LAGOS STATE

DEBT SUSTAINABILITY ANALYSIS (DSA) AND DEBT MANAGEMENT STRATEGY (DMS) REPORT

DECEMBER, 2023

Developed by the Lagos State Debt Management Office

December, 2023

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1.0 INTRODUCTION

1.1 BACKGROUND

The DSA analyzes trends and patterns in the Lagos State's public finances during the period 2018-2022, and evaluates the debt sustainability in 2023-2032 (the long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances.

The main objective of the debt strategy is to ensure that the government's financing needs and payment obligations are met at the lowest possible cost, consistent with a prudent degree of risk. Consequently, for the four DMS, the analysis calculates costs of carrying public debt, and measures risks associated to macroeconomic and fiscal shocks.

1.2 SUMMARY OF FINDINGS

The analysis of the Lagos State DMS-DSA shows that the State exhibits a solid debt position that appears sustainable in the long term. The solid debt position results from the State's strong performance in terms of mobilizing Internally Generated Revenue (IGR), underpinned by a formidable tax administration structure, successive recurrent expenditure growth and a competitive level of public debt. Given the State's own forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable.

2.0 LAGOS STATE FISCAL AND DEBT FRAMEWORK

2.1 FISCAL REFORMS IN THE LAST FIVE YEARS

2.1.1 The State Fiscal and Debt Framework

The followings are the provision of financial policy framework that had and will always assist the State Government, Ministries, Departments and Agencies in translating the yearnings of the citizens for good governance, economic development and prosperity into reality. This includes:

- Formulation, Co-ordination and Implementation of Financial Policy and Regulations.
- Monitoring of all the State Revenue through electronic means.
- Ensuring budget discipline (balancing public expenditures with State resources).
- Determining the funding priorities of the State.
- Formulation of Accounting Policies and Maintenance of Accounting Standards.
- Cash Management.
- Public Debt Management and Strategy (Loans Policy, Outstanding Debts Management and Contractors' Arrears).
- The State has also put a number of measures in place to improve and sustain the growth in revenue generation such as:
- Expansion of tax net to capture more tax payers.
- Introduction of technology for revenue collection and to block leakages in the system.
- Electronic Billing system to mitigate against fraud.
- Land-use charge.
- Implementation of Tax Incentives and Reliefs for Taxpayers (individuals & business) in Lagos.

Lagos State Government has also invested massively on developmental and productive projects as well as infrastructural developments which cut across all sectors of the State.

COMPLETED/COMMISSIONED ROADS;

• Completed and commissioned 34 roads at Kosofe, Somolu, Victoria Island and Ikoyi
• Completed and commissioned 384-capacity multi-level car park at Onikan, Lagos.
• Flagged off the construction of 3.89-kilometre-long Ojota-Opebi link Bridge
• Completed and commissioned Ijede Road Phase 1 in Ikorodu
• Completed and commissioned1.4 km flyover and dual carriageway Pen-Cinema Bridge, Agege
• Reconfigured 6 Junction/Roundabouts – Allen, Ikotun, Maryland, Lekki and Ajah [under Traf fic Management Intervention Plan (TMIP].
• Did 110 palliatives and 361 sectional rehabilitations on Roads across the State.
• 650 inner roads were rehabilitated by the Lagos State Public Works Corporation [LSPWC]

INTER-MODAL TRANSPORTATION;

• Acquired 10-Car intra-city Metropolitan speed trains for the 37km Lagos Red Line project
• Compensated 263 residents af fected by Red Rail Line project right of way.
• Completed the 380-metre-long sea crossing bridge component of the Lagos Blue Line Rail spanning Mile 2 to Marina.
• Flag off the Lagos Red Line Rail.
• Launched LagRide with 1,000 units of Sport Utility Vehicles [SUVs]
• Commissioned 4 Bus Terminals – Mafoluku, Yaba, Oyingbo and Ajah
• Completed 78 bus shelters/bus depots while 22 are ongoing.
• Reconfigured 6 Junctions/Roundabouts – Allen, Ikotun, Lekki I & II, and Ajah
• Employed 1,300 LASTMA ofsficers to manage traffic
• Deployed traffic lights and CCTV cameras in strategic places in the State
• Delivered 14 new BRT stations
• Launched 500 units of First and Last Mile (FLM) buses as alternative means of transportation in addressing the security threat constituted by commercial

motorcycles, popularly known as ‘okada’.

• Injected 560 high-medium capacity buses for standard routes

• Lagos Bus Service Limited (LBSL) celebrated the 10 million passenger ridership as an unprecedented landmark achievement. By March 2022, the total number of passengers transported was 20,024,985.

• 700 jobs were created for Lagosians via LBSL operations.

Water

• LAGFERRY now operates on 21 boats; 8 new boats were inaugurated by Mr.

• LAGFERRY now has a total of 12 boats and 1 barge.

• It began operations from 2 new routes of Bayeku–Oke-Ira Nla – Badore and Ilaje Bariga–Victoria Island – Falomo – CMS/Marina – Ebute Ero.

SECURITY/EMERGENCY MANAGEMENT

• Donated security equipment worth billions of naira to the police:

180 patrol vehicles 200 patrol motorcycles

4-high capacity troupe carriers

2 anti-riot canon vehicles

✓ armoured personnel carriers

✓ 1,000 security gadgets

• Commissioned the Emergency Security Regional Centre, Epe

• Employed 100 fire-fighters

TOURISM/ENTERTAINMENT

• Disbursed N200million as loan to 37 Nigerian film makers

• Completed and commissioned the New Glover Hall, Lagos

• Reconstruction of J.K Randle Centre for Yoruba Culture, Onikan, Lagos at an advanced stage of completion.

• Renovated 9 youth centres in Lagos Island, Badagry, Ikeja, Magodo, Abesan, Akowonjo, Ikorodu, Epe, and Isheri-Magodo

• Construction of Film City on 100 hectares of land at Ejirin in Epe Local Government Area is on course.

• Completed the four state theatres in Epe, Badagry, Ikeja and Igando.

2.2 LAGOS STATE APPROVED 2023 BUDGET AND MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF), 2023-2026

2.2.1 Approved 2023 Budget

The Y2023 budget was christened the "Budget of Continuity", to consolidate the development strides of the current administration especially in delivering reliable and sufficient infrastructure that meets the needs of a 21st century city. It is therefore an excellent opportunity to consolidate on what has been done so far, and ensure that every effort, investments, partnership, policy is translated maximally into noticeable positive impact in the lives of Lagosians. It is therefore a landmark budget in the history of the state both in its size and texture. The total budget size for the Year 2023 Budget is Two Trillion and thirty Billion, Eight Hundred and Forty-Nine Million, Two Hundred and Ninety-Six Thousand, Five Hundred and Ninety-Seven Naira (N2,030,849,296,597). This comprises the sum of N1,011,651,296,597.21 as Recurrent Expenditures and N1,019,198,000.000.00 as Capital Expenditure. Resulting in a Capital to Recurrent ratio of 50.19%: 49.81%, which is slightly in favour of Capital Expenditure.

The approved revenue for the 2023 fiscal year is N1,519,167,800,000 (One Trillion, Five Hundred and Nineteen Billion, One Hundred and Sixty-Seven Million, Eight Hundred Thousand Naira Only) comprising of IGR of N1,193,050,800,000, FAAC Allocation of N1,519,167,800,000.00 while N449,900,296,597.21 budgeted as Capital Receipt.

There is a Financing Gap of N 352,382,296,597.21 for Year 2023. This is to be funded as follows:

Table:1

Details	**=N=**
External Loans	17,619,114,829.86
Commercial Bank Loans	229,048,492,788.19
Bond Issuance	70,476,459,319.44
Other Domestic Financing (CBN)	35,238,229,659.72
Total	**352,382,296,597.21**

2.2.2 The Key Objectives of Approved 2023 Budget

The objectives of the Y2023 Budget are consistent with the THEMES agenda and designed to give priority to the completion of ongoing projects. These include Construction of the second phase of the blue line from Mile 2 to Okokomaiko, Completion of 8 Stadia across the 5 IBILE divisions of Lagos State, to facilitate youth development, engagement and community sports, Continuous Construction and Rehabilitation of schools across the state to significantly improve access to quality education, Completion of 130 bed New Massey ultra-modern and fit for purpose Pediatric programmed and emergency general hospital that will be the largest specialist children hospital in Sub- Saharan Africa.

Others include, the Completion of the modern 280 beds General Hospital serving the people of Ojo and its environs which is currently at 47% completion, Completion of the mental health facility in Ketu Ereyun in Epe local government, Completion of the Opebi Link bridge to Maryland that will improve significantly travel time and alternative route options along the axis, Rehabilitation/Upgrading of Phase II Eti-Osa – Lekki-Epe Expressway Project from Eleko T-Junction – Abraham Adesanya among others.

Most of these projects are contractor funded, with structures that provide very beneficial payment terms that gives the state upfront value (front loaded) ahead of payments; thereby increasing the sustainability benefits to the state.

Another objective of the Y2023 Budget is to enhance the wellbeing of the people through Human capital development and Social interventions by allocating 13% of the Budget to the provision of affordable and world-class education, healthcare and social services for its teeming populace to make the system accessible and affordable.

Human capital continues to be an area of deep interest to the State as a population that is healthy, skilled and inclusive can effectively convert the opportunities in the State to value.

Effort are also being expanded in Social Interventions with an investment of 9.6bn as against 8.3bn in Y2022 Social Intervention & Humanitarian Programme that will serve as support for micro and small businesses through the procurement of training equipment, empowerment tools for graduates in skills and establishment of vocational centers across the State.

The State Government further reiterated its stand in continuing to invest in the provision of affordable Homes for the people of Lagos through its Social Housing Programme by injecting a total of N67.1bn. Some of the social housing program the Budget targets includes: the completion of 444 units of building Projects at Sangotedo Phase ll, completion of 420 units of building Projects at Ajara, Badagry Phase ll and the construction of 136 units of building Projects at Ibeshe ll among others.

The State government reinforced its commitment towards the State's 5-year Agric road map through the commissioning of the Imota Rice mills which will provide support to farmers and improve food systems generally in the State. In addition to this, the State will invest a total sum of N45.1bn for Food Security through Cattle Feedlot Project, Fish Processing Hub programmes and Wholesale Produce Hub & Market thus improving wholesomeness of food, reduction in food prices and optimization of the Agricultural sector.

A total of N86bn investment in Public Order and Safety Sector shows the State's continuous commitment to ensuring that Lagos is safe for living, working and investment. It is important to note that N12bn has been earmarked for the Provision of Rescue and Emergency operation equipment for Disaster management. Also, provision has been made for surveillance and body cameras for security monitoring.

The year 2023 Budget focused on strengthening intelligence gathering/capacity building capabilities together with improving the ease of doing business through the Smart-City project, the Lagos new Data Center project, Eko Excel project, E-GIS and the Oracle upgrade project.

In conclusion, The State approved Y2023 Budget of ₦ 2.030trn is made up of ₦1.019trn (Capital Expenditure) and ₦1.011trn (Recurrent Expenditure- Debt Charges inclusive. The total Revenue is estimated at ₦1.519trn, while deficit-funding requirement is ₦352,382.30 bn, which at 23% of Total Revenue implies that the Budget is strongly dependent on Revenue.

2.2.3 Indicative Three-Year Fiscal Framework

The 2026 Approved MTEF was not available as at the time of writing this report, hence the indicative three –year Fiscal framework for the period Y2023-Y2025 was used for this report while 2025 figures were projected.

The indicative three-year fiscal framework for the period 2023-2025 is presented in the table below:

Lagos State Medium Term State Fiscal Framework				
Recurrent Revenue	**2023**	**2024**	**2025**	**2026**
Gross Statutory Allocation	60,000.00	70,839.75	85,128.96	97,898.30
Other FAAC transfers (exchange rate gain, augmentation, others)	10,335.00	12,202.15	14,663.46	16,862.98
Derivation	3,900.00	4,604.58	5,533.38	6,363.39
VAT Allocation	200,000.00	236,132.51	283,763.20	326,327.68
IGR	1,193,050.80	1,080,243.36	1,254,107.20	1,379,517.92
Total Revenue	**1,467,285.80**	**1,404,022.36**	**1,643,196.20**	**1,826,970.27**
Recurrent Expenditure				
Personnel costs	227,581.00	229,294.00	249,076.00	273,983.60
Overhead costs	431,688.00	334,726.00	350,662.00	385,728.20
Other Recurrent Expenditure	-	-	-	-
Public Debt Service	352,382.30	400,096.54	362,813.38	461,086.29
Total Recurrent Expenditure	**1,011,651.30**	**964,116.54**	**962,551.38**	**1,120,798.09**
Transfer to Capital account	**455,634.50**	**439,905.82**	**680,644.82**	**706,172.18**
Capital Receipts				
Grants	51,882.00	52,790.70	57,631.06	61,665.23
Other Non-Debt Creating Capital Receipts	45,636.00	46,435.30	50,692.94	54,241.45
Proceeds from Debt-Creating Borrowings	352,382.30	400,096.54	362,813.38	461,086.29
Total Capital Receipt	**449,900.30**	**499,322.54**	**471,137.38**	**576,992.97**
Capital Expenditure	**1,019,198**	**940,120**	**1,152,360**	**1,290,643**

Projected Borrowings	**352,382.30**	**400,096.54**	**362,813.38**	**461,086.29**

2.2.4Medium Term Policy Objectives and Target

1. The target is to progressively grow total revenue towards achieving a 5% of State GDP which currently stands at 2.95% in Y2021 and is projected to increase gradually to 4.11%, 4.28% and 4.88% in Y2023, Y2024 and Y2025 respectively. (Revenue to GDP ratio, not GDP growth rate.)

