MINISTRY OF ECONOMIC PLANNING AND BUDGET, LAGOS STATE

LAGOS ECONOMIC DEVELOPMENT UPDATE (LEDU) 2024

Lagos State Economic Outlook: Paving the Way for a 21st Century Economy

Economic Intelligence Department

Foreword

MR Ope George
Hon. Commissioner Economic Planning and Budget Lagos State.

I am delighted to present the Lagos Economic Development Update (LEDU) report, a compelling narrative of the unwavering resilience and dynamism characterizing the Lagos State economy. In my capacity as Commissioner of the Ministry of Economic Planning and Budget, I take immense pride in sharing profound insights that encapsulate the state's economic journey and prospects.

In the ever-evolving global economic landscape, Lagos has not merely faced challenges; it has emerged as a formidable driver of Nigeria's economic growth. The LEDU not only narrates this journey but also provides prospective investors with a rich tapestry of data to make informed and data-driven decisions.
This report is not just about numbers; it is a testament to our ability to not only weather storms but to chart a course for sustainable growth.

Despite facing challenges like the currency redesign policy, Lagos showcased resilience, bouncing back with a 7.6% growth rate in the second quarter of 2023. This report underscores not only our capacity to recover but to sustain growth in the face of adversity.
A pivotal focus in the LEDU is the dominance of the Service sector, notably in trade. The report delves into the intricate details, highlighting the Service sector's predominant role, constituting over 90% of the economic composition from Q4 2022 to Q2 2023. Trade, standing at 57.8%, emerges as a linchpin of Lagos's economic strength.
Fearlessly addressing challenges, particularly the impact of inflation and exchange rate dynamics on households and businesses, the LEDU meticulously dissects these complexities. It offers valuable insights into the influence of essential commodity prices on food inflation and the effects of exchange rate unification on premiums.
Moreover, the report explores capital importation trends, reflecting Lagos's economic significance. Despite facing headwinds, Lagos maintained its status as a major destination for foreign investment. The LEDU critically examines the quarterly fluctuations in capital importation growth, providing strategic insights for sustaining economic vibrancy.
As Commissioner, I am proud to endorse this report, a collaborative effort that not only reflects our commitment to transparent economic governance and sustainable growth but also serves as a beacon, guiding policymakers, business leaders, analysts, and investors towards a more robust and inclusive Lagos economy.

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Acknowledgements

The Lagos Economic Development Update (LEDU) stands as an annual report series crafted to dissect the recent economic and social dynamics in Lagos State within a global and long-term context. Tailored for a diverse readership encompassing policymakers, business leaders, financial stakeholders and professionals navigating the dynamic economic landscape of Lagos, the LEDU explores selected policy issues and the state's medium-term development challenges.

It is imperative to note that, despite our commitment to accuracy, the findings, interpretations, and conclusions in this report may not necessarily align with the views of the State's Executive Council. The State Government does not guarantee the accuracy of the data presented herein or its applications.

This report was meticulously prepared by the Economic Intelligence Department of the Ministry of Economic Planning and Budget (MEPB). This work is led by Dr. Abdulfatai Adedeji, a Senior Public Sector Economist and Consultant from the Centre for the Study of Economies of Africa. The dedicated EID team led by Mrs. Olayinka Ojo (the Director) and the team members comprised Mr. Erinkitola Temitope, Mr. Oluwole Owolabi, Mrs Opeyemi Peregrino, Miss. Christiana Oyelere, Mrs. Zainab Apenna, and Miss. Temitope Akerele.

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The overall supervision of the report rested with Mr. Ope George, the Honourable Commissioner of MEPB, alongside Mr. Olalekan Balogun, the Special Adviser to the Governor on Economic Planning and Budget, and Mr. Ibrahim Amodu Obajomo, the Permanent Secretary, (MEPB).

Our heartfelt gratitude goes out to all contributors and stakeholders whose collective efforts made the production of this report possible.

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For comprehensive information on the Ministry of Economic Planning and Budget and its activities within Lagos State, we invite you to visit our official **website**: https://mepb.lagosstate.gov.ng/.

Abbreviations and Acronyms

AGSMEIS	Agri-Business Small and Medium Enterprises Investment Scheme
APPEALS	Agro Processing, Productivity Enhancement and Livelihood Support Scheme
CBN	Central Bank of Nigeria
EkoSHA	Eko Social Health Alliance
FAAC	Federal Allocation Account Committee
FCT	Federal Capital Territory
FRA	Fiscal Responsibility Act
FX	Foreign Exchange
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
IITA	International Institute of Tropical Agriculture
LASP	Lagos Agricultural Scholars' Programme
LASU	Lagos State University
LASUTH	Lagos State University Teaching Hospital
LBS	Lagos Bureau of Statistics
LDMO	Lagos Debt Management Office
LIRS	Lagos Inland Revenue Service
LMEPB	Lagos State Ministry of Economic Planning and Budget
LSDP	Lagos State Development Plan
LSHS	Lagos State Health Scheme
LSIDRI	Lagos State Infectious Disease Research Institute
MICS	Multiple Indicator Cluster Surveys
MDAs	Ministries, Departments and Agencies
MSMEs	Micro, Small, and Medium Enterprises
NBS	National Bureau of Statistics
SDG	Sustainable Development Goals
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
VAT	Value Added Tax
WDI	World Development Indicators

Overview

Recent macroeconomic indicators underscore the sustained vibrancy and resilience of the Lagos State economy, positioning it as a substantial contributor to the national GDP and among the fastest-growing economies on the African continent. Notably, the economic landscape has witnessed a commendable upswing, with its contribution to national real GDP escalating from 16.5 percent in 2019 to a notable 23 percent in 2022. This ascent has propelled the state's economic standing in Africa from the 7th to the 6th position, solidifying its status as one of the largest economies in Africa.

Of particular significance is the absolute size of the economy, manifesting in an expansion from $ 84 billion in 2019 to $ 124 billion, surpassing the economic dimensions of countries such as Ethiopia, Kenya, and Angola. This underscores the pivotal role played by the Lagos State economy within the African continent. Examining the real growth on a year-on-year basis reveals a robust 20.9 percent surge in the first quarter of 2022, albeit experiencing a marginal dip to 19.2 percent in the subsequent quarter. Notably, the quarter-on-quarter real growth exhibited a negative trajectory of -3.0 percent, potentially attributed to the perturbations induced by the Central Bank of Nigeria's currency redesign policy. However, a commendable rebound ensued, as reflected in the positive growth rate of 7.6 percent (quarter-on-quarter) recorded in the second quarter of 2023. This resurgence is indicative of the economy's ability to recover and adapt, illustrating its inherent resilience and capacity for sustained growth. As the Lagos State economy navigates these dynamic macroeconomic landscapes, it continues to assert its significance as a major driver of economic activities both within the nation and on the broader African stage.

The hegemony of the service sector in steering the economic trajectory of Lagos State is evident, with trade as the primary propellant. While the Industrial and Agricultural sectors maintain their roles, there is a discernible pivot towards the Service sector, elucidated by its sustained dominance and the concomitant decline observed in the alternative sectors. The commendable trajectory of the economy is predominantly attributable to the robust performance of the service sector, which stands as the preeminent driver of economic activities within the region. Noteworthy is the sector's commanding presence, eclipsing both the Agricultural and Industrial sectors. Specifically, the service sector demonstrated remarkable dominance, constituting more than 90 percent of the economic composition from the fourth quarter of 2022 through the second quarter of 2023. Trade emerges as the foremost contributor to the service sector, representing 57.8 percent in the second quarter of 2023. This is complemented by substantial contributions from the telecommunication and information services sector at 18.6 percent, and financial institutions at 7.4 percent. In parallel, the industrial sector played a role, contributing 8.2 percent during the same period. Within the industrial sector, the food, beverage, and tobacco sub-sector emerged as a substantial contributor, accounting for 72.5 percent of the sector's composition in the stated timeframe. Conversely, the agricultural sector registered the lowest contribution among the triad of key sectors, constituting a modest 0.6 percent of the State GDP in the second quarter of 2023. This disparity underscores a discernible shift towards the service sector, particularly as the other two sectors experienced a decline in their contributions.

The service sector exhibited a remarkable real growth rate (year-on-year) of 20.1 percent in the second quarter of 2023, although this is slightly lower than the growth observed in the second quarter of 2022 (22.3 percent). Additionally, the growth of the industrial sector significantly declined from 27.7 percent in the second quarter of 2022 to 10.4 percent in the second quarter of 2023. This decline may be attributed to the lingering effects of the CBN currency redesign and the removal of subsidies (both fuel and exchange rate). Similarly, the agriculture sector experienced positive growth of 23.1 percent in the second quarter of 2023, albeit lower than the 30.9 percent recorded in the same quarter of 2022. Examining the top expanding sectors in the state, air transport leads with the highest growth rate of 70.9 percent in the second quarter of 2023, followed by accommodation and food services (59.5%), rail transport and pipelines (58.4%), electricity, gas, steam, and air conditioning (58.1%), motor vehicle and assembly (49%), among others. Conversely, the top contracting sectors include electrical and electronics (-26.3 percent), basic metal, iron, and steel (-23.4 percent), forestry (-17.6 percent), and others. The welfare effect of the economy has translated to a relatively high per capita income. Specifically, the per capita income increased from $3,403.2 in 2007 to $4,261 in 2022, and it is projected to increase to $4,954.5 in 2023. In comparison with leading African economies, the per capita income of the state ($4,261) is ranked second highest behind South Africa ($6,019) in 2022. The state's per capita income surpasses that of countries such as Egypt ($4,089), Algeria ($3,996), Morocco ($3,292), and Nigeria ($2,450).

Furthermore, the dynamics of inflation and exchange rates hold pivotal significance for the welfare of both households and businesses within the economic landscape of Lagos State. Specifically, the region grapples with heightened inflationary pressures, a concern that has implications for the erosion of purchasing power among households, potentially leading to an increased risk of poverty. The headline inflation (year-on-year) has exhibited an upward trajectory, escalating from 21.7 percent in June 2021 to 22.7 percent in February 2023, and further surging to 27.7 percent in July 2023. A parallel trend is observed in food inflation, which increased from 25.6 percent in June 2021 to 27.9 percent in February 2023, subsequently reaching 33.1 percent in July 2023. This surge in food inflation is attributed to substantial increases in the prices of essential commodities such as meat, fish, oil, poultry, rice, and other grains within the state. On a broader scale, the inflationary pressures in the state are primarily propelled by notable increases in the prices of alcoholic beverages, tobacco, and narcotics (44.3 percent); miscellaneous goods and services (43.2 percent); restaurant and hotels (34.1 percent); food and non-alcoholic beverages (32.7 percent); health (30.3 percent); transport (27.5 percent), among other contributing factors.

