



MEDIUM – TERM EXPENDITURE FRAMEWORK DOCUMENT



Comprising:

- Economic and Fiscal Update (EFU);
- Fiscal Strategy (FS); and
- Budget Policy Statement (BPS)

FY2026-2028

J U L Y 2 0 2 5



ECONOMIC INTELLIGENCE DEPARTMENT
MINISTRY OF ECONOMIC PLANNING AND BUDGET
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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

1.A Introduction and Background

Introduction

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

The Medium-Term Expenditure Framework (MTEF) serves as Lagos State’s strategic fiscal blueprint for aligning public expenditure with government priorities over a rolling three-year period (2026–2028). As a tool of forward-looking financial governance, the MTEF promotes prudent fiscal discipline, improves allocative efficiency, and facilitates stronger coordination between policy intent and budget execution.

By anchoring resource planning within macroeconomic realities, the framework allows the State Executive Council (ExCo) to assess cross-sectoral priorities within a realistic fiscal envelope, enabling the preparation of a credible 2026 budget while making informed forecasts for 2027 and 2028.

More than a planning tool, the MTEF represents a shift from input-based to results-driven budgeting bridging the gap between fiscal planning and development outcomes through deeper integration of monitoring, evaluation, and evidence-based adaptation.

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

The Economic and Fiscal Update (EFU) serves as the analytical foundation of the Medium-Term Expenditure Framework (MTEF), providing a comprehensive review of Lagos State’s economic performance and fiscal trajectory. Anchored on empirical data and forward-looking projections, the EFU enables evidence-based decision-making and reinforces the State’s commitment to transparency, accountability, and fiscal responsibility in Public Financial Management (PFM).

Economic Outlook

This component of the EFU assesses the prevailing macroeconomic landscape, both within Lagos State and in its national and global contexts. It provides critical insight into real GDP growth, inflationary trends, employment dynamics, and monetary developments. Particular emphasis is placed on inflationary pressures that not only erode household purchasing power especially for urban consumers, but also significantly distort budgetary provisions and allocations by inflating the cost of government operations and capital projects, the implications of exchange rate volatility, and the fiscal spillovers of federal subsidy reforms on Lagos’ local economy. The outlook includes medium-term projections (2026–2028), integrating both historical trends and emerging risks to economic stability.

Fiscal Outlook

The fiscal outlook component offers a structured analysis of Lagos State’s revenue and expenditure performance, fiscal balances, and debt dynamics. It contrasts approved budgets with actual outturns and evaluates trends in statutory allocations, VAT receipts, Internally Generated Revenue (IGR), capital inflows in terms of capital receipts, investment income, and debt servicing. This section also models the implications of policy choices such as wage adjustments, infrastructure spending, and tax policy shifts (such as the tax policy reforms) on the sustainability of public finances. The outlook provides forward estimates for revenue capacity, borrowing needs, and fiscal deficits over the next three years, forming the basis for setting expenditure ceilings and financing strategies.

Policy Developments and Strategic Decisions

The EFU outlines recent and proposed policy measures with fiscal impact. These include but not limited to adjustments to the withholding tax regime, exemptions for small businesses, and targeted subsidies aimed at easing cost-of-living pressures and ease of doing business. It also captures Lagos’ evolving stance on debt sustainability, revenue diversification, and medium-term planning. This section reflects

the State’s growing adoption of adaptive, data-driven budgeting aligned with international PFM practices and local realities.

Risks and Contingency Planning

A dedicated fiscal risk matrix highlights major vulnerabilities including oil price volatility, revenue shortfalls, external debt exposure, and climate-related shocks. These are assessed through both quantitative ratios and scenario analysis. Lagos’ contingency planning framework, emphasizing budget flexibility, spending prioritization, and intergovernmental coordination, is also articulated as a tool for managing fiscal uncertainties while maintaining service delivery.

Purpose and Utility of the EFU

At its core, the EFU enhances policy foresight and public understanding. It supports:

- **Government decision-making** by presenting timely and credible data for taxation, spending, and debt policies.
- **Investor and private sector confidence** through predictable and transparent fiscal reporting.
- **Public accountability** by showing citizens how policy choices affect public finances and living conditions.
- **Stakeholder engagement** by setting a common evidence-based avenue for inter-ministerial and legislative coordination.

With this update, Lagos joins global cities like London, Toronto, and Wellington in adopting a standardized, open, and proactive approach to economic and fiscal transparency. As the fiscal engine of Nigeria, Lagos must continue to lead in demonstrating how subnational governments can strengthen credibility, responsiveness, and strategic governance through robust financial reporting.

3. Fiscal Strategy Paper (FSP):

The Fiscal Strategy Paper is Lagos State’s operative playbook for translating the macro-diagnosis of the EFU into a coherent, medium-term course of action. This year, the FSP is prepared in line with the **States Fiscal Transparency, Accountability & Sustainability (SFTAS)** technical-assistance toolkit. The FSP:

- sets the **top-down fiscal ceiling** for the 2026 budget and outer-year projections
- embeds internationally recognised and locally regulated **Public-Financial-Management (PFM)** standards (PEFA, IPSAS, DUCAP); and
- provides ExCo and the House of Assembly with a concise menu of policy levers to keep the State on a sustainable, pro-growth trajectory.

4. Budget Policy Statement (BPS):

The 2026–2028 Budget Policy Statement sets the strategic tone for Lagos State’s fiscal and development agenda by translating economic insights and fiscal strategy into clear, actionable priorities. Anchored on principles of fiscal responsibility, inclusive growth, and performance-driven budgeting, the BPS prioritizes infrastructure delivery, equitable social investment, and efficient resource allocation. It adopts modern public financial management (PFM) tools—including the DUCAP framework, Green-PFM practices, and SFTAS benchmarks—to improve capital project execution, strengthen transparency, and ensure that every naira delivers measurable outcomes. This BPS serves as both a roadmap and a commitment to a fiscally stable, socially inclusive, and resilient Lagos.

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 The Budget Process

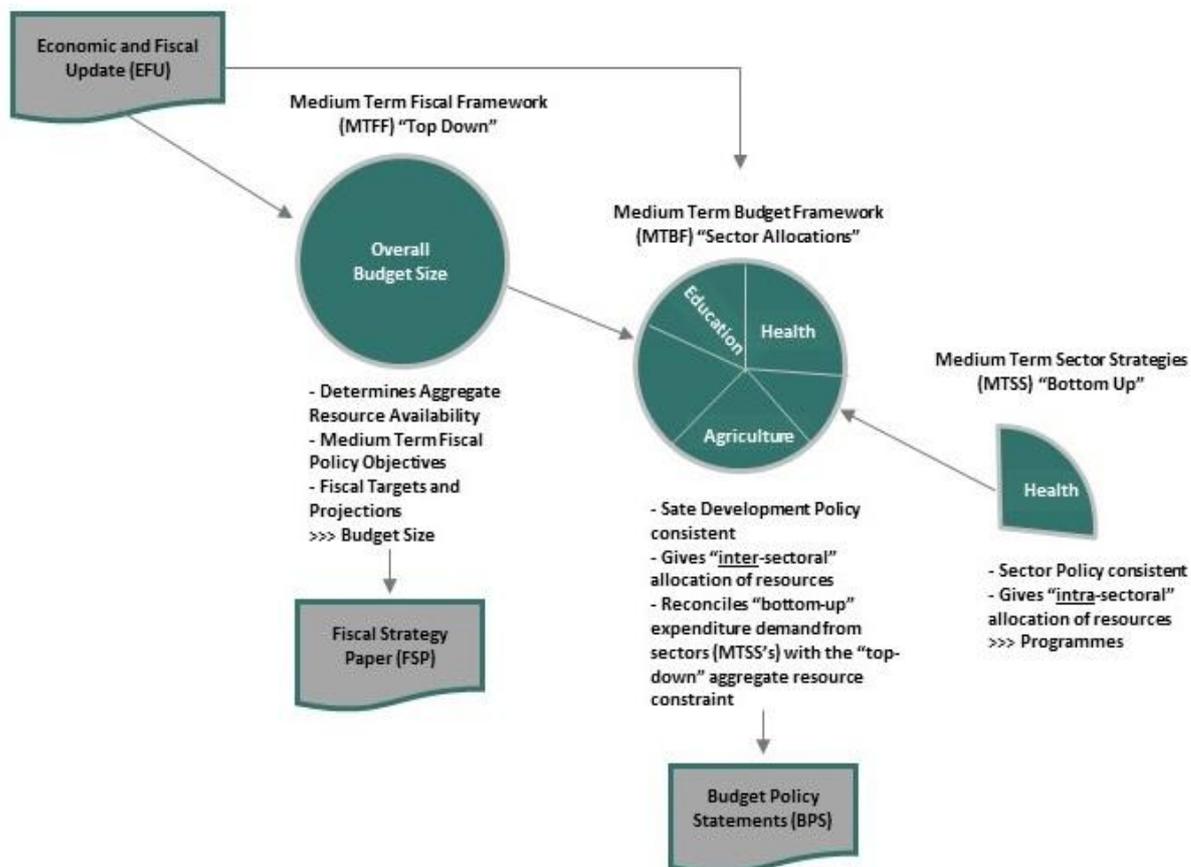
The Lagos State budget process is a continuous, evidence-based cycle that links strategic planning to resource allocation and performance. It is anchored on the Medium-Term Expenditure Framework (MTEF), which integrates three core components: the **Medium-Term Fiscal Framework (MTFF)** that guides macro-fiscal stability; the **Medium-Term Budget Framework (MTBF)** that aligns

budget ceilings with policy priorities; and **the Medium-Term Sector Strategies (MTSS) that link sector goals to budget resources.**

From conception to evaluation, the annual budget process ensures iterative planning, execution, and review, reinforcing fiscal discipline, policy coherence, and value for money. Transparency, accountability, and stakeholder inclusion remain central to its implementation, building public trust and delivering on the State's development commitments.

The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.2 Preparation and Audience

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

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

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 (CDSA)** to efficiently handle debt-related payments, enhance fiscal discipline, and outline permissible fund uses to align with development priorities. This law plays a crucial role in facilitating economic growth through accountability, 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 2024 Budget & Inception of Y2025 Budget	a) Y2025 Budget Analysis	January,2025	January,2025
		b) Issuance of Y2025 Budget Operational Guidelines	January,2025	January,2025
2	Budget Performance Appraisal	a) 4th Quarter/Full Year Y2024 Budget Performance Appraisal	January,2025	January,2025
		b) 1st Quarter Y2025 Budget Performance Appraisal	April,2025	April, 2025
		c) 2nd Quarter/Mid-Year Review of Y2025 Budget Performance	July,2025	July,2025
		d) 3rd Quarter Y2025 Budget Performance Appraisal	October,2025	October,2025
		e) Y2025 Budget Performance Appraisal for the 4th Quarter/Full Year	January, 2025	January, 2025
3	Implementation of the Y2025 Budget	a) Publishing of Citizens Budget	January 2025	March, 2025
		b) Publishing of Abridged Budget Document	January 2025	March, 2025
		c) Hosting of detailed Budget on Lagos State Website	January, 2025	January, 2025
4	Commencement of Y2026 Budget Preparation	a) Meeting with Major Revenue Generating Agencies and Ministry of Establishment Training & Pensions on Fiscal Strategy 2026-2028	April, 2025	April, 2025
		b) Preparation and Adoption of Fiscal & Sector Strategy for 2026-2028	March, 2025	June, 2025
		c) Presentation of 2026-2028 Economic & Fiscal Update/MTBF to EXCO/Forwarding to HOA	May, 2025	June, 2025
		e) Budget Function Group Disaggregation Meeting	July, 2025	July, 2025
		f) Submission of Function Group agreed figure	July, 2025	July, 2025
		g) Budget Consultative Forum		
5	Commencement of Y2026 Budget Preparation	i) Ikeja Division	August, 2025	August, 2025
		ii) Badagry Division	August, 2025	August, 2025
		iii) Lagos Division	August, 2025	August, 2025
		iv) Ikorodu Division	August, 2025	August, 2025
		v) Epe Division	August, 2025	August, 2025

6	Preparation of Y2026 Budget Estimates	a) Issuance of Y2025 Call Circular	August, 2025	August, 2025
		b) Submission of Budget Proposals by MDAs	August, 2025	August, 2025
		c) Evaluation of Proposals/Workshop on MTSS/Budget Alignment	September, 2025	September, 2025
		d) Uploading of Budget proposals into the Oracle (Hyperion)	August, 2025	September, 2025
		e) Bilateral Budget discussions	September, 2025	September, 2025
7	Collation of Bilaterally Agreed Budget Figures	a) Compilation of Revenue, Personnel Cost, Overhead Cost, Capital Cost etc.	September 2025	September 2025
		b) Production of Budget summary table	October 2025	October 2025
8	Y2025 Draft Budget	a) Presentation of Y2025 Draft Budget to the State Treasury Board for Consideration and Approval	October, 2025	October, 2025
		b) Presentation of Y2025 Draft Budget to the State Executive Council for Consideration and Approval	October, 2025	October, 2025
		c) Presentation of the Y2025 Appropriation Bill to the House of Assembly	October 2025	October 2025
		d) EXCO Legislative Parley on Proposed Y2025 Budget	October, 2025	October 2025
9	Legislative Processes	a) Consideration of the Appropriation Bill by the House of Assembly	October - December 2025	October - December 2025
		b) Passing of Y2026 Appropriation Bill into law by House of Assembly		
10	Appropriation Law	a) Printing of the Appropriation Law	December 2025	December 2025
		b) Assent of Y2026 budget by Mr. Governor	December 2025	December 2025
		c) Uploading of Y2026 Approved Budget into the Oracle	Jan 2026	Jan 2026
11	Conclusion of Y2026 Budget	Y2025 Budget Performance Appraisal for the 4th Quarter/Full year	January, 2026	January,2026

Section 2 Economic and Fiscal Update

2A Economic Overview

2.A.1 Global Economy

At a Glance: A Critical Juncture Amid Policy Realignment

14. The global economy in 2025 stands at a critical crossroads, shaped by a confluence of geopolitical shifts, persistent inflationary pressures, and an increasingly fragmented trade landscape. According to the International Monetary Fund's (IMF) April 2025 World Economic Outlook, global GDP growth has been downgraded to 2.8% in 2025 and 3.0% in 2026, down from a prior estimate of 3.3%. This revision stems from the proliferation of trade barriers, led by the United States' near-universal tariff regime, coupled with retaliatory actions from major trading partners like China and the European Union (IMF, 2025).

Growth Divergence: Advanced vs Emerging Economies

15. Advanced economies are projected to grow at a subdued pace of 1.4% in 2025, with the United States expecting only 1.8% growth—a sharp downward revision of 0.9 percentage points. Meanwhile, the Euro Area remains sluggish at 0.8%, largely reflecting domestic demand weaknesses and subdued industrial activity. On the other hand, emerging markets and developing economies (EMDEs) are forecasted to grow at 3.7%. However, even this relatively stronger growth masks significant vulnerabilities, especially in China, where the real estate crisis and declining consumer confidence have led to notable slowdowns (IMF, 2025).

Inflation Trends and Risks

16. Inflationary pressures, though beginning to ease globally, remain a persistent challenge across many economies. According to the **International Monetary Fund (IMF, 2025)**, headline inflation is projected to moderate to **4.3% in 2025** and further to **3.6% by 2026**. This outlook reflects the impact of sustained monetary tightening and improved supply-side dynamics in some regions.
17. However, the path to price stability is expected to be **uneven**, especially across advanced economies where inflation is likely to decline **more gradually**. This is largely due to **sticky service-sector prices** and **upward wage adjustments**, which continue to fuel underlying price pressures.
18. Moreover, **inflation risks have not fully dissipated**. The global economy remains vulnerable to **energy price volatility** and **food supply shocks**, driven by geopolitical instability and climate-related disruptions. These factors not only sustain inflation expectations but also weigh heavily on **consumer confidence** and **investment decisions**, particularly in **import-dependent and fragile economies**.
19. The implications are clear: policymakers must balance inflation control with measures that support household resilience and long-term economic recovery, especially in regions already grappling with external shocks.

Structural Headwinds and Strategic Concerns

20. The world economy faces multiple structural headwinds:
- Growth is falling below the pre-pandemic (2000–2019) average of 3.7%, underscoring the fragility of recovery.
 - Escalating trade restrictions risk fragmenting global value chains and curbing long-term investment.
 - A prolonged global slowdown could trigger financial instability in developing economies with limited fiscal buffers.

Table 2: Real GDP Growth – Selected Economies

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2024	2025	2026
World Output	3.3	2.8	3.0
Advanced Economies	1.8	1.4	1.5
United States	2.8	1.8	1.7
Euro Area	0.9	0.8	1.2
Germany	-0.2	0.0	0.9
France	1.1	0.6	1.0
Italy	0.7	0.4	0.8
Spain	3.2	2.5	1.8
Japan	0.1	0.6	0.6
United Kingdom	1.1	1.1	1.4
Canada	1.5	1.4	1.6
Other Advanced Economies	2.2	1.8	2.0
Emerging Market and Developing Economies	4.3	3.7	3.9
Emerging and Developing Asia	5.3	4.5	4.6
China	5.0	4.0	4.0
India	6.5	6.2	6.3
Emerging and Developing Europe	3.4	2.1	2.1
Russia	4.1	1.5	0.9
Latin America and the Caribbean	2.4	2.0	2.4
Brazil	3.4	2.0	2.0
Mexico	1.5	-0.3	1.4
Middle East and Central Asia	2.4	3.0	3.5
Saudi Arabia	1.3	3.0	3.7
Sub-Saharan Africa	4.0	3.8	4.2
Nigeria	3.4	3.0	2.7
South Africa	0.6	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.3	3.7	3.8
Low-Income Developing Countries	4.0	4.2	5.2

Source: IMF, *World Economic Outlook*, April 2025

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2024/25 (starting in April 2024) shown in the 2024 column. India's growth projections are 6.5 percent in 2025 and 6.2 percent in 2026 based on calendar year.

Key Global Economic Stressors and Their Implications

21. **US Tariff Escalations:** The World Trade Organization (2025) reports a sharp decline in global trade volume growth to 1.3% due to tariff escalations. The U.S. Trade Representative's Office (2025) confirmed tariffs between 15–30% on strategic imports, affecting over \$400 billion in trade. This globally will weaken supply chains, reduces global trade, deters investment. The US imposition of near-universal tariffs has escalated trade tensions worldwide, leading to retaliatory duties from major economies including China and the EU. This is disrupting global supply chains, increasing input costs for businesses, and reducing global trade volumes. The uncertainty surrounding trade policies is discouraging long-term investments and weakening investor confidence, especially in developing markets dependent on trade flows.
22. **Russia–Ukraine War:** According to UNFAO (2024), Ukraine’s grain exports fell by over 30%, while the IEA (2024) noted a 10% reduction in Russia’s gas supply to Europe. This globally will disrupt food and energy security; raises inflation. The prolonged Russia-Ukraine conflict continues to exert significant pressure on global food and energy markets. Mediation efforts have yet to yield sustainable peace, and market volatility remains elevated. Russia’s energy export restrictions and Ukraine’s compromised grain shipments are key drivers of global commodity inflation and supply shocks.
23. **Israel–Gaza Conflict:** OPEC (2025) reported a 12% surge in oil prices following the October 2024 escalation. UNICEF highlighted a diversion of \$1.2 billion in aid from Africa. This globally will increase geopolitical risk premium. The Israel-Gaza conflict has heightened geopolitical tensions in the Middle East, a vital region for global oil production and transit. Though geographically limited, the conflict increases the risk premium on oil prices and reduces investor confidence in emerging markets. Humanitarian and reconstruction costs also weigh on global donor priorities, possibly diverting aid flows from Africa.
24. **Climate-Driven Food Insecurity:** The World Bank (2024) warns that climate change could push 132 million into poverty by 2030. FAO (2024) estimates a 20% productivity drop in African agriculture. This globally will lead to pressures in the food systems and migration trends. Climate-related disasters like floods, droughts, and wildfires are intensifying globally, threatening food supply chains and triggering migration and humanitarian crises. The impact on agricultural output is raising global food prices and inflation risks.
25. **China’s Slowing Growth:** IMF (2025) places China's 2025 growth at 4.5%, down from 5.2% in 2024. The Lowy Institute (2025) reports that over 20 African nations owe 30%+ of their external debt to China. This globally will lead to commodity demand wanes and weak investment sentiment. China’s weakening economic momentum due to a real estate slump and reduced consumption affects global demand for commodities and intermediate goods. It also dampens investor sentiment globally.
26. **Global Interest Rates and Capital Outflows:** Bloomberg (2024) indicates that Fed rates remain above 5.25%, while UNCTAD (2024) noted an 18% drop in capital flows to Africa. Persistent inflation has forced central banks in advanced economies to maintain high interest rates, leading to tightening of global financial conditions. This discourages borrowing and investment, especially in emerging markets.

2.A.2 Africa Economic Outlook

Strengthening Growth Amid Persistent Vulnerabilities

27. Africa's economic performance is projected to improve in 2025, with real GDP growth expected to accelerate to 4.1% and further to 4.4% in 2026. This outlook is underpinned by the implementation of structural reforms, moderating inflation, improved fiscal and debt positions, and a gradual recovery in domestic demand. However, the continent remains vulnerable to global headwinds such as trade fragmentation, weak external demand, and limited fiscal space.

