LAGOS STATE GOVERNMENT

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) DOCUMENT

FY2025-2027

Comprising:

Economic and Fiscal Update (EFU);

Fiscal Strategy (FS); and

Budget Policy Statement (BPS)

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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. **Medium Term Expenditure Framework (MTEF):**

The MTEF is a strategic budgeting approach that outlines the Lagos State government's financial planning over a medium-term period, typically spanning three to five years. This approach is designed to align budgetary resources with government policies and objectives, ensuring fiscal sustainability, effective debt management, and enhanced resource allocation efficiency.

The MTEF provides a structured framework that allows the Executive Council (ExCo) to engage in detailed discussions regarding the cross-sectoral allocation of resources for the annual budget of 2025, while also making projections for the fiscal years 2026 and 2027. This holistic planning process aims to support the State's long-term strategic goals and foster economic resilience.

2. **Economic and Fiscal Update (EFU):**

The EFU section of the MTEF document provides a comprehensive assessment of Lagos State's economic and fiscal health. It analyses the current economic conditions, fiscal performance, and outlook, offering policy recommendations based on these insights.

Key components of the EFU include:

- **Macroeconomic Analysis**: Evaluating key economic indicators and trends impacting the State's economy
- **Fiscal Performance**: Reviewing the State's revenue and expenditure performance against budget targets
- **Medium-Term Fiscal Outlook**: Projecting fiscal trends and implications for the medium term
- **Structural Reforms and Policy Recommendations**: Proposing reforms to enhance economic performance and fiscal stability
- **Social and Distributional Implications**: Assessing poverty levels, income inequality, and GDP per capita
- **National Policy Impacts**: Analysing the effects of federal policies on the State's economy
- **Risks and Contingency Planning**: Identifying potential risks and developing contingency plans.

3. **Fiscal Strategy Paper (FSP):**

The Fiscal Strategy aims to address key challenges, leverage strengths, and promote sustainable economic development through the following priorities:

- **Enhancing Revenue Mobilization**: Strengthening revenue collection mechanisms to boost State revenues
- **Prudent Expenditure Management and Accountability**: Ensuring efficient and transparent use of public funds
- **Sectoral Diversification and MSME Promotion**: Supporting the diversification of economic sectors and promoting Micro, Small, and Medium Enterprises (MSMEs)
- **Infrastructure Development**: Investing in critical infrastructure to support economic growth and improve public services
- **Human Capital Development**: Focusing on education, health, and skills development to enhance workforce productivity

- **Sustainable Development and Climate Resilience**: Implementing policies to address environmental challenges and promote sustainability.
- **Monitoring, Evaluation, and Adaptation**: Establishing robust mechanisms for tracking progress and adapting strategies as needed.

4. **Budget Policy Statement (BPS):**

The BPS builds on the insights from the EFU and FSP, outlining the government's policy objectives, strategies, and priorities to achieve fiscal sustainability, economic growth, and social development.

Key elements of the BPS include:

- **Fiscal Discipline and Sustainability**: Emphasizing responsible fiscal management to ensure long-term stability
- **Economic Growth and Employment**: Promoting initiatives to drive economic growth and create job opportunities
- **Social Development**: Fostering social inclusion and community engagement to improve the quality of life for all residents
- **Resource Allocation to Key Sectors**: Prioritizing sectors critical to current State strategic goals
- **Public Financial Management**: Strengthening transparency, accountability, and effectiveness in managing public funds
- **Monitoring and Evaluation**: Continuously assessing budget outcomes to ensure effective implementation and adjustment where necessary.

The BPS serves as a roadmap for the budget process, reinforcing transparency, trust, and efficient resource allocation, aligning with the overarching goals of the Lagos State government.

1.A.1 Budget Process

5. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the Medium-Term Expenditure Framework (MTEF) process, which comprises three key components:

- **Medium Term Fiscal Framework (MTFF)**:

Establishes a macroeconomic framework to guide fiscal policy, focusing on revenue projections, expenditure ceilings, and deficit targets to ensure fiscal discipline and sustainability.

- **Medium Term Budget Framework (MTBF):**

Aligns budgetary allocations with policy priorities over a medium-term horizon, ensuring that resources are allocated efficiently to achieve strategic objectives.

- **Medium Term Sector Strategies (MTSS):**

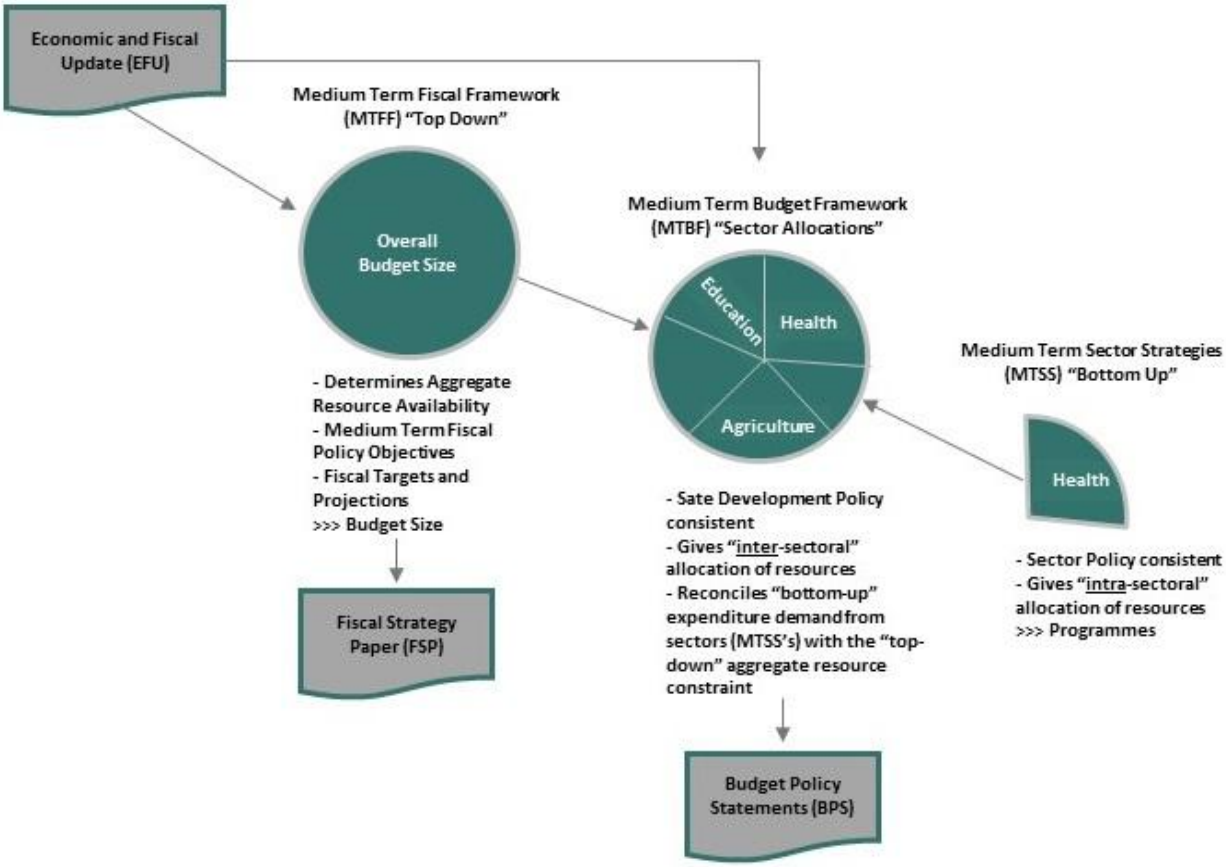
Develops sector-specific strategies and plans, linking sectoral goals to budgetary allocations and ensuring that sectoral policies are coherent with overall government objectives.

6. The budget process begins with conception, followed by preparation, execution, control, monitoring, and evaluation. It then loops back to conception for the ensuing year's budget. This cyclical process ensures continuous alignment of budgetary resources with strategic priorities and enhances the effectiveness of public expenditure.

7. It is crucial for the state government to ensure transparency, accountability, and inclusiveness throughout the implementation process, fostering trust and collaboration among various stakeholders.

The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.2 Preparation and Audience

8. The purpose of this document is to provide an informed basis for the 2025-2027 budget preparation cycle for all key stakeholders, specifically:

- The Executive Council (ExCo)
- The State House of Assembly (SHoA)
- The Ministry of Economic Planning and Budget (MEPB)
- The Ministry of Finance (MoF)
- All Government Ministries, Departments, and Agencies (MDAs)
- Civil Society Organizations.

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 MTEF Technical Working Group (TWG), using primary and secondary data collected from International, National, and State sources.

1.B Background

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

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:

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

B. Financial Control & Management (2009) – The **F**inancial **C**ontrol and **M**anagement 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:

- Authority of remission of funds to the Consolidated Revenue Account resides with each MDA;
- Public money shall be paid into the Consolidated Revenue Fund or other appropriate funds
- No public or official account shall be opened in any bank without prior authority in writing of the Ministry
- 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
- The State Commissioner may limit or suspend expenditure if the public interest so requires; and
- The Accountant General shall transmit to the Auditor-general accounts showing the financial position of the State at the beginning of a fiscal year.

C. Public Procurement Laws

9. The Lagos State **P**ublic **P**rocurement **L**aw was enacted in 2011, "to establish the State council on public procurement as the regulatory authority 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:

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

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

10. 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:

- Issuance Process: The law outlines the process for issuing bonds, notes, and other securities, including requirements for approval, documentation, and registration.
- 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.
- Use of Proceeds: It specifies how the funds raised through securities issuance should be used, ensuring transparency and accountability in project financing.
- 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.

E. Audit Laws 26th July 2011

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

F. Fiscal Responsibility Act (FRA) 30th July 2007

- Although, FRA provides for the preparation of MTEF at the National level, 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.
- The State also provides that the MTEF shall be the basis for the preparation of the annual budget.
- Mandates the Accountant-General of the State to prepare the annual cash plan of each financial year.
- 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.

1.B.2 Institutional Framework for PFM in Lagos State

11. 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.

12. 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.

13. 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.3 Overview of Budget Calendar

Indicative Budget Calendar for Lagos State Government is presented below:

Table 1: Budget Calendar

S/N	SUBJECT	ACTIVITY	START DATE	END DATE
1	Conclusion on 2023 Budget & Inception of Y2024 Budget	a) Y2024 Budget Analysis	January,2024	January,2024
		b) Issuance of Y2024 Budget Operational Guidelines	January,2024	January,2024
2	Budget Performance Appraisal	a) **4th Quarter/Full Year** Y2023 Budget Performance Appraisal	January,2024	January,2024
		b) **1st Quarter** Y2024 Budget Performance Appraisal	April,2024	April, 2024

		c) **2nd Quarter/Mid-Year** Review of Y2024 Budget Performance	July,2024	July,2024
		d) **3rd Quarter** Y2024 Budget Performance Appraisal	October,2024	October,2024
		e) Y2024 Budget Performance Appraisal for the **4th Quarter/Full Year**	January, 2025	January, 2025
3	Implementation of the Y2024 Budget	a) Publishing of Citizens Budget	January 2024	March, 2024
		b) Publishing of Abridged Budget Document	January 2024	March, 2024
		c) Hosting of detailed Budget on Lagos State Website	January, 2024	January, 2024
4	Commencement of Y2025 Budget Preparation	a) Meeting with Major Revenue Generating Agencies and Ministry of Establishment Training & Pensions on Fiscal Strategy 2025-2027	April, 2024	April, 2024
		b) Preparation and Adoption of Fiscal & Sector Strategy for 2025-2027	March, 2024	June, 2024

		c)Presentation of 2025-2027 Economic & Fiscal Update/MTBF to EXCO/Forwarding to HOA	May, 2024	June, 2024
		e) Budget Function Group Disaggregation Meeting	July, 2024	July, 2024
		f) Submission of Function Group agreed figure	July, 2024	July, 2024
5	Commencement of Y2025 Budget Preparation	g) Budget Consultative Forum		
		i) Ikeja Division	August, 2024	August, 2024
		ii) Badagry Division	August, 2024	August, 2024
		iii) Lagos Division	August, 2024	August, 2024
		iv) Ikorodu Division	August, 2024	August, 2024
		v) Epe Division	August, 2024	August, 2024
6	Preparation of Y2025 Budget Estimates	a) Issuance of Y2025 Call Circular	August, 2024	August, 2024
		b) Submission of Budget Proposals by MDAs	August, 2024	August, 2024
		c) Evaluation of Proposals/Workshop on MTSS/Budget Alignment	September, 2024	September, 2024
		d) Uploading of Budget proposals into the Oracle (Hyperion)	August, 2024	September, 2024

		e) Bilateral Budget discussions	September, 2023	September, 2023
7	Collation of Bilaterally Agreed Budget Figures	a) Compilation of Revenue, Personnel Cost, Overhead Cost, Capital Cost etc.	September 2024	September 2024
		b) Production of Budget summary table	October 2024	October 2024
8	Y2025 Draft Budget	a) Presentation of Y2025 Draft Budget to the State Treasury Board for Consideration and Approval	October, 2024	October, 2024
		b) Presentation of Y2025 Draft Budget to the State Executive Council for Consideration and Approval	October, 2024	October, 2024
		c) Presentation of the Y2025 Appropriation Bill to the House of Assembly	October 2024	October 2024
		d) EXCO Legislative Parley on Proposed Y2025 Budget	October, 2024	October 2024

9	Legislative Processes	a) Consideration of the Appropriation Bill by the House of Assembly	October - December 2024	October - December 2024
		b) Passing of Y2025 Appropriation Bill into law by House of Assembly		
10	Appropriation Law	a) Printing of the Appropriation Law	December 2024	December 2024
		b) Assent of Y2025 budget by Mr. Governor	December 2024	December 2024
		c) Uploading of Y2025 Approved Budget into the Oracle	Jan 2025	Jan 2025
11	Conclusion of Y2025 Budget	Y2024 Budget Performance Appraisal for the **4th Quarter/Full year**	January, 2025	January,2025

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

Steady but Slow: Resilience amid divergence

14. The global economy is expected to continue growing at a steady rate of 3.2 percent during 2024 and 2025, maintaining the same pace as observed in 2023. This stability is primarily driven by the resilience observed in various economic sectors despite significant challenges. Advanced economies are projected to experience a slight acceleration in growth, from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025. Conversely, emerging markets and developing economies will see a modest slowdown, from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. The long-term forecast for global growth is slightly lower, at 3.1 percent by 2029, marking the lowest in decades.

15. Global inflation is anticipated to decline steadily from 6.8 percent in 2023 to 5.9 percent in 2024 and further to 4.5 percent in 2025. Advanced economies are expected to achieve their inflation targets sooner than emerging markets and developing economies, where core inflation is likely to decline more gradually. This decline in inflation is a result of stringent monetary policies implemented by central banks to restore price stability, alongside supportive fiscal policies that have bolstered economic resilience.

16. The global economy has demonstrated surprising resilience despite significant interest rate hikes by central banks aimed at controlling inflation. Factors contributing to this resilience include greater-than-expected government spending, robust household consumption, and an unexpected boost in labour force participation. However, the forecast also indicates persistent structural frictions that prevent capital and labour from moving to more productive firms, particularly in large emerging market economies like China, which impacts their trading partners and overall global economic performance.

17. The medium-term outlook for the global economy is cautious, with growth projections tempered by several factors. These include high borrowing costs, withdrawal of fiscal support, lingering effects of the COVID-19 pandemic, geopolitical tensions, and increasing geoeconomic fragmentation. The slow pace of convergence toward higher living standards for middle- and lower-income countries implies persistent global economic disparities. Risks to the global outlook are broadly balanced, with potential downsides including geopolitical tensions, persistent core inflation, and high government debt. On the upside, factors such as faster-than-expected disinflation, advancements in artificial intelligence, and strong structural reforms could spur productivity and economic activity.

18. The economic growth of emerging markets and developing economies is greatly tied to global economic trends. The projected modest slowdown in growth for emerging markets, including Nigeria, underscores the need for strategic economic planning. Nigeria's economy, heavily reliant on oil exports, is particularly vulnerable to global oil price fluctuations and production levels. The global economic resilience and steady growth provide a relatively stable environment for Nigeria, but structural reforms and diversification are crucial to sustain growth.

19. Nigeria is likely to experience a gradual decline in inflation, in line with global trends. However, the pace of this decline may be slower compared to advanced economies. The Central Bank of Nigeria's monetary policy will play a pivotal role in managing inflation and ensuring price stability. Effective fiscal policies, including revenue mobilization and prudent expenditure management, are essential to mitigate the impact of inflation on the Nigerian economy.

20. The global economic environment highlights the importance of structural reforms to enhance productivity and economic resilience. For Nigeria, this involves diversifying the economy away from oil dependence, promoting small and medium-sized enterprises (SMEs), and investing in infrastructure and human capital development. Strengthening governance and fostering an inclusive business environment will be key to attracting investment and driving sustainable economic growth.

Table 2: Real GDP Growth – Selected Economies

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	2023	PROJECTIONS 2024	2025
World Output	**3.2**	**3.2**	**3.2**
Advanced Economies	**1.6**	**1.7**	**1.8**
United States	2.5	2.7	1.9
Euro Area	0.4	0.8	1.5
Germany	-0.3	0.2	1.3
France	0.9	0.7	1.4
Italy	0.9	0.7	0.7
Spain	2.5	1.9	2.1
Japan	1.9	0.9	1.0
United Kingdom	0.1	0.5	1.5
Canada	1.1	1.2	2.3
Other Advanced Economies	1.8	2.0	2.4
Emerging Market and Developing Economies	**4.3**	**4.2**	**4.2**
Emerging and Developing Asia	5.6	5.2	4.9
China	5.2	4.6	4.1
India	7.8	6.8	6.5
Emerging and Developing Europe	3.2	3.1	2.8
Russia	3.6	3.2	1.8
Latin America and the Caribbean	2.3	2.0	2.5
Brazil	2.9	2.2	2.1
Mexico	3.2	2.4	1.4
Middle East and Central Asia	2.0	2.8	4.2
Saudi Arabia	-0.8	2.6	6.0
Sub-Saharan Africa	3.4	3.8	4.0
Nigeria	2.9	3.3	3.0
South Africa	0.6	0.9	1.2
Memorandum			
Emerging Market and Middle-Income Economies	4.4	4.1	4.1
Low-Income Developing Countries	4.0	4.7	5.2

Source: IMF, *World Economic Outlook*, April 2024

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2023/24 (starting in April 2023) shown in the 2023 column. India's growth projections are 6.9 percent in 2024 and 6.5 percent in 2025 based on calendar year.

INTERNATIONAL MONETARY FUND **IMF**.org

2.A.2 Africa Economic Outlook

Driving Africa's Transformation: The Reform of the Global Financial Architecture

21. The African Economic Outlook, 2024[1] Africa has demonstrated strong economic performance and resilience despite facing multiple structural challenges and severe shocks. The continent has contended with heightened food and energy prices due to geopolitical tensions, climate issues impacting agriculture and energy production, and persistent political instability. These factors contributed to a slowdown in Africa's real GDP growth, which dropped from 4.1 percent in 2022 to 3.1 percent in 2023. However, the economic outlook is positive, with growth expected to rebound to 3.7 percent in 2024 and 4.3 percent in 2025. This resilience aligns with global trends, where economic activity has remained robust despite significant central bank interest rate hikes aimed at restoring price stability.

22. The IMF's World Economic Outlook indicates that the global economy will continue growing at a steady rate of 3.2 percent in 2024 and 2025. This stability, alongside declining global inflation rates, presents a favourable external environment for Africa. Advanced economies are expected to achieve their inflation targets sooner than emerging markets and developing economies, including those in Africa. This global economic resilience and stability provide a supportive backdrop for Africa's economic recovery and growth.

23. Despite positive growth prospects, Africa faces significant challenges in achieving sustainable economic and social transformation. Historical growth rates have been insufficient to offset population increases, leading to minimal gains in per capita GDP. Structural transformation has been slow, with economies heavily reliant on traditional, low-productivity sectors like agriculture and low-skilled services. This limited transformation underscores the need for strategic investments in key Sustainable Development Goal (SDG) areas such as **education**, **energy**, **productivity-enhancing technology and innovation**, and **productive transport infrastructure**.

24. Africa's development financing needs are vast, with an estimated annual financing gap of about US$402 billion until 2030. Closing this gap will require **scaling up domestic resource mobilization** and **fostering private sector investment**. However, domestic resources alone will not suffice. There is the urgency of reforming the global financial architecture to facilitate fair, sustainable, and inclusive resource allocation. Reforms are needed to make institutional governance more nimble, inclusive, and responsive, enabling multilateral financial institutions to mobilize resources at scale and on affordable terms.

25. To fast-track structural transformation and catch up with high-performing developing countries, Africa must implement a mix of short, medium, and long-term policies.

    These policies should focus on:

    Enhancing Revenue Mobilization: Increasing the median tax-to-GDP ratio by about 13.2 percentage points to 27.2 percent of GDP to help close the financing gap.

    Promoting Private Sector Investment: Creating a conducive environment for private sector investment in key sectors such as education, energy, technology, and infrastructure.

    Reforming the Global Financial Architecture: Implementing specific recommendations such as recycling Special Drawing Rights (SDRs) through Multilateral Development Banks (MDBs), implementing MDB capital adequacy reforms, and reforming credit rating methods. These reforms could secure $169.4 billion a year in development financing, covering about 42 percent of the estimated annual financing gap.

26. Africa's economic outlook for 2024 is promising, with projected growth stabilizing at 4.0 percent, nearly a percentage point higher than the 3.1 percent estimated in 2023. However, achieving substantial structural transformation and sustainable economic development will require bold reforms in the global financial architecture, strategic investments in key SDG areas, and effective domestic policies. By addressing these challenges, Africa can leverage its resilience and potential to achieve

[1] African Economic Outlook 2024 (afdb.org)

higher growth rates and improved living standards, contributing significantly to global economic stability and prosperity.

2.A.3 Nigerian Economic Outlook

27. Nigeria's economy has faced significant pressures from global economic challenges, which have been shaped by a range of fiscal and monetary policies as well as social and political events in 2023. The Nigerian government has been committed to implementing comprehensive socio-economic reforms aimed at reducing the over-reliance on oil revenues and diversifying the economy. These bold and progressive policies are intended to transform the economic landscape and create a more stable and sustainable growth trajectory.

28. The implementation of economic reforms such as the removal of fuel subsidies, the harmonization of exchange rates, and other fiscal measures have had mixed effects on the economy. While these reforms are necessary for long-term stability and growth, they have contributed to macroeconomic instability in the short term, weakening economic activities in 2023. The complex interplay between fuel prices and inflation has had a ripple effect on aggregate output and employment, demonstrating the challenges of managing such significant transitions.