Additionally, the volatility in the exchange rate ($/N) exerts profound impacts on both households and businesses, influencing inflation dynamics and escalating input costs, respectively. Before the exchange rate unification (January 3-June 9, 2023), the average exchange rate premium stood at 63.2 percent between the official and parallel markets. However, post-unification (June 14-November 1, 2023), the premium contracted to 20.2 percent. Notably, during the period of clearing the Central Bank of Nigeria's backlog (November 2-December 1, 2023), the average premium settled at 35.1 percent. This unification has undeniably led to a significant reduction in exchange rate premiums, with prospects for relative stability. However, it has entailed welfare costs for households in terms of surging prices for consumer goods and for businesses in terms of elevated input prices. The repercussions of these economic dynamics underscore the intricate relationship between inflation, exchange rates, and the well-being of both households and businesses in Lagos State.

In the area of capital importation, Lagos has remained the largest receiver over the years, given its strategic and economic importance. In 2023Q1, Lagos State saw an uptick in capital importation, reaching $705 million, surpassing the previous quarter's $600.5 million but falling short of 2022Q1 ($1,119.4 million). This performance also marked a decline from Q1 2021, where capital inflows were $1,578.3 million. Lagos State's share in total capital importation has gradually decreased from over 80 percent in 2021 to 62.2 percent in 2023Q1. Moving to 2023Q2, Lagos attracted $778.06 million, constituting 75.52 percent of total capital importation, while Abuja received $194.28 million, accounting for 18.86 percent. The year-on-year growth of capital importation in Lagos State has shown significant volatility, particularly post-Covid-19 recovery. While the fourth quarter of 2021 saw an exceptional growth of 146.3 percent, a stark contrast to the -75.1 percent contraction in 2020Q4, subsequent quarters displayed negative growth, except for 2022Q2 with a 35.1 percent growth rate. Although the decline moderated to -37 percent and -26.2 percent in 2023Q1 and 2023Q2, respectively, foreign investment performed more robustly in the corresponding quarters of 2022. The quarterly oscillation in capital importation growth is notably unstable, posing challenges to Lagos's aspirations for economic vibrancy, inclusivity, and sustainability. This fluctuation is attributed to factors such as Covid-19-related capital reversals, exchange rate uncertainties, escalating inflation, and infrastructural development considerations.

In the area of capital importation, Lagos has remained the largest receiver over the years, given its strategic and economic importance. In 2023Q1, Lagos State saw an uptick in capital importation, reaching $705 million, surpassing the previous quarter's $600.5 million but falling short of 2022Q1 ($1,119.4 million). This performance also marked a decline from Q1 2021, where capital inflows were $1,578.3 million. Lagos State's share in total capital importation has gradually decreased from over 80 percent in 2021 to 62.2 percent in 2023Q1. Moving to 2023Q2, Lagos attracted $778.06 million, constituting 75.52 percent of total capital importation, while Abuja received $194.28 million, accounting for 18.86 percent. The year-on-year growth of capital importation in Lagos State has shown significant volatility, particularly post-Covid-19 recovery. While the fourth quarter of 2021 saw an exceptional growth of 146.3 percent, a stark contrast to the -75.1 percent contraction in 2020Q4, subsequent quarters displayed negative growth, except for 2022Q2 with a 35.1 percent growth rate. Although the decline moderated to -37 percent and -26.2 percent in 2023Q1 and 2023Q2, respectively, capital importation performed more robustly in the corresponding quarters of 2022. The quarterly oscillation in capital importation growth is notably unstable, posing challenges to Lagos's aspirations for economic vibrancy, inclusivity, and sustainability. This fluctuation is attributed to factors such as Covid-19-related capital reversals, exchange rate uncertainties, escalating inflation, and infrastructural development considerations. It is important to also highlight the dominance of credit rather than foreign investment in the composition.

More so, Lagos State, serving as Nigeria's economic hub, outlines a ₦1.768 Trillion budget for 2023, with a 58:42 Capital to Recurrent ratio, emphasizing the "Budget of Continuity" and underscoring the administration's commitment to advancing infrastructural development aligned with the THEMES+ agenda. These include significant initiatives like the Blue Line Rail Phase II, road construction, junction reconfiguration, and electric bus procurement, all contributing to the realization of the Lagos State Development Plan (LSDP) 2052 for sustained development and growth. The fiscal sustainability of the state hinged predominantly on its internally generated revenue (IGR).

The IGR stood at N965 billion in 2022, constituting 78% of the budgeted N1.24 trillion. In terms of budget performance, the IGR segment achieving an impressive 76%, positioning Lagos as the foremost state in IGR generation nationwide. This sustained growth in revenue generation empowers strategic investments in crucial sectors. In 2023Q2, the IGR's share of total revenue expanded stood at 74% with budget performance of 71%. Notably, the Pay As You Earn (PAYE) collected by the LIRS is a major driver of revenue generation. Despite its projection of N142 billion for 2023, ongoing strategic initiatives are deemed necessary to reinforce fiscal resilience and sustain growth.

The State's budget has consistently performed well over ten consecutive quarters, attributed to effective revenue mobilization efforts, a consistent increase in Internally Generated Revenue (IGR), and strategic tax system reforms, propelling investments into critical sectors. The 2023Q2 fiscal report reveals a total revenue performance of 70%, with total expenditure reaching 82%, primarily driven by capital projects, showcasing the State's commitment to economic development through targeted investments and prudent fiscal management. This has led to debt management and an anticipated cumulative budget performance of 85% for the year, affirming the State's dedication to sustained economic growth. As of 2023Q2, Lagos State's budget deficit-to-GDP ratio is at 1.62 percent, surpassing the 3.0 percent cap set by the Fiscal Responsibility Act (FRA) of 2007. This reflected the state government's fiscal prudence, responsible financial management, and capacity to meet debt obligations. Also, this lower deficit-to-GDP ratio not only signifies a balanced budgetary approach but also underscores the government's adeptness in judiciously overseeing its finances. This positioned the state favourably and enabled effective debt management. More so, there is proactive measures to further curtail the budget deficit through ongoing tax reforms. This broadens the tax base and augments overall revenue generation for sustained economic growth and improved public services.

On business development, amidst the challenges posed by the COVID-19 pandemic, Lagos emerged as a formidable economic powerhouse, constituting 13.2% of the national total of 1,480,520 registered enterprises in 2020. This showcased remarkable adaptability and contributed significantly to business registration at the national level. More so, it positioned the state as a standout performer in sustaining economic activities and emphasizing the need for tailored strategies to boost business registration across regions for overall national economic resilience and growth. Lagos, with an ease of doing business score of 6 (out of 10), slightly trailing behind other states, presents a nuanced business environment given its vibrant economic hub status hosting numerous enterprises. While excelling in digital transactions, it faces challenges like high fuel prices and taxes, prompting a need for meticulous examination and targeted interventions to enhance the ease of doing business in the state.

On socio-economic development, Lagos State shone with an impressive men's literacy rate of 90.6% in 2021, setting a commendable standard for accessible and high-quality education. For women's literacy rates, the state achieved 71.7%, reflecting a favourable educational environment. However, there is still observed gender gap despite its overall impressive literacy rates. More so, the state maintains a commendably low out-of-school rate at 6.6% in 2021, reflecting its strong commitment to education through robust policies, infrastructure, and community engagement. In health, the state demonstrated an exemplary neonatal healthcare performance with a mortality rate of 11 deaths per 1,000 live births in 2021. This is below the SDG target highlighting the success of robust healthcare and prenatal care initiatives. Particularly, the launch of the Early Newborn Action Plan in collaboration with UNICEF further underscores the commitment to aligning efforts with international standards for comprehensive neonatal healthcare in Lagos. The evaluation of overall vaccination records across Nigerian states highlights significant variations, with Lagos among the top states. Lagos had commendable rate of 84% in 2021, however, strategic efforts are required to match the exemplary performance observed in Ebonyi (96%) and bolster public health resilience nationwide.

On infrastructural development, mobile phone penetration is an integral part of Lagos's modernization. The state had penetration rate of 97.2% in 2021. In addition, the computer usage rate for the state stood at 22.4% emphasizing Lagos' tech strength. Overall, computer access is still low, underscoring a digital divide and potential for enhanced infrastructure to drive economic and technological inclusivity. Furthermore, Lagos leads with a 65% household internet access rate, portraying a well-connected urban centre, while FCT Abuja closely follows at 55.7%. On energy, it leads in energy access at 84.1%, reflecting robust infrastructure and clean energy efforts, while FCT Abuja follows at 42%. States such as Bauchi and Jigawa at 0.5% highlight the need to enhance energy accessibility and promote sustainable development nationally. Also, Lagos exhibits a low percentage (4.3%) in solid fuel usage for cooking, highlighting a preference for cleaner methods. Conversely, the state has the highest percentage (15.3%) of household exposure to indoor air pollution from cooking. This highlights the environmental quality landscape, requiring targeted policies for improvement.

From the foregoing, Lagos State's economic landscape thrives with robust growth and strategic significance, particularly in the services sector dominated by trade, tech, and finance. Government fiscal strategies, reflected in recent budgets aligning with THEMESPLUS Agenda and the Development Plan, showcase commitment to global economic prominence. Achievements in health, education, and a dynamic business environment underscore socio-economic progress. Infrastructure development, a key success factor, spans digital, road, rail, water, and clean energy domains.

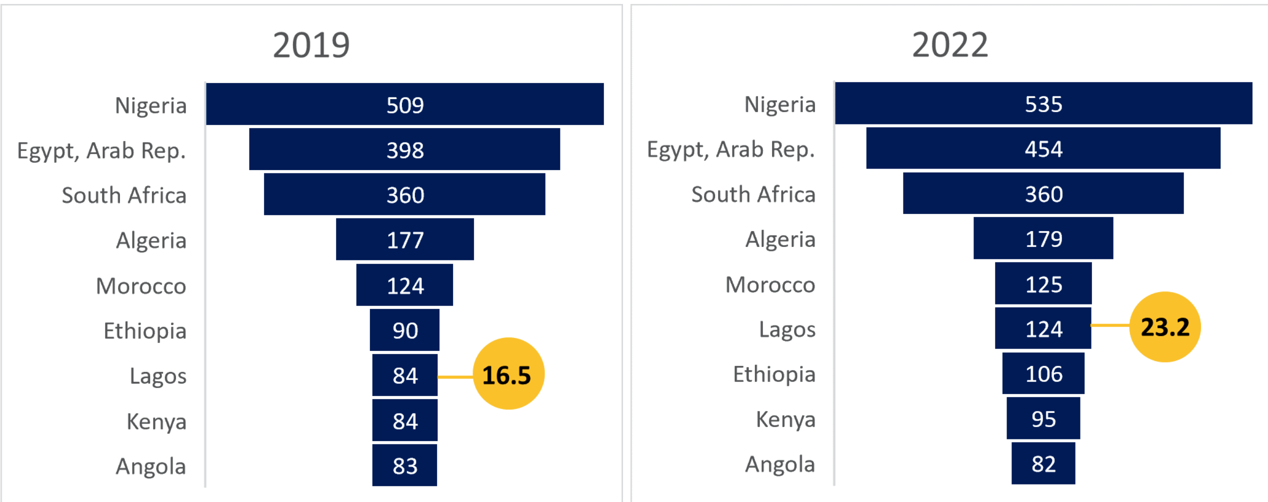
To make the state a 21st century economy by 2052, government needs to consider the following policy suggestions to complement ongoing efforts. These include optimisation of public investment, optimisation of real estate assets, de-dollarisation and re-dollarisation of the economy, infrastructural expansion, agricultural improvement, strengthening ease of doing business, addressing rising prices, and promotion of capital importation.

Part 1: Recent Macroeconomic Issues and the Outlook for Lagos State

1. Recent Macroeconomic Development

Lagos State, a dynamic economic nucleus, currently contributes a remarkable 23 percent to Nigeria's real GDP, solidifying its status as a resilient and thriving economic centre with promising prospects for the future. This burgeoning contribution underscores Lagos' increasing dominance within the African continent, marking a notable surge from 16.5 percent in 2019 to an impressive 23.2 percent[1] in 2022 (Figure 1.1). A key catalyst in this economic ascent is the remarkable resourcefulness of the Lagos workforce, positioning the state at the forefront of Nigeria's economic prowess and among the foremost economies in Africa. Notably, the state climbed from the 7th in 2019 to the 6th in 2022 in the rankings of the largest economies in Africa, showcasing its robust economic trajectory. To contextualize this achievement, Lagos now boasts of an economy larger than that of Ethiopia, Kenya, and Angola, exemplifying its pivotal role as a hub of economic activity on the African continent and globally. This development presents a favourable indication towards the realization of the targeted economic size ranging between $800 billion to $1000 billion by the year 2052, as outlined in the Lagos State Development Plan (LSDP). As we delve into the detailed analysis of Lagos' economic landscape in 2023 and explore the outlook for 2024, it becomes evident that the state's strategic positioning and proactive economic measures continue to propel it towards sustained growth and prosperity.

Figure 1.1: Ranking of Lagos State Economy Size in Africa (Real GDP in $ billion)



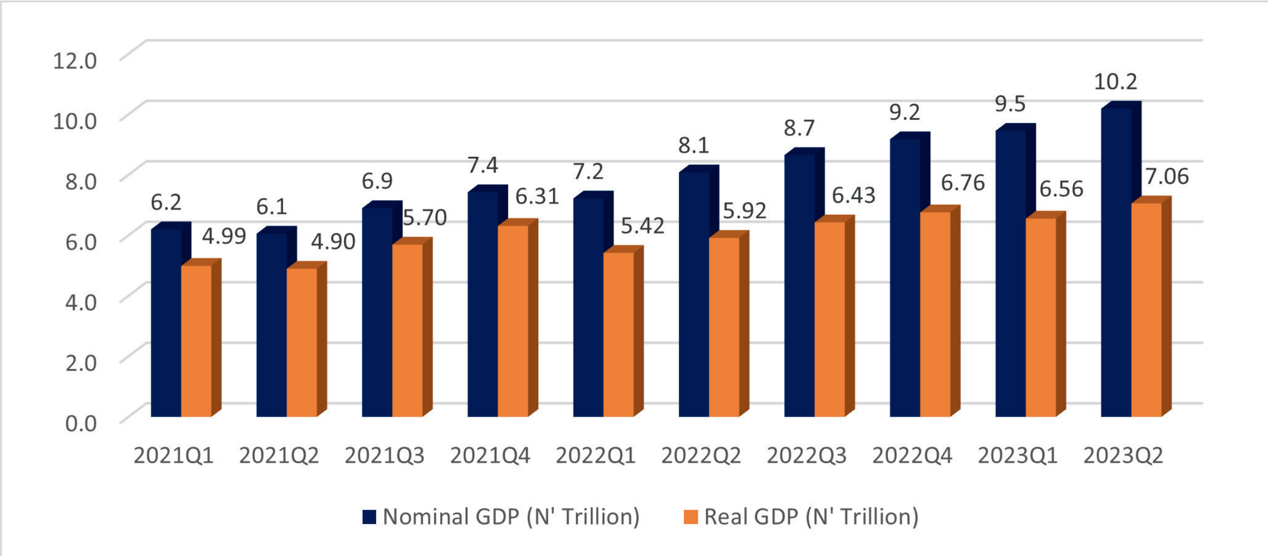
Data Source: LBS, WDI, and LSDP (2022-2052)

Furthermore, it is noteworthy that a sustained and considerable expansion has been observed over the course of recent years. The nominal Gross Domestic Product (GDP)1 has consistently demonstrated an upward trajectory, as illustrated in Figure 1.2, indicative of a concurrent increase in economic activities within the state. This augmentation is particularly discernible, with the economic magnitude escalating from N6.2 trillion in the first quarter of 2021 to N7.2 trillion and subsequently to N9.5 trillion in the first quarters of 2022 and 2023, respectively. A meticulous examination further reveals a substantial elevation of N0.7 trillion between the first and second quarters of 2023, signalling a notable surge in productivity in nominal terms.

[1] GDP is measured at 2015 constant price and the conversion rate relies on the 2015 exchange rate.

It is imperative to underscore that, for a more nuanced comprehension of productivity, attention must be directed to the expansion of economic activities in real terms. Real GDP has experienced a significant increment, ascending from N6.6 trillion in the initial quarter to N7.1 trillion in the first quarter of 2023. This underscores the economy's resilience and growth in tangible, inflation-adjusted terms.

Figure 1.2: Nominal and Real GDP of Lagos State

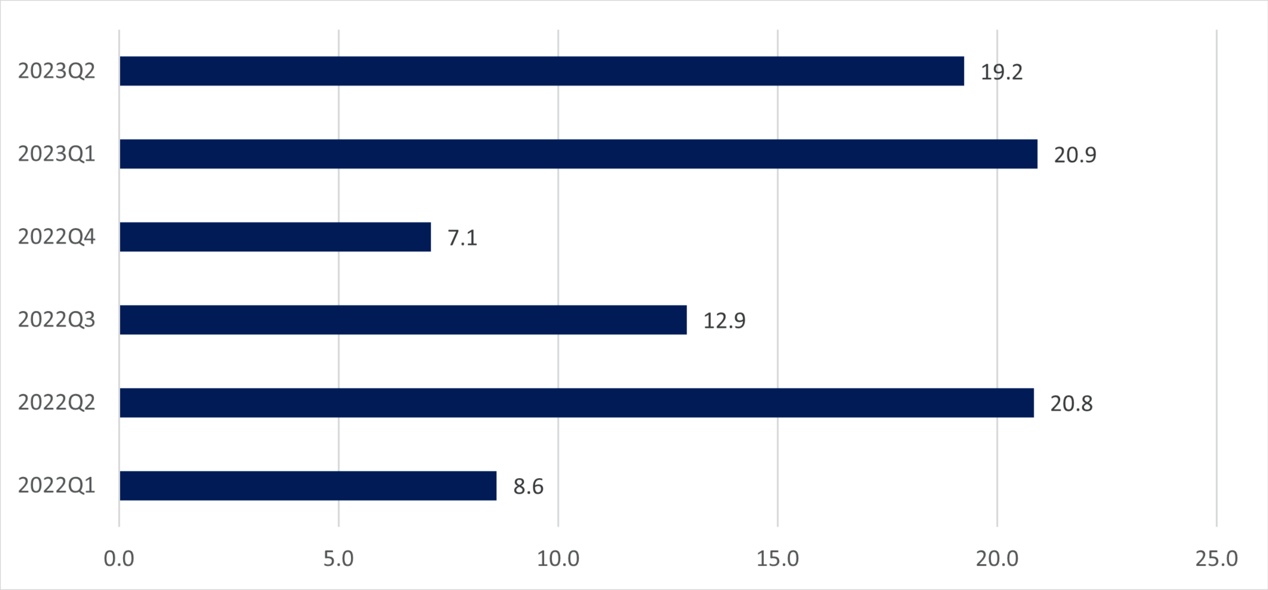


Data Source: LBS

The pivotal role of real GDP growth in fostering productivity, employment generation, and structural transformation cannot be overstated. It stands as a crucial metric for assessing the economic trajectory of a region or nation. Lagos, positioned as a commercial hub and investment nucleus within the Nigerian and West African economy, assumes a paramount role in the pursuit of sustainable economic prosperity across the African continent. Accordingly, Figure 1.3 emerges as an indispensable instrument for a comprehensive evaluation of the state's economic performance. Data from the Lagos State Bureau of Statistics (LBS) revealed that the economy exhibited a robust growth of 20.9 percent (year-on-year) in the first quarter of 2023, a substantial enhancement from the 8.6 percent recorded in the corresponding period of 2022. This signifies a noteworthy improvement in the economy during the initial quarter of this year when juxtaposed with the same quarter of the preceding year. However, a marginal dip in the real growth rate occurred in the second quarter of 2023 (19.2 percent) compared to the second quarter of 2022 (20.8 percent). On a quarterly basis, the real growth trajectory has manifested fluctuations over the years. Notably, the quarter-on-quarter analysis showed that the economy experienced a contraction from 5.1 percent in the fourth quarter of 2022 to -3.0 percent in the first quarter of 2023 (refer to Figure 1.4). This contraction may be attributed in part to the impact of the currency redesigning policy implemented by the Central Bank of Nigeria (CBN). Nevertheless, the economy rebounded impressively, achieving a substantial and positive real growth rate of 7.6 percent in the second quarter of 2023, signifying a notable recovery from the initial quarter. Consequently, the cumulative GDP growth for the first half of 2023 stands at 20.1 percent, showcasing a considerable ascent compared to the 14.7 percent recorded in the first half of 2022. Despite the oscillations witnessed in the economy throughout the year, the overall growth rate remains robustly positive, averaging 12.4 percent in 2022. This performance is notably high relative to top economies in Africa**[2]**.

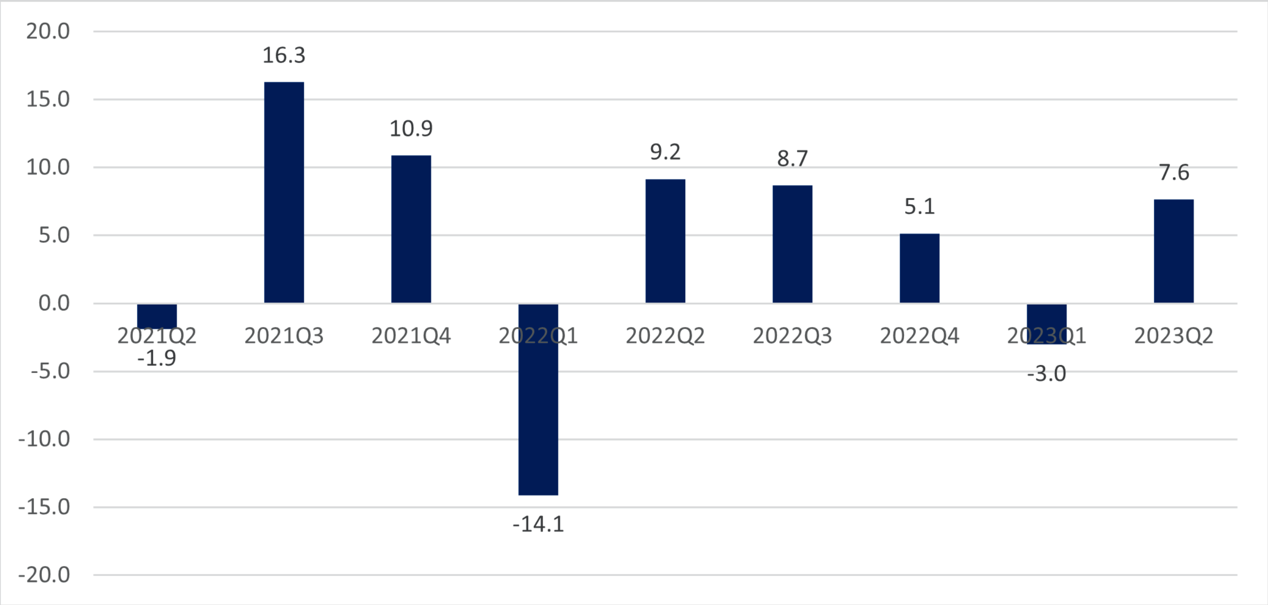
[2] According to World Development Indicators (2023), Nigeria, Egypt and South Africa recorded economic growth rates of 3.3 percent, 6.6 and 2.0 percent, respectively, in 2022.

Figure 1.3: Real GDP growth (%, year-on-year)



Data source: Lagos Bureau of Statistics

Figure 1.4: Real GDP growth (%, quarter-on-quarter)

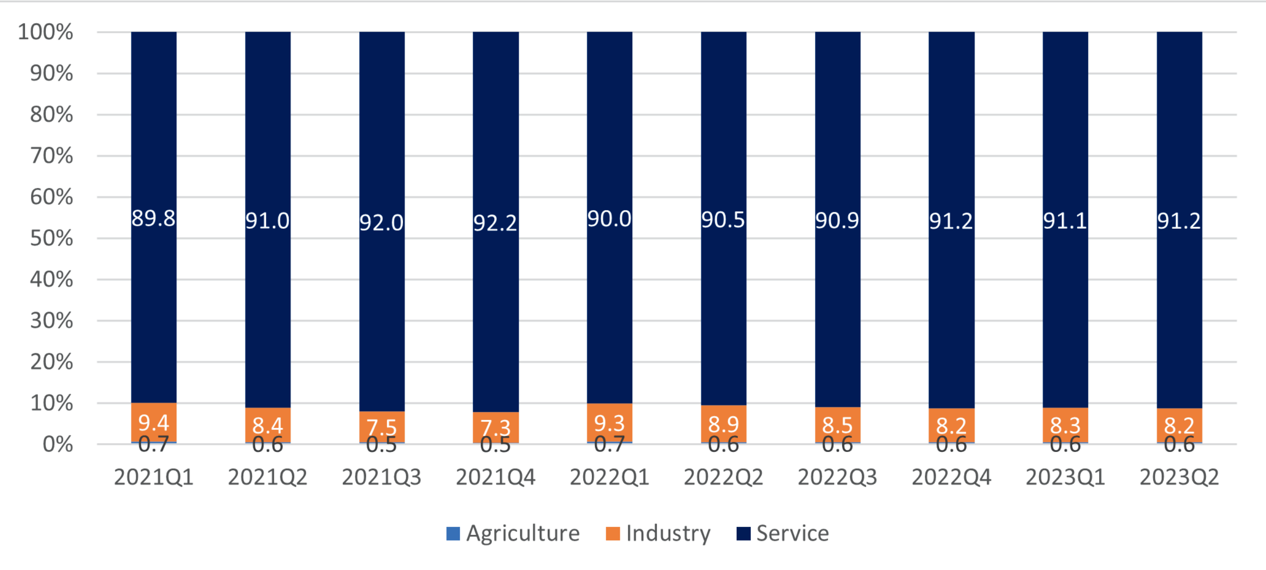


Data Source: LBS

The prominence of the service sector as a principal driver of the Lagos State economy is a distinctive feature of its economic landscape. The trajectory of Lagos's economic evolution has been notably shaped by the substantial contributions emanating from its service sector. Given the state's constrained landmass, economic pursuits are predominantly reliant on services, contrasting with the comparatively lesser emphasis on agriculture and industrial undertakings. Facilitated by a sophisticated business infrastructure, a robust network, and a resilient electronic payment system within the state, the service sector exhibited a substantial increase from 89.8 percent in the first quarter of 2021 to 91.2 percent in the second quarter of 2023 (Figure 1.5).

This pronounced reliance on the service sector played a pivotal role in fostering resilience during the global upheavals brought about by the Covid-19 pandemic, as the economy demonstrated a capacity to absorb international shocks. The primary drivers of this sector encompass trade, telecommunications, information services, and financial institutions. Notably, trade contributed 57.8 percent to the service sector in the second quarter of 2023, followed by telecommunication and information services at 18.6 percent, and financial institutions at 7.4 percent. Conversely, the industrial sector occupies the second position, with its contribution diminishing from 9.4 percent in the first quarter of 2021 to 8.2 percent in the second quarter of 2023. Within the industrial sector, the food, beverage, and tobacco sub-sector emerged as a predominant driver, constituting 72.5 percent of the sector's GDP during the same period. Agriculture, in contrast, remains the least contributing sector to the real GDP of the state. Its share declined from 0.7 percent in the first quarter of 2021 to 0.6 percent in the second quarter of 2023. This sector is principally driven by a substantial contribution from fishing activities. The geographical constraints imposed by extensive water bodies and limited land availability contribute to the relatively subdued performance of agricultural activities, with fish farming emerging as a noteworthy explanatory factor for the sector's minimal contribution. Overall, the marginal gains in the service sector underscore a discernible shift of economic activities from agriculture and industrial sectors towards services.

Figure 1.5: Sectoral contribution to Lagos State Real GDP (%)

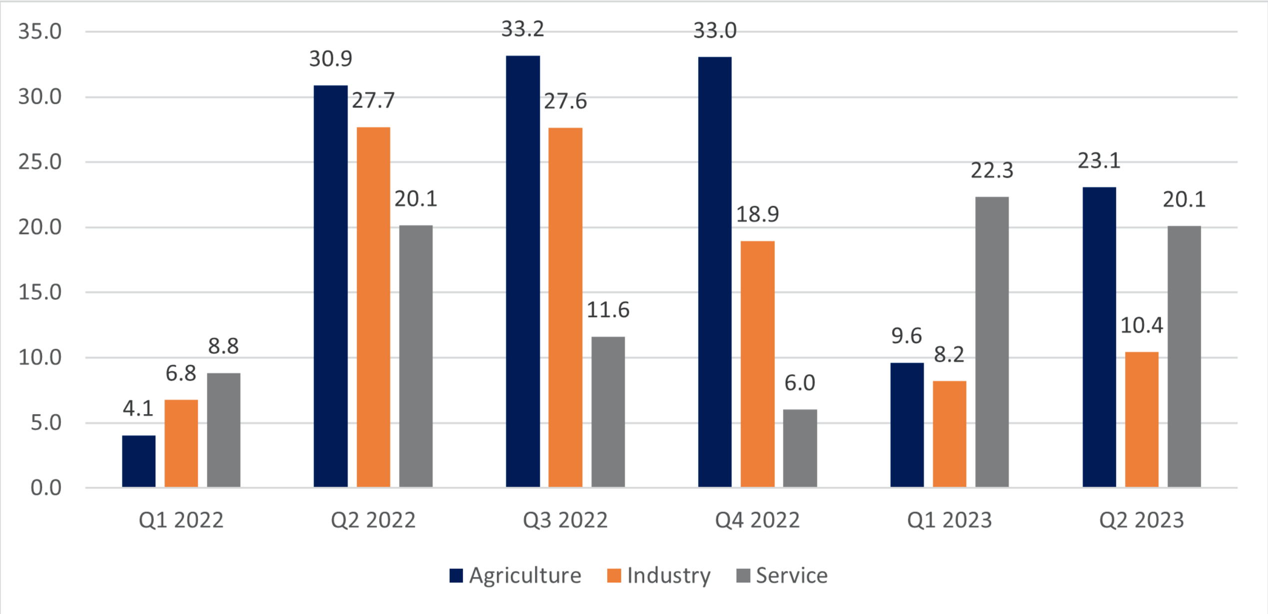


Data Source: LBS

The real growth observed in the service sectors during the first half of 2023 has been particularly noteworthy. A detailed examination delves into the growth dynamics of these pivotal sectors, as illustrated in Figure 1.6. The service sector, commanding a substantial share of 91.2 percent in the State's real GDP in the second quarter of 2023, has demonstrated commendable performance. Specifically, the sector exhibited a remarkable real growth of 22.3 percent in the first quarter of 2023, representing a significant surge compared to the 8.8 percent growth recorded in the same period of 2022. This surge is indicative of a substantial augmentation in economic activities within the sector. Furthermore, the real growth rate remained robust at 20.1 percent in the second quarter of 2023, maintaining parity with the second quarter of 2022.

Turning attention to the industrial sector, a marginal improvement in real growth is discernible, with a rise from 6.8 percent in the first quarter of 2022 to 8.2 percent in the first quarter of 2023. However, the sector experienced a notable deceleration in its growth momentum, registering 10.4 percent in the second quarter of 2023, a significant reduction from the impressive 27.7 percent growth observed in the second quarter of 2022. In the agricultural sector, the real growth rate increased from 4.1 percent in the first quarter of 2022 to 9.6 percent in the first quarter of 2023. Although the real growth rate reached 23.1 percent in the second quarter of 2023, it is noteworthy that the sector exhibited superior performance in the second quarter of 2022, recording a growth rate of 30.9 percent. Cumulatively, the agricultural sector achieved a growth rate of 16.4 percent in the first half of 2023, slightly below the 17.5 percent recorded in the first half of 2022. Additionally, the industrial sector expanded by 9.3 percent in the first half of 2023, significantly below the average growth of 17.3 percent observed in the first half of 2022. Conversely, the service sector sustained a robust growth of 21.4 percent in the first half of 2023, surpassing the growth rate of 14.5 percent recorded in the first half of 2022.

Figure 1.6: Year-on-Year real sector growth (%)

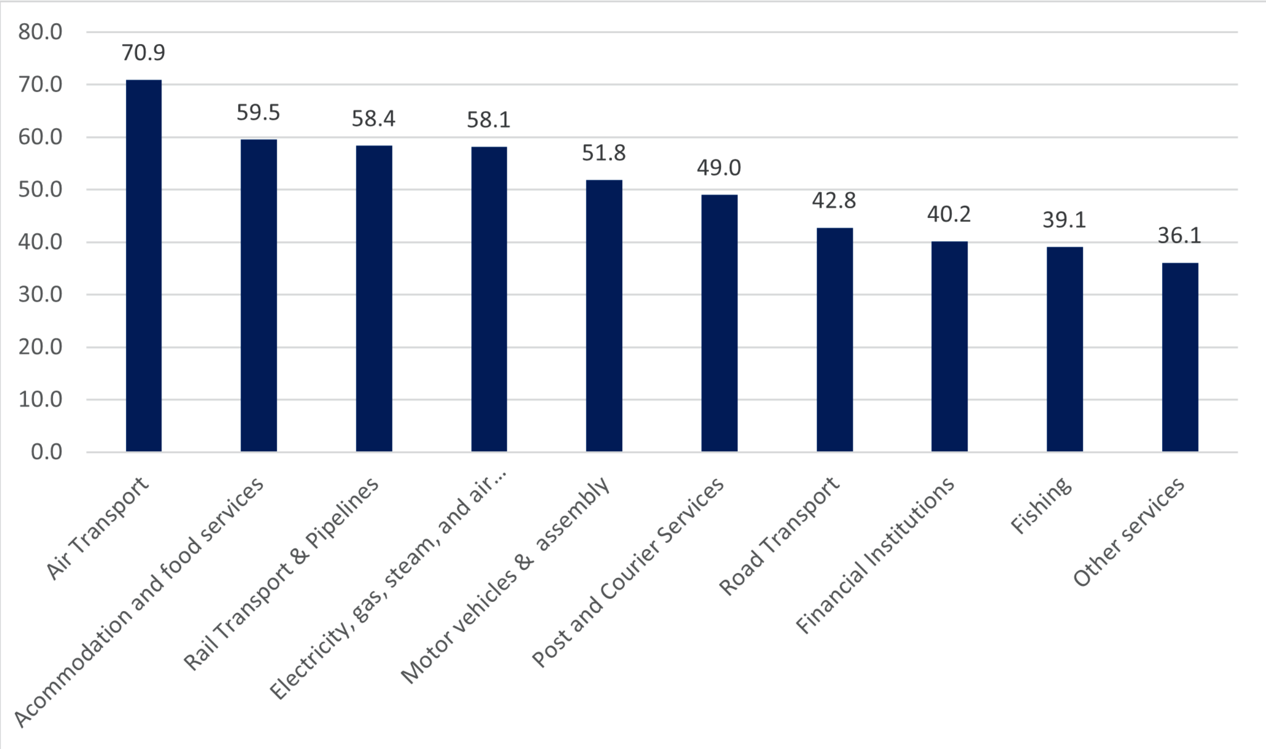


Data Source: LBS

The second quarter witnessed a persistent dominance of economic activities within the Service sector in the overall sectoral breakdown. A meticulous examination of sub-sectoral performance revealed that economic activities within 33 out of the 41 sub-sectors exhibited expansion during the second quarter of 2023. Notably, Air transport emerged as the frontrunner with the highest growth, reaching 70.9 percent, succeeded by accommodation and food services at 59.5 percent, and rail transport and pipelines at 58.4 percent (Figure 1.7). Conversely, economic activities within eight sub-sectors underwent contraction, with electrical and electronics leading the downturn at -26.3 percent, followed by basic metal, iron ore, and steel at -23.4 percent (Figure 1.8). The pronounced contractions in these sub-sectors may be indicative of the repercussions stemming from the unification of exchange rates. It is imperative to underscore that transport services also experienced contractions, potentially attributed in part to the ramifications of fuel subsidy removal, significantly impacting the mobility of transports and commuters.

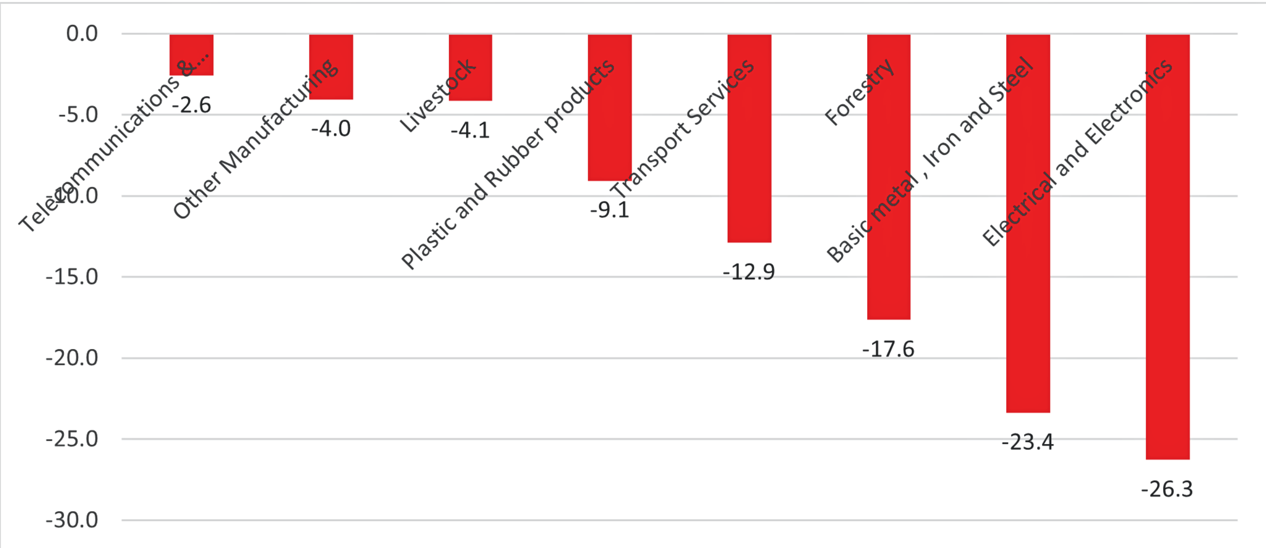
Nevertheless, it is crucial to underscore that Lagos remains the hub of major economic activities, particularly in trade, telecommunication, and financial services. Furthermore, the state stands poised to receive additional impetus to its economic output, courtesy of the increasing support from the state government in sectors such as music, fashion, and film industries. It is imperative to accentuate that informality persists at a notably high level. Effectively capturing the informal sector's contribution would significantly contribute to a comprehensive understanding of the economy's magnitude, thereby fortifying the state's standing as one of the preeminent economies in Africa. Moreover, the industrial sector is anticipated to undergo expansion, propelled by the increased activity in the manufacturing domain, exemplified by the recent inauguration of the GAC car assembly plant and the imminent commencement of operations at the Dangote oil refinery. This anticipated growth augurs well for the broader economic landscape, further solidifying Lagos's position as a key economic player in the region.

Figure 1.7: Top expanding sub-sectors in Lagos State (%)



Data Source: LBS

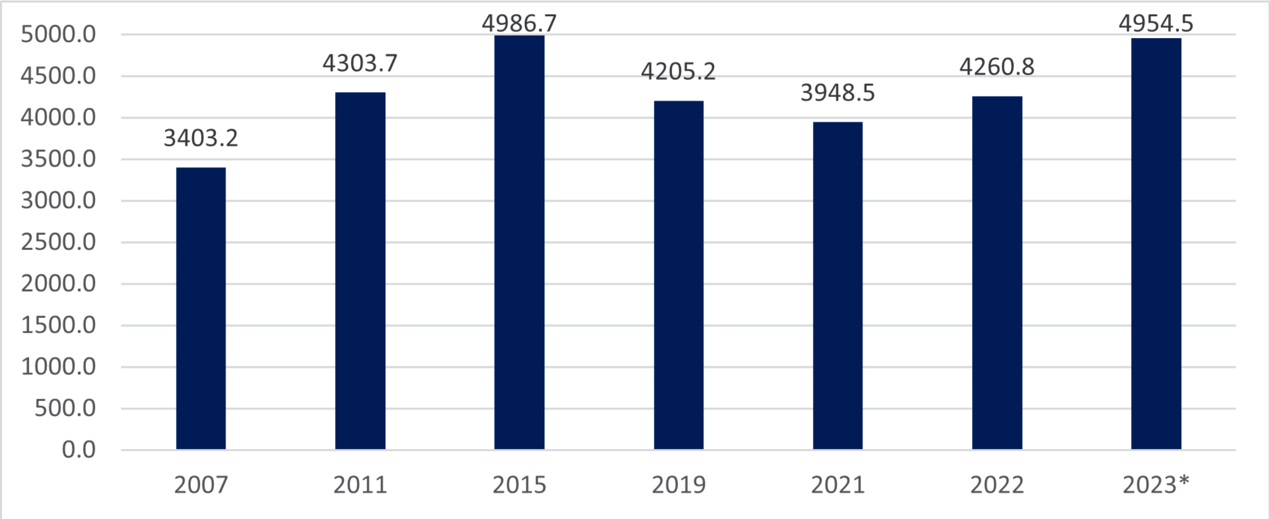
Figure 1.8: Top contracting sub-sectors in Lagos State (%)



The economic landscape of Lagos State is endowed with limitless potential, affording its citizens greater welfare opportunities in comparison to leading economies across Africa. The conducive investment climate persistently catalyses private investment and job creation, thereby charting a trajectory towards inclusive development within the state. The real GDP per capita has exhibited a commendable trend over the years, characterized by a growth rate surpassing that of population expansion, indicative of advancements in income per capita. Consequently, this phenomenon may elucidate the relatively low poverty rate observed within the state. The robust growth observed in the service sector, coupled with a gradual amelioration in industrial activities, positions the state's economy on a trajectory of substantial growth. Specifically, the income per capita witnessed an ascent from $3,402.3 in 2007 to $4,986.7 in 2015 (Figure 1.9). Despite encountering setbacks such as the precipitous decline in oil prices in 2015/16 and the ramifications of the COVID-19 pandemic, recovery to the income per capita observed in 2015 was realized by 2022, reaching $4,260.8.

Unlike Nigeria, whose economy is heavily reliant on crude oil, Lagos State's economic resilience is evident due to the flourishing service sector. With an impressive recorded real GDP in the first half of 2023, the income per capita for 2023 is projected to closely approximate the value recorded in 2015, standing at $4,954.5. The service sector is anticipated to experience sustained improvement, propelled by robust financial services and electronic payment systems within the state. Additionally, a moderate improvement is expected in the industrial sector due to diverse effect of fuel subsidy removal and the unification of the exchange rate. Given the limited scope of agricultural activities attributable to the state's compact landmass, it is highly probable that the state will increasingly rely on finished products from other regions to meet the burgeoning demand in Lagos. Consequently, enhancements in economic activities within the service sector are poised to propel the income per capita beyond the value recorded in 2015.

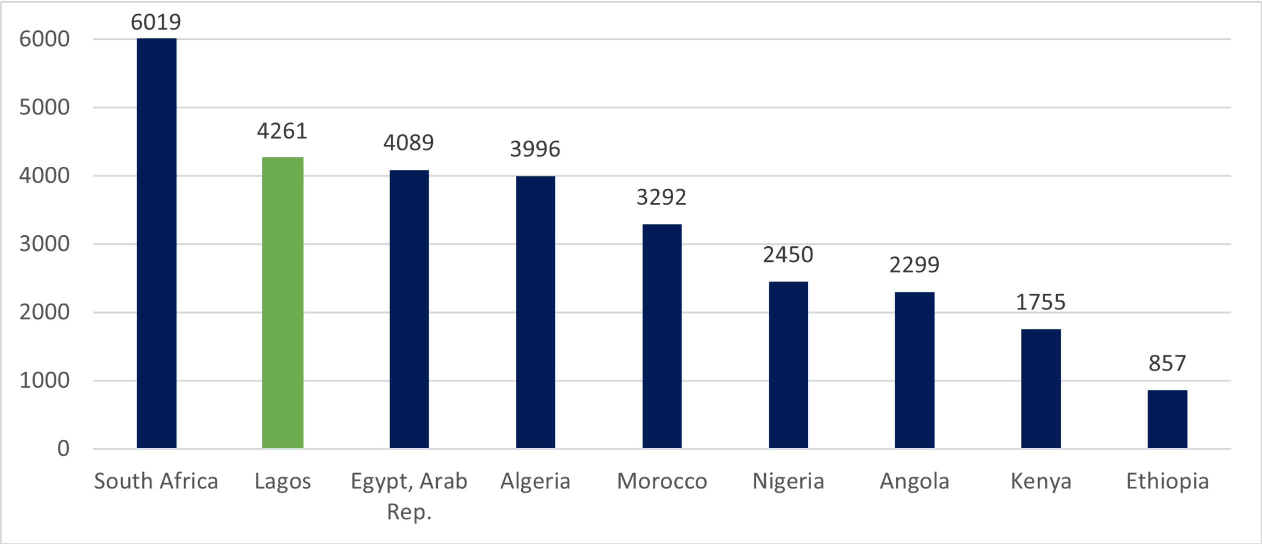
Figure 1.9: Trend of Real GDP per capita (constant, 2015 $)



Data Source: LBS

Lagos currently occupies the second position in terms of income per capita in Africa, with only South Africa surpassing its standing (Figure 1.10). Within the spectrum of the largest economies on the African continent, the State distinguishes itself by boasting of a substantial income per capita of $4,261, outpacing other prominent nations such as Egypt ($4,089), Algeria ($3,996), Morocco ($3,292), Nigeria ($2,450), Angola ($2,299), Kenya ($1,755), and Ethiopia ($857). This affirms Lagos's status as a thriving, rapidly growing, and expanding economic hub, not only contributing significantly to the national GDP and registering the fastest growth but also yielding higher incomes for its citizens. The observed economic vibrancy underscores the comparatively elevated living standards experienced by Lagos residents, positioning the state favourably when compared to other states within Nigeria and various African countries. The populace actively engages in a diverse array of service-related activities, predominantly characterized by the entrepreneurial vigour of Micro, Small, and Medium Enterprises (MSMEs) in the trade sector. Lagos's economic landscape, therefore, exhibits a discernible trajectory toward inclusive development, with an auspicious projection for sustained growth in the ensuing years. Notwithstanding this performance, there is a necessity for an enhancement in the growth rate of income per capita, elevating it from its baseline average of 5.7% to an annual expansion of 6.8% to effectively attain the LSDP target of reaching $20,000 by the year 2052.

Figure 1.10: Lagos boost of higher per capita income (constant, 2015 $) among African leading economies



Data Source: LBS and WDI

2. Inflation and Exchange Rate

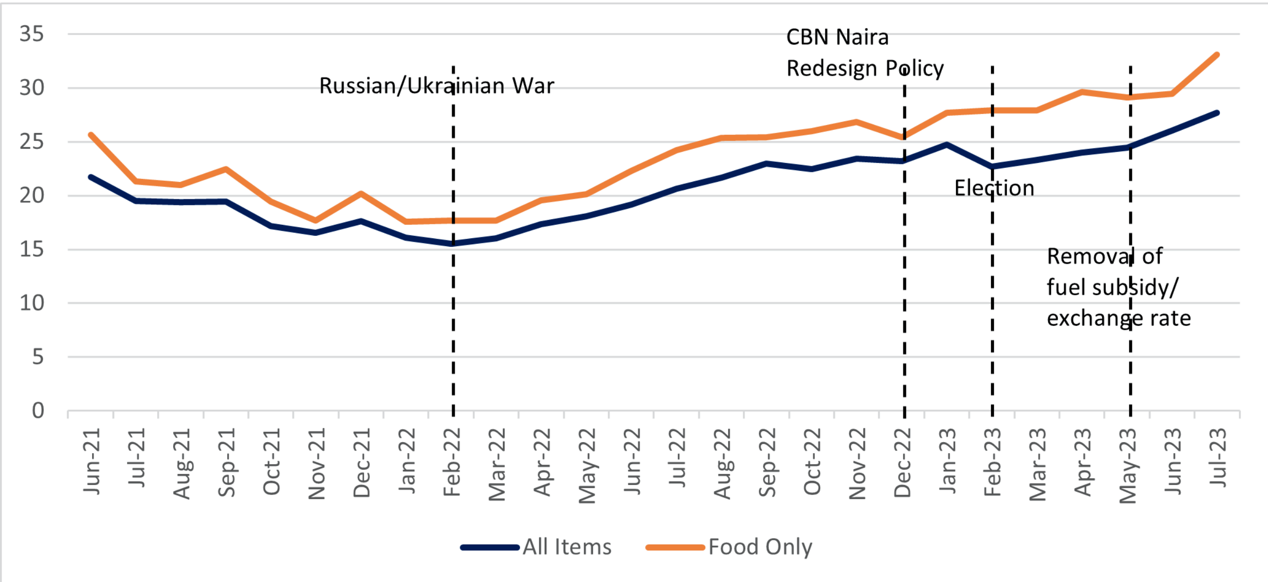
(a) Inflation

Lagos State grapples with a heightened inflationary environment akin to the broader national scenario in Nigeria, presenting a pressing concern that warrants expeditious remedial measures to avert the potential exacerbation of poverty rates. Indeed, the spectre of inflation has emerged as a formidable challenge across both developing and developed economies in the aftermath of the Covid-19 pandemic and the geopolitical tensions stemming from the Russia/Ukraine conflict.

A discernible upward trajectory in inflation rates has become particularly evident after the closure of borders. Evaluating structural factors remain integral to comprehending the inflationary pressures manifesting in the state. Central to the inflationary dynamics is the national policy on border closure implemented in 2019, exerting a fundamental influence on the inflationary landscape of Lagos State, an economic epicentre through which a substantial proportion of consumer products traverse. Headline inflation, a critical metric, exhibited a noteworthy ascent from 21.7 percent in June 2021 to 22.7 percent (year-on-year) in February 2023, further escalating to 27.7 percent in July 2023 (Figure 2.1). The conspicuous spike in headline inflation is primarily attributable to the escalating costs of food, propelled by both domestic factors such as insecurity and flooding, and external shocks emanating from the Russia/Ukraine conflict.

Specifically, food prices registered a progression from 25.6 percent in June 2021 to 27.9 percent in February 2023, surging to 33.1 percent in July 2023. This surge encompasses higher prices of essential commodities, including meat, fish, flour, oil, poultry, rice, and other grains. Furthermore, the inflationary surge is intrinsically linked to external events such as the Russia/Ukraine conflict, the Central Bank of Nigeria's naira redesign policy, electoral considerations, and the removal of fuel subsidies coupled with exchange rate dynamics. Consequently, the burgeoning prices translate into a palpable erosion of purchasing power, exerting discernible impacts on the cost of living within the state. Mitigating these inflationary pressures demands a nuanced understanding of the multifaceted factors at play, thereby facilitating the formulation of effective policy responses to safeguard economic stability and social welfare in Lagos State.

Figure 2.1: Inflation rate (%, Year-on-Year)



Data Source: LBS

The month-on-month inflationary dynamics in Lagos State exhibit pronounced volatility, signifying recurrent fluctuations in the prices of goods. Notably, headline inflation exhibited an upward trajectory from 0.76 percent in January 2023 to 4.57 percent in February 2023, subsequently contracting to 0.46 percent by July 2023 (Figure 2.2). A parallel pattern was discerned in food inflation, which ascended from 1.05 percent in January 2023 to 5.93 percent in March 2023 before receding to 0.27 percent in July 2023. The persistent fluctuations in food prices continue to exert a significant influence on overall inflationary pressures within the state.

Despite a relatively high per capita income in the state, the enduring escalation in consumer goods prices poses a particular threat to the most vulnerable segments of the population. Furthermore, a potential expansion of the impoverished demographic is foreseeable, as escalating prices may erode the purchasing power of individuals, while wage levels remain stagnant. The inflationary challenges in Nigeria which affects Lagos State, are deeply rooted in an amalgamation of factors, including exchange rate distortions, import dependency, subsidized developmental financing by the Central Bank of Nigeria (CBN), the monetization of fiscal deficits through costly Ways and Means, and prevailing insecurities.

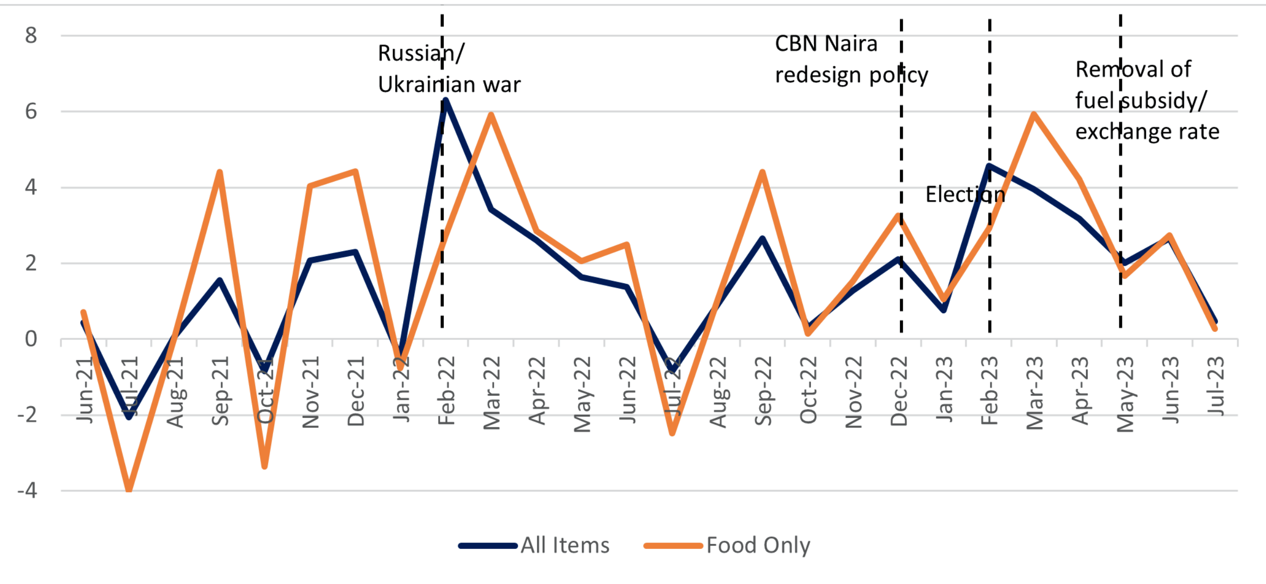
Examining specific items, substantial disparities in inflation rates between July 2022 and July 2023 are evident (Figure 2.3). Alcoholic beverages, tobacco, and narcotics experienced an unprecedented surge from 8.2 percent in July 2022 to an astronomical 44.3 percent in July 2023, representing the highest inflation rate recorded as of July 2023. Similarly, miscellaneous goods and services, which registered minimal inflation at 0.2 percent in July 2022, witnessed a substantial elevation to 43.2 percent. The inflation rate of restaurants and hotels escalated from 6.1 percent in July 2022 to 34.1 percent in July 2023. Within the realm of food and non-alcoholic beverages, inflation rose from 23.9 percent to 32.7 percent. Transportation experienced a substantial increment, rising from 6.5 percent in July 2022 to 27.5 percent in July 2023. Other categories, such as health, education, furnishings and household equipment and maintenance, recreation and culture, and communication, also exhibited noteworthy increases in inflation rates, with only clothing and footwear registering a slight decline. According to the World Bank (2023), wealthier households in Nigeria experienced a greater loss in purchasing power relative to their consumption compared to their less affluent counterparts.

The aftermath of a price shock, characterized by elevated inflation rates, has seen a discernible rise in the estimated number of impoverished individuals by 4 percent in rural areas and 11 percent in urban centres. Given the predominance of urban settings in Lagos, this statistic implies a substantial impact of soaring prices on the populace within the state. Lagos, as a primary hub for final consumer goods, relies on external sources for food products due to inherent supply shortages within its own production capacities.

While the primary responsibility for curbing the inflationary surge through monetary and fiscal policy instruments lies with the Federal government, the Lagos State government possesses fiscal tools to address this challenge. The state government has implemented measures to alleviate the impact of escalating food prices. These initiatives encompass a 25 percent reduction in transport fares for BRT buses, LagFerry Boats, and the Blue Rail Line. Additionally, the implementation of the Food Package program has provided support to 500,000 vulnerable households, and ongoing efforts include the construction of a Food and Logistics Hub in Ketu. While these supportive interventions are inherently transient and may exert a limited influence on prices at a minimal scale, the forthcoming completion of the Food and Logistics Hub holds promise for a more substantial moderation of growing food prices within the state.

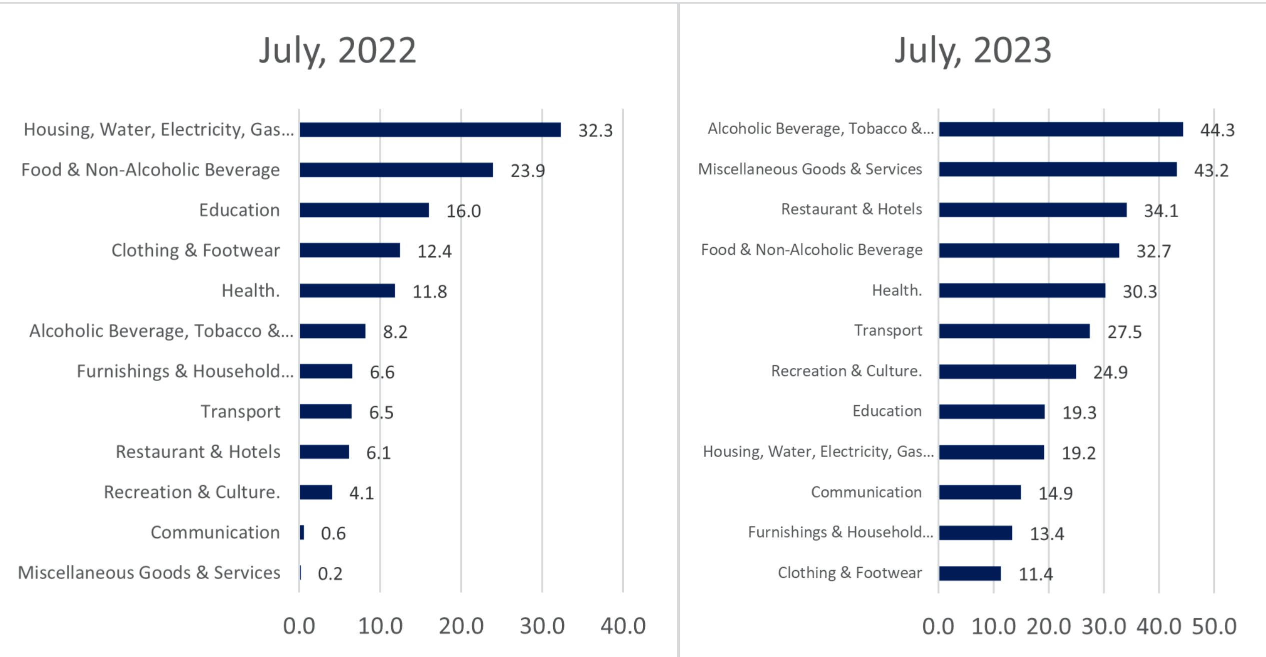
Addressing the inflationary challenge necessitates a proactive approach to tackling underlying structural issues. This responsibility primarily rests with the federal government, with complementary and robust support from the state government. The collaborative effort between the two levels of government is crucial to effecting enduring solutions to mitigate the impact of inflation on the welfare and livelihoods of the population in Lagos.

Figure 2.2: Inflation rate (%, Month-on-Month)



Data Source: LBS

Figure 2.3: Change in inflation rate (%) at disaggregated level



Data Source: LBS

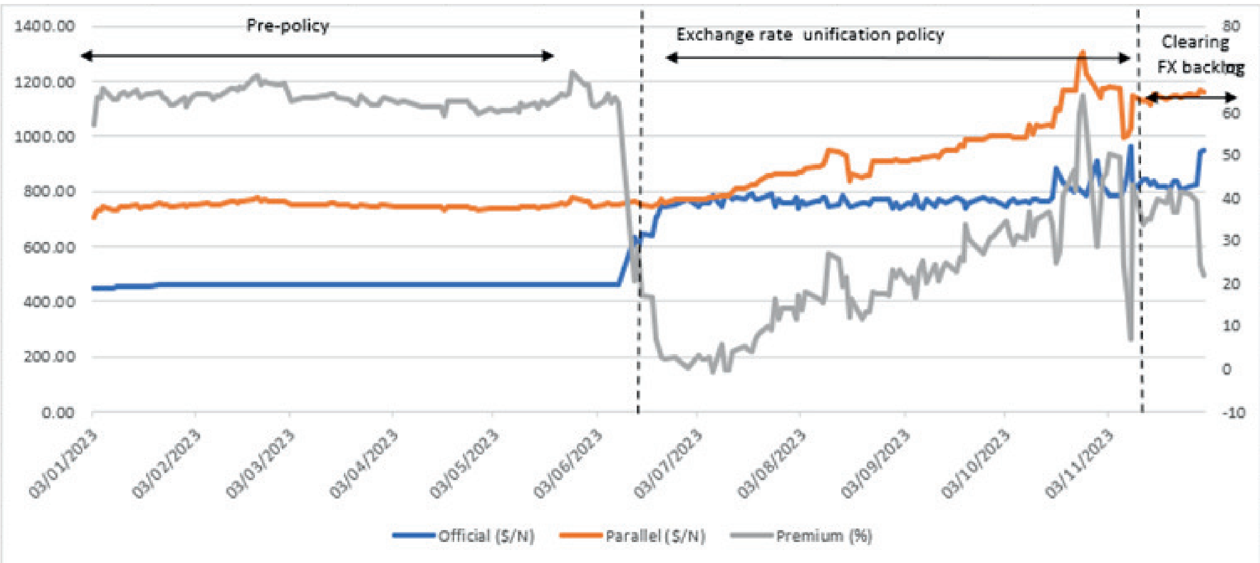
(b) Exchange rate

The exchange rate dynamics pose a significant challenge to Nigeria, influencing economic activities at the sub-national level, and Lagos, as a prominent economic entity, is not immune to the adverse effects of exchange rate distortions. These effects manifest in the deleterious impact on household welfare, exacerbating inflation, and impeding the operational efficiency of businesses due to elevated operational costs. Prior to the exchange rate unification in May 2023, a substantial disjunction existed between the official and parallel markets, exhibiting movements misaligned with market fundamentals. The foreign exchange (FX) market, characterized by an opaque and unpredictable price discovery mechanism stemming from the utilization of multiple FX windows, created a shortage of FX supply in the official market. Consequently, economic agents were compelled to resort to the parallel market to fulfil their FX requirements, giving rise to arbitrage and rent-seeking opportunities.

Between January 3, 2023, and June 9, 2023, the official exchange rate exhibited an average premium of 63.2% in the parallel market, indicative of its overvaluation (Figure 2.4). Previous FX policies, such as restrictions on 43 imported products and reductions in FX supply interventions, detrimentally impacted private investment and hindered economic growth. However, the advent of the new policy, namely exchange rate unification, has mitigated the premium in the FX market, with the official exchange rate being overvalued by 20.2% between June 14 and November 1, 2023. This policy shift has facilitated increased FX supply in the market, engendering heightened confidence among domestic and foreign investors.

Recent interventions by the Central Bank of Nigeria (CBN) to address the FX backlog between November 2 and December 1, 2023, have further improved the outlook of the exchange rate in the FX market. During this period, the parallel-official premium narrowed to 35.1%, signalling enhanced market dynamics. While these interventions represent positive strides, sustained efforts to alleviate persistent FX pressures are imperative. Additionally, empowering commercial banks to actively participate in FX trading is essential to ameliorate liquidity challenges in the FX market and foster a more responsive and dynamic price equilibrium. A comprehensive and collaborative approach is warranted to fortify the resilience of the exchange rate and bolster economic stability in Lagos and across the nation.

Figure 2.4: Exchange rate premium

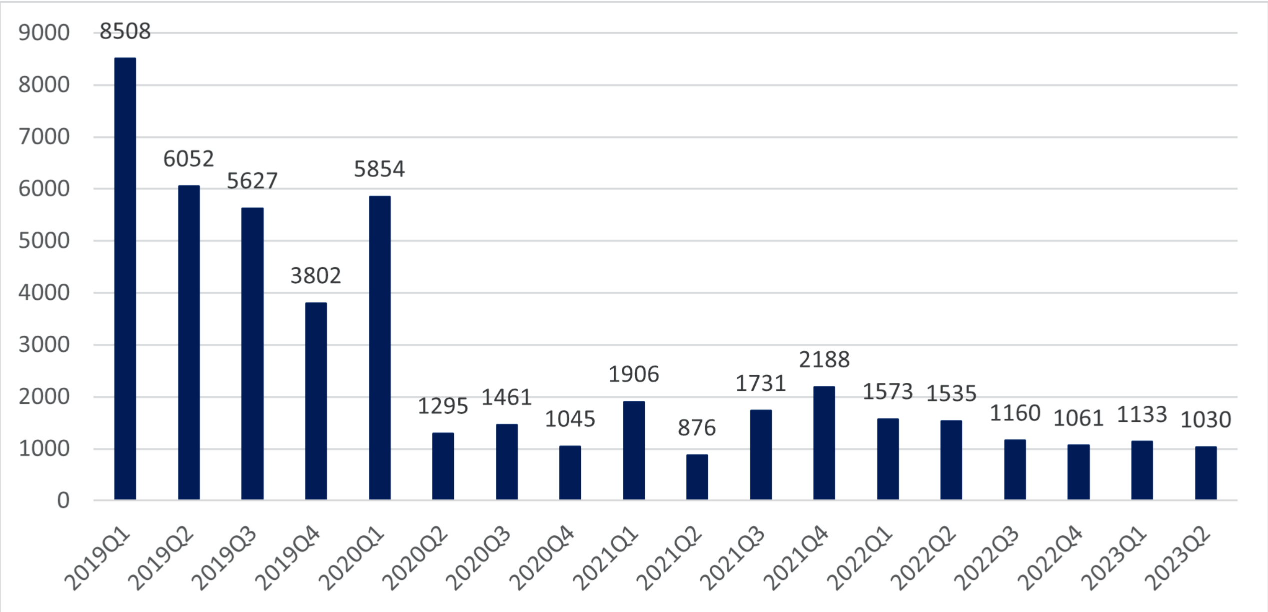


Data Source: NBS

3. Capital Importation

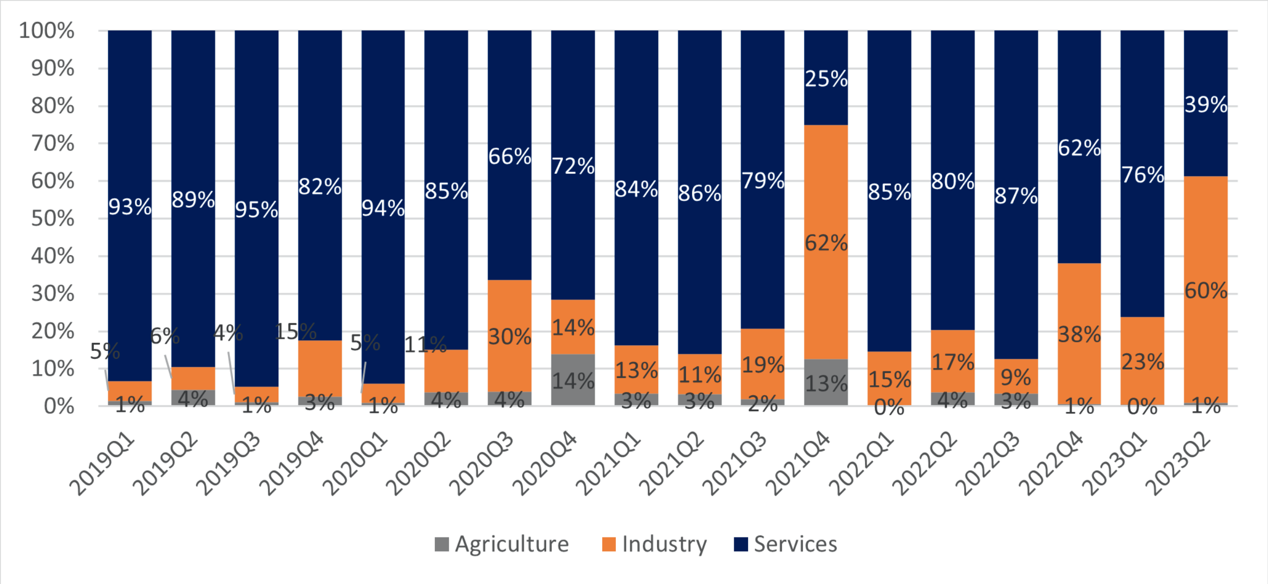
Capital importation contributes to the economic sustainability of Lagos. In the second quarter of 2023, Nigeria's capital importation experienced a contraction, dwindling to $1,030.21 million. This represented a 9.04 percent decline from the preceding quarter's figure of $1,132.62 million and a substantial 32.90 percent decrease when compared to the $1,535.35 million recorded in the corresponding quarter of 2022, as illustrated in Figure 3.1. The predominant drivers of capital importation were classified into other investments, commanding a significant 81.28 percent share equivalent to $837.34 million, and portfolio investments, constituting a 10.37 percent share amounting to $106.85 million. Foreign Direct Investment, while contributing the smallest proportion, accounted for 8.35 percent, totalling $86.02 million during the quarter under review. A meticulous examination of the geographical sources of capital inflows reveals that the United States, Singapore, South Africa, the United Kingdom, and the United Arab Emirates emerged as the top five contributors, collectively supplying $271.92 million (26.39 percent), $177.44 million (17.22 percent), $136.95 million (13.29 percent), $131.49 million (12.76 percent), and $101.13 million (9.82 percent) respectively. This nuanced delineation of capital inflows underscores the dynamic interplay between investment sources and types, emphasizing the multifaceted nature of Nigeria's capital market landscape during the specified quarter.

Figure 3.1: capital importation in Nigeria (US' Million)



Data Source: LBS

Figure 3.2: Sectoral capital importation in Nigeria



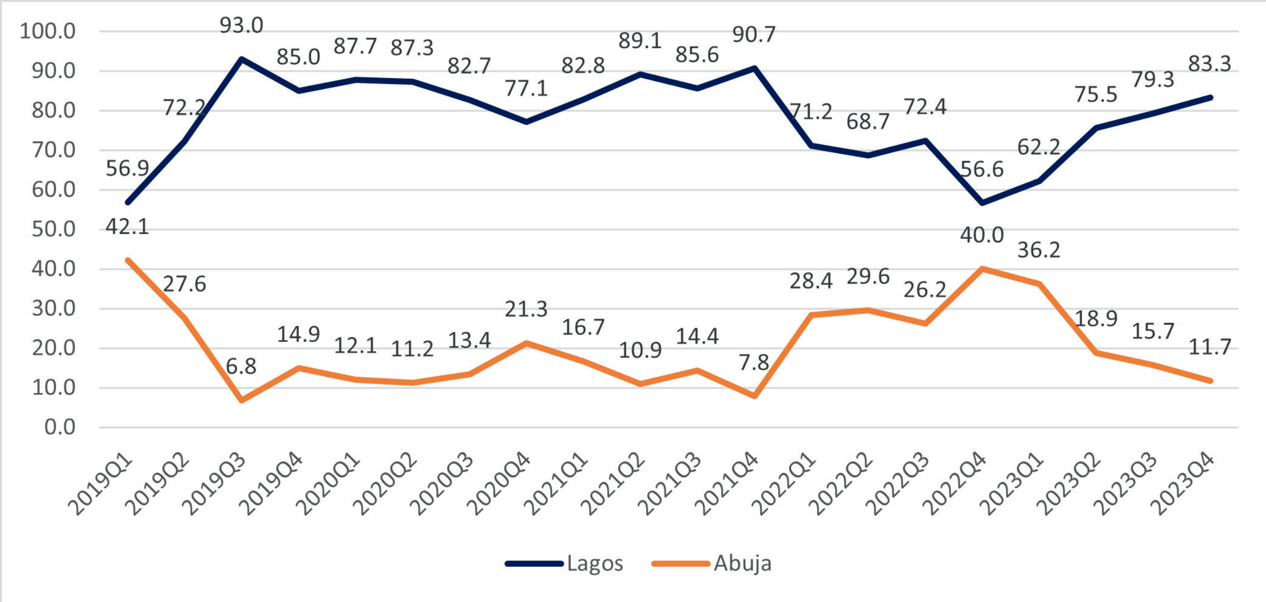
Data Source: LBS

Throughout the transition from the first quarter to the subsequent quarter of 2023, the industrial sector witnessed a notable augmentation in its contribution to the overall capital importation, experiencing a substantial surge from 23 percent to a noteworthy 60 percent, as illustrated in Figure 3.2. In tandem, the service sector underwent a proportional contraction, diminishing from 76 percent to 39 percent. Conversely, