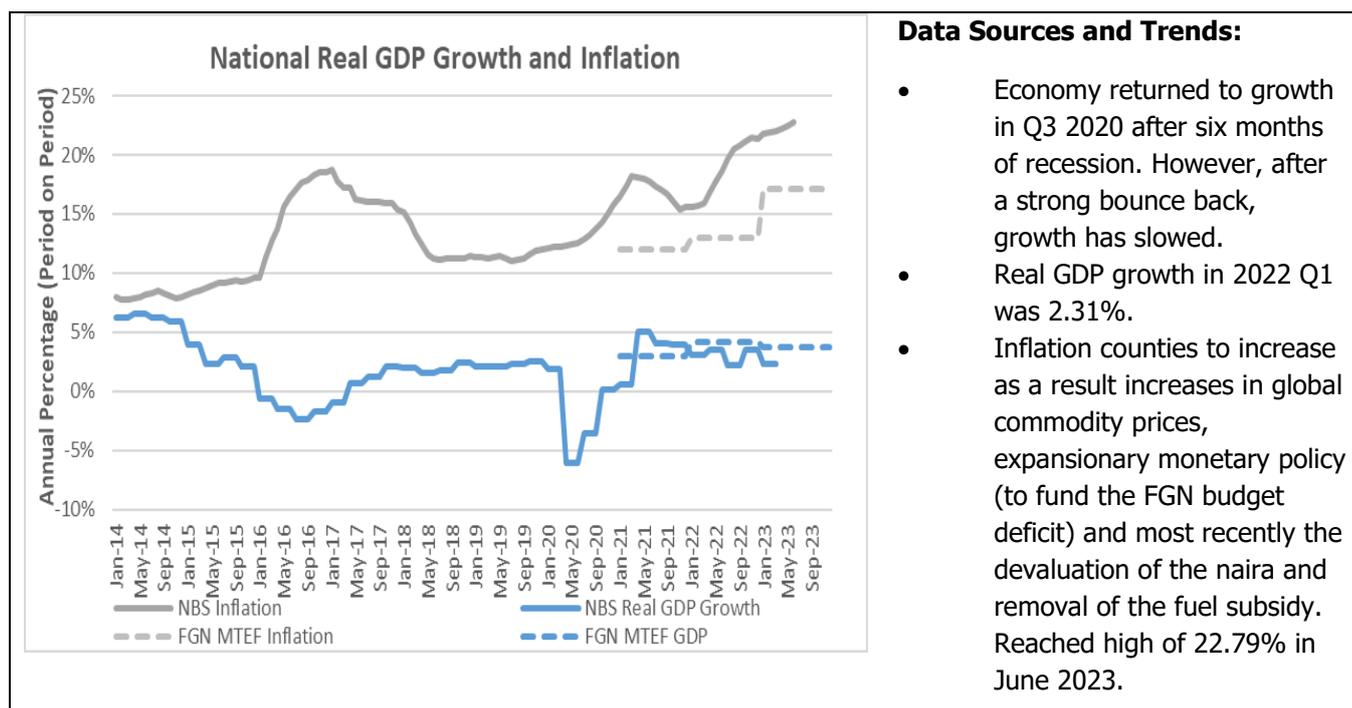
² African Economic Outlook 2022 - Mobilizing Private Sector Financing for Climate and Green Growth in Africa(afdb.org)

accelerate to 5.0 percent in 2023 and 5.6 percent in 2024 from an estimated 4.4 percent in 2022. This group recovered the strongest from the effects of COVID-19. The projected higher growth underscores the importance of economic diversification to weather the effects of exogenous shocks.

Nigerian Economy

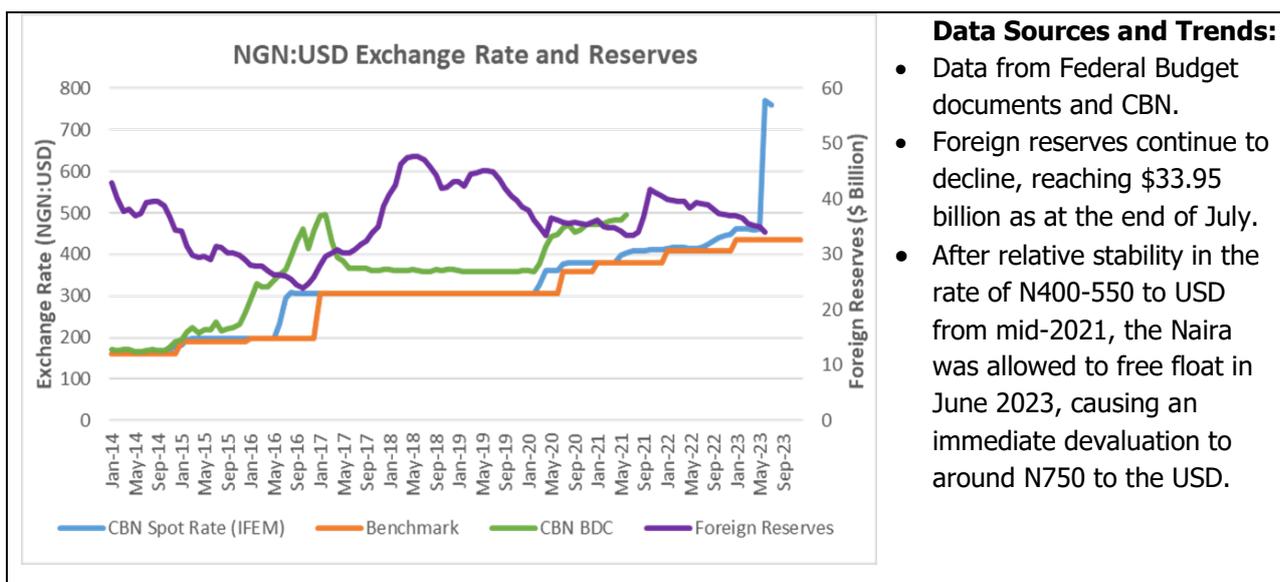
43. The challenging global economic context has put pressure on Nigeria's economy. However, domestic policies play the major role in determining Nigeria's economic performance and resilience to further external shocks. The previous mix of fiscal, monetary, and exchange rate policies, including the naira redesign program, did not deliver the desired improvements in growth, inflation, and economic resilience. The new government has recognized the need to chart a new course and has already made a start on critical reforms, such as the elimination of the petrol subsidy and foreign exchange (FX) harmonization.
44. With the petrol subsidy (PMS Under Recovery) removal, the government is projected to achieve fiscal savings of approximately N2 trillion in 2023, equivalent to 0.9 percent of GDP. These savings are expected to reach over N11 trillion by the end of 2025. However, the nature of the causal relationship between fuel price and key macroeconomic variables in Nigeria is such that if appropriate mitigation strategies are not well crafted, the removal of subsidy will likely have negative ripple effects on aggregate output and employment.
45. **Real GDP** - Nigeria's Gross Domestic Products (GDP) growth remained weak and fragile as it slowed to 2.31 percent in the first quarter of 2023, from 3.5 percent in the fourth quarter of 2022. This growth rate declined from 3.11 percent recorded in the first quarter of 2022, and 3.52 percent in the fourth quarter of 2022. The reduction in growth is attributed to the adverse effects of the cash crunch experienced during the quarter, as well as the elections.
46. The performance of the GDP in the first quarter of 2023 was driven mainly by the services sector, which recorded a growth of 4.35 percent and contributed 57.29 percent to the aggregate GDP. The agriculture sector grew by -0.90 percent, lower than the growth of 3.16 percent recorded in the first quarter of 2022. Although the growth of the industry sector improved to 0.31 percent relative to 6.81 percent recorded in the first quarter of 2022, agriculture, and the industry sectors contributed less to the aggregate GDP in the quarter under review compared to the first quarter of 2022.
47. **Inflation (CPI)** - Inflation has increased consecutively for the last 17 month, from 15.60 percent in January 2022 to 22.79 percent in June 2023. Dynamics in commodity prices, which are being exacerbated by the conflict in Ukraine, are causing inflations pressures globally. Also, the devaluation of the Naira has impacts (some positive, some negative) as does the removal of the Fuel Subsidy.
48. The national quarterly real GDP growth and year on year inflation rates from January 2014 and June 2023 are shown in Figure 2 below.

Figure 2: Real GDP Growth and Inflation



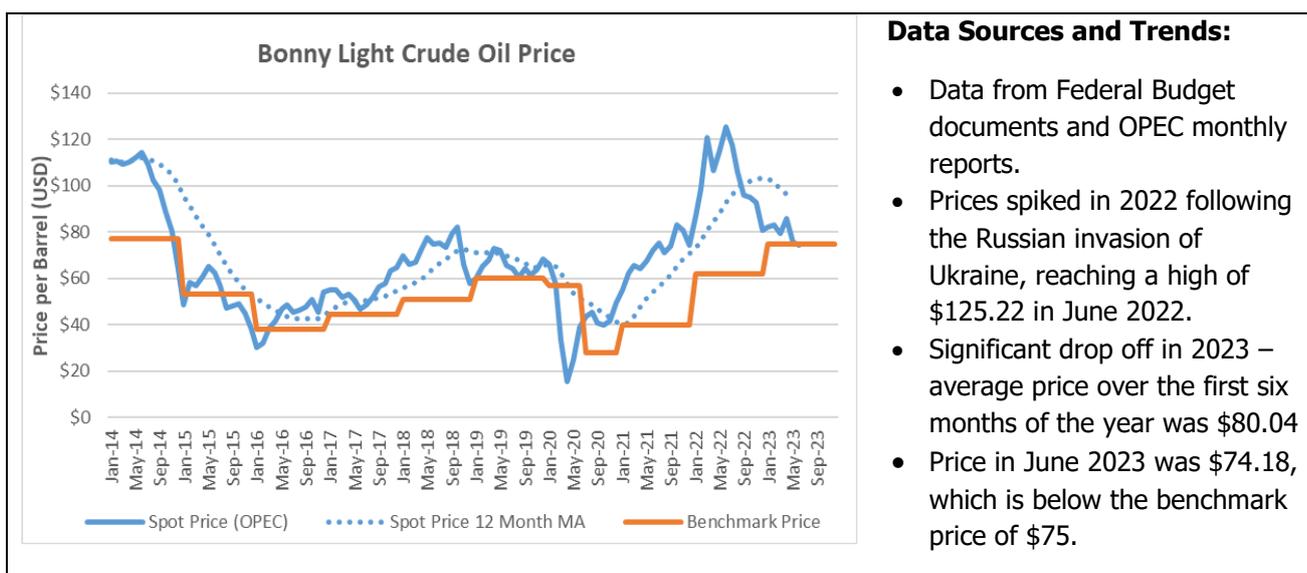
49. **Foreign Exchange Rate** – the Naira devalued against the dollar from NGN415:1\$ in May 2022 to N750 by July 2023 as a result of the implementation of a floating exchange rate. Foreign Reserves have been falling over the last 21 months, reaching \$33.95 billion as at the end of July 2023.
50. In 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.
51. **The NGN:USD exchange rate**, which is a key crude oil revenue parameter, for the period January 2014 to August 2023, along with the benchmarks assumed in the Federal Government budgets over the same period and foreign reserves, are shown in below.
52. The NGN: USD exchange rate (Import and Export Rate) is currently (1st August 2023) N 775.355. The end of the fixed exchange rate regime is likely to bring about more fluctuations in the rate. FGN adjusted 2023 budget was based on a rate of N750 to the USD.

Figure 3: NGN:USD Exchange Rate and Foreign Reserves



53. **Crude oil price:** Crude Oil (Bonny Light) Price (spot price and benchmark for the period of January 2014 to July 2023 are presented in Figure 4 below.

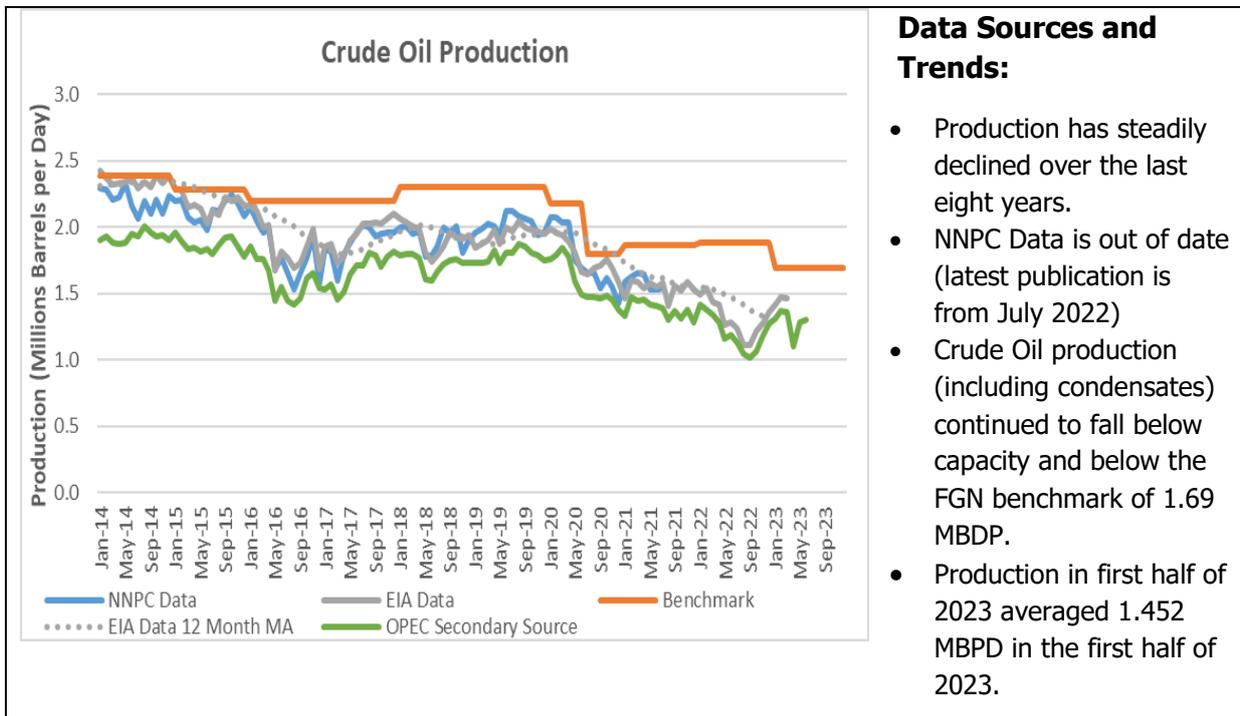
Figure 4: Crude Oil Price



54. In its July 2023 Short-Term Energy Outlook (STEO), the US Energy Information Administration (EIA) is forecasting an average price of \$83.51 per barrel for Brent Crude in 2024, which would imply a price of \$86.33 for Bonny Light.
55. In its April 2023 WEO, IMF is slightly more cautious, forecasting a basket price of \$73.13 in 2023 and \$68.90 in 2024 which translates to \$75.06 for 2023 and \$70.71 in 2024 for Bonny Light.
56. **Crude Oil production** continues to lag below the longer-term average of 2.0 Million Barrels per Day (MBPD). Production (including condensates) has averaged 1.45 MBPD over the first five months of 2023 according to figures published by the Nigerian Upstream Petroleum Regulatory Commission (NURPC). The FGN assumption is that production will average 1.72 MBPD in the second half of 2023 – this seems ambitious and might be considered a target rather than a balanced estimate (i.e. with equal potential for over or under-achievement).

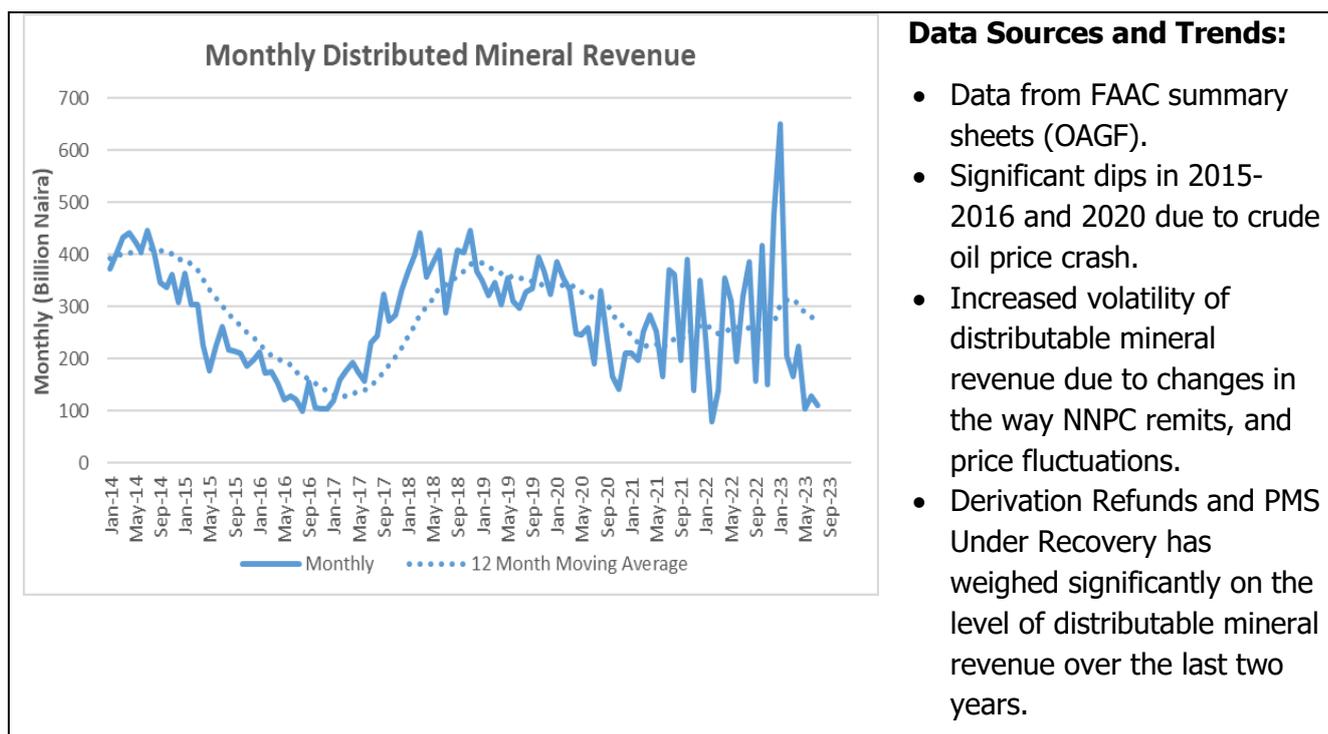
57. Crude Oil Production (including condensates) for the period January 2014 to May 2023 along with the benchmark is presented in Figure 5 below.