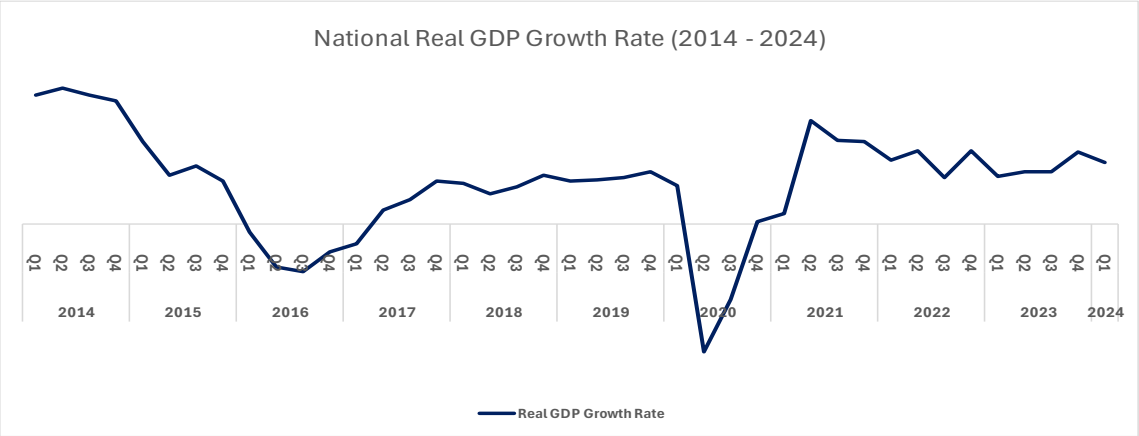
29. Despite these challenges, Nigeria has seen an increase in revenue inflows following the removal of the fuel subsidy. Revenue increased to NGN 1 trillion in 2023, up from an average of NGN 650 billion per month. This increase in revenue is expected to provide the fiscal space needed for investment in critical infrastructure and to support macroeconomic stability. Additionally, Nigeria is recording a boost in crude oil production, which will further enhance its capacity for spending.

30. Nigeria's GDP growth remains weak and fragile. In Q1 2024, the GDP grew by 2.98% year-on-year, up from 2.31% in Q1 2023. The nominal GDP was NGN 58.86 trillion, down from NGN 65.91 trillion in Q4 2023 but up from NGN 51.24 trillion year-on-year. Real growth slowed from 3.46% in Q4 2023, impacted by the foreign exchange crisis and higher interest rates.

31. The Services sector led growth with a 4.32% increase, contributing 58.04% to the GDP. The Industrial sector grew by 2.19%, up from 0.31% in Q1 2023. The agriculture sector, contributing 21.07%, grew by 0.18%, recovering from a -0.90% decline in Q1 2023.

32. Below is the graph showing the National quarterly GDP growth rate from Q1 2014 to Q1 2024:

Figure 2: Real GDP Growth Rate

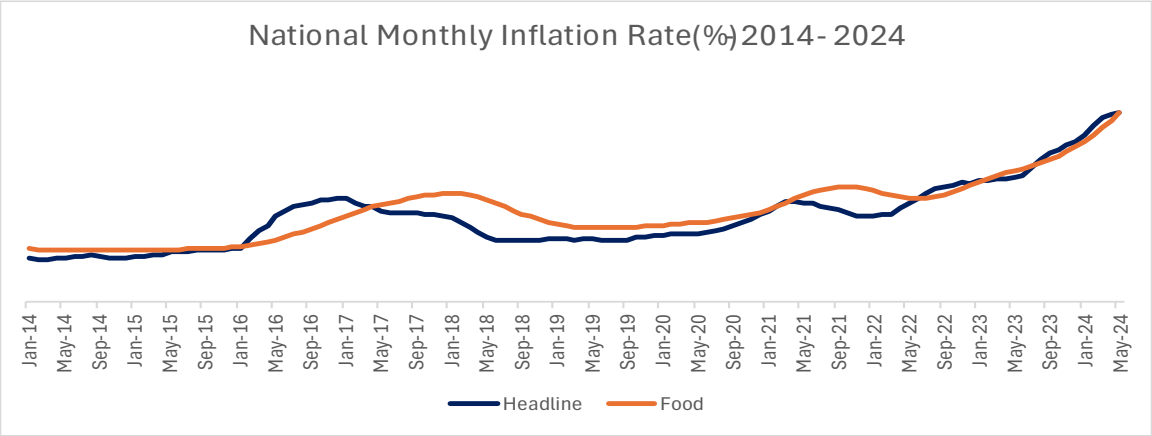


33. **Inflation Dynamics (CPI):** Inflation in Nigeria has been on an upward trajectory, significantly impacted by the removal of fuel subsidies, border closures, and exchange rate harmonization. Headline inflation increased from 15.60 percent in January 2022 to 33.95 percent in May 2024, driven mainly by rising food costs and naira devaluation. Domestic factors such as transportation costs, regional insecurity, and climate-related issues, along with external shocks from geopolitical tensions, have also exacerbated inflationary pressures.

34. The Central Bank of Nigeria (CBN) is committed to adopting an **inflation-targeting framework, aiming for an inflation rate of 21.4 percent** in collaboration with fiscal authorities. This is part of broader efforts to stabilize prices and foster sustainable economic growth. Despite adjusting the monetary policy rate (MPR) multiple times from 11.50 percent to current 26.25 percent between 2022 and 2024, inflation continues to rise, indicating the need for more effective combination of fiscal and monetary policy measures.

35. The YoY National headline and food inflation rates from January 2014 and April 2024 are shown below:

Figure 3: Inflation Rate



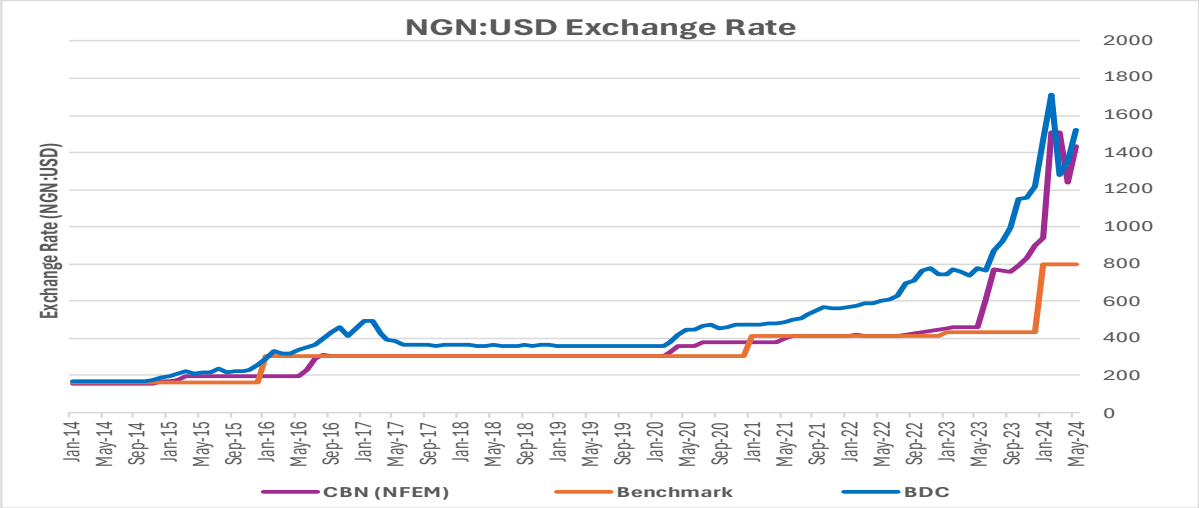
Source: NNPC, National MTEF

36. **Foreign Exchange Rate**: The implementation of a floating exchange rate in July 2023 devalued the Naira from NGN415:1USD to NGN1,515:1USD by May 2024. This devaluation, despite CBN interventions, has continued to spiral into unprecedented and weakened macroeconomic indicators.

37. The NGN exchange rate in the Nigeria Autonomous Foreign Exchange Market (NAFEM) stood at NGN1,473.59 as of June 6, 2024. The shift away from a fixed exchange rate regime has resulted in increased volatility. While the 2024 budget was prepared with a benchmark exchange rate of NGN 800:1USD, the actual exchange rate has almost doubled this figure.

38. **Note that the NGN: USD Exchange Rate** is crucial to crude oil revenue parameters. The graph below is plotted with official market exchange rates and the BDC rates for the period January 2014 to May 2024, along with the benchmarks assumed in the Federal Government budgets over the same period.

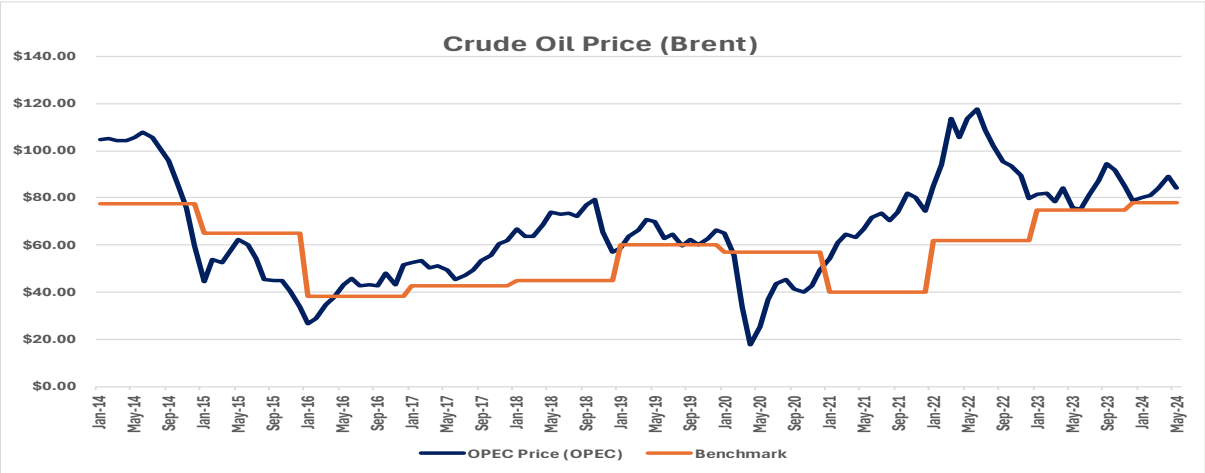
Figure 4: NGN: USD Exchange Rate and Foreign Reserves



Source: NNPC, National MTEF

39. **Crude Oil Price Trends:** The monthly average spot price of Brent crude oil witnessed significant fluctuations over the past months. From an average of $79 per barrel in November 2023, the price rose to an average of $89 per barrel in April 2024. However, by May 2024, the average spot price had settled at $84 per barrel. This price increase in April was primarily driven by a reduction in global oil inventories. Additionally, geopolitical tensions, particularly those in the Middle East involving Russia-Ukraine and Israel-Iran, have added to the uncertainties surrounding global oil prices. Despite these tensions, crude oil price volatility has been relatively subdued for much of the year, largely due to significant spare crude oil production capacity.

Figure 5: Crude Oil Price



Source: NNPC, National MTEF

40. According to the April 2024 edition of the IMF's World Economic Outlook (WEO), weaker expectations about global demand growth have exerted downward pressure on oil prices. On the supply side, the impact of output cuts implemented by OPEC+ (Organization of the Petroleum Exporting Countries plus selected non-member countries, including Russia) was offset by strong output growth in Iran and non-OPEC countries, notably the United States, Brazil, and Guyana.

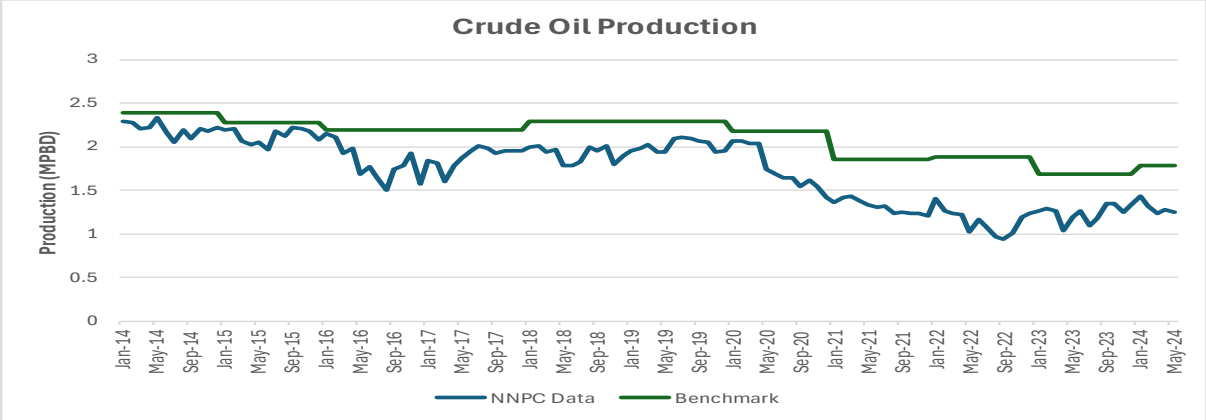
41. The fluctuating nature of crude oil prices underscores the inherent volatility in the global oil market. For national budget projections, this volatility presents significant challenges. The alignment between the benchmark oil price used in the national budget and actual market prices is crucial for accurate revenue forecasts. As demonstrated by the recent trends, external factors such as geopolitical tensions and production decisions by major oil producers can lead to significant deviations from projected prices.

42. **Crude Oil Production:** Production continues to fall below the 1.78 million barrels per day (MBPD)benchmark in the Y2024 budget. According to figures published by the Nigerian Upstream Petroleum Regulatory Commission (NURPC), production (including condensates) fell from 1.64 MBDP in January to 1.45 MBPD in April 2024.

43. OPEC+ producers have largely adhered to the voluntary production cuts, which are set to expire at the end of June 2024. These cuts have removed approximately 2.2 million barrels per day (b/d) from the global oil market in the first quarter of 2024, further tightening the markets in the second quarter. While many of the current OPEC+ voluntary production cuts are set to expire in the second half of 2024, it is anticipated that some OPEC+ members will continue to voluntarily limit production. This is expected to help maintain balanced global oil supplies and prevent significant increases in global oil inventories.

44. Crude Oil Production for the period January 2014 to May 2024 along with the benchmark is presented in Figure 6 below:

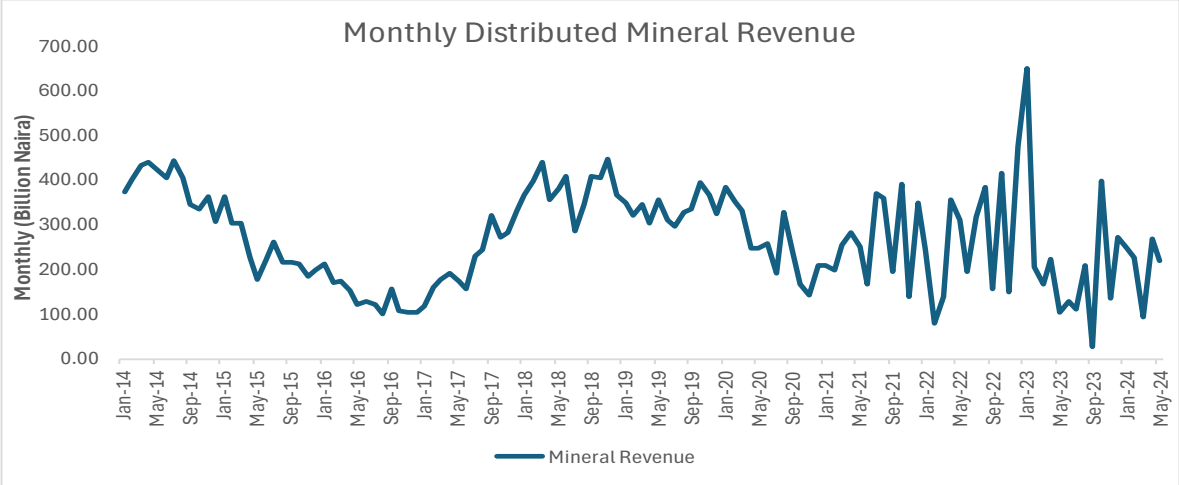
Figure 6: Crude Oil Production



Source: NNPC, National MTEF

45. **Mineral Revenues**: Monthly distributed Mineral Revenues, Statutory Allocation, and Net Derivation, to the three tiers of government from January 2014 to May 2024 inclusive are shown below.

Figure 7: Distributed Mineral Revenues



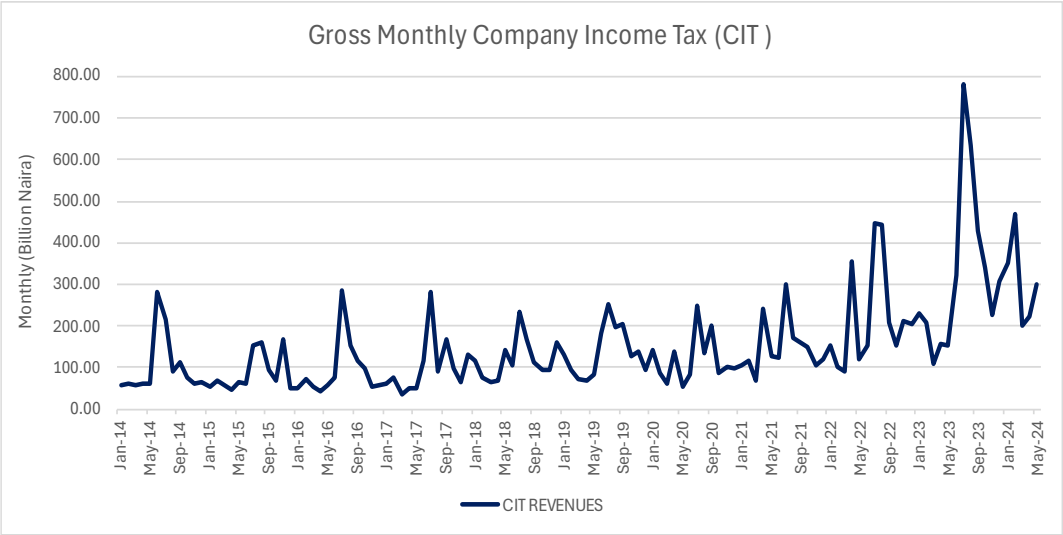
Source: NBS-FAAC Allocation

46. The removal of the subsidy has led to a boost in government revenue, resulting in higher FAAC disbursements to States and Local governments. FAAC allocation increased by 27.3% between N872.55 billion to N1.149 trillion between May 2023 and May 2024. Also, the rising dollar exchange rate attributed to the increase in FAAC allocations. The FGN had allocated approximately N4 trillion for fuel subsidy payments in 2022, and the first six months of 2023 saw N3.36 trillion allocated for the same purpose.

The removal of the subsidy, the devaluation of the Naira, and derivation refunds brought about a significant nominal increase in distributable mineral revenues.

47. **Gross Companies Income Tax (CIT) revenues** which are distributed as part of Statutory Allocation from January 2014 to May 2024 are shown in **Figure 8** below. The graph also includes 12 month moving average.

Figure 8: CIT Revenues

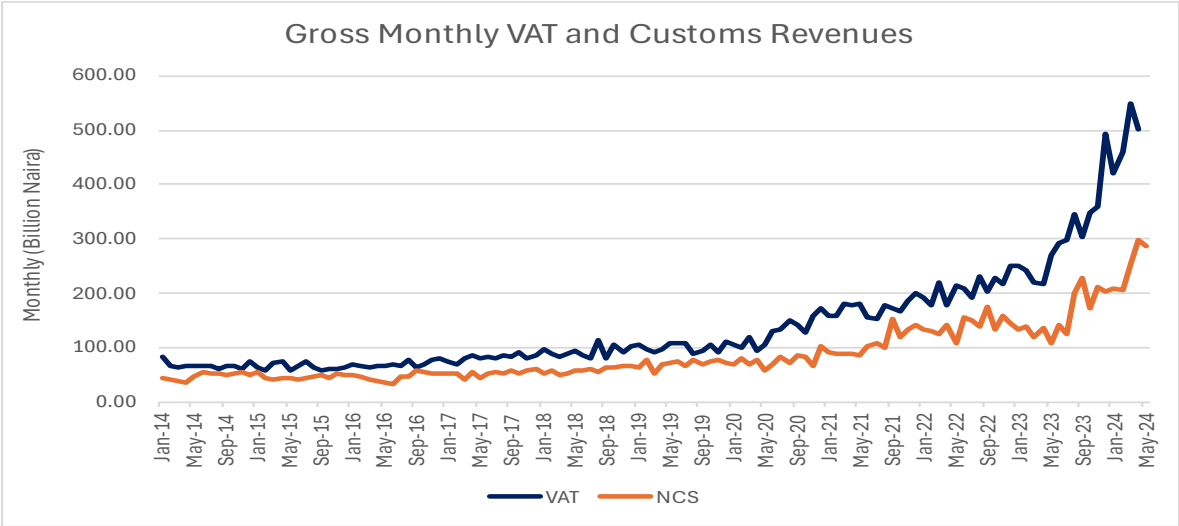


Source : FIRS, CBN

48. The graph shows the monthly 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.

49. 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 2024 are shown in Figure 9 below.

Figure 9: NCS and VAT Revenues



Source: FIRS, CBN, OAGF

50. Value Added Tax (VAT) has shown a clear upward trend, reflecting the significant increase in the general price level over the period under review. This trend is expected, as rising prices for VAT-able items directly translate into higher VAT revenues. The increase in VAT from 5% to 7.5% under the 2020 Finance Act has further bolstered this upward trajectory. Over the past three years, starting

from August 2020, VAT collections have demonstrated a notable increase despite some monthly volatility that complicates precise forecasting.

51. In March 2024, monthly VAT collections reached a record high of N549.7 billion, marking a significant milestone. Customs revenues also saw substantial figures, plateauing at N298.42 billion in April 2024. Given the positive real economic growth and inflation rates exceeding 30%, it is anticipated that VAT revenues will continue to rise in nominal terms.

52. This consistent growth in VAT revenue underscores the importance of maintaining effective tax policies and administration to support the state's fiscal health. As the economy continues to expand and inflation persists, VAT will remain a critical source of government revenue, contributing to the funding of essential public services and infrastructure projects.

2.A.4 Lagos State Economy: A Thriving Hub for Startups and Economic Growth

53. Lagos has firmly established itself as the leading startup ecosystem in Africa, joining the ranks of the top 70 global startup ecosystems. With a significant leap of 12 positions, Lagos now stands among the global top 100 cities, further solidifying its status as a key player in the global startup scene. It is the foremost startup ecosystem in Western Africa and one of only two African cities in the global top 100, underscoring its central role in the continent's innovation landscape.

54. As the strongest startup ecosystem in Nigeria, Lagos boasts a total score more than 15 times greater than Abuja, the second-ranked city, highlighting its dominant position. The city excels particularly in the Consumer Goods industry, ranking first in Africa for this sector. This achievement is a testament to Lagos's dynamic technological environment and entrepreneurial spirit, making it a prime destination for innovative ventures.