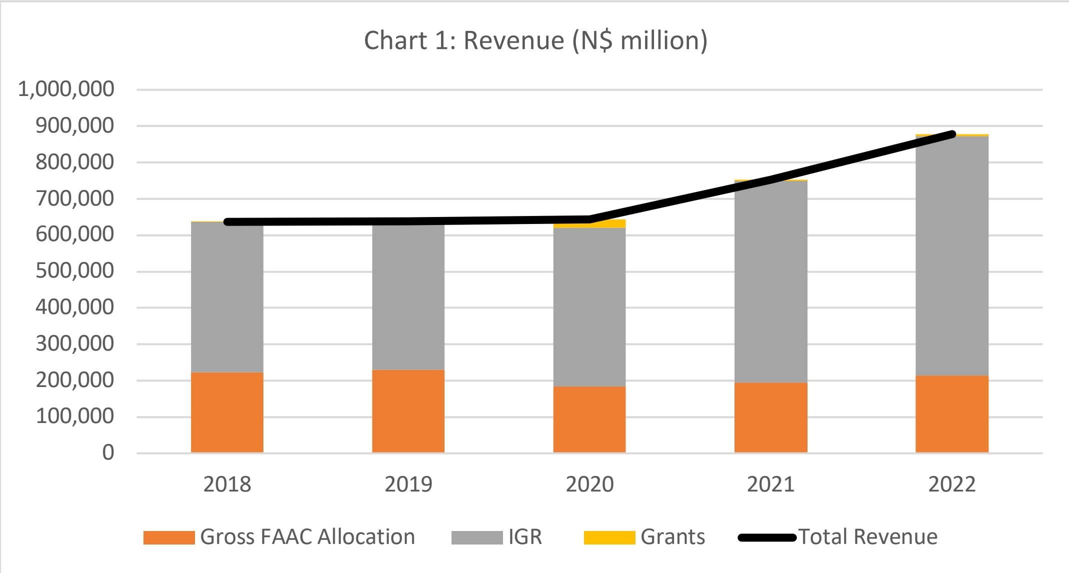
2. With the existing stimulants and equipment provided for revenue generating agencies, IGR is expected to improve over the Medium term.

3. The increase in capital expenditure demonstrates the administration's commitment to infrastructural renewal and development towards achieving the State's vision, rebuilding and actualizing a greater Lagos as well as keep the State at par with other leading cities in the world.

3.0 STATE REVENUE, EXPENDITURES AND PUBLUC DEBT (2018-2022)

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

3.1 Revenue, Expenditure, Overall and Primary Balance



3.1.1 AGGREGATE TOTAL REVENUE COMPOSITION AND TREND FROM Y2018 TO Y2022

The total revenue increased from N636.7billion in Y2018 to N878.1billion in Y2022. The performance recorded in the Revenue Chart above is due to aggressive Revenue policies of present administration resulting in steady growth in IGR.

3.1.2 FAAC ALLOCATION TREND

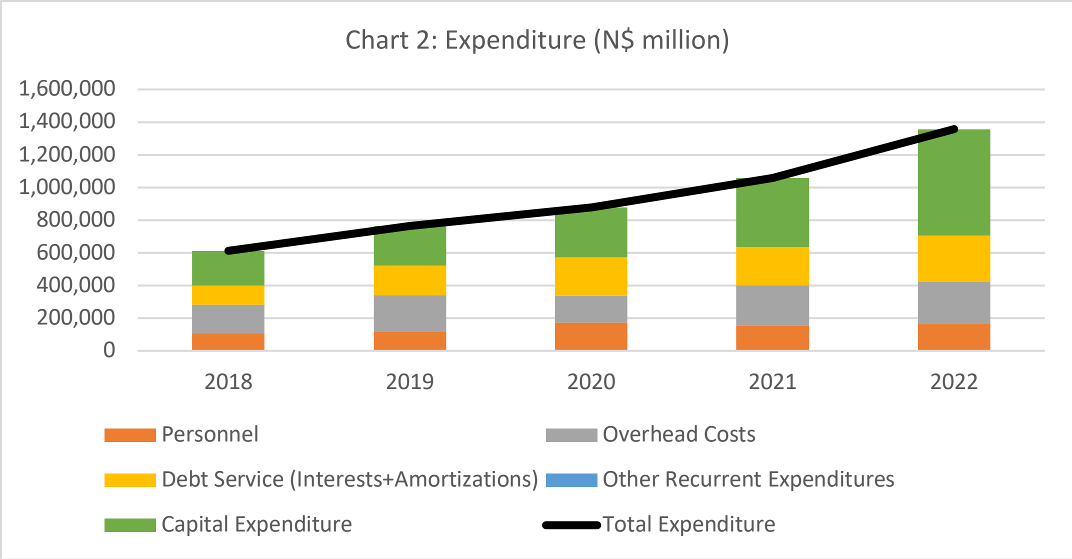
The Gross FAAC Allocation component which comprises of Statutory Allocation, Derivatives, VAT Allocation and other FAAC transfers, of the Total Revenue moved from N223.06 billion in Y2018 to N213.42 billion in Y2022. There was a slight reduction in 2020, but later increased in 2021 and had a 10% increase in Y2022. This impressive result recorded in statutory allocation was attributed to increase in VAT component representing 76% of FAAC Allocation on average.

3.1.3 INTERNALLY GENERATED REVENUE TREND

The Revenue chart above shows a steady growth in the IGR of the State which moved from N412.71 billion in Y2018 to N659.28 billion in Y2022. This performance is due to the aggressive revenue drive of the State Government and consistent investment in Security and Infrastructural development which create a conducive environment where businesses are thriving.

3.1.4 AGGREGATE TOTAL EXPENDITURE TREND

Aggregate Total Expenditure: The Total expenditure which comprises of Personnel Cost, Overhead, and Capital Expenditure increased significantly from N714.29 billion to N1,058.5 Trillion, the performance recorded showed a large increase in debt service and overhead costs as well as a strong increase in capital spending, reflecting infrastructure renewal and development by the State Government. During this period, the bulk of expenditure went to recurrent spending - Personnel Cost, overhead cost and debt charges – representing 60 percent of total spending on average.



3.1.5 EXPENDITURE VARIATION

Capital Expenditures: There was an increase in the capital expenditure from N213.8 billion in Y2018 to N651.9 billion in Y2022. This is due to huge investment in construction and improvement of infrastructural development.

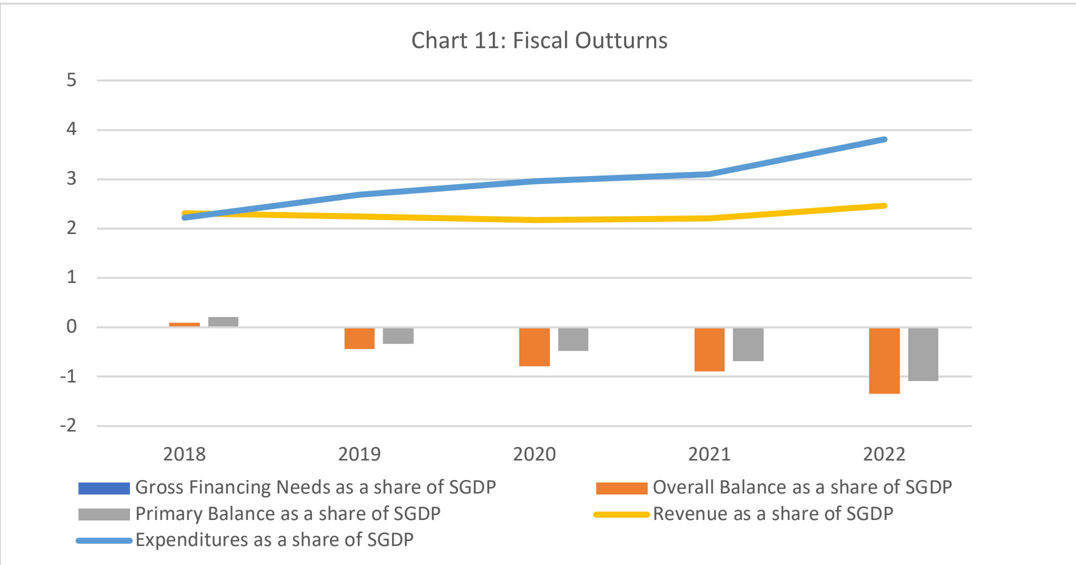
Debt Service: There was a sharp increase in the debt service from N115.45 billion in Y2018 to N280.5 billion in Y2022 due to increase in exchange rate, interest rate and repayment of existing loan facilities.

Overhead Costs: Overhead Costs increased from N175.73 billion in Y2018 to N256.27 billion in Y2022. This is due to the increased cost of repairs and maintenance of Government public facilities and infrastructures which includes repairs/maintenance of roads, renovation/rehabilitation of Schools, Hospitals, Housing Estates, Purchase of drugs, medical equipment, improved welfare package for frontline medical personnel and establishment/equipment of the Security agencies across Lagos Metropolis and rising in inflation rate.

Personnel Cost: The Personnel cost increased from N107.31 billion in Y2018 to N168.7 billion in Y2022, this is due to the implementation of the new minimum wage, yearly promotion of staff and employment of medical personnel.

	2018	2019	2020	2021	2022
Gross Financing Needs as a share of SGDP	0	0	0	0	0
Overall Balance as a share of SGDP	0	0	-1	-1	-1
Primary Balance as a share of SGDP	0	0	0	-1	-1
Revenue as a share of SGDP	2	2	2	2	2
Expenditures as a share of SGDP	2	3	3	3	4

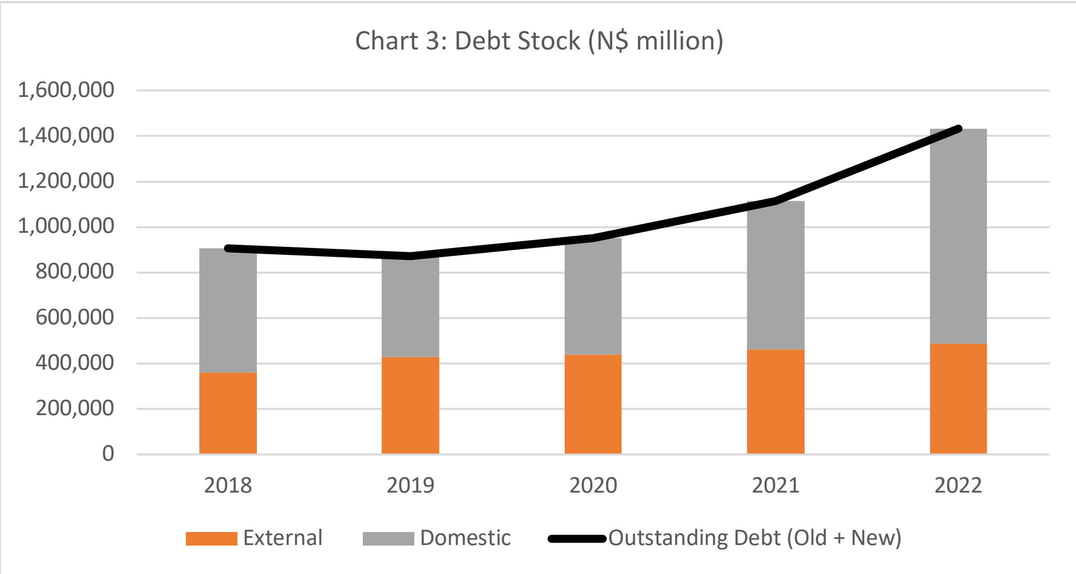
3.1.6 OVERALL AND PRIMARY BALANCE TREND



FISCAL OUTTURNS

Since 2018 the overall balance as a share of SGDP decrease continuously from Y2018 to Y2022 owing to the fall in federal transfers (oil receipts) and the pressing need for infrastructural development.

3.2 Existing Public Debt Portfolio



3.2.1 PUBLIC DEBT STOCK

The public debt includes the explicit financial commitments like Loans and Bonds that have paper contracts (Agreements) instrumenting the Government promises to repay. Lagos State Government public debt broadly comprise of External Loan, Domestic commercial loans and Bond that are used for infrastructural development which are promptly serviced as and when due. The debt stock as at 2022 amounted to N1,432.4 billion.

3.2.2 EXISTING PUBLIC DEBT PORTFOLIO COMPOSITION

The state debt portfolio largely consists of Internal loan which comprises of commercial bank loan and Bond, representing 64 percent of total debt portfolio.

External Loan in the chart above shows a steady increase from N362.02 billion in Y2018 to N487.63 billion in Y2022 due to exchange rate fluctuation over the period under review. The high exchange rate of Naira to a Dollar at the end of 2022 was alarming, this increased the loan value to almost double the original loan amount. In conclusion, the cost of servicing external loan becomes too high and risky.

Domestic Loans and Bonds as shown in the chart above also increased from N544.38 billion in Y2018 to N944.81 billion in Y2022. All Commercial Bank loans that were taken by the State between 2016 and 2018 were restructured in 2019 which resulted to a drop in debt stock in the period but increased in Y2020 due to CBN policy on Grace period extension as a result of COVID 19, which resulted to capitalization of accrued interest. In 2022 additional loan were obtained for infrastructural development.

Table 2: Lagos State Debt Stock as at Y2022

Component	Amount	As a percentage of Total Debt
	N' Million	%
External	487,631.00	34%
Domestic	944,811.00	66%
Total Debt	**1,432,442.00**	

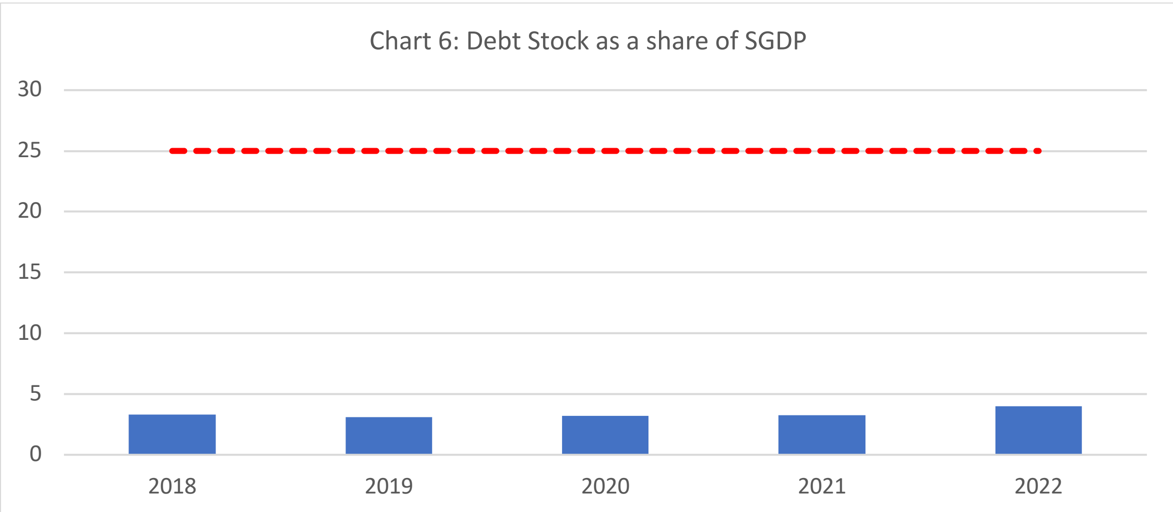
The table above show the composition of the existing public debt portfolio at end of Y2022 with the External Loan component of 66% and Domestic Loan of 34% of the

State's total debt. The External loan is costly and risky due to the fluctuation in exchange rate over time and the devaluation of the currency (Naira). However, the Domestic loan component is more stable because it is denoted in the local currency hence no exposure to exchange rate volatility and less risky in terms of the opportunity to restructure.

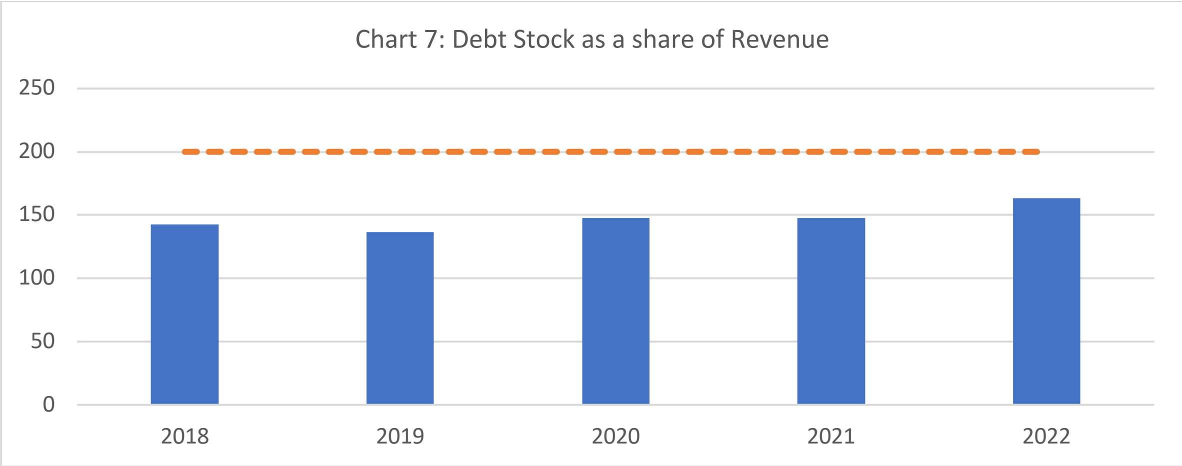
4.0 SUSTAINABILITY ANALYSIS

A Debt sustainability analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowings affect its present and future ability to meet debt service obligations. It is a concession that a key a factor for achieving external and public debt sustainability is macroeconomic stability. The concept of debt sustainability refers to the ability of the government to honor its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden.

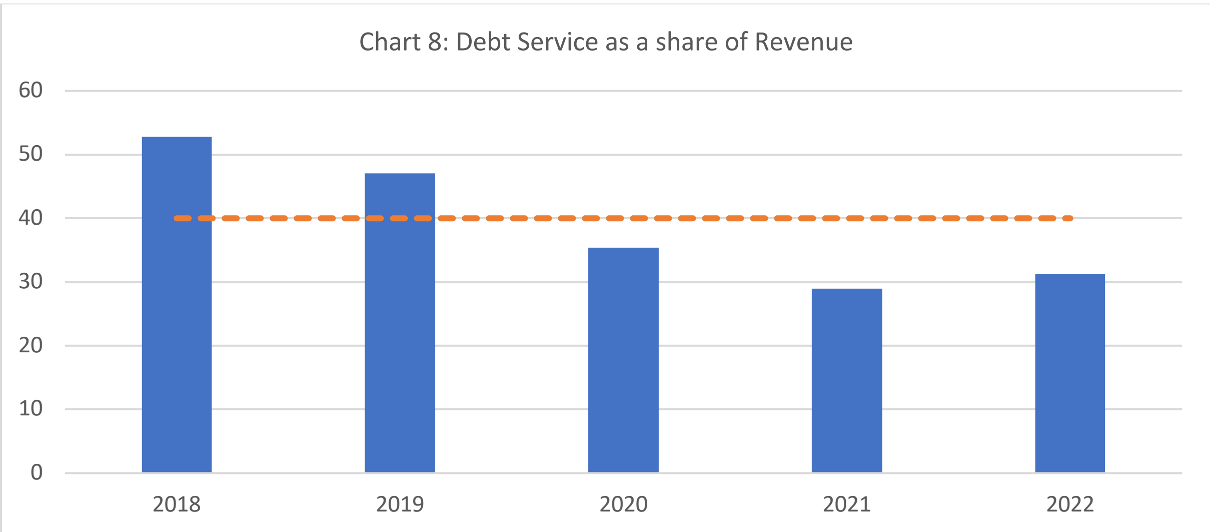
4.1 LAGOS STATE DEBT SUSTAINABILITY ANALYSIS



The Chart above shows the Lagos State Debt Stock as a share of Gross Domestic Product (SGDP) is below the threshold of 25% from Y2018 to Y2022 which indicates that Lagos State has the ability to pay back its debt.



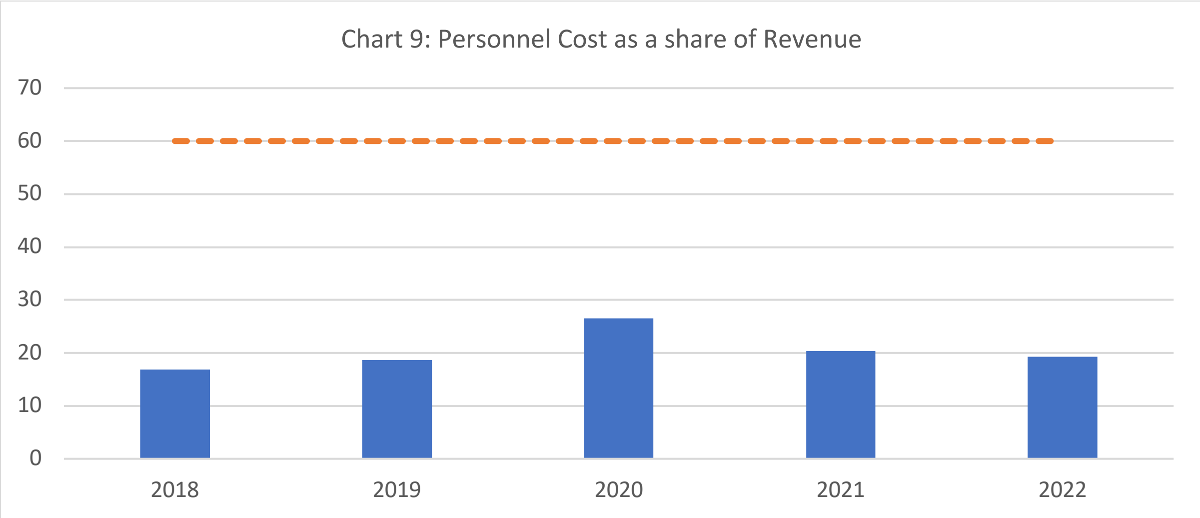
The Debt Stock as a percentage of Revenue in the Chart above is less than the threshold of 200% from Y2018 to Y2022 indicating that Lagos State debt profile is sustainable



The Debt Service as a share of Revenue surpassed the threshold of 40% during Y2018 and Y2019. However, from Y2020 Y2022 it fell below the threshold in the period under review indicating that Lagos State's ability to service its debt as and when due.

The State earned an outstanding rating AAA (Fitch Ratings) for its operational resilience and sustainability in debt payment (both internally and externally). Debt sustainability remains strong due to favourable interest rate/moratorium period, extended long tenure of debt servicing and debt service 20% of debt size.

Consistent growth in revenue (especially IGR), combined with effective cost management and further diversification of the State's economic base will result in continuous positive rating over the medium term.



The chart above shows that the Personnel cost as a share of Revenue is below the 60% threshold indicates the State ability to meet its obligations on personnel.

4.2 MEDIUM-TERM BUDGET FORECAST

Lagos State's medium-term debt sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation. According to the Federal Government and State's own forecasts, the Nigerian economy is expected to gradually recover in the period 2023-2025, with real GDP expanding at an average annual rate of 3 percent and domestic inflation decreasing below 10 percent by 2023. Such a moderate recovery will be supported by higher oil prices in global markets, an increase in domestic production, prudent fiscal policy, and the stabilization of the exchange rate relevant for international public-sector financial transactions at its current level. Oil and gas revenue, as well as shared resources such as custom duties and VAT, would then increase relative to the depressed levels observed in 2021, thus improving the State's revenue position.

The State Government is intent on continuing significant investment in the rebuilding and recovery of its economy while laying the foundations for the future by intensifying covid-19 response, taking stock of the impact of the pandemic on the Government's fiscal position, supporting core public services through managing critical cost pressures, and delivering priority and time-sensitive projects.

The target is to progressively grow total revenue towards achieving a 5% of State GDP which currently stands at 2.95% in Y2022 and is projected to increase gradually to 4.11%, 4.28% and 4.88% in Y2023, Y2024 and Y2025 respectively. (Revenue to GDP ratio, not GDP growth rate.) With the existing stimulants and equipment provided for revenue generating agencies, IGR is expected to improve over the Medium term.

The increase in capital expenditure demonstrates the administration's commitment to infrastructural renewal and development towards achieving the State's vision, rebuilding and actualizing a greater Lagos as well as keep the State at par with other leading cities in the world.

Fiscal deficit as a % of SGDP in Y2023 and Y2024 is below the threshold. There is need for more diversification of the economy and aggressive improvement of internal revenue sources. This will help to reduce fiscal deficit in subsequent years.

LAGOS STATE DEBT BURDEN INDICATORS AS AT YEAR END 2022

INDICATOR	THRESHOLD	RATIO
Debt as a % of SGDP	20%	4%
Debt as a % of Revenue	250%	163%
Debt Service as a % of Revenue	40%	31%
Personnel Cost as a % of Revenue	60%	19%
Debt Service as a % of FAAC Allocation	NIL	129%
Interest payment as a % of Revenue	NIL	10%
External Debt Service as a % of Revenue	NIL	3%

Consistent growth in revenue (especially IGR), combined with effective cost management and further diversification of the State's economic base will result in positive rating over the medium term. The Lagos Inland Revenue Service (LIRS) is expected to generate 73.5% of budget revenue.

4.3 BORROWING OPTIONS

The deficit financing will be by way of a combination of external loans (concessional, single digit loans) domestic loans, bonds and other domestic financing which are well within our fiscal sustainability parameters. Lagos State Baseline Scenario one (S1) apportionment of the planned borrowing is stated below:

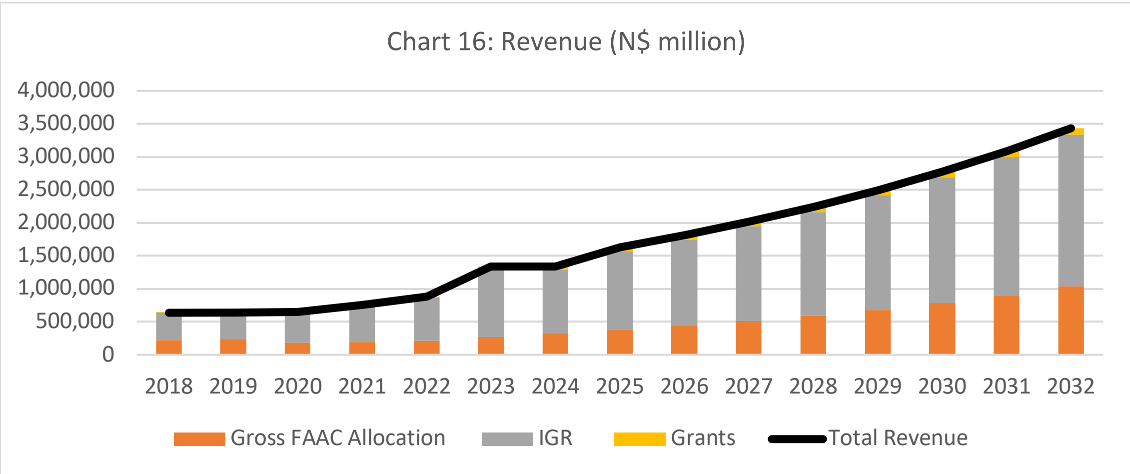
S/N	ITEM	WEIGHT (%)	TENOR	INTEREST RATE (%)
1	Commercial Loan	50	5 years	20
2	Commercial Loan	15	6 years and above	20
3	Other Domestic Financing	10	10 years	10
4	State Bond	20	6 years and above	14
5	External Loan	5	30 years	2.5

The State planned borrowing of **N352,382.30, N400,096.54, N362,813.38 and N461,086.29** for Y2023, Y2024, Y2025, and Y2026 respectively will be apportioned as stated above. The external loan financing comprises of Bilateral financing with a 30-40 Years tenor, moratorium of 7-10 Years respectively with an average interest rate of 2.5%. External financing is limited as a result of restriction in funding envelopes from the external borrowing and long processing time required for Multilateral and Bilateral loans.

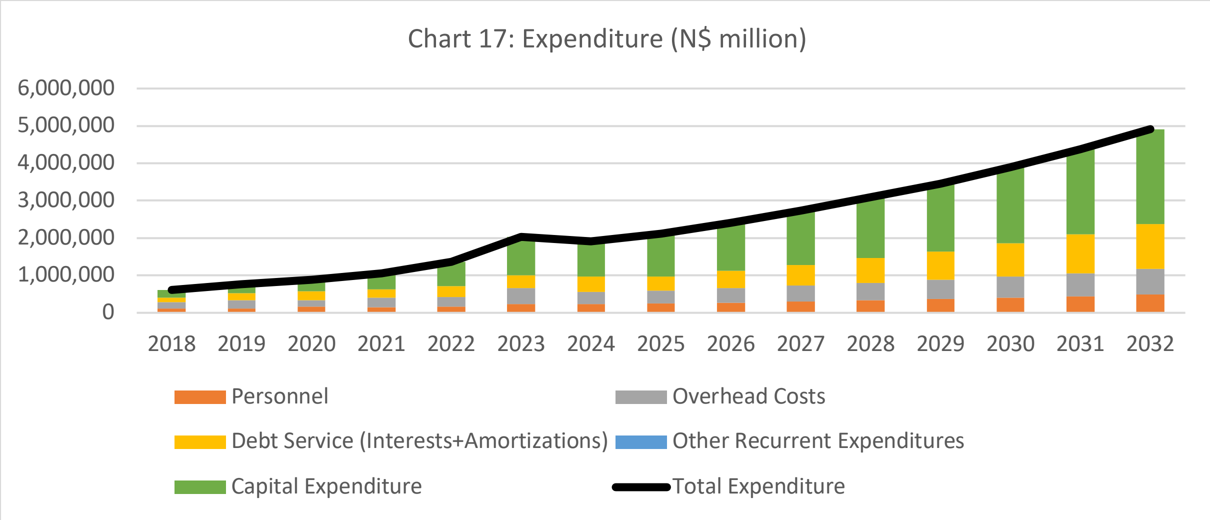
4.4 DSA SIMULATION RESULTS

There is an urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenue sources due to recent shocks as a result of uncertainties in global oil prices. Consolidating and improving revenue numbers remain a major objective for sustaining development. The state clearly need to figure out practical and reasonable ways of materially increasing and expanding its revenues channels. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium-term target is to increase the Revenue-to-GDP ratio to 16%. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

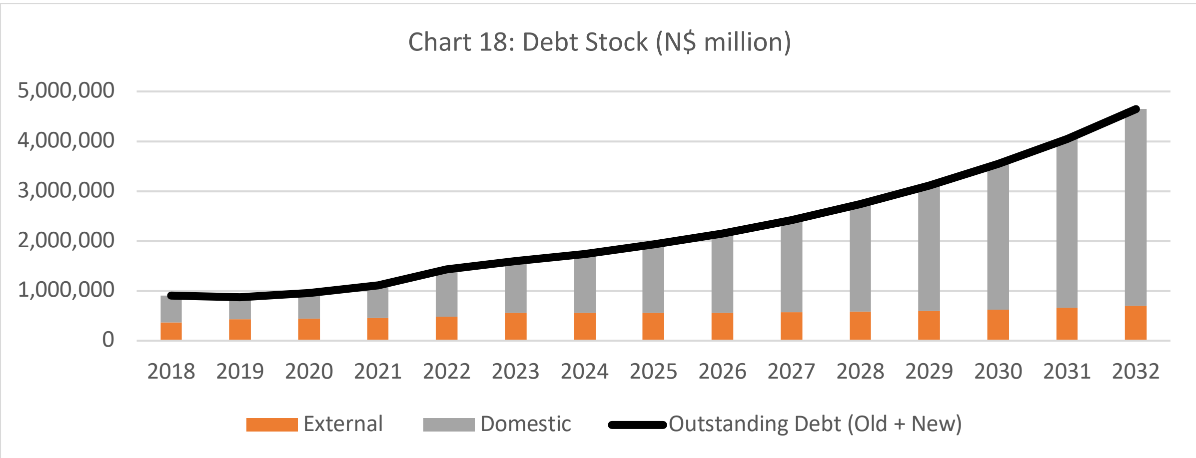
The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the state as well as employing appropriate technology. In addition, expanding the tax net to include a large base of businesses in the informal sector should be a priority.



The chart above shows that Total Revenue steadily increased from N636.0 billion in Y2018 to N1,815.4 trillion in Y2025 and then to N3,433.0 trillion in Y2032 due to improved Government Revenue generation strategy and massive infrastructure development. The following are the movement in the component of Total revenue; IGR increased from N636.1 billion in Y2018 to N2,305.5 billion in Y2032; FAAC increased from N223.1 billion in Y2018 to N1,034.9billion in Y2032; and Grant increased from N906 million in Y2018 to N92.5billion in Y2032.

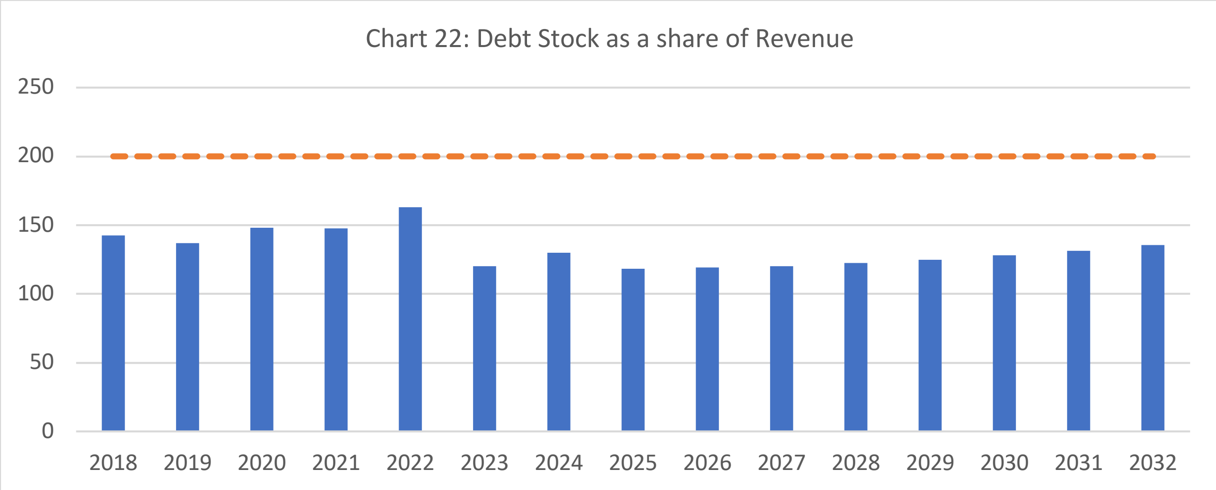


The chart above shows that Total Expenditure varied during the period under review from N612.25 billion in Y2018 to N4,913 trillion in Y2032 as a result of the demands associated with large scale infrastructural development in making Lagos a 21st Century Mega City. The following are the movement in the component of the Total Expenditure: Personnel Cost increased from N107.31billion in Y2018 to N485.37billion in Y2032; Capital expenditure increased from N213.76 billion in Y2018 to N2,547.50 trillion in Y2032, Debt Service increased from N155.45billion in Y2018 to N1,197.51 trillion in Y2032 and Overhead Cost increased from N175.73 billion in Y2018 to N683.37 billion in Y2032.



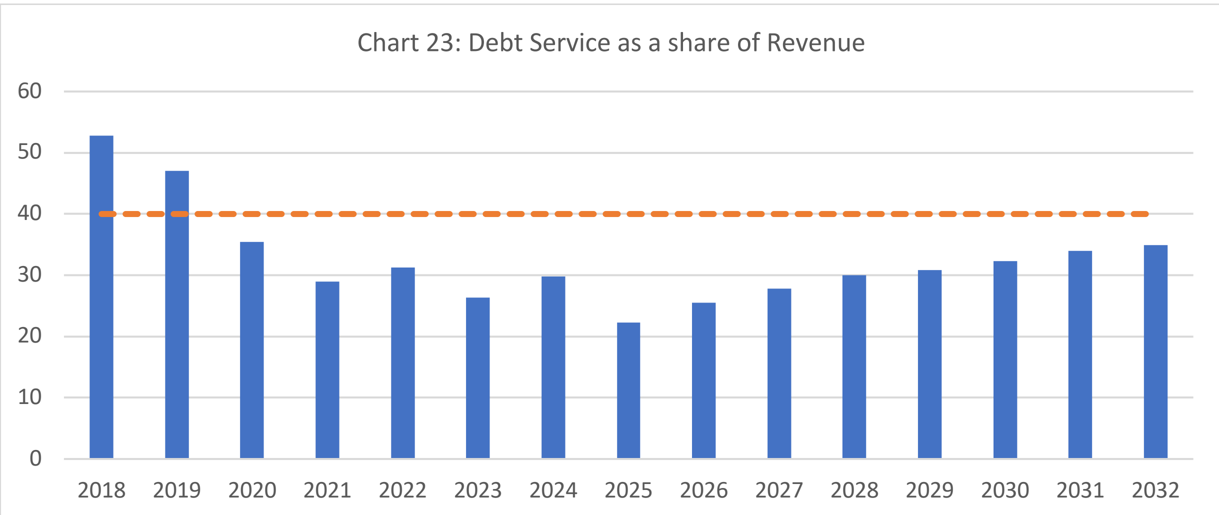
The Chart above shows that Lagos State Debt stock increased steadily from N906.39 billion in Y2018 to N4,646.51 trillion in Y2032 due full redemption of Domestic loan and continuous servicing of External loan in the period under review. The following are the movement in the component of the Total Debt Stock: External loan increased from N362.02 billion in Y2018 to N698.45 billion in Y2032 due to volatility of the exchange rate; and Domestic Loan increased from N544.38 billion to N3,948.07 trillion in Y2032.

4.4.1 DEBT STOCK AS A SHARE OF REVENUE



The Chart above shows that the State debt stock as a share of Revenue is below the threshold of 200% in Y2018 to Y2032 indicating the State's ability to fulfil its debt obligations from Total Revenue as it falls due. The State is extremely strategic in its commitments towards sustaining the above threshold.

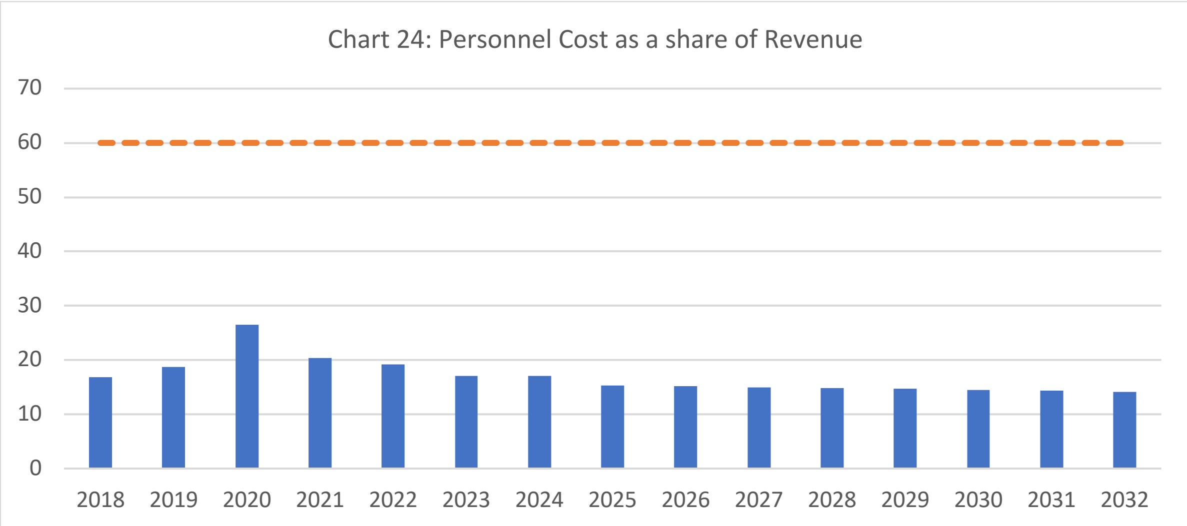
4.4.2 DEBT SERVICE AS A SHARE OF REVENUE



The chart above shows that Lagos State has put in place necessary strategies in ensuring that its Debt Service as a share of Revenue is below the threshold.

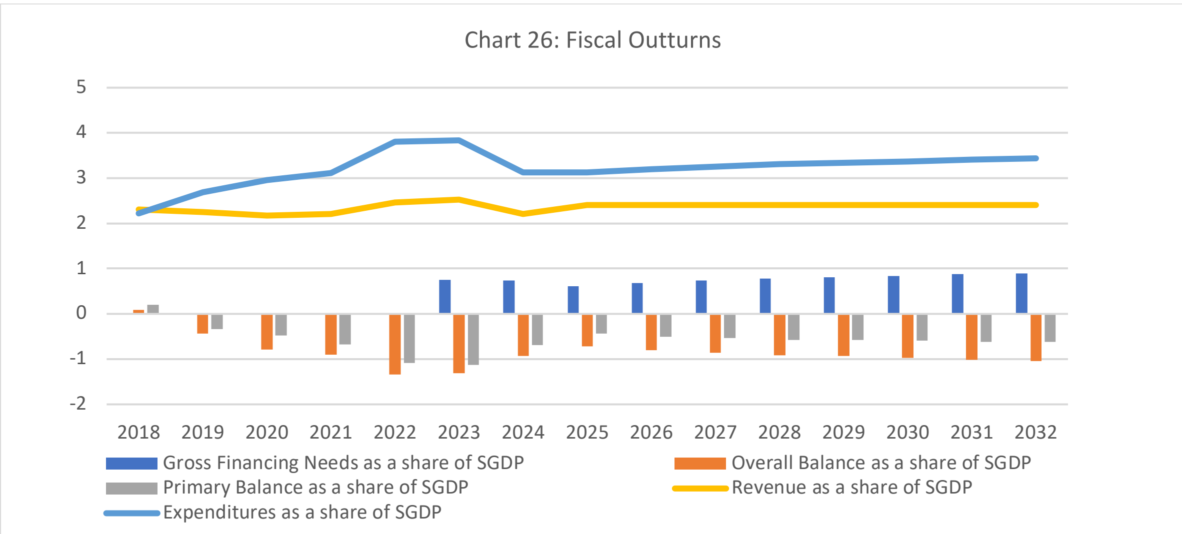
Expanding and deepening the tax net by incorporating businesses from the informal sector and securing concessionary loans with single digit interest are some of the strategies being deployed by the state in order to remain within the stipulated threshold.

4.4.3 PERSONNEL COST AS A SHARE OF REVENUE



Personnel cost as a share of revenue falls below the threshold of 60%. This is an indication the State Government has the ability to meet its staff obligation.

4.4.4 FISCAL OUTTURNS



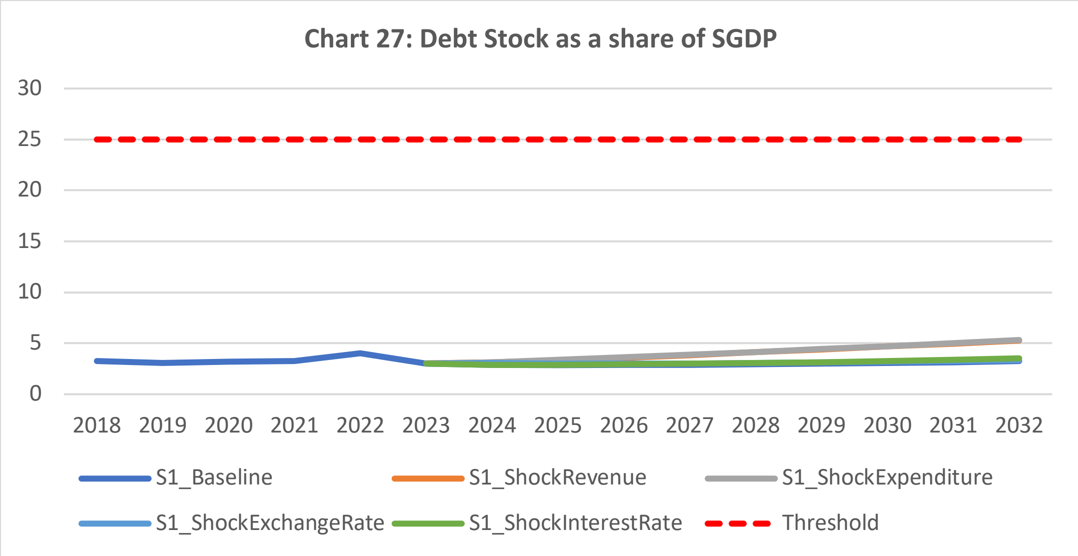
Since 2018 the overall balance as a share of SGDP decrease continuously all through to Y203 owing to the fall in federal transfers (oil receipts) and the pressing need to develop the state's infra. On the other hand, primary fiscal balance also shows a dwindling movement from Y2018 to Y2032.

4.4.5 SUMMARY OF FINDINGS

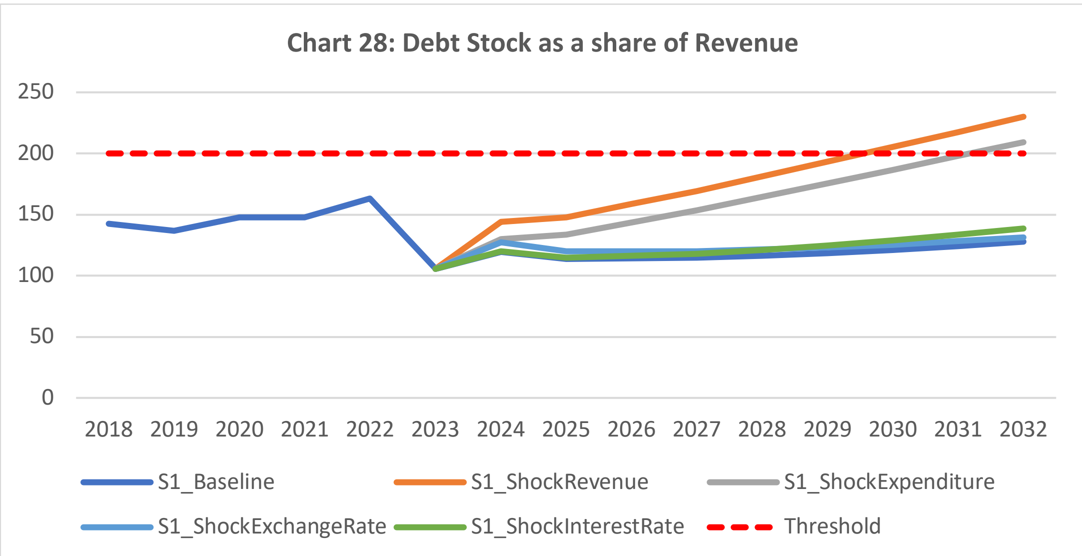
Lagos State DSA result shows that, the State remains at the Low Risk of Debt Distress. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output, does not result to a proportionate increase in revenue. There is, therefore, the urgent need for the authorities to fast-track efforts aimed at embarking on revenue reform policies that will vigorously increase revenue generation and therefore strengthens the IGR of the state.

4.5 DSA SENSITIVITY ANALYSIS

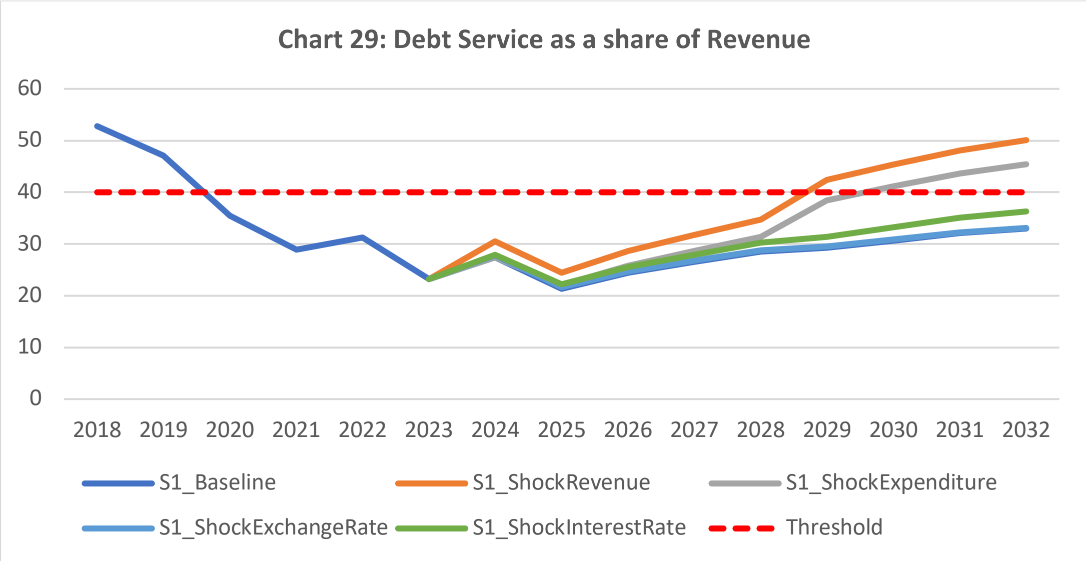
The State faces important sources of fiscal risks associated to the possibility of adverse country wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. A sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenarios discussed in the previous sub-sections. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier. In furtherance of the above, the state DSA Sensitivity analysis as depicted below:



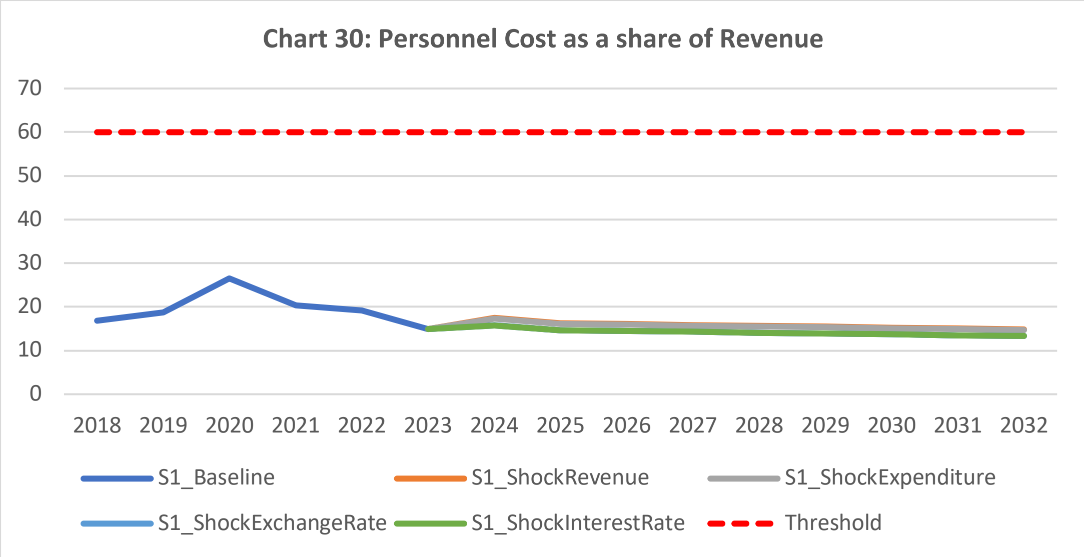
The Debt stock as a share of SGDP chart shows that the scenario one (S1) Baseline, ShockRevenue, ShockExpenditure, ShockExchangeRate, ShockInterestRate are all below the required threshold. This is an indication that the strategy is favourable and sustainable to the State. Due to the position of the shocks to the threshold, it is imperative to note that any slight adverse change in the fiscal policy of the economy will trigger the movement of the Debt stock as a share of SGDP above the threshold



The Debt stock as a share of Revenue chart shows that the scenario one (S1) Baseline strategy will breach the threshold if there is a shock in the States revenue or expenditure. This is an indication that the state's revenue growth drive needs to be intensified in the long term as the Baseline position is sensitive to Revenue and Expenditure shocks.



The Debt service as a share of Revenue chart shows that the scenario one (S1) Baseline is above the threshold in Y2018 to Y2020. However, the ShockRevenue, ShockExpenditure, ShockExchangeRate, ShockInterestRate and Historical are all below the required threshold till 2028. The Historical falls below the threshold till 2031 while ShockRevenue, ShockExpenditure, increased above threshold in 2028 to 2031 and ShockExchangeRate, ShockInterestRate surpassed threshold in Y2030 to Y2032. This is an indication that the strategy is favourable and sustainable to the State overtime. It further shows that the Baseline position is more sensitive as it has moved above the threshold with past adverse fiscal policy, the other shock scenarios can be managed in line with the movement of economic indices



The Personnel Cost as a Share of Revenue chart shows that the scenario one (S1) Baseline ShockRevenue, ShockExpenditure, ShockExchangeRate, ShockInterestRate and Historical are all below the required threshold. This is an indication that the strategy is favourable and sustainable to the State. The gap between the base line and the threshold shows the State Government's ability to fulfil its Personnel cost obligation irrespective of any shock.

5.0 DEBT MANAGEMENT STRATEGY

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk.

The Debt Management Strategy provides alternative strategies to meet the financing requirements for the state. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated.

5.1 ALTERNATIVE BORROWING OPTIONS

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2022 and MTEF, 2023-2025. The Domestic gross financing comprises commercial bank loans, State bonds and other domestic financing. The Domestic Financing under the Commercial Bank loans (maturity of 1-5 years) accounts of 50 percent, Commercial Bank loans (maturity of 6 years and above) accounts for 15 percent, other domestic financing-10 percent, 20 percent state bond issuance and External loan (concessional loan) of 5 percent to fund its deficit for the projection years.

Aside the baseline strategy, there are other strategies (S2, S3, S4) set up as alternative strategies. A debt management strategy analysis will be conducted to identify the worst possible scenario that outperform the baseline for every strategy. Lagos state government intends to utilize the financing options available in the Domestic market (Commercial bank loans, State bonds and other domestic financing - CBN loans) and external market (Concessional loans from World Bank & AFDB, Bilateral loans) to fund the gross borrowing requirement for 2022-2031 while ensuring that it's done at the lowest cost possible with a prudent of risk.

For Strategy 2, the assumption is that the state intends to finance its funding gap by contracting commercial bank loans, State Bonds and other domestic financing all though the projection years. Reason being that domestic loans are the easier to access. It also comes with opportunity for renegotiation of the borrowing terms should the need arises. There are two categories of Commercial bank loans & State bonds; first is 1-5 years which serves short term funding requirement and the other is 6 years and above, this takes care of the medium to long term. However, the State will be contracting the Domestic Financing under the Commercial Bank loans (maturity of 1-5 years) accounts of 60 percent and Domestic bond of 40 percent (maturity of 7-10 years) to fund its deficit for the projection years.

For Strategy 3, the state assumes that State Bonds of 6 years and above will be sourced to fund its deficit for the projection years. Utilizing the state bonds option comes with a moderate cost and the foreign exchange rate risk will be mitigated.

For Strategy 4, the state will be contracting External gross borrowing under Concessional loans accounts on average of 10 percent over the strategic period mainly through World Bank and African Development Bank; and the bilateral loans account on average of 9.36 percent, respectively. The Domestic gross financing comprises commercial bank loans, State bonds and other domestic financing. The Domestic Financing under the Commercial Bank loans (maturity of 1-5 years) accounts of average 40 percent, Domestic bond of 40 percent (maturity of 7-10 years) to fund its deficit for the projection years.

The above option of borrowing was considered due to the implication of the Risk/Cost analysis of the options.

5.2 DEBT MANAGEMENT STRATEGY SIMULATION RESULTS

In assessing the debt management strategy and getting results, the baseline strategy S1 is compared with the other three alternative strategies S2, S3 and S4 using the following debt performance indicators highlighted above. They are Debt stock/revenue ratio, Debt service/revenue and interest/ revenue ratios. The cost and risk for each alternative strategy is analyzed in comparison to the reference strategy (S1) including the trade-offs for each strategy in terms of risk and cost.

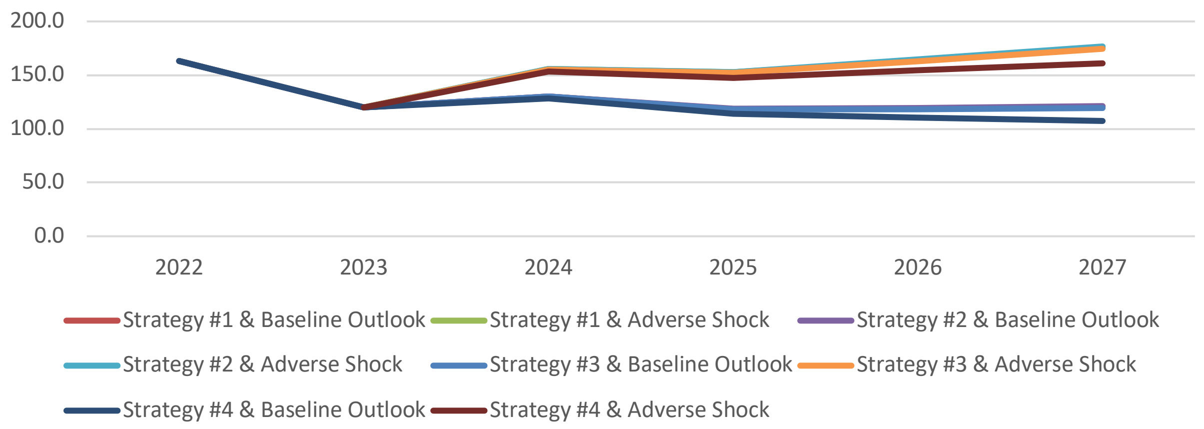
5.2.1 DEBT STOCK/REVENUE

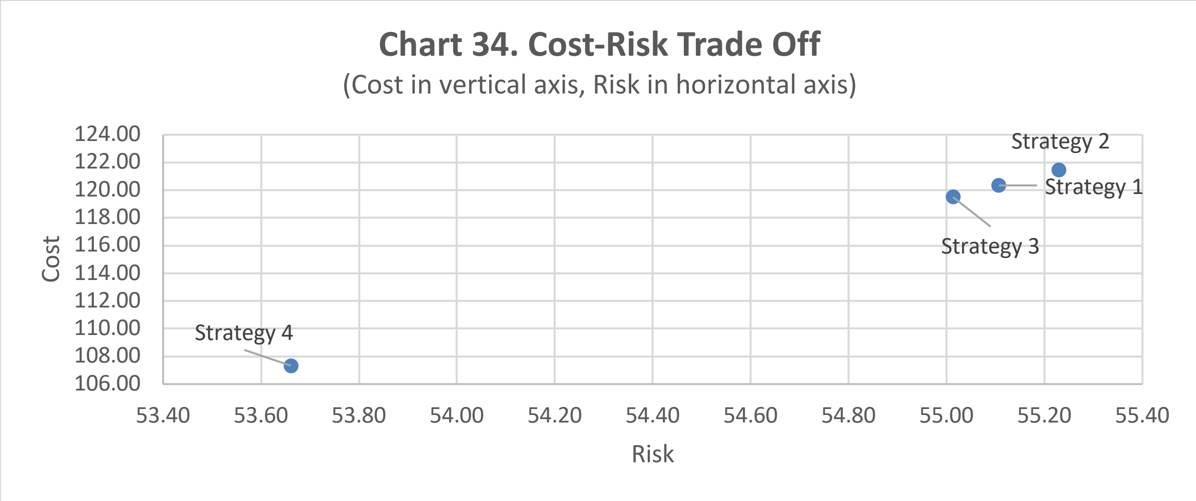
The table below shows the performance of the state from 2021-2026 when expressing debt as a percentage of revenue. The first three strategies (S1, S2, S3) has the same cost of 158.2 and risk of 173.4, while Strategy 4 has a lower cost of 153.9 but higher risk of 174.4 due to concentration on more State bonds borrowings and commercial bank loans with little proportion of external financing over the DMS period of 2021-2026. Year 2022 had the highest debt stock to revenue ratio but it is expected to continue to decline in the medium term provided the state keeps projected debt and revenue at manageable levels within this period.

								COST	RISK measured only in 2027
S1_Tables	Indicator2_baseline	Debt Stock as % of Revenue (including grants and e	2022	2023	2024	2025	2026	2027	
S1_Tables	Indicator2_baseline	Strategy #1 & Baseline Outlook	163.1	119.9	130.0	118.4	119.0	120.3	55.1
S1_Tables	Indicator2_shock	Strategy #1 & Adverse Shock		119.9	155.5	152.6	163.7	175.5	
S2_Tables	Indicator2_baseline	Strategy #2 & Baseline Outlook	163.1	119.9	130.1	118.8	119.7	121.4	55.2
S2_Tables	Indicator2_shock	Strategy #2 & Adverse Shock		119.9	155.7	152.9	164.5	176.7	
S3_Tables	Indicator2_baseline	Strategy #3 & Baseline Outlook	163.1	119.9	129.9	118.1	118.4	119.5	55.0
S3_Tables	Indicator2_shock	Strategy #3 & Adverse Shock		119.9	155.4	152.2	163.1	174.5	
S4_Tables	Indicator2_baseline	Strategy #4 & Baseline Outlook	163.1	119.9	128.3	113.8	110.6	107.3	53.7
S4_Tables	Indicator2_shock	Strategy #4 & Adverse Shock		119.9	153.6	147.5	154.4	161.0	

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

Chart 33. Debt Stock as a share of Revenue
(including grants and excluding other capital receipts)



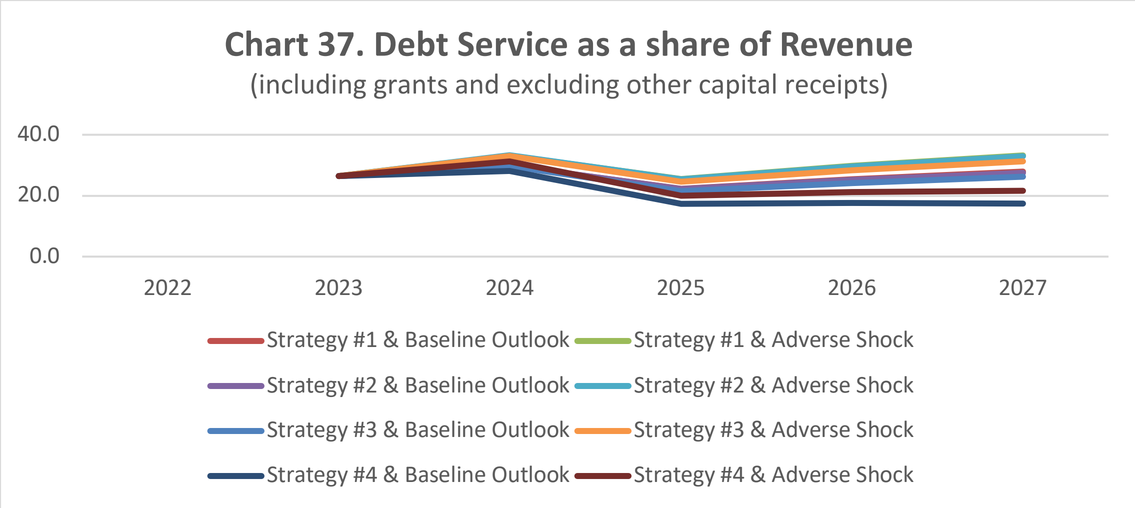


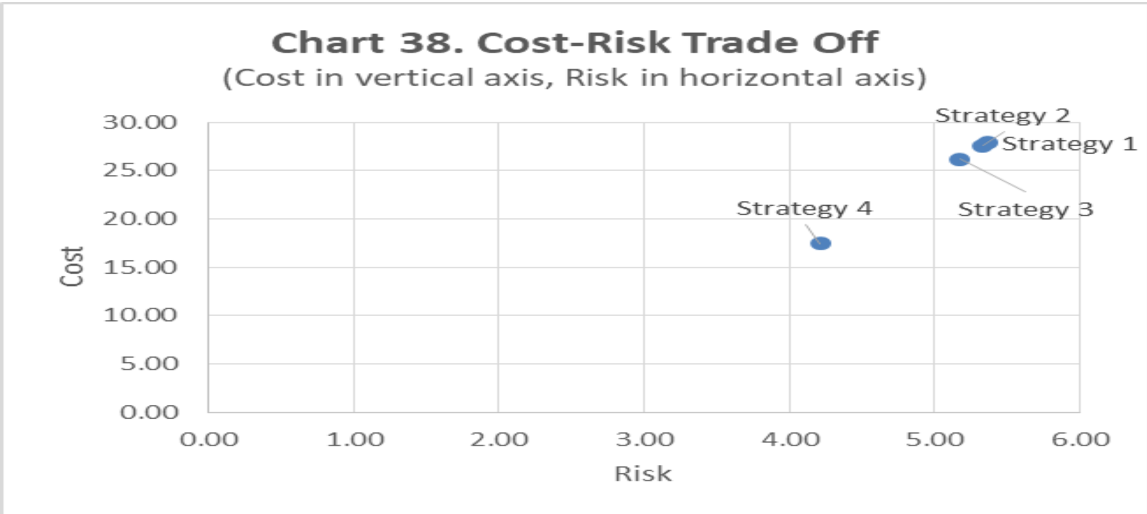
The chart above depicts the Cost-Risk Trade-off scatter plot highlighting the trade-off of the cost and risk for the four DMS with the preferred strategies which combines the lesser cost couple with the lesser risk for the debt/revenue indicator.

The table below shows the performance of the state from 2023-2027 when expressing the debt service as a percentage of revenue. Under this performance indicator, strategy S4 in the year of measurement (2027) cost of 17.4% and 4.2% as risk which is the lowest when compared to other alternative strategies.

								COST	RISK measured only in 2027
S1_Tables	Indicator4_baseline	Debt Service as % of Revenue (including grants and	2022	2023	2024	2025	2026	2027	
S1_Tables	Indicator4_baseline	Strategy #1 & Baseline Outlook		26.4	29.8	22.3	25.5	27.9	5.4
S1_Tables	Indicator4_shock	Strategy #1 & Adverse Shock		26.4	33.1	25.5	29.8	33.2	
S2_Tables	Indicator4_baseline	Strategy #2 & Baseline Outlook		26.4	30.0	22.2	25.2	27.6	5.3
S2_Tables	Indicator4_shock	Strategy #2 & Adverse Shock		26.4	33.3	25.4	29.6	32.9	
S3_Tables	Indicator4_baseline	Strategy #3 & Baseline Outlook		26.4	29.7	21.5	24.2	26.2	5.2
S3_Tables	Indicator4_shock	Strategy #3 & Adverse Shock		26.4	33.0	24.6	28.4	31.4	
S4_Tables	Indicator4_baseline	Strategy #4 & Baseline Outlook		26.4	28.1	17.3	17.7	17.5	4.2
S4_Tables	Indicator4_shock	Strategy #4 & Adverse Shock		26.4	31.2	20.0	21.2	21.7	

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





The Cost-Risk Trade-off scatter plot shows the trade-off of the cost and risk for the four DMS. Looking at the chart, the preferred strategy combines the lesser cost couple with the lesser risk. For the debt service/revenue indicator, the alternative strategy (S3) is the preferred one since it shows the lesser cost and the lesser risk (15.4% of Cost and 4.2% of Risk)

5.2.3 INTEREST/REVENUE

The table below shows the performance of the state from 2022-2027 when expressing interest as a percentage of revenue. The first three strategies S1, S2 and S3 are on the same bandwith of cost and risk, while Strategy 4 has lowest cost of 7.8 and a risk of 3.1 due to sufficient risk spread across bonds, concessional borrowings and commercial bank loans with large proportion of external financing over the DMS period of 2022-2027.

		Interest as % of Revenue (including grants and excl	2022	2023	2024	2025	2026	COST 2027	RISK measured only in 2027
S1_Tables	Indicator6_baseline	Strategy #1 & Baseline Outlook		7.3	10.4	11.5	12.4	13.3	3.7
S1_Tables	Indicator6_shock	Strategy #1 & Adverse Shock		7.3	11.6	13.5	15.3	17.0	
S2_Tables	Indicator6_baseline	Strategy #2 & Baseline Outlook		7.3	10.5	11.7	12.8	13.8	3.8
S2_Tables	Indicator6_shock	Strategy #2 & Adverse Shock		7.3	11.7	13.7	15.7	17.6	
S3_Tables	Indicator6_baseline	Strategy #3 & Baseline Outlook		7.3	10.3	11.3	12.1	12.9	3.7
S3_Tables	Indicator6_shock	Strategy #3 & Adverse Shock		7.3	11.4	13.2	15.0	16.6	
S4_Tables	Indicator6_baseline	Strategy #4 & Baseline Outlook		7.3	8.7	8.3	8.1	7.8	3.1
S4_Tables	Indicator6_shock	Strategy #4 & Adverse Shock		7.3	9.7	10.0	10.5	11.0	

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

Chart 41. Interest as % of Revenue
(including grants and excluding other capital receipts)

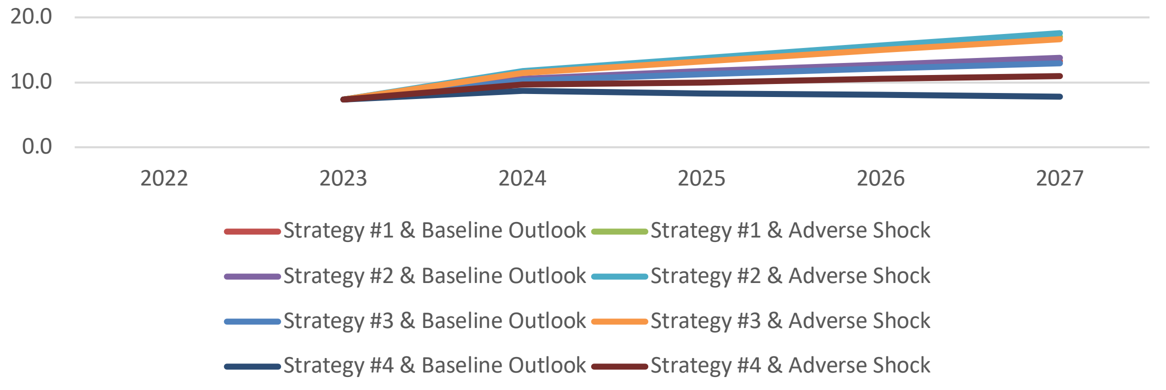
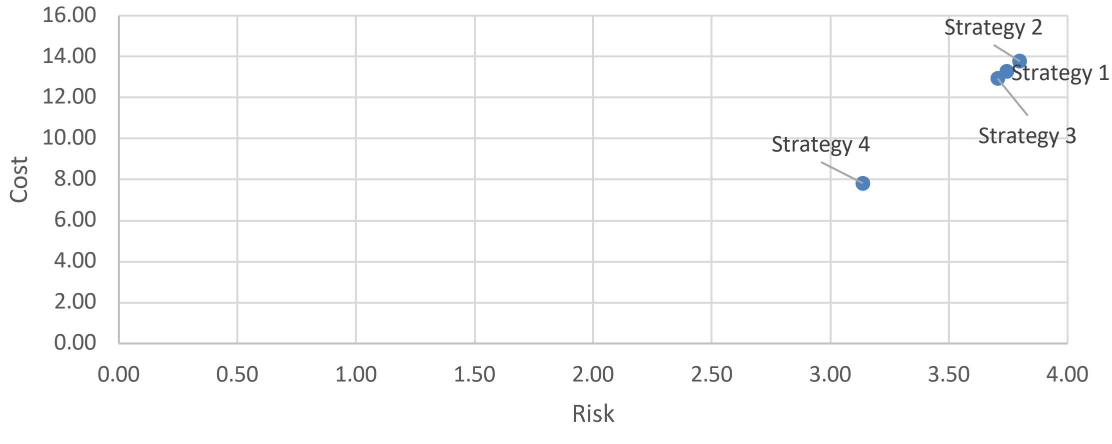


Chart 42. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)



The Cost-Risk Trade-off scatter plot shows the trade-off of the cost and risk for the four DMS. Looking at the chart, the preferred strategy combines the lesser cost couple with the lesser risk. The preferred strategy S1 lies within the same corridor with alternative strategies S2 and S3.

5.3 DMS ASSESSMENT

It is observed that the four Debt Management strategies adopted are less risky. Although, the cost of Domestic Commercial loans may be costly and short tenured as compared to External loans which is cheaper and have elongated tenure but for foreign exchange rate, inflation and devaluation will make External loan to be highly risky. As a consequence of the borrowings envisaged in the reference debt-management strategy (S1), the interest burden and debt- service obligations will be reduced (relative to revenue). In addition, the exposure to the uncertainty surrounding foreign exchange risk and interest rate risk will be mitigated.

The cost-risk profile observed in the four DMS revealed that it would be optimal for the State to operate under the alternative Strategy (S4) because it has the lowest cost and lowest risk in the Debt service as a share of Revenue and also carries the least cost and risk compared to the other two strategies (S2, S3) both in Debt stock and Interest as a share of Revenue. However, the alternative Strategy (S4) is not implementable in the real sense due to prevailing foreign exchange and interest rate challenges. It is not practicable for the State government to source all its financial gap from wholly external loans without a significant share of other financing options.

Consequently, the State would settle for the Reference Strategy (S1) which gave fair consideration to all Domestic financing instruments (both loan and bond) being the most realistic and obtainable strategy giving the prevailing economic challenges.

Annex I

2023

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	Lagos State GDP projections has been applied here as provided by the Federal Debt Management Office (See Co	Federal Debt Management Office
Revenue	**Revenue**	projection for revenue have been derived from State's Y2023 Approved Budget and Y2023-Y2025 MTEF. Total Revenue is projected to grow at 11% p. a largely driven by IGR and Statutory Allocation	
	1. Gross Statutory Allocation ('gross' means with n	Statutory Allocation is projected to grow at 15% per anum. It is expected to increase in the medium to long terı	MTEF 2024-2026
	1.a. of which Net Statutory Allocation ('net' means of deductions)		DSA Team, Ministry of Finance and Economic Development. Lagos State
	1.b. of which Deductions		DSA Team, Ministry of Finance and Economic Development. Lagos State
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		DSA Team, Ministry of Finance and Economic Development. Lagos State
	4. VAT Allocation		DSA Team, Ministry of Finance and Economic Development. Lagos State
	5. IGR	IGR is projected to grow by 13% in the medium term and further as soon as infrastructure development impact	MTEF 2024-2026
	6. Capital Receipts		
	6.a. Grants		DSA Team, Ministry of Finance and Economic Development. Lagos State
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**	Expenditure forecast to grow at an average of 6% p.a, with a capex : recurrent expenditure ratio >1	
	1. Personnel costs (Salaries, Pensions, Civil Servan	Expenditure forecast to grow at an average of 4% p.a	MTEF 2024-2026
	2. Overhead costs	Expenditure forecast to grow at an average of 4% p.a	MTEF 2024-2026
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		DSA Team, Ministry of Finance and Economic Development. Lagos State
	5. Capital Expenditure	Expenditure forecast to grow at an average of 5% p.a	MTEF 2024-2026
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**		

Debt Amotization and Interest	**Debt Outstanding at end-2022**	
	External Debt - amortization and interest	Interest Rate: 2.5%. Maturity: 30years. Grace Period on Principal Repayment: 7years.
	Domestic Debt - amortization and interest	Interest Rate: 18%. Maturity: 5years. Grace Period on Principal Repayment: 1 year.
	New debt issued/contracted from 2023 onwards	
	New External Financing	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	
	New Domestic Financing	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	Commercial Bank Loans (maturity 6 years or longer	18% interest rate with 5 years maturity and moratorium of 1 year
	State Bonds (maturity 1 to 5 years)	14% interest rate with 5 years maturity and moratorium of 2 years
	State Bonds (maturity 6 years or longer)	15.25% interest rate with 10 years maturity and moratorium of 2 years
	Other Domestic Financing	

Proceeds from Debt-Creating B	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**	
corresponding to Debt Strategy	**New Domestic Financing in Million Naira**	
	Commercial Bank Loans (maturity 1 to 5 years, incl	50% of required borrowing : Interest Rate: 20%. Maturity: 5years. Grace Period on Principal Repayment: 1years.
	Commercial Bank Loans (maturity 6 years or longer	15% of required borrowing : Interest Rate: 20%. Maturity: 8years. Grace Period on Principal Repayment: 1years.
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	20% of required borrowing : Interest Rate: 14%. Maturity: 5years. Grace Period on Principal Repayment: 1years.
	Other Domestic Financing	10% of required borrowing : Interest Rate: 10%. Maturity: 10years. Grace Period on Principal Repayment: 2years.
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., Worl	5% of required borrowing : Interest Rate: 2.5%. Maturity: 30years. Grace Period on Principal Repayment: 7years.
	External Financing - Bilateral Loans	
	Other External Financing	

Proceeds from Debt-Creating B	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**	
corresponding to Debt Strategy	**New Domestic Financing in Million Naira**	
	Commercial Bank Loans (maturity 1 to 5 years, incl	30% of required borrowing : Interest Rate: 20%. Maturity: 5years. Grace Period on Principal Repayment: 1years.
	Commercial Bank Loans (maturity 6 years or longer	40% of required borrowing : Interest Rate: 20%. Maturity: 8years. Grace Period on Principal Repayment: 1years.
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	10% of required borrowing : Interest Rate: 15.25%. Maturity: 5years. Grace Period on Principal Repayment: 1years.
	Other Domestic Financing	20% of required borrowing : Interest Rate: 10%. Maturity: 10years. Grace Period on Principal Repayment: 2years.
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	

Proceeds from Debt-Creating B corresponding to Debt Strategy	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3	
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, incl	25% of required borrowing : Interest Rate: 20%. Maturity: 5years. Grace Period on Principal Repayment: 1years.
	Commercial Bank Loans (maturity 6 years or longer	40% of required borrowing : Interest Rate: 20%. Maturity: 8years. Grace Period on Principal Repayment: 1years.
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	35% of required borrowing : Interest Rate: 10%. Maturity: 10years. Grace Period on Principal Repayment: 2years.
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	

Proceeds from Debt-Creating B corresponding to Debt Strategy	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4	
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, incl	20% of required borrowing : Interest Rate: 20%. Maturity: 5years. Grace Period on Principal Repayment: 1years.
	Commercial Bank Loans (maturity 6 years or longer	10% of required borrowing : Interest Rate: 20%. Maturity: 8years. Grace Period on Principal Repayment: 1years.
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	10% of required borrowing : Interest Rate: 15.25%. Maturity: 5years. Grace Period on Principal Repayment: 1years.
	Other Domestic Financing	20% of required borrowing : Interest Rate: 10%. Maturity: 10years. Grace Period on Principal Repayment: 2years.
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., Worl	40% of required borrowing : Interest Rate: 2.5%. Maturity: 30years. Grace Period on Principal Repayment: 7years.
	External Financing - Bilateral Loans	
	Other External Financing	

Annex II

Indicator			Actuals								Projections				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
BASELINE SCENARIO															
Economic Indicators															
State GDP (at current prices)	27,568,451.96	28,343,000.00	29,627,000.00	34,077,027.41	35,639,959.61	52,941,707.47	60,823,714.71	67,669,613.58	75,290,903.81	83,770,541.85	93,205,199.12	103,702,434.67	115,381,921.38	128,376,810.28	142,835,248.53
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57
Fiscal Indicators (Million Naira)															
Revenue	**699,896.21**	**764,247.69**	**893,694.07**	**1,053,195.16**	**1,227,505.20**	**1,917,186.10**	**1,903,344.90**	**2,114,333.58**	**2,403,963.24**	**2,730,893.31**	**3,088,212.37**	**3,455,229.88**	**3,891,221.87**	**4,382,664.06**	**4,913,688.35**
1. Gross Statutory Allocation ('gross' means with no deductions;	57,055.31	55,161.07	45,879.84	47,436.27	49,474.06	60,000.00	70,839.75	85,128.96	97,898.30	112,583.05	129,470.51	148,891.08	171,224.74	196,908.45	226,444.72
1.a. of which Net Statutory Allocation ('net' means of deductio	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	130.02	41.37	314.47	3,784.54	0.00	3,900.00	4,604.58	5,533.38	6,363.39	7,317.90	8,415.58	9,677.92	11,129.61	12,799.05	14,718.91
3. Other FAAC transfers (exchange rate gain, augmentation, others	66,814.93	66,588.77	5,154.11	3,509.22	2,186.44	10,335.00	12,202.15	14,663.46	16,862.98	19,392.43	22,301.29	25,646.49	29,493.46	33,917.48	39,005.10
4. VAT Allocation	99,055.19	107,704.19	131,970.18	139,104.56	161,762.70	200,000.00	236,132.51	283,763.20	326,327.68	375,276.83	431,568.35	496,303.60	570,749.14	656,361.51	754,815.74
5. IGR	412,708.18	407,661.90	437,161.06	555,651.32	659,278.50	1,193,050.80	1,080,243.36	1,254,107.20	1,379,517.92	1,531,785.46	1,691,711.34	1,865,782.47	2,060,860.72	2,273,746.79	2,507,246.47
6. Capital Receipts	64,132.57	127,090.39	273,214.41	303,709.25	354,803.50	449,900.30	499,322.54	471,137.38	576,992.97	684,537.65	804,745.30	908,928.32	1,047,764.19	1,208,930.77	1,371,457.40
6.a. Grants	906.14	483.93	23,297.65	3,890.08	5,361.30	51,882.00	52,790.70	57,631.06	61,665.23	65,981.80	70,600.53	75,542.56	80,830.54	86,488.68	92,542.89
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	18,226.43	8,972.29	13,927.94	0.00	31,418.66	45,636.00	46,435.30	50,692.94	54,241.45	58,038.35	62,101.03	66,448.10	71,099.47	76,076.43	81,401.78
6.d. Proceeds from Debt-Creating Borrowings (bond issuance,	45,000.00	117,634.17	235,988.82	299,819.17	318,023.50	352,382.30	400,096.54	362,813.38	461,086.29	560,517.50	672,043.74	766,937.65	895,834.18	1,046,365.66	1,197,512.73

Expenditure	**612,252.14**	**762,566.52**	**876,468.71**	**1,058,523.06**	**1,357,368.99**	**2,030,849.30**	**1,904,236.54**	**2,114,911.38**	**2,411,441.29**	**2,731,720.86**	**3,089,277.85**	**3,458,274.83**	**3,892,570.29**	**4,383,392.42**	**4,913,733.25**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefi	107,306.82	119,276.43	170,757.71	153,535.51	168,711.18	227,581.00	229,294.00	249,076.00	273,983.60	301,381.96	331,520.16	364,672.17	401,139.39	441,253.33	485,378.66
2. Overhead costs	175,731.99	221,217.58	168,080.42	244,968.23	256,266.32	431,688.00	334,726.00	350,662.00	385,728.20	424,301.02	466,731.12	513,404.23	564,744.66	621,219.12	683,341.04
3. Interest Payments (Public Debt Charges, including interests ded	31,979.07	28,224.80	91,879.77	73,244.96	94,050.65	98,277.35	139,517.31	186,941.54	224,515.66	267,004.07	316,571.70	372,226.91	434,954.63	508,620.96	592,653.67
3.a. of which Interest Payments (Public Debt Charges, excludin	26,771.90	23,175.70	50,143.27	66,878.93	50,166.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	5,207.17	5,049.10	41,736.50	6,366.03	43,883.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Capital Expenditure	213,765.02	241,057.12	304,936.59	424,468.17	651,897.69	1,019,198.00	940,120.00	1,152,360.00	1,290,643.20	1,445,520.38	1,618,982.83	1,813,260.77	2,030,852.06	2,274,554.31	2,547,500.83
6. Amortization (principal) payments	83,469.24	152,790.59	140,814.22	162,306.19	186,443.15	254,104.94	260,579.23	175,871.84	236,570.63	293,513.43	355,472.03	394,710.75	460,879.55	537,744.69	604,859.06
Budget Balance ('+' means surplus, '-' means deficit)	**87,644.07**	**1,681.17**	**17,225.36**	**-5,327.90**	**-129,863.79**	**-113,663.20**	**-891.64**	**-577.80**	**-7,478.05**	**-827.55**	**-1,065.48**	**-3,044.94**	**-1,348.42**	**-728.36**	**-44.91**
Opening Cash and Bank Balance	**158,322.44**	**245,966.51**	**247,647.68**	**264,873.04**	**259,545.10**	**129,681.31**	**16,018.11**	**15,126.47**	**14,548.67**	**7,070.62**	**6,243.07**	**5,177.59**	**2,132.65**	**784.23**	**55.87**
Closing Cash and Bank Balance	**245,966.51**	**247,647.68**	**264,873.04**	**259,545.13**	**129,681.31**	**16,018.11**	**15,126.47**	**14,548.67**	**7,070.62**	**6,243.07**	**5,177.59**	**2,132.65**	**784.23**	**55.87**	**10.97**

Financing Needs and Sources (Million Naira)

Financing Needs	**398,018.30**	**446,531.84**	**413,506.31**	**515,327.73**	**618,555.85**	**734,144.77**	**833,385.75**	**966,933.65**	**1,122,442.09**	**1,278,914.52**
i. Primary balance	-159,299.20	-47,326.94	-51,270.74	-61,719.50	-58,865.90	-63,166.51	-69,493.05	-72,447.89	-76,804.79	-81,446.69
ii. Debt service	352,382.30	400,096.54	362,813.38	461,086.29	560,517.50	672,043.74	766,937.65	895,834.18	1,046,365.66	1,197,512.73
Amortizations	254,104.94	260,579.23	175,871.84	236,570.63	293,513.43	355,472.03	394,710.75	460,879.55	537,744.69	604,859.06
Interests	98,277.35	139,517.31	186,941.54	224,515.66	267,004.07	316,571.70	372,226.91	434,954.63	508,620.96	592,653.67
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)	-113,663.20	-891.64	-577.80	-7,478.05	-827.55	-1,065.48	-3,044.94	-1,348.42	-728.36	-44.91
Financing Sources	**398,018.30**	**446,531.84**	**413,506.31**	**515,327.73**	**618,555.85**	**734,144.77**	**833,385.75**	**966,933.65**	**1,122,442.09**	**1,278,914.52**
i. Financing Sources Other than Borrowing	45,636.00	46,435.30	50,692.94	54,241.45	58,038.35	62,101.03	66,448.10	71,099.47	76,076.43	81,401.78
ii. Gross Borrowings	352,382.30	400,096.54	362,813.38	461,086.29	560,517.50	672,043.74	766,937.65	895,834.18	1,046,365.66	1,197,512.73
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	176,191.15	200,048.27	181,406.69	230,543.14	280,258.75	336,021.87	383,468.83	447,917.09	523,182.83	598,756.37
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	52,857.34	60,014.48	54,422.01	69,162.94	84,077.62	100,806.56	115,040.65	134,375.13	156,954.85	179,626.91
State Bonds (maturity 1 to 5 years)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)	70,476.46	80,019.31	72,562.68	92,217.26	112,103.50	134,408.75	153,387.53	179,166.84	209,273.13	239,502.55
Other Domestic Financing	35,238.23	40,009.65	36,281.34	46,108.63	56,051.75	67,204.37	76,693.77	89,583.42	104,636.57	119,751.27
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	17,619.11	20,004.83	18,140.67	23,054.31	28,025.87	33,602.19	38,346.88	44,791.71	52,318.28	59,875.64
External Financing - Bilateral Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Debt Stocks and Flows (Million Naira)

Debt (stock)	**906,398.20**	**871,960.70**	**952,125.04**	**1,112,898.52**	**1,432,442.04**	**1,603,503.85**	**1,743,021.16**	**1,929,962.70**	**2,154,478.36**	**2,421,482.43**	**2,738,054.13**	**3,110,281.04**	**3,545,235.67**	**4,053,856.64**	**4,646,510.31**
External	362,023.29	427,733.74	438,650.54	462,170.20	487,631.38	556,987.30	557,054.15	555,497.26	558,910.70	566,980.10	581,271.91	600,954.45	626,157.98	658,494.86	698,445.72
Domestic	544,374.91	444,226.96	513,474.50	650,728.32	944,810.66	1,046,516.54	1,185,967.01	1,374,465.44	1,595,567.65	1,854,502.33	2,156,782.23	2,509,326.59	2,919,077.69	3,395,361.78	3,948,064.59
Gross borrowing (flow)						**352,382.30**	**400,096.54**	**362,813.38**	**461,086.29**	**560,517.50**	**672,043.74**	**766,937.65**	**895,834.18**	**1,046,365.66**	**1,197,512.73**
External						17,619.11	20,004.83	18,140.67	23,054.31	28,025.87	33,602.19	38,346.88	44,791.71	52,318.28	59,875.64
Domestic						334,763.18	380,091.71	344,672.71	438,031.97	532,491.62	638,441.55	728,590.77	851,042.47	994,047.37	1,137,637.10
Amortizations (flow)	**268,060.18**	**240,201.86**	**181,628.15**	**160,133.50**	**183,393.21**	**254,104.94**	**260,579.23**	**175,871.84**	**236,570.63**	**293,513.43**	**355,472.03**	**394,710.75**	**460,879.55**	**537,744.69**	**604,859.06**
External	4,582.73	7,586.56	11,270.01	15,778.40	16,632.09	21,047.64	19,937.98	19,697.56	19,640.87	19,956.48	19,310.38	18,664.34	19,588.17	19,981.41	19,924.78
Domestic	263,477.45	232,615.30	170,358.14	144,355.10	166,761.12	233,057.30	240,641.25	156,174.28	216,929.76	273,556.95	336,161.65	376,046.40	441,291.37	517,763.28	584,934.28
Interests (flow)	**67,987.02**	**59,750.42**	**46,442.75**	**57,701.52**	**91,214.44**	**98,277.35**	**139,517.31**	**186,941.54**	**224,515.66**	**267,004.07**	**316,571.70**	**372,226.91**	**434,954.63**	**508,620.96**	**592,653.67**
External	4,278.91	4,736.63	4,628.15	5,988.62	5,283.81	6,747.49	6,387.20	6,604.57	6,743.36	7,004.77	7,390.70	8,005.82	9,017.62	10,161.03	11,189.36
Domestic	63,708.11	55,013.79	41,814.60	51,712.90	85,930.63	91,529.87	133,130.11	180,336.97	217,772.30	259,999.30	309,181.00	364,221.08	425,937.02	498,459.93	581,464.31
Net borrowing (gross borrowing minus amortizations)						**98,277.35**	**139,517.31**	**186,941.54**	**224,515.66**	**267,004.07**	**316,571.70**	**372,226.91**	**434,954.63**	**508,620.96**	**592,653.67**
External						-3,428.53	66.84	-1,556.89	3,413.45	8,069.40	14,291.81	19,682.54	25,203.54	32,336.87	39,950.86
Domestic						101,705.88	139,450.47	188,498.43	221,102.22	258,934.67	302,279.90	352,544.37	409,751.10	476,284.09	552,702.81

Debt and Debt-Service Indicators

Debt Stock as % of SGDP	3.29	3.08	3.21	3.27	4.02	3.03	2.87	2.85	2.86	2.89	2.94	3.00	3.07	3.16	3.25
Debt Stock as % of Revenue (including grants and excluding other capi	142.37	136.75	147.90	147.72	163.14	105.55	119.65	113.47	114.08	114.64	116.31	118.63	121.23	124.34	127.83
Debt Service as % of SGDP						0.67	0.66	0.54	0.61	0.67	0.72	0.74	0.78	0.82	0.84
Debt Service as % of Revenue (including grants and excluding other capital receipts)						23.20	27.46	21.33	24.41	26.54	28.55	29.25	30.63	32.09	32.95
Interest as % of SGDP						0.19	0.23	0.28	0.30	0.32	0.34	0.36	0.38	0.40	0.41
Interest as % of Revenue (including grants and excluding other capital receipts)						6.47	9.58	10.99	11.89	12.64	13.45	14.20	14.87	15.60	16.31
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						14.98	15.74	14.64	14.51	14.27	14.08	13.91	13.72	13.53	13.35

Adverse Shock Scenario is defined by the worst performance indicator measured in year 2027

For Debt Stock as % of SGDP the adverse shock is: Historical	Historical										
Debt Stock as % of SGDP		3.03	3.53	4.37	5.47	6.61	7.14	5.46	-2.07	-23.35	-75.29
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue										
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		105.55	144.05	147.47	158.67	169.30	180.98	193.10	205.16	217.52	230.03
For Debt Service as % of SGDP the adverse shock is: Historical	Historical										
Debt Service as % of SGDP		0.67	0.70	0.62	0.78	0.95	1.11	1.51	1.66	1.37	-0.10
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue										
Debt Service as % of Revenue (including grants and excluding other capital receipts)		23.20	30.52	24.46	28.67	31.77	34.73	42.39	45.34	48.05	50.09
For Interest as % of SGDP the adverse shock is: Historical	Historical										
Interest as % of SGDP		0.19	0.24	0.34	0.43	0.54	0.65	0.71	0.61	0.08	-1.48
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue										
Interest as % of Revenue (including grants and excluding other capital receipts)		6.47	10.64	12.97	14.75	16.33	17.95	19.49	20.92	22.39	23.81