Figure 5: Crude Oil Production



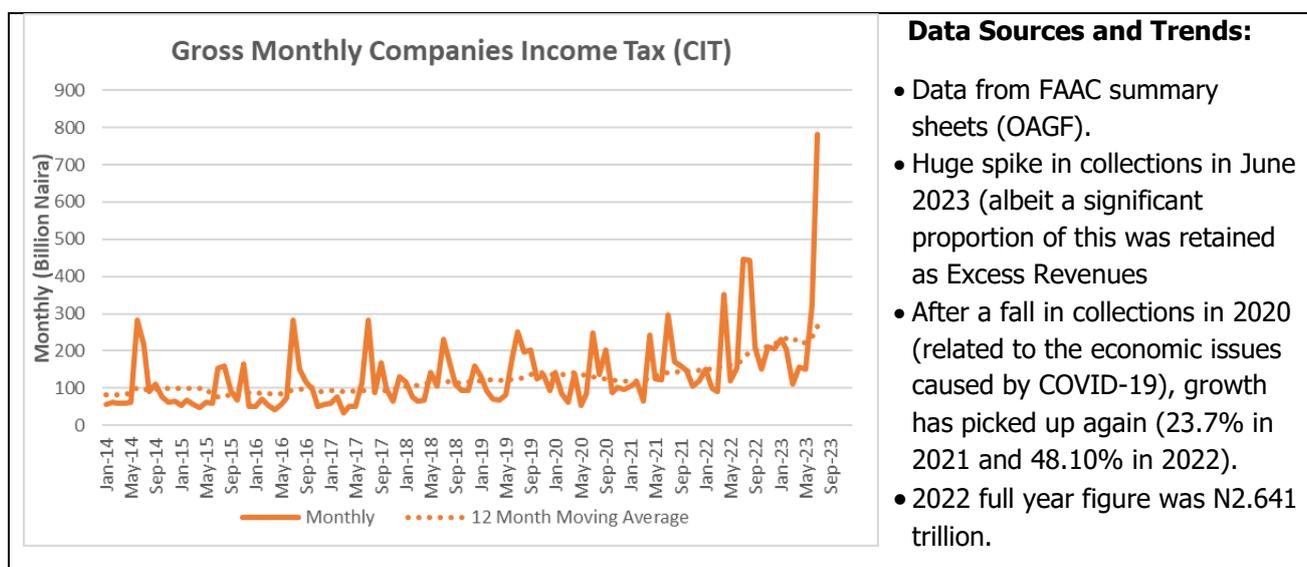
58. The policy thrust of the Economic Sustainability Plan (ESP) and National Development Plan include deregulation of the price of refined petroleum products and the establishment of a sustainable framework for maintaining the national strategic stock; remittance of 100% of royalties and taxes paid to 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.
59. Monthly distributed Mineral Revenues (Statutory Allocation (SA) and Net Derivation (ND)) to the three tiers of government from January 2014 to May 2023 inclusive are shown in Figure 6 below.

Figure 6: Distributed Mineral Revenues



60. The impact of the Fuel Subsidy and derivation refunds mean the benefits of the crude oil price spike in 2022 (as a result of the conflict in the Ukraine) have not resulted in any marked increase in distributable mineral revenues. The change in status of NNPC, specifically the manner in which it remits to FAAC, has also brought about increased volatility in distributable mineral revenues. The removal of the subsidy, the devaluation of the Naira and eventual conclusion of the derivation refunds should bring about a significant nominal increase in distributable mineral revenues in 2024.
61. 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 12 month moving average.

Figure 7: CIT Revenues

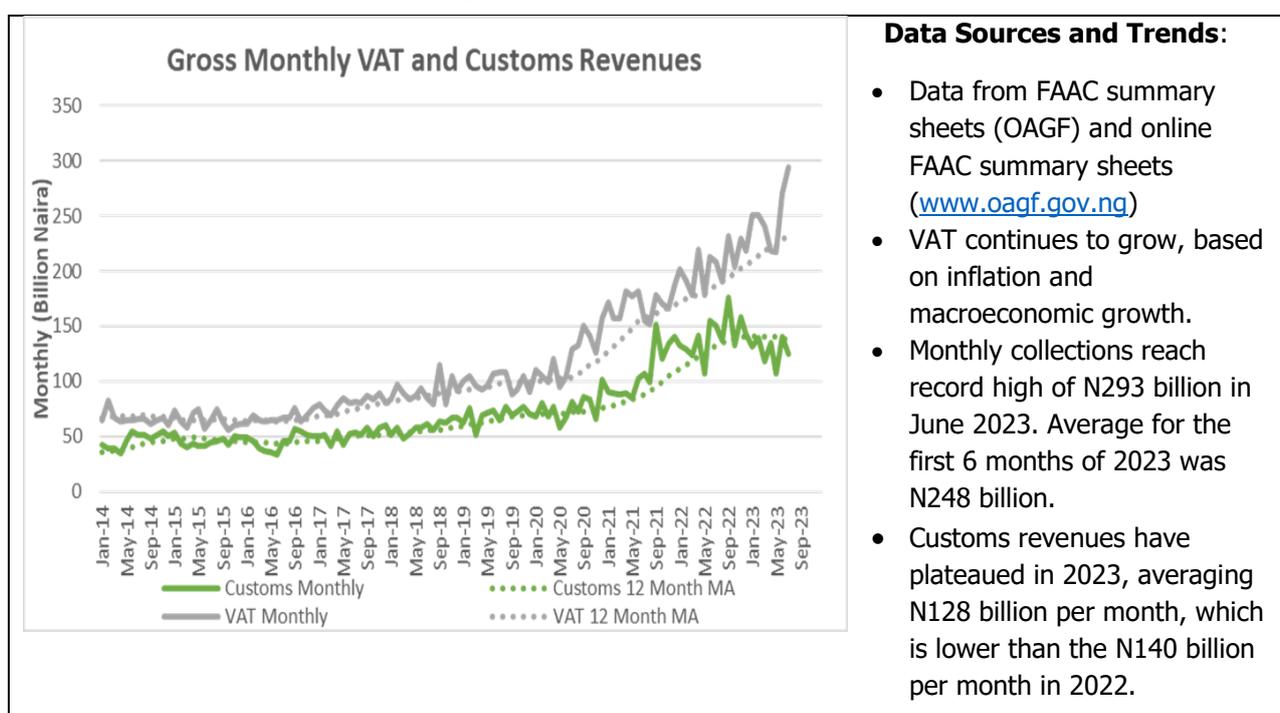


62. The graph shows the annual spike in distributions (collections from the previous month) that is in line with the annual tax returns and payment cycle in FIRS. This generally happens in July

because June collections, the month many companies file their return, are distributed in July. June 2023 collection were a record N781 billion, albeit a significant portion of this was deducted from FAAC as excess revenue. This record collection in June has helped the 12 months average more than double in the last two years.

63. 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.

Figure 8: NCS and VAT Revenues



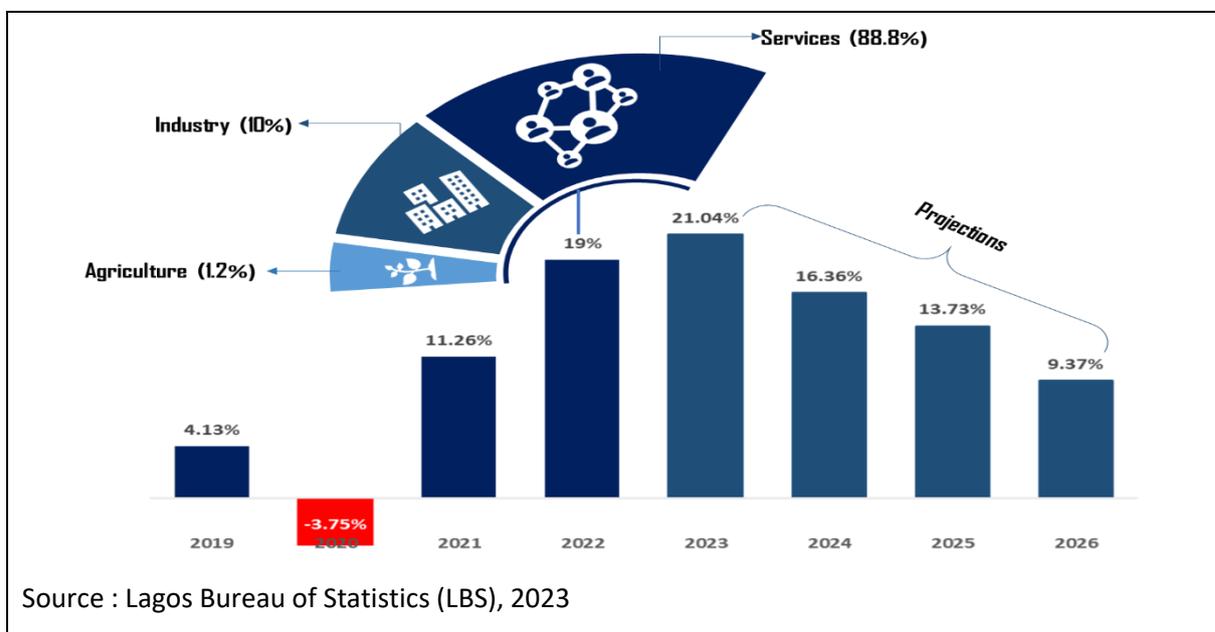
64. VAT shows a clear upward trend since late-2015. This is to be expected as the general price level rose quite significantly over the same period, which should transfer straight into additional VAT (for VAT-able items). Given the increase in VAT from 5% to 7.5%, in the 2020 Finance Act, there have been significant upward trend in VAT over the last three-year 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 20% for some time, it is anticipated that VAT will continue to grow in nominal terms.
65. Exchange rate controls import policy and devaluing Naira may have affected some Customs receipts historically, and they have not experienced anywhere near the level of growth that has been observed in CIT and VAT over the last two years. 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. The free float of the Naira may help increase imports and related duties going forward.

2.A.2 Lagos State Economy

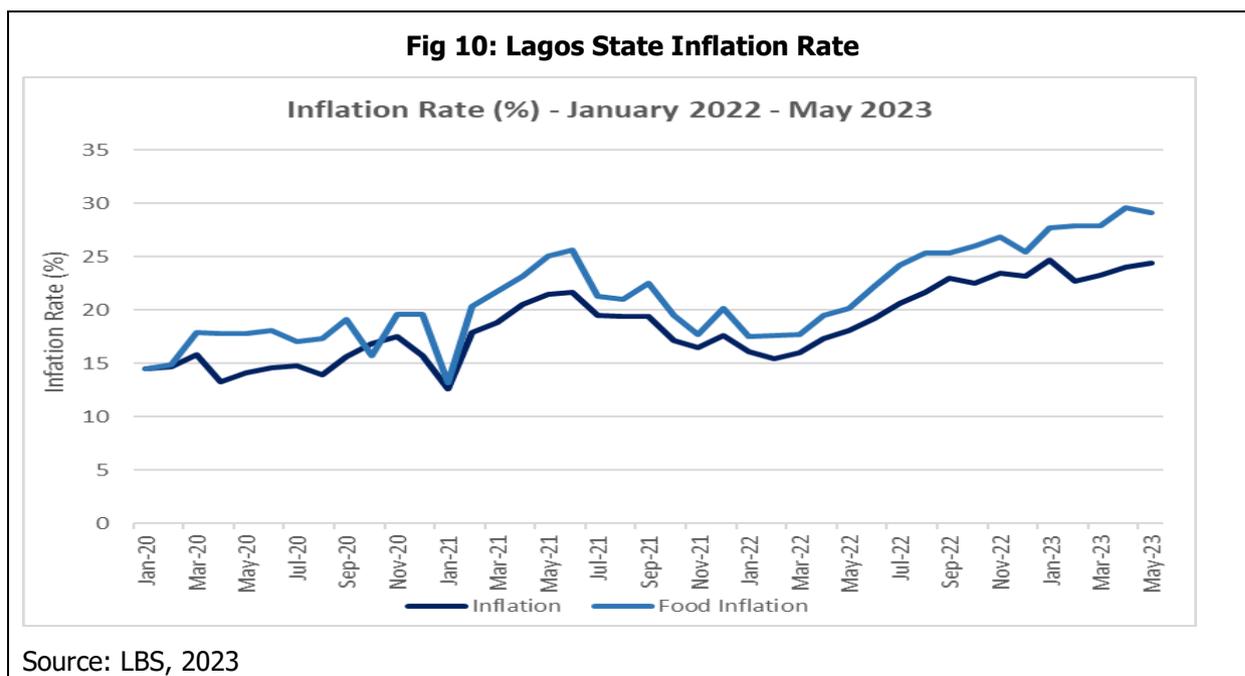
66. Lagos State, one of the largest economies in Africa and fastest growing cities in the world with an estimated population of 29.9 million covering covers 358,862 hectares or 3,577 sq. km. which represents 0.4% of Nigeria's territorial land mass of 923,773 sq. km. It is a significant subset of Nigeria's 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 (IGR) in Nigeria. The variety of her sources of IGR include Pay-as-you-earn (PAYE), levies and other sources with little reliance on allocation from federal government.

67. In two consecutive years, Lagos State which is a service-driven economy extended its economic growth momentum from the induced economic recession by COVID-19. Cumulatively, the real growth rate accelerated from 11.26% to 19% indicating the level of economic activities in the State. The service sector contributed largely to the growth rate at 88.8% in Y2022 while the industry and agriculture stood 10% and 1.2% respectively. It is projected to decelerate to 16.36% in Y2023 following the currency scarcity as a result of naira scarcity and election at the Federal, State and Regional level of government.

Figure 9: Lagos GDP Growth Rate



68. Lagos continues its double-digit trajectory in the headline inflation rate which stood at 24.45% in May 2023 representing an increase of 1.83% points when compared to the April 2023 which stood at 24.01%. Similarly, when compared to May 2022 which stood at 18.08%, the headline inflation was 35.23% points higher.
69. The hike in energy prices, increasing production cost, food insecurity, exchange rate instability and a severe cash crunch contributed to the rising inflation rate. Despite, the six times consecutive increase in the monetary policy rate from 11% to 18.5% could not abate its rising.
70. Food inflation, which is the main component of the CPI basket, continued to rise above the headline inflation. It slightly reduced by 1.65% from 29.62% in April to 29.13 in May 2023. The volatility in the food inflation is largely on the account of ripple effect of the PMS shortage, higher fertilizer prices, banditry, and floods on farm produce etc. The LASG has put initiatives such as the agriculture-based Youth Empowerment Scheme (Agric-YES) to boost agriculture and mitigate food insecurity. In addition to the rice mill at Imota, the State has commenced the construction of the Central Food and Logistic Hub at Epe.



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 has consistently redefined the dynamics of public-private sector collaboration for development across social and economic indices in State. It has created an avenue for executing developmental projects and initiatives. Since inception, the Summit has made notable achievements including but not limited to;
- provision of an enabling environment and support of technology hubs
 - harnessing the power of the teeming youth population through policies and programs to unleash their potential
 - improving the State education system to provide 21st century relevant education
 - projecting the Lagos brand and take advantage of the coming single Africa market
 - increasing collective investment in the infrastructure of the future – telecommunications, green economy and renewable energy
 - improving transparency and accountability through revenue institutions as well as prudent deployment of tax policy.
72. The LASG has implemented 210 out of 222 resolutions Since its commencement. The recommendations from Ehingbeti have helped the State government to focus on areas that concern the citizens, investors, and businesses with positive results achieved. The ninth edition in October 2022 themed "**Lagos 2022-2052: Charting the Paths to Sustainable Socioeconomic Growth**" ended with thirty-two (32) resolutions across Trade & Commerce, Education, Transportation, Arts & Entertainment, Governance, Healthcare, Built Environment, Financial Services, Safety & Security, Power & Energy, Technology, Wash, Funding (<https://ehingbetisummit.com>). The general resolution in the 2022 resolution includes;
73. **Lagos State Development Plan (LSDP):** Ensure the continuous implementation of the Lagos State Development Plan (LSDP) 2022- 2052 as the State's long-term framework for development.
74. **LSDP 2052:** Communicate the content of LSDP 2052 using both online and offline communication channels to all Lagosians to ensure buy-in to the plan.
75. **LSDP:** From 2023, institute an annual, public communication of past and upcoming LSDP activities and impact achieved as accountability mechanism to Lagosians.
76. **Lagos State Government:** Identify opportunities to attract and closely collaborate with the Diaspora via a dedicated engagement strategy and campaign and evaluate the possibility to set up a Diaspora Office and a Diaspora think tank.

77. During the 9th edition of Ehingbeti Lagos Economic Summit, the State launched the 30-year economic development plan, “Lagos State Development Plan (LSDP) 2022 - 2052” which is built upon previous long-term strategic plan of 2012 – 2025. The LSDP is an all-encompassing master plan which clearly articulates initiatives that will drive Lagos’ ambition to become Africa’s Model Mega City, a global, economic and financial hub that is safe, secure, functional and productive.
78. The anchor objective of the LSDP 2052 is to accelerate economic development over the next 30 years by creating high-value and high-volume jobs at scale. The plan aims at transforming Lagos to an ultramodern economic destination in Africa. It is built around 4 strategic pillars, 20 focus areas and 447 initiatives defined to achieve the Plan which will be implemented in 4 phases. The Medium-Term Sector Strategy (MTSS) is the avenue through which Ministries, Departments and Agencies (MDAs) will actualise the plan. The implementation roadmap for the LSDP is in four phases.

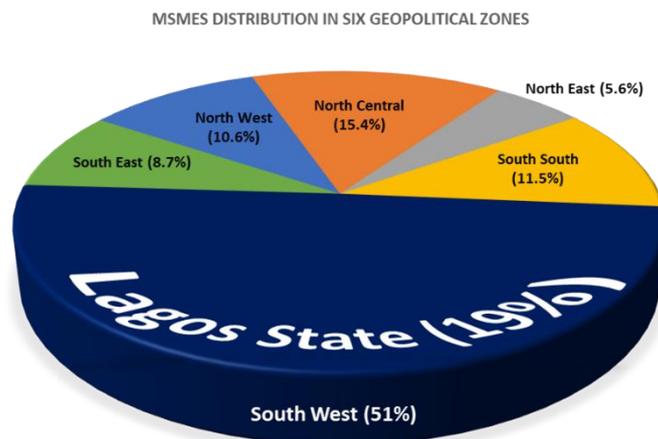


79. The **THEMES agenda** is the strategic economic framework drawn from State’s economic plan is keened upon in further positioning the State as the economic hub of Africa. The strategic framework document is premised on State’s development. The **THEMES** agenda under the Sanwo-Olu’s first administration recorded iconic achievements with commendable massive infrastructures, programmes, projects and initiatives. The **THEMES** acronym stands for **Transportation & Traffic Management, Health & Environment, Education & Technology, Making Lagos 21st Century, Entertainment & Tourism and Security & Governance**. The THEMES is extended christened T.H.E.M.E.S PLUS (THEMES+) in the second administration piloting the developmental project in the State for the next four years. The “plus” is the incorporation of an intensified focus on **Social Inclusion, Gender Equality and Youth Engagement**; an inclusive governance committed to ensuring that no one is left behind in the governance structure.

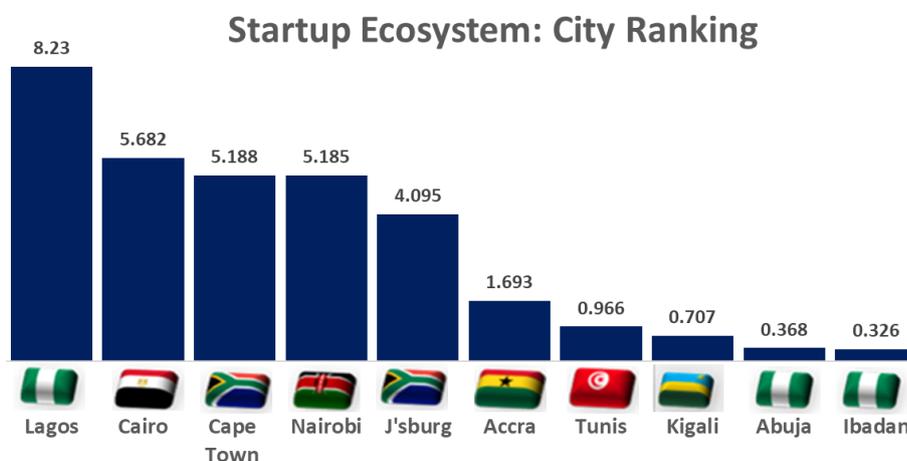
Thriving Economy

“Lagos will have a robust, healthy and growing economy with adequate jobs and strategic investments to sustain growth.”

80. Lagos economy is diverse and encompasses various sector which is characterized by the volume of economic activities that take place within major sectors such as the Finance & Banking, Trade & Commerce, Manufacturing & Industrial, Port & Shipping, Entertainment & Tourism, Real Estate and Construction and Information Technology & Start-Ups. The State accounts for about 15% of Nigeria GDP as well as houses the headquarters of significant amount of Nigeria and Africa businesses. It has the largest micro, small and medium sized enterprises (MSMEs) in Africa.
81. According to the Nigeria MSME Report (2022) stated that South West accounted for 51% MSMEs located and domiciled in Nigeria, of which Lagos alone is a home to about 19% of all MSMEs in the country. The Report stressed that Nigeria has 43 million households, with an average of one entrepreneur per household. Lagos has over a million homes with over three million MSMEs, implying that practically every family in Lagos has three entrepreneurs on average.



82. The Government is committed to its five-year Agricultural and Food Systems Road Map (2021–2025) to enhance food sufficiency in Lagos which has led to the commissioning of the 32-metric tonnes per hour Lagos Rice Mill on an area of 8.5 hectare of land in Imota, Ikorodu in 2022. In addition, LASG will invest N45.1 billion on Food Security through Cattle Feedlot Project, Fish Processing Hub programmes and Wholesale Produce Hub & Market to improving wholesomeness of food, reduction in food prices and optimization of the Agricultural sector. The State flagged off the construction largest Food Security Systems and Central Food and Logistics Park on 1.2 million square metres site facility land in Ketu-Ereyun, Epe expected to be completed in the last quarter of 2024. The logistics hub is expected to create direct wealth for more than five million traders in the agricultural value chain, while guaranteeing uninterrupted food supplies to more than 10 million Lagosians. The Hub also, will have storage facilities for more than 1,500 trucks that will daily service the needs of thousands of operators within food value chain while large commercial transactions would be processed in the facility.
83. The LASG through the Lagos State Employment Trust Fund (LSETF) provides financial support to business owners and entrepreneurs for wealth creation to tackle unemployment and stimulate equitable economic prosperity in the State. In 2022, during the second edition of the Lagos Employment Summit organised by the Agency, themed 'Sustainable Job Creation Strategies: Collective Action and Prosperity for All', the Agency impacted Lagos residents through the provision of 182,000 direct and indirect jobs, 30,409 small business supported, 12, 335 young people trained and 413 Tech Start-ups and talents supported. In addition, the LASG increased the funding by 100% to further empower and upskill innovative young people in the State.
84. According to StartupBlink 1000 Ecosystem Index Report (2023), Lagos State is Africa’s leading start-up ecosystem and ranked 82nd globally out of 1000 cities with total score of 8.23, a growth credited to the Fintech industry. In “attractiveness for business start-ups”, the State maintains its first position in Nigeria and West Africa, leading other African cities; Cairo, Cape Town, Johannesburg and Nairobi



Modern Infrastructure

“Lagos will have reliable and sufficient infrastructure that meets the needs of a 21st century city.”

85. Infrastructure development holds the ace for the socio-economic growth and development for the State. The LASG is determined to reducing infrastructure deficit in a more sustainable way which is evident across numerous sectors such as the roads, traffic management, health, education, housing, waste management, water transportation, agriculture, power, railway, among others. Capital projects are primarily financed through internally generated revenue (IGR) and borrowings. The LASG has committed 27.3% of its entire Y2023 Budget amounting to N482.86 billion will be expended to provide modern infrastructure for the citizenry. The LSDP 2052 captured the infrastructure development to deliver world-class modern physical and digital infrastructure to support economic and living activities with specific goals in:
- **New Urban Centres:** Develop new world-class urban centres to optimise land use and evenly distribute economic and living activity across Lagos State jobs.
 - **Transportation:** Create multi-modal transport network to serve existing and new urban centres and provide sustainable, efficient and flexible means of mobility
 - **Power and Energy:** Facilitate the coming online of ~100TWH (~12GW) by unlocking Lagos’ gas potential, leveraging IIPS to compliment grid supply and investing in renewable energy.
 - **Internet Connectivity:** Democratise access to high-speed internet connectivity across government facilities, public spaces and households
 - **Water and Sanitation:** Provide clean and safe water ay World Health Organisation (WHO) recommended level and comprehensive sanitation services to all residents equitably and reliably.
 - **Waste Management:** Develop best-in-class waste management system to consistently position Lagos State among the top three (3) cleanest cities in Africa.
86. **Transportation:** The LASG has massively invested in the transportation sector with the recently completed and commissioned 13km Blue Line Rail Phase 1 scheme (Marina-Mile2) infrastructure, as part of measures to decongest road traffic and support the masses with better and affordable means of transportation and flagged off the construction of the 2nd Phase of the Blue Line from Mile 2 to Okokomaiko. The LASG continues to make huge progress in the Red Line Rail project from Agbado to Oyigbo, which come with ten bridges (over passes) and eight great train station, with a commitment to complete it before the end of the Administration. Also, the completion of the Opebi Link Bridge to Maryland to improve travel time significantly and provide alternative route and the rehabilitation / upgrading of Phase II Eti-Osa–Lekki-Epe Expressway Project from Eleko T-Junction-Abraham Adesanya.
87. In addition, one thousand 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 and seven (7) 300 kilometres Electric buses and fifteen (15) additional procured high-capacity speed boats to shore up the agency’s fleet for rapid transit on the waterways as part of the administration’s commitment in transportation.
88. The LASG has taken a giant stride with approval to commence development of a passenger and cargo airport in the Lekki-Epe area. The first phase of the project is located on a 3500-hectare site estimated to cost USD900 million. This is expected to ease the traffic gridlock in Lagos Metropolis and help to meet the corporate travel needs within the axis, given the growing number of businesses such as Dangote Refinery and Kellogg’s located in and around the Lekki Free Zone. Red Line, Orange Line and Purple.
89. The State enjoys competitive advantage in its strategic location being along the Guinea Coast of the Bight of Benin on the Atlantic Ocean houses international standard newly built state-of-the-art facilities, Lekki Deep Seaport located at the centre of the Lagos Free Zone. This is in joint operation with existing Ports at Apapa, Wharf and Tin Can Port Island. Lekki Deep Seaport is a first fully automated port equipped with Super Post-Panamax ship-to-shore cranes and Rubber tyred gantry (RTG) cranes. The Port has competitive advantages of its capacity to receive larger vessels and unload ships twice as quickly. The Port has the ability to berth vessels that are four times the size of vessels currently berthing at Apapa and Tin Can Island Port. The Port is estimated to create over 150,000 direct and indirect job

opportunities to Lagos residents as well as increasing economic activities thereby adding to the State's GDP.

90. Also, it reduces port congestion and other challenges such as trade imbalance, inadequate technology implementation, lack of 24-hour port operations, manual cargo inspection by the Nigeria Customs Service (NCS), low-capacity utilisation by terminals, port congestion resulting from public holidays, and short working hours, have all contributed to the severe gridlock of trucks within the ports and cargo congestion at terminals that is frequent in Apapa Wharf.
91. **Power and Energy:** The LASG has made several attempts at tackling electricity challenge over the years. First, by supporting the development of the Enron power barges in return for dedication of part of the output to Lagos Industries about 20 years ago. The LASG through Lagos State Electricity Board (LSEB) has established Independent Power Projects (IPPs) around the State using a sustainable and standardized framework for power supply. The power project includes developing an integrated and fully independent power generation, distribution and public lighting solution to provide 24 hours uninterrupted power supply to crucial Lagos State facilities within the health, education, security, water, waste management, science and technology, judicial, sport and transportation sectors in the state.
92. The State has six (6) IPPs with a combined capacity of 47 megawatts (MW) of electricity. The power plants include Akute IPP (12.55MW), Lagos Island 1&2 IPP (10MW), Alausa IPP (10.4 MW), Mainland IPP (8.8MW) and Lekki Peninsula Integrated Power Project (6MW), and The Island IPP located in Marina with a 10MW capacity. The Lagos State Government has established the Blue Line Independent Power Plant (IPP) exclusively dedicated to service the corridor by ensuring zero power interruption and providing power for the electrification of the first phase of the 27-kilometer rail system, Lagos Rail Mass Transit, LMRT, Blue line operations transiting between Marina-Mile-2.
93. The Electricity Act 2023 allows for de-monopolization of generation, transmission and distribution of electricity at National level will afford the LASG to expand her power generating. The Act enables States, companies and individuals to produce, transmit and distribute electricity promoting empowerment in the energy sector. Lagos depends entirely on Nigeria's national grid for its public electricity supply through its two resident electricity distribution companies (Discos) – Eko and Ikeja. They receive about 1000MW for an average of no more than 12 hours daily, i.e., 12,000 megawatt-hours (MWh), for a population exceeding 27 million spread over a compact land mass. According to LSEB research, it showed that 15,000MW of the estimated 45,000MW of alternative power in Nigeria was located within the State.
94. Setting the motion for fulfilling the 30-year Lagos Development Plan (2022- 2052), the LASG in March 2023 passed the Bill on Lagos State Electricity Policy which outlines the State's plan to provide efficient electricity to the residents of the State to complement what it gets from the national grid. The Policy gives an insight into the legal, engineering and commercial frameworks required by the State to create a viable sub-national electricity sector that is entirely off-the-national-grid but nevertheless caters fully to the needs of its citizens, while enabling significant socio-economic growth and development both for Lagos State and the country at large. The policy includes establishing a Lagos Electricity market, encouraging the use of renewable energy, short-term plans, medium term plans, long-term plans, investment prospects and an efficient Off-Grid System.

Human Centric City

"Every Lagosian will have access to affordable and world-class education, healthcare and social services."

95. The State's population is estimated to be 29,985,051 million at the end of 2023 at an annual growth rate of 3.2%. The continuous influx of an estimated 85 migrants per hour into the State contributes to its nomenclature as the most densely populated City in Nigeria and West Africa believing it is a "land of opportunities". The dynamism of the population growth in the State's rapid urbanisation however comes with strengths which has increased job opportunities and economic activities while the weaknesses are attributed to unemployment, insecurity and infrastructure overstretch.
96. Human capital continues to be an area of deep interest to the State. The State needs population that is healthy, skilled, and inclusive which can only convert the opportunities to value. The LASG has outlined strategies in the LSDP 2052 under the human-centric pillar to deliver quality conditions across the enablers. This will establish the State as a preferred home for current and future talents with specific goals on;

- **Education:** prepare a world-class workforce by developing and attracting key talent through education, vocational and technical training programmes for high-value and high-skill jobs
 - **Healthcare:** guarantee high-quality, affordable, and accessible healthcare for all residents as well as to position Lagos State as a top 5 medical tourism destination in Africa
 - **Housing:** create a resilient and equitable housing market by increasing the share of formal housing to ~70% in line with leading peers.
 - **Safety and Security:** ensure a secure environment and accurate perception of safety in Lagos by ranking to the top 5 of the safest cities to live in Africa.
97. The Y2023 budget captured infrastructural provisions which include but not limited to the continuous construction and rehabilitation of schools to significantly improve access to quality education; completion of the 130-Bed New Massey Hospital that will be the largest specialist children hospital in Sub-Saharan Africa. Others include completion of the ultra-modern 280-Bed General Hospital in Ojo currently at 47% completion; completion of the Mental Health Facility in Ketu-Ereyun in Epe Local Government and completion of eight (8) stadia across the IBILE Divisions to facilitate youth development, engagement and community sports.
98. The LASG allocated 13% of the Y2023 Budget for the provision of affordable and world-class education, healthcare and social services for its teeming populace to make the system accessible and affordable. Also, A total N67.1 billion through its Social Housing Programme (SHP) is injected to the Housing Sector for continuous investment in the provision of affordable Homes for the people of Lagos. The SHP includes completion of 444 units of Building projects at Sangotedo Phase II; Completion of 420 units of Building Projects at Ajara, Badagry Phase II and construction of 136 units of Building Projects at Ibeshe II among others.
99. Ensuring the State is safe for living, working and investment, a total amount of N86 billion is stated for investment in the Public Order and Safety Sector while N12 Billion is earmarked for the provision of Rescue and Emergency operation equipment for disaster management. Provision is also made for surveillance and body cameras for security monitoring, this is in addition to strengthening intelligence gathering/capacity-building capabilities together with improving the ease of doing business through the Smart-City project, the Lagos new Data Centre project, Eko Excel project, E-GIS and the Oracle upgrade project among others.
100. The approved Y2023 Budget of ₦1.768 trillion is made up of ₦1.020 Trillion (Capital Expenditure) and ₦748.097 Billion (Recurrent Expenditure-Debt Charges inclusive), resulting in Capital to Recurrent ratio of 58:42. The total Revenue is estimated at ₦1.418 Trillion, while deficit-funding requirement is ₦350.411 Billion, which at 25% of Total Revenue implies that the Budget is strongly dependent on revenue. According to the State's Debt Management Office of Nigeria (DMO), the State's debt profile as of December 31, 2022 stood at N1.33 trillion. The State's total domestic debt to IGR stood at 115% below the 150% threshold.

EFFECTIVE GOVERNANCE

“Lagos will have a supportive and enabling environment that creates opportunities for all Lagosian.”

101. The State is a commercial and economic hub with little reliance on the statutory allocation from the FG. The major and more dependable source of revenue for the State is its Internally Generated Revenue (IGR). Lagos Inland Revenue Service contributes about 65% through Pay-As-You-Earn (PAYE) tax while fees, fines, and levies accounts about 15% of the States total revenue. In the quest to increase and diversify the revenue base in line with the vast economic opportunities and achieving the LSDP 2050, the Ministry of Economic Planning and Budget (MEPB) organised a-2 day “Revenue Stakeholders’ Retreat” with the aim of increasing the State’s IGR from about N30 billion to N50 billion on monthly basis. The Retreat identified three vertical ways to increase State’s revenue. They include;
- Taxes, Fees, Levies & Fines
 - Leveraging Assets - Monetization and Securitization
 - New Revenue areas

102. The LASG is committed to invest in strengthening the intelligence gathering / capacity building capabilities together with improving the ease of doing business through the Smart-City project, the Lagos new Data Centre project, Eko Excel project, E-GIS and the Oracle upgrade projects. Through PPP, 3000km metropolitan fibre duct backbone infrastructure will be built in order to be ranked within the top 20 emerging market cities on the Local E-Governance index with an average response time to citizens' of <1 week
103. As part of aspiration to strengthen the technology hub for Africa as well as improve the skills of young the State is committed to continue collaboration with private sector in existing initiatives like the Knowledge Innovation, Technology and Entrepreneurship (KITE) Campus development at Yaba, Lagos Science Research and Innovation Council (LASRIC) to attracting additional investments in new hyperscale data centre and in huge capacity submarine fiber cables, which jointly revolutionize broad band access and capacity in Lagos.

State Macroeconomic Position

104. According to Table 10 below, Lagos State GDP growth rate grew to 24.66% in Y2022, indicating positive growth rate compared to 11.26% in Y2021. Macro-economic indicators showed that economic activities in the State increased as the economy sustained positive growth rate.

Table 4: Lagos State Outlook

Macroeconomic Indicators	Actuals		Projections			
	Y2021	Y2022	Y2023	Y2024	Y2025	Y2026
State GDP Growth Rate (%)	11.26	24.66	22.18	17.50	14.89	10.53
Estimated GDP (Trillion Naira)	22.61	26.91	32.57	37.90	43.10	47.14
Inflation Rate (%)	17.6	23.2	24.3	25.6	26.8	28.2
Population (Million)	28.20	29.10	29.99	31.00	31.93	32.96
Population growth Rate	3.2	3.2	3.2	3.2	3.2	3.2
Source: LBS (2023), EID (2023)						

Macroeconomic Framework for Lagos State

105. 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).

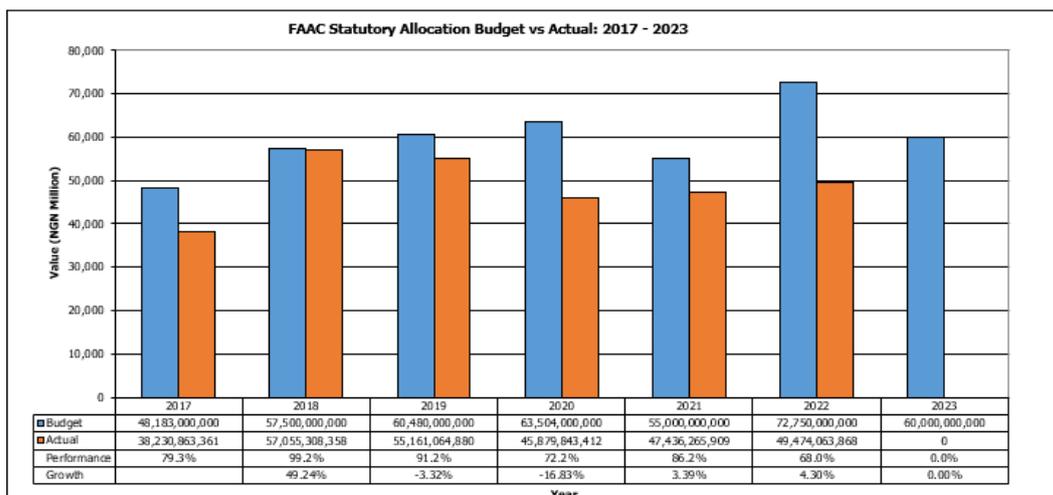
2.B Fiscal Update

2.B.1 Historic Trends and Performance

Revenue Trend

106. 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 2017-2023 (six years historic) and a three (3) year forecast for the period of 2024-2026.

Figure 11: Statutory Allocation

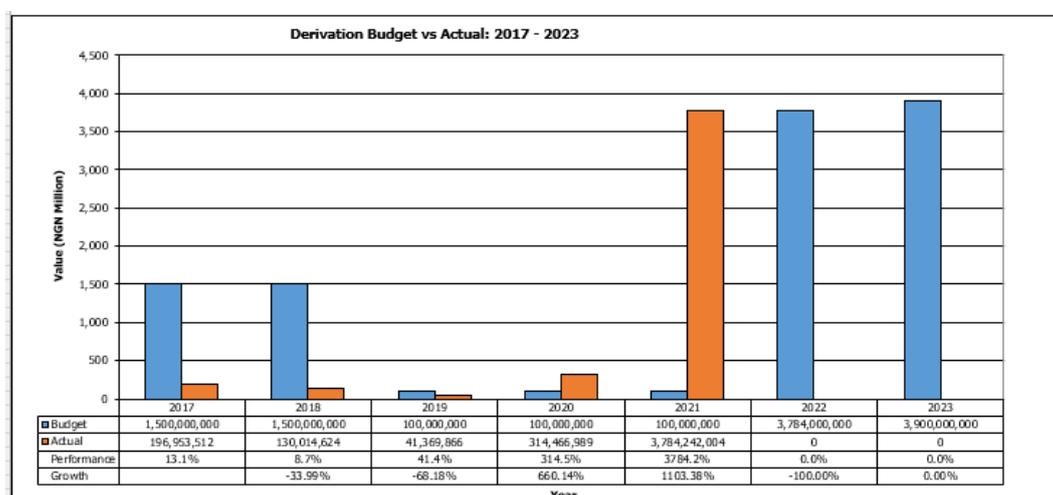


107. **Figure** shows budgeted and actual revenues from Federal Government statutory allocations between Y2017 and Y2023. The State has received an aggregate of N293.2bn for the years under review. The economy continued its momentum recovery in Y2022 from the global disruptions caused by COVID-19 in 2020 and the ongoing Russia – Ukraine which started in 2022.

108. On YoY, from sustained economic recovery in Y2021, allocation increased by 4.3% in Y2022 while performance against budgeted stood at 68%. Given the economic realities that is shaping the economic outlook in Y2023 such as removal of oil subsidy, unification of exchange rate, fluctuations in crude oil price and production, statutorily allocation will increase.

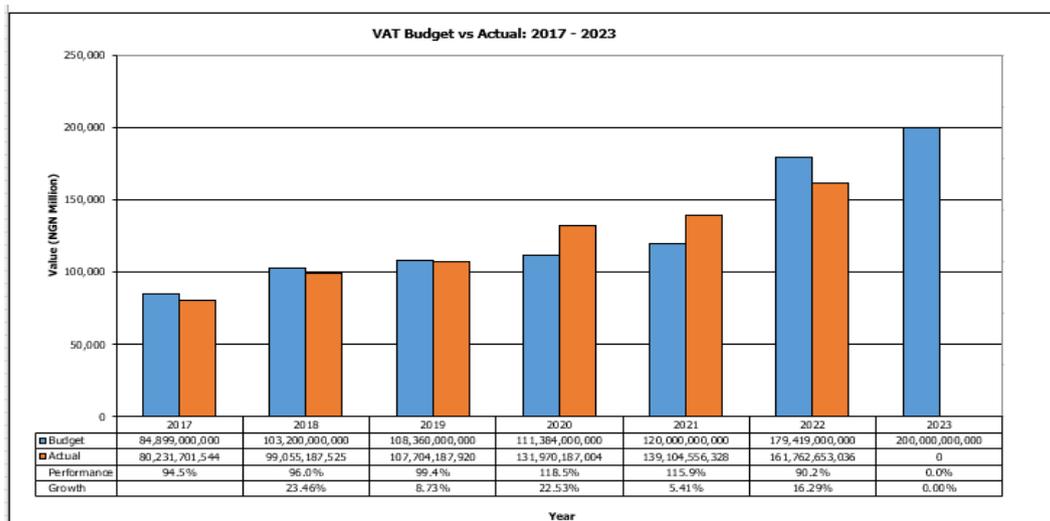
109. Though, the budget allocation for Y2023 is N60bn, to collect significant amount, the Policy Advisory Council Reports should be executed to increase the country’s crude oil production.

Figure 12: Derivation Crude



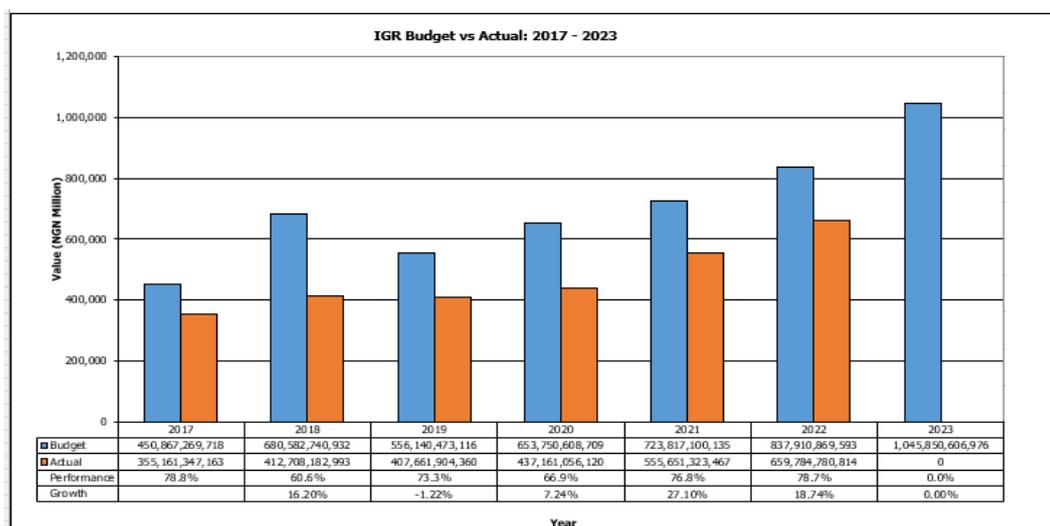
- 110. **Figure 12** shows 13% Derivation of proceeds from crude oil and condensates sales earmarked for the development of host communities in the Oil Producing States of the Federation. Given the significant performance in Y2021, collection increased by 3784.2 per cent while performance against budgeted stood 1103.38 per cent.
- 111. The momentum could not be sustained in Y2022 as shown in the budgeted amount of N3.78bn while its performance is yet to be ascertained.

Figure 13: VAT



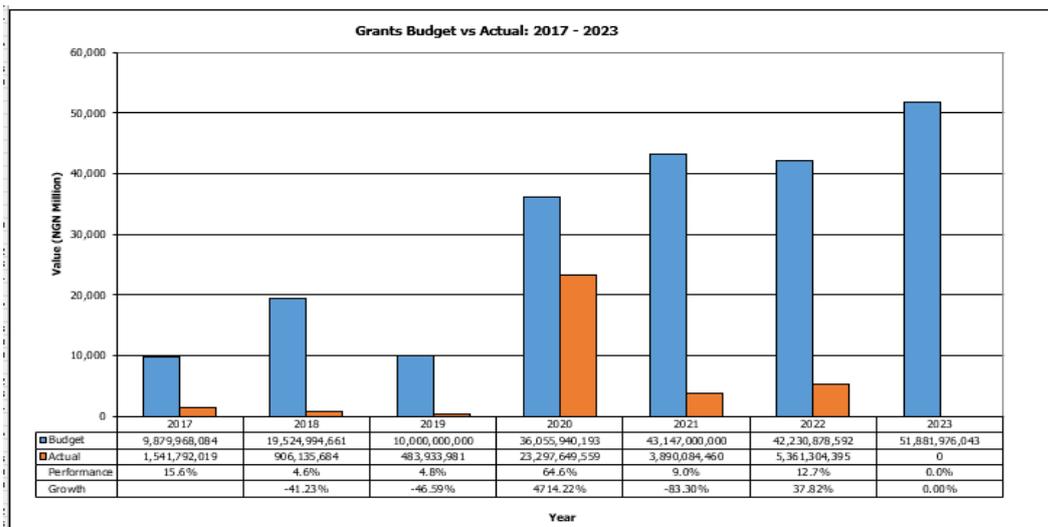
- 112. **Figure 13:** shows budgeted and actual Value Added Tax (VAT) between 2017 and 2023. Lagos State continued to top the share of VAT collection by virtue of economic and productive activities compared with other States. The aggregate of tax collected amounted to N719.83 billion under the review years
- 113. In nominal terms, VAT collection continued its increase trajectory. Since the passage of the 2019 Finance Act which increased VAT rate collection from 5% to 7.5% effective from 1st February 2020, the State’s allocations in 2020 and 2021 outperformed the budgeted with 118.5% and 115.9% respectively while in 2022, it declined to 90.2%. On YoY, VAT collection increased by 16.29% in 2022. Though, the budgeted allocation for 2023 is increased to N200 billion

Figure 14: IGR



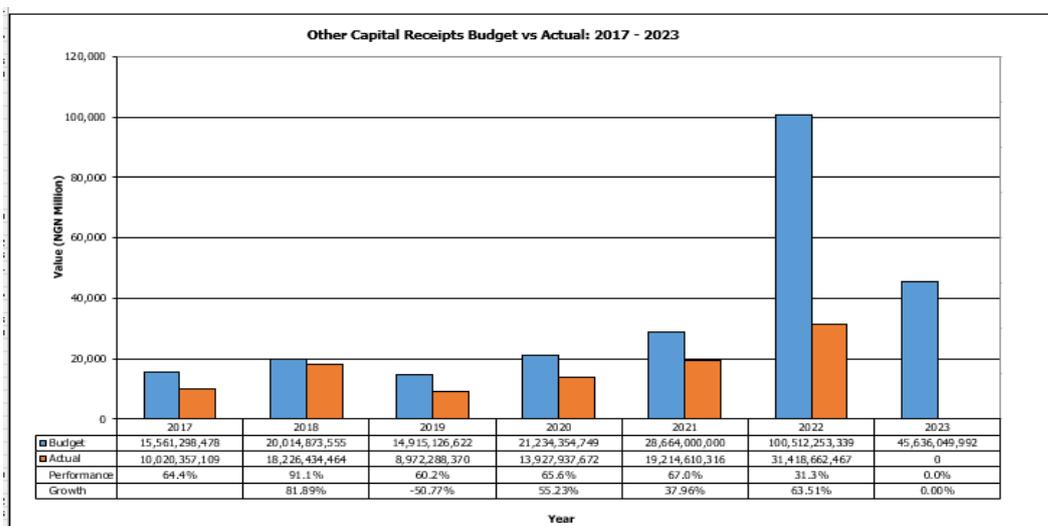
114. **Figure 14** shows budgeted and actual Internally Generated Revenue (IGR) between Y2017 and Y2023. The state of the economy sustained Lagos State as the highest generation of IGR in the Federation. On YoY, the IGR performed at 78.7% in 2022 above 76.8% in 2021. While the budgeted allocation grew by 18.34% in Y2022 and further grew by 24.82% in 2023.
115. The IGR is expected to contribute about 73.8% to the estimated total revenue of N1.41 trillion of the Y2023 State's Appropriation Budget with a monthly average of N87.2 billion. The organised revenue retreat identified potential ways through which the State can increase the revenue generation. From the revenue retreat, the State intends to generate about N720 billion on monthly basis. Also, intensifies efforts to reduce loopholes in its tax administration.

Figure 15: Grants



116. **Figure 15** shows budgeted and actual grants between Y2017 and Y2023. In Y2020, it performed high at 64.6% due to COVID-19 pandemic that disrupted economic activities. Grants grew by 37.82% On YoY in real terms while it performed at 12.7% in 2022. Though, the budgeted figures for 2023 stood at N51.89 billion, a percentage increase of 22.85% against the 2022 budgeted figures.
117. The State government tends to provide more infrastructure and capital development and provision; grants can be given to complement governments spending on capital projects.

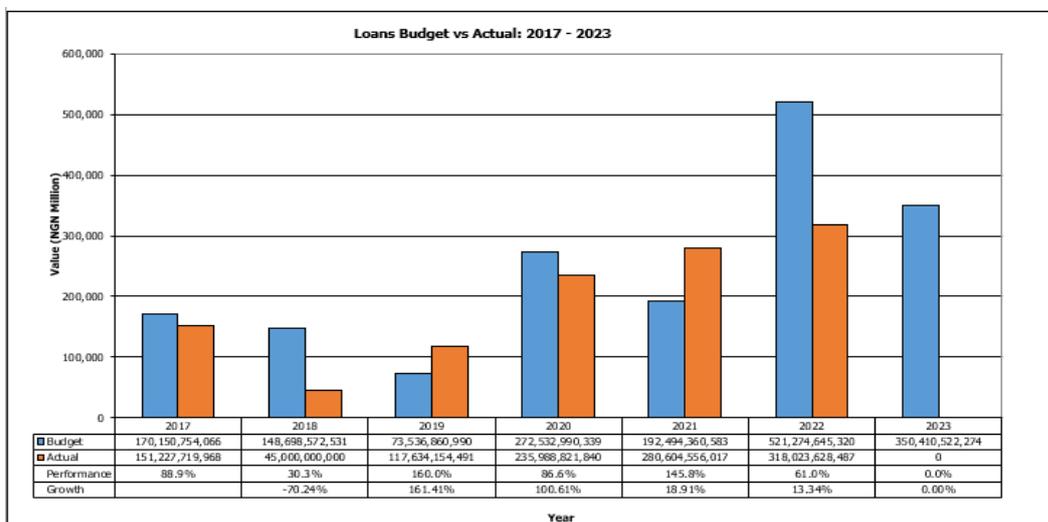
Figure 16: Other Capital Receipts



118. **Figure 16** shows budgeted and actual capital receipts from Y2017 to Y2023. Capital receipts relate to other revenue generation different from PAYE tax which such as sale of State assets (mostly

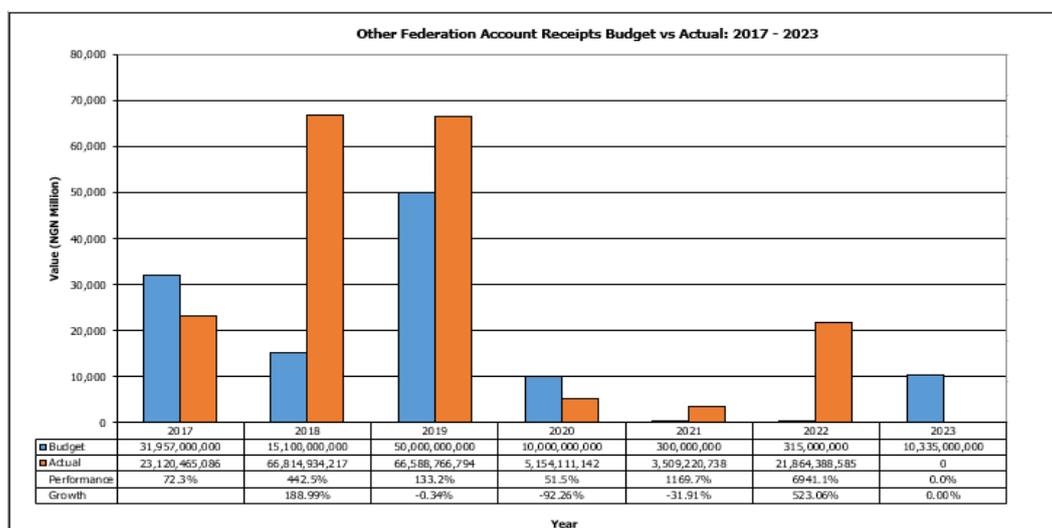
housing), returns from federal government, etc. On YoY, the Actual capital receipts in Y2022 grew by 63.57% while its performance against the budget stood at 31.3% in the same year below 67% in 2021. The capital receipts are is budgeted at N45.64 billion representing 54.6% below the projected figure in Y2022.

Figure 17: Loans / Financing



119. **Figure 17** shows budgeted and actual Loans / Financing between Y2017-Y2023. In nominal terms, the State has shown commitments in its repayments on loans over the years. The loans collected are used for capital projects to further positioning the State as a viable economy. Loans collected are long term with good moratorium years. As at 2022, loan repayment’s performance stood 61%.

Figure 18: Other Federation Account

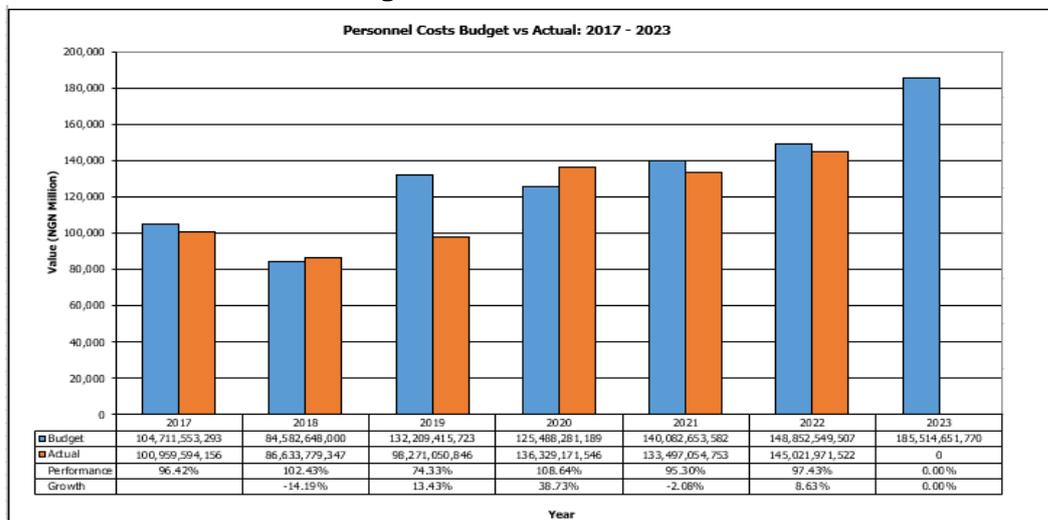


120. **Figure 18** shows the Other Federation Receipts between Y2017 and Y2023 periods. Other Federation Accounts Receipts accounts for receipts from the Federation Accounts in respect of non-recurring and extraordinary inflows, which includes but not limited to refunds of excess charges, Paris Club, road rehabilitation amongst others.
121. Although its outperformance in Y2021 and Y2022 at 1169.7% and 6941.1% respectively while on YoY, it grew by 523.06% compared to Y2021 at -31.91% from -92.26% in Y2020 when COVID-19 pandemic affected the other federation receipts drastically. By virtue of its performance, the budgeted to N10.34 billion in Y2023.

Expenditure Performance

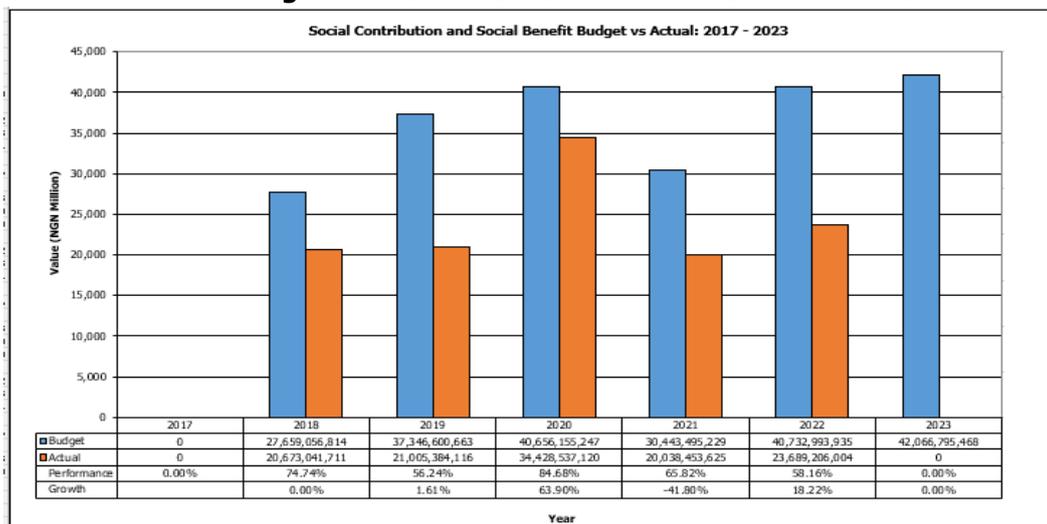
122. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period Y2016-Y2022.

Figure 19: Personnel Costs



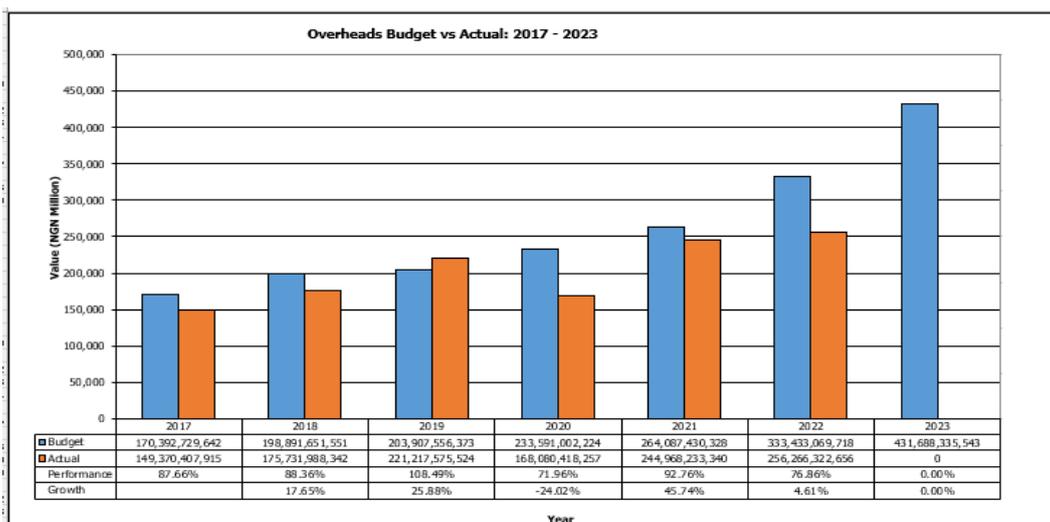
123. **Figure** shows budgeted and actual personnel costs from Y2017 to Y2023. Actual Personnel costs have witnessed a steady increase of 43.59% between years under review. This includes the new minimum wage approved in Y2019, salary increment and additional employment of public and civic servants.
124. Personnel cost grew by 8.63% in real terms in Y2022 on YoY. The actual performance as at Y2022 stood at 97.43%. Though, the budgeted figure for Y2023 is increased by 24.63% considering the economic realities necessitating further salary increase in the State.

Figure 20: Social Contribution and Social Benefit



125. **Figure 20** Shows Social Contribution and Benefits which includes Pension defined contribution plan, Health Insurance premium, Severance & Gratuity amongst others.
126. Its actual performance stood at 58.16% in Y2022 compared to 65.82% performance in Y2021. This is as a result of retirements of top officials and resignation of some civic servants.

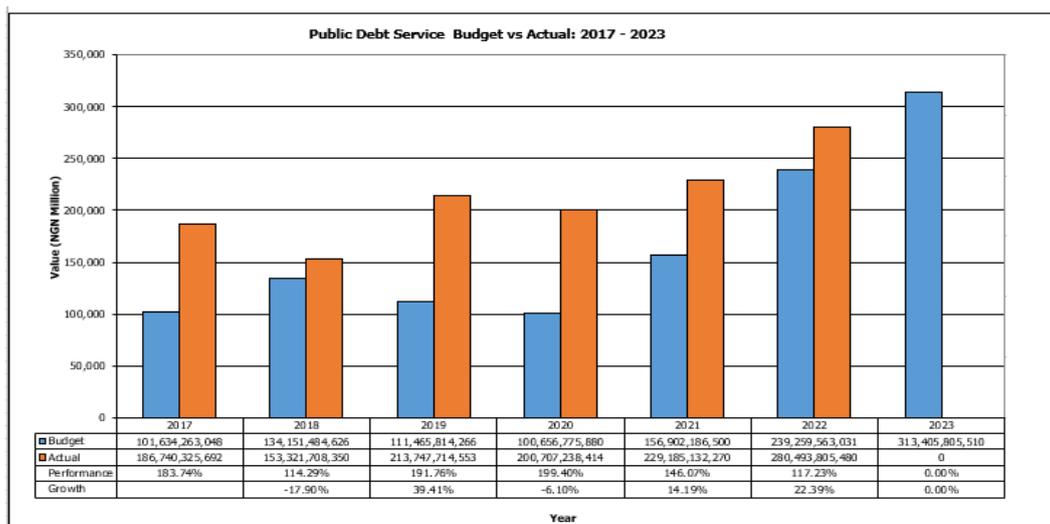
Figure 21: Overhead



127. **Figure 21** shows budgeted and actual overheads from Y2017–Y2023. Actual Overheads increased over the years except in Y2020 with a decline by 24.02% and increased to 45.74% in Y2021. It further increased by 4.61% in Y2022. The performance in Y2022 stood at 76.86% below the Y2021 at 92.76%.

Figure 22: Public Debt Service

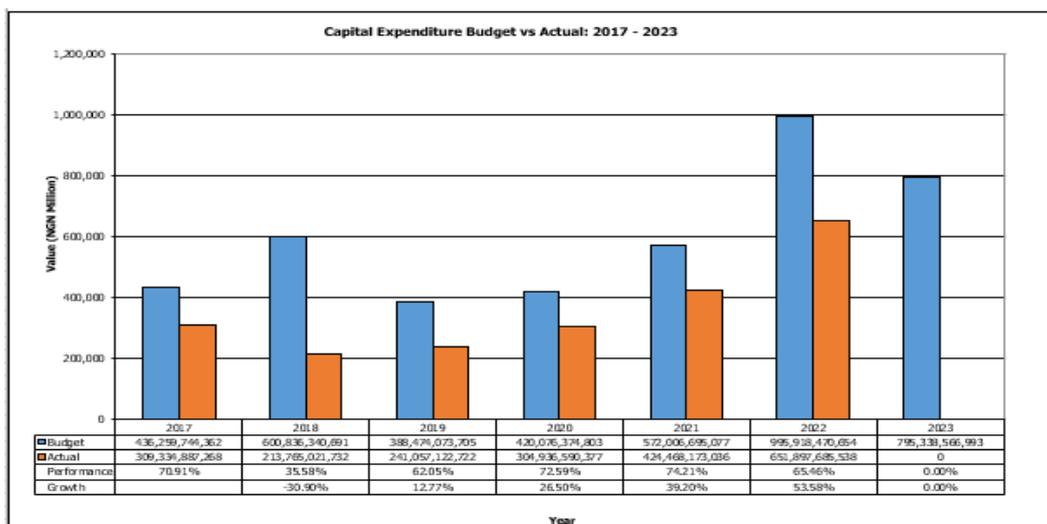
stood at 76.86% below the Y2021 at 92.76%.



128.

129. **Figure 22** shows budgeted and actual Public Debt Service (PDS) from Y2017–Y2023. The State has been committed to servicing of public debts. Under the years reviewed, it has always been outperforming above the budgeted figures

130. On Y-o-Y, it grew by 22.39% and continued its outperformance trajectory in 2022 which stood at 117.23%. The budgeted for Y2023 increased by 30.99% amounting to N313 billion.

Figure 23: Capital Expenditure

131. **Figure 23** shows budgeted and actual capital expenditure for Y2017 to Y2023. The Administration intensified on improving capital infrastructures in the State. Capex Performance grew from 39.20% in Y2021 to 53.58% in Y2022.
132. On Year-on-Year basis, performance stood at 65.46% in Y2022 lower than 74.21% in Y2021 indicating the State's commitment to infrastructure development and renewal.

Table 5: Sectoral Expenditure – Personnel: Budget Vs Actual

Personnel Expenditure by Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	Performance	Average Budg	Average Actual
1 Governor's Office	1,571,127,159	2,915,907,183	4,561,709,185	4,646,670,586	9,378,899,641	7,659,176,963	7,069,637,613	7,820,843,911	102.04%	4.13%	4.23%
2 Office of the Secretary to the State Government	176,174,007	225,404,685	234,752,586	304,636,891	315,800,325	326,399,041	130,958,454	681,429,328	179.36%	0.16%	0.23%
3 State Assembly	461,284,530	464,082,673	586,700,780	712,228,517	645,986,346	701,270,052	762,990,221	722,178,424	105.81%	0.45%	0.48%
4 Ministry of Information and Strategy	340,648,429	426,840,744	332,411,927	555,346,431	428,318,482	536,393,949	667,669,629	529,551,274	112.01%	0.33%	0.36%
5 Office of the Head of Service/Public Service Commission	35,568,536,283	4,001,169,939	19,857,372,184	11,842,842,710	8,130,417,149	4,491,239,877	13,186,030,622	30,280,923,201	65.93%	14.04%	9.43%
6 Office of the Auditor General	446,538,194	476,055,348	484,695,041	650,675,913	658,308,704	647,312,050	675,235,996	756,066,011	111.71%	0.41%	0.47%
7 Lagos State Civil Service Commission	236,944,610	240,739,104	238,400,789	306,788,424	278,967,665	273,839,430	250,464,802	257,946,438	107.42%	0.18%	0.20%
8 Local Government Service Commission	71,777,423	82,786,788	78,732,018	115,669,620	116,220,749	105,464,209	91,546,367	112,721,653	116.23%	0.07%	0.08%
9 Independent Electoral Commission	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%
10 Ministry of Home Affairs	172,347,107	165,724,381	182,366,666	277,236,194	410,065,075	276,381,037	273,816,780	280,108,854	97.23%	0.13%	0.13%
11 Ministry of Special Duties & Inter-Governmental Relations	830,884,424	779,458,587	1,185,567,494	1,496,700,260	872,238,411	1,020,462,516	539,076,632	669,874,723	115.72%	0.63%	0.74%
12 Ministry of Agriculture	720,469,769	891,167,996	922,053,640	1,203,798,234	1,343,111,247	1,252,407,514	1,011,925,521	1,310,818,373	116.53%	0.73%	0.87%
13 Ministry of Finance	388,573,853	453,674,959	499,749,690	628,531,206	587,369,465	612,876,010	588,230,291	632,118,002	112.76%	0.38%	0.43%
14 Ministry of Commerce, Industry and Cooperatives	485,945,414	549,822,098	658,786,098	767,869,137	973,944,521	780,709,144	831,613,116	817,069,488	98.82%	0.54%	0.54%
15 Ministry of Wealth Creation and Employment	111,190,280	120,612,283	122,001,124	377,252,332	204,696,017	216,148,411	217,160,296	216,382,370	142.03%	0.12%	0.17%
16 Ministry of Science and Technology	249,671,364	306,839,645	323,715,282	416,422,908	434,396,553	450,528,054	506,127,429	515,438,461	111.58%	0.28%	0.31%
17 Ministry of Transportation	4,188,021,032	4,691,535,038	5,277,668,511	6,826,309,391	7,299,039,353	7,070,997,576	7,614,332,187	7,505,364,250	107.45%	4.46%	4.86%
18 Ministry of Energy & Mineral Resources	313,983,524	247,979,683	272,588,199	339,953,570	358,621,298	336,905,583	353,189,773	337,700,535	97.24%	0.24%	0.24%
19 Ministry of Works & Infrastructure	1,176,632,020	1,170,757,285	1,015,999,821	1,592,270,488	1,813,338,344	1,468,426,765	1,027,719,042	1,253,476,081	108.96%	0.92%	1.02%
20 Ministry of Tourism, Arts & Culture	213,132,318	239,828,699	273,281,957	314,631,164	317,207,435	293,700,306	240,000,000	315,456,897	111.50%	0.19%	0.22%
21 Ministry of Economic Planning & Budget	342,972,415	442,595,438	428,200,744	520,428,200	489,413,305	458,059,213	383,349,898	451,048,594	113.88%	0.30%	0.35%
22 Ministry of Housing	537,169,526	749,006,118	629,743,670	999,855,494	918,975,786	1,021,200,290	253,711,261	347,569,007	133.26%	0.43%	0.58%
23 Ministry of Physical Planning and Urban Development	1,473,649,999	1,482,276,461	1,418,350,902	1,950,022,789	1,814,202,187	1,984,041,277	4,025,295,670	3,109,019,246	97.64%	1.60%	1.59%
24 Ministry of Waterfront Infrastructure Development	141,650,175	147,753,954	147,538,205	200,580,511	190,620,090	201,431,058	196,748,511	199,408,660	110.73%	0.12%	0.14%
25 Judiciary	2,178,642,749	2,506,558,279	2,295,923,257	3,323,045,545	3,398,038,515	3,281,015,559	2,791,125,707	3,657,348,680	119.73%	1.95%	2.36%
26 Ministry of Justice	937,343,173	1,021,202,857	978,800,506	1,223,821,657	1,300,188,214	1,137,337,249	1,409,032,257	1,168,002,836	98.38%	0.85%	0.85%
27 Ministry of Youth & Social Development	549,996,380	580,766,737	622,124,558	808,005,087	896,719,369	812,074,372	734,502,723	869,292,646	109.52%	0.51%	0.57%
28 Ministry of Women Affairs and Poverty Alleviation	205,733,580	236,056,888	212,951,131	316,564,037	330,242,628	296,174,227	299,097,694	292,770,145	108.93%	0.19%	0.21%
29 Ministry of Education	42,761,941,010	40,964,338,321	41,115,190,456	51,547,592,543	51,416,144,280	50,094,882,219	52,705,782,925	51,385,301,103	103.16%	34.33%	36.13%
30 Special Adviser on Education	283,583,089	273,910,378	277,696,542	385,323,523	422,243,855	379,954,856	689,560,568	384,493,428	85.09%	0.31%	0.27%
31 Ministry of Health	33,044,843,303	29,170,664,595	37,338,524,275	38,313,240,562	41,061,371,143	42,035,076,762	46,427,040,080	48,289,788,243	99.93%	28.66%	29.33%
32 Ministry of Environment	1,455,134,949	1,671,181,749	2,281,168,281	2,500,754,313	2,528,419,391	2,508,403,341	2,102,303,002	2,740,208,353	112.53%	1.53%	1.75%
33 Lagos State Sports Commission	226,966,738	181,399,662	182,425,575	289,044,456	237,055,248	285,641,241	336,541,789	342,664,586	110.65%	0.18%	0.20%
34 Ministry of Local Government and Community Development	345,796,899	372,872,090	371,090,131	474,918,854	491,982,211	479,924,600	460,662,629	518,793,665	110.60%	0.31%	0.34%
Total	132,209,415,723	98,271,050,846	125,488,261,189	136,329,171,546	140,082,853,582	133,497,054,753	148,852,549,506	168,711,177,526	98.20%	100.00%	100.00%

Table 6: Sectoral Expenditure – Overhead: Budget Vs Actual

Overhead Expenditure by Sector											
No. Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	Performance	Average Budj	Average Actua
1 Governor's Office	7,085,183,325	4,930,444,741	9,324,710,122	6,368,035,160	17,531,877,377	19,716,567,686	18,240,736,797	10,250,502,092	79.46%	5.0%	4.7%
2 Office of the Secretary to the State Government	327,500,000	774,323,243	642,384,508	563,469,427	511,289,262	496,625,548	1,014,399,262	496,625,548	88.35%	0.33%	0.26%
3 State Assembly	8,582,000,000	8,564,754,405	9,135,607,718	7,054,313,741	10,291,000,000	10,465,321,083	12,371,000,000	12,004,134,238	94.33%	3.90%	4.28%
4 Ministry of Information and Strategy	2,831,774,363	829,221,828	2,695,291,676	988,564,630	2,666,630,075	2,416,068,436	6,396,402,844	3,953,083,293	56.11%	1.4%	0.92%
5 Office of the Head of Service/Public Service Office	5,201,080,209	1,450,954,532	3,853,290,516	2,575,273,595	3,495,233,280	4,453,180,759	4,821,498,491	3,641,990,797	69.78%	1.68%	1.36%
6 Office of the Auditor General	822,186,116	656,697,434	984,127,428	719,699,069	1,121,938,436	1,119,668,904	1,800,141,520	1,776,919,528	90.37%	0.46%	0.48%
7 Lagos State Civil Service Commission	170,734,246	142,414,831	363,167,737	211,113,993	709,492,846	695,791,921	1,010,248,570	898,367,621	84.65%	0.22%	0.21%
8 Local Government Service Commission	70,795,370	64,958,757	57,482,043	43,573,191	165,300,000	138,744,879	205,300,000	153,200,191	80.28%	0.05%	0.04%
9 Independent Electoral Commission	649,013,778	629,027,549	1,420,595,908	657,066,015	1,732,177,125	1,395,930,670	1,377,236,601	508,468,607	60.83%	0.50%	0.35%
10 Ministry of Home Affairs	1,445,773,696	1,126,397,758	1,047,440,671	328,216,297	910,613,633	854,209,645	2,484,834,873	2,372,625,371	79.52%	0.57%	0.53%
11 Ministry of Special Duties & Inter-Governmental Relations	14,151,146,868	13,154,781,959	10,927,713,477	9,137,363,590	149,909,061	107,163,060	8,655,459,327	6,475,390,072	95.22%	3.27%	3.24%
12 Ministry of Agriculture	288,246,100	242,512,353	269,238,173	263,540,797	420,013,460	346,000,061	185,809,794	166,332,126	87.55%	0.1%	0.1%
13 Ministry of Finance	19,674,264,830	87,567,205,021	26,060,171,308	23,370,886,232	31,988,363,105	46,783,765,749	47,732,716,252	41,777,300,000	160.04%	12.04%	22.40%
14 Ministry of Commerce, Industry and Cooperatives	515,795,580	354,444,071	477,202,824	462,316,895	1,332,709,040	1,074,436,977	1,521,915,534	1,210,075,035	80.62%	0.07%	0.35%
15 Ministry of Wealth Creation and Employment	526,413,257	142,473,306	2,041,272,060	1,547,983,029	1,963,051,167	701,600,032	174,819,413	80,000,000	53.67%	0.44%	0.28%
16 Ministry of Science and Technology	1,012,216,718	596,286,066	813,193,518	781,147,681	1,632,394,448	809,152,272	1,774,394,448	1,699,396,157	72.36%	0.51%	0.43%
17 Ministry of Transportation	5,000,223,662	4,960,903,721	7,431,963,422	7,609,643,266	10,034,908,240	8,744,101,117	14,989,726,783	10,220,264,169	84.19%	3.62%	3.54%
18 Ministry of Energy & Mineral Resources Development	18,495,409,915	17,160,387,013	22,871,446,328	20,463,776,101	17,988,531,771	16,471,377,735	15,655,674,953	14,510,630,477	92.12%	7.20%	7.71%
19 Ministry of Works & Infrastructure	3,316,586,453	2,894,873,718	3,458,474,274	2,677,422,421	4,907,614,509	6,393,188,655	7,346,510,850	5,866,803,305	93.71%	1.94%	2.02%
20 Ministry of Tourism, Arts & Culture	827,792,112	742,531,435	1,673,198,008	1,622,650,524	2,397,909,008	2,295,246,471	2,745,392,247	2,683,176,459	96.07%	0.42%	0.82%
21 Ministry of Economic Planning & Budget(HQ)	22,511,624,322	21,802,028,506	23,578,314,944	22,330,244,597	23,681,127,791	25,224,892,650	27,858,730,037	27,279,352,746	98.37%	9.42%	10.77%
22 Ministry of Housing	869,785,565	326,646,146	909,579,737	466,411,523	1,937,343,757	1,511,555,653	3,761,416,422	1,347,274,507	48.70%	0.72%	0.41%
23 Ministry of Physical Planning and Urban Development	908,405,510	485,908,594	759,816,242	479,785,732	1,318,577,482	1,038,772,462	3,297,740,146	1,759,555,272	56.17%	0.2%	0.4%
24 Ministry of Waterfront Infrastructure Development	70,000,000	55,344,495	57,698,772	38,459,855	249,698,972	166,561,795	210,162,364	172,319,230	73.64%	0.06%	0.05%
25 Judiciary	1,477,650,000	2,637,494,470	2,954,468,000	2,516,516,870	229,466,000	229,466,000	5,278,717,655	4,430,516,716	85.07%	1.12%	1.1%
26 Ministry of Justice	1,247,244,536	820,216,256	1,124,362,899	909,656,991	4,844,463,693	4,628,124,150	2,240,133,498	2,320,451,449	91.78%	0.90%	0.97%
27 Ministry of Youth & Social Development	1,096,448,377	973,400,121	1,303,974,011	1,012,572,520	2,987,303,315	1,326,705,588	2,242,186,971	1,601,700,968	71.53%	0.65%	0.54%
28 Ministry of Women Affairs and Poverty Alleviation	935,120,593	733,285,679	1,228,416,967	1,114,188,165	1,701,981,348	1,278,429,972	2,834,400,772	2,004,969,311	76.59%	0.65%	0.58%
29 Ministry of Education	30,175,836,706	17,578,023,484	36,310,032,716	21,414,185,533	51,630,383,176	34,693,857,817	58,606,036,758	43,411,923,105	86.26%	17.07%	13.5%
30 Special Adviser on Education	61,300,000	34,310,720	47,167,284	39,519,580	171,456,000	157,846,280	184,738,492	164,596,177	83.51%	0.05%	0.04%
31 Ministry of Health	26,001,230,267	13,295,267,005	34,016,011,630	10,630,021,030	31,594,829,492	23,784,921,276	42,130,088,728	22,696,802,381	62.76%	12.92%	7.35%
32 Ministry of Environment	23,455,957,259	18,842,321,624	21,374,205,882	16,751,629,738	28,919,548,564	22,142,906,740	27,338,822,276	23,492,670,602	76.40%	9.77%	8.67%
33 Lagos State Sports Commission	978,582,209	829,596,115	3,038,393,716	1,757,404,443	3,751,933,110	2,496,044,994	4,225,189,040	3,274,246,747	69.59%	1.16%	0.94%
34 Ministry of Local Government and Community Affairs	946,462,342	557,163,351	739,000,605	552,164,328	1,018,198,187	1,154,637,084	2,913,800,000	1,401,263,625	66.43%	0.53%	0.41%
Total	203,907,556,373	221,217,575,524	233,591,002,224	168,080,418,257	264,087,430,328	244,368,233,340	333,433,069,718	256,266,322,656	86.04%	100.00%	100.00%

Table 7: Sectoral Expenditure – Capital: Budget Vs Actual

Capital Expenditure by Sector											
No. Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	Performance	Average Budj	Average Actua
1 Governor's Office	3,170,733,351	604,333,128	2,836,868,335	705,774,048	13,783,106,877	9,857,106,947	27,095,235,824	6,469,211,248	37.66%	1.97%	1.09%
2 Office of the Secretary to the State Government	0	0	0	0	0	0	300,000,000	0	0.00%	0.01%	0.00%
3 State Assembly	12,825,000,000	3,482,578,168	12,634,389,840	2,957,385,044	9,611,768,224	7,000,000,000	30,891,768,224	7,444,727,697	31.66%	2.78%	1.29%
4 Ministry of Information and Strategy	744,363,664	313,580,275	681,249,888	378,665,547	2,666,651,360	2,325,081,100	2,425,650,701	1,536,211,431	69.65%	0.28%	0.28%
5 Office of the Head of Service/Public Service Office	481,219,179	324,075,954	467,245,582	411,636,127	718,257,324	627,048,466	2,332,798,392	1,030,199,378	59.83%	0.17%	0.15%
6 Office of the Auditor General	350,000,000	122,039,205	265,115,393	163,110,088	259,503,140	160,361,029	419,744,312	339,395,432	62.18%	0.05%	0.05%
7 Lagos State Civil Service Commission	95,973,234	0	10,510,914	0	85,949,404	74,958,883	232,721,951	43,829,145	34.36%	0.01%	0.01%
8 Local Government Service Commission	37,524,081	7,518,186	23,213,702	11,000,000	100,000,000	79,893,372	97,500,000	76,186,590	67.65%	0.01%	0.01%
9 Independent Electoral Commission	95,973,234	0	55,746,778	21,685,688	397,690,491	318,258,636	399,696,736	180,004,939	54.78%	0.02%	0.02%
10 Ministry of Home Affairs	369,691,799	10,042,919	1,136,926,145	410,121,510	826,638,564	384,877,131	1,700,753,596	1,576,519,969	69.04%	0.17%	0.15%
11 Ministry of Special Duties & Inter-Governmental Relations	7,926,222,342	6,722,145,657	5,595,647,302	2,927,035,079	4,644,536,219	3,989,371,349	18,218,299,543	10,331,305,072	65.08%	1.53%	1.48%
12 Ministry of Agriculture	2,752,384,922	1,720,037,539	12,844,228,142	9,421,076,792	11,896,407,438	12,129,521,259	20,869,936,370	15,322,528,732	79.60%	2.04%	2.38%
13 Ministry of Finance	8,962,829,678	1,112,679,398	3,596,329,910	3,388,211,573	4,388,646,487	3,138,897,067	4,061,303,420	2,434,047,344	47.95%	0.88%	0.62%
14 Ministry of Commerce, Industry and Cooperatives	1,223,221,336	882,371,932	2,406,593,998	1,607,194,133	2,783,033,120	865,339,027	2,301,249,433	267,474,750	46.79%	0.37%	0.25%
15 Ministry of Wealth Creation and Employment	3,040,099,777	815,578,705	6,485,637,112	4,525,606,698	5,153,997,542	3,278,181,857	2,500,000,000	1,500,000,000	59.90%	0.72%	0.62%
16 Ministry of Science and Technology	8,179,266,176	2,762,108,797	6,085,005,118	3,601,340,695	22,507,185,123	12,575,765,599	20,081,994,163	5,810,538,794	43.55%	2.39%	1.53%
17 Ministry of Transportation	33,116,874,460	11,171,880,668	38,129,289,557	26,102,400,235	75,411,933,484	35,261,898,079	239,484,460,792	195,056,290,903	69.30%	16.25%	16.49%
18 Ministry of Energy & Mineral Resources Development	5,292,431,777	717,130,815	8,004,667,725	5,569,281,421	12,479,598,516	7,104,881,456	27,212,600,517	21,762,306,517	65.35%	2.26%	2.17%
19 Ministry of Works & Infrastructure	100,358,093,242	81,441,373,346	125,049,139,174	112,831,982,362	160,000,101,955	166,564,639,786	191,576,063,875	163,477,500,062	90.87%	24.28%	32.32%
20 Ministry of Tourism, Arts & Culture	6,690,487,067	2,158,372,032	4,403,071,128	1,277,004,487	2,294,923,140	1,250,710,987	1,650,004,301	1,544,767,025	41.52%	0.63%	0.38%
21 Ministry of Economic Planning & Budget(HQ)	63,688,013,384	64,678,066,774	51,000,472,420	40,703,774,440	80,591,789,759	45,527,166,916	100,594,920,280	86,906,357,810	80.38%	12.45%	14.66%
22 Ministry of Housing	26,738,933,666	12,570,938,409	18,329,349,645	8,041,192,346	18,697,499,513	12,559,454,660	39,796,042,576	9,540,125,916	40.85%	4.40%	2.63%
23 Ministry of Physical Planning and Urban Development	5,695,785,300	1,058,368,053	8,200,972,921	5,063,233,037	10,873,940,560	8,713,400,715	38,454,405,875	18,849,512,491	53.28%	2.66%	2.08%
24 Ministry of Waterfront Infrastructure Development	8,600,000,000	14,656,809,006	8,138,316,036	6,192,306,720	8,842,016,182	11,534,439,925	29,271,749,306	12,198,465,269	82.59%	2.31%	2.79%
25 Judiciary	4,116,631,058	1,309,189,311	4,315,314,905	2,847							

2.B.2 Debt Position

133. 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 2022

Debt Sustainability Analysis		
A DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2022
Solvency Ratios	Percentage	Percentage
1 Total Domestic Debt/IGR	150%	114.19%
2 Total External Debt/Gross FAAC	150%	247.58%
3 Total Public Debt/Total Recurrent Revenue	150%	149.01%
4 Total Public Debt/State GDP Ratio	25%	4.01%
Liquidity Ratios	Percentage	Percentage
5 Domestic Debt Service/IGR	15%	32.09%
6 External Debt Service/Gross FAAC	10%	29.51%
8 Debt Service Deductions from FAAC/Gross FAAC	40%	27.69%
8 Total Debt Service/Total Recurrent Revenue	25%	31.41%
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2022		Naira
1 Total Domestic Debt		753,380,000,000
2 Total External Debt		577,116,000,000
3 Total Public Debt		1,330,496,000,000
4 Total Domestic Debt Service 2022		211,704,516,463
5 Total External Debt Service in 2022		68,789,289,017
6 Total Public Debt Service		280,493,805,480
C STATE GDP FOR 2022		
1 State GDP		33,144,880,954,909

Source: Economic Intelligence Unit, DMO

134. **From Table** above, Lagos State total public debt to total recurrent revenue, as at December 31, 2022 is 149.01% which below the sustainability threshold of <150%. On the other hand, total public debt to GDP was 4.01% which is within the sustainability threshold of <25% as ascertained by the State Commissioner of Finance.
135. Lagos State debt position is performing unfavourably given the solvency and the liquidity ratios in the table above.
136. The State has identified three vertical ways to increase revenue to ensure that the debt is within the sustainability threshold and sustain development. They include; Taxes, Fees, Levies & Fines, Leveraging Assets - Monetization & Securitization and New Revenue areas
137. The State needs to take pragmatic and progressing steps to ensure they are implemented. In addition, block the leakages in its revenue generation and continue to explore other means to generate revenue.

Section 3 Fiscal Strategy

3.A Macroeconomic Framework

As with all long-term fiscal projections, a natural starting point lies in the macroeconomic assumptions on economic growth and various price movements. A robust set of projections for macroeconomic variables assists in budget planning but unexpected developments in the economy have ripple effects for the State spending and revenues. The macro-economic framework is as displayed below. Based on a challenging global economy, fuel subsidy removal, exchange rate volatility and rising cost of production and market prices; the macro-economic framework for the fiscal year Y2024-Y2026 is as presented below:

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

Table 9: Macro-Economic Framework

Macro-Economic Framework				
Item	2023	2024	2025	2026
National Inflation	22.00%	20.00%	15.50%	15.20%
National Real GDP Growth	3.20%	3.00%	3.00%	3.00%
State Inflation	24.34%	25.56%	26.83%	28.18%
State Real GDP Growth	21.04%	16.30%	13.73%	9.37%
State GDP Actual	40,495,298,137,181	47,581,262,026,213	54,667,225,915,245	60,424,571,575,084
Oil Production Benchmark (MBPD)	1.5000	1.6000	1.7000	1.8000
Oil Price Benchmark	\$75.00	\$65.00	\$65.00	\$65.00
NGN:USD Exchange Rate	750	750	750	750
Other Assumptions				
Mineral Ratio	25%	30%	32%	35%

Source: Economic Intelligence Unit, LBS, Nigeria Governors Forum for SFTAS

3.B Fiscal Strategy and Assumptions

Policy Statement

138. Interrupting economic recovery, the current unstable exchange rate and the removal of fuel subsidy amongst others, has led to distortion of the economy as well as socio-economic crisis. Hike in prices of goods and services has kept standard of living in the State on an increasingly high pedestal. The government is therefore committed to ease the burden of its citizens whilst committing to a steady recovery and continuous development in the State. There is a deliberate and conscious effort to increase social inclusion, gender equality and youths in governance which is evident in this administration's **THEMESplus agenda**; a reference to the commitment of this administration to develop the State's economy in line with the State's Development Plan (LSDP) and to the safety, security, and prosperity of the citizens. This Greater Lagos agenda will be achieved considering Government's fiscal position, supporting core public services through managing critical cost pressures, and delivering priority and time-sensitive projects.
139. 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;
- Digitization of administrative processes, including one stop shop for investors providing all information, documents, procedures required to invest in the State.
 - Host frequent ecosystem building and "collision" networking events between local and international corporates, donors, investors, foundations and entrepreneurs amongst others.
 - Partner with the Bank of Industry (BOI) to expand the Business Development Service Providers program and agents within the State.

- Earmark financing for locally trained Lagosian entrepreneurs in tech who are less likely to get funding from VCs and international donors as well as standardize the design of primary health centres and general hospitals in line with global standards of service delivery for medical facilities
 - Develop a suitable regulatory, commercial and technical framework to showcase the bankability of Lagos electricity market and efficiently provide licenses and approval for all players in the Lagos electricity market
 - Strengthen the Office of the Public Defender to provide non-discriminatory free representation to residents of the state to ensure equitable access to justice.
 - Earmark financing for locally trained Lagosian entrepreneurs in tech who are less likely to get funding from VCs and international donors
 - Invest in required setup and operational infrastructure (i.e., seamless network connection, ambulances, fire trucks, etc.) to ensure fully functional and operational 24 hours emergency service response in the State - police, fire, ambulance services etc.
140. In maintaining a credible fiscal strategy, the Government will continue to communicate promptly and clearly to MDAs on priority spending and reallocation needs to monitor and control the budget execution, as well as ensure fiscal transparency.

Fiscal Assumptions

The FY2023 through Y2023 Budget have reassessed the impact of the social support measures and has brought a firm planning to public finances. In setting the overall strategy for the FY2024-FY2026 budget, the government recognize the need to adapt to the exceptional degree of macroeconomic uncertainty and its impact on revenues, maintain a prudent approach, and preserve a medium-term orientation to planning and budgeting.

141. 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 include:
- Multiple macro-fiscal scenarios will be considered to outline policies contingent on different assumptions.
 - The government aims to aggressively develop and maintain infrastructure, including transportation, energy, housing, and other sectors.
 - Efforts will be made to create employment opportunities and enhance food security through entrepreneurship, vocational training, and agriculture.
 - Initiatives will focus on improving civic participation, inclusion, and cooperation in governance through transparency and citizen engagement.
 - Investments in human capital development, education, and healthcare will be prioritized to improve productivity and social well-being.
 - Functional technology will be deployed in public services to enhance efficiency, service delivery, and transparency in administration.
 - Revenue collection will be improved through technological innovations, tax administration enhancements, and exploration of new revenue sources.
 - Public-Private Partnerships (PPPs) will be utilized to attract investments, bring in private expertise, and ensure cost-effective infrastructure development and service provision.
 - The government will strive to improve healthcare systems, environmental sustainability, and public spaces to enhance overall well-being.
 - Youth engagement, participation, and empowerment will be fostered through programs focusing on development, entrepreneurship, and skills training.

- Accountability and transparency will be emphasized, with performance evaluation reviews and adherence to ethical standards in public service delivery.
- Strategic revenue generation will be pursued through technological innovations, supported by an Economic Advisory Team providing economic and financial intelligence.
- Priority will be given to completing ongoing capital projects to consolidate initiatives and ensure efficient resource allocation.
- Continuity in fiscal policies and budget planning will be maintained to bring public finances on a firm footing.
- Government revenue is projected to increase over the medium term, driven by tax revenue growth and improved collection efficiency.
- Debt sustainability will be a focus, with prudent borrowing practices and diversification of funding sources.
- Job creation is anticipated due to economic growth and increased investment activities in the state.
- Social support measures will be continued, redirecting resources toward health and social welfare.
- Budget allocations will prioritize capital expenditure in key sectors such as transportation, education, healthcare, and urban development.
- Efforts will be made to improve social support measures, infrastructure, and food security.
- The government will promote transparency, accountability, and citizen engagement in governance.
- Investments in education and healthcare will enhance human capital and productivity.
- The deployment of technology in public services will improve efficiency and service delivery.
- Revenue generation will be improved through technological innovations and enhanced tax administration.
- Public-Private Partnerships will be utilized to attract investments and leverage private sector expertise.
- Healthcare systems, environmental sustainability, and public spaces will be improved for the well-being of residents.
- Youth engagement, participation, and empowerment will be fostered through targeted programs.

Objectives and Targets

142. A considerable number of economies experience significant constraints on their public finances, increased requirements in government financing, and heightened exposure to fiscal risks (particularly contingent liabilities). Regardless of a loose and more flexible fiscal plan, uncontrolled and non-credible fiscal plans can undermine economic confidence and raise financing costs. Therefore, the following policy objectives are to be targeted:
- i. Maintain overall Fiscal Discipline and Clearly Identify Priority Sectors
TARGET: MDAs must respect ceilings, ensure sustainable spending and greater focus on strategic sectors while ensuring the progressive implementation of the four (4) pillars of the Lagos State Development Plan.
 - 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. Increase and diversify Internally Generated Revenues (IGR) to 5% of the GDP and attract Foreign Direct Investment (FDI) flows to critical sectors of the economy

TARGET: The use of Financialization to generate more revenue and accelerate FDI inflow/distribution to targeted sectors of the economy

- v. To Foster a Renewed Enabling Environment for Investment

TARGET: Strengthen ease of doing business in the State, encourage industrialization in general and engage private sector players in the planning and implementation process using best practices learned from benchmark cities.

- 143. The State will have to strengthen economic and Investment base, 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.
- 144. 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 FY2024 budget execution.
- 145. 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."
- 146. Bolster confidence in the Government's fiscal, economic, and social strategy. Amid high uncertainty and stress, the FY2024 budget will be a key policy document to assure stakeholders across the State, households and businesses, that the government has a credible strategy to ensure economic recovery and stability.

3.C Indicative Three-Year Fiscal Framework

147. The indicative three-year fiscal framework for the Y2024-Y2026 is presented in the table below.

Table 10: Indicative Three Years Fiscal framework

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

Fiscal Framework

Item	2024	2025	2026
Opening Balance	0	0	0
Recurrent Revenue			
Statutory Allocation	96,000,000,000	115,200,000,000	144,000,000,000
Derivation	3,900,000,000	4,290,000,000	4,719,000,000
VAT	320,000,000,000	352,000,000,000	404,800,000,000
IGR	1,054,956,129,593	1,172,751,574,768	1,343,804,766,042
Excess Crude / Other Revenue	26,728,500,000	29,401,350,000	32,341,485,000
Total Recurrent Revenue	1,501,584,629,593	1,673,642,924,768	1,929,665,251,042
Recurrent Expenditure			
Personnel Costs	270,299,480,538	297,329,428,592	327,062,371,451
Social Contribution and Social Benefit	46,273,475,059	50,900,822,565	55,990,904,821
Overheads	399,775,463,344	439,753,009,678	483,728,310,646
Public Debt Service	447,346,014,502	529,442,875,524	627,674,187,732
Total	1,163,694,433,443	1,317,426,136,359	1,494,455,774,650
Transfer to Capital Account	337,890,196,150	356,216,788,409	435,209,476,393
Capital Receipts			
Grants	51,326,074,845	53,770,173,647	56,458,682,330
Other Capital Receipts	26,198,203,534	27,508,113,711	28,883,519,396
Total	77,524,278,379	81,278,287,358	85,342,201,726
Reserves			
Contingency Reserve	29,461,633,620	32,676,318,182	37,091,574,417
Planning Reserve	29,461,633,620	32,676,318,182	37,091,574,417
Total Reserves	58,923,267,239	65,352,636,364	74,183,148,833
Capital Expenditure			
Discretionary Funds	627,630,628,911	674,394,222,045	782,909,404,560
Non-Discretionary Funds	113,860,578,379	121,248,217,358	121,223,299,726
Financing (Loans)	385,000,000,000	423,500,000,000	457,764,175,000
Total Revenue (Including Opening Balance)	1,964,108,907,972	2,178,421,212,126	2,472,771,627,768
Total Expenditure (including Contingency Reserve)	1,964,108,907,972	2,178,421,212,126	2,472,771,627,768

ASSUMPTIONS

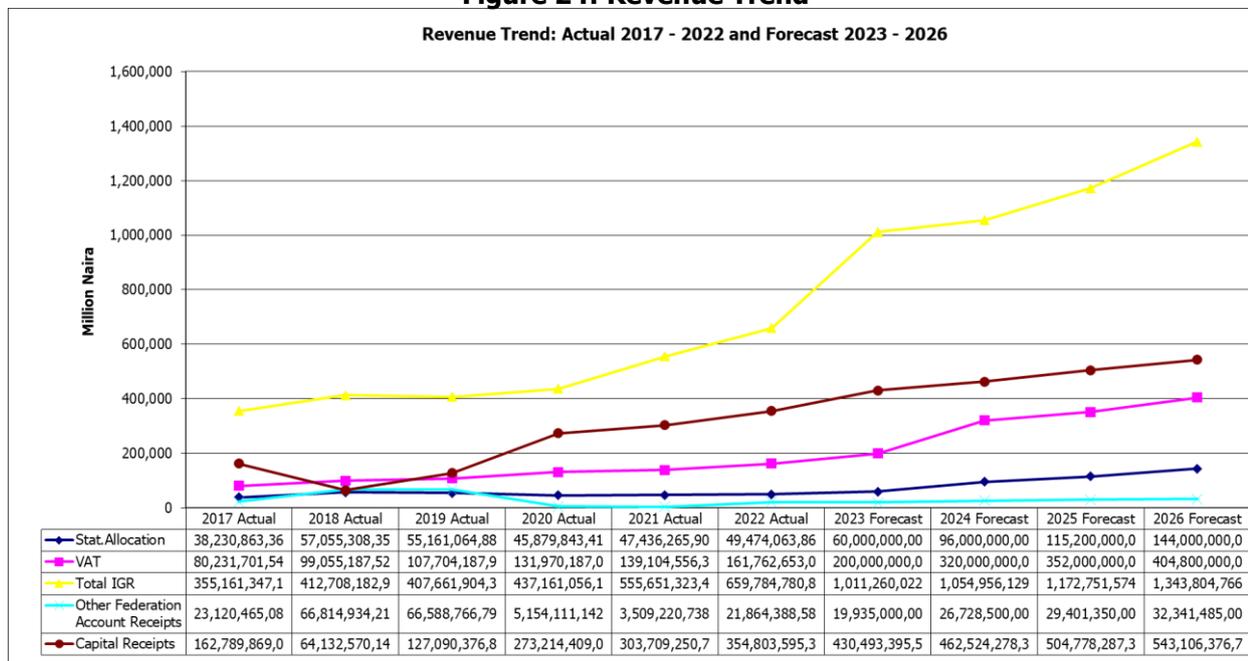
148. **OPENING BALANCE:** The approved opening balance over the years is as a result of MDAs recoveries and balance from loan/bond proceeds. Budget is category based not account based, hence, no projection for FY2024-2026.
149. **REVENUE:** With the ongoing strategic meetings with revenue generating agencies on means to increasing internally generated revenue, the State's total revenue is expected to grow at an increasing rate. The implication of this would be a reduction deficit financing.
150. **INTERNALLY GENERATED REVENUE (IGR):** IGR is envisaged to grow by 5% consecutively in each fiscal year 2024-2026. LIRS as a major revenue generating agency has a mandate to increase its revenue receipt to N60bn from the N50bn monthly target in previous years. With the existing stimulants, equipment provided and the help of eGIS, the agency has been able to capture a fraction of the Informal Sectors into the tax net. IGR is expected to improve over the Medium term (Y2024-Y2026) given the strategic objectives outlined by revenue agencies and dedication to execution of each objectives.
151. **STATUTORY ALLOCATION:** With the petrol subsidy (PMS Under Recovery) removal, the government is projected to achieve fiscal savings (All things been equal). This is expected to trickle down to the State in form of increased FAAC receipt.
152. **DERIVATION:** Presently, derivation receipt includes royalty remittance by private operators of active oil wells in the State. Expected Derivation receipt for year 2024-2026 are N3.9bn, N4.3bn and N4.7bn respectively.

153. **VAT:** As the economic nerve centre of the nation, it is expected that VAT revenue would yield substantial returns over the years.
154. **OTHER FAAC TRANSFER:** Other FAAC receipt is expected to increase successively over the years due to steady increase in Electronic Money Transfer Levy (EMTL) accrual to the State.
155. **GRANTS:** Grant has not been performing optimally in the past few years. Hence, a conservative projection of N51bn for Y2024, and N2.5bn increase in year 2025 and 2026 respectively.
156. **MISCELLANEOUS CAPITAL RECEIPTS:** This includes receipts from Survey fees, Sales of Housing Units, land Sales and Regularization, Income received from Lotteries, MDAs Recovered Funds, Number Plate Production amongst others.
157. **FINANCING (NET LOANS):** Loan financing for Y2024-Y2026 includes N385bn, N424bn and N458bn. A bulk of the loans would be sourced for domestically through bonds from commercial banks to balance expenditure for each fiscal year.
158. **PERSONNEL:** With the creation of new ministries and agencies, it is expected that there would be recruitment of Staff into the Civil Service. Hence the projection of personnel cost at 10% increase over the years.
159. **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. However, there is need to wean-off some parastatals to be self-sustaining and collapse some of the newly created agencies with cross-cutting issues. Hence, the above projection for Y2024-Y2026.
160. **PUBLIC DEBT SERVICE:** The debt servicing (Principal and Interest) schedule for Y2024, Y2025 and Y2026 are N447bn (N305.8bn, N141.6bn), N529bn (N394.2bn, N135.2bn) and N628bn (N509.1bn, N118.6bn) respectively. This is done through the Debt Management Strategy which takes into consideration cost, risks, fluctuating macroeconomic indicators, etc).
161. **CONTINGENCY AND PLANNING RESERVES:** Contingency and Planning reserve are pegged at 1.5% each of the Total Revenue. Planning reserve is used up during the budget process to augment Some MDA's budget while Contingency reserve is a resilience fund for shocks and stress in each fiscal year. The reserves help to prevent budget distortion.
162. **CAPITAL EXPENDITURE:** As part of the mandate of the government to strategically develop the State economy to be at par with other leading Cities of the World, the projection for the FY2024-Y2026 is motivated by the commitment to infrastructure development and renewal of existing infrastructures.

3.D Fiscal Trend

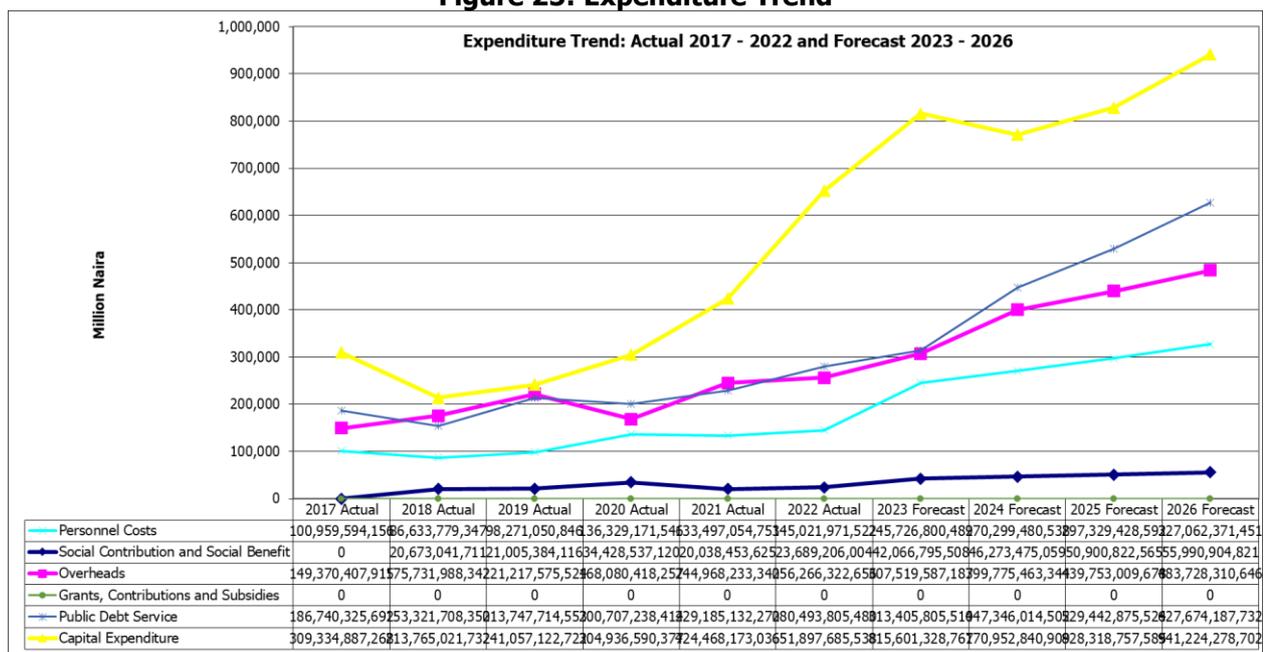
163. Based on the above assumptions, plus actual revenue and expenditure figures for 2016-2021 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and expenditure in the line graphs below:

Figure 24: Revenue Trend



164. **Figure 24: Revenue Trend** shows total revenue (actual & forecast) for Lagos State between Y2017 and Y2026. Statutory allocation and VAT are expected to rise from about N49 billion and N161 billion in Y2022 to about N113 billion and N208 billion in Y2023 respectively. With the removal of fuel subsidy, it is expected that FAAC receipts will increase significantly (all things being equal). Other FAAC Transfer is expected to rise to about N23 billion in 2023 and outer years (2024-2026). IGR as a major contributor to the State’s total revenue is projected to grow to about N857 billion in Y2023 and further increase to N1.14 trillion by Y2026. Revenue performance is anticipated to improve in outer thereby increasing the actualization of Government’s commitment to Citizens welfare, enhancement of job opportunities, ensuring security as well as economic stability in the State.

Figure 25: Expenditure Trend



165.

166.

167. Figure 25 Shows the State’s Actual and Forecast Total Expenditure from Y2017 to Y2026. As strategies and policies are being mapped out for the new administration, Personnel cost is projected to increase in year 2024 due to probable recruitment of Staff and other welfare commitment. Overhead cost is projected to increase to about N324 billion in Y2024 and N392 billion by Y2026. The projection for Public debt service is based on existing debt schedule to be serviced between Y2024 and Y2026.

168. As part of Government’s commitment to consistent building and maintenance of good infrastructures to enhance economic activities, ensure economic stability and the overall well-being of the Citizens, Capital expenditure is forecasted to rise significantly over the years 2024-2026.

3.E Local Government Forecast

169. 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.

Table 11: Local Government FAAC Estimates for 2024

Local Government Council	Statutory Allocation Share	VAT Share	2024			
			Statutory Allocation	VAT	Other Federation Account	Total Transfer
Agege	0.1721%	0.7282%	3,605,234,902	11,798,679,680	1,153,765,817	16,557,680,399
Ajeromi Ifeбудun	0.2212%	0.7762%	4,634,052,966	12,577,126,526	1,483,013,466	18,694,192,958
Alimosho	0.3567%	0.9035%	7,473,294,102	14,638,514,308	2,391,642,019	24,503,450,429
Amuwo Odofin	0.1394%	0.6978%	2,920,888,467	11,306,353,705	934,757,751	15,161,999,923
Apapa	0.1172%	0.6762%	2,455,725,486	10,956,298,140	785,893,902	14,197,917,527
Badagry	0.1310%	0.6813%	2,745,410,494	11,038,707,256	878,600,388	14,662,718,138
Epe	0.1203%	0.6685%	2,520,706,271	10,831,446,470	806,689,386	14,158,842,127
Etiosa	0.1452%	0.6913%	3,040,963,951	11,200,851,561	973,184,925	15,215,000,437
Ibeju Lekki	0.0969%	0.6548%	2,030,562,847	10,609,447,817	649,831,167	13,289,841,831
Ifako/Ijaye	0.1653%	0.7213%	3,462,314,096	11,687,343,508	1,108,027,566	16,257,685,171
Ikeja	0.1429%	0.6967%	2,992,999,256	11,289,094,706	957,835,017	15,239,928,978
Ikorodu	0.1964%	0.7444%	4,115,225,526	12,061,488,747	1,316,975,640	17,493,689,914
Kosofe	0.2125%	0.7722%	4,452,408,116	12,512,146,567	1,424,882,547	18,389,437,230
Lagos Island	0.1144%	0.6745%	2,396,800,132	10,928,777,502	767,036,306	14,092,613,940
Lagos Mainland	0.1380%	0.6977%	2,892,124,290	11,304,804,909	925,552,491	15,122,481,691
Mushin	0.2067%	0.7653%	4,329,727,347	12,399,688,734	1,385,621,616	18,115,037,698
Ojo	0.2005%	0.7578%	4,201,216,727	12,278,361,789	1,344,494,987	17,824,073,503
Oshodi/Isob	0.2048%	0.7628%	4,289,793,618	12,359,753,424	1,372,841,819	18,022,388,862
Shomolu	0.1584%	0.7159%	3,317,754,248	11,599,815,727	1,061,764,780	15,979,334,755
Surulere	0.1811%	0.7376%	3,795,088,699	11,951,600,664	1,214,523,806	16,961,213,169
Total	3%	15%	71,672,291,540	235,330,301,741	22,936,935,398	329,939,528,679

Table 12: Local Government FAAC Estimates for 2025

Local Government Council	Statutory Allocation Share	VAT Share	2025			
			Statutory Allocation	VAT	Other Federation Account	Total Transfer
Agege	0.1721%	0.7282%	4,326,281,882	12,978,547,648	1,269,142,399	18,573,971,930
Ajeromi Ifelodun	0.2212%	0.7762%	5,560,863,559	13,834,839,179	1,631,314,813	21,027,017,551
Alimosho	0.3567%	0.9035%	8,967,952,922	16,102,365,739	2,630,806,221	27,701,124,882
Amuwo Odofin	0.1394%	0.6978%	3,505,066,160	12,436,989,075	1,028,233,526	16,970,288,762
Apapa	0.1172%	0.6762%	2,946,870,583	12,051,927,954	864,483,292	15,863,281,829
Badagry	0.1310%	0.6813%	3,294,492,592	12,142,577,982	966,460,426	16,403,531,001
Epe	0.1203%	0.6685%	3,024,847,525	11,914,591,117	887,358,325	15,826,796,967
Etiosa	0.1452%	0.6913%	3,649,156,741	12,320,936,717	1,070,503,418	17,040,596,876
Ibeju Lekki	0.0969%	0.6548%	2,436,675,416	11,670,392,599	714,814,283	14,821,882,299
Ifako/Ijaye	0.1653%	0.7213%	4,154,776,915	12,856,077,859	1,218,830,323	18,229,685,097
Ikeja	0.1429%	0.6967%	3,591,599,107	12,418,004,176	1,053,618,519	17,063,221,802
Ikorodu	0.1964%	0.7444%	4,938,270,631	13,267,637,622	1,448,673,204	19,654,581,458
Kosofe	0.2125%	0.7722%	5,342,889,739	13,763,361,224	1,567,370,802	20,673,621,765
Lagos Island	0.1144%	0.6745%	2,876,160,158	12,021,655,252	843,739,937	15,741,555,347
Lagos Mainland	0.1380%	0.6977%	3,470,549,148	12,435,285,400	1,018,107,741	16,923,942,289
Mushin	0.2067%	0.7653%	5,195,672,817	13,639,657,608	1,524,183,778	20,359,514,202
Ojo	0.2005%	0.7578%	5,041,460,072	13,506,197,968	1,478,944,485	20,026,602,526
Oshodi/Isob	0.2048%	0.7628%	5,147,752,342	13,595,728,766	1,510,126,001	20,253,607,110
Shomolu	0.1584%	0.7159%	3,981,305,098	12,759,797,299	1,167,941,258	17,909,043,655
Surulere	0.1811%	0.7376%	4,554,106,438	13,146,760,731	1,335,976,187	19,036,843,356
Total	3%	15%	86,006,749,848	258,863,331,915	25,230,628,938	370,100,710,701

Table 13: Local Government FAAC Estimates for 2026

Local Government Council	Statutory Allocation Share	VAT Share	2026			
			Statutory Allocation	VAT	Other Federation Account	Total Transfer
Agege	0.1721%	0.7282%	5,407,852,353	14,925,329,796	1,396,056,639	21,729,238,787
Ajeromi Ifelodun	0.2212%	0.7762%	6,951,079,449	15,910,065,055	1,794,446,294	24,655,590,799
Alimosho	0.3567%	0.9035%	11,209,941,153	18,517,720,600	2,893,886,843	32,621,548,595
Amuwo Odofin	0.1394%	0.6978%	4,381,332,700	14,302,537,437	1,131,056,879	19,814,927,016
Apapa	0.1172%	0.6762%	3,683,588,229	13,859,717,147	950,931,621	18,494,236,997
Badagry	0.1310%	0.6813%	4,118,115,740	13,963,964,679	1,063,106,469	19,145,186,889
Epe	0.1203%	0.6685%	3,781,059,406	13,701,779,784	976,094,158	18,458,933,348
Etiosa	0.1452%	0.6913%	4,561,445,927	14,169,077,224	1,177,553,760	19,908,076,911
Ibeju Lekki	0.0969%	0.6548%	3,045,844,270	13,420,951,489	786,295,712	17,253,091,471
Ifako/Ijaye	0.1653%	0.7213%	5,193,471,144	14,784,489,538	1,340,713,355	21,318,674,037
Ikeja	0.1429%	0.6967%	4,489,498,884	14,280,704,803	1,158,980,370	19,929,184,057
Ikorodu	0.1964%	0.7444%	6,172,838,289	15,257,783,265	1,593,540,525	23,024,162,079
Kosofe	0.2125%	0.7722%	6,678,612,174	15,827,865,408	1,724,107,882	24,230,585,463
Lagos Island	0.1144%	0.6745%	3,595,200,197	13,824,903,540	928,113,931	18,348,217,668
Lagos Mainland	0.1380%	0.6977%	4,338,186,435	14,300,578,210	1,119,918,515	19,758,683,160
Mushin	0.2067%	0.7653%	6,494,591,021	15,685,606,249	1,676,602,156	23,856,799,425
Ojo	0.2005%	0.7578%	6,301,825,090	15,532,127,664	1,626,838,934	23,460,791,688
Oshodi/Isob	0.2048%	0.7628%	6,434,690,428	15,635,088,081	1,661,138,601	23,730,917,110
Shomolu	0.1584%	0.7159%	4,976,631,372	14,673,766,894	1,284,753,384	20,935,133,650
Surulere	0.1811%	0.7376%	5,692,633,048	15,118,774,840	1,469,573,805	22,280,981,694
Total	3%	15%	107,508,437,310	297,692,831,703	27,753,691,831	432,954,960,844

3.F Fiscal Risks

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

Table 14: 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 in the economy, 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

170. It is of importance to note that every budget comes with its own risk. The implementation of Y2024 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

171. The 2023 Budget Policy Statement (BPS) continues to focus on the Administration's THEME agenda, with the aim of consolidating progress made in previous years while also addressing new challenges. The theme of this year's budget is "Building Resilience", reflecting the need for Lagos State to continue to adapt and innovate in the face of ongoing economic and social challenges.
172. The BPS outlines the following priorities and objectives for the 2023 budget:
- **Economic Growth through Infrastructure Development:** The State government remains committed to aggressively developing and maintaining infrastructure in critical sectors, including Health, Education, Transport, Technology, and Security. This will support economic growth and help Lagos to achieve its goal of becoming a megacity.
 - **Poverty Reduction through MDA led initiatives:** The State recognizes the challenges faced by many citizens in the wake of the COVID-19 pandemic and ongoing economic uncertainties. To address this, the State will continue to support employment and improve employability through skill enhancement programs, ensure food security, and incentivize the business environment.
 - **Healthcare:** The State will continue to prioritize the provision of affordable and modern healthcare infrastructure for its citizens, with a particular focus on improving access to healthcare services in underserved areas.
 - **Fiscal Sustainability:** The State will continue to implement policies to maintain fiscal discipline and ensure sustainable fiscal deficits. This will include automating tax administration, increasing revenue generation, and reducing personnel and overhead spending.
 - **Economic Intelligence:** The State will continue to enlist the support of the Economic Intelligence Team to gather, analyse, and evaluate information quickly in response to policy implementation. This will help to improve government reaction to the business environment, foster public confidence, and support economic growth.
 - **Capital Development:** The State will prioritize the completion of ongoing capital projects before starting new ones in order to maximize the impact of its resources and ensure that capital projects are completed on time and within budget.
 - **Resilience:** The State will continue to leverage its status as one of the world's 100 resilient cities to attract more Foreign Direct Investment (FDI) and build partnerships with other cities and organizations around the world.
173. In summary, the 2023 Budget Policy Statement for Lagos State focuses on building resilience, addressing ongoing challenges, and consolidating progress made in previous years. The State remains committed to supporting economic growth, reducing poverty, improving healthcare, ensuring fiscal sustainability, and maximizing the impact of its resources through strategic capital development and revenue generation.

4.B Sector Allocations (3 Year)

174. 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.

175. 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.
176. 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.
177. 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.
178. 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.
179. Presented in the table below are the indicative three envelopes for Sectors.

Table 15: Indicative Expenditure Ceilings 2024-2026

Aggregate Budget Allocation	MTBF Allocation	Proposed MTBF Allocations		
	(%)	(%)		
	Y2023	Y2024	Y2025	Y2026
1 General Public Service	16.00%	17.02%	18.16%	18.34%
2 Public Order and Safety	4.02%	2.76%	2.54%	2.51%
3 Economic Affairs	29.63%	25.14%	24.44%	23.62%
4 Environmental Protection	5.21%	4.64%	4.30%	4.23%
5 Housing	2.68%	3.30%	3.02%	2.98%
6 Health	10.31%	8.45%	8.03%	7.80%
7 Recreation	0.65%	1.18%	0.74%	0.70%
8 Education	12.60%	9.74%	9.30%	9.08%
9 Social Protection	1.82%	2.00%	2.18%	2.36%
10 Contingency Reserve	1.50%	1.50%	1.50%	1.50%
11 Planning Reserve	1.50%	1.50%	1.50%	1.50%
12 Debt Servicing	14.08%	22.78%	24.30%	25.38%
Total	100.00%	100.00%	100.00%	100.00%

- These allocations are driven by the State developmental priorities over the medium term in alignment with the THEMESplus agenda. Social Protection allocation reflects the commitment of the Government on Gender equality, Youth engagement and Social inclusion.

4.C Medium-term Sector Strategies (MTSS)

180. 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.
181. 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.

182. 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.
183. 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.

184. This Y2024-Y2026 MTBF Document will be used to inform the Y2024 Budget Call Circular and in turn, formulate the Annual Budget.
185. 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 16: Objectives from the fiscal strategy driven by KPIs

Objectives	Actions
Increase Working Capital Ratio	Measure the ratio of current assets to current liabilities.
Revenue Variance	Track and measure the percentage difference between actual and projected revenues quarterly
Expenditure-Revenue Ratio	Ensuring expenditures are sustainable relative to revenue for identifying priority sectors
Reduce Revenue Concentration	Track the percentage of total revenue coming from the top revenue generating agencies. Diversification can mitigate risks associated with dependence on a few key agencies
Sectoral Investment Growth	Measuring growth in prioritized sectors
Contribution to GDP	Tracking each sector's contribution to overall economic output

Section 5 Summary of Key Points and Recommendations

186. Key points arising in this document is summarized below:

- The global economy is currently faced with high uncertainty due to a combination of adverse shocks over the past three years which have had unforeseen consequences
- The nature of the causal relationship between fuel price and key macroeconomic variables in Nigeria is such that if appropriate mitigation strategies are not well crafted, the removal of subsidy will likely have negative ripple effects on aggregate output and employment
- The need to take pragmatic and progressive steps to ensure sustainability of debt and sustain development whilst blocking the leakages revenue generation and continue to explore other means to generate revenue
- The State will have to strengthen economic and Investment base
- Capital expenditure is forecasted to rise significantly over the years 2024-2026 to ensure consistent building and maintenance of good infrastructures to enhance economic activities, ensure economic stability and the overall well-being of the Citizens.

187. Recommendations

- 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
- Define and implement a Lagos Climate Action Plan to reduce the state's vulnerability to climate and environmental challenges
- Increase the supply of critical infrastructure (power, transportation, water, ICT) to support sustainable living and economic activities
- We must significantly increase internally generated revenue to finance both operational and capital expenditures
- Significantly grow other revenue streams such as service charges and property tax
- Implement smart city technologies to improve urban living, including smart traffic management, efficient waste collection, and data-driven urban planning
- Continuous strengthening of healthcare facilities, expansion of access to quality healthcare services, and investment in medical research & training to foster economic productivity
- Create and empower more tech incubators and accelerators that nurtures startups and tech-driven businesses to foster innovation, attract investment, and position the state as a tech hub
- Continue to embrace digital solutions (online platforms for public services, digital payment systems, and e-governance initiatives) to streamline government operations, improve service delivery, and enhance transparency
- Develop strategies like (streamlined business regulations, implement investor-friendly policies, promote key sectors for FDI, strengthen legal and regulatory frameworks to protect rights and investments of foreign businesses, actively market Lagos as an attractive investment destination, e.t.c) to attract foreign direct investment, and enhance international trade relationships
- Maintain transparent communication with citizens about the State's financial situation and the measures being taken to mitigate the effects of economic shocks and inflation to help manage expectations and build trust.

Annexure 1: Capital Receipt

ITEM	2024	2025	2026	Discretionary / Non-Discretionary If Non-Discretionary, Specify Sector	
Internal Grants					
Growth Enhancement Support Scheme (GESS)	143,273,270	150,095,807	157,600,597	Non-Discretionary	Ministry of Agriculture
National Programme for food Security	133,358,400	139,708,800	146,694,240	Non-Discretionary	Ministry of Agriculture
LASU: TETFUND	259,442,400	271,796,800	285,386,640	Non-Discretionary	Special Adviser on Education
UBEC Grant	1,457,981,118	1,527,408,791	1,603,779,230	Non-Discretionary	Ministry of Education
TETFUND Others	217,787,640	228,158,480	239,566,404	Non-Discretionary	Special Adviser on Education
Social Protection - State Coordination Unit (SOCU)	1,837,500,000	1,925,000,000	2,021,250,000	Non-Discretionary	Ministry of Economic Planning & Budget(HQ)
Circular Economy Initiative	630,000,000	660,000,000	693,000,000	Non-Discretionary	Ministry of Economic Planning & Budget(HQ)
LASG Edu-Trust Fund	3,134,250,000	3,283,500,000	3,447,675,000	Non-Discretionary	Ministry of Education
Lagos State Technical and Vocational Education Board	3,251,531,382	3,406,366,209	3,576,684,520	Non-Discretionary	Ministry of Education
Youth Agric Training	2,625,000	2,750,000	2,887,500	Non-Discretionary	Ministry of Agriculture
Hacey Health Initiative	47,787,395	50,062,986	52,566,135	Non-Discretionary	Ministry of Health
Sub-Total Internal Grant	11,115,536,605	11,644,847,872	12,227,090,266		

ITEM	2024	2025	2026	Discretionary / Non-Discretionary If Non-Discretionary, Specify Sector	
External Grants					
LASU: AFRICAN CENTRE OF EXCELLENCE	2,004,988,230	2,100,463,880	2,205,487,053	Non-Discretionary	Special Adviser on Education
Lagos State Coconut Value Chain Development in collaboration with UNCTAD	1,312,500,000	1,375,000,000	1,443,750,000	Non-Discretionary	Ministry of Agriculture
Sustainable Mobility	7,350,000	7,700,000	8,085,000	Non-Discretionary	Ministry of Transportation
Lagos State Agric Development Authority	3,150,000	3,300,000	3,465,000	Non-Discretionary	Ministry of Agriculture
Supporting Lagos State Universal Health Coverage through Digital Health	868,688,541	910,054,662	955,557,395	Non-Discretionary	Ministry of Health
Youth Power Ecosystem 4 Adolescent Health (YPE4AH)	1,126,125,000	1,179,750,000	1,238,737,500	Non-Discretionary	Ministry of Youth & Social Development
ICHSSA 2 Project	8,481,874	8,885,773	9,330,061	Non-Discretionary	Ministry of Health
Development of electronic HEFAMAA(e-HEFAMAA) Platform	47,155,558	49,401,061	51,871,114	Non-Discretionary	Ministry of Health
State Cancer Control Program	10,980,900	11,503,800	12,078,990	Non-Discretionary	Ministry of Health
SOML P for R	2,264,228,463	2,372,048,866	2,490,651,309	Non-Discretionary	Ministry of Health
Malaria diagnostic testing and conditional subsidies to target high burden areas	887,037,538	929,277,421	975,741,292	Non-Discretionary	Ministry of Health
TB, Leprosy and Buruli Ulcer Control Program (TB-LON 3)	207,529,424	217,411,777	228,282,366	Non-Discretionary	Ministry of Health
Support to improve maternal and newborn health	532,612,500	557,975,000	585,873,750	Non-Discretionary	Ministry of Health
Community Focused approach to increase access to PPHF	2,178,169,581	2,281,891,942	2,395,986,539	Non-Discretionary	Ministry of Health
Accelerating TB Case Notification in Lagos State	6,625,123,197	6,940,605,254	7,287,635,517	Non-Discretionary	Ministry of Health
Performance Monitoring for Action (PMA)	130,725,000	136,950,000	143,797,500	Non-Discretionary	Ministry of Health
State-led Strategic Purchasing for Family Planning (SP4F)	2,664,375,000	2,791,250,000	2,930,812,500	Non-Discretionary	Ministry of Health
Supply Chain Support to Lagos State	130,725,000	136,950,000	143,797,500	Non-Discretionary	Ministry of Health
Technical Support Unit (TSU 2.0)	133,148,642	139,489,053	146,463,506	Non-Discretionary	Ministry of Health
Several activities aimed at supporting the health system	13,072,500	13,695,000	14,379,750	Non-Discretionary	Ministry of Health
Community support systems are strengthened to promote health	5,229,000	5,478,000	5,751,900	Non-Discretionary	Ministry of Health
Children, adolescents and women have equitable access to health services	32,083,837	33,611,639	35,292,220	Non-Discretionary	Ministry of Health
Strengthened national capacity and delivery of routine immunization	13,072,500	13,695,000	14,379,750	Non-Discretionary	Ministry of Health
UNITAID funded Secondary Prevention of Cervical Cancer	2,004,450,000	2,099,900,000	2,204,895,000	Non-Discretionary	Ministry of Health
World Bank Co-prep to LSMOH.	1,372,943,200	1,438,321,448	1,510,237,520	Non-Discretionary	Ministry of Health
Educate a Child	1,417,500,000	1,485,000,000	1,559,250,000	Non-Discretionary	Ministry of Education
Water Corporation Support	13,387,500,000	14,025,000,000	14,726,250,000	Non-Discretionary	Ministry of Environment
PPA - United Nations Support	126,000,000	132,000,000	138,600,000	Non-Discretionary	Ministry of Health
Strengthening Resilient and Sustainable Systems for Health	695,592,757	728,716,221	765,152,032	Non-Discretionary	Ministry of Economic Planning & Budget(HQ)
Sub-Total External Grant	40,210,538,240	42,125,325,775	44,231,592,064		

Grant Balancing Item / Blue Sky	2024	2025	2026
Total Grants	51,326,074,845	53,770,173,647	56,458,682,330

Internal Loans	2024	2025	2026	
Bonds	110,000,000,000	121,000,000,000	133,100,000,000	Discretionary
Internal Loans	238,663,700,000	262,530,070,000	288,783,077,000	Discretionary
Total	348,663,700,000	383,530,070,000	421,883,077,000	

External Loans	2024	2025	2026	
Lagos State Agro-Processing, Productivity Enhancement	4,180,000,000	4,598,000,000	5,057,800,000	Non-Discretionary
LSTMPP1-8 QBC and 2 Interchanges	11,287,100,000	12,415,810,000	13,657,391,000	Non-Discretionary
LSTMPP1-3 QBC	5,166,700,000	5,683,370,000	6,251,707,000	Non-Discretionary
N'Care (World Bank)	9,020,000,000	9,922,000,000	10,914,200,000	Non-Discretionary
SABER	6,682,500,000	7,350,750,000	8,000,000,000	Non-Discretionary
Total	36,336,300,000	39,969,930,000	43,883,098,000	

Loan Balancing Item / Blue Sky	2024	2025	2026
Total Loans	385,000,000,000	423,500,000,000	457,764,175,000

Other Capital Receipts	2024	2025	2026	
Lagos State Lotteries and Gaming Authority	7,040,000,000	7,392,000,000	7,761,600,000	Non-Discretionary
Motor Vehicle Administration Agency	3,578,203,534	3,757,113,711	3,944,969,396	Non-Discretionary
Lagos State Infrastructural Maintenance & Regulatory Agency	300,000,000	315,000,000	330,750,000	Non-Discretionary
Ministry of Waterfront Infrastructure Development	0	0	0	Non-Discretionary
Ministry of Housing	6,500,000,000	6,825,000,000	7,166,250,000	Non-Discretionary
Lagos Mortgage Board (LMB)	4,000,000,000	4,200,000,000	4,410,000,000	Non-Discretionary
Lands Bureau	530,000,000	556,500,000	584,325,000	Non-Discretionary
Ministry of Physical Planning and Urban Development	400,000,000	420,000,000	441,000,000	Non-Discretionary
New Towns Development Authority	3,600,000,000	3,780,000,000	3,969,000,000	Non-Discretionary
Sports Trust Fund	250,000,000	262,500,000	275,625,000	Non-Discretionary
Total	26,198,203,534	27,508,113,711	28,883,519,396	

OCR Balancing Item / Blue Sky	2024	2025	2026
Total Other Capital Receipts	26,198,203,534	27,508,113,711	28,883,519,396

Non-Discretionary Capital Expenditure by Sector	2024	2025	2026
Total	113,860,578,379	121,248,217,358	121,223,299,726
Ministry of Agriculture	5,774,906,670	6,268,854,607	6,812,197,337
Ministry of Finance	7,040,000,000	7,392,000,000	7,761,600,000
Ministry of Transportation	20,039,353,534	21,863,993,711	23,862,152,396
Ministry of Works & Infrastructure	300,000,000	315,000,000	330,750,000
Ministry of Economic Planning & Budget(HQ)	18,865,592,757	20,586,466,221	22,393,602,032
Ministry of Housing	14,100,000,000	14,805,000,000	15,545,250,000
Ministry of Physical Planning and Urban Development	930,000,000	976,500,000	1,025,325,000
Ministry of Waterfront Infrastructure Development	0	0	0
Ministry of Youth & Social Development	1,376,125,000	1,442,250,000	1,514,362,500
Ministry of Education	9,261,262,500	9,702,275,000	10,187,388,750
Special Adviser on Education	2,482,218,270	2,600,419,140	2,730,440,097
Ministry of Health	20,303,619,648	21,270,458,679	22,333,981,613
Ministry of Environment	13,387,500,000	14,025,000,000	14,726,250,000