28. The projected 2025 growth rate of 4.3% as highlighted in complementary reports positions Africa as relatively resilient amid a broader global economic slowdown. Yet, this pace remains below the 7% annual threshold widely regarded as necessary to achieve meaningful poverty reduction.
29. Despite the upward trajectory, the region continues to grapple with multiple structural and external challenges. These include geopolitical instability, climate-induced shocks, persistent conflicts (notably in the Sahel and the Horn of Africa), and weak institutional capacity in several economies. The average real GDP growth for 2024 is estimated at 3.2%, a slight improvement from 3.0% in 2023.
30. Inflation across the continent is expected to ease, declining from an average of 18.6% in 2024 to 12.6% in 2025–2026, largely due to tighter monetary policies. Fiscal deficits, which widened from 4.4% of GDP in 2023 to 4.6% in 2024, are projected to narrow to 4.1% over the medium term. Public debt levels, while stabilizing, remain elevated relative to pre-pandemic benchmarks. As of 2025, nine countries are in debt distress, with eleven others at high risk underscoring the need for proactive debt sustainability frameworks.
31. The Macroeconomic Performance and Outlook (MEO), produced twice annually by the African Development Bank (AfDB), is designed to meet the growing demand for timely and reliable economic data across the continent. It supports policymakers, investors, researchers, and development partners in making evidence-based decisions.
32. The 2025 edition identifies 24 countries among them Djibouti, Niger, Rwanda, Senegal, and South Sudan as set to surpass 5% real GDP growth. In aggregate terms, Africa remains the second-fastest growing region globally, trailing only Asia. Notably, 12 of the world's 20 fastest-growing economies are projected to be African.
33. To sustain and build upon this momentum, the report recommends targeted reforms. Key among them is:
 - Strengthening coordination between monetary and fiscal policy to tame inflation without stifling growth.
 - Enhancing foreign exchange reserves to cushion economies against external shocks and currency volatility.
 - Implementing pre-emptive debt restructuring to improve financial stability.
 - Scaling investments in integrated infrastructure to catalyse structural transformation.
 - Improving regulatory frameworks to attract and retain private investment.
34. The report emphasizes the urgency of a forward-looking policy approach to reinforce economic resilience. It also underscores the strategic role of Africa in driving global economic expansion, contingent on well-coordinated policies, institutional reforms, and private sector engagement.
35. In terms of resilience-building, countries are encouraged to improve macroeconomic fundamentals through economic liberalization, enhanced revenue mobilization, and fiscal discipline. For instance, Ethiopia's experience illustrates how prioritizing these areas can support macroeconomic stability and long-term growth.
36. The MEO report also outlines regional policy priorities, including the full implementation of continent-wide development initiatives such as the African Continental Free Trade Area (AfCFTA). Additionally, new mechanisms like the proposed Africa Credit Rating Agency and the African Financial Stability Mechanism are gaining momentum as tools for increasing financial autonomy and resilience.
37. The way forward will require collective action. This includes greater private sector participation in intra-African trade, particularly through investments in logistics infrastructure, regional supply chains, and cross-border trade facilitation. Strengthening regional shipping lines, logistics hubs, and warehousing infrastructure are identified as practical avenues for unlocking the continent's economic potential.

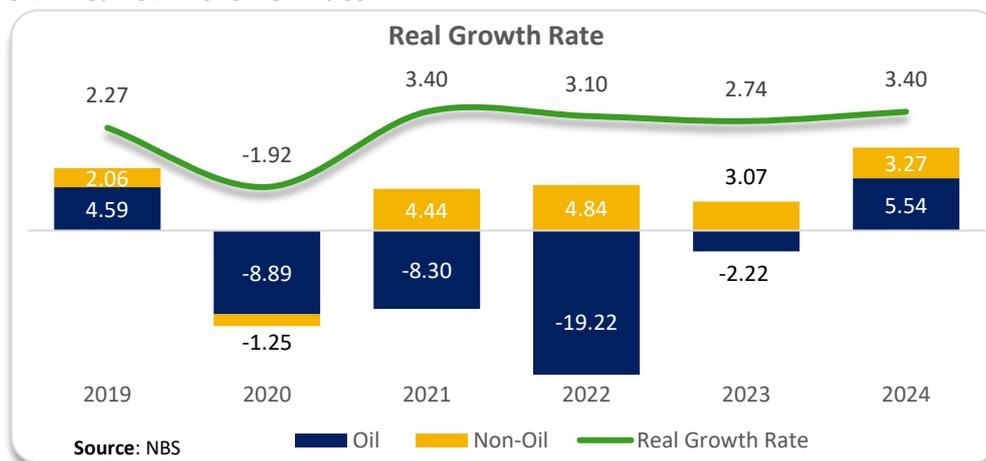
2.A.3 Nigeria Economic Outlook

38. The Nigerian economy in 2024 continued its delicate transition through a period of structural reform, characterized by both short-term macroeconomic strain and long-term policy ambition. Key federal policy actions most notably the removal of fuel subsidies, harmonization of the exchange rate, aggressive tax restructuring, and domestic revenue mobilization reshaped the economic landscape.

These measures, though disruptive in the short run, were targeted at stabilizing the economy, correcting fiscal distortions, and fostering inclusive growth. However, the benefits of these reforms have materialized unevenly, with improvements in resilience offset by deepened inflationary pressure, elevated cost of living, and continued investor caution.

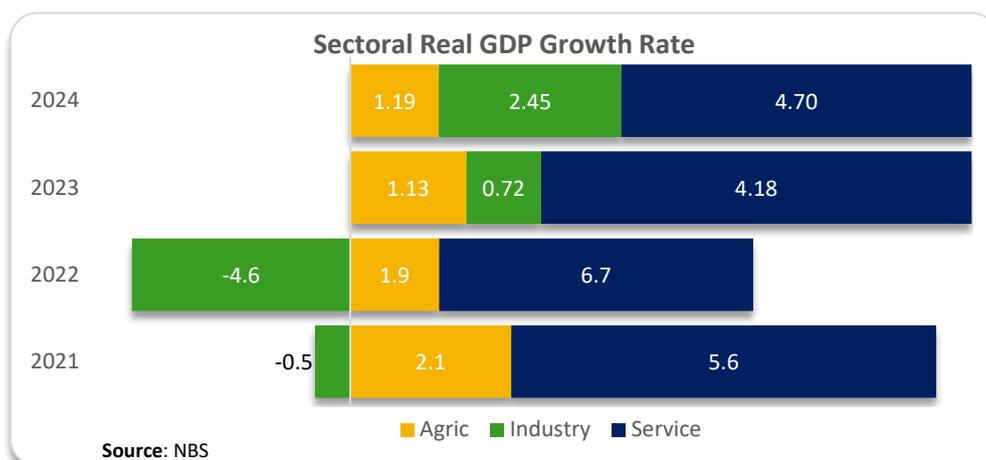
39. **GDP Growth:** According to the National Bureau of Statistics (NBS), Nigeria's real GDP expanded by 3.40% in 2024, reflecting a modest acceleration from the 2.74% growth recorded in 2023. This performance was anchored by a significant rebound in the oil sector, which grew by 5.55% after contracting by -2.22% in 2023, a positive development attributed to increased crude oil production volumes and improved sectoral efficiency following renewed efforts at curbing oil theft and stabilizing output. The non-oil sector also demonstrated sustained momentum, growing by 3.27% in 2024 compared to 3.07% in 2023, largely driven by growth in services, agriculture, and construction. Nominal GDP rose to ₦277 trillion in 2024 from ₦234 trillion in 2023, underscoring an expanded economic base despite prevailing headwinds.

Figure 2: Real GDP Growth Rate



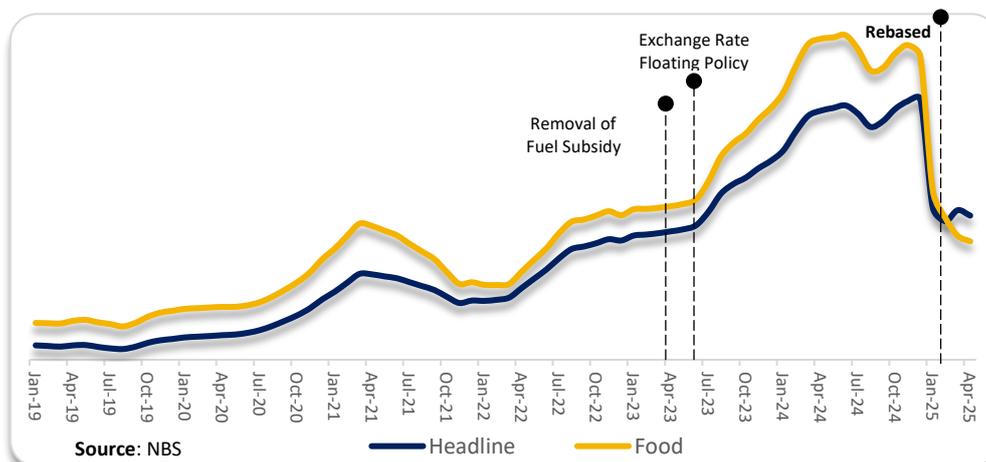
39. A further analysis showed that the service sector continued its dominance in the real output as it contributed 56.89 percent, a slight increase from 56.55 per cent recorded in 2023 to the performance of the real GDP. In terms of real growth, the sector recorded 4.70 per cent in 2024, higher than 3.98 per cent recorded in the previous year. The agriculture sector contributed 24.64 per cent, lower than 29.31 per cent in 2023 to the performance of the economy. Additionally, the real growth rate declined from 2.10 per cent in 2023 to 1.19 per cent in 2024. The real growth of the industrial sector grew to 4.70 per cent in 2024 from 4.18 per cent in 2023 while its contribution to the real GDP stood at 18.47 per cent in 2024, lower than 18.63 per cent recorded in 2023. It is shown below in Fig 3 below.

Figure 3: Sectoral Real GDP Growth Rate



40. Price developments in 2024–2025 have been shaped by the complex interplay of structural constraints and necessary macroeconomic reforms. The removal of fuel subsidies, the unification of the exchange rate, and broader fiscal adjustments though essential for long-term stability, created a temporary inflationary surge in 2024, peaking at over 34%. Food inflation rose even faster, driven by insecurity in agricultural belts (e.g., farmer-herder clashes and widespread kidnappings), elevated diesel prices, and ongoing logistics disruptions that collectively pushed up the cost of food distribution.
41. In response to these dynamics, the National Bureau of Statistics (NBS) implemented a long-overdue rebasing of the Consumer Price Index (CPI) in January 2025, aligning it with the evolving consumption patterns and inflation realities of Nigerian households. The base year was updated from 2009 to 2024, and the CPI basket expanded from 740 to 934 items to reflect a broader, more accurate sample of goods and services consumed across urban and rural households. This methodological upgrade enhances the quality of price statistics and provides a firmer foundation for policy targeting and fiscal forecasting particularly relevant for Lagos, where rapid urbanisation and digitisation continue to shift consumer spending profiles faster than the national average.
42. Following the rebasing, a notable disinflation trend has emerged. Headline inflation fell to 24.48% in January 2025 (from 34.80% in December 2024), while food inflation dropped to 26.08% (from 38.84%). Month-on-month inflation declined steadily through the first quarter of 2025, reaching 23.71% in April, with food inflation easing to 21.26%. While this disinflation is partly statistical due to the rebasing effect, it also reflects genuine policy impact especially tighter monetary policy, a stronger exchange rate following FX adjustments, and base effect corrections. For Lagos State, which imports much of its food and intermediate goods, the moderation in inflation provides fiscal space to recalibrate subsidies, protect vulnerable populations, and restore real value to budgeted social programmes. The YoY National headline and food inflation rates from January 2020 and April 2025 are shown below:

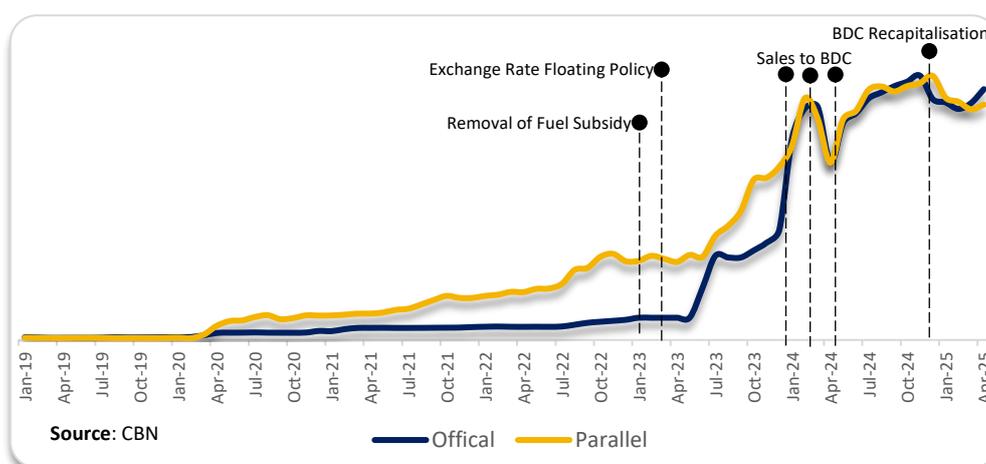
Figure 4: National Inflation (Headline and Food)



Monetary Tightening and Foreign Exchange Dynamics

43. The coordinated tightening of fiscal and monetary policies throughout late 2024 and into 2025 has played a significant role in moderating inflationary pressures. Key interventions particularly the removal of quasi-fiscal activities by the Central Bank of Nigeria (CBN), aggressive open market operations, and improved fiscal consolidation have strengthened macroeconomic fundamentals. The Monetary Policy Committee (MPC), at its February 2025 meeting, retained the Monetary Policy Rate (MPR) at 27.5%, sustaining a tight policy stance to anchor inflation expectations. Projections from the IMF and Nigeria’s national authorities now anticipate average inflation to ease to 22.1% by end-2025, signalling cautious optimism for macroeconomic stabilisation.
44. The harmonisation of Nigeria’s foreign exchange windows in mid-2023 marked a significant structural reform aimed at enhancing efficiency, transparency, and investor confidence in the FX market. Following the convergence of rates across official and parallel markets, the Naira has continued on a depreciation path, trading at approximately ₦1,600/\$ in May 2025, above the ₦1,500/\$ benchmark in the Federal Government’s approved 2025 Budget. While this has exacerbated import costs and elevated the general price level in the short term particularly in import-dependent urban centres like Lagos, the policy has contributed meaningfully to reducing market distortions and improving reserve adequacy.
45. Despite early volatility, the FX harmonisation policy has gained traction, fostering greater market confidence, narrowing the arbitrage gap, and encouraging price discovery. The move has attracted renewed portfolio flows, supported external reserves, and signalled a pivot towards a more rules-based macroeconomic regime. For Lagos State, whose economy is deeply interconnected with international trade and financial flows, a more transparent and unified FX market strengthens the environment for external investments and underpins more predictable fiscal planning especially in areas like debt servicing, capital imports, and infrastructure procurement.¹

Figure 5: NGN : USD Exchange Rate (Official and Parallel)



46. **External Reserves:** The foreign reserves remain resilient despite it plunged to \$37.95 billion in April, from average of \$40.5 billion in January 2025. The CBN had injected \$200 million into the foreign

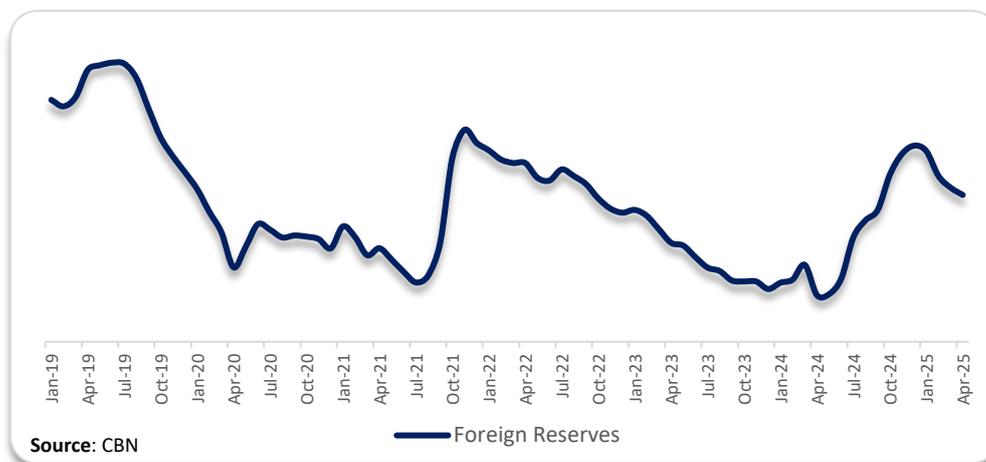
¹ The Central Bank of Nigeria (CBN) has made several attempts to sell dollars to Bureau De Change (BDC) operators at various times. Here are some key instances:

- March 2024: The CBN sold \$10,000 to each BDC operator at a rate of ₦1,251/\$1. A list of eligible BDCs was released on March 21, 2024.
- April 2024: The CBN made two FX sales to BDCs:
 - First sale: \$10,000 to each BDC at a rate of ₦1,101/\$1
 - Second sale: \$10,000 to each BDC at a rate of ₦1,021/\$1.
- May 2024: The CBN released updated guidelines for BDC operators on May 22, 2024, outlining their operations and foreign exchange sales.
- July 2024: The CBN sold \$20,000 to each BDC at a rate of ₦1,450/\$1, allowing BDCs to sell at rates not exceeding ₦1,471.75/\$1.
- December 2024 - January 2025: A new FX sale window was opened, allowing BDC operators to purchase FX from authorized dealers during this period
- Bureau De Change Operator’s share capital increased to N2 billion for Tier 1 license and Tier 2 for N35 million

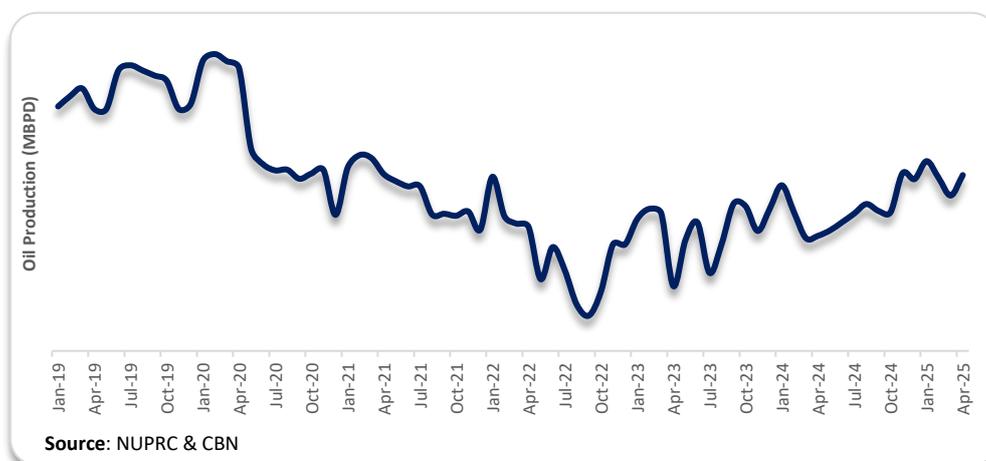
These sales aim to meet the demand for invisible transactions, curb the widening exchange rate premium, and strengthen the naira.

exchange market to shield the naira from further depreciation due to the tariff blows by the US government and the crude oil price sliding at the global market. Also, the servicing of the foreign debt and sales of dollars into the market to shore up the naira are attributed to the fall in the country's foreign reserves.

Figure 6: Foreign Reserves



47. **Crude Oil Production:** In April 2025, crude oil production reached 1.48 mbpd, reflecting a 6.06% increase compared to March's output of 1.40 MBPD. However, this figure remains below the Federal government's target of 2.06 mbpd as outlined in the 2025 Budget. According to data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), total production, including both condensate and non-condensate, rose to 1.68 MBPD in April 2025 from 1.60 MBPD in March 2025.
48. The revitalisation of the Port Harcourt and Warri long-dormant government owned refineries in 2024 brought about increase in the crude oil production by the Nigerian National Petroleum Company (NNPC) Limited, while the rehabilitation of the remaining two refineries is actively underway. This has significantly turnaround the oil production for decades which had been plagued with inefficiencies and underperformance. Crude oil Production had one time plummeted to 900,000 bpd far below budget benchmark and OPEC quota.
49. Also, the strategic interventions such as implementation of the PIA, aggressive anti-oil theft campaigns, and reform-focused oil policies, the country's oil production has made a remarkable comeback. Crude Oil Production for the period January 2020 to April 2025 along is presented in Figure 7 below:
68. **Figure 7: Crude Oil Production**

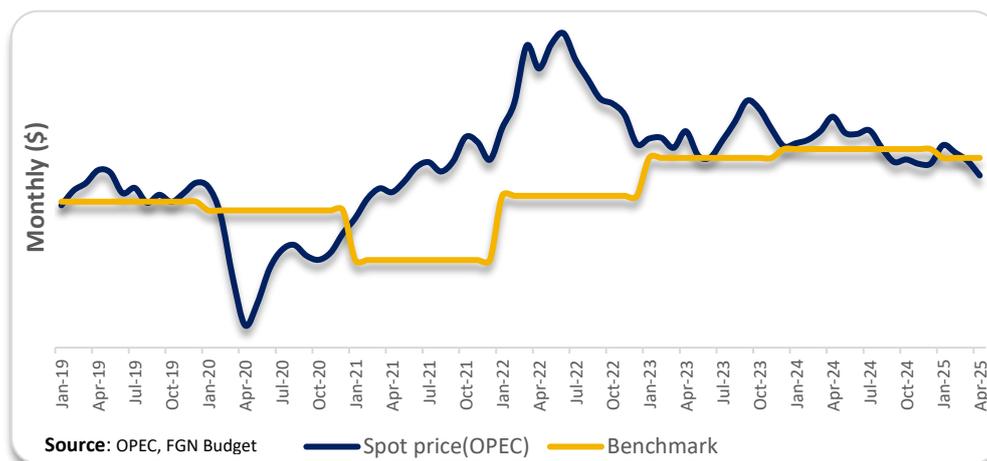


50. **Crude Oil Price Trends:** The monthly average spot price of Brent crude oil witnessed fluctuations over the past months. From an average of \$79 per barrel in January 2025, the price declined to an average of \$69 per barrel in April 2025. The recently experienced downward trajectory experienced in Brent crude oil prices is attributed to the combination of market dynamics, geopolitical events, and changes

in demand and supply logistics. Most importantly, the global tension such as the escalating US – China trade wars have slowed demand for oil while the OPEC+ countries have accelerated output hikes thereby, increasing supply to the global market and pushing prices to fall further.

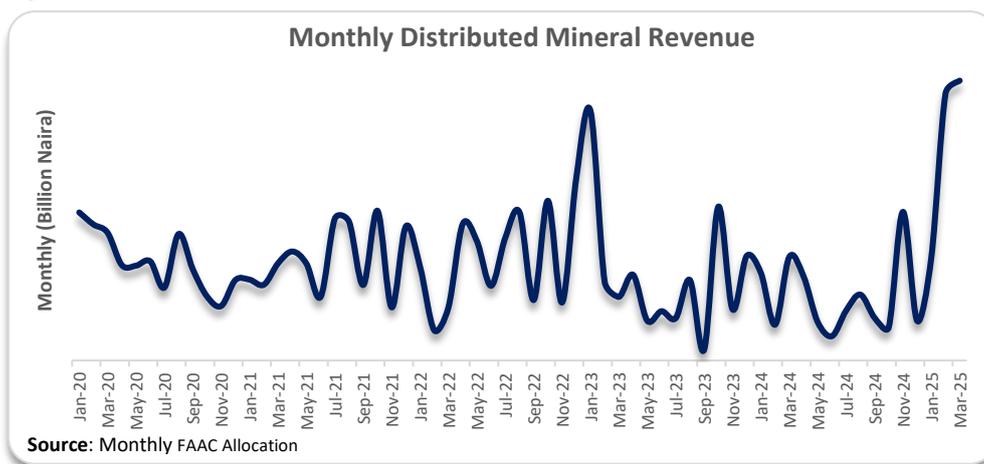
51. However, the decline poses an immediate threat to the revenue target of governments (i.e. FAAC). The FGN had benchmarked crude oil at \$75 per barrel and production at 2 million barrels per day (mbpd) in its 2025 budget. The consequential effect of the continuous drop below the benchmarks (i.e. price and production) would further worsen the fiscal deficit, then increase borrowing needs, exert pressure on government finances, reduce disbursement to the tiers of government, which will adversely affect spending on key projects and social programmes.

Figure 8: Crude Oil Price



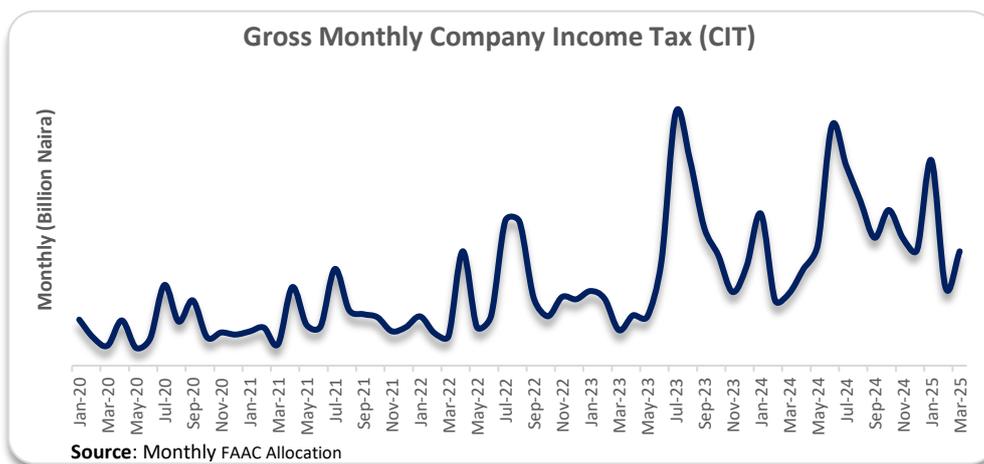
52. **Federal Government Revenue:** The Federal Government of Nigeria (FGN) derives its monthly revenue from mineral and non-mineral sources. Mineral revenue comes from crude oil sales, petroleum taxes, and royalties paid by oil companies, making it a significant contributor. Non-mineral revenue includes taxes such as Value Added Tax (VAT), Company Income Tax (CIT), Customs duties, and revenue generated by government-owned enterprises (GOEs). The Federal government has implemented fiscal and monetary reforms not only at stabilising critical economic indicators but also enhance revenue mobilisation and resource allocation.
53. The Naira-for-Crude initiative is an innovative policy of the FGN to sell crude oil to Dangote Refinery and other local refineries in Naira instead of US dollars. This decision not only foregone potential FX earnings, significantly eased demand pressure on foreign reserves, but also stabilised exchange rate and boosted local currency liquidity. The transition of crude oil and refined petroleum product transactions from dollar-denominated sales to Naira, conserve foreign exchange, deepen local market operations, and stimulate value addition in the petroleum sector. The initiative further strengthens macroeconomic stability
54. Notably also, the elimination of subsidy significantly impacted on the economy positively and substantially increase revenue available for disbursement. Prior to the removal, in 2023, the FGN had already disbursed N3.6 trillion on subsidy payments, with projections estimating a potential rise to N5.4 trillion in 2024. A draft report of the Accelerated Stabilisation and Advancement Plan (ASAP) warned that the figure could escalate to N6.3 trillion if the subsidy were to continue unchecked.
55. One of the most immediate and noticeable benefits was the substantial increase in revenue available for disbursement by the Federation Account Allocation Committee (FAAC) among the tiers of government. By eliminating the subsidy payments, funds that were previously allocated to petrol subsidies are now being directed towards national development and distributed among federal, state, and local governments. Notably, the monthly FAAC allocations increased from N760 billion in 2023 to an impressive N3.2 trillion in 2024.
56. **Mineral Revenues:** Monthly distributed Mineral Revenues, Statutory Allocation, and Net Derivation, to the three tiers of government from January 2020 to March 2025 inclusive are shown below.

Figure 9: Distributed Mineral Revenues

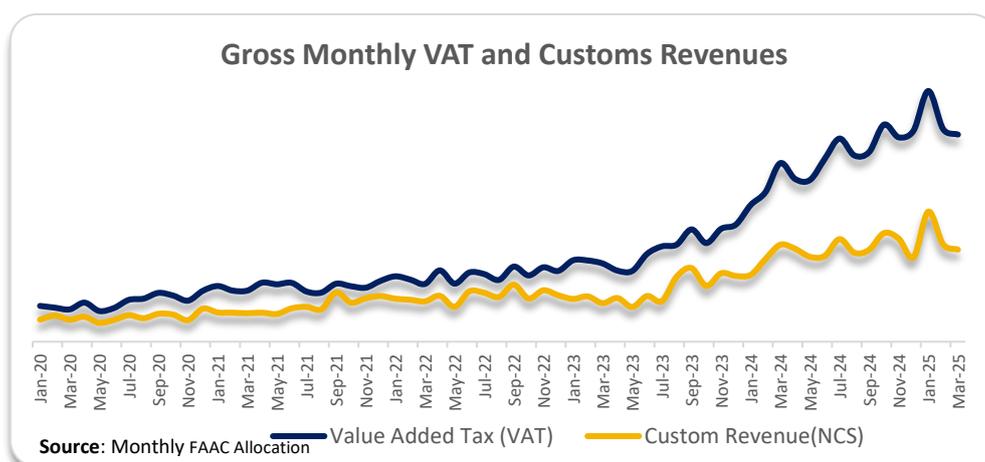


57. **Gross Companies Income Tax (CIT) revenues** which are distributed as part of Statutory Allocation from January 2020 to March 2025 are shown in **Figure 8** below.

Figure 10: CIT Revenues



58. The graph shows the monthly spike in distributions, aligning with the FIRS annual tax returns and payment cycle. Implementation of the new Tax Reform Bill will not significantly influence tax collection from large corporations due to its rate retained at 30%. However, increase in gross earnings from these large corporations, addition to the existing large firms, and change in level of businesses to having the characteristics of large corporations will significantly increase CIT collections for distribution in the FAAC. Other aspect in the Reforms such as withholding tax from small scale business and exemption of small-scale businesses with an annual turnover of N50 million and below will relatively impact on CIT given the economic realities during that particular period. As at March 2025, CIT stood at N352 billion, an increase from N241 billion received in February 2025.
59. **Customs and Excise duties (NCS)**, which is distributed as part of Statutory Allocation, and Value Added Tax (VAT) which is distributed for the period January 2020 to March 2025 are shown in Figure 11 below.

Figure 11: NCS and VAT Revenues

60. Value Added Tax (VAT) has shown an 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.
61. In March 2025, monthly VAT collections reached a record high of N636.6 billion, marking a significant milestone while Customs revenues also saw substantial figures, stood at N283.4 billion. Given the positive real economic growth and inflation rates exceeding 30%, it is anticipated that VAT revenues will continue to rise in nominal terms.
62. The tax reform retained the VAT at 7.5% but some vatable items are exempted including the foodstuffs, medical supplies, educational materials, residential rents, public transportation and renewable energy products. Notably, the MSMEs in these categories will lead to more productivity leading to more economic impact, however, it will marginally influence revenue generation as the significant drivers of VAT are from manufacturing sector, information & communication industry etc.

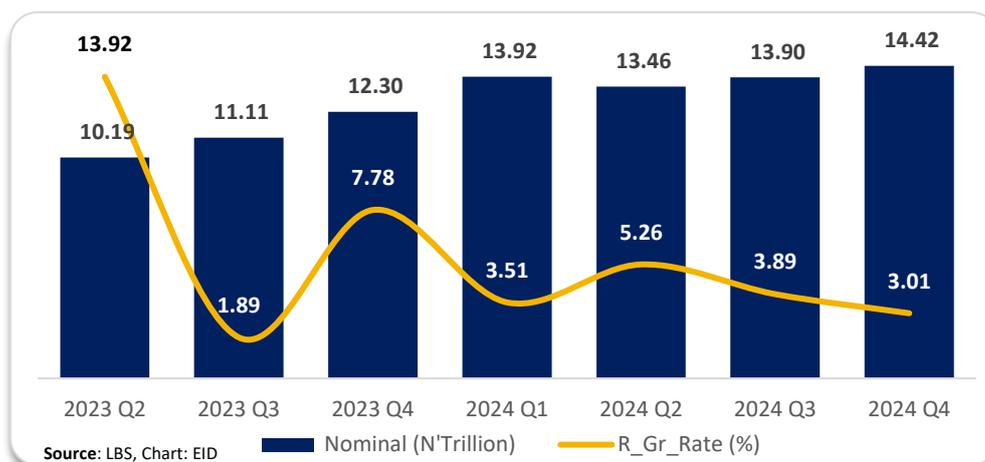
The New Tax Reforms: Towards Fiscal Equity and Efficiency

63. The Federal Government's **Tax Reform Bills** represent a watershed moment in Nigeria's public finance system, aiming to consolidate, simplify, and modernize the country's tax architecture. The reforms are designed to improve equity, reduce inefficiencies, broaden the tax base, and promote fiscal federalism. Key features of the legislation include:
 - **Unified Tax Code:** The consolidation of multiple tax laws into a single, harmonized fiscal legislation simplifies tax compliance and strengthens legal clarity for taxpayers and administrators alike.
 - **Pro-Poor Relief Measures:** Individuals earning ₦800,000 or less annually are exempted from personal income tax, while higher income brackets are subject to progressive taxation—offering significant relief to vulnerable households amidst inflationary pressures.
 - **Corporate Income Tax Adjustments:** Small businesses with annual turnover below ₦25 million are exempt from corporate income tax, while the standard corporate tax rate for large companies will gradually decrease from 30% to 25% by 2027—an incentive to stimulate private sector growth.
 - **Development Levy Framework:** A new 4% development levy (phased to reduce to 2% by 2030) will replace various overlapping taxes and levies, creating a unified and less distortionary revenue instrument.
 - **VAT Reforms:** While the VAT rate remains at 7.5% in 2025, a graduated adjustment is proposed: 10% in 2025, 12.5% from 2026–2029, and 15% from 2030. This phased approach provides predictability for economic planning and is intended to support fiscal consolidation over time.

- **Revised VAT Sharing Formula:** The proposed sharing structure allocates 55% to State Governments, 35% to Local Governments, and 10% to the Federal Government—potentially expanding fiscal space for subnationals like Lagos.
64. As of mid-2025, **two out of the four legislative milestones have been completed:** the passage of the Bills by the House of Representatives and the Senate. The harmonization process by the Conference Committee is underway, after which the Bills will be transmitted to the President for assent.
65. The four critical Bills under consideration are:
- *Nigeria Tax Bill, 2024:* Seeks to unify Nigeria’s tax laws under a single legal framework.
 - *Nigeria Tax Administration Bill, 2024:* Establishes administrative consistency and efficiency across all tax processes.
 - *Nigeria Revenue Service (Establishment) Bill, 2024:* Repeals the FIRS Act and establishes a new, more robust national revenue authority.
 - *Joint Revenue Board of Nigeria (Establishment) Bill, 2024:* Introduces a centralized body for dispute resolution, coordination, and harmonization of revenue matters—accompanied by a Tax Appeal Tribunal and the Office of the Tax Ombud.
66. For Lagos State, the passage and implementation of these Bills will **unlock new fiscal opportunities and operational efficiencies.** The reforms are expected to:
- Enhance tax compliance and widen the tax net, particularly by formalizing the informal sector.
 - Reduce reliance on a narrow pool of taxpayers while easing compliance costs through digital integration.
 - Deepen fiscal federalism by expanding subnational revenue autonomy, particularly with respect to VAT and development levies.
67. Ultimately, the Tax Reform Bills are a major step toward restoring trust in Nigeria’s fiscal system and enabling a **people-centered, growth-focused, and investment-friendly tax regime.** For subnational entities like Lagos, aligning local tax administration with these reforms will be critical to maximizing the gains from a more equitable and efficient tax structure, especially as it relates to enabling business competitiveness, attracting investment, and improving service delivery.

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

68. Lagos State remains Nigeria’s foremost economic engine and one of Africa’s leading urban economies, accounting for ₦55.70 trillion or 20.07% of Nigeria’s total Gross Domestic Product (GDP) of ₦277.49 trillion in 2024, according to the National Bureau of Statistics (NBS) and Lagos Bureau of Statistics (LBS). This marks a significant increase from its 2023 share of 18.38%, reaffirming Lagos’ growing contribution to national output.
69. This growth trajectory reflects Lagos State’s expanding commercial activity, the improving ease of doing business, and the exceptional agility of its entrepreneurial ecosystem. The State’s position as the most dynamic and startup-friendly environment in Nigeria continues to draw investment, power innovation, and set it apart from other subnational economies both within the country and across the continent.
70. On a quarterly basis, the State’s economy expanded to ₦14.42 trillion in Q4 2024, up from ₦13.89 trillion in Q3 2024, while real GDP growth stood at 3.01% in Q4 2024—a moderation from 3.88% in Q3, following a record high of 5.26% in Q2 2024. Despite the marginal slowdown, the State maintained a positive growth path amidst national and global economic headwinds, indicating a resilient economic base supported by strong private sector activity and institutional reform momentum.

Figure 12: Lagos GDP Growth Rate

Sectoral Dynamics of the Lagos Economy

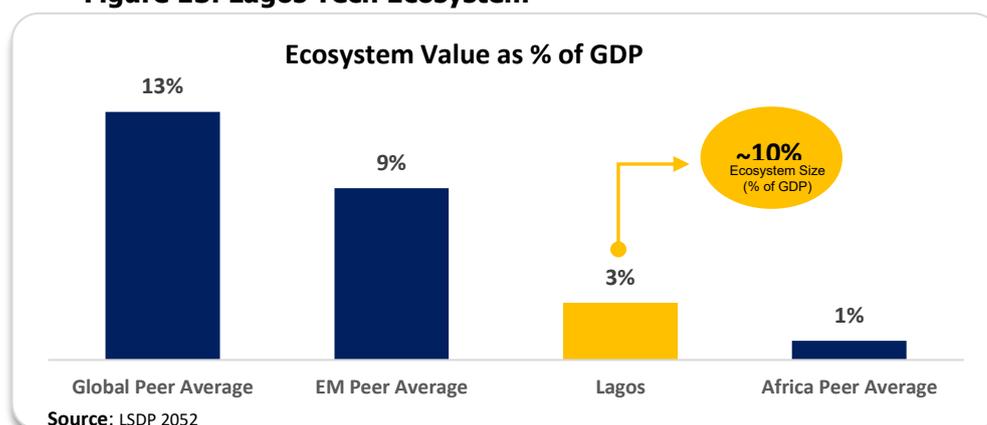
69. The structure of the Lagos State economy remains deeply service-oriented, a reflection of the city's urban sophistication, demographic density, and positioning as a regional business node. The service sector accounted for a dominant **90.70%** of the State's GDP in Q4 2024, albeit with a moderated real growth rate of **1.82%**, down from **5.24%** in the preceding quarter. This deceleration aligns with broader macroeconomic tightening and the aftershocks of national reforms. Key sub-sectors like **finance, ICT, transportation, hospitality, and retail** all continue to drive service-led expansion, reinforcing Lagos' role as a gateway economy for capital, talent, and consumption in West Africa.
70. While the **industry sector** remains a modest contributor to total output, its performance in Q4 2024 signals a shift in momentum. The sector's contribution increased from **7.77% in Q3** to **8.77%**, with real GDP growth surging to **16.99%**, up from a mere **1.66%**. This sharp uptick is largely attributable to the manufacturing sub-sector, which constitutes **88.47%** of industrial output. The manufacturing rebound despite tight financing conditions and currency depreciation highlights a latent productive capacity within the state. However, its resilience will depend on sustained infrastructure support, improved access to FX, and competitive energy pricing.
71. The **agriculture sector**, though still marginal in its share of total output (**0.54%**), posted a noteworthy real GDP growth of **4.54%** in Q4 2024, reversing a prior quarter contraction of **-0.22%**. This growth was underpinned by broad-based improvements across **crop production (1.82%)**, **livestock (3.87%)**, and **fishing (5.44%)**, with the exception of **forestry**, which slipped into negative territory (**-0.85%**). The recent gains reflect a slow but steady response to targeted interventions around peri-urban farming, youth engagement in agri-business, and supply chain support. With food inflation remaining a national pressure point, agriculture will continue to play a strategic role in Lagos' urban food security and social stability agenda.
72. From a continental perspective, **Lagos ranks as the second-largest city economy in Africa** (after Cairo) when measured by Purchasing Power Parity (PPP), with an estimated size of **US\$259.75 billion** in 2023. This economic weight reinforces its centrality to trade flows, investment decisions, and innovation networks across West Africa.

While the Lagos State Development Plan (LSDP) sets a bold ambition of achieving a GDP size of **US\$800 billion to US\$1 trillion by 2052**. Realising this target will require sustained momentum around structural reforms, targeted infrastructure investment, SME competitiveness, and digital ecosystem scaling. The next phase of growth must shift from extractive consumption to productive diversification if Lagos is to consolidate its status as a global African city.

Sectoral Performance and Investment Outlook for Lagos

73. Lagos State's economic structure remains overwhelmingly service-oriented, with the service sector contributing approximately 90% to total output in Q4 2024. Despite this dominance, the sector's real GDP growth decelerated from 5.24% in Q3 to 1.82% in Q4, reflecting the spillover effects of Federal reforms, tight financial conditions, and shifting consumer dynamics. Key growth drivers include financial services, telecommunications, transportation, hospitality, and retail, all of which underpin Lagos' role as the commercial and digital capital of Nigeria.
74. In contrast, the industry and agriculture sectors contribute marginally to overall GDP, but both witnessed a strong rebound in Q4. The industrial sector's share rose from 7.77% to 8.77%, with real growth soaring to 16.99%, up from 1.66% in Q3. This remarkable expansion was largely fuelled by the manufacturing sub-sector, which constitutes 88.47% of industrial output. The rebound points to a resilience in local production capacity, despite headwinds such as currency devaluation, inflation-driven input costs, and elevated interest rates.
75. The agriculture sector, while contributing just 0.54% to real GDP, showed clear signs of recovery. Real growth rose to 4.54% in Q4 2024, reversing a contraction of -0.22% in the prior quarter. This turnaround was supported by positive performance across crop production (1.82%), livestock (3.87%), and fishing (5.44%). The only contraction came from forestry (-0.85%). These figures suggest that Lagos' agriculture revitalisation strategies—especially in urban and peri-urban zones—are beginning to yield results, aligning with the state's food security objectives.
76. In recognition of its improved macro-fiscal profile, Fitch Ratings upgraded Lagos State's credit rating to 'B' from 'B-' with a stable outlook. The upgrade, which mirrors Nigeria's sovereign rating uplift, reflects Lagos' stronger fiscal management and improved macroeconomic resilience. However, the sustainability of this rating will depend on how the state manages growing debt obligations and external vulnerabilities.
77. According to Fitch, Internally Generated Revenue (IGR) constitutes 75% of Lagos' total operating revenue, primarily anchored by Personal Income Tax (PIT). This high fiscal autonomy places Lagos among Africa's most financially self-reliant subnational entities. However, the report flags Lagos' exposure to FX risk, with 50% of its direct debt denominated in foreign currencies. Given the naira's volatility and ongoing depreciation, debt servicing could become more expensive. Fitch projects that Lagos' debt stock may hit ₦3 trillion by 2026, largely due to exchange rate pass-through effects.
78. On the innovation front, the 2025 Global Tech Ecosystem Index ranks Lagos as the fastest-growing tech ecosystem in the world. The state is home to five unicorns—Interswitch, Flutterwave, Jumia, Opay, and Moniepoint—underscoring its role as a continental innovation hub. This aligns with "Focus Area 8: Build Tech-Based Ecosystems" of the LSDP 2052, which seeks to grow the tech sector to contribute ~10% of Lagos' GDP by 2052. By fostering digital infrastructure, startup capital access, and regulatory incentives, Lagos is positioning itself as Africa's preferred destination for tech investment and innovation.

Figure 13: Lagos Tech Ecosystem

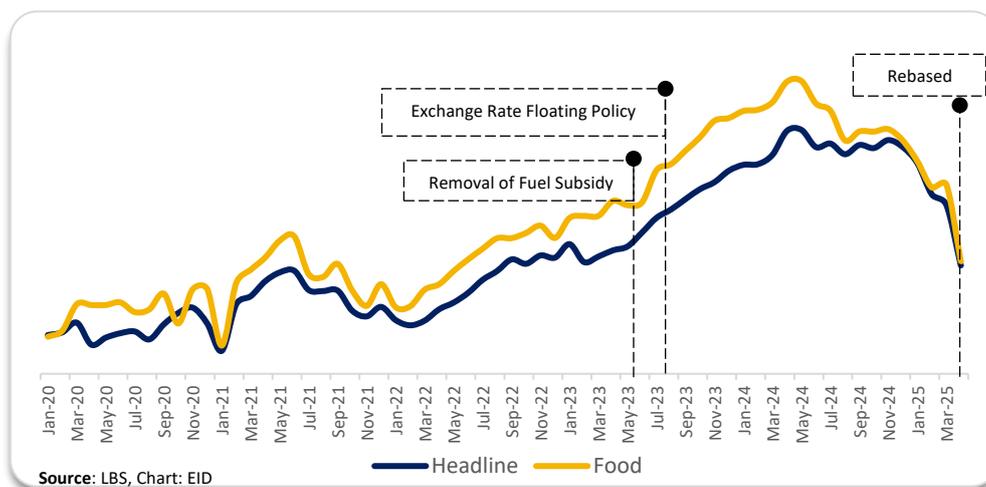


Tackling Inflationary Pressures and Their Impact on Lagos State:

79. The inflationary landscape in Lagos State remains fragile, shaped by the ripple effects of the **mid-2023 Federal Government reforms**. While the reforms—especially **fuel subsidy removal, exchange rate harmonization, and tax restructuring**—were intended to stabilize macroeconomic fundamentals, they **triggered a new wave of cost-push inflation** in Lagos, where demand-side pressures were already pronounced. Despite concerted **monetary tightening by the CBN and fiscal responses by both federal and state governments**, inflationary pressures have persisted and are yet to show sustained relief.
80. The **rebasings of the Consumer Price Index (CPI) in April 2025—with 2019 as the new base year**—was a critical recalibration intended to reflect contemporary consumption patterns. Following this update, **headline inflation eased to 22.29% in April 2025**, down from **29.15% in March**, primarily due to adjustments in the food basket. Similarly, **food inflation**, which had surged to **31.46% in March, dropped to 22.75% in April**, offering some relief to consumers. However, this decline is partially statistical, masking the underlying cost-of-living strain still felt by many households.
81. Key drivers of food inflation in Lagos include:
 - **Currency depreciation**, which has pushed up import and input costs;
 - **High logistics and transport costs**, driven by soaring prices of **PMS (petrol) and AGO (diesel)**;
 - **Insecurity in food-producing states**, such as **banditry, herder-farmer conflicts, and kidnappings**, which disrupt supply chains;
 - **Climate-induced disruptions** such as flooding and drought;
 - **External headwinds** including global trade restrictions, foreign exchange misalignments, and commodity price volatility.
82. Recognizing the multidimensional nature of inflation, the **Lagos State Government (LASG)** has adopted a localized, systems-oriented response. Its strategy is anchored on the **Agriculture and Food Systems Roadmap 2.0**, aimed at addressing structural weaknesses in the food ecosystem and **cushioning inflation’s impact on households**.
83. Key interventions under the Roadmap include:
 - **Lagos Aquaculture Centre of Excellence (LACE)**: a flagship project underway on **35 hectares in Epe**, expected to significantly boost fish production and employment;
 - **500-hectare rice cultivation** agreement at **Eggua** to reduce reliance on external rice markets and build local supply chains;
 - **Public-private partnerships** to deepen investment and innovation in agro-value chains.
84. LASG has also implemented direct **food security and price stabilization measures**, particularly during the 2024 cost-of-living crisis. This includes:
 - Establishment of **agro-distribution hubs** (starting in Mushin);
 - Launch of the **"Ounje Eko" program**—a flagship food affordability initiative offering **25% discounts** on essential staples (rice, beans, gari, bread, eggs, tomatoes, pepper) across **57 locations** statewide;
 - **Palliatives** such as a **₦35,000 wage award** to civil servants to buffer real income loss.
85. Beyond emergency responses, Lagos has invested in **medium and long-term agricultural transformation**, focusing on youth empowerment, innovation, and agribusiness competitiveness. Flagship programs include:
 - **Agri Innovation Clubs** and **Agriathon Grants** for startup scaling.
 - **Youth Homestead Farming** and **Agricultural Scholars Programme** to build the next generation of food producers.

- **Lagos Agripreneurship Programme (L.A.P.), Eko Fresh, Cattle Feedlot Projects, Lagos Butchers Academy, and Discount Food Markets across 59 locations**—all geared toward making agriculture commercially viable and socially inclusive.

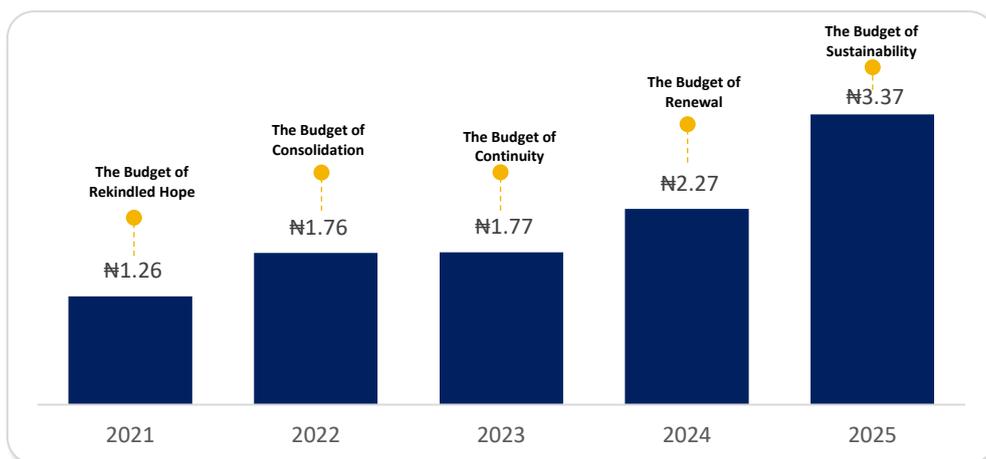
Figure 14: Lagos State Inflation Rate



Fiscal Sustainability

85. Lagos State's fiscal trajectory continues to reflect robust growth and institutional credibility reinforcing its position as the **largest subnational economy in Nigeria**. Between 2021 and 2025, the State's consistent increase in fiscal appropriations signals **sustained macro-fiscal discipline**, an expanding economic base, and an increasing capacity to both attract private investment and execute large-scale public projects. The scale and ambition of Lagos' annual budget reinforce its strategic importance not just nationally, but across West Africa.
86. The **2025 budget** aptly tagged the "**Budget of Sustainability**," is valued at **₦3.37 trillion**, representing a **48.5% increase** from the **₦2.27 trillion** allocated in 2024. This dramatic year-on-year increase underscores Lagos' bold policy intent to consolidate fiscal resilience, deepen public investment, and deliver on the Lagos State Development Plan (LSDP 2052) goals. Notably, Lagos accounts for **12.33%** of the **₦27.31 trillion** combined budget of all 36 States in 2025—further affirming its outsized fiscal footprint in Nigeria's subnational space.
87. The **capital-to-recurrent ratio** in the 2025 budget is **62:38**, surpassing the minimum 55% capital expenditure threshold adopted in the State's fiscal framework. This strong capex bias signals government's commitment to infrastructure development, future-proofing the economy, and crowding in private capital through strategic public investments. Capital allocations are focused on transportation, housing, education, health, digital infrastructure, and climate-resilient urban development.
88. On the recurrent side, allocations cover **personnel costs, overheads, and debt service obligations**, with emphasis on keeping **personnel and overhead costs below 40% of total recurrent outturn** in line with Lagos' fiscal efficiency target and Public Financial Management (PFM) best practices. Debt service remains within sustainability thresholds as defined by the **Debt Management Office (DMO)** and **SFTAS/PEFA guidelines**.

Figure 15: Historical Trend of Lagos State Budget Size



89. According to data from the **Lagos Bureau of Statistics (LBS)**, the population of Lagos State was at **31.91 million in 2025**, reinforcing its position as both the most populous State in Nigeria and the largest city in Africa. This substantial population size is a critical driver of the State’s output and a major consideration in public financial planning. According to estimated Nigeria and economic

90. Lagos has consistently maintained an **upward trajectory in budget per capita**, highlighting the government’s responsiveness to the realities of population growth. This trend underscores its sustained commitment to **infrastructure development, climate change adaptation, social protection programs, and rapid response mechanisms** for socioeconomic shocks, particularly those affecting the poor and vulnerable.

However, the combination of **population explosion, urbanization pressures, and fiscal constraints** underscores the need for Lagos State to pursue **innovative and scalable strategies**. These should aim to boost revenue generation, enhance resource optimization, and sustain the development trajectory while ensuring investments in **human capital empowerment and inclusive service delivery**.

Figure 16: Lagos Budget Per Capita



91. Lagos State recorded a commendable fiscal performance in the first quarter (Q1) of 2025, achieving an overall revenue performance of 78% against quarterly projections. A breakdown of the revenue components reveals the following:

- Internally Generated Revenue (IGR) performed at 70%, driven primarily by Pay-As-You-Earn (PAYE) collections through the Lagos State Internal Revenue Service (LIRS). The strong IGR performance reflects ongoing efforts to expand the tax net, digitize tax administration, and implement taxpayer-friendly innovations.

- Capital receipts stood at 52%, reflecting a moderate drawdown of funds earmarked for capital investment.
- Federal transfers exceeded expectations, performing at 115%. This surge is attributed to increased oil earnings and higher FAAC allocations following the removal of fuel subsidies, which has improved revenue inflows to subnational governments.

92. On the expenditure side, the State posted strong utilization rates:

- Recurrent expenditure was implemented at 78%, reflecting efficient operations and ongoing government commitments to personnel costs and overheads.
- Capital expenditure recorded 52% implementation, signalling the State’s resolve to close infrastructure gaps. Investments were channelled into road construction, transportation expansion, and housing initiatives aimed at easing access, improving mobility, and reducing the urban housing deficit.

Strategic Development Planning and Execution: LSDP 2052 and THEMES+

93. All efforts towards the State development align with the strategic imperatives of the Lagos State Development Plan (LSDP 2052), which envisions transforming Lagos into Africa’s Model Mega City, a safe, secure, functional, and productive global economic and financial hub. The LSDP 2052 is structured around 4 Strategic Dimensions, 21 Focus Areas, and 447 Initiatives, and will be delivered in four phases over a 30-year horizon to drive high-volume, high-value job creation and inclusive economic development.



94. Lagos State is currently in the “Near-Term” phase (2024–2030) of the Lagos State Development Plan (LSDP 2052), with 287 targeted initiatives underway across four strategic dimensions. These initiatives are deliberately structured to unlock growth in priority sectors, deepen investor confidence, and lay the groundwork for long-term infrastructure and economic transformation. The LSDP Implementation Tracking Dashboard introduced in 2024 provides real-time visibility into project delivery, helping the government enhance performance management, improve inter-agency coordination, and deliver measurable value to citizens.

95. THEMES+ operates as a complementary short-to-medium term action framework that accelerates delivery under the LSDP. With a clear focus on immediate developmental priorities including transportation, health, education, economic growth, security, and social inclusion. THEMES+ translates policy into actionable programmes. The framework has been instrumental in driving reforms and service delivery in key sectors such as youth employment, gender-responsive governance, and infrastructure rollout, ensuring that no demographic is left behind.

Together, LSDP 2052 and THEMES+ have strengthened policy coherence, improved budget alignment with strategic goals, and enabled Lagos to maintain its leadership as Nigeria’s most competitive subnational economy.

Transport and Traffic Management: Advancing Multimodal Connectivity in Lagos

96. **Rail Transport - Expanding Urban Mobility Backbone:**

Lagos State has recorded transformative progress in the tri-modal transport agenda, with the Lagos Rail Mass Transit (LRMT) Red Line now operational. The completed first phase (27km), from Agbado to Iddo (Oyingbo), spans eight major stations—Agbado, Iju, Agege, Ikeja, Oshodi, Mushin, Yaba, and Oyingbo—cutting travel time from over 3 hours to 40 minutes and designed to move 500,000 passengers daily.

In parallel, the LRMT Blue Line, stretching 27km from Okokomaiko to Marina, continues expansion with three new train sets recently acquired. The Red Line’s next phase, with larger-capacity coaches, is also in progress. Importantly, the State signed an MoU with MOFI to begin exploratory work on the 68km Green Line, linking Marina to Lekki Free Trade Zone—a corridor critical to West Africa’s industrial expansion.

97. **Water Transport - Decongesting Roads, Connecting Communities:**

The €410 million Omi Eko Project is reshaping water transport in Lagos. This includes the dredging of 15 ferry routes, deployment of 78 electric-powered ferries, and construction or upgrade of 25 ferry terminals. In May 2024, Lagos launched its first 15 high-capacity ferries, fabricated locally, with 10 more ferries delivered later in the year. This initiative supports the State’s goal of a seamless multi-modal transport system—road, rail, and waterways—while reducing carbon emissions and enhancing interconnectivity.

98. **Road Infrastructure - Unlocking Movement, Stimulating Growth:**

Linked to LSDP 2052’s Modern Infrastructure Pillar, Lagos has undertaken extensive road and bridge development. Between May 2024 and May 2025, the State completed or advanced work on 61 roads spanning 56.52km, and five major bridges. These include the Dopemu Bridge (Agege), Irede Road (Amuwo Odofin), Aradagun–Mosafejo–Ajido–Imeke Road (Badagry Phase III), and Alapere Pedestrian Bridge (Kosofe).

Flagship interventions like the Ojota–Opebi Link Bridge and Abiola–Onijemo Link Bridge further signal government’s intent to reduce commute time and facilitate smoother logistics.

99. **Strategic Projects in the Pipeline – 4th Mainland Bridge:**

A cornerstone of Lagos’ future infrastructure is the proposed 4th Mainland Bridge, a 37km Public-Private Partnership (PPP) project featuring nine interchanges and three toll plazas, spanning from Ajah to Ikorodu to Lagos-Ibadan Expressway. Once completed, it will be the longest bridge in Africa, designed to decongest the 3rd Mainland Bridge, enhance real estate development, and catalyze investment along peri-urban corridors.

H - Health and Environment

86. Lagos State has made significant investments in healthcare infrastructure, aimed at increasing access, affordability, and efficiency across its health system. Currently operating 28 secondary health facilities, the government has embarked on transformative projects to expand capacity and quality:

- A 280-bed General Hospital in Ojo and a 1,500-bed psychiatric hospital at Ketu-Ejirin are under construction.
- The 150-bed New Massey Children’s Hospital, a landmark paediatric facility, is nearing completion.
- Upgrades are ongoing at Ibeju Lekki and Lagos General Hospitals.
- A new Oncology Centre at Gbagada General Hospital is under design.
- Orile-Agege General Hospital has secured land for expansion.

87. With over **1.15 million residents enrolled**, the **ILERA EKO health insurance scheme** is central to the State’s push for **Universal Health Coverage**. Investments in **Greenfield and Brownfield**

health projects ensure infrastructure is **climate-resilient and energy-efficient**, while the **Smart Health Information Platform (SHIP)** will digitize patient records, improve referrals, and eliminate emergency service inefficiencies.

88. Lagos has taken bold environmental actions:
- Ban on Styrofoam and single-use plastics to curb environmental hazards and flooding caused by clogged waterways.
 - Transition to a circular waste economy, turning organic waste into compost and plastics into reusable materials, marking a shift from linear waste disposal to resource recovery.
 - The Waste-to-Wealth initiative is helping reduce public health risks, improve urban hygiene, and create green jobs.
89. Lagos, in collaboration with the Federal Government and **GreenPlinth Africa**, leads the **distribution of 80 million clean cookstoves** starting in **Makoko**. This initiative:
- Targets **low-income households**.
 - Reduces carbon emissions and indoor pollution.
 - Protects local ecosystems by limiting reliance on firewood.
- These interventions directly support the **climate-resilience and health infrastructure objectives** of **LSDP 2052** and **THEMESplus**.

E - Education and Technology

90. Through **EKOEXCEL**, Lagos State has transformed foundational learning by training thousands of teachers and improving teaching quality. The result has been measurable improvements in **literacy and numeracy outcomes**, aligning with LSDP goals of developing a **globally competitive workforce**.
91. The State's investment in digital learning infrastructure includes:
- MP3 learning devices and modular classrooms with interactive smart boards and tablets, ensuring continued access to education during learning disruptions.
 - These innovations reflect the State's commitment to technology-enabled, inclusive education, especially for underserved communities.
92. Additionally, infrastructure development has played a crucial role in reshaping the educational landscape, with over 1,097 school projects completed, creating a more conducive environment for students. Other notable infrastructure in the pillar includes:
- Construction of Hostel Block with 198 bunk beds with housemaster lodge, laundromat and reading room in Eva Adelaja Junior Secondary School, Bariga
 - Construction of well-ventilated corridors, L-Shaped classroom blocks with an ensuite Principal & Vice Principal Offices, and 30 male and female toilets in Muslim Junior College, Oworosoki
 - Hostel blocks with 198 bunk beds and Housemaster lodge in Lagos Model College, Epe
 - 8,272 Bed Space Hostel in Lagos State University (LASU), Ojo
 - Renovation of Akintan Junior Grammar School and others.²
93. **Lagos continues to advance its tech ecosystem ambitions by:**
- Constructing the **e-GIS headquarters in Alausa**, enabling **digital land administration and transparency** in real estate transactions.
 - Deepening public-private partnerships to foster **skills development, innovation, and digital infrastructure**, aligned with LSDP 2052's goal of making Lagos a **tech-driven, knowledge-based economy**

² [Lagos At | Work](https://lagosatwork.gov.ng/project-category/education-technology/) : <https://lagosatwork.gov.ng/project-category/education-technology/>

M - Making Lagos a 21st Century Economy

94. Lagos State continues to affirm its status as Nigeria’s entrepreneurship capital, with Micro, Small and Medium Enterprises (MSMEs) serving as the bedrock of innovation, employment, and grassroots economic growth. Through the Lagos State Employment Trust Fund (LSETF), the government has:
- Deployed over ₦11.25 billion in loans to more than 16,000 MSMEs.
 - Issued grants exceeding ₦1 billion to over 4,000 individuals.
 - Supported a total of over 37,000 businesses, unlocking job creation and household-level income growth.

95. In 2025, the State deepened its commitment by launching a ₦10 billion matching fund in partnership with the Bank of Industry (BOI). This intervention is designed to expand access to finance, empower entrepreneurs across diverse sectors, and strengthen the MSME ecosystem in alignment with LSDP’s goals of economic diversification and shared prosperity.

- To complement MSME growth, the State has ramped up regulatory reforms aimed at:
- Simplifying business registration, permits, and licenses.
- Streamlining tax processes and reducing bureaucratic bottlenecks.
- Enhancing policy transparency, thereby boosting investor confidence and market competitiveness.
- These interventions directly align with LSDP 2052’s targets under “Strategic Dimension 1: Thriving Economy”, fostering a business-friendly environment that attracts capital, talent, and innovation.

96. Lagos has made unprecedented investments in digital infrastructure to improve connectivity and position itself as Africa’s leading digital hub:

- 3,000km of fibre duct installations have already been completed, with an additional 2,700km underway.
- Secured a \$22 million Foreign Direct Investment (FDI) to accelerate deployment of high-quality fibre optic networks, enabling faster broadband and seamless digital services across health, education, e-governance, and commerce.

This positions Lagos to achieve LSDP’s objective of digital transformation and unlock the 10% GDP contribution target from tech-based sectors.

97. The passage of the Lagos State Electricity Law marked a paradigm shift in subnational power governance. The law lays the foundation for:

- Accelerated renewable energy adoption.
- Smart grid deployment for enhanced energy efficiency.
- Broadened energy access especially in underserved communities.

These actions not only improve power reliability for households and businesses but also drive green growth and climate resilience, central to the environmental pillar of THEMES+ agenda.

98. To address the housing deficit, Lagos has deployed a multi-channel housing strategy targeting low- and middle-income households through:

- Rent-To-Own, Lagos HOMS, and PPP-based schemes.
- Delivery of 270 housing units in Igando–Ikotun, 204 units in Amuwo-Odofin, and 170 units in Akanimodo (Kosofe LGA).
- The Sterling Heights and Raymond Estate projects in Agboyi-Ketu LCDA, represent Nigeria’s first LG-led residential PPP developments, setting a precedent for inclusive urban housing models.

These initiatives demonstrate Lagos’ commitment to social inclusion, affordable shelter, and livable urban planning, all critical outcomes within the LSDP 2052 strategic framework.

E - Entertainment and Culture

99. Lagos has accelerated its support for the **creative economy**, recognising its power as a youth-driven growth engine. The disbursement of **₦200 million in film loans to 37 Nigerian filmmakers** and the development of the **Lagos Film City** on 100 hectares in Epe signals a transformative shift in positioning the State as **Africa's creative capital**.
100. Cultural infrastructure upgrades such as the **New Glover Hall, J.K. Randle Yoruba Culture Centre**, and four State theatres in **Epe, Badagry, Ikeja, and Igando** are redefining the cultural narrative and generating tourism-linked economic benefits. Heritage restoration efforts include sites like the **Agia Tree Cenotaph, Elemoro Palace, and Princess Erelu Kuti Tomb**, underscoring Lagos' commitment to heritage preservation and cultural tourism.
101. Youth engagement in the creative space has been prioritised through:
 - Renovation of 9 youth centres.
 - Industry-driven training in digital filmmaking, fashion, arts, and crafts.
 - Continued implementation of the **Lagos State Creative Industry Initiative (LACI)**—nurturing talent pipelines for the creative sector and deepening youth inclusion.

S - Security and Governance

102. To strengthen community security and operational readiness:
 - **Over 1,000 new officers** were deployed to the Lagos Neighbourhood Safety Corps (LNSC).
 - **260 patrol vehicles, surveillance equipment, and communications gear** were distributed.
 - **450+ CCTV cameras** now support real-time surveillance via the State's Command and Control Centre.
These measures ensure **real-time response**, promote safety, and enhance community trust.
103. Governance reforms include:
 - Completion of the **Lagos Revenue House**, a central facility for tax administration.
 - **70% completion** of the **Multi-Agency Complex**, expected by September 2025.
 - A culture of **transparency and citizen engagement**, reinforcing fiscal accountability and inclusive governance.
104. Major strides in **e-governance and digital public services** include:
 - Launch of the **Lagos Revenue Portal** and **Land Administration e-Portal**.
 - Deployment of **LASSRA cards** as a **cashless access card** for healthcare and transit.
 - **Geospatial mapping and property digitization**, boosting transparency in urban planning.
105. To improve legal access, the government has begun translating core state laws into **Yoruba**, creating a **digital legal library** that supports legal literacy, voluntary compliance, and inclusive rule of law.

+ - Social Inclusion, Gender Equality and Youth Development

106. The LASG's social inclusion model is grounded in economic equity and access. Between 2023 and 2024:
 - 750 persons with disabilities (PWDs) were trained and provided startup packs
 - 11,386 vulnerable households benefited from bi-monthly stipends under the Conditional Cash Transfer (CCT).
 - An additional 4,825 households received support under NG-CARES.
 - The upcoming NG-CARES 2.0 phase will scale to 5,500 beneficiaries with stipends increased to N20,000 / month

107. **To deepen youth leadership and employability:**

- The Lateef Jakande Leadership Academy (LJLA) has graduated 60 fellows, grooming future public sector leaders.
- Five Employability Job Hubs across IBILE provided training, career support, and placements, benefitting 500 unemployed graduates.

108. **Other key youth development milestones include:**

- 2,383 interns onboarded in the Graduate Internship Placement Programme (GIPP), trained in key professional and soft skills.
- 200 ICT trainees certified by Microsoft and given laptops as startup kits.
- 2,373 participants attended the 2024 Lagos State Job Fair, linking young people to employment and entrepreneurial opportunities.

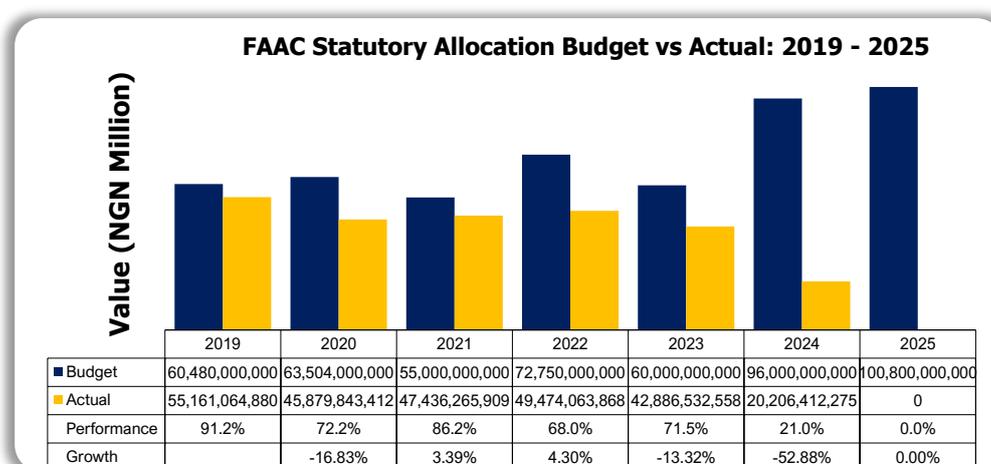
2.B Fiscal Update

2.B.1 Historic Trends and Performance

Revenue Trend

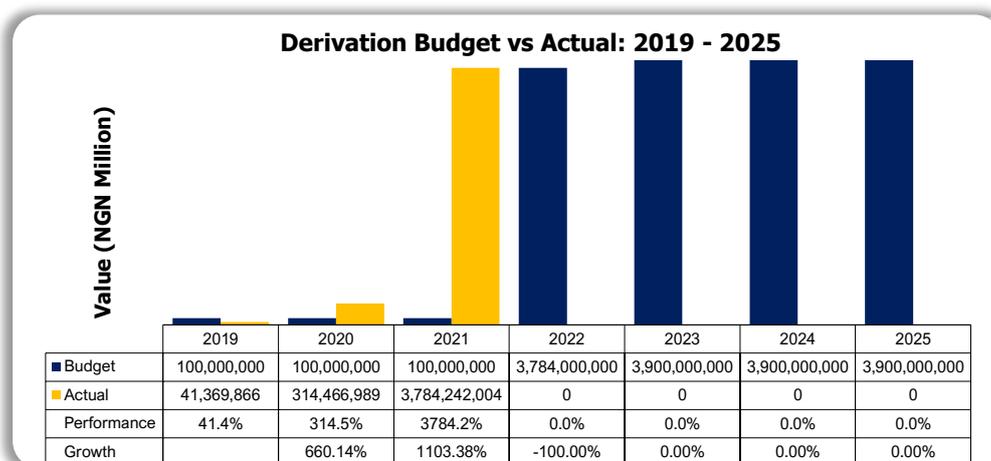
109. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, other Federation Account receipts and Capital Receipts, as well as budget versus actual for the period 2018-2024 (six years historic) and a three (3) year forecast for the period of 2025-2027.

Figure 17: Statutory Allocation



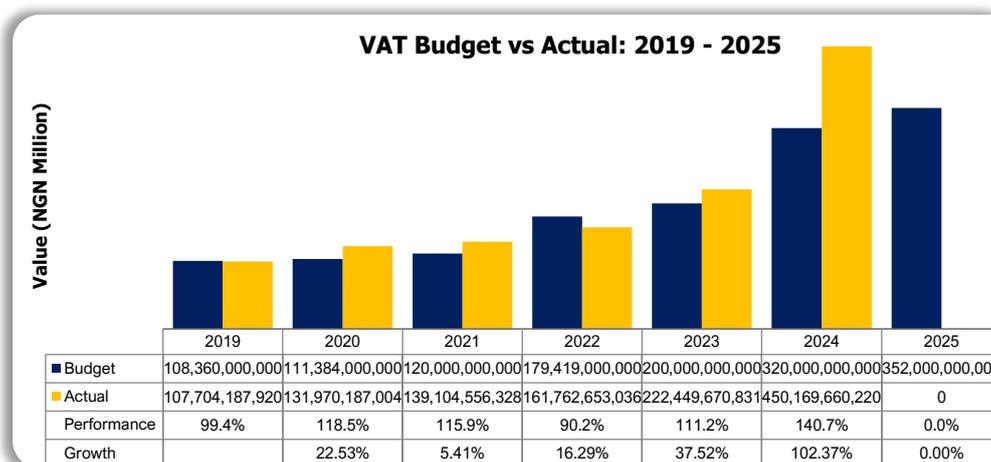
110. **Figure 17** shows the budgeted and actual revenues from Federal Government statutory allocations between 2019 and 2025. The data indicates variability in statutory allocation. Notably, the actual figures were consistently lower than the budgeted amounts, reflecting the fluctuations in crude oil prices and production levels.
111. By 2024, the trend continued with actual revenues stood at ₦20.21 billion from ₦42.89 billion in 2023 significantly declined both in its actual and performance depicting the persistent challenges in volatility trajectory of FG's earnings significantly influenced by global oil price fluctuations
112. However, the fiscal reform is expected to reverse the trajectory. The 2025 projection is based on efforts towards receiving more revenues from the reforms.

Figure 18: Net Derivation



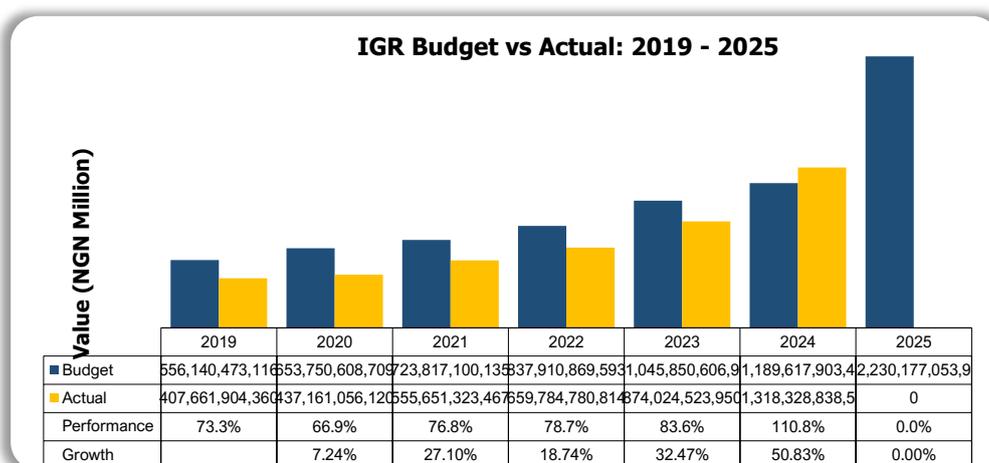
113. **Figure 18** illustrates that 13% of the proceeds derived from the sales of crude oil and condensates are allocated for the development of host communities within the Oil Producing States of the Federation. In Lagos State, these derivation receipts include royalty payments made by private sector operators who manage active oil wells located within the state.
114. Between 2019 and 2021, the State experienced a significant increase in the collection of royalties. However, from 2022 to 2024, production from the Aje field, operated by Yinka Folawiyo Petroleum Company Limited and its partners, has been hampered by technical challenges and disputes among the asset owners which directly halted production in the oil field.
115. Nevertheless, the Lagos State government has expressed its commitment to working with the operators to resolve these issues and ensure a more consistent production schedule, which would in turn lead to a more stable and potentially increased revenue flow for the state from the 13% Derivation Fund. The

Figure 19: VAT



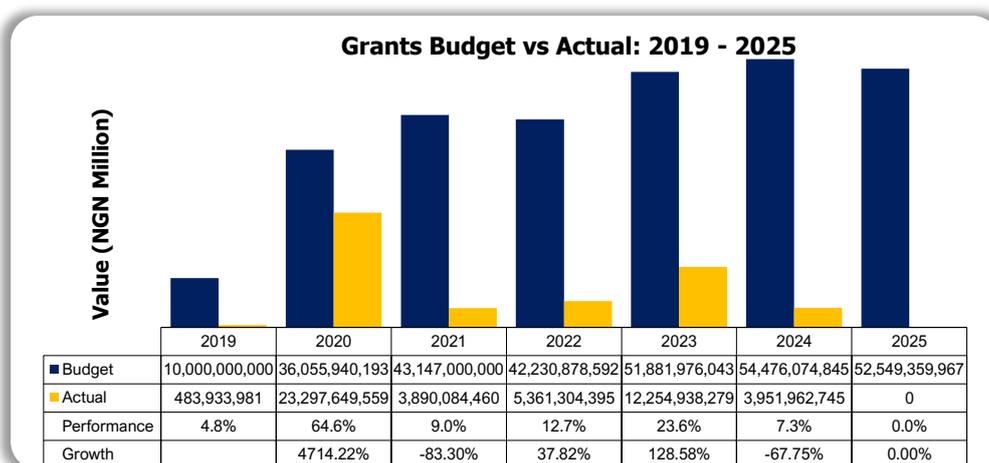
116. **Figure 19** shows budgeted, and actual Value Added Tax (VAT) between 2019 and 2025. Lagos State continued to top the share of VAT collection by virtue of economic and productive activities driven by its dense population, bustling ports, and vibrant service sector compared with other States.
117. The State recorded a remarkable growth and performance in its VAT in 2024 as seen in the chart above. Lagos continued to dominate collection of VAT within the Federation yet receive marginal proportion. For example, in Q1 2025, the State contributed N2.75 trillion to the overall but received 16.74% (N460.1 billion). With the new tax reform bill, it is hoped it the State with higher contribution will receive significant amount

Figure 20: IGR

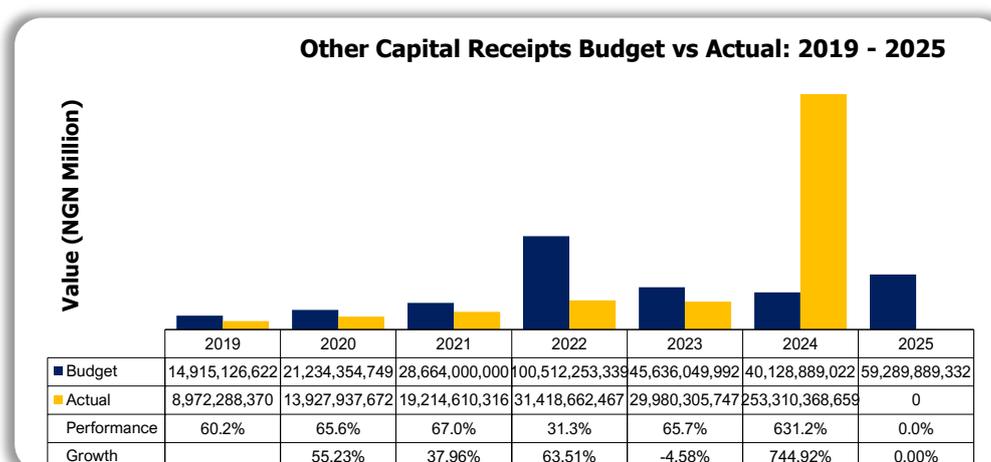


118. **Figure 20** shows budgeted and actual Internally Generated Revenue (IGR) between Y2019 and Y2025. IGR has demonstrated increase consistently both in its actuals and performance indicating the government commitment at growing the IGR through identified initiatives. The sustained growth in IGR has enabled the State Government to strategically invest in critical sectors, advancing its comprehensive development agenda.
119. The predominant contributor to IGR remains the Pay-As-You-Earn (PAYE) tax, collected by the Lagos Inland Revenue Service (LIRS). LIRS has achieved 95% performance out of the N350 billion budgeted for Q1 2025 attributed to its continuous expansion of the tax net and innovative initiatives. The LIRS has bolstered revenue generation, reflecting the state’s economic dynamism
120. Nevertheless, the other revenue agencies can assiduously work to increase their revenue to complement the effort of LIRS. Not only has the State demonstrated government intention to make Lagos a place to live but also needs more revenue to ensuring thriving the economy, security of lives and property, provisions of modern infrastructure, support for the vulnerable and poor etc.

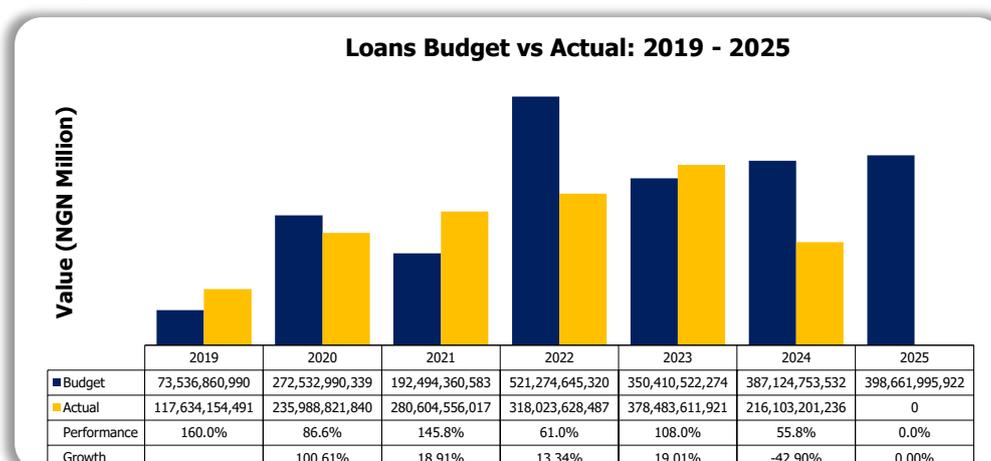
Figure 21: Grants



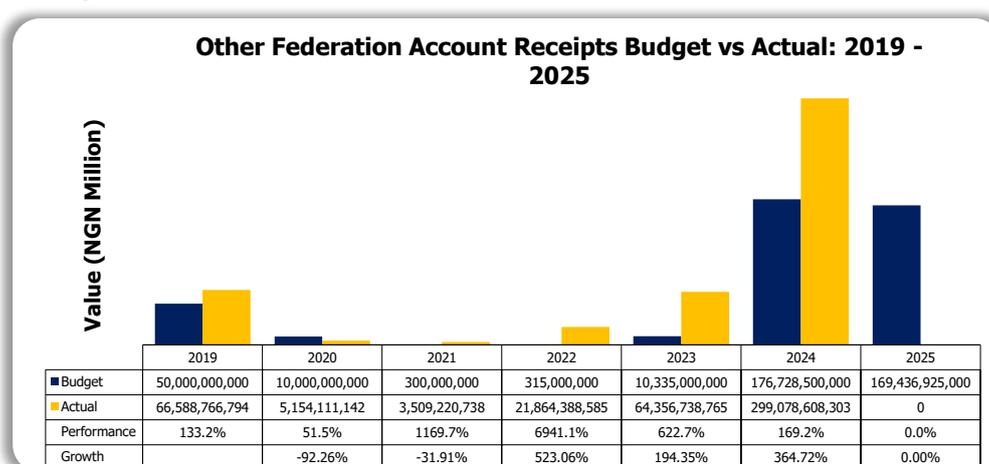
142. **Figure 21** shows budgeted and actual grants between Y2019 and Y2025. The performance of Grants has not been significant since 2020 when it performed at 64.6%. The underperformance of Grants is attributed to incomplete grants recorded. Cash grants are only recorded while Grants inform of “Benefit in Kinds” which are n are largely unrecorded. Nevertheless, provisions have been made to monetize non-cash grants for recording which will give the true actuals and performances of grants received.

Figure 22: Other Capital Receipts

121. 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 22** shows budgeted and actual capital receipts from Y2018 to Y2024.
122. The capital receipts remarkably outperformed in 2024, attributed to the N200 billion received from FG's Rolling Stock Grants on Redline and Blue line rail. It is a One-off grant from FG to cover up for a percentage share of the total cost for providing an infrastructure by the State government.

Figure 23: Loans / Financing

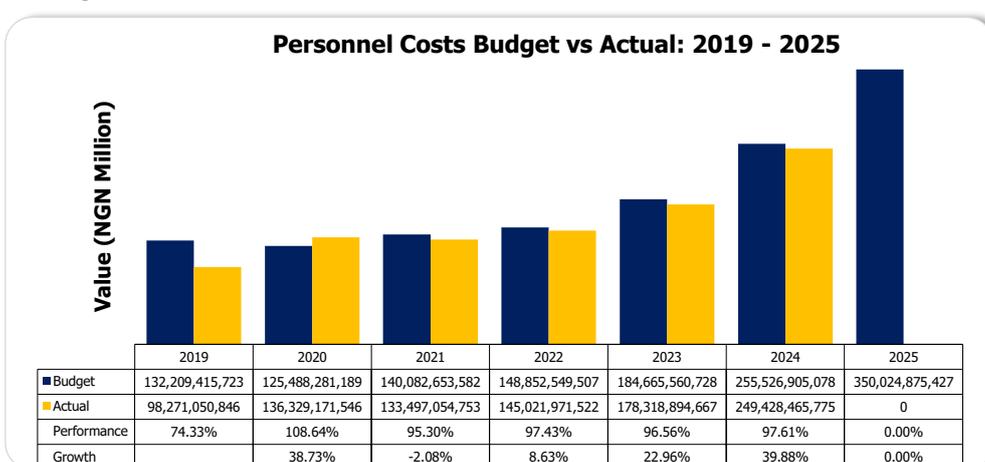
123. **Figure 23** shows budgeted and actual Loans / Financing between Y2019 and Y2025. This includes borrowings from domestic and external organisations for financing the budget deficit over the years. In nominal terms, the State has shown commitments in its repayment on loans over the years.
124. The performance of the loan repayment drastically fell to 55.8% in 2024 compared to overperformance in 2023 at 108%. The performance is attributed to partially the increase in MPR for local loans and unprecedented hike in the exchange rate averaged at N615.19 and N1513.18 in 2023 and 2024 respectively. A double pay rise between the years resulting from spill over national economic reforms introduced in mid-2023.

Figure 24: Other Federation Account

125. Error! Reference source not found. **24** shows the Other Federation Receipts between Y2019 and Y2025 period. The State recorded unprecedented growth in the 2024 following the recipient of inconsistent amount Federal Government. Though it was expected but exceedingly far from the budgeted figure. It has exceeding performed at 169.2 %
126. The inconsistent amount received came from Excess crude oil, Exchange Gain, Ecological funds, FGN Infrastructure Fund, Development of Natural Resources and Proceeds from NPDC. However, N169 billion is projected with expectation from other one-off revenue streams.

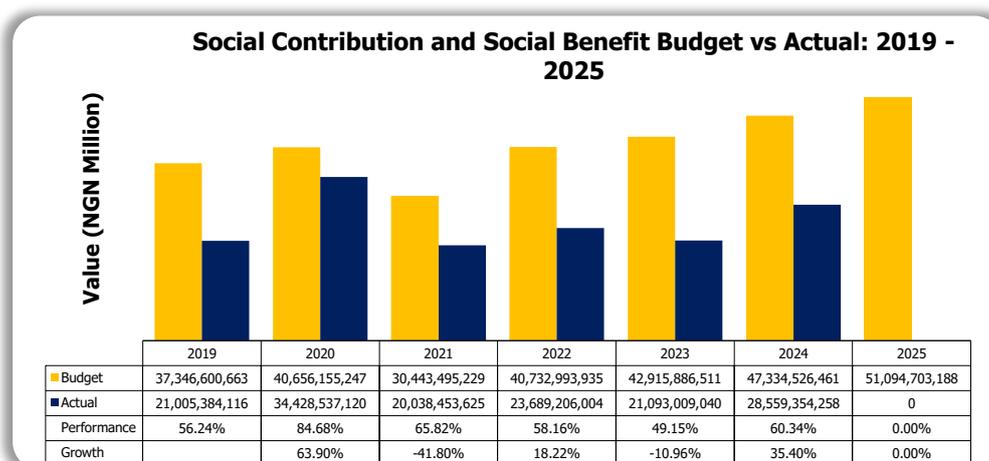
Expenditure Performance

127. 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 25: Personnel Costs

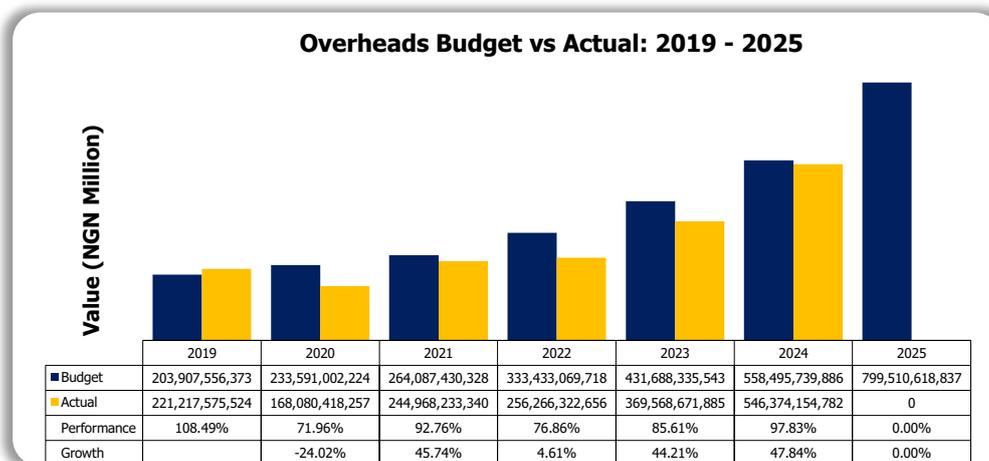
128. **Figure 25** shows budgeted and actual personnel costs from Y2019 to Y2025. Personnel cost has maintained an upward trend under the years reviewed both in projections and actuals especially in 2024 with a growth rate of 39.88% in the actual figures from the previous year which stood at N249 billion. Commendable, its performance stood at 97.61% higher than 96.56% in 2023.
129. The growth was attributed to national minimum wage increment and recruitment into the civil service especially in the intake of more security officers in the Lagos Neighbourhood Security Corps (LNSC). The minimum wage increase was increased from N30,000 to N80,000 in 2025. Notably, the State government committed to the living welfare of its workers graciously increased the approved the N80,000 minimum wage to N85,000
130. However, the budgeted figure for 2025 is significantly higher at ₦350.02 billion, indicating an anticipated substantial increase attributed to recruitment into the civil service and establishments for more Agencies

Figure 26: Social Contribution and Social Benefit

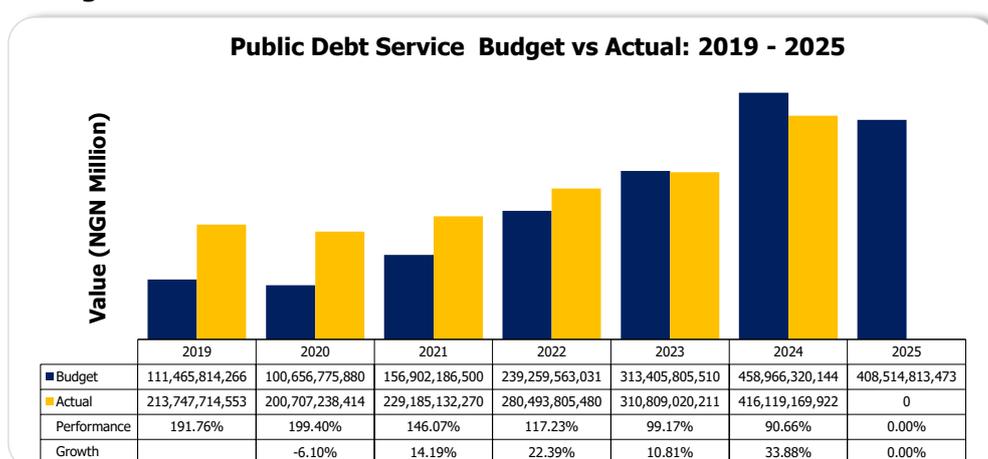


131. **Figure 26** Shows Social Contribution and Benefits which includes Pension defined contribution plan, Health Insurance premium, Severance & Gratuity amongst others. The analysis of social contributions and social benefits from 2019 to 2025 reveals fluctuations in its actual performance over the years
132. The State government as part of its obligatory responsibility has consistency contributes to the health insurance scheme in at ensuring the health of civil servants are pivotal to the governance. Also, ensures the payment of pensions and gratuities to its retirees.
133. The budgeted amount for 2025 of ₦51.09 billion, suggesting an expected significant increase. The increase is premised around proposed payments for peculiar allowance

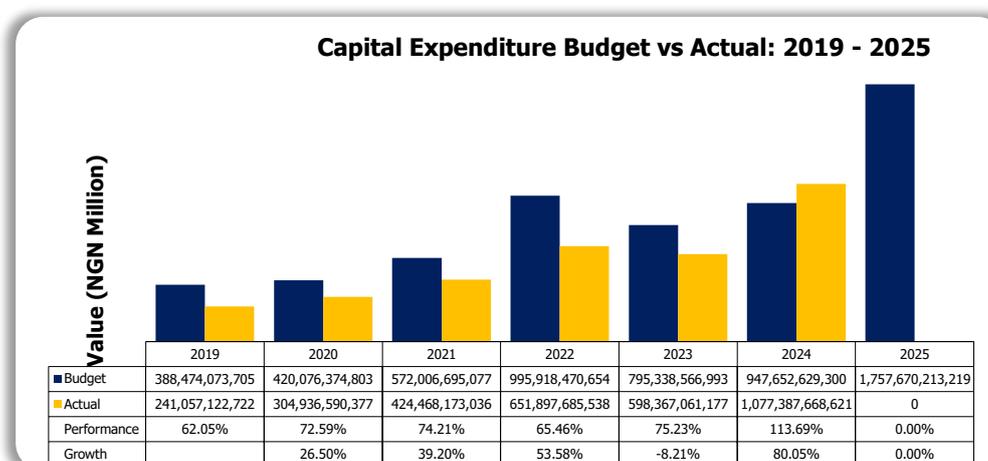
Figure 27: Overhead



134. Error! Reference source not found. **27** shows budgeted and actual overheads from Y2019–Y2025. Both the budgeted and actual have maintained upward trend while its performance shows a fluctuating pattern. The growing pattern indicates government priorities its daily activities at ensuring effectiveness and efficiency in governance.
135. The overhead has significantly performed at 97.83% in 2024, a commendable effort towards smooth running of the government. The budgeted 2025 overhead cost stands at ₦799.51 billion, suggesting a substantial increase aligned with growing needs for effective governance

Figure 28: Public Debt Service

136. **Figure 28** above shows the public debt service data from 2019 to 2025, which reveals a pattern of actual expenditures consistently exceeding the budgeted amounts. The State government has maintained over the years to source domestic loans rather than external loans, which is always influenced significantly by the exchange rate. However, the marginal increase of MPR does not significantly influence domestic loans.
137. Public debt service performed significantly in 2024 stood at 90.66% influenced by domestic debt which took about 70% of the total debt service while the remaining 30% belong to external debt service. Notably, the significant increase in the exchange rate increased the domestic debt servicing by 129% between 2023 and 2024. Nevertheless, the State government is committed to servicing its debts as shown in the performance as seen in the Figure 27 above over the years.

Figure 29: Capital Expenditure

138. **Figure 29** shows the upward trend in the capital expenditure from 2019 to 2025 both in budgeted and actuals. The government's aggressive stance at pursuing capital projects underscores the growth in capital expenditure especially in 2024 where it outperformed at 113.69%. This represents a remarkable commendation for the provision of modern infrastructure such as the redline and blueline rails coupled with other infrastructural projects such as construction, reconstruction, rehabilitations and upgrade of major roads and bridges in the State
139. The budgeted capital expenditure for 2025 increased to N1.76 trillion following the ongoing constructions of hospital such as Massey Hospital, Ojo General Hospital, while others are experiencing facilities upgrade and expansion of the redline rail. Also, other infrastructure such as the Lekki – Epe Airport, fourth mainland bridge in the pipeline to commence this year.

Table 3: Sectoral Expenditure – Personnel: Budget Vs Actual

Lagos State Personnel (Salaries, Allowances and Social Contributions) Expenditure by Sector												
No.	Sector	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	2024 Budget	2024 Actual	Performance	Average Budget	Average Actual
1	General Public Services	15,409,240,411	11,930,236,291	19,352,428,618	13,485,990,712	49,955,850,697	21,427,077,786	76,262,693,628	33,601,500,722	49.97%	22.08%	11.39%
2	Public Order and Safety	12,029,391,914	10,169,064,204	10,087,193,697	11,494,166,609	11,913,805,370	14,761,215,570	19,721,007,664	23,057,267,848	110.66%	7.37%	8.42%
3	Economic Affairs	12,245,562,604	11,413,052,705	11,565,274,698	12,040,598,585	13,252,971,534	14,657,760,642	16,568,763,893	20,373,247,643	109.05%	7.36%	8.28%
4	Environment	2,528,419,391	2,508,403,344	2,102,303,002	2,740,208,353	2,154,680,541	3,404,516,705	3,219,726,283	4,684,023,050	133.30%	1.37%	1.89%
5	Housing and Community Amenities	3,076,197,684	3,296,113,495	4,279,006,931	3,456,588,252	3,128,016,941	4,118,207,243	4,844,153,375	6,042,368,178	110.35%	2.10%	2.39%
6	Health	41,081,371,144	42,035,076,762	46,187,642,356	48,111,512,770	51,072,735,876	60,253,520,907	68,717,232,065	82,887,625,118	112.67%	28.40%	33.03%
7	Recreation, Culture and Religion	647,120,322	562,022,278	610,358,569	622,773,440	704,546,493	784,855,554	959,633,835	1,134,243,021	106.24%	0.40%	0.44%
8	Education	51,838,388,115	50,474,837,075	53,634,741,218	51,908,070,010	51,321,367,851	57,546,705,864	63,586,112,056	75,840,024,437	106.98%	30.23%	33.38%
9	Social Protection	1,226,961,997	1,108,248,599	1,033,600,417	1,162,062,791	1,161,585,425	1,365,034,398	1,647,582,279	1,808,165,759	107.37%	0.70%	0.77%
	Total	140,082,653,582	133,497,054,753	148,852,549,507	145,021,971,522	184,665,560,728	178,318,894,667	255,526,905,078	249,428,465,775	96.86%	100.00%	100.00%

Table 4: Sectoral Expenditure – Overhead: Budget Vs Actual

Lagos State Overhead Expenditure by Sector												
No.	Sector	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	2024 Budget	2024 Actual	Performance	Average Budget	Average Actual
1	General Public Services	80,618,087,886	102,521,039,016	118,798,119,508	100,263,667,430	163,987,020,328	172,763,862,131	234,888,240,830	255,154,208,980	105.42%	37.72%	44.50%
2	Public Order and Safety	15,353,087,223	18,203,501,999	22,000,226,615	17,708,193,503	30,151,764,333	28,494,296,856	34,349,698,938	39,420,302,490	101.94%	6.42%	7.33%
3	Economic Affairs	42,004,703,068	34,701,158,662	45,101,292,666	35,841,192,597	56,409,742,085	36,209,803,556	79,911,596,542	72,167,076,908	80.08%	14.09%	12.63%
4	Environment	28,919,548,564	22,142,906,740	27,338,822,276	23,492,670,602	30,782,917,885	26,702,238,694	36,835,620,039	35,385,951,768	86.96%	7.81%	7.60%
5	Housing and Community Amenities	3,337,479,802	2,393,218,005	7,089,156,568	3,106,829,779	11,474,333,659	4,903,487,822	12,076,154,945	8,139,914,923	54.58%	2.14%	1.31%
6	Health	32,055,162,193	24,040,336,372	42,283,415,178	22,849,368,256	58,894,026,648	30,087,769,392	59,064,153,352	46,079,872,068	63.99%	12.12%	8.68%
7	Recreation, Culture and Religion	4,700,177,751	3,504,432,889	6,710,033,913	5,646,872,118	16,147,456,371	21,268,778,859	28,139,655,514	25,617,732,638	100.61%	3.51%	3.95%
8	Education	51,806,389,176	34,853,504,097	59,035,775,251	43,750,865,091	58,022,740,437	45,011,361,317	66,247,878,674	58,262,438,007	77.36%	14.82%	12.83%
9	Social Protection	3,792,794,663	2,608,135,561	5,076,227,743	3,606,663,279	5,818,333,795	4,127,073,257	6,982,741,053	6,146,656,999	76.09%	1.37%	1.16%
	Total	262,587,430,326	244,968,233,340	333,433,069,718	256,266,322,656	431,688,335,543	369,568,671,885	558,495,739,886	546,374,154,782	89.34%	100.00%	100.00%

Table 5: Sectoral Expenditure – Capital: Budget Vs Actual

Lagos State Capital Expenditure by Sector												
No.	Sector	2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget	2023 Actual	2024 Budget	2024 Actual	Performance	Average Budget	Average Actual
1	General Public Services	148,805,220,912	94,361,792,381	184,577,265,403	106,883,179,511	201,571,683,382	124,559,331,711	251,553,699,620	284,529,928,192	77.60%	23.75%	22.18%
2	Public Order and Safety	18,718,081,334	11,946,869,644	38,628,417,508	19,420,554,265	43,631,547,606	22,193,703,593	28,970,313,217	30,091,516,298	64.37%	3.92%	3.04%
3	Economic Affairs	263,821,943,525	224,493,480,048	515,066,101,138	411,141,056,071	349,403,160,308	376,138,320,758	479,355,296,555	580,660,786,511	99.05%	48.56%	57.86%
4	Environment	28,211,630,881	28,939,783,349	63,064,102,140	32,736,327,481	50,455,498,286	24,100,193,596	47,968,111,707	59,182,564,948	76.42%	5.73%	5.27%
5	Housing and Community Amenities	30,614,420,639	21,317,436,948	78,250,448,452	28,389,638,409	52,528,116,049	18,468,761,192	39,004,683,545	39,484,359,431	53.72%	6.05%	3.91%
6	Health	32,459,987,831	15,394,427,497	38,877,621,224	12,627,110,545	39,095,097,643	16,355,185,494	32,839,593,114	29,567,306,674	51.61%	4.33%	2.69%
7	Recreation, Culture and Religion	1,949,097,547	906,933,281	12,898,375,167	5,561,463,185	8,950,526,031	3,399,334,050	12,633,454,518	8,040,621,732	49.16%	1.10%	0.65%
8	Education	43,289,977,513	25,682,258,065	60,855,678,703	34,212,511,553	47,401,446,460	12,747,965,764	50,859,625,804	37,279,057,562	54.31%	6.11%	3.99%
9	Social Protection	4,136,334,895	1,425,191,822	3,700,460,918	925,844,520	2,301,491,229	404,265,018	4,467,851,220	8,551,527,274	77.41%	0.44%	0.41%
	Total	572,006,695,077	424,468,173,036	995,918,470,654	651,897,685,538	795,338,566,993	598,367,061,177	947,652,629,300	1,077,387,668,621	83.12%	100.00%	100.00%

2.B.2 Debt Position

140. 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 2024
	Solvency Ratios	Percentage	Percentage
1	Total Domestic Debt/IGR	150%	63.90%
2	Total External Debt/Gross FAAC	150%	254.96%
3	Total Public Debt/Total Recurrent Revenue	150%	134.32%
4	Total Public Debt/State GDP Ratio	25%	5.03%
	Liquidity Ratios	Percentage	Percentage
5	Domestic Debt Service/IGR	15%	24.31%
6	External Debt Service/Gross FAAC	10%	12.42%
8	Debt Service Deductions from FAAC/Gross FAAC	40%	20.11%
8	Total Debt Service/Total Recurrent Revenue	25%	19.93%
B	PUBLIC DEBT DATA AS AT 31st DECEMBER 2024		Naira
1	Total Domestic Debt		842,465,655,000
2	Total External Debt		1,961,782,255,000
3	Total Public Debt		2,804,247,910,000
4	Total Domestic Debt Service 2024		320,515,838,000
5	Total External Debt Service in 2024		95,603,331,402
6	Total Public Debt Service		416,119,169,402
C	STATE GDP FOR 2024		
1	State GDP		55,702,977,280,000

Source: Economic Intelligence Department, DMO

141. **Table 6** above shows the Debt Sustainability Analysis, reveals that the State's total public debt to its GDP is 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**.
142. In addition, the **elevated external debt levels**, a 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 expenditure.

Section 3 Fiscal Strategy Paper

3.A Strategic Pillars & Priority Actions

141. Enhanced Revenue Mobilisation

- Digital Compliance Suite: enforce the implementation of e-filing and e-payment for PAYE and other presumptive levies for informal or small businesses, fully integrated with identity databases like the National ID and LASRRA databases.
- Informal-to-Formal Incentive Package: simplified turnover-based tax and business-registration fee waivers for micro-enterprises that migrate into the formal net.
- Property-Tax Optimisation: GIS-driven re-valuation and automated billing to lift property-rate yield by $\geq 30\%$ within two years.

142. Prudent Expenditure Management & Accountability

- Full activation of **Program-Based Budget (PBB)** ledgers in Oracle, linking vote-book entries to MTSS output indicators.
- Quarterly **DUCAP Compliance Reviews** on flagship projects; publish variance analyses on the Treasury portal within 30 days of quarter-end.

143. Sectoral Diversification & MSME Promotion

- Establish **Sector Growth Funds** (Tech, Blue Economy, Creative) with catalytic capital and clear exit horizons.
- Institutionalise a "Single Digital Window" for MSME licensing, cutting average start-up time from 30 days to < 5 days.

144. Infrastructure Development

- Prioritise high economic rate-of-return projects ($IRR \geq 15\%$) in transport, power distribution, and broadband fibre, screened through DUCAP stage-gates and the new **Infrastructure Value-for-Money Unit**.
- Leverage **blended finance** including green bonds and PPPs to keep debt service ratios within target.

145. Human Capital Acceleration

- **Education:** scale EKO EXCEL 2.0, targeting universal digital-device coverage in public primary schools by 2027.
- **Health:** expand Smart Health Information Platform (SHIP) to all general hospitals; target 95% electronic medical-record uptake.

146. Sustainable Development & Climate Resilience

- Introduce **Climate-Budget Tagging (CBT)**; every capital project above ₦5 billion to carry an ex-ante resilience score.
- Operationalise the Lagos Climate Risk-and-Adaptation Fund, seeded with 5% of annual IGR growth.

147. Monitoring, Evaluation & Adaptive Management

- Integrate **Performance Management Reports (PMRs)** and **The Peer Reviews (TPRs)** into the fiscal dashboard.
- Publish semi-annual **Citizen Budget Performance Briefs**, translating fiscal data into plain language and open-data formats.

Table 7: Core Fiscal Objectives

#	Objective	2026–2028 Target	Key SFTAS/PFM Anchor
1.	Revenue-to-State GDP ratio	5 % by 2028	SFTAS DL 4.2 – Own-source revenue mobilisation
2.	Personnel + Overhead ≤ 40 % of Recurrent Out-turn	Maintain 34 % by 2028	PEFA PI-23 – Expenditure arrears & controls
3.	Capital Expenditure ≥ 55 % of Total Spend	> 60 % by 2028	DUCAP “Controlled” gate: Capex value-for-money
4.	Debt-Service / Total Revenue ≤ 20 %	< 18 % in outer years	DMO Sub-national Debt Sustainability Framework
5.	Climate-tagged Budget Share	≥ 10 % of Capex by 2027	NGF Green-PFM guidance notes

Source: Economic Intelligence Department

3.B Macroeconomic Framework

A robust macroeconomic framework provides the foundation for sound medium-term fiscal planning. Lagos State's framework for the 2026–2028 period builds on a careful analysis of prevailing and projected economic realities, acknowledging both external and domestic vulnerabilities while reinforcing the State's commitment to sustainable development.

Table 8: Macro-Economic Framework**Lagos State Macroeconomic and Mineral Framework 2026 - 2028**

Item	2025	2026	2027	2028
National Inflation (CPI)	23.36%	24.96%	26.51%	27.00%
National Real GDP Growth	4.06%	4.72%	5.38%	6.04%
State Inflation (CPI)	28.44%	31.17%	31.43%	31.68%
State Real GDP Growth	4.50%	3.92%	3.63%	3.34%
State GDP Nominal	68,343,720,000,000	80,984,463,000,000	93,625,206,000,000	106,265,948,000,000
Oil Price Actual				
Oil Price Benchmark	\$78.92	\$60.00	\$60.00	\$60.00
Oil Production Benchmark (MBPD)	1.5100	1.5500	1.5500	1.6000
NGN:USD Exchange Rate	1521	1527.25	1533.5	1539.75
Other Assumptions				
FAAC Deductions	10,000,000,000,000	10,000,000,000,000	10,000,000,000,000	10,000,000,000,000
Mineral Ratio (Before Subsidy)	20%	20%	20%	20%

Source: Economic Intelligence Department, LBS

3.C Fiscal Strategy and Assumptions

Policy Statement

143. Lagos State's fiscal strategy over the 2026–2028 MTEF period is shaped by the principles of productive economic expansion, prudent fiscal management, institutional reforms, and inclusive growth. The strategy leverages the State's demographic strength, economic scale, and comparative advantages while aligning with **global best practices**.
144. Anchored in the **THEMES+ Agenda** and aligned with the extended **Lagos State Development Plan (LSDP 2052)**, the fiscal strategy prioritizes the consolidation of gains from ongoing public investments and reforms. These include the digitalization of revenue systems, deployment of **Outcome-Based Budgeting**, and the continuous strengthening of Lagos State's **Multi-Year Budget Framework**, currently guided by a Medium-Term Sector Strategy (MTSS) process.
145. The government will maintain a disciplined fiscal posture while strategically investing in high-growth, high-impact sectors. Diversification away from oil-linked transfers remains a core tenet, with deliberate fiscal support directed toward:
 - Tech ecosystem expansion including the ₦1billion seed fund for startups allocated to Lagos State Science, Research, and Innovation Council (LASRIC) and the establishment of the e-GIS platform for digital land administration

- Urban agriculture and agro-logistics, through initiatives such as the Lagos Food Logistics Hub and Agro-Processing Centres
 - Creative economy infrastructure, exemplified by the development of Lagos Film City in Epe
 - MSME expansion, with the unveiling of the LASG BOI MSME access to finance scheme (LASMECO) with a ₦10 billion matched funding initiative.
146. To maintain resilience in the face of global economic volatility — including high interest rates, supply chain disruptions, and rising protectionism — Lagos State will enhance its **fiscal buffers** and **revenue elasticity** by:
- Institutionalizing the **Digital Compliance Suite** to automate filing and payment of PAYE, presumptive levies, and VAT — linked with LASRRA and National ID databases.
 - Expanding the **GIS-driven revaluation and automated billing** for Property Tax to lift property rate yields by $\geq 30\%$ within 24 months.
 - Deepening formalization of the **informal economy** via digital identity expansion, market structuring, and tax incentives.

Fiscal Assumptions

147. Based on current trends, the government projects a **15% year-on-year increase in Internally Generated Revenue (IGR)**, from **₦2.23 trillion in 2025** to **₦2.55 trillion in 2026**, with further growth through 2028. This is anchored on:
- Real-time data analytics and AI-enabled risk profiling for tax compliance.
 - Scaling of **Unified Revenue Collection Systems**, leveraging the Lagos Revenue Portal (LRP).
 - Improved debt recovery, especially through LASDRI and the expanded enforcement capacity of LIRS.
148. Operating under a conservative oil benchmark, Lagos expects **statutory transfers** from the Federation Account to be more stable due to increased oil earnings post-subsidy removal. However, the strategy maintains caution, aiming to reduce dependency on federal transfers from the current 20% to <15% of total revenues by 2028.
149. Capital expenditure will maintain a **minimum 60:40 capital-to-recurrent ratio**, with increased reliance on **blended financing models** (debt, PPPs, and donor resources). Debt sustainability thresholds remain within Fiscal Responsibility Act ceilings, guided by annual **Debt Sustainability Analyses (DSAs)**.
150. The macro-fiscal framework is also built on assumptions including:
- Real GDP growth in Lagos averaging **4.2% over the medium term**, driven by services, construction, and manufacturing
 - Inflation averaging **17.5%** in 2026 with gradual easing
 - Interest rate pressures persisting due to tight monetary policy stance nationally and globally.
151. Finally, targeted youth development will continue under flagship initiatives such as:
- **Lateef Jakande Leadership Academy (LJLA)**
 - The **Graduate Internship Placement Programme (GIPP)** with over 2,300 onboarded in 2024
 - **ICT upskilling** programs offering start-up kits and international certifications to beneficiaries.

Budget Objectives

152. **Enhance Revenue Generation and Fiscal Sustainability**
 - Improve land titling and valuation processes to unlock significant revenue from Lagos's vast real estate market.
 - Leverage technology to track high-income earners and formalize the informal sector, ensuring fair taxation without stifling business growth.
 - Streamline the tax system to reduce redundancies, improve compliance, and enhance business confidence.
153. **Invest in Climate Resilience and Environmental Sustainability**
 - Strengthen infrastructure to withstand flooding and extreme weather events, mitigating potential economic losses estimated up to \$29 billion.
 - Invest in renewable energy projects and waste-to-wealth initiatives to reduce greenhouse gas emissions and create green jobs.
 - Improve drainage systems and enforce building regulations to address urban flooding and environmental degradation.
154. **Promote Economic Diversification and Support MSMEs**
 - Invest in technology, agribusiness, manufacturing, and the creative industries to reduce over-reliance on oil and create new employment opportunities.
 - Provide financing, training, and market access through initiatives like the Lagos State Employment Trust Fund (LSETF), Ministry of Commerce, Trade Investments & Cooperatives to bolster small and medium enterprises.
 - Enhance cultural and historical sites to attract tourists, leveraging Lagos's rich heritage to boost the economy.
155. **Invest in Human Capital Development and Social Inclusion**
 - Allocate resources to build and equip schools and healthcare facilities, ensuring access to quality services across the State.
 - Develop targeted programs for vulnerable groups, including women, children, and persons with disabilities, to promote social equity.
 - Invest in youth development initiatives to harness the potential of the young population for economic growth.
156. **Bridging the Energy Deficit**
 - Utilize the legal framework to attract private investments in localized electricity markets, enabling independent power generation and distribution within the State.
 - Allocate budgetary resources to upgrade transmission and distribution networks, reducing technical losses and improving power reliability.
157. **Implement Statewide Price Stabilization Measures for Essential Goods (Lagos State Market Development Board)**
 - Develop and enforce a state-wide 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.
158. **Promote Sustainable Economic Growth**
 - Foster an enabling environment for investment by enhancing the ease of doing business and encouraging industrialization.
 - Strengthen partnerships specifically with the private sector.

159. **Stakeholder Engagement**

- Engage with stakeholders, including businesses, civil society, and the 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.D **Indicative Three-Year Fiscal Framework**

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

Table 9: Indicative Three Years Fiscal framework

FISCAL ITEMS	APPROVED Y2025 (N'M)	PROJECTIONS		
		Y2026 (N'M)	Y2027 (N'M)	Y2028 (N'M)
TOTAL REVENUE	2,968,153	3,513,588	3,826,343	4,314,314
Opening Balance		-	-	-
Internally Generated Revenue	2,230,177	2,555,612	2,769,806	3,135,933
Capital Receipts	111,839	106,576	119,997	148,187
Federal Transfer	626,137	851,400	936,540	1,030,194
TOTAL RECURRENT EXPENDITURE	1,295,630	1,836,786	1,881,153	1,887,768
Total Personnel Cost	401,120	470,018	511,427	515,531
Total Overhead Cost	799,511	839,486	881,460	925,533
Debt Service (Repayment + Debt Charges)	95,000	527,281	488,266	446,704
TOTAL CAPITAL EXPENDITURE	2,071,185	1,903,202	2,168,644	2,676,437
Capital Expenditure	1,757,670	1,903,202	2,168,644	2,676,437
Repayment	313,515	-	-	-
TOTAL EXPENDITURE (BUDGET SIZE)	3,366,815	3,739,988	4,049,797	4,564,205
Closing Balance	-	-	-	-
FINANCING REQUIREMENT (BORROWING)	(398,662)	(226,400)	(223,454)	(249,891)

Lagos State Fiscal Framework 2026 - 2028

Item	2025 Original Budget	2026 Forecast	2027 Forecast	2028 Forecast
Opening Balance				
Recurrent Revenue				
Statutory Allocation	100,800,000,000	72,600,000,000	79,860,000,000	87,846,000,000
Derivation	3,900,000,000	0	0	0
VAT	352,000,000,000	686,400,000,000	755,040,000,000	830,544,000,000
IGR	2,230,177,053,923	2,555,612,108,426	2,769,805,838,847	3,135,932,918,136
Other Federation Account Revenues	169,436,925,000	92,400,000,000	101,640,000,000	111,804,000,000
Other Recurrent Revenues (Recurrent Grants)	0	0	0	0
Total Recurrent Revenue	2,856,313,978,923	3,407,012,108,426	3,706,345,838,847	4,166,126,918,136
Recurrent Expenditure				
Personnel (Salaries, Allowances and Contributions)	350,024,875,427	418,923,600,000	460,262,160,000	464,290,008,000
Social Benefits	51,094,703,188	51,094,680,103	51,164,480,103	51,241,260,103
Overheads	799,510,618,837	839,486,149,779	881,460,457,268	925,533,480,132
Grants, Contributions and Subsidies	0	0	0	0
Public Debt Service	408,514,813,473	527,281,407,337	488,265,574,892	446,703,518,163
Total	1,609,145,010,925	1,836,785,837,220	1,881,152,672,263	1,887,768,266,397
Transfer to Capital Account	1,247,168,967,999	1,570,226,271,206	1,825,193,166,584	2,278,358,651,738
Capital Receipts				
Capital Grants	52,549,359,967	55,266,747,997	63,556,760,197	86,102,792,182
Other Capital Receipts	59,289,889,332	51,309,598,901	56,440,558,791	62,084,614,670
Total	111,839,249,299	106,576,346,898	119,997,318,988	148,187,406,852
Reserves				
Contingency Reserve		56,099,823,524	60,746,950,312	68,463,080,319
Planning Reserve		56,099,823,524	60,746,950,312	68,463,080,319
Total Reserves	0	112,199,647,048	121,493,900,623	136,926,160,638
Capital Expenditure	1,757,670,213,219	1,847,102,574,180	2,107,897,064,860	2,607,974,007,872
Discretionary Funds	1,705,120,853,252	1,735,736,002,659	1,983,593,354,352	2,453,408,135,371
Non-Discretionary Funds	52,549,359,967	55,266,747,997	63,556,760,197	86,102,792,182
Planning and Climate Reserves	0	56,099,823,524	60,746,950,312	68,463,080,319
Financing (Loans)	398,661,995,922	226,399,779,600	223,453,529,600	249,891,029,600
Total Revenue (Including Opening Balance)	3,366,815,224,144	3,739,988,234,924	4,049,796,687,435	4,564,205,354,588
Total Expenditure (including Reserves)	3,366,815,224,144	3,739,988,234,924	4,049,796,687,435	4,564,205,354,588
Closing Balance				

ASSUMPTIONS

161. *Lagos State's medium-term economic outlook remains positive and achievable, contingent upon the sustained implementation of targeted structural reforms. Key among these are the deepening of business-friendly regulations, simplification of bureaucratic processes, and consistent policy signals that foster investor confidence. In parallel, the State must intensify efforts to optimise tax collection through digital compliance tools, broaden the revenue base, and entrench rule of law, contract enforceability, and property rights, all of which are critical for private sector growth and long-term fiscal sustainability.*
162. **Enhanced Revenue Mobilization:** Building on recent federal reforms such as the Nigeria Tax Act, Nigeria Revenue Service (Establishment) Act, Nigeria Tax Administration Act, and Joint Revenue Board Act, all signed into law on June 26, 2025, Lagos State expects substantial gains in tax compliance and collections.

With these reforms consolidating dozens of outdated statutes, empowering digital filing and payment, and establishing national ID-linked tax databases and a harmonised taxpayer registry (JRB), Lagos

stands to capture increased VAT, PIT, corporate income tax, and royalties from digital and cross-border economic activity.

163. **Internally Generated Revenue (IGR):** IGR is projected to grow by 15% in 2026, reaching ~₦2.65trillion, with further strong increases in 2027–2028. This reflects intensified efforts to formalize informal sectors, expand VAT compliance, and push property tax optimisation supported by GIS-enabled revaluation measures, aligned with the new federal tax regime’s emphasis on widened non-oil tax coverage and digital enforcement.
164. **Statutory Allocation & Derivation:** Given global oil price uncertainty and federal revenue volatility, our projections for statutory allocations remain conservative across the period. The derivation remittances based on royalties from state oil wells are assumed neutral due to recent underperformance and pricing dynamics.
165. **VAT & Federal Transfers:** Lagos, as the nation’s trade and commercial hub, is assumed to benefit disproportionately under the new VAT-sharing formula (55% state share), with VAT receipts expected to rise in tandem with digital enforcement and economic growth.
166. **Conditional Grants & Climate Finance:** The state anticipates increased access to federal and international grants especially climate resilience funding, leveraging Lagos’s strong track record in urban adaptation and renewable energy investment.
167. **Other Capital Receipts:** Non-debt capital receipts are expected to increase steadily through schemes involving land sales, mortgage repayments, vehicle registration, and green bond issuance, in support of its environmental and infrastructure agenda.
168. **Loan Financing:** Net borrowing is planned at ₦226billion in 2026, ₦223billion in 2027, and ₦250billion in 2028. All projected loans align with Lagos’s Debt Management Strategy and prioritise infrastructure and critical service delivery, with the mix sourced from domestic bonds and concessional sources, operating within safe debt sustainability ratios.

Loan financing for the 2026-2028 period will be pursued prudently, prioritising concessional sources and high-impact projects while reforms to boost revenue performance will help preserve debt sustainability in the medium term.

169. **Personnel & Overheads:** Personnel costs anticipate upward pressure due to service-year extensions for doctors, teachers, and medical consultants. Overhead allocations account for digital compliance stack rollout, enhanced security, training, and service expansion.
170. **Debt Service Commitment:** Debt servicing projections follow the DMO’s schedule and current macroeconomic variables, maintaining debt-to-revenue below the <250% threshold.

Despite an increasing capital financing requirement, Lagos State's debt strategy remains sustainable. With a current debt-to-revenue ratio of 119.58%, well below the 250% prudential limit, and a debt service-to-revenue ratio maintained under the 30% affordability threshold, the State retains fiscal headroom to support growth-enabling infrastructure.

Lagos is borrowing within acceptable limits, but the fact that its **debt is larger than its annual income** (119.58%) means the government must:

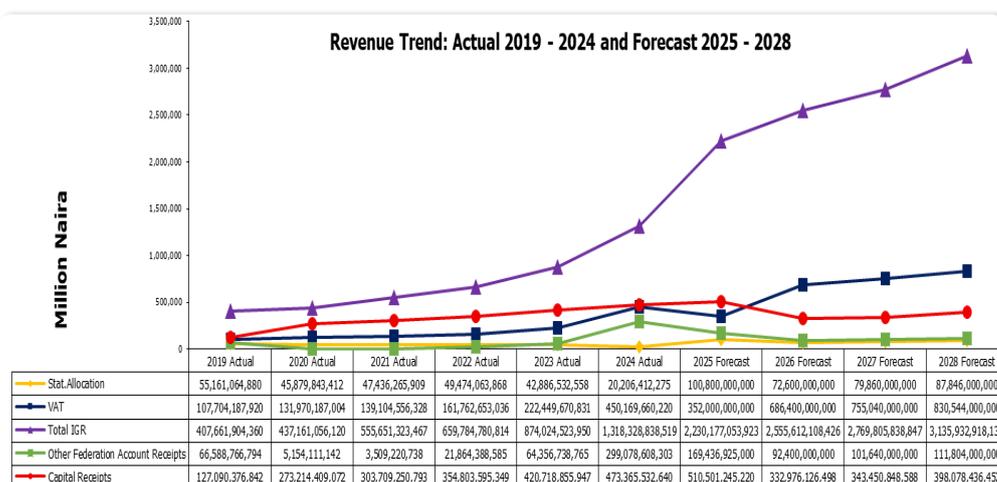
- Keep revenue growing,
- Borrow cautiously and productively,
- Prioritize **high-return investments** that can repay debt over time.

171. **Reserves & Contingency Buffers:** A combined buffer of 3% of total revenue is earmarked, 1.5% for contingency and 1.5% for planning, ensuring flexibility and resilience to revenue shortfalls or spending shocks.
172. **Capital Expenditure Prioritisation:** Capital expenditure continues to focus on green infrastructure, multi-modal transport systems, healthcare, digital platforms, and housing. The state leverages PPPs, green bonds, and the DUCAP framework (Delivering Unified Controlled Agile Projects) to ensure efficiency, resilience, and value-for-money outcomes.

3.E Fiscal Trend

Based on the above assumptions, plus actual revenue and expenditure figures for 2019-2024 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the line graphs below illustrate the historical trends and projected trajectories for both revenue and expenditure:

173. **Figure 30: Revenue Trend**



174. **Figure 30** illustrates the revenue trend from 2019 to 2028, highlighting consistent growth across key fiscal categories, and underscoring the impact of strategic reforms and economic policies targeted at strengthening the State’s fiscal resilience. The decline in actual statutory allocation in 2024 was primarily driven by falling international crude oil prices, disruptions in crude output, and persistent exchange rate volatility, all of which negatively affected FAAC receipts. Consequently, the forecast for 2026–2028 adopts a conservative posture relative to the ₦100.80 billion approved for 2025, reflecting a prudent approach to federal transfer projections amid ongoing macro-fiscal uncertainties.

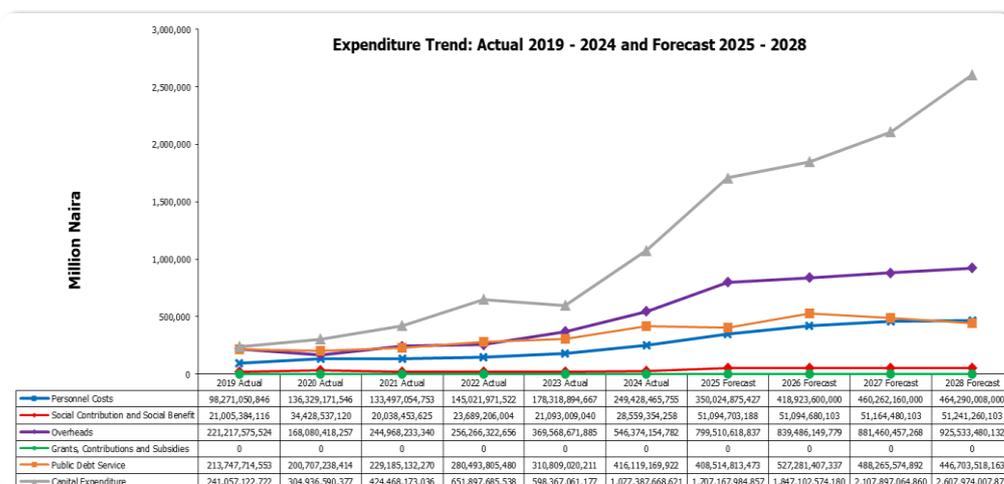
175. In 2024, Lagos State recorded a substantial increase in VAT revenue, reaching approximately ₦450 billion. This growth was largely driven by a significant rise in nationwide VAT collections, spurred by inflationary pressures, expansion of the tax net to cover more sectors including digital services and improvements in collection efficiency by the Federal Inland Revenue Service (FIRS). Additionally, ongoing discussions under the Nigeria Governors’ Forum (NGF) and the introduction of the 2025 tax reform laws have influenced a more equitable VAT sharing framework.

Given Lagos State’s dominant contribution to national VAT collections, estimated to exceed 55%, the State continues to receive a proportionally larger allocation. As these trends persist, VAT revenue for Lagos is expected to grow steadily over the 2025-2028 period. The State generated ₦1.3 trillion Internally Generated Revenue (IGR) in 2024, a significant increase from 2023 receipt. Despite the challenging economic environment, the State through the Ministry of Finance has implemented strategic measures to buffer the State’s finances from external shocks. The 2026-2028 forecast is expected to be achieved through the implementation of key strategies including property tax optimization, securitization of idle assets worth ₦3 trillion, digital tax platforms, taxation of digital professionals, expansion into the blue economy, and AI-driven tax compliance reforms—all aimed at widening the tax net, formalizing the informal sector, and boosting revenue efficiency.

176. Although the actual Other Federation Account Receipts in 2024 was ₦299.07 billion; due to the current decline in international oil prices, a modest reduction in FAAC allocation is expected. Hence, the projected Other Federation Account Receipts of ₦92.40 billion in 2026 to ₦111.80 billion in 2028.

177. The projected Capital receipts (including loans, grants, and other capital) for 2026 is ₦332.98 billion which is expected to slightly increase in 2027 and 2028. Compared to 2024 actual and 2025 approve figures, the expected capital receipt is due to reduced reliance on Loan financing as a result of strategic measures to increase Internally generated revenue (IGR). The State is committed to providing and ensuring robust funding for infrastructure and development projects in alignment with the State’s strategic goals for economic resilience and growth while maintaining fiscal discipline.

178. **Figure 31: Expenditure Trend**



179. **Figure 30** illustrates the revenue trend from 2019 to 2028, highlighting consistent growth across key fiscal categories, and underscoring the impact of strategic reforms and economic policies targeted at strengthening the State’s fiscal resilience. The decline in actual statutory allocation in 2024 was primarily driven by falling international crude oil prices, disruptions in crude output, and persistent exchange rate volatility, all of which negatively affected FAAC receipts. Consequently, the forecast for 2026–2028 adopts a conservative posture relative to the ₦100.80 billion approved for 2025, reflecting a prudent approach to federal transfer projections amid ongoing macro-fiscal uncertainties.

180. In 2024, Lagos State recorded a substantial increase in VAT revenue, reaching approximately ₦450 billion. This growth was largely driven by a significant rise in nationwide VAT collections, spurred by inflationary pressures, expansion of the tax net to cover more sectors including digital services and improvements in collection efficiency by the Federal Inland Revenue Service (FIRS). Additionally, ongoing discussions under the Nigeria Governors’ Forum (NGF) and the introduction of the 2025 tax reform laws have influenced a more equitable VAT sharing framework.

Given Lagos State’s dominant contribution to national VAT collections, estimated to exceed 55%, the State continues to receive a proportionally larger allocation. As these trends persist, VAT revenue for Lagos is expected to grow steadily over the 2025-2028 period. The State generated ₦1.3 trillion Internally Generated Revenue (IGR) in 2024, a significant increase from 2023 receipt. Despite the challenging economic environment, the State through the Ministry of Finance has implemented strategic measures to buffer the State’s finances from external shocks. The 2026-2028 forecast is expected to be achieved through the implementation of key strategies including property tax optimization, securitization of idle assets worth ₦3 trillion, digital tax platforms, taxation of digital professionals, expansion into the blue economy, and AI-driven tax compliance reforms—all aimed at widening the tax net, formalizing the informal sector, and boosting revenue efficiency.

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183. **Figure 31** Shows the State’s Actual and Forecast Total Expenditure from Y2019 to Y2028 reflecting key fiscal adjustments in line with evolving policy directions. Personnel costs are projected to increase in 2026–2028 due to the full implementation of the new minimum wage and associated salary adjustments across the civil service, aimed at sustaining workforce productivity and morale. Overhead costs are also expected to rise, driven by the expansion of digital systems, increased operational activities, and the need to strengthen service delivery and administrative efficiency.

184. Public debt servicing is projected at ₦527.28 billion in 2026 to ₦446.70 billion in 2028 as determined using the debt management strategy for repayment and charges on debt borrowed both internally and externally to ensure compliance with debt obligations and sustainability.
185. In line with the government's commitment to the continuous development and maintenance of quality infrastructure to stimulate economic activity, promote stability, and improved quality of life for citizens. Capital expenditure projection reflects a continuous increase from ₦1.85 trillion in 2028 to ₦2.61 trillion in 2028.

3.F Local Government Forecast

186. Based on the macroeconomic assumptions outlined in Section 3.A, the forecasting methodologies described in Section 3.B, and the applicable vertical and horizontal allocation formulas, the Federation Account revenues for Lagos State's 20 Local Governments have been projected as follows:

187. **Table 10: Local Government FAAC Estimates for 2026**

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2026			Total Transfer
				Statutory Allocation	VAT	Other Federation Account	
Agege	0.1721%	0.7282%		2,726,458,894	23,592,063,655	3,988,550,107	30,307,072,656
Ajeromi Ifeбудun	0.2212%	0.7762%		3,504,502,556	25,148,607,949	5,126,754,000	33,779,864,504
Alimosho	0.3567%	0.9035%		5,651,678,665	29,270,458,282	8,267,868,475	43,190,005,421
Amuwo Odofin	0.1394%	0.6978%		2,208,921,903	22,607,632,679	3,231,442,700	28,047,997,282
Apapa	0.1172%	0.6762%		1,857,142,399	21,907,678,667	2,716,822,736	26,481,643,802
Badagry	0.1310%	0.6813%		2,076,216,686	22,072,459,912	3,037,307,586	27,185,984,184
Epe	0.1203%	0.6685%		1,906,284,117	21,658,031,365	2,788,712,397	26,353,027,880
Etiosa	0.1452%	0.6913%		2,299,728,988	22,396,675,744	3,364,284,831	28,060,689,563
Ibeju Lekki	0.0969%	0.6548%		1,535,613,153	21,214,133,702	2,246,456,023	24,996,202,878
Ifako/Ijaye	0.1653%	0.7213%		2,618,375,035	23,369,441,283	3,830,433,698	29,818,250,017
Ikeja	0.1429%	0.6967%		2,263,455,687	22,573,122,427	3,311,220,441	28,147,798,555
Ikorodu	0.1964%	0.7444%		3,112,139,304	24,117,563,830	4,552,763,872	31,782,467,006
Kosofe	0.2125%	0.7722%		3,367,133,638	25,018,677,197	4,925,796,335	33,311,607,170
Lagos Island	0.1144%	0.6745%		1,812,580,099	21,852,649,744	2,651,632,329	26,316,862,173
Lagos Mainland	0.1380%	0.6977%		2,187,168,994	22,604,535,783	3,199,620,263	27,991,325,041
Mushin	0.2067%	0.7653%		3,274,356,306	24,793,812,006	4,790,071,921	32,858,240,234
Ojo	0.2005%	0.7578%		3,177,170,150	24,551,212,573	4,647,897,816	32,376,280,539
Oshodi/Isob	0.2048%	0.7628%		3,244,156,424	24,713,959,311	4,745,892,365	32,704,008,100
Shomolu	0.1584%	0.7159%		2,509,051,650	23,194,425,005	3,670,503,982	29,373,980,637
Surulere	0.1811%	0.7376%		2,870,035,828	23,897,836,986	4,198,589,509	30,966,462,323
Total	3%	15%	0%	54,202,170,477	470,554,978,101	79,292,621,388	604,049,769,966

188. **Table 11: Local Government FAAC Estimates for 2027**

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2027			Total Transfer
				Statutory Allocation	VAT	Other Federation Account	
Agege	0.1721%	0.7282%		2,999,104,784	25,951,270,020	4,387,405,117	33,337,779,922
Ajeromi Ifeбудun	0.2212%	0.7762%		3,854,952,811	27,663,468,744	5,639,429,400	37,157,850,955
Alimosho	0.3567%	0.9035%		6,216,846,531	32,197,504,110	9,094,655,322	47,509,005,963
Amuwo Odofin	0.1394%	0.6978%		2,429,814,093	24,868,395,947	3,554,586,971	30,852,797,011
Apapa	0.1172%	0.6762%		2,042,856,639	24,098,446,534	2,988,505,010	29,129,808,182
Badagry	0.1310%	0.6813%		2,283,838,354	24,279,705,904	3,341,038,345	29,904,582,603
Epe	0.1203%	0.6685%		2,096,912,529	23,823,834,502	3,067,583,637	28,988,330,668
Etiosa	0.1452%	0.6913%		2,529,701,887	24,636,343,319	3,700,713,314	30,866,758,520
Ibeju Lekki	0.0969%	0.6548%		1,689,174,468	23,335,547,072	2,471,101,625	27,495,823,166
Ifako/Ijaye	0.1653%	0.7213%		2,880,212,539	25,706,385,411	4,213,477,068	32,800,075,018
Ikeja	0.1429%	0.6967%		2,489,801,256	24,830,434,670	3,642,342,485	30,962,578,411
Ikorodu	0.1964%	0.7444%		3,423,353,235	26,529,320,213	5,008,040,260	34,960,713,707
Kosofe	0.2125%	0.7722%		3,703,847,001	27,520,544,917	5,418,375,969	36,642,767,887
Lagos Island	0.1144%	0.6745%		1,993,838,109	24,037,914,719	2,916,795,562	28,948,548,390
Lagos Mainland	0.1380%	0.6977%		2,405,885,894	24,864,989,361	3,519,582,290	30,790,457,545
Mushin	0.2067%	0.7653%		3,601,791,937	27,273,193,207	5,269,079,113	36,144,064,257
Ojo	0.2005%	0.7578%		3,494,887,165	27,006,333,830	5,112,687,597	35,613,908,593
Oshodi/Isob	0.2048%	0.7628%		3,568,572,066	27,185,355,242	5,220,481,602	35,974,408,910
Shomolu	0.1584%	0.7159%		2,759,956,815	25,513,867,506	4,037,554,380	32,311,378,701
Surulere	0.1811%	0.7376%		3,157,039,411	26,287,620,685	4,618,448,459	34,063,108,555
Total	3%	15%	0%	59,622,387,525	517,610,475,911	87,221,883,526	664,454,746,962