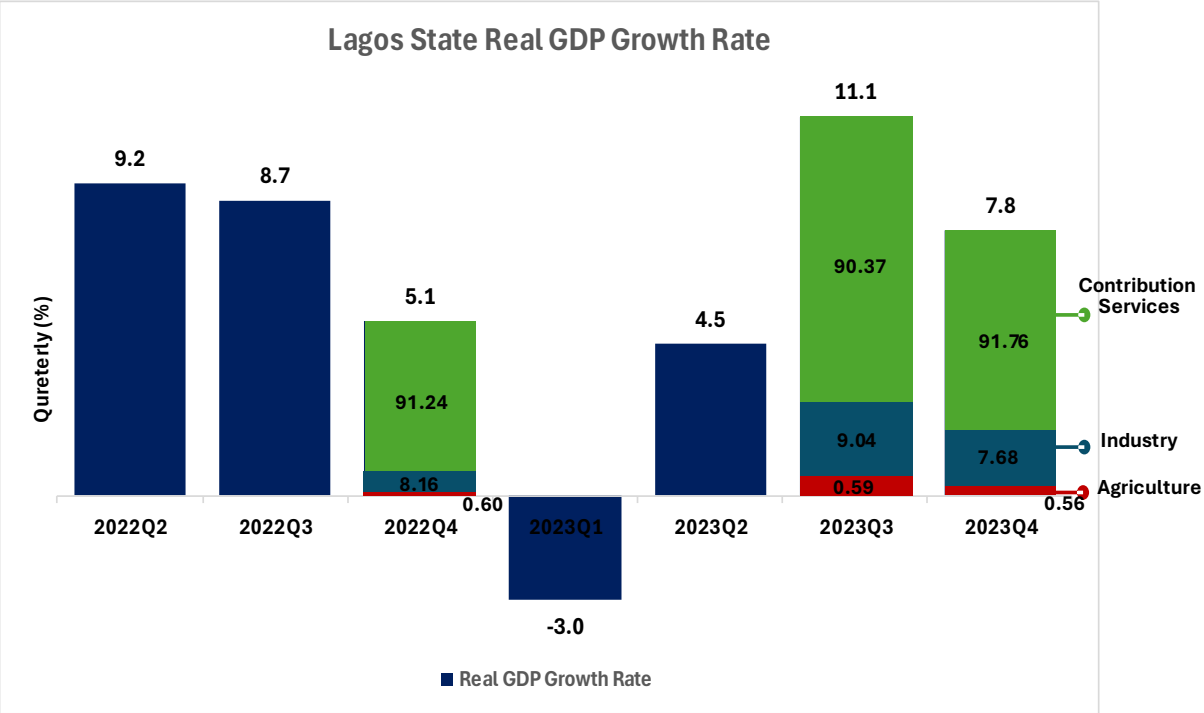
55. Lagos, with an estimated population of 30.9 million, is not only Africa’s commercial capital but also a critical component of Nigeria’s economy. Contributing over 18% of the national GDP, Lagos is a hotspot for startups, fostering innovation, creativity, and growth. The state’s significant economic contributions extend to both production and consumption capacities, with a history of unprecedented economic growth and transformation. Housing 82% of the national corporate income and generating 55% of the value-added tax, Lagos stands out as the state with the highest internally generated revenue (IGR), accounting for 34% of the total IGR generated from the 36 states of the federation. Its diverse revenue sources include personal income tax, levies, fines, and fees, with federal government allocations accounting for less than 30 percent of total revenue.

56. The economic landscape of Lagos is predominantly driven by its service-oriented sectors, which play a pivotal role in driving economic growth and providing employment opportunities. Key service sectors include finance, telecommunications, transportation, hospitality, and retail. The robust growth of the real GDP is crucial for fostering productivity, employment generation, and structural transformation. Data from the Lagos Bureau of Statistics indicated a strong growth rate of 7.8% year-on-year in Q4 2023, a notable increase from the 5.1% recorded in the corresponding period of 2022, despite a decline of 3.3% from the preceding quarter's 11.1% growth rate.

57. The prominence of the service sector as the principal driver of Lagos's economy is a distinctive feature of its economic landscape. The state's constrained landmass necessitates a focus on service-oriented economic activities, in contrast to the relatively lesser emphasis on agriculture and industrial undertakings. This is facilitated by sophisticated business infrastructure, a robust network, and a resilient electronic payment system. The service sector's contribution to the economy saw a minimal dip from 91.76% in Q4 2023 to 90.29% in Q1 2024.

58. Meanwhile, the industry and agriculture sectors experienced declines of 0.48 and 0.04 percentage points, respectively. This data underscores the central role of the service sector in Lagos's economic evolution and its substantial contributions to the state's overall economic performance.

Figure 10: Lagos GDP Growth Rate



Source: LBS, EID

59. **Tackling Inflationary Pressures and Their Impact on Lagos State:**

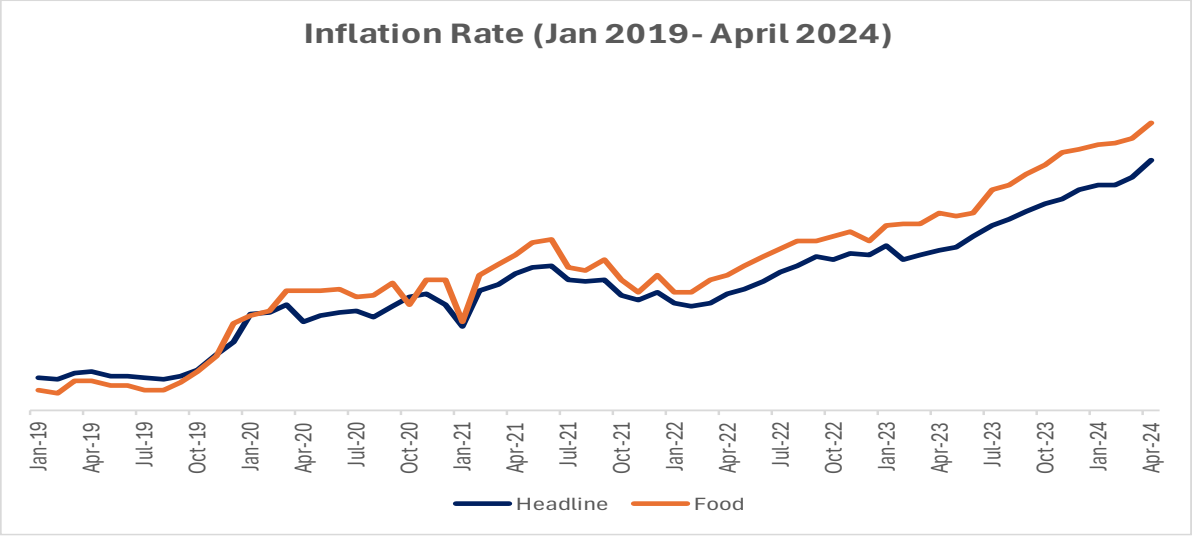
The heightened double-digit inflationary pressures faced by Lagos State, as well as the broader Nigerian economy, present a pressing concern that necessitates immediate remedial measures to mitigate the escalating poverty and vulnerability within the state. These pressures are closely linked to national policies aimed at curbing the rising inflation rate. Headline inflation, a critical economic metric, demonstrated a significant increase from 24.71% in January 2023 to 33.05% (year-on-year) in January 2024, further escalating to 37.56% in April 2024. This marked spike in headline inflation is primarily driven by rising food costs, influenced by domestic factors such as regional insecurity, flooding, logistics challenges, climate change, naira devaluation, and external shocks stemming from the Russia-Ukraine conflict and border closure with Niger.

60. Similarly, food prices have shown a sharp upward trend, increasing from 27.68% in January 2023 to 39.96% in January 2024, and surging to 43.14% in April 2024. This surge encompasses higher prices of essential commodities, including meat, fish, flour, oil, poultry, rice, and other grains. Contributing factors such as the removal of fuel subsidies, and exchange rate dynamics have further exacerbated inflationary pressures. Consequently, the persistent increase in prices has led to a significant reduction in purchasing power, severely impacting the cost of living within the state.

61. In response, the Lagos State government has undertaken several measures to mitigate the consequential effects of inflation on its residents. Significant steps include addressing food insecurity and rising food prices through the establishment of a middle-level food agro-hub in Mushin, with additional hubs planned across the state. The government has also implemented the **"Ounje Eko" program**, offering a **25% discount on staple food items** such as rice, beans, gari, bread, eggs, tomatoes, and pepper across 27 locations in Ikeja, 6 in Lagos Island, 9 in Ikorodu, 5 in Epe, and 10 in Badagry divisions. Palliative measures to support workers include a **wage award** of thirty-five thousand naira (N35,000) to civil servants.

62. Additionally, the Lagos State government is committed to collaborating with the federal government to ensure robust support from the supply side through various initiatives, policies, and programs aimed at achieving inflation targets. The federal government bears the responsibility for introducing and implementing these inflation targets. This collaborative effort between the Lagos State government and the federal government is crucial in finding solutions to mitigate the impact of inflation on the welfare and livelihoods of the citizens.

Figure 11: Lagos State Inflation Rate



63. **The Lagos State Development Plan (LSDP) 2022 - 2052** was unveiled at the 9th Ehingbeti Lagos Economic Summit. This comprehensive master plan extends the previous long-term strategic plan (2012 - 2025) and aims to transform Lagos into Africa's Model Mega City—an international financial and economic hub that is secure, safe, efficient, and productive. The LSDP 2052's primary objective is to accelerate economic development over the next 30 years by creating high-value and high-volume jobs. It is structured around **4 strategic pillars, 21 focus areas, and 447 initiatives** to be achieved in four phases.

64. The Lagos State government has initiated several policies and programs to ensure the successful implementation of the first phase of the LSDP 2052. These initiatives include iconic road projects across Lagos Divisions (IBILE), 43 capital projects aimed at improving traffic management and intermodal transportation, the commencement of the new Massey Street Children's Hospital, and the upgrade of Lagos State Polytechnic to Lagos State University of Technology in Ikorodu. The second phase has commenced, with ongoing projects from phase one and the introduction of new initiatives, projects, and programs. The strategic pillars are:

65. **Thriving Economy**: "Lagos will have a robust, healthy, and growing economy with adequate jobs and strategic investments to sustain growth."

66. Lagos's economy is diverse, encompassing various sectors such as 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's GDP and houses the headquarters of numerous businesses in Nigeria and Africa. It also has the largest micro, small, and medium-sized enterprises (MSMEs) in Africa.

67. Through the Lagos State Employment Trust Fund (LSETF), the state provides financial assistance to entrepreneurs and business owners, fostering wealth creation, reducing unemployment, and promoting economic prosperity.

68. Governor Babajide Sanwo-Olu advocates for low-interest rates for MSMEs, particularly for women entrepreneurs, to support their business growth. Key achievements of LSETF include:

- Creating and saving 47,526 direct and indirect jobs.
- Disbursing N859 million in loans to 1,211 beneficiaries and N358 million in grants to 1,264 beneficiaries.
- Supporting 12,185 businesses with online masterclasses and work tools.
- Providing 129 workspace vouchers to tech entrepreneurs.

- Training and job placement for 2,690 employable applicants.

69. To enhance food sufficiency, the Lagos State government is implementing its five-year Agricultural and Food Systems Road Map (2021–2025). This initiative includes the commissioning of the 32-metric ton per hour Lagos Rice Mill in 2022 on an 8.5-hectare plot in Imota, Ikorodu. The government plans to invest N45.1 billion in the Cattle Feedlot Project, Fish Processing Hub initiatives, and Wholesale Produce Hub & Market to improve food quality and reduce costs. The state is also constructing the largest Food Security Systems and Central Food and Logistics Park on 1.2 million square meters in Ketu-Ereyun, Epe, set to be completed by Q4 2024. This hub is expected to benefit over five million farmers, ensuring a steady food supply for more than ten million Lagos residents, and will house over 1,500 trucks daily, supporting thousands of food value chain workers.

70. **Modern Infrastructure**

The State's transportation network has undergone significant improvements. Key enhancements include the deployment of 1,300 BRT buses, 1,000 medium capacity buses, 500 Last Mile Buses, 1,000 modern ride-hailing GAC-branded "LAG RIDE" taxis, 165 high and medium buses, seven 300-kilometer electric buses, and 15 additional high-capacity speed boats to strengthen the waterway transit system.

71. These developments reflect the administration's commitment to improving transportation options in Lagos. To alleviate road congestion and provide affordable transportation, the 13km Blue Line Rail Phase 1 (Marina-Mile2) has been completed, commissioned, and operational, serving over 80,000 passengers. The Lagos State Government (LASG) has also launched the Red Line (Agbado to Ebute Metta), initiated construction of flyover bridges, and advanced work on the Ikeja Red Line Rail Terminal. Additionally, the construction of the Blue Line Phase 2 from Mile 2 to Okokomaiko has commenced. In partnership with Oando PLC, electric mass transit buses have been introduced to reduce carbon emissions and improve efficiency. The ambitious Fourth Mainland Bridge project will connect Lekki, Ikorodu, Ikeja, and Ajah, enhancing overall accessibility. Furthermore, the LASG has commissioned seven new jetties and terminals in locations such as Amuwo Odofin, Bariga, and Ofin Ikorodu to boost water transportation.

72. Lagos's strategic location along the Guinea Coast of the Bight of Benin on the Atlantic Ocean, home to the recently constructed Lekki Deep Seaport within the Lagos Free Zone, provides a competitive edge. The state-of-the-art Lekki Deep Seaport, equipped with Rubber Tire Gantry (RTG) cranes and Super Post-Panamax ship-to-shore cranes, is the first fully automated port in Nigeria. It allows for the accommodation of larger vessels and doubles the speed of ship unloading compared to current ports at Apapa and Tin Can Island. The port is expected to generate over 150,000 direct and indirect jobs for Lagos residents and boost economic activities, contributing significantly to the State's GDP.

73. The LASG has also made significant strides with the approval to develop a passenger and cargo airport in the Lekki-Epe area. The first phase of this project, located on a 3,500-hectare site, is estimated to cost USD 900 million. This development aims to reduce traffic congestion in the Lagos metropolis and meet the corporate travel needs of the growing number of businesses in the Lekki Free Zone, including the Dangote Refinery and Kellogg's.

74. The port sector has seen improvements that address issues such as trade imbalance, inadequate technology implementation, lack of 24-hour operations, manual cargo inspections by the Nigeria Customs Service (NCS), low-capacity utilization by terminals, port congestion from public holidays, and short working hours. These enhancements help alleviate the severe gridlock of trucks within ports and cargo congestion at terminals, particularly at Apapa Wharf**.**

75. **Human-Centric City**

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

The State is recognized as the most densely populated city in Nigeria and West Africa, with an estimated 85 migrants arriving every hour, drawn by its reputation as a "land of opportunities." While this rapid population growth and urbanization offer benefits such as increased job opportunities and economic activity, they also present challenges, including unemployment, insecurity, and overstretched infrastructure. Human capital remains a critical focus for the State, which requires a healthy, skilled, and inclusive population to fully capitalize on opportunities. The Lagos State Government (LASG) has detailed strategies in the Lagos State Development Plan (LSDP) 2052 under the human-centric pillar to enhance quality of life across various enablers. This plan aims to position Lagos as a preferred destination for current and future talents with specific goals in the following areas:

- **Education**: Develop a world-class workforce by enhancing and attracting key talent through education, vocational, and technical training programs for high-value and high-skill jobs.
- **Healthcare**: Ensure high-quality, affordable, and accessible healthcare for all residents and position Lagos State as a top five medical tourism destination in Africa.
- **Housing**: Create a resilient and equitable housing market by increasing the share of formal housing to approximately 70%, aligning with leading peers.
- **Safety and Security**: Establish a secure environment and foster a positive perception of safety in Lagos, aiming to rank among the top five safest cities to live in Africa.

76. In alignment with the THEME+ Agenda, the "plus" signifies a focus on Social Inclusion, Gender Equality, and Youth, guided by a "No One Left Behind" philosophy. The LASG is committed to designing policies and programs that ensure inclusivity across all social statuses, genders, and ages. Through collaboration between the Ministry of Youth and Social Development and the Lagos State Residents Registration Agency (LASSRA), the State has announced free registration for a youth database. This comprehensive database aims to recognize and support the youth by providing them with necessary opportunities.

77. The Upskilling Program (LAG-UP) is a groundbreaking initiative designed to empower individuals aged 18 to 35 through advanced virtual training over a minimum period of three months. Launched in collaboration with Wema Bank PLC and GFA Technologies, the program offers participants the chance to earn certifications from prestigious partners such as Google, Microsoft, Meta, and AWS. This initiative is a significant step towards addressing youth unemployment and equipping young people with the skills needed to succeed in a rapidly evolving job market.

78. The 2024 budget includes significant infrastructural investments, such as the ongoing construction and rehabilitation of schools to improve access to quality education. Notable projects include the completion of the 130-bed New Massey Hospital, set to be the largest specialist children's hospital in Sub-Saharan Africa, the completion of the ultra-modern 280-bed General Hospital in Ojo, the completion of a Mental Health Facility in Ketu-Ereyun in Epe Local Government, and the completion of eight stadia across the IBILE Divisions to support youth development, engagement, and community sports.

79. **EFFECTIVE GOVERNANCE**

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

The State is a commercial and economic powerhouse with minimal reliance on statutory allocations from the Federal Government. Its primary and most reliable revenue source is Internally Generated Revenue (IGR). The Lagos Inland Revenue Service significantly contributes to this, with approximately 65% coming from Pay-As-You-Earn (PAYE) tax, while fees, fines, and levies account for about 15% of the State's total revenue. In a strategic move to increase and diversify the revenue base, aligned with the extensive economic opportunities and the goals of the Lagos State Development Plan (LSDP) 2050, the Ministry of Economic Planning and Budget (MEPB) organized a two-day "Revenue Stakeholders' Retreat." The aim was to boost the State's IGR from approximately N30 billion to N50 billion monthly. The retreat identified three key verticals to enhance the State's revenue:

- Taxes, Fees, Levies & Fines
- Leveraging Assets - Monetization and Securitization
- New Revenue Areas

80. The Lagos State Government (LASG) is committed to investing in strengthening intelligence gathering and capacity building, as well as improving the ease of doing business through various projects. These include the Smart-City project, the Lagos New Data Centre project, Eko Excel project, E-GIS, and Oracle upgrade projects. Through Public-Private Partnerships (PPP), a 3000km metropolitan fibre duct backbone infrastructure will be established, aiming to rank Lagos among the top 20 emerging market cities on the Local E-Governance index, with an average citizen response time of less than one week.

81. As part of its aspiration to solidify its position as the technology hub for Africa and improve the skills of its youth, the State is committed to continuing collaboration with the private sector on existing initiatives. These initiatives include the Knowledge Innovation, Technology, and Entrepreneurship (KITE) Campus development at Yaba, the Lagos Science Research and Innovation Council (LASRIC), and efforts to attract additional investments in new hyperscale data centers and high-capacity submarine fibre cables. These advancements are poised to revolutionize broadband access and capacity in Lagos.

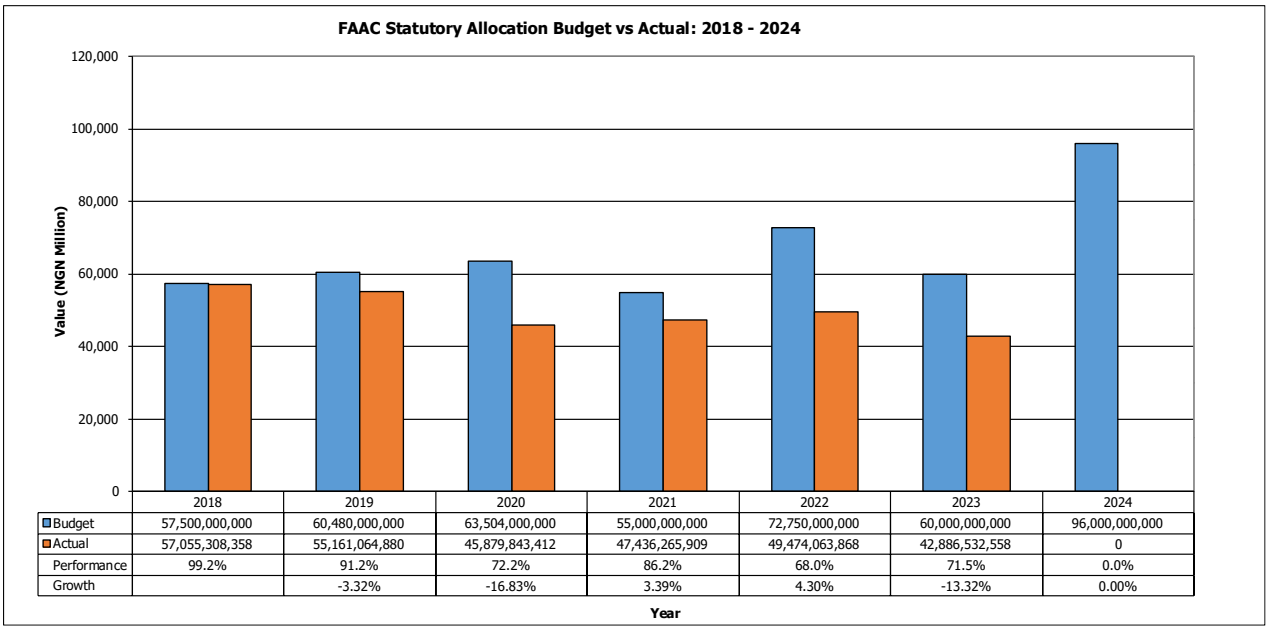
2.B Fiscal Update

2.B.1 Historic Trends and Performance

Revenue Trend

82. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, other Federation Account receipts and Capital Receipts, as well as budget versus actual for the period 2018-2024 (six years historic) and a three (3) year forecast for the period of 2025-2027.