189. **Table 12: Local Government FAAC Estimates for 2028**

Lagos State Government MTEF - 2026 – 2028

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2028			Total Transfer
				Statutory Allocation	VAT	Other Federation Account	
Agege	0.1721%	0.7282%		3,299,015,262	28,546,397,022	4,826,145,629	36,671,557,914
Ajeromi Ifelodun	0.2212%	0.7762%		4,240,448,092	30,429,815,618	6,203,372,340	40,873,636,050
Alimosho	0.3567%	0.9035%		6,838,531,184	35,417,254,521	10,004,120,854	52,259,906,560
Amuwo Odofin	0.1394%	0.6978%		2,672,795,503	27,355,235,541	3,910,045,668	33,938,076,712
Apapa	0.1172%	0.6762%		2,247,142,303	26,508,291,187	3,287,355,511	32,042,789,001
Badagry	0.1310%	0.6813%		2,512,222,190	26,707,676,494	3,675,142,179	32,895,040,863
Epe	0.1203%	0.6685%		2,306,603,782	26,206,217,952	3,374,342,001	31,887,163,735
Etiosa	0.1452%	0.6913%		2,782,672,075	27,099,977,651	4,070,784,645	33,953,434,371
Ibeju Lekki	0.0969%	0.6548%		1,858,091,915	25,669,101,779	2,718,211,788	30,245,405,482
Ifako/Ijaye	0.1653%	0.7213%		3,168,233,793	28,277,023,952	4,634,824,775	36,080,082,520
Ikeja	0.1429%	0.6967%		2,738,781,381	27,313,478,136	4,006,576,734	34,058,836,252
Ikorodu	0.1964%	0.7444%		3,765,688,558	29,182,252,234	5,508,844,286	38,456,785,078
Kosofe	0.2125%	0.7722%		4,074,231,702	30,272,599,409	5,960,213,565	40,307,044,676
Lagos Island	0.1144%	0.6745%		2,193,221,920	26,441,706,190	3,208,475,119	31,843,403,229
Lagos Mainland	0.1380%	0.6977%		2,646,474,483	27,351,488,297	3,871,540,519	33,869,503,299
Mushin	0.2067%	0.7653%		3,961,971,131	30,000,512,528	5,795,987,025	39,758,470,683
Ojo	0.2005%	0.7578%		3,844,375,881	29,706,967,214	5,623,956,357	39,175,299,452
Oshodi/Isolo	0.2048%	0.7628%		3,925,429,273	29,903,890,766	5,742,529,762	39,571,849,801
Shomolu	0.1584%	0.7159%		3,035,952,497	28,065,254,256	4,441,309,818	35,542,516,571
Surulere	0.1811%	0.7376%		3,472,743,352	28,916,382,753	5,080,293,305	37,469,419,411
Total	3%	15%	0%	65,584,626,277	569,371,523,502	95,944,071,879	730,900,221,659

3.G Fiscal Risks

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

Table 13: Fiscal Risk

Category	Risk	Likelihood	Impact	Mitigation Strategy
1. Global	Susceptibility to External Shocks (e.g., FX volatility, global inflation, trade restrictions)	High (H)	<ul style="list-style-type: none"> * Lower statutory transfers due to oil price shocks * Increased costs for capital imports and debt servicing * Reduced investor confidence and FDI inflows 	<ul style="list-style-type: none"> * Establish a State Stabilization Fund to manage revenue volatility * Strengthen local content and import substitution, especially in agriculture and ICT * Expand intra-African trade through AfCFTA-aligned logistics & compliance systems
2. Financial / Economic	a. Volatile Macro-Economic Indicators (Inflation, interest rates, FX shocks)	High (H)	<ul style="list-style-type: none"> * Erosion of purchasing power and real value of allocations * Increased cost of public procurement and debt service * Heightened fiscal deficits 	<ul style="list-style-type: none"> * Institutionalize inflation-indexed budgeting and contract adjustment clauses * Prioritize cost-effective procurement frameworks and local sourcing * Advocate for fiscal-monetary policy coordination through NGF
	b. Inadequate Revenue Generation (Low elasticity, overdependence on PAYE & transfers)	High (H)	<ul style="list-style-type: none"> * Reduced ability to finance development programs * Elevated borrowing pressure * Risk of credit rating downgrade 	<ul style="list-style-type: none"> * Broaden tax base using e-ID integration, e-filing & presumptive levies * Deepen property tax automation and GIS-based billing * Launch sector-specific growth programs (tech, tourism, creative) to expand the tax net
3. Political	Budgetary Capture / Politicization of Allocations	Medium (M)	<ul style="list-style-type: none"> * Distortion of priorities in favor of non-impactful projects * Abandonment of ongoing capital projects * Erosion of public trust and fiscal transparency 	<ul style="list-style-type: none"> * Enforce evidence-based budgeting via MTSS and MTEF * Institutionalize Program-Based Budgeting (PBB) with clear output KPIs * Establish independent fiscal oversight mechanisms and publish Citizen Budget
4. Environmental	a. Contagious Disease Outbreaks (e.g., Lassa Fever, COVID-19 variants)	High (H)	<ul style="list-style-type: none"> * Health service overload and emergency reallocations * Labor market disruptions * Economic slowdown in informal-heavy sectors 	<ul style="list-style-type: none"> * Scale up digital health surveillance and early warning systems * Maintain strategic stockpiles and emergency funding lines * Strengthen primary healthcare workforce and facilities

	b. Climate-Related Disasters (Floods, coastal erosion, heatwaves)	High (H)	<ul style="list-style-type: none"> * Infrastructure damage and repair costs * Population displacement and housing deficits * Food insecurity from agro-disruptions 	<ul style="list-style-type: none"> * Expand climate-resilient infrastructure (e.g., flood basins, permeable roads) * Integrate climate risk into project appraisals and budgeting * Enforce urban drainage regulations and climate zoning codes
5. Security/Social	a. Inter-State Migration and Population Surge	High (H)	<ul style="list-style-type: none"> * Pressure on public services (housing, education, sanitation) * Rise in informal settlements and urban sprawl * Higher demand for security and welfare 	<ul style="list-style-type: none"> * Develop Dynamic Population Management Strategy using LASRRA & GIS tools * Adjust infrastructure plans to pressure zones * Partner with FG on resettlement and welfare co-financing
	b. Youth Unemployment and Civil Unrest	High (H)	<ul style="list-style-type: none"> * Productivity loss and rising dependency * Increased risk of unrest and crime * Burden on safety nets and emergency spending 	<ul style="list-style-type: none"> * Scale youth employment initiatives via ICT hubs, green jobs, and LJLA * Expand LSETF-backed MSME lending and targeted entrepreneurship grants * Strengthen community policing and early conflict resolution systems

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

190. The 2025 Budget Policy Statement (BPS) continues to focus on the Administration's THEMES + agenda, with the aim of consolidating progress made in previous years while also addressing new challenges. The theme of this year's budget is "Budget of Sustainability", a strategic blueprint that embodies Lagos State's vision to build a resilient, inclusive, and future-ready economy, capable of withstanding shocks while continuing to deliver social value and economic opportunity for its citizens.
191. The BPS outlines the following priorities and objectives for the 2025 budget:
- **Strengthening Public Financial Management:** The State government remains committed to fiscal discipline through cost-saving measures and efficient expenditure, while improving internally generated revenue performance and optimizing debt sustainability for a resilient and sustainable financial framework.
 - **Investment in Infrastructure and Human Capital:** The Lagos State Government will continue to accelerate investment in transport, health, education, and housing while expanding access to quality education and healthcare to improve the well-being and prosperity of all residents.
 - **Support for Economic Growth and Job Creation:** The Lagos State Government is dedicated to driving inclusive economic growth by empowering MSMEs and prioritizing the digital economy. By fostering private sector participation and creating an enabling environment, the government aims to unlock job opportunities and enhance prosperity for all.
 - **Climate Resilience and Environmental Sustainability:** The Lagos State Government is committed to integrating climate-smart initiatives and green infrastructure into development planning. By tackling urban flooding and waste management challenges, the government aims to build a sustainable and resilient environment for current and future generations.
 - **Strengthening Security and Governance:** The Lagos State Government is dedicated to deepening reforms in the justice and security sectors to enhance safety and stability. By promoting transparency, accountability, and active citizen participation in governance, the government aims to foster a secure, just, and inclusive society for all.
192. In summary, the 2025 Budget Policy Statement for Lagos State emphasizes sustainability and resilience, aligning with the THEMES+ agenda. It prioritizes sound financial management, strategic investments in infrastructure and human capital, inclusive economic growth, environmental sustainability, and strengthened security and governance. The budget aims to consolidate previous gains while addressing emerging challenges, ensuring improved service delivery, fiscal responsibility, and enhanced socio-economic outcomes for all residents.

4.B Sector Allocations (3 Year)

193. 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.
194. 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.

195. 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.
196. 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.
197. 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.
198. Presented in the table below are the indicative three envelopes for Sectors.

Table 14: Indicative Expenditure Ceilings 2026-2028

No.	Sector	Proposed MTEF 2025	Approved Budget 2025		Proposed MTEF ALLOCATION					
		%	%	N	2026		2027		2028	
					%	N	%	N	%	N
1	General Public Services	20.22%	25.01%	819,712,692,763.15	22.90%	856,592,652,657.29	23.21%	940,057,733,585.22	23.47%	1,071,359,056,872.43
2	Public Order and Safety	4.00%	4.03%	135,705,772,409.00	4.10%	153,366,598,836.62	4.14%	167,821,585,728.19	4.09%	186,455,926,176.64
3	Economic Affairs	25.62%	32.25%	1,085,882,785,075.20	29.59%	1,106,767,116,490.93	30.87%	1,250,166,073,076.44	33.18%	1,514,268,728,618.96
4	Environment	4.05%	7.79%	262,241,194,675.13	5.35%	200,138,752,468.33	5.49%	222,175,399,766.60	5.90%	269,499,458,460.50
5	Housing and Community Amenities	2.61%	3.00%	100,886,094,999.16	3.02%	113,077,091,200.74	3.13%	126,772,310,469.74	3.29%	150,201,035,635.66
6	Health	7.20%	6.54%	220,153,854,850.43	7.57%	282,998,732,410.59	7.65%	309,642,555,176.54	7.31%	333,651,434,592.13
7	Recreation, Culture and Religion	0.97%	1.28%	43,017,244,084.10	1.38%	51,639,485,554.01	1.37%	55,399,046,107.63	1.33%	60,607,342,934.52
8	Education	8.00%	6.63%	223,268,995,757.17	8.44%	315,753,317,160.57	8.55%	346,094,241,647.83	8.11%	370,314,053,296.37
9	Social Protection	1.90%	0.49%	16,337,072,869.60	0.54%	20,173,433,759.80	0.54%	21,908,266,362.04	0.53%	24,218,639,200.45
10	Contingency Reserve	1.50%	0.85%	28,729,739,911.83	1.50%	56,099,823,523.86	1.50%	60,746,950,311.52	1.50%	68,463,080,318.82
11	Planning Reserve	1.50%	0.00%	-	1.50%	56,099,823,523.86	1.50%	60,746,950,311.52	1.50%	68,463,080,318.82
12	Public Debt Service	22.44%	12.13%	408,514,813,472.91	14.10%	527,281,407,337.37	12.06%	488,265,574,891.64	9.79%	446,703,518,162.59
	Total	100.00	100.00	3,366,815,224,143.57	100.00	3,739,988,234,923.96	100.00	4,049,796,687,434.92	100.00	4,564,205,354,587.88

These allocations are driven by the State developmental priorities over the medium term in alignment with the THEMES+ agenda.

199. **Justification for the Sectoral Fiscal Allocation (2026–2028):** The Medium-Term Budget Framework (MTBF) for 2026 - 2028 outlines sectoral allocations that directly support the THEMES+ Agenda and Lagos State’s strategic roadmap for sustainable urban transformation. These allocations are framed within broader macroeconomic realities and fiscal sustainability targets, influenced by historical trends and current government priorities, including global and domestic reforms. With an emphasis on inclusive growth, resilience, and efficient public service delivery, sectoral financing reflects not just expenditure needs but investment in public value and long-term socio-economic returns.
200. **General Public Services:** In line with efforts to institutionalize smart governance, the allocation to General Public Services supports digital transformation and administrative efficiency. Projects such as the e-GIS upgrade, Oracle enterprise systems, and the State's new Tier III Data Centre will modernize workflow, support real-time fiscal analytics, and enhance inter-agency coordination. These investments build the operational backbone for improved service delivery, while civil service capacity-

building ensures continuity in executing Lagos' long-term vision as outlined in the Lagos State Development Plan 2052.

201. **Public Order and Safety:** Urban density and demographic growth have intensified the need for proactive investments in safety infrastructure. Sectoral spending here targets emergency preparedness, smart surveillance systems, and expansion of the Lagos Neighbourhood Safety Corps (LNSC). The State's approach integrates technology into policing and disaster response, recognizing that investor confidence and tourism growth hinge on the perception and reality of security. This sector also aligns with regional resilience goals under the West African security architecture, positioning Lagos as a sub-national leader in urban safety innovation.
202. **Economic Affairs:** Spending in this sector is Lagos' most direct lever for stimulating economic growth and job creation. Capital investments in the Lagos Rail Mass Transit (Red and Blue lines), water transport modernization, and road infrastructure will unlock productivity and reduce logistics costs across value chains. The Creative Economy receives targeted support, building on Lagos' dominance in film, fashion, and music, with multiplier effects across employment and tourism. Agro-industrial hubs like the Imota Rice Mill and Wholesale Produce Markets are designed to enhance food security, increase export readiness, and build buffers against currency and inflation shocks, aligning with Lagos' post-pandemic economic resilience strategy.
203. **Environmental Protection:** Environmental spending reflects Lagos' vulnerability to climate risks and its leadership role in subnational climate action. The sector supports execution of the Lagos Climate Action Plan and transition financing through mechanisms like green bonds and public-private partnerships. Key priorities include flood defence infrastructure, coastal protection, and expansion of waste-to-energy and circular economy initiatives. The State also plans to capitalize on international climate finance, leveraging recent reforms and donor interest in urban climate resilience.
204. **Housing and Community Amenities:** To address the urban housing gap estimated at over 2 million units and curtail unregulated urban sprawl, the sector will deliver affordable and inclusive housing projects under the **Rent-to-Own and Public Housing Schemes**. Integration with smart infrastructure (e.g., solar mini-grids, digital address systems) ensures sustainability. The State's urban renewal program targets slum rehabilitation and expansion of essential services, with strong coordination across Ministries of Physical Planning, Urban Development, and Environment to reinforce spatial justice and liveability.
205. **Health:** The State's health sector spending supports ongoing reforms under the Lagos Health Scheme and the Health Financing Policy Framework. Funding is channelled toward upgrading secondary and tertiary facilities, expanding coverage of health insurance, and digitizing medical records to improve efficiency. Lagos is also investing in epidemic preparedness infrastructure and local pharmaceutical manufacturing as part of national self-reliance goals. These interventions directly link to human capital development and demographic dividend capture under the Lagos Economic Development Plan.
206. **Recreation, Culture, and Religion:** Allocations here are aligned with cultural economy development and urban place-making goals. Investments in heritage conservation, festival tourism, and public parks support not only local identity and cohesion but also Lagos' ambition to be a global cultural capital. Projects like the redevelopment of Freedom Park, support for Lagos Theatre Network, and expansion of tourism infrastructure in Epe and Badagry will attract diaspora interest and diversify State revenue streams through cultural export.
207. **Education:** Lagos' demographic structure with youth comprising over 60% of the population makes education funding non-negotiable. Priorities include digital learning infrastructure, school rehabilitation, teacher training, and curriculum reform targeting STEM and soft skills. This aligns with the Education and Technology pillar and supports transition pathways into the State's digital economy. Special focus is given to Technical and Vocational Education and Training (TVET) and partnerships with EdTech providers to improve outcomes and equity.
208. **Social Protection:** This sector represents the soul of the THEMES+ strategy. Funding targets the Lagos CARES program, conditional cash transfers, skill development initiatives, and women-led enterprise financing. Focus areas include social registers expansion, adolescent girl empowerment, and disability inclusion. With inequality and vulnerability on the rise due to macroeconomic pressures,

this sector becomes pivotal in ensuring that the gains of growth are broadly shared and that Lagos continues to set national benchmarks in subnational social protection.

4.C Medium-term Sector Strategies (MTSS)

209. MTSS is premised on creating a coherent and transparent budget framework, which is focused on channelling resources to fund the State's developmental needs in an efficient and transparent manner. It is a bottom-up resource allocation strategy that is meant to link up with the top-down medium-term budget framework.
210. 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.
211. 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.
212. 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.

213. This Y2026-Y2028 MTBF Document will be used to inform the Y2026 Budget Call Circular and in turn, formulate the Annual Budget.
214. 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

214. Revenue Trends

- **IGR Strength with Caution Flags:** Internally Generated Revenue continues to improve year-on-year, thanks to digitization, tax reforms, and improved enforcement. However, growth remains concentrated in a few sectors, exposing the State to structural risks.
- **VAT Performance and Reforms:** Lagos has benefited from improved VAT collections post-reform. Yet, competition over VAT sharing and volatility in national VAT receipts remain a threat.
- **Volatile Federation Transfers:** Statutory Allocations and Other FAAC receipts are still subject to national oil market dynamics and federal fiscal uncertainties.
- **Borrowing Pressure and Grant Weakness:** While loans are aligned with the Debt Strategy, rising reliance on borrowing without predictable grant inflows could limit future fiscal flexibility.

215. Expenditure Efficiency

- **Capital Projects Under-Execution:** A consistent gap persists between budgeted and actual capital expenditure, raising questions around procurement bottlenecks and project pipeline readiness.
- **Debt Servicing Growth:** Although within safe thresholds, debt service is rising sharply, crowding out investment spending.
- **Social Spending Lags:** Allocations for safety nets, empowerment, and vulnerable populations are often underutilized, despite rising hardship across communities.
- **Overheads and Personnel:** Public service wage bills remain stable, but efficiency improvements have been slow, despite automation investments.

216. Debt Sustainability

Lagos's Debt-to-Revenue ratio at 119.58% remains well below the 250% ceiling, suggesting current debt levels are manageable. However, this space is shrinking due to increasing debt servicing costs and slowing federal transfers. Future borrowing must be justified by productivity not merely budget balancing.

Key Recommendations for Government (2026 - 2028)

To maintain macro-fiscal stability, safeguard the future, and deliver value-for-money outcomes, Lagos must adopt smart, lean, and future-aware reforms. The following recommendations are cost-efficient quick wins that can drive fiscal resilience and inclusive growth, even in uncertain times.

i. Secure Lagos's Position Under the New National Tax Regime

- **Strategic Engagement with the Joint Revenue Board (JRB):** Ensure full institutional participation in the harmonized national tax system to maintain Lagos's advantage in VAT and digital economy taxation.
- **Leverage New Tax Laws for Local Innovation:** Launch Lagos-specific tax incentive schemes for clean energy, urban transport, creative industries, and tech start-ups under the Economic Development Tax Incentive (EDTI) framework.

ii. Broaden and Stabilize the Revenue Base Without Over-Taxing

- **Target Untapped Growth Sectors:** Expand tax net coverage to gig work, short-term rentals (e.g., Airbnb), and digital freelancers via behavioural nudges, not enforcement.

- Automate Informal Sector Integration: Deploy a mobile-friendly presumptive tax scheme integrated into cooperative platforms and trade unions to formalize revenue inflows.
 - Annual Revenue Stress Test: Institutionalize a Revenue Volatility Index to assess exposure to shocks and recalibrate assumptions in budget planning.
- iii. Reinforce Spending Efficiency, Not Just Control**
- Pre-Procurement Readiness Checks: Require all capital projects above ₦1 billion to undergo readiness and value-for-money screening prior to budget inclusion.
 - Smart Project Devolution: Where delivery lags, devolve capital projects to local councils or private operators under outcome-based contracts.
 - End-Year Budget Reallocation Protocol: Institutionalize a Q3 budget execution review to identify and redirect funds from underperforming MDAs to priority projects.
- iv. Maintain Conservative Borrowing While Unlocking Cheaper Capital**
- Cap Commercial Borrowing: Limit commercial loans to less than 20% of total new borrowing annually, favour concessional and blended finance for infrastructure.
 - Green Bond Window: Issue a Lagos Sustainability Bond focused on transport, waste, and renewable energy, positioning Lagos as Africa's green capital.
 - Debt Transparency Portal: Launch a public dashboard showing loan terms, disbursement status, and project completion to build trust and attract better terms.
- v. Prepare for Uncertainty and Systemic Shocks**
- Strategic Reserves for Volatility: Expand the Lagos Stabilization Fund, with rules-based withdrawals triggered by revenue shortfalls or emergency expenditure needs.
 - Geopolitical Risk Watchlist: Establish a small taskforce to monitor global disruptions (e.g., Red Sea trade routes, West African coups, AI-driven job losses) and model their local impact.
 - Public-Private Scenario Labs: Engage business and academic communities in semi-annual scenario planning sessions to update State strategy assumptions.
- vi. Empower the Workforce and Digital Infrastructure Backbone**
- Digital Payroll and HR Audits: Complete the Statewide Oracle HRIS rollout and run quarterly payroll verification across MDAs.
 - Results-Linked Training for Civil Servants: Tie civil service training budgets to post-training productivity benchmarks tracked over time.
 - Citizen Budget Portal: Launch a public-facing platform where citizens can track progress of major capital projects by LGA and see spending efficiency scores.
- vii. Redirect Social Investments for Greater Impact**
- Targeted Food Security Vouchers: Pilot digital food stamps or e-vouchers for vulnerable households, linked to local MSMEs to stimulate local markets.
 - Youth Work Credits Scheme: Introduce a public works-for-benefits scheme allowing unemployed youth to earn points redeemable for education, training, or housing access.
 - Heatwave and Flood Early Response Grants: Allocate conditional block grants to LGAs to pre-finance emergency climate adaptation needs.

Final Word

In a world increasingly marked by disruption be it geopolitical, environmental, or technological, resilience is Lagos State's new currency of leadership. These recommendations are not just about fiscal balancing, they are about ensuring that every naira works harder, every project delivers measurable value, and every resident sees the impact. With deliberate execution and collective accountability, Lagos can continue to chart a model of urban excellence, not just for Nigeria but for Africa.