Figure 12: Statutory Allocation



	2018	2019	2020	2021	2022	2023	2024
Budget	57,500,000,000	60,480,000,000	63,504,000,000	55,000,000,000	72,750,000,000	60,000,000,000	96,000,000,000
Actual	57,055,308,358	55,161,064,880	45,879,843,412	47,436,265,909	49,474,063,868	42,886,532,558	0
Performance	99.2%	91.2%	72.2%	86.2%	68.0%	71.5%	0.0%
Growth		-3.32%	-16.83%	3.39%	4.30%	-13.32%	0.00%

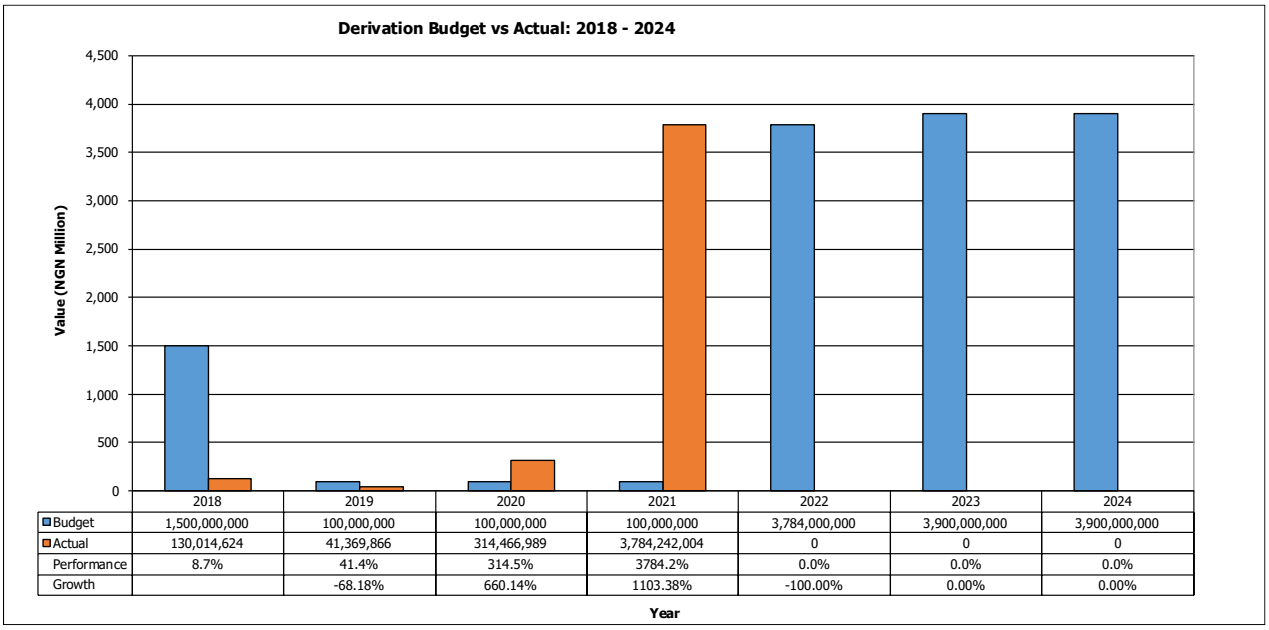
83. **Figure** shows budgeted and actual revenues from Federal Government statutory allocations between Y2017 and Y2023. Statutory Allocation has exhibited considerable variability. Notably, actual figures consistently fell short of budgeted amounts in the observed years, reflecting the inherent volatility of crude oil prices and production levels.

84. For example, in 2018, the actual revenue was close to the budgeted amount at ₦57.06 billion against ₦57.50 billion. However, by 2020, there was a significant drop in actual revenue to ₦45.88 billion, well below the budgeted ₦63.50 billion. This pattern underscores the volatility associated with this revenue source, influenced by global oil market fluctuations.

85. By 2023, the trend continued with actual revenues at ₦42.89 billion, markedly lower than the budgeted ₦60.00 billion, highlighting persistent challenges in meeting projections. The 2024 projection is based on efforts towards improving production levels.

86. Overall, the statutory allocation's performance emphasizes the need for careful fiscal planning and diversification of revenue sources to mitigate the risks associated with reliance on oil-based revenues.

Figure 13: Net Derivation



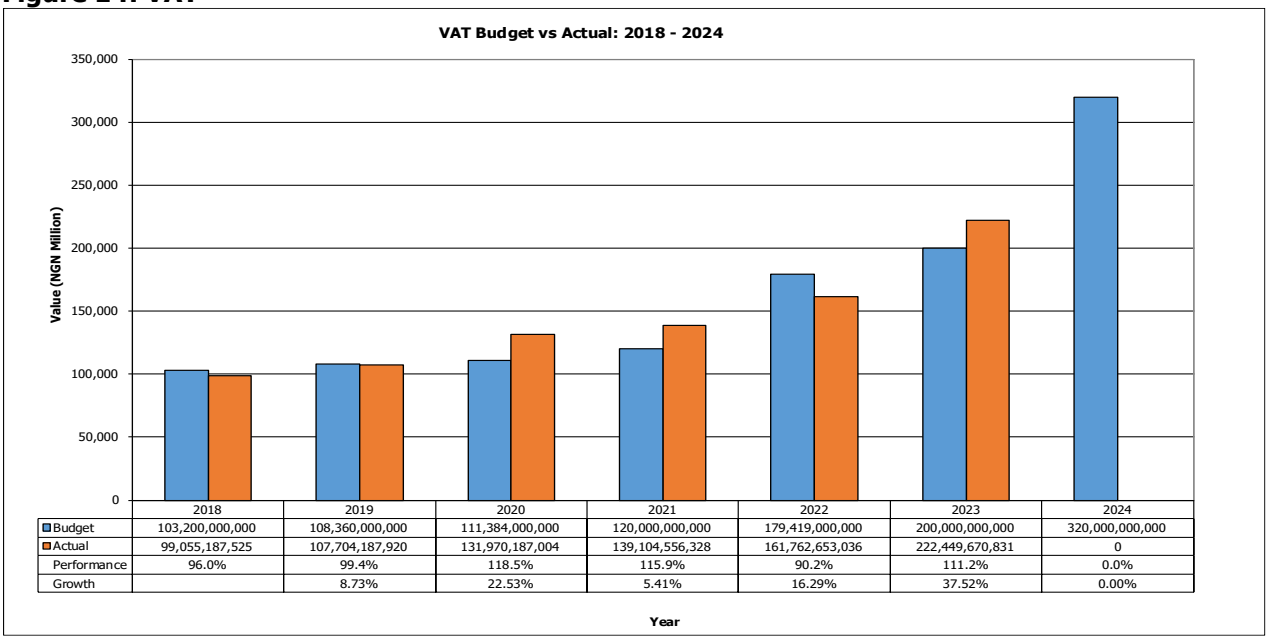
	2018	2019	2020	2021	2022	2023	2024
Budget	1,500,000,000	100,000,000	100,000,000	100,000,000	3,784,000,000	3,900,000,000	3,900,000,000
Actual	130,014,624	41,369,866	314,466,989	3,784,242,004	0	0	0
Performance	8.7%	41.4%	314.5%	3784.2%	0.0%	0.0%	0.0%
Growth		-68.18%	660.14%	1103.38%	-100.00%	0.00%	0.00%

87. **Figure 13** 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. For Lagos State, derivation receipts encompass royalty payments remitted by private sector operators of active oil wells situated within the State.

88. The derivation revenue shows significant variability and inconsistent performance against budgeted figures, indicating challenges in realizing this revenue stream. In 2018, the actual derivation revenue was ₦130.01 million, considerably below the budgeted ₦1.5 billion, achieving only about 9% of the target. This underperformance persisted in 2019, with actual revenue of ₦41.37 million against a budgeted ₦100 million, achieving around 41% of the target.

89. In 2020 and 2021, actual revenue performed tremendously well with about 315% and 3,784% respectively while in 2022 and 2023, the State received zero allocation from 13% derivation. This is an indication of the unreliable nature of this revenue stream. It may be important to exploit strategies to ensure stability in order to contribute reliably to the State's finances.

Figure 14: VAT



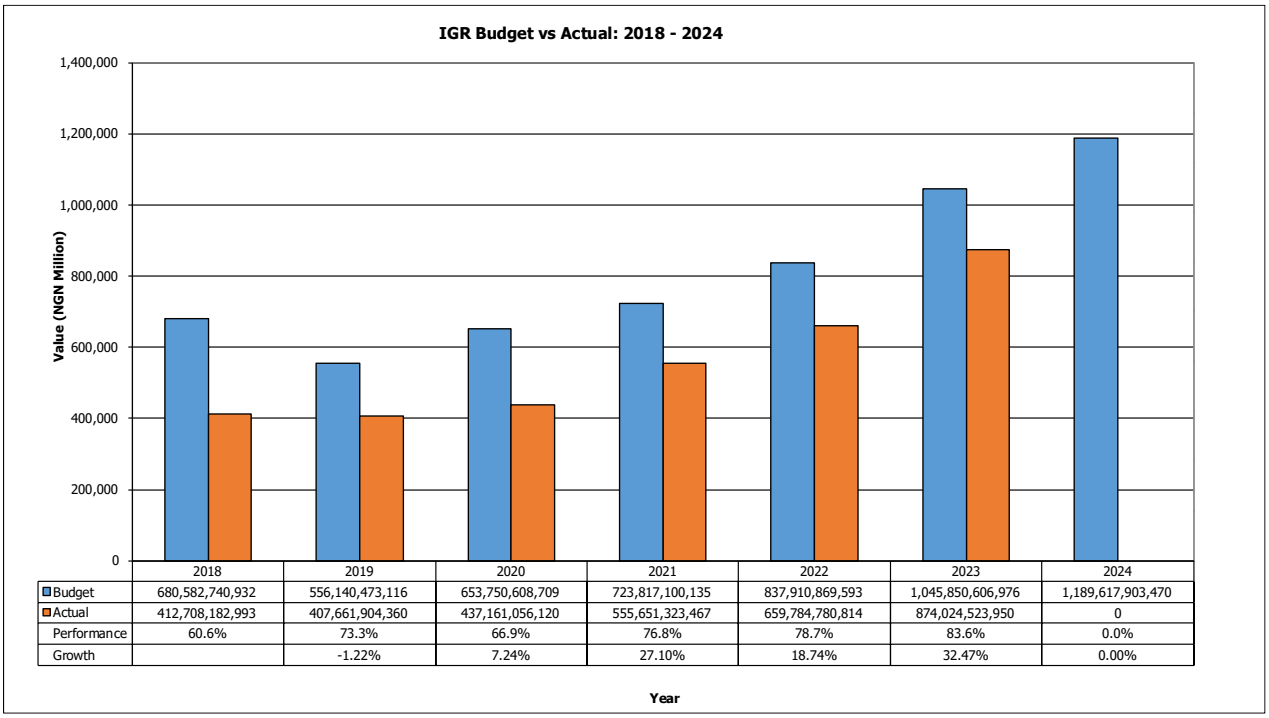
	2018	2019	2020	2021	2022	2023	2024
Budget	103,200,000,000	108,360,000,000	111,384,000,000	120,000,000,000	179,419,000,000	200,000,000,000	320,000,000,000
Actual	99,055,187,525	107,704,187,920	131,970,187,004	139,104,556,328	161,762,653,036	222,449,670,831	0
Performance	96.0%	99.4%	118.5%	115.9%	90.2%	111.2%	0.0%
Growth		8.73%	22.53%	5.41%	16.29%	37.52%	0.00%

90. **Figure 14:** 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 Value Added Tax (VAT) revenue shows a strong and consistent performance relative to budgeted figures, indicating effective planning and VAT collection mechanisms. In 2018, the actual VAT revenue was ₦99.06 billion, closely aligning with the budgeted ₦103.20 billion, achieving approximately 96% of the target. This trend continued in 2019, where the actual VAT revenue was ₦107.70 billion against a budgeted ₦108.36 billion, achieving about 99% of the target.

91. In 2020, actual VAT revenue significantly surpassed the budgeted figure, reaching ₦131.97 billion compared to a budgeted ₦111.38 billion, which represents around 118% performance. In 2023, actual VAT revenue surged to ₦222.45 billion, significantly exceeding the budgeted ₦200 billion, achieving approximately 111% of the target.

92. For 2024, the budgeted and actual VAT figures are aligned at ₦320 billion, showing a strong confidence in reaching the target. This consistent overperformance indicates robust VAT collection practices and highlights the importance of VAT as a critical revenue stream for the state, reflecting the effectiveness of ongoing efforts to enhance tax compliance and broaden the tax base.

Figure 15: IGR



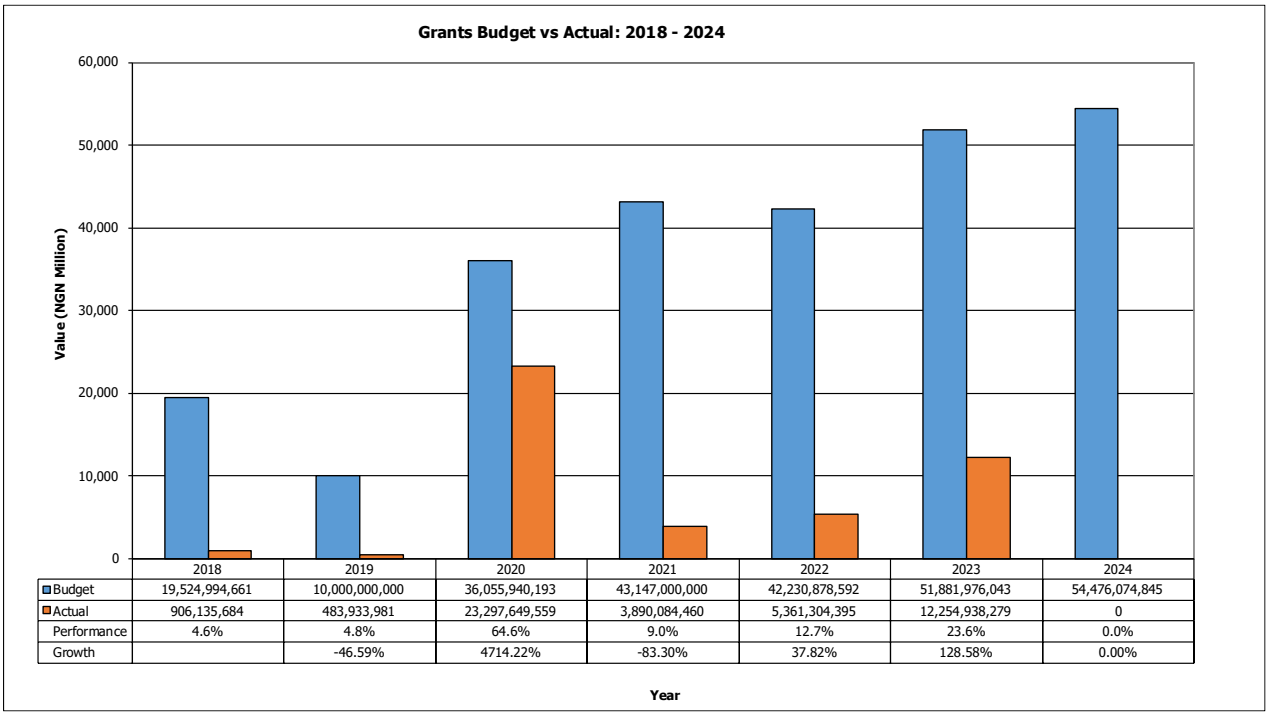
	2018	2019	2020	2021	2022	2023	2024
Budget	680,582,740,932	556,140,473,116	653,750,608,709	723,817,100,135	837,910,869,593	1,045,850,606,976	1,189,617,903,470
Actual	412,708,182,993	407,661,904,360	437,161,056,120	555,651,323,467	659,784,780,814	874,024,523,950	0
Performance	60.6%	73.3%	66.9%	76.8%	78.7%	83.6%	0.0%
Growth		-1.22%	7.24%	27.10%	18.74%	32.47%	0.00%

93. **Figure 15** shows budgeted and actual Internally Generated Revenue (IGR) between Y2018 and Y2024. The Internally Generated Revenue (IGR) demonstrates significant variations between budgeted and actual figures, which reflects the ongoing efforts and challenges in enhancing local revenue collection. In 2018, the budgeted IGR was ₦680.58 billion, but the actual collection was only ₦412.71 billion, representing around 61% of the target. This trend continued in 2019, achieving about 73% of the goal.

94. In 2020, despite the pandemic's economic impact, actual IGR stood at ₦437.16 billion against a budgeted ₦653.75 billion, reflecting 67% performance. By 2022, there was a noticeable improvement with actual IGR reaching ₦659.78 billion compared to a budgeted ₦837.91 billion, marking about 79% of the target.

95. In 2023, actual IGR significantly increased to ₦874.02 billion, close to the budgeted ₦1.05 trillion, achieving approximately 84% of the target. The forecast for 2024 indicates confidence in growing IGR significantly on the backs of effective strategic measures such as formalizing the informal sector, leveraging technology, and enhancing collaboration with local governments and markets in boosting revenue collection.

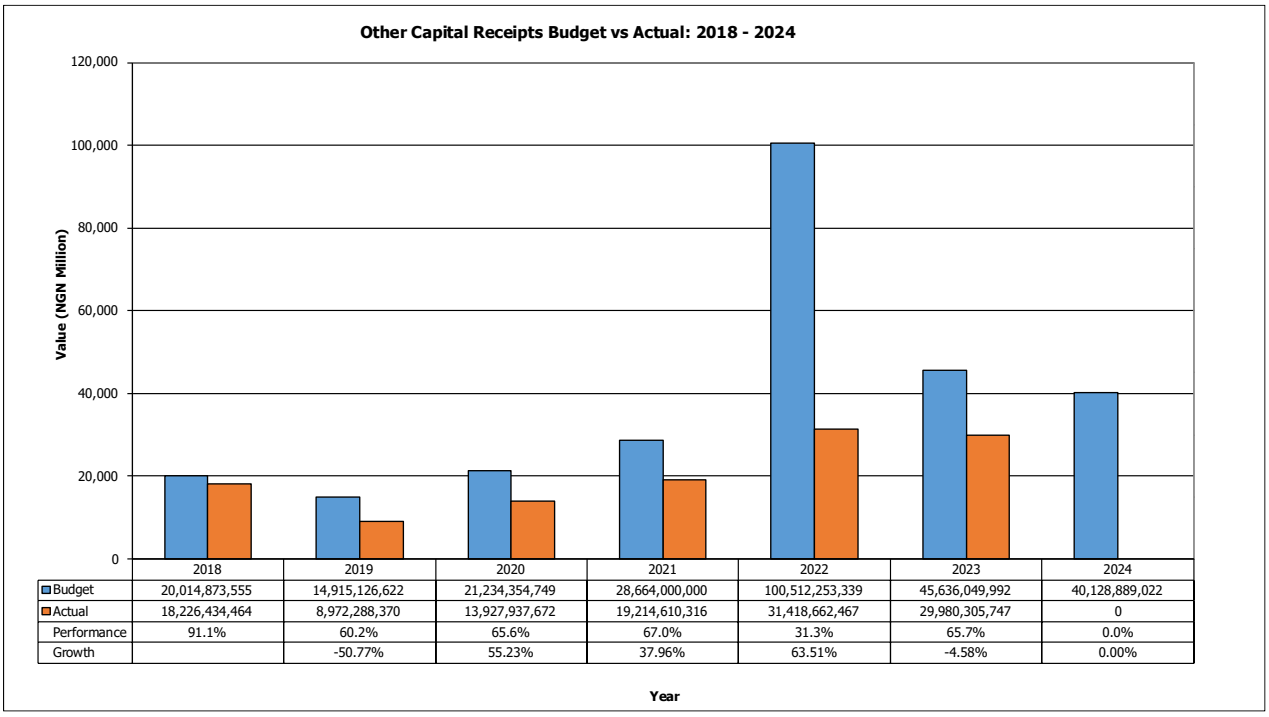
Figure 16: Grants



	2018	2019	2020	2021	2022	2023	2024
Budget	19,524,994,661	10,000,000,000	36,055,940,193	43,147,000,000	42,230,878,592	51,881,976,043	54,476,074,845
Actual	906,135,684	483,933,981	23,297,649,559	3,890,084,460	5,361,304,395	12,254,938,279	0
Performance	4.6%	4.8%	64.6%	9.0%	12.7%	23.6%	0.0%
Growth		-46.59%	4714.22%	-83.30%	37.82%	128.58%	0.00%

96. **Figure 16** shows budgeted and actual grants between Y2018 and Y2024. The performance of "Grants" over the years shows significant discrepancies between budgeted figures and actual receipts, indicating challenges in securing expected grants. In 2018, the actual revenue was only ₦906.14 million against a budgeted ₦19.52 billion, achieving less than 5% of the target. In 2020, there was a substantial improvement with actual receipts of ₦23.30 billion against a budgeted ₦36.06 billion, achieving approximately 65% of the target. However, by 2022, the actual grants significantly fell to ₦5.36 billion compared to a budgeted ₦42.23 billion, reflecting just about 13% performance. While the forecast for 2024 at ₦54.48 billion is quite optimistic, the trend of underperformance may continue.

Figure 17: Other Capital Receipts

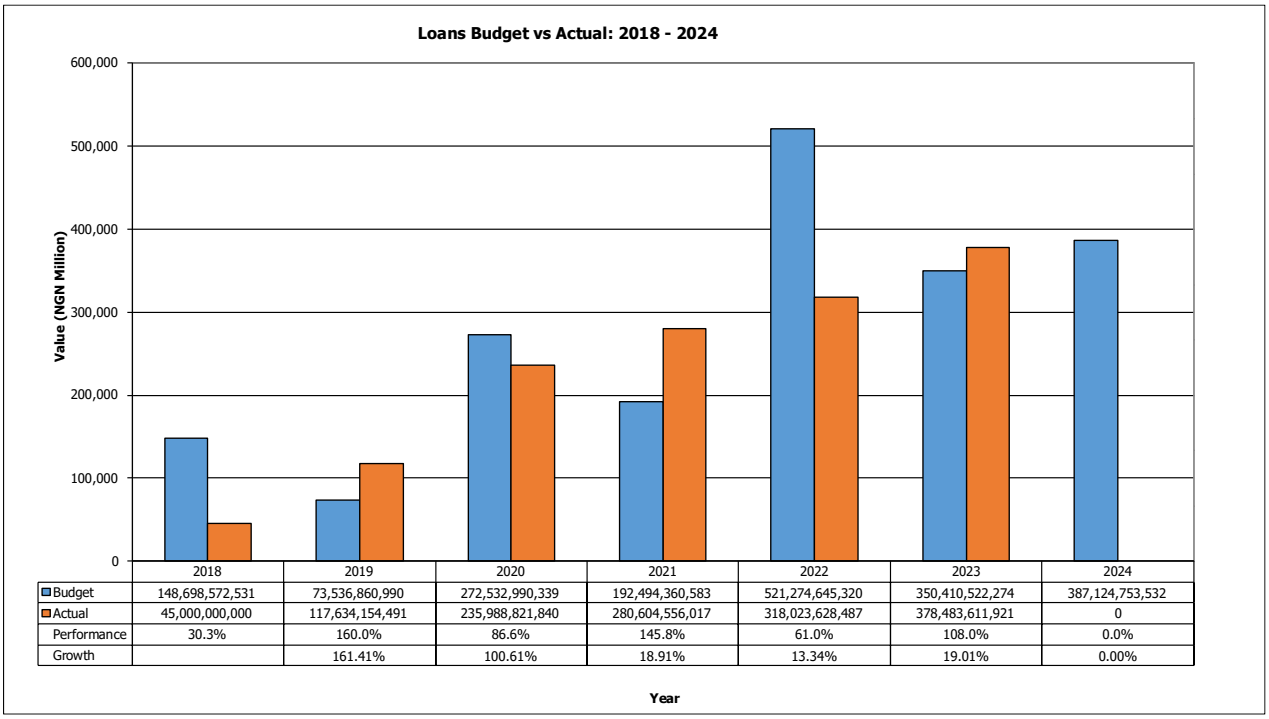


	2018	2019	2020	2021	2022	2023	2024
Budget	20,014,873,555	14,915,126,622	21,234,354,749	28,664,000,000	100,512,253,339	45,636,049,992	40,128,889,022
Actual	18,226,434,464	8,972,288,370	13,927,937,672	19,214,610,316	31,418,662,467	29,980,305,747	0
Performance	91.1%	60.2%	65.6%	67.0%	31.3%	65.7%	0.0%
Growth		-50.77%	55.23%	37.96%	63.51%	-4.58%	0.00%

97. Capital receipts relate to other revenue generation different from PAYE tax such as sale of State assets (mostly housing), returns from federal government, etc. **Figure 17** shows budgeted and actual capital receipts from Y2018 to Y2024.

98. The performance of "Other Capital Receipts" revenue over the years highlights significant deviations from the budgeted figures, revealing a pattern of underperformance especially in recent years. In 2018, the actual revenue was ₦18.23 billion compared to a budgeted ₦20.01 billion, achieving approximately 91% of the target. By 2022, however, there was notable deviation with the actual revenue of ₦31.42 billion far from the budgeted ₦100.51 billion, reflecting about 31% performance. The forecast for 2024, maintaining parity between budgeted and actual figures at ₦40.13 billion, suggests a more accurate and realistic planning approach.

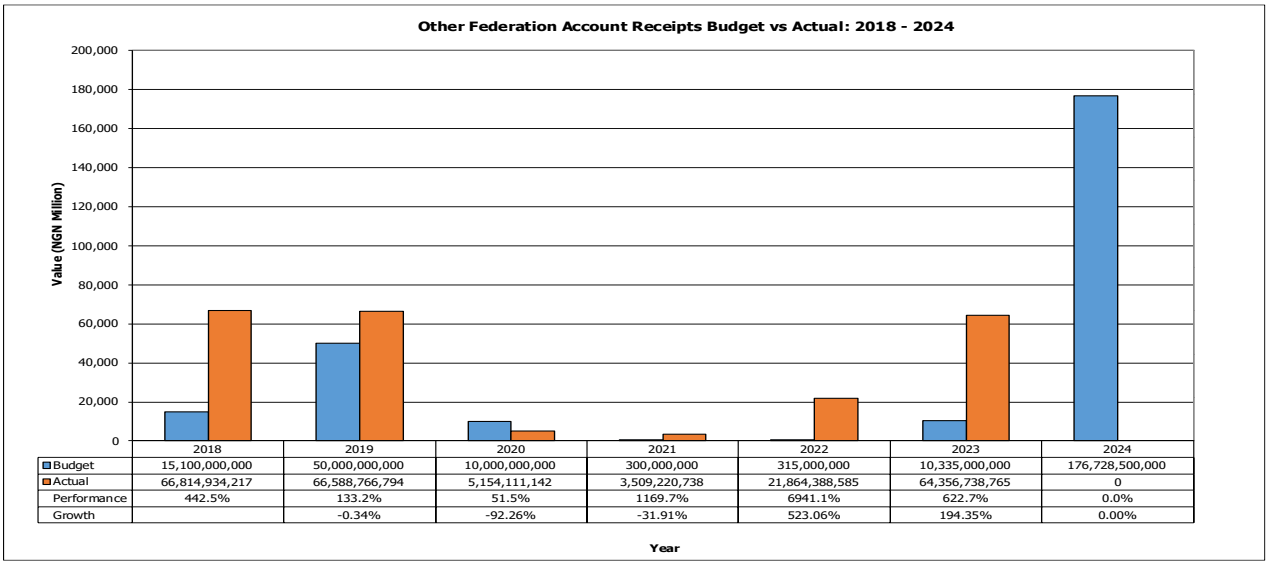
Figure 18: Loans / Financing



	2018	2019	2020	2021	2022	2023	2024
Budget	148,698,572,531	73,536,860,990	272,532,990,339	192,494,360,583	521,274,645,320	350,410,522,274	387,124,753,532
Actual	45,000,000,000	117,634,154,491	235,988,821,840	280,604,556,017	318,023,628,487	378,483,611,921	0
Performance	30.3%	160.0%	86.6%	145.8%	61.0%	108.0%	0.0%
Growth		161.41%	100.61%	18.91%	13.34%	19.01%	0.00%

99. **Figure 18** shows budgeted and actual Loans / Financing between Y2018-Y2024. In nominal terms, the State has shown commitments in its repayment on loans over the years. The analysis of loans from 2018 to 2024 shows substantial fluctuations between budgeted and actual figures, emphasizing the government's reliance on deficit financing. Despite budgeted amounts increasing significantly in some years, actual loan receipts often fell short or exceeded projections, highlighting unpredictability in borrowing conditions. This inconsistency underscores the risks associated with heavy reliance on loans and the importance of exploring more sustainable revenue generation strategies to **reduce dependency on borrowing**.

Figure 19: Other Federation Account



	2018	2019	2020	2021	2022	2023	2024
Budget	15,100,000,000	50,000,000,000	10,000,000,000	300,000,000	315,000,000	10,335,000,000	176,728,500,000
Actual	66,814,934,217	66,588,766,794	5,154,111,142	3,509,220,738	21,864,388,585	64,356,738,765	0
Performance	442.5%	133.2%	51.5%	1169.7%	6941.1%	622.7%	0.0%
Growth		-0.34%	-92.26%	-31.91%	523.06%	194.35%	0.00%

100. **Figure 19** shows the Other Federation Receipts between Y2018 and Y2024 period. The analysis of "Other Federation Account Receipts" from 2018 to 2024 reveals significant fluctuations and deviations between budgeted and actual receipts, reflecting the volatility and unpredictability of this revenue source. In 2018, the actual receipts were significantly higher at ₦66.81 billion compared to the budgeted ₦15.10 billion, indicating a remarkable 342% overachievement.

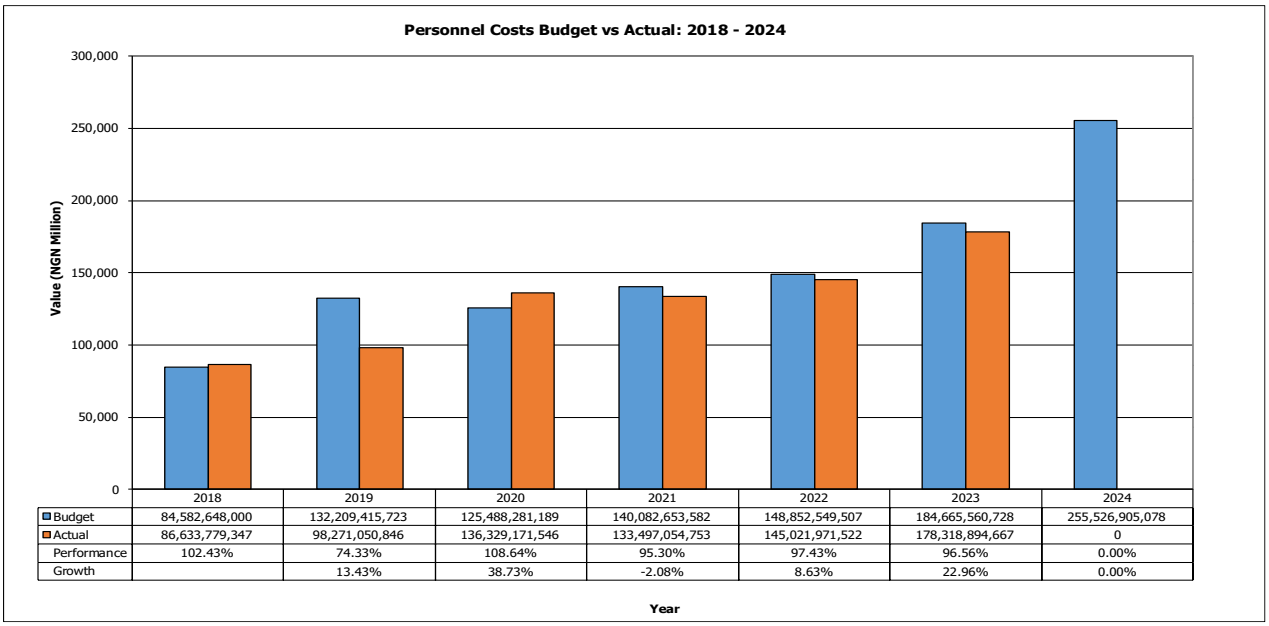
101. However, in 2020, actual receipts dropped drastically to ₦5.15 billion, far below the budgeted ₦10.00 billion, resulting in a 48% shortfall. The trend continued in 2023 with actual receipts of ₦64.36 billion compared to a budget of ₦10.34 billion, a 522% surplus.

102. The budget for 2024 is set at a substantial ₦176.73 billion, reflecting an optimistic projection based on prior trends. These significant variances underscore the unpredictable nature of this revenue stream, necessitating **cautious fiscal planning and flexible budget management** to accommodate the wide swings in actual receipts.

Expenditure Performance

103. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period Y2018-Y2024.

Figure 20: Personnel Costs

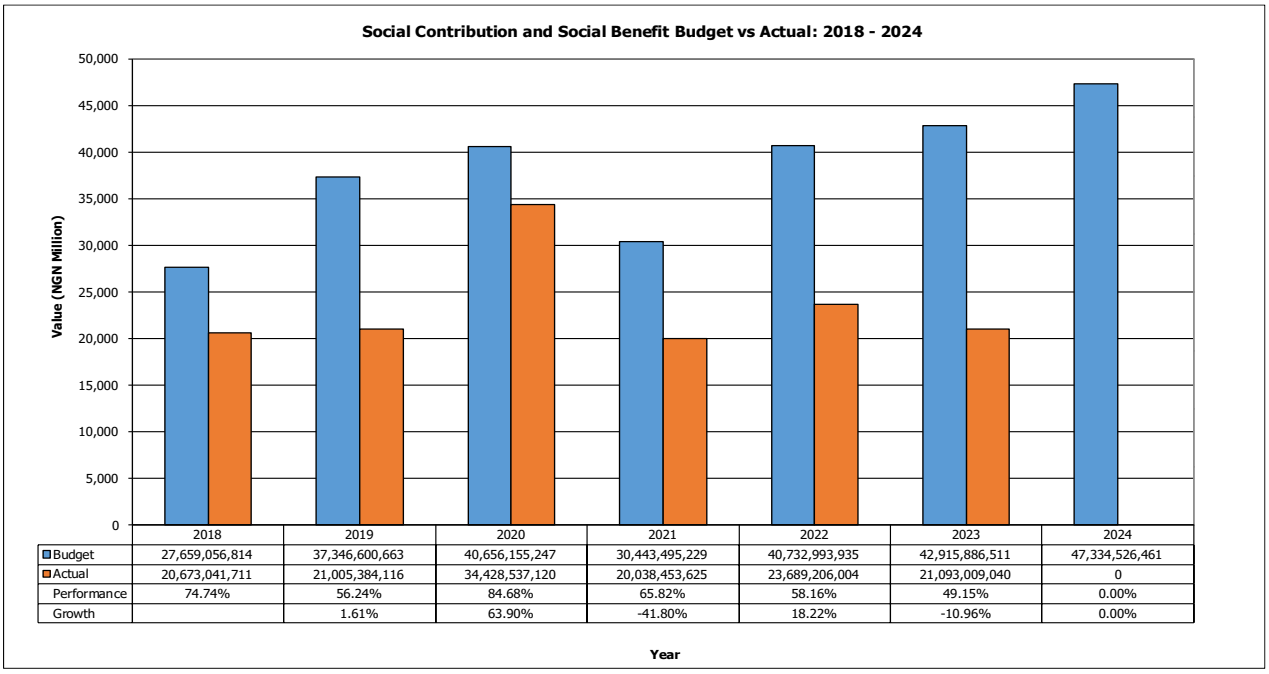


	2018	2019	2020	2021	2022	2023	2024
Budget	84,582,648,000	132,209,415,723	125,488,281,189	140,082,653,582	148,852,549,507	184,665,560,728	255,526,905,078
Actual	86,633,779,347	98,271,050,846	136,329,171,546	133,497,054,753	145,021,971,522	178,318,894,667	0
Performance	102.43%	74.33%	108.64%	95.30%	97.43%	96.56%	0.00%
Growth		13.43%	38.73%	-2.08%	8.63%	22.96%	0.00%

104. **Figure** shows budgeted and actual personnel costs from Y2018 to Y2024. The analysis of personnel costs from 2018 to 2024 demonstrates a pattern of relatively close alignment between budgeted and actual expenditures, with occasional variances. In 2018, actual spending slightly exceeded the budgeted amount, reaching ₦86.63 billion compared to the budgeted ₦84.58 billion, a 2.4% overrun. In 2019, the actual personnel costs were significantly lower at ₦98.27 billion versus a budgeted ₦132.21 billion, reflecting a 25.7% shortfall. However, in 2020, actual expenditures surpassed the budget once again, with ₦136.33 billion against ₦125.49 billion budgeted, marking an 8.6% overrun. In 2021, actual spending was slightly below the budget, with ₦133.50 billion compared to ₦140.08 billion, a 4.7% shortfall.

105. The trend of actual costs closely trailing budgeted amounts continued in 2022, with ₦145.02 billion spent versus a budget of ₦148.85 billion, a 2.6% shortfall. In 2023, actual personnel costs were ₦178.32 billion, marginally below the budgeted ₦184.67 billion, a 3.4% difference. The budgeted figure for 2024 is significantly higher at ₦255.53 billion, indicating an anticipated substantial increase. This close alignment suggests **effective budget planning and control** over personnel costs, with only minor deviations impacting the overall **fiscal stability**.

Figure 21: Social Contribution and Social Benefit



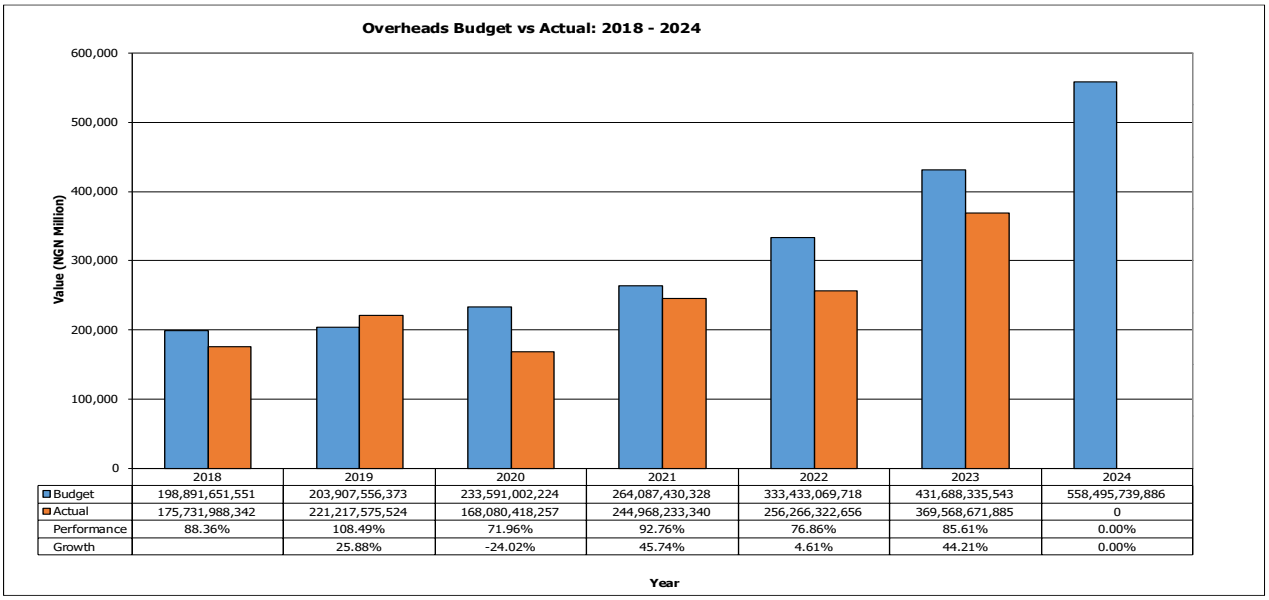
	2018	2019	2020	2021	2022	2023	2024
Budget	27,659,056,814	37,346,600,663	40,656,155,247	30,443,495,229	40,732,993,935	42,915,886,511	47,334,526,461
Actual	20,673,041,711	21,005,384,116	34,428,537,120	20,038,453,625	23,689,206,004	21,093,009,040	0
Performance	74.74%	56.24%	84.68%	65.82%	58.16%	49.15%	0.00%
Growth		1.61%	63.90%	-41.80%	18.22%	-10.96%	0.00%

106. **Figure 21** Shows Social Contribution and Benefits which includes Pension defined contribution plan, Health Insurance premium, Severance & Gratuity amongst others.

107. The analysis of social contributions and social benefits from 2018 to 2024 reveals consistent underperformance in actual expenditures compared to budgeted figures. In 2018, the actual spending was ₦20.67 billion against a budgeted ₦27.66 billion, reflecting a shortfall of approximately 25.3%. This trend continued in 2019, with actual expenditures at ₦21.01 billion compared to the budgeted ₦37.35 billion, a 43.7% deficit. In 2020, the gap narrowed as actual spending increased to ₦34.43 billion but remained below the budgeted ₦40.66 billion by 15.3%. The most significant shortfall occurred in 2023, where actual spending remained below the budget at ₦21.09 billion compared to ₦42.92 billion, a 50.9% difference.

108. The budgeted amount for 2024 is ₦47.33 billion, suggesting an expected significant increase. These persistent variances indicate **challenges in accurately forecasting and executing social benefit and contribution budgets**, potentially impacting the delivery of social programs.

Figure 22: Overhead



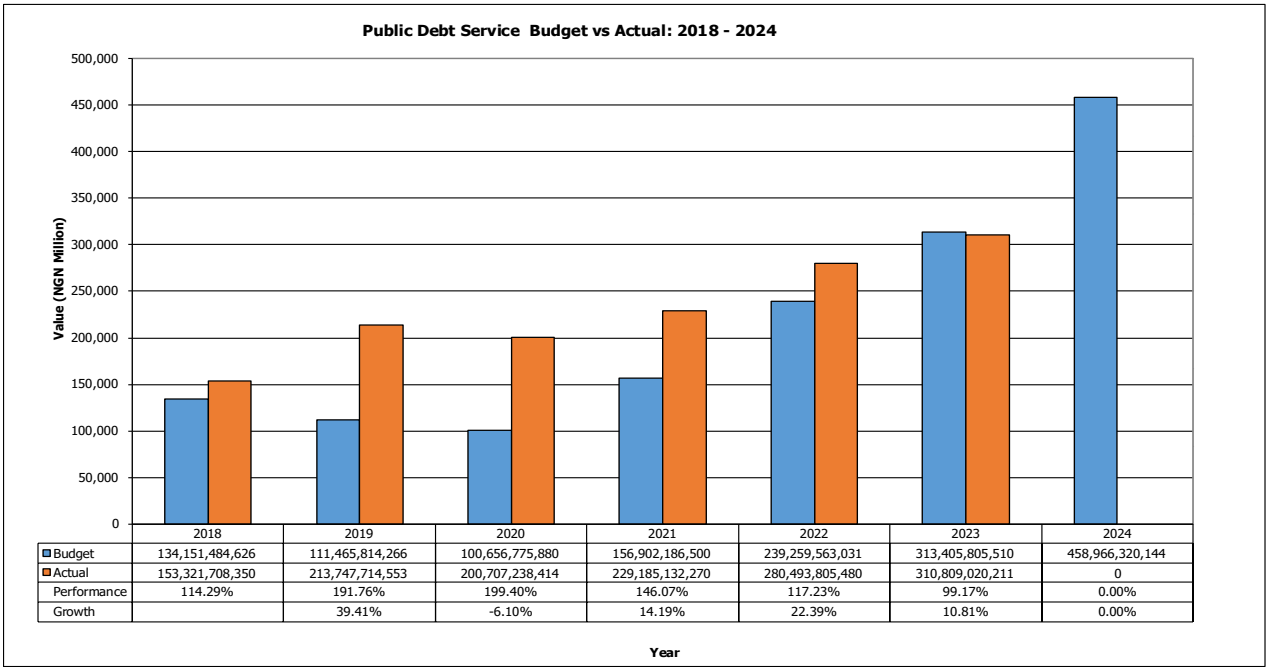
	2018	2019	2020	2021	2022	2023	2024
Budget	198,891,651,551	203,907,556,373	233,591,002,224	264,087,430,328	333,433,069,718	431,688,335,543	558,495,739,886
Actual	175,731,988,342	221,217,575,524	168,080,418,257	244,968,233,340	256,266,322,656	369,568,671,885	0
Performance	88.36%	108.49%	71.96%	92.76%	76.86%	85.61%	0.00%
Growth		25.88%	-24.02%	45.74%	4.61%	44.21%	0.00%

109. **Figure 22** shows budgeted and actual overheads from Y2018–Y2024. The analysis of overhead costs shows a fluctuating pattern between budgeted amounts and actual expenditures. In 2018, actual overhead costs were ₦175.73 billion, which was below the budgeted ₦198.89 billion, indicating an underspend of about 11.7%. This trend reversed in 2019, where actual spending exceeded the budget (₦221.22 billion actual vs. ₦203.91 billion budgeted), an 8.5% overrun. The pattern of underspending re-emerged in 2020, with actual overheads at ₦168.08 billion compared to the budgeted ₦233.59 billion, a significant 28.0% shortfall.

110. Over the following years, actual expenditures fluctuated but generally remained below budget until 2022, where a notable underspend of about 23.1% occurred (₦256.27 billion actual vs. ₦333.43 billion budgeted). By 2023, the gap began to close with actual overhead costs reaching ₦369.57 billion against a budget of ₦431.69 billion, a 14.4% shortfall.

111. The projected 2024 overhead cost stands at ₦558.50 billion, suggesting a substantial increase aligned with budget expectations if current trends of tightening the budget-actual gap continue. **These variances highlight potential issues in budget planning and execution efficiency**.

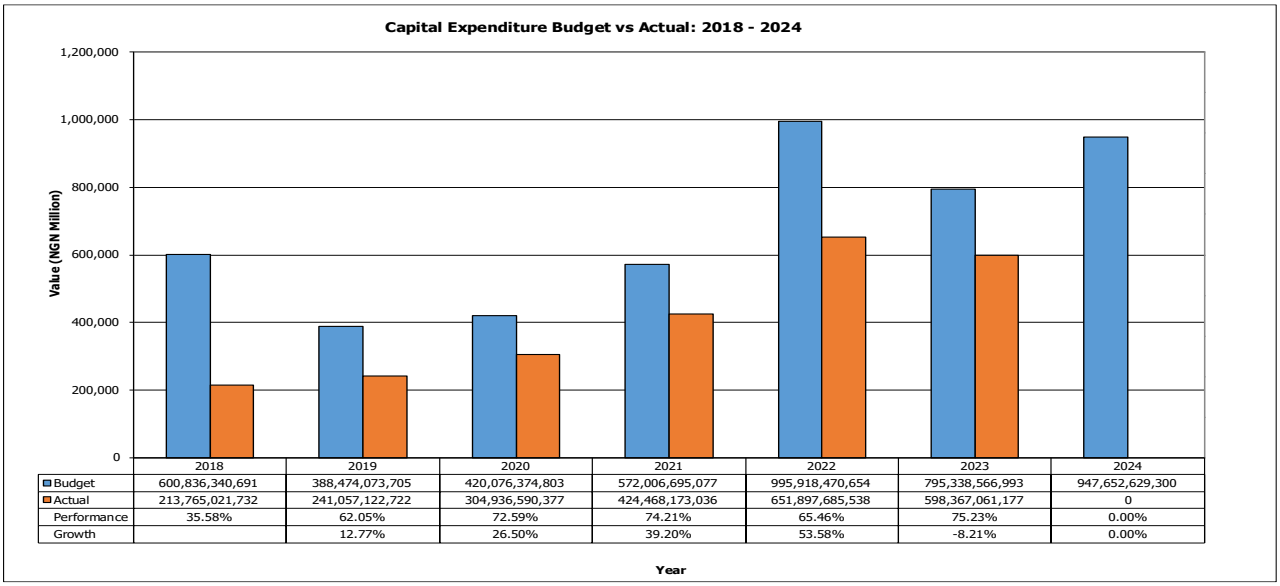
Figure 23: Public Debt Service



	2018	2019	2020	2021	2022	2023	2024
Budget	134,151,484,626	111,465,814,266	100,656,775,880	156,902,186,500	239,259,563,031	313,405,805,510	458,966,320,144
Actual	153,321,708,350	213,747,714,553	200,707,238,414	229,185,132,270	280,493,805,480	310,809,020,211	0
Performance	114.29%	191.76%	199.40%	146.07%	117.23%	99.17%	0.00%
Growth		39.41%	-6.10%	14.19%	22.39%	10.81%	0.00%

Figure 23 above shows the public debt service data from 2018 to 2024, which reveals a pattern of actual expenditures consistently exceeding the budgeted amounts. For instance, in 2018, the actual public debt service was ₦153.32 billion compared to the budgeted ₦134.15 billion, indicating an overrun of about 14.3%. This trend continues through the years, with significant disparities such as in 2020 where the actual was ₦200.71 billion versus the budgeted ₦100.66 billion, a 99.4% overrun. The trend culminates in 2023, where the actual public debt service hits ₦310.81 billion against a budgeted ₦313.41 billion, almost meeting the budget. The projected figure for 2024 is ₦458.97 billion, a stark increase suggesting a concerning trajectory if the trend of over-budget expenditures persists. These overruns could indicate challenges in managing debt obligations and potential risks to fiscal sustainability.

Figure 24: Capital Expenditure



	2018	2019	2020	2021	2022	2023	2024
Budget	600,836,340,691	388,474,073,705	420,076,374,803	572,006,695,077	995,918,470,654	795,338,566,993	947,652,629,300
Actual	213,765,021,732	241,057,122,722	304,936,590,377	424,468,173,036	651,897,685,538	598,367,061,177	0
Performance	35.58%	62.05%	72.59%	74.21%	65.46%	75.23%	0.00%
Growth		12.77%	26.50%	39.20%	53.58%	-8.21%	0.00%

112. **From Figure 24** above and based on the dataset for capital expenditure from 2018 to 2024, a significant growth in actual capital expenditure can be observed in 2022, rising from ₦424.47 billion in 2021 to ₦651.90 billion and marking an increase of approximately 53.6%. However, when comparing the budgeted figures to actuals, there is a consistent shortfall in performance, with actuals typically falling short by a substantial margin.

113. The budgeted capital expenditure for 2023 is ₦795.34 billion, and the actual expenditure for 2023 is ₦598.37 billion, revealing a performance of approximately 75.2%. The budgeted capital expenditure for 2024 is significantly higher at ₦947.65 billion. If the trend of underperformance continues, it could imply missed opportunities for infrastructure development and economic growth, potentially undermining public trust and the efficacy of planned projects.

Table 3: Sectoral Expenditure – Personnel: Budget Vs Actual

Personnel Expenditure by Sector												
No.	Sector	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	Performance	Average Budget	Average Actual
1	General Public Services	65,951,064,597	51,756,857,879	45,852,735,640	31,968,689,916	60,085,422,553	37,175,196,716	92,022,646,166	42,520,086,826	61.92%	35.01%	23.60%
2	Public Order and Safety	7,177,573,461	9,806,967,202	12,029,391,914	10,169,064,204	10,087,193,697	11,494,166,609	12,762,896,412	14,761,215,570	109.93%	5.58%	6.68%
3	Economic Affairs	8,507,549,866	11,510,178,317	12,245,562,604	11,413,052,705	11,565,274,698	12,040,598,585	13,252,971,535	14,657,760,642	108.89%	6.05%	7.17%
4	Environment	2,281,168,281	2,500,754,313	2,528,419,391	2,508,403,344	2,102,303,002	2,740,208,353	2,154,680,540	3,404,516,705	123.02%	1.20%	1.61%
5	Housing and Community Amenities	2,275,801,028	3,245,884,555	3,076,197,684	3,296,113,495	4,279,006,931	3,456,588,252	3,128,016,939	4,118,207,243	110.64%	1.69%	2.04%
6	Health	37,338,524,275	38,313,240,562	41,081,371,144	42,035,076,762	46,187,642,356	48,111,512,770	51,072,735,876	60,253,520,907	107.42%	23.30%	27.25%
7	Recreation, Culture and Religion	384,792,241	566,340,649	647,120,322	562,022,278	610,358,569	622,773,440	704,546,493	784,855,554	108.06%	0.31%	0.37%
8	Education	41,392,886,998	51,932,916,065	51,838,388,115	50,474,837,075	53,634,741,218	51,908,070,010	51,321,367,852	57,546,705,864	106.90%	26.29%	30.60%
9	Social Protection	835,075,689	1,124,569,125	1,226,961,997	1,108,248,599	1,033,600,417	1,162,062,791	1,161,585,424	1,365,034,398	111.81%	0.56%	0.69%
	Total	166,144,436,436	170,757,708,666	170,526,148,811	153,535,508,378	189,585,543,442	168,711,177,526	227,581,447,238	199,411,903,707	91.85%	100.00%	100.00%

Table 4: Sectoral Expenditure – Overhead: Budget Vs Actual

Overhead Expenditure by Sector												
No.	Sector	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	Performance	Average Budget	Average Actual
1	General Public Services	89,010,435,421	115,496,242,417	108,091,552,493	169,399,973,207	187,060,309,835	194,314,320,804	252,813,746,119	300,169,807,255	122.36%	43.64%	56.55%
2	Public Order and Safety	17,117,946,342	13,634,328,623	15,353,087,223	18,203,501,999	22,000,226,615	17,708,193,503	30,151,764,333	28,494,296,856	92.22%	5.80%	5.66%
3	Economic Affairs	40,564,423,374	35,605,486,255	42,004,703,068	34,701,158,662	45,101,292,666	35,841,192,597	56,409,742,085	36,209,803,556	77.33%	12.61%	10.33%
4	Environment	21,374,205,982	16,751,629,738	28,919,548,564	22,142,906,740	27,338,822,276	23,492,670,602	30,782,917,885	26,702,238,694	82.17%	7.43%	6.46%
5	Housing and Community Amenities	1,751,051,106	1,008,037,614	3,337,479,802	2,393,218,005	7,089,156,568	3,106,829,779	11,474,333,659	4,903,487,822	48.25%	1.62%	0.83%
6	Health	34,414,454,606	10,775,552,024	32,055,162,193	24,040,336,372	42,283,415,178	22,849,368,256	58,894,026,648	30,087,769,392	52.34%	11.49%	6.37%
7	Recreation, Culture and Religion	4,129,834,386	2,101,180,739	4,700,177,751	3,504,432,889	6,710,033,913	5,646,872,118	16,147,456,371	21,268,778,859	102.63%	2.17%	2.36%
8	Education	36,362,750,000	21,455,805,513	51,806,389,176	34,853,504,097	59,035,775,251	43,750,865,091	58,022,740,437	45,011,361,317	70.69%	14.06%	10.53%
9	Social Protection	2,537,392,978	2,126,761,685	3,792,794,663	2,608,135,561	5,076,227,743	3,606,663,279	5,818,333,795	4,127,073,257	72.39%	1.18%	0.90%
	Total	247,262,494,194	218,955,024,608	290,060,894,933	311,847,167,532	401,695,260,045	350,316,976,030	520,515,061,333	496,974,617,009	94.42%	100.00%	100.00%

Table 5: Sectoral Expenditure – Capital: Budget Vs Actual

Capital Expenditure by Sector												
No.	Sector	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	Performance	Average Budget	Average Actual
1	General Public Services	177,946,858,803.00	217,300,949,757.23	279,733,942,811.00	256,667,990,459.93	355,574,638,107.03	293,326,331,617.46	426,150,763,102.01	307,962,406,798.16	0.87	36.49%	40.40%
2	Public Order and Safety	12,769,184,555.00	6,986,959,053.09	18,718,081,334.00	11,946,869,644.39	38,628,417,508.42	19,420,554,264.58	43,631,547,605.51	22,193,703,592.84	0.53	3.35%	2.27%
3	Economic Affairs	195,350,088,607.56	155,632,641,441.30	263,821,943,525.00	224,493,480,048.35	515,066,101,137.92	411,141,056,070.79	349,403,160,308.38	376,138,320,758.49	0.88	38.97%	43.86%
4	Environment	35,046,646,838.00	31,302,033,471.72	28,211,630,881.00	28,939,783,348.74	63,064,102,139.50	32,736,327,480.84	50,455,498,286.15	24,100,193,595.64	0.66	5.20%	4.40%
5	Housing and Community Amenitie	26,641,676,830.23	13,210,425,273.36	30,614,420,639.00	21,317,436,948.43	78,250,448,452.12	28,389,638,409.42	52,528,116,048.81	18,468,761,192.38	0.43	5.54%	3.06%
6	Health	25,508,939,615.00	11,474,267,570.48	32,459,987,831.00	15,394,427,496.98	38,877,621,224.37	12,627,110,544.58	39,095,097,642.55	16,355,185,494.07	0.41	4.00%	2.10%
7	Recreation, Culture and Religion	1,199,926,145.00	492,140,141.96	1,949,097,547.00	906,933,280.66	12,898,375,167.00	5,561,463,184.65	8,950,526,030.97	3,399,334,050.16	0.41	0.74%	0.39%
8	Education	30,616,097,431.00	17,371,794,696.49	43,289,977,513.00	25,682,258,065.32	60,855,678,703.10	34,212,511,552.50	47,401,446,459.50	12,747,965,763.94	0.49	5.36%	3.38%
9	Social Protection	1,982,239,888.00	998,011,034.04	4,136,334,895.00	1,425,191,822.11	3,700,460,918.48	925,844,519.64	2,301,491,229.35	404,265,018.46	0.31	0.36%	0.14%
	Total	507,061,658,712.79	454,769,222,439.67	702,935,416,976.00	586,774,371,114.91	1,166,915,843,357.92	838,340,837,644.46	1,019,917,646,713.22	781,770,136,264.14	0.78	100.00%	100.00%

2.B.2 Debt Position

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

Table 6: Debt Sustainability Analysis

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2023**
	Solvency Ratios	**Percentage**	**Percentage**
1	Total Domestic Debt/IGR	150%	111.46%
2	Total External Debt/Gross FAAC	150%	342.44%
3	Total Public Debt/Total Recurrent Revenue	150%	174.73%
4	Total Public Debt/State GDP Ratio	25%	4.88%
	Liquidity Ratios	**Percentage**	**Percentage**
5	Domestic Debt Service/IGR	15%	30.32%
6	External Debt Service/Gross FAAC	10%	12.64%
8	Debt Service Deductions from FAAC/Gross FAAC	40%	33.32%
8	Total Debt Service/Total Recurrent Revenue	25%	25.48%
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2023**		**Naira**
1	Total Domestic Debt		974,220,323,000
2	Total External Debt		1,128,996,152,000
3	**Total Public Debt**		**2,103,216,475,000**
4	Total Domestic Debt Service 2023		265,011,558,311
5	Total External Debt Service in 2023		41,672,204,816
6	**Total Public Debt Service**		**306,683,763,127**
C	**STATE GDP FOR 2023**		
1	**State GDP**		43,062,224,600,000

Source: Economic Intelligence Unit, DMO

115. From Error! Reference source not found.**6** above, the debt sustainability analysis reveals that while t he state's total public debt relative to its GDP is well within sustainable limits, indicating a **strong economic base**, the high ratios of total external debt to gross FAAC and debt service costs relative to recurrent revenue expose **significant fiscal vulnerabilities**.

116. Specifically, the **elevated external debt levels** and the substantial portion of revenue directed towards **debt servicing** highlight potential pressures on the state's financial flexibility and its ability to allocate resources towards other critical expenditures.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

117. A comprehensive approach to long-term fiscal projections begins with carefully considered macroeconomic assumptions related to economic growth and various price movements. Reliable projections of these macroeconomic variables are essential for effective budget planning. However, unforeseen economic developments can significantly impact state spending and revenue.

In light of the current and foreseeable economic challenges, including the removal of fuel subsidies, exchange rate volatility, and continuous rise in production and market costs, we have developed the macroeconomic framework for the fiscal years 2025-2027. This framework reflects the intricate dynamics of the economy and is designed to adapt to these volatile conditions, ensuring that the state's fiscal strategy remains responsive and robust.

Table 7: Macro-Economic Framework

Macro-Economic Framework				
Item	**2024**	**2025**	**2026**	**2027**
National Inflation	26.52%	29.70%	32.88%	36.06%
National GDP Growth Rate	3.68%	4.27%	4.87%	5.46%
State Inflation	31.57%	36.32%	41.06%	45.81%
State GDP Growth Rate	8.75%	9.34%	9.93%	10.52%
State GDP (Nominal)	44,931,928,000,000	49,960,064,000,000	54,988,196,000,000	60,016,332,000,000
Oil Production Benchmark (mbpd)	1.42	1.34	1.31	1.28
Oil Price Benchmark	$103.65	$113.72	$123.78	$133.85
NGN:USD Exchange Rate	1265.16	1113.53	1272.56	1431.59
Other Assumptions				
Mineral Ratio	25%	30%	32%	35%

Source: Economic Intelligence Department, LBS

3.B Fiscal Strategy and Assumptions

Policy Statement

118. The Lagos State government acknowledges the pressing challenges posed by the current economic environment, characterized by high inflation, exchange rate volatility, and high interest rates. These factors have exacerbated economic distortions and socio-economic crises, leading to a higher cost of living for residents. Consequently, the government is committed to alleviating the burden on its citizens while fostering economic recovery and sustainable development in the State.

119. Aligned with the THEMES+ agenda and the Lagos State Development Plan (LSDP), the government aims to increase social inclusion, gender equality, and youth engagement in governance. Efforts will be made to maintain fiscal discipline, manage critical cost pressures, and prioritize key projects. The budget will serve as a strategic tool to achieve short, medium, and long-term development goals. Initiatives such as the digitization of administrative processes and strategic partnerships will promote investment and entrepreneurship in the State. The government's commitment to enhancing service delivery and economic growth is further demonstrated by efforts to standardize healthcare facilities and improve regulatory frameworks in key sectors like energy.

Fiscal Assumptions

120. To address recent and significant macroeconomic uncertainties, multiple macro-fiscal scenarios will be considered, and policies will be adjusted accordingly. Efforts will be made to aggressively develop infrastructure, create employment opportunities, and enhance food security through entrepreneurship and agricultural development. Initiatives will focus on improving civic inclusion and participation, and cooperation in governance through transparency and trust.

121. Investments in human capital development, education, and healthcare will be prioritized to enhance productivity and social well-being. The government will deploy technology in public services to

improve efficiency and transparency and enhance revenue collection through tax administration enhancements and exploration of new sources.

122. Public-Private Partnerships (PPPs) will be utilized to attract investments, bring in private expertise, and ensure cost-effective infrastructure development.

123. Efforts to improve healthcare systems, environmental sustainability, and public spaces will enhance overall well-being.

124. Youth engagement, participation, and empowerment will be fostered through targeted programs focusing on entrepreneurship, upskilling, training, and re-training.

Budget Objectives

Hedge Against Inflationary Pressures and Exchange Rate Volatility:

- Develop a comprehensive strategy to hedge against exchange rate volatility and naira devaluation to encourage foreign direct investment.
- Implement fiscal policies that mitigate the impact of inflationary pressures on the State's economy, ensuring price stability and protecting the purchasing power of residents.

Cater for Minimum Wage Increase and Personnel Costs:

- Allocate sufficient funds to accommodate the anticipated increase in the minimum wage.
- Adjust the capital to recurrent expenditure ratio to reflect the increased personnel costs while still prioritizing critical capital projects.

Ensure Food Security:

- Strengthen agricultural policies and programs to boost local food production, thereby reducing dependency on imports and mitigating food inflation.
- Invest in modern agricultural technologies and infrastructure to enhance productivity and food supply.

Enhance Monitoring and Evaluation:

- Establish a robust monitoring and evaluation framework for all government programs, projects, and policies to ensure accountability, transparency, and optimal performance.
- Implement strategic management practices within MDAs to reduce leakages, wastages, and sub-optimal operationality.
- Conduct impact assessment programmes for project/policy performance evaluation and review

Improve Social Interventions:

- Expand social intervention programs to cushion the immediate effects of economic challenges on disposable income.
- Design targeted support measures for businesses affected by contractionary monetary policies to sustain economic activities and employment.

Implement Statewide Price Stabilization Measures for Essential Goods (Lagos State Market Development Board):

- Develop and enforce a statewide price control mechanism to prevent exploitative pricing practices by producers and retailers.
- Regularly review and adjust price controls to reflect market realities while protecting consumers from undue price hikes.

Promote Sustainable Economic Growth:

- Foster an enabling environment for investment by enhancing ease of doing business and encouraging industrialization.
- Strengthen partnerships specifically with the private sector.

Stakeholder Engagement:

- Engage with stakeholders, including businesses, civil society, and the general public to gather input and build consensus on budget priorities.
- Develop feedback mechanisms to continuously improve budget planning and execution based on stakeholder input.

3.C Indicative Three-Year Fiscal Framework

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

Table 8: Indicative Three Years Fiscal framework

	APPROVED	PROJECTIONS		
FISCAL ITEMS	**Y2024 (₦'M)**	**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	2027
Opening Balance	25,000,000,000	0	0	0
Recurrent Revenue				
Statutory Allocation	96,000,000,000	100,800,000,000	110,880,000,000	121,968,000,000
Derivation	3,900,000,000	3,900,000,000	3,900,000,000	3,900,000,000
VAT	320,000,000,000	352,000,000,000	387,200,000,000	425,920,000,000
IGR	1,164,617,903,470	1,415,412,878,673	1,601,954,166,540	1,842,247,291,521
Excess Crude / Other Revenue	176,728,500,000	185,564,925,000	205,734,217,500	228,242,999,250
Total Recurrent Revenue	**1,761,246,403,470**	**2,057,677,803,673**	**2,309,668,384,040**	**2,622,278,290,771**
Recurrent Expenditure				
Personnel Costs	255,526,905,078	294,134,944,938	323,548,439,432	355,903,283,376
Social Contribution and Social Benefit	47,334,526,461	52,511,819,451	57,763,001,397	63,539,301,536
Overheads	558,495,739,886	614,345,313,875	675,779,845,262	743,357,829,788
Public Debt Service	458,966,320,144	586,098,529,036	549,849,327,292	469,915,392,658
Total	**1,320,323,491,569**	**1,547,090,607,301**	**1,606,940,613,383**	**1,632,715,807,358**
Transfer to Capital Account	**465,922,911,901**	**510,587,196,372**	**702,727,770,657**	**989,562,483,413**
Capital Receipts				
Grants	54,476,074,845	52,549,359,967	53,863,093,966	55,209,671,315
Other Capital Receipts	40,128,889,022	47,958,102,251	50,356,007,364	52,873,807,732
Total	**94,604,963,867**	**100,507,462,218**	**104,219,101,330**	**108,083,479,047**
Reserves				
Contingency Reserve	34,019,641,813	39,184,830,004	43,360,965,847	48,465,712,792
Planning Reserve	34,019,641,813	39,184,830,004	43,360,965,847	48,465,712,792
Total Reserves	**68,039,283,626**	**78,369,660,007**	**86,721,931,693**	**96,931,425,583**
Capital Expenditure	**879,613,345,675**	**986,861,732,934**	**1,197,068,511,363**	**1,501,400,286,499**
Discretional Funds	706,071,466,744	809,031,610,716	1,011,623,117,033	1,307,990,762,302
Non-Discretional Funds	173,541,878,930	177,830,122,218	185,445,394,330	193,409,524,197
Financing (Loans)	387,124,753,532	454,136,734,351	476,843,571,069	500,685,749,622
Total Revenue (Including Opening Balance)	**2,267,976,120,869**	**2,612,322,000,242**	**2,890,731,056,439**	**3,231,047,519,441**
Total Expenditure (including Contingency Reserve)	**2,267,976,120,869**	**2,612,322,000,242**	**2,890,731,056,439**	**3,231,047,519,441**

ASSUMPTIONS

126. The State's aggregate economic projections appear feasible, contingent upon a concerted effort to bolster and enhance key strategic imperatives, particularly by enhancing business facilitation and reducing regulatory hurdles to stimulate economic activity, implementing effective revenue mobilization strategies to optimize tax collection and diversify income streams, ensuring a stable and predictable business environment through the rigorous application of the rule of law, protecting property rights, and promoting investor confidence.

127. **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 FY2025-2027.

128. **REVENUE**: The revenue growth strategy aims to reach 5% of State GDP by 2026, up from 2.89% achieved in 2023. We expect a steady increase to 4.19% in 2024, 4.32% in 2025, 4.39% in 2026 and 4.55% in 2027. With the contribution of Eko Atlantic City's 5% remittance to the Consolidated Revenue Fund (CRF), enhanced Geographic Information System (eGIS), Lands Bureau services automation, provision of site vehicles for the Office of Surveyor General, provision of park-and-pay spaces (LASPA), Review of hotel fees and the digitalization of hotel license initiatives, and other revenue-generating initiatives specifically from the Ministry of Transportation (MoT), we anticipate significant revenue growth over the years.

129. **INTERNALLY GENERATED REVENUE (IGR)**: As the primary revenue-generating agency, the Lagos Internal Revenue Service (LIRS) will implement targeted strategies to bridge the revenue gap and drive fiscal growth. Key actions include formalizing the informal sector, forging partnerships with local governments and markets, and fostering a conducive business environment. By focusing on the growth of critical economic sectors such as manufacturing, transportation, construction, and real estate, we aim to significantly increase Internally Generated Revenue (IGR).

130. **STATUTORY ALLOCATION**: Following the removal of petrol subsidies (PMS Under Recovery), increased crude oil production and local refining capacities, allocation from crude oil sales, and other mineral resources, is expected to increase significantly over the years.

131. **DERIVATION:** Derivation receipts encompass royalty payments remitted by private sector operators of active oil wells situated within the State.

132. **VAT**: As the economic hub of the country, the State is poised to generate significant and increasing VAT revenue in the outer years, given its robust economic activity and implementation of planned business inducing strategies.

133. **EXTRAORDINARY REVENUE**: Unclassified / one-off revenue items.

134. **GRANTS:** Grants receipt increased significantly from N5bn in 2022 to N12bn in 2023 and is expected to increase in 2024. We anticipate a significant growth in outer years 2025-2027.

135. **OTHER CAPITAL RECEIPTS:** Capital receipts are projected to rise annually, driven by innovative initiatives from MDAs. This growth will come from diverse sources including completion of mortgage payment through Lagos Mortgage Board, survey fees, housing unit sales, land sales and regularization, lottery income, recovered funds from MDAs, number plate production among other revenue streams.

136. **FINANCING (NET LOANS):** Loan financing for Y2025-Y2027 includes N454bn, N477bn and N501bn. A bulk of the loans would be sourced domestically through bonds and loans from commercial banks to balance expenditure for each fiscal year.

137. **PERSONNEL COST**: Due to current demands which includes extending teachers' service years from 35/60 to 40/65, implementing CONMESS and CONHESS allowances for consultants, medical officers, and health workers, providing severance packages for the 10th Lagos State House of Assembly members, and the ongoing recruitment of new staff across various MDAs, growth in personnel cost as been projected accordingly.

138. **OVERHEAD**: The State is dedicated to enhancing social welfare, encompassing health, education, and civic engagement, while also developing staff capacities in key sectors to ensure effective service delivery. However, there is a need to transition certain parastatals towards self-sufficiency and consolidate newly established agencies with overlapping mandates to optimize efficiency.

139. **PUBLIC DEBT SERVICE:** Debt repayment is as scheduled by DMO through Debt Management Strategy which takes cost, risk and macro-economic indicators into consideration.

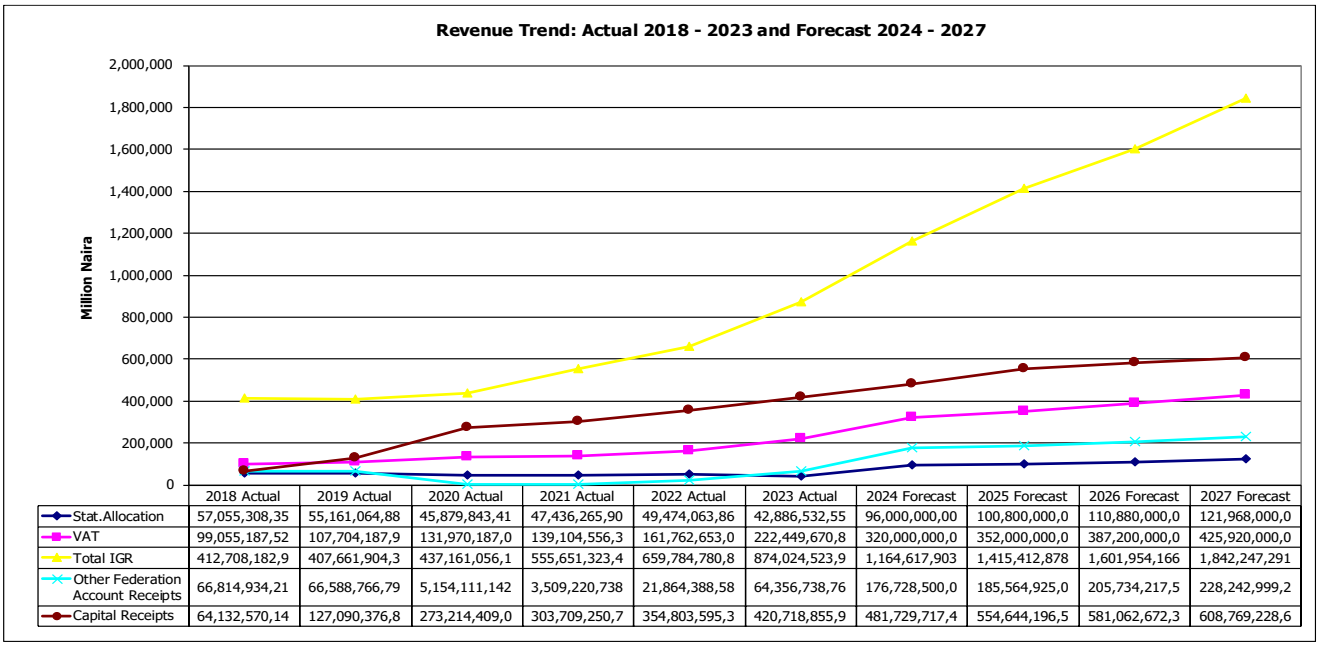
140. **CONTINGENCY AND PLANNING RESERVES:** A contingency fund equivalent to 1.5% of total revenue is set aside to mitigate potential shocks and stress, providing a financial buffer to address unexpected expenses or revenue shortfalls. A dedicated Planning Reserve equivalent to 1.5% of total revenue is earmarked to be utilized during budget negotiations, providing a flexible funding source to address emerging priorities and facilitate strategic decision-making.

141. **CAPITAL EXPENDITURE**: In line with the government's strategic mandate to position the State's economy on par with leading global cities, the FY2025-Y2027 projections are driven by a commitment to investing in infrastructure development and the revitalization of existing infrastructure, prioritizing sustainable growth and urban renewal. Most MDAs are agitating for Capital infrastructures with the potential to aid effective and efficient delivery as well as improve revenue significantly.

3.D Fiscal Trend

142. 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 25: Revenue Trend



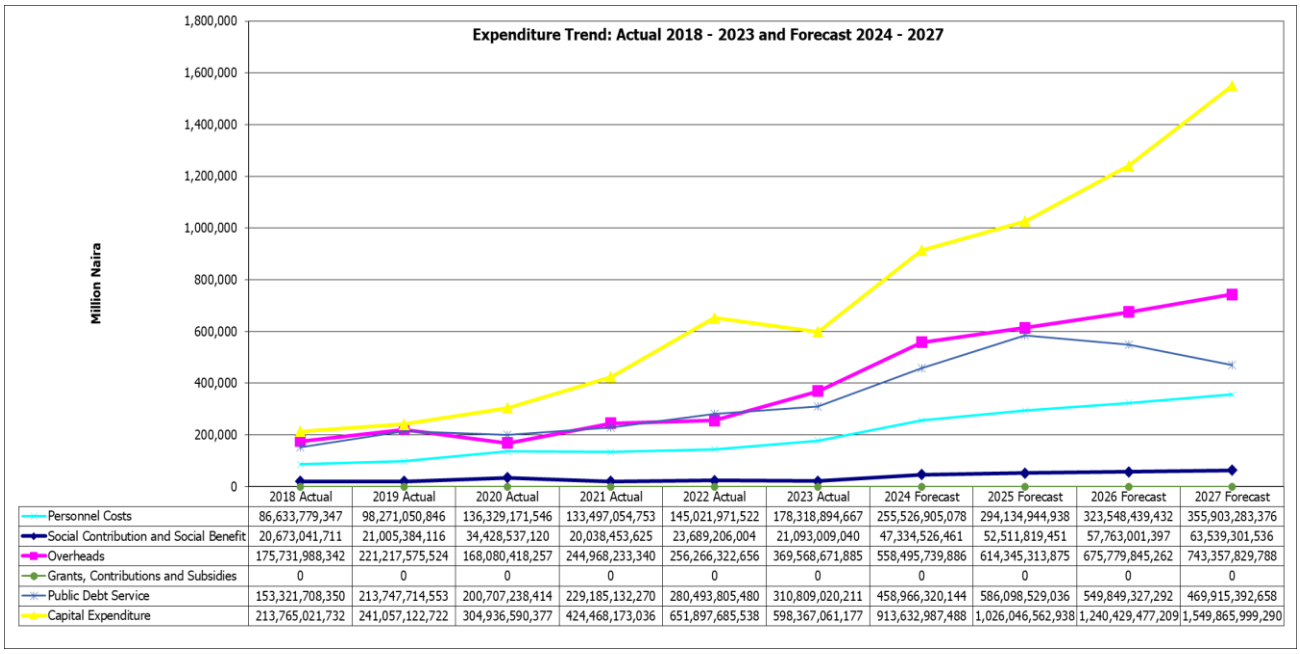
	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Stat.Allocation	57,055,308,35	55,161,064,88	45,879,843,41	47,436,265,90	49,474,063,86	42,886,532,55	96,000,000,00	100,800,000,0	110,880,000,0	121,968,000,0
VAT	99,055,187,52	107,704,187,9	131,970,187,0	139,104,556,3	161,762,653,0	222,449,670,8	320,000,000,0	352,000,000,0	387,200,000,0	425,920,000,0
Total IGR	412,708,182,9	407,661,904,3	437,161,056,1	555,651,323,4	659,784,780,8	874,024,523,9	1,164,617,903	1,415,412,878	1,601,954,166	1,842,247,291
Other Federation Account Receipts	66,814,934,21	66,588,766,79	5,154,111,142	3,509,220,738	21,864,388,58	64,356,738,76	176,728,500,0	185,564,925,0	205,734,217,5	228,242,999,2
Capital Receipts	64,132,570,14	127,090,376,8	273,214,409,0	303,709,250,7	354,803,595,3	420,718,855,9	481,729,717,4	554,644,196,5	581,062,672,3	608,769,228,6

143. **Figure 25** illustrates the revenue trend from 2024 to 2027 with significant growth across all key fiscal items, reflecting strategic initiatives and economic policies aimed at boosting Lagos State's fiscal sustainability. Statutory Allocation is projected to increase from ₦96 billion in 2024 to ₦121.97 billion in 2027, indicating a reasonable reliance on growing federal transfers.

144. VAT revenue is expected to rise sharply, reaching ₦425.92 billion by 2027, driven by broadening the tax base and improving compliance.

145. Total Internally Generated Revenue (IGR) is forecasted to grow from ₦1.16 trillion in 2024 to ₦1.84 trillion in 2027, underpinned by formalizing the informal sector, enhancing technology use, and the implementation of business-friendly policies. Other Federation Account Receipts are anticipated to increase due to better fiscal management and enhanced federal allocations. Capital receipts, including loans, grants, and other capital, are projected to grow significantly, ensuring robust funding for infrastructure and development projects, which aligns with the State's strategic goals for economic resilience and growth.

Figure 26: Expenditure Trend



	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Personnel Costs	86,633,779,347	98,271,050,846	136,329,171,546	133,497,054,753	145,021,971,522	178,318,894,667	255,526,905,078	294,134,944,938	323,548,439,432	355,903,283,376
Social Contribution and Social Benefit	20,673,041,711	21,005,384,116	34,428,537,120	20,038,453,625	23,689,206,004	21,093,009,040	47,334,526,461	52,511,819,451	57,763,001,397	63,539,301,536
Overheads	175,731,988,342	221,217,575,524	168,080,418,257	244,968,233,340	256,266,322,656	369,568,671,885	558,495,739,886	614,345,313,875	675,779,845,262	743,357,829,788
Grants, Contributions and Subsidies	0	0	0	0	0	0	0	0	0	0
Public Debt Service	153,321,708,350	213,747,714,553	200,707,238,414	229,185,132,270	280,493,805,480	310,809,020,211	458,966,320,144	586,098,529,036	549,849,327,292	469,915,392,658
Capital Expenditure	213,765,021,732	241,057,122,722	304,936,590,377	424,468,173,036	651,897,685,538	598,367,061,177	913,632,987,488	1,026,046,562,938	1,240,429,477,209	1,549,865,999,290

146. **Figure 25** illustrates the revenue trend from 2024 to 2027 with significant growth across all key fiscal items, reflecting strategic initiatives and economic policies aimed at boosting Lagos State's fiscal sustainability. Statutory Allocation is projected to increase from ₦96 billion in 2024 to ₦121.97 billion in 2027, indicating a reasonable reliance on growing federal transfers.

147. VAT revenue is expected to rise sharply, reaching ₦425.92 billion by 2027, driven by broadening the tax base and improving compliance.

148. Total Internally Generated Revenue (IGR) is forecasted to grow from ₦1.16 trillion in 2024 to ₦1.84 trillion in 2027, underpinned by formalizing the informal sector, enhancing technology use, and the implementation of business-friendly policies. Other Federation Account Receipts are anticipated to increase due to better fiscal management and enhanced federal allocations. Capital receipts, including loans, grants, and other capital, are projected to grow significantly, ensuring robust funding for infrastructure and development projects, which aligns with the State's strategic goals for economic resilience and growth.

149. Figure **26** Shows the State's Actual and Forecast Total Expenditure from Y2018 to Y2027. As strategies and policies are being mapped out for the new administration, Personnel cost is projected to have a less significant growth in 2025 compared to 2024 due to the need to stabilize recruitment and accommodate the introduction of a new minimum wage in 2024. Overhead costs show a decreasing trend, which indicates plans for effective cost management and resource allocation.

150. The projection for public debt service shows a peak in debt servicing costs in 2025, followed by a continuous decline into 2027.

151. 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 2025-2027.

3.E Local Government Forecast

152. 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 as follows:

Table 9: 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%	3,785,496,646.43	12,517,370,749.77	8,010,119,062.24	**24,312,986,458.44**
Ajeromi Ifelodun	0.2212%	0.7762%	4,865,755,613.90	13,343,235,002.30	10,295,949,365.56	**28,504,939,981.76**
Alimosho	0.3567%	0.9035%	7,846,958,806.16	15,530,187,765.33	16,604,181,745.39	**39,981,328,316.88**
Amuwo Odofin	0.1394%	0.6978%	3,066,932,889.96	11,995,055,801.59	6,489,636,604.93	**21,551,625,296.48**
Apapa	0.1172%	0.6762%	2,578,511,760.25	11,623,677,358.33	5,456,136,441.82	**19,658,325,560.40**
Badagry	0.1310%	0.6813%	2,882,681,017.93	11,711,106,248.43	6,099,759,246.60	**20,693,546,512.96**
Epe	0.1203%	0.6685%	2,646,741,584.06	11,491,220,618.82	5,600,510,896.06	**19,738,473,098.94**
Etiosa	0.1452%	0.6913%	3,193,012,148.32	11,883,127,222.52	6,756,420,587.35	**21,832,559,958.19**
Ibeju Lekki	0.0969%	0.6548%	2,132,090,988.99	11,255,699,398.22	4,511,509,127.73	**17,899,299,514.95**
Ifako/Ijaye	0.1653%	0.7213%	3,635,429,800.65	12,399,252,775.59	7,692,577,293.15	**23,727,259,869.38**
Ikeja	0.1429%	0.6967%	3,142,649,218.26	11,976,745,507.73	6,649,852,518.79	**21,769,247,244.77**
Ikorodu	0.1964%	0.7444%	4,320,986,802.12	12,796,188,262.83	9,143,217,385.75	**26,260,392,450.70**
Kosofe	0.2125%	0.7722%	4,675,028,521.19	13,274,296,930.09	9,892,370,426.33	**27,841,695,877.62**
Lagos Island	0.1144%	0.6745%	2,516,640,137.86	11,594,480,360.57	5,325,215,955.51	**19,436,336,453.94**
Lagos Mainland	0.1380%	0.6977%	3,036,730,504.22	11,993,412,664.56	6,425,728,291.61	**21,455,871,460.39**
Mushin	0.2067%	0.7653%	4,546,213,713.99	13,154,988,971.02	9,619,798,016.68	**27,321,000,701.70**
Ojo	0.2005%	0.7578%	4,411,277,562.86	13,026,271,657.71	9,334,272,830.08	**26,771,822,050.65**
Oshodi/Isolo	0.2048%	0.7628%	4,504,283,298.88	13,112,621,087.83	9,531,073,167.93	**27,147,977,554.64**
Shomolu	0.1584%	0.7159%	3,483,641,960.27	12,306,393,428.12	7,371,393,895.79	**23,161,429,284.18**
Surulere	0.1811%	0.7376%	3,984,843,133.13	12,679,606,584.93	8,431,936,657.73	**25,096,386,375.79**
Total	3%	15%	**75,255,906,109.44**	**249,664,938,396.29**	**159,241,659,517.04**	**484,162,504,022.77**

Table 10: 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%	4,164,046,311.07	13,769,107,824.75	8,880,749,297.60	**26,813,903,433.42**
Ajeromi Ifelodun	0.2212%	0.7762%	5,352,331,175.29	14,677,558,502.53	11,415,029,462.83	**31,444,919,140.65**
Alimosho	0.3567%	0.9035%	8,631,654,686.78	17,083,206,541.86	18,408,911,806.02	**44,123,773,034.66**
Amuwo Odofin	0.1394%	0.6978%	3,373,626,178.96	13,194,561,381.75	7,195,003,628.91	**23,763,191,189.62**
Apapa	0.1172%	0.6762%	2,836,362,936.27	12,786,045,094.17	6,049,170,991.94	**21,671,579,022.38**
Badagry	0.1310%	0.6813%	3,170,949,119.72	12,882,216,873.27	6,762,749,994.58	**22,815,915,987.57**
Epe	0.1203%	0.6685%	2,911,415,742.47	12,640,342,680.70	6,209,237,692.96	**21,760,996,116.12**
Etiosa	0.1452%	0.6913%	3,512,313,363.16	13,071,439,944.77	7,490,784,708.58	**24,074,538,016.51**
Ibeju Lekki	0.0969%	0.6548%	2,345,300,087.89	12,381,269,338.05	5,001,870,909.27	**19,728,440,335.20**
Ifako/Ijaye	0.1653%	0.7213%	3,998,972,780.71	13,639,178,053.15	8,528,693,501.55	**26,166,844,335.42**
Ikeja	0.1429%	0.6967%	3,456,914,140.09	13,174,420,058.50	7,372,633,618.36	**24,003,967,816.94**
Ikorodu	0.1964%	0.7444%	4,753,085,482.33	14,075,807,089.11	10,137,005,548.28	**28,965,898,119.72**
Kosofe	0.2125%	0.7722%	5,142,531,373.31	14,601,726,623.10	10,967,585,004.99	**30,711,843,001.40**
Lagos Island	0.1144%	0.6745%	2,768,304,151.65	12,753,928,396.62	5,904,020,588.08	**21,426,253,136.36**
Lagos Mainland	0.1380%	0.6977%	3,340,403,554.64	13,192,753,931.01	7,124,149,038.09	**23,657,306,523.75**
Mushin	0.2067%	0.7653%	5,000,835,085.39	14,470,487,868.12	10,665,386,346.43	**30,136,709,299.94**
Ojo	0.2005%	0.7578%	4,852,405,319.15	14,328,898,823.48	10,348,827,056.77	**29,530,131,199.40**
Oshodi/Isolo	0.2048%	0.7628%	4,954,711,628.77	14,423,883,196.61	10,567,017,878.73	**29,945,612,704.11**
Shomolu	0.1584%	0.7159%	3,832,006,156.30	13,537,032,770.93	8,172,600,263.95	**25,541,639,191.18**
Surulere	0.1811%	0.7376%	4,383,327,446.44	13,947,567,243.42	9,348,414,794.91	**27,679,309,484.78**
Total	3%	15%	**82,781,496,720.39**	**274,631,432,235.91**	**176,549,842,132.82**	**533,962,771,089.12**

Table 11: Local Government FAAC Estimates for 2027

Local Government Council	Statutory Allocation Share	VAT Share	2027			
			Statutory Allocation	VAT	Other Federation Account	Total Transfer
Agege	0.1721%	0.7282%	4,580,450,942.18	15,146,018,607.22	9,852,366,222.31	**29,578,835,771.72**
Ajeromi Ifelodun	0.2212%	0.7762%	5,887,564,292.82	16,145,314,352.78	12,663,914,601.97	**34,696,793,247.57**
Alimosho	0.3567%	0.9035%	9,494,820,155.46	18,791,527,196.05	20,422,977,249.93	**48,709,324,601.43**
Amuwo Odofin	0.1394%	0.6978%	3,710,988,796.85	14,514,017,519.93	7,982,188,028.00	**26,207,194,344.78**
Apapa	0.1172%	0.6762%	3,119,999,229.90	14,064,649,603.58	6,710,993,178.25	**23,895,642,011.74**
Badagry	0.1310%	0.6813%	3,488,044,031.69	14,170,438,560.60	7,502,642,782.02	**25,161,125,374.31**
Epe	0.1203%	0.6685%	3,202,557,316.71	13,904,376,948.77	6,888,572,311.01	**23,995,506,576.49**
Etiosa	0.1452%	0.6913%	3,863,544,699.47	14,378,583,939.25	8,310,329,654.43	**26,552,458,293.16**
Ibeju Lekki	0.0969%	0.6548%	2,579,830,096.68	13,619,396,271.85	5,549,111,042.71	**21,748,337,411.24**
Ifako/Ijaye	0.1653%	0.7213%	4,398,870,058.78	15,003,095,858.47	9,461,793,026.62	**28,863,758,943.87**
Ikeja	0.1429%	0.6967%	3,802,605,554.09	14,491,862,064.35	8,179,251,997.43	**26,473,719,615.87**
Ikorodu	0.1964%	0.7444%	5,228,394,030.56	15,483,387,798.02	11,246,065,811.84	**31,957,847,640.42**
Kosofe	0.2125%	0.7722%	5,656,784,510.64	16,061,899,285.41	12,167,516,548.71	**33,886,200,344.77**
Lagos Island	0.1144%	0.6745%	3,045,134,566.82	14,029,321,236.29	6,549,962,291.31	**23,624,418,094.41**
Lagos Mainland	0.1380%	0.6977%	3,674,443,910.11	14,512,029,324.11	7,903,581,442.68	**26,090,054,676.91**
Mushin	0.2067%	0.7653%	5,500,918,593.93	15,917,536,654.94	11,832,255,214.76	**33,250,710,463.62**
Ojo	0.2005%	0.7578%	5,337,645,851.06	15,761,788,705.83	11,481,062,094.87	**32,580,496,651.76**
Oshodi/Isolo	0.2048%	0.7628%	5,450,182,791.64	15,866,271,516.27	11,723,124,539.41	**33,039,578,847.32**
Shomolu	0.1584%	0.7159%	4,215,206,771.93	14,890,736,048.03	9,066,740,664.64	**28,172,683,484.60**
Surulere	0.1811%	0.7376%	4,821,660,191.09	15,342,323,967.77	10,371,197,640.10	**30,535,181,798.96**
Total	3%	15%	**91,059,646,392.43**	**302,094,575,459.50**	**195,865,646,343.00**	**589,019,868,194.93**

3.F Fiscal Risks

Below is a table summarizing key fiscal risks, their likelihood and impact, along with proposed mitigation strategies:

Table 12: Fiscal Risk

RISK MATRIX				
	RISK	LIKELIHOOD	IMPACT	MITIGATION STRATEGY
1	GLOBAL			
A	Susceptibility to External Shocks	H	• External shocks such as a global economic downturn, oil price fluctuations, or global trade disruptions can affect the State's economy and budget objectives	• Promote non-oil sectors specifically agriculture, technology, and tourism • Build financial buffers to withstand shocks through strategic reserves and contingency funds. • Embrace trade diversification and regional partnerships (ECOWAS). Explore new trade partners beyond traditional markets.
2	FINANCIAL/ECONOMIC			
A	Volatile Macro-Economic Indicators	H	• Persistent high inflation rates eroding the purchasing power of the budget, leading to reduced spending power and increased costs for the State • Long-term contractionary monetary policy stifling business growth and expansion	• Explore Indexed Budgeting by adjusting budget allocations based on inflation rates to maintain real purchasing power • Target monetary and policy interventions for critical sectors (SMEs, Agriculture) • Facilitate access to credit for businesses • Strengthen local production and reduce import dependence • Explore hedging options to manage interest rate risks
i	Inadequate Revenue Generating Capacity	H	• Reliance on traditional revenue streams, such as taxes and levies, may not be sufficient to meet the growing fiscal needs of the State. • Potential revenue shortfalls could undermine the budget's ability to fund intended essential programs and services.	• Encourage private sector participation and public-private partnerships • Conduct regular budget reviews and performance evaluations to identify areas for cost optimization • Promote economic diversification by investing in sectors with growth potential.
3	POLITICAL			
A	Political Interests	M	• Budget allocations may be influenced by political considerations rather than optimal resource allocation.	• Prioritize resource allocations to low-cost high returns project and programmes
4	ENVIRONMENTAL			
A	Outbreak of Contagious Disease	H	• Pressure on existing health facilities • Unexpected government expenditure	• Effectiveness and Efficiency in the health sector should be prioritized as a resilience strategy • Increased investment in the health sector
i	Climate-Related Risks	H	• Climate change impacts (e.g., flooding, sea-level rise) could strain infrastructure, disrupt	• Lagos, being a coastal city, must continue to prioritize and enforce climate resilience and adaptation measures

			economic activities, and increase costs	
5	SECURITY/SOCIAL			
A	Inter-State Migration/ Population Explosion	H	• Pressure on State's scarce resources	• Analyze migration patterns to anticipate service demands and allocate resources effectively • Engage with federal authorities to coordinate migration policies and funding.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust- Sustainable Transformation

Economic Resilience and Growth

153. The Lagos State 2025 budget focuses on sustainable transformation through strategic investments in critical infrastructure, fostering innovation and technology, promoting social inclusion and poverty alleviation, enhancing healthcare access and preparedness, ensuring fiscal responsibility and sustainability, utilizing data-driven decision-making, prioritizing the completion of capital projects, and fostering global partnerships and investment. Our goal is to create a resilient, inclusive, and thriving economic hub that addresses current challenges and strategically plans for future growth.

154. Infrastructure Development: We will prioritize significant investments in critical infrastructure such as transportation networks, energy systems, and digital connectivity. These projects are essential for enhancing economic productivity and improving residents' quality of life. By upgrading and expanding infrastructure, we aim to support both current and future economic activities, facilitating smoother commerce and trade within the state and with neighbouring regions.

155. Innovation and Technology: Embracing technology and fostering innovation will be key drivers of our economic strategy. Initiatives like smart cities, digital platforms, and data-driven decision-making will enhance operational efficiency and competitiveness. By integrating advanced technologies into urban management, we will improve service delivery, enhance citizen engagement, and attract tech-driven investments.

Social Inclusion and Poverty Alleviation

156. Job Creation and Skills Development: We are dedicated to creating high-earning employment opportunities through partnerships with private sector organizations. This will reduce unemployment and enhance employability, particularly among youths. Programs like the Lagos State Upskill Programme (LAG-UP) will bridge the digital divide and equip our young people with the necessary skills for the evolving job market.

157. Food Security: Ensuring food availability, affordability, and accessibility for all residents remains a top priority. We will support local agriculture, promote sustainable practices, and strengthen food supply chains. Interventions in the short-term, such as a 25% price reduction on essential food items and the establishment of fruit and vegetable hubs, will help mitigate the immediate effects of food inflation, while the State continues to drive long-term agricultural development initiatives.

Healthcare and Well-being

158. Universal Healthcare Access: We are committed to improving healthcare infrastructure, especially in underserved areas. Emphasis will be placed on telemedicine, community health centres, and preventive care programs to ensure that all residents have access to quality healthcare services. The introduction of the Smart Health Information Platform (SHIP) will enhance data management and patient care.

159. Pandemic Preparedness: Drawing lessons from the COVID-19 pandemic, we will bolster our healthcare system's resilience, invest in medical research, and strengthen emergency response capabilities. This includes establishing better health monitoring systems and ensuring that healthcare facilities are well-equipped to handle future health crises.

Fiscal Responsibility and Sustainability

160. Efficient Revenue Generation: We will explore innovative revenue sources beyond traditional taxation. Digital platforms, property taxes, and public-private partnerships will play significant roles in generating sustainable funding for the state's needs. Strengthening tax administration and compliance will also be key to maximizing revenue without overburdening taxpayers.

161. Debt Management: Implementing prudent debt management practices is crucial for ensuring fiscal stability. We will carefully assess borrowing needs and prioritize debt repayment to maintain a healthy fiscal balance and avoid unsustainable debt levels.

Data-Driven Decision-Making

162. Economic Intelligence Hub: Adequately equip the Economic Intelligence Department of the State to enable real-time data analysis, economic trend monitoring, and support for informed policy decisions. This will enhance our agility in responding to changing circumstances and allow us to make proactive adjustments to our economic strategies.

Capital Project Execution

163. Project Completion: We commit to the efficient and timely completion of ongoing capital projects. Prioritizing the completion of these projects will maximize the impact of our resources and ensure that the benefits of these investments are realized by our residents as soon as possible.

Global Partnerships and Investment

164. Resilience Network: Building on our status as a resilient city, we will actively collaborate with other global cities, international organizations, and investors. Attracting Foreign Direct Investment (FDI) is essential to support our development agenda, and we will create a conducive environment for investors through policy stability and transparency.

This Budget Policy Statement articulates our determination to create a sustainable, inclusive, and resilient Lagos State. As we navigate medium-term challenges, our commitment to maximizing the positive impact of our policies and resources remains steadfast. By addressing current economic realities and strategically planning for the future, we will ensure that Lagos continues to thrive as a leading economic hub in Africa.

4.B Sector Allocations (3 Year)

165. 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.

166. 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.

167. 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.

168. 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.

169. 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.

170. Presented in the table below are the indicative three envelopes for Sectors.

Table 13: Indicative Expenditure Ceilings 2025-2027

Aggregate Budget Allocation	Approved Allocation (%)	Proposed MTBF Allocations (%)			
		Y2024	Y2025	Y2026	Y2027
General Public Services		27.77%	20.22%	20.20%	20.20%
Public Order and Safety		3.99%	4.00%	4.01%	4.02%
Economic Affairs		25.48%	25.62%	26.34%	28.90%
Environment		4.01%	4.05%	4.07%	4.09%
Housing and Community Amenities		2.47%	2.61%	2.72%	2.87%
Health		7.08%	7.20%	9.24%	9.75%
Recreation, Culture and Religion		1.84%	0.97%	0.99%	1.00%
Education		7.97%	8.00%	8.50%	9.70%
Social Protection		1.72%	1.90%	1.92%	1.93%
Contingency Reserve		1.44%	1.50%	1.50%	1.50%
Planning Reserve		0.00%	1.50%	1.50%	1.50%
Debt Servicing		16.22%	22.44%	19.02%	14.54%
Total		**100.00%**	**100.00%**	**100.00%**	**100.00%**

4.C Medium-term Sector Strategies (MTSS)

171. 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.

- 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.

It is a bottom-up resource allocation strategy that is meant to link up with the top-down medium-term budget framework.

172. 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.

173. 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.

174. 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

175. This Y2025-Y2027 MTEF Document will be used to inform the Y2025 Budget Call Circular and in turn, formulate the Annual Budget.

176. The Budget Call Circular (BCC) shall include the following instructions to MDA's for the annual budget submissions among others:

a. 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.

b. The drawdown/repayment schedules of such Loans/Grants are to be reconciled on monthly basis with DMO and Development Partnership Department (DPD) of MEPB.

c. 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.

Section 5 Summary of Key Points and Recommendations

Summary of Key Points

- **Revenue Trends**:
  - **IGR Growth**: Internally Generated Revenue (IGR) has shown consistent growth, particularly in 2022 and from 2023 to 2024, highlighting the state's robust revenue collection mechanisms.
  - **VAT Performance**: VAT collections have generally met or exceeded budgeted figures, demonstrating effective tax administration.
  - **Loans and Grants**: Actual figures for loans often exceed budgeted amounts, indicating a reliance on borrowing. Grant receipts have been inconsistent, with significant shortfalls in several years.
  - **Other Federation Account Receipts**: This revenue stream shows volatility with significant deviations between budgeted and actual figures.
- **Expenditure Analysis**:
  - **Capital Expenditure**: There is a persistent gap between budgeted and actual capital expenditures, impacting infrastructure development and economic growth.
  - **Personnel Costs**: Actual personnel costs have been relatively aligned with budgeted amounts, but there is room for efficiency improvements.
  - **Public Debt Service**: The increasing trend in debt service payments highlights the growing debt burden on the state's finances.
  - **Social Programs**: Budgeted amounts for social contributions and benefits are often not fully utilized, suggesting inefficiencies in program delivery.
- **Debt Sustainability**: Debt sustainability ratios indicate that Lagos State's external debt levels and debt service requirements are high, posing significant risks to fiscal stability.

Recommendations

1. **Sectoral Diversification**:
   - **Support Emerging Sectors**: Promote growth in sectors such as technology, agriculture, and tourism to diversify the economy and reduce dependency on traditional revenue sources like oil.
   - **Tax Exemptions:** Exempt small businesses, especially those in the informal sector, from all forms of tax payments to alleviate the economic burden on the most vulnerable members of our society, who are disproportionately affected by the current economic crises.

4. **Prudent Borrowing**:
   - **Limit New Loans**: Exercise caution in taking new loans and focus on debt restructuring to manage existing liabilities more effectively.
   - **Grants and Concessional Loans**: Prioritize grants and concessional loans over commercial borrowing to reduce debt service costs.

5. **Efficiency in Capital Expenditure**:
    - **Prioritize Projects**: Focus on completing ongoing capital projects and prioritize new projects with high economic returns and social impact.
    - **Performance Monitoring**: Establish robust monitoring and evaluation frameworks to ensure timely completion and value for money in capital projects.
6. **Personnel and Overhead Costs**:
    - **Workforce Optimization**: Conduct a comprehensive review of the public workforce to optimize staff numbers, roles, and functions, leveraging digital tools to improve productivity.
    - **Performance-Based Pay**: Implement a performance-based pay system to align remuneration with productivity and service delivery outcomes.
7. **Targeted Social Programs**:
    - **Effective Delivery**: Improve the design and delivery of social programs to ensure resources reach the most vulnerable populations, using data-driven approaches to identify and support those in need.
8. **Human Capital Development**:
    - **Invest in Education and Skills**: Increase funding for education and vocational training programs to enhance the skills of the workforce and improve their competitiveness in the job market.
    - **Healthcare Improvements**: Allocate more resources to healthcare infrastructure and services to ensure a healthy workforce, which is essential for sustained economic growth.
9. **Transparency and Accountability**:
    - **Public Engagement**: Engage with stakeholders including businesses, civil society, and the general public to gather input on budget priorities and build consensus on fiscal policies.
    - **Regular Reporting**: Enhance transparency by publishing regular budget performance reports and ensuring accountability in the use of public funds.
10. **Robust Monitoring and Evaluation**:
    - **Implementation Tracking**: Establish strong monitoring and evaluation frameworks to track the implementation of budget allocations and policy measures, ensuring they are used effectively and efficiently.

By focusing on these strategic areas, Lagos State can enhance its revenue base, optimize expenditures, manage debt sustainably, and foster social and economic development, ensuring a more resilient and prosperous future for its residents.

Annexure 1: Capital Receipt

ITEM	2024	2025	2026	2027	Discretional / Non-Discretional	If Non-Discretional, Specify Sector
Internal Grants						
Growth Enhancement Support Scheme (GESS)	143,273,270	143,273,270	146,855,102	150,526,479	Non-Discretional	Economic Affairs
National Programme for food Security	133,358,400	135,000,000	138,375,000	141,834,375	Non-Discretional	Economic Affairs
LASU: TETFUND	259,442,400	1,000,000,000	1,025,000,000	1,050,625,000	Non-Discretional	Education
UBEC Grant	2,782,284,937	1,500,000,000	1,537,500,000	1,575,937,500	Non-Discretional	Ministry of Education
TETFUND Others	217,787,640	250,000,000	256,250,000	262,656,250	Non-Discretional	Education
Blue Economy Initiative	500,000,000	500,000,000	512,500,000	525,312,500	Non-Discretional	General Public Services
Livestock Productivity & Resilience Programme	500,000,000	500,000,000	512,500,000	525,312,500	Non-Discretional	Economic Affairs
Out of School Children - Climate Change Education	-	1,950,000,000	1,998,750,000	2,048,718,750	Non-Discretional	Education
Social Proctection - State Coordination Unit (SOCU)	1,837,500,000	1,500,000,000	1,537,500,000	1,575,937,500	Non-Discretional	General Public Services
Sport Commission	-	250,000,000	256,250,000	262,656,250	Non-Discretional	Recreation, Culture and Religion
Circular Economy Initiative	630,000,000	630,000,000	645,750,000	661,893,750	Non-Discretional	General Public Services
LASG Edu-Trust Fund	3,134,250,000	1,000,000,000	1,025,000,000	1,050,625,000	Non-Discretional	Education
Lagos State Technical and Vocationbal Education Board	3,353,822,667	3,251,531,382	3,332,819,666	3,416,140,158	Non-Discretional	Education
Hacey Health Initiative	47,787,395	47,787,395	48,982,080	50,206,632	Non-Discretional	Health
Sub-Total Internal Grant	13,539,506,709	12,657,592,047	12,974,031,848	13,298,382,644		
External Grants						
Lagos Platform for Development	750,000,000	825,000,000	845,625,000	866,765,625	Non-Discretional	General Public Services
Country Development Programmes	2,000,000,000	3,000,000,000	3,075,000,000	3,151,875,000	Non-Discretional	General Public Services
FAO-UNIDO Collaboration LAG	1,312,500,000	500,000,000	512,500,000	525,312,500	Non-Discretional	Economic Affairs
Lagos State Agric Development Authority	-	-	-	-	Non-Discretional	Ministry of Agriculture
Supporting Lagos State Universal Health Coverage through Primary Health Care Revitalization	868,688,541	750,000,000	768,750,000	787,968,750	Non-Discretional	Health
Youth Power Ecosystem 4 Adolescent Health (YPE4AH)	1,126,125,000	1,200,000,000	1,230,000,000	1,260,750,000	Non-Discretional	Health
ICHSSA 2 Project	-	-	-	-	Non-Discretional	Ministry of Health
Development of electronic HEFAMAA(e-HEFAMAA) Platform	47,155,558	47,155,558	48,334,447	49,542,808	Non-Discretional	Health
State Cancer Control Program	10,980,900	107,289,649	109,971,890	112,721,187	Non-Discretional	Health
SOML P for R	2,264,228,463	1,000,000,000	1,025,000,000	1,050,625,000	Non-Discretional	Health
Malaria diagnostic testing and conditional subsidies to target ACTs in the retail sector: The TESTsmART trial	887,037,538	800,000,000	820,000,000	840,500,000	Non-Discretional	Health
TB, Leprosy and Buruli Ulcer Control Program (TB-LON 3 Project)	207,529,424	200,000,000	205,000,000	210,125,000	Non-Discretional	Health
Support to improve maternal and newborn health	532,612,500	532,612,500	545,927,813	559,576,008	Non-Discretional	Health
Community Focused approach to increase access to PPFP services in High Home delivery settings in Nigeria (PoPCare)	2,178,169,581	2,178,169,581	2,232,623,821	2,288,439,416	Non-Discretional	Health
Accelerating TB Case Notification in Lagos State	6,625,123,197	6,625,123,197	6,790,751,277	6,960,520,059	Non-Discretional	Health
Performance Monitoring for Action (PMA)	130,725,000	130,725,000	133,993,125	137,342,953	Non-Discretional	Health
State -led Strategic Purchasing for Family Planning (SP4FP)	2,664,375,000	2,664,375,000	2,730,984,375	2,799,258,984	Non-Discretional	Health
Supply Chain Support to Lagos State	130,725,000	130,725,000	133,993,125	137,342,953	Non-Discretional	Health
Technical Support Unit (TSU 2.0)	133,148,642	133,148,642	136,477,358	139,889,291	Non-Discretional	Health
Strenghtening Primary Health Care System	13,072,500	13,072,500	13,399,313	13,734,295	Non-Discretional	Health
Community Health Care Support System	5,229,000	5,229,000	5,359,725	5,493,718	Non-Discretional	Health
Children, Adolescents and Women Neonatal, Reproductive Supports	32,083,837	32,083,837	32,885,933	33,708,081	Non-Discretional	Health
Strengthened national capacity and delivery of routine immunization	13,072,500	13,072,500	13,399,313	13,734,295	Non-Discretional	Health
UNITAID funded Secondary Prevention of Cervical Cancer using optimal screening and treatment models	2,004,450,000	2,004,450,000	2,054,561,250	2,105,925,281	Non-Discretional	Health
World bank Co-prep to LSMOH	1,372,943,200	1,372,943,200	1,407,266,780	1,442,448,450	Non-Discretional	Health
Educate a Child	1,417,500,000	1,417,500,000	1,452,937,500	1,489,260,938	Non-Discretional	Education
Water Corporation Support	13,387,500,000	13,387,500,000	13,722,187,500	14,065,242,188	Non-Discretional	Environment
PPA - United Nations Support	126,000,000	126,000,000	129,150,000	132,378,750	Non-Discretional	Health
Strengthening Resilient and Sustainable Systems for Health in Lagos State	695,592,757	695,592,757	712,982,576	730,807,140	Non-Discretional	General Public Services
Sub-Total External Grant	40,936,568,136	39,891,767,920	40,889,062,118	41,911,288,671		
Grant Balancing Item / Blue Sky						
Total Grants	54,476,074,845	52,549,359,967	53,863,093,966	55,209,671,315		

Internal Loans						
Bonds	-	125,220,574,351	131,481,603,069	138,055,683,222	Discretional	
Internal Loans	305,405,553,532	250,093,500,000	262,598,175,000	275,728,083,750	Discretional	
Total	305,405,553,532	375,314,074,351	394,079,778,069	413,783,766,972		
External Loans						
Lagos State Agro-Processing, Productivity Enhancement and Livelihood Support (APPEALS) Project	150,000,000	-	-	-	Non-Discretional	Economic Affairs
LSTMPP1-4 QBC and 2 Interchanges	59,500,000,000	62,475,000,000	65,598,750,000	68,878,687,500	Non-Discretional	Economic Affairs
LSTMPP1-3 QBC	5,166,700,000	5,425,035,000	5,696,286,750	5,981,101,088	Non-Discretional	Economic Affairs
N'Care (World Bank)	9,020,000,000	2,706,000,000	2,841,300,000	2,983,365,000	Non-Discretional	General Public Services
SABER	6,682,500,000	7,016,625,000	7,367,456,250	7,735,829,063	Non-Discretional	General Public Services
LAG-WIDE (LASWA)	-	-	-	-	Non-Discretional	Economic Affairs
Malaria IMPACT Programme	1,200,000,000	1,200,000,000	1,260,000,000	1,323,000,000	Non-Discretional	Health
Total	81,719,200,000	78,822,660,000	82,763,793,000	86,901,982,650		
Loan Balancing Item / Blue Sky						
Total Loans	387,124,753,532	454,136,734,351	476,843,571,069	500,685,749,622		
Other Capital Receipts						
New Towns Development Authority	8,000,000,000	8,400,000,000	8,820,000,000	9,261,000,000	Non-Discretional	Housing and Community Amenities
Lagos State Lotteries Board	7,040,000,000	9,000,000,000	9,450,000,000	9,922,500,000	Non-Discretional	General Public Services
Ministry of Housing	6,500,000,000	8,780,000,000	9,219,000,000	9,679,950,000	Non-Discretional	Housing and Community Amenities
Lagos Mortgage Board (LMB)	4,000,000,000	3,554,567,251	3,732,295,614	3,918,910,394	Non-Discretional	Housing and Community Amenities
13% Regulatory Fee (MOH)	3,500,000,000	3,500,000,000	3,675,000,000	3,858,750,000	Non-Discretional	Health
Motor Vehicle Administration Agency	3,459,500,000	2,987,775,000	3,137,163,750	3,294,021,938	Non-Discretional	Economic Affairs
Lagos State University (LASU)	3,000,000,000	4,285,800,000	4,500,090,000	4,725,094,500	Non-Discretional	Education
Lagos State University of Science and Technology (LASUSTECH) Formerly LASPOTECH	1,004,071,484	1,650,000,000	1,732,500,000	1,819,125,000	Non-Discretional	Education
Balance B/F from 2023	705,317,538	250,000,000	262,500,000	275,625,000	Non-Discretional	General Public Services
Rent /Renovation of Staff Quarters	600,000,000	800,000,000	840,000,000	882,000,000	Non-Discretional	Housing and Community Amenities
Lands Bureau	530,000,000	1,000,000,000	1,050,000,000	1,102,500,000	Non-Discretional	Housing and Community Amenities
Ministry of Physical Planning and Urban Development	400,000,000	400,000,000	420,000,000	441,000,000	Non-Discretional	Housing and Community Amenities
Sports Trust Fund	400,000,000	250,000,000	262,500,000	275,625,000	Non-Discretional	Recreation, Culture and Religion
Lagos State University of Education (LASUED) formerly (AOCOED & MOCPED)	390,000,000	900,000,000	945,000,000	992,250,000	Non-Discretional	Education
Ministry of Waterfront Infrastructure Development	300,000,000	700,000,000	735,000,000	771,750,000	Non-Discretional	Economic Affairs
Lagos State Infrastructural Maintenance& Regulatory Agency (LASIMRA)	300,000,000	300,000,000	315,000,000	330,750,000	Non-Discretional	Economic Affairs
LAMATA	-	1,199,960,000	1,259,958,000	1,322,955,900	Non-Discretional	Economic Affairs
Total	40,128,889,022	47,958,102,251	50,356,007,364	52,873,807,732		
OCR Balancing Item / Blue Sky						
Total Other Capital Receipts	40,128,889,022	47,958,102,251	50,356,007,364	52,873,807,732		
Non-Discretional Capital Expenditure by Sector	2024	2025	2026	2027		
Total	173,541,878,930	177,830,122,218	185,445,394,330	193,409,524,197		
General Public Services	29,860,910,295	26,123,217,757	27,250,613,826	28,429,910,577		
Public Order and Safety	-	-	-	-		
Economic Affairs	70,965,331,670	74,366,043,270	78,052,388,602	81,922,252,279		
Environment	13,387,500,000	13,387,500,000	13,722,187,500	14,065,242,188		
Housing and Community Amenities	20,030,000,000	22,934,567,251	24,081,295,614	25,285,360,394		
Health	26,121,262,775	24,813,962,558	25,551,811,622	26,313,981,913		
Recreation, Culture and Religion	400,000,000	500,000,000	518,750,000	538,281,250		
Education	12,776,874,191	15,704,831,382	16,268,347,166	16,854,495,595		
Social Protection	-	-	-	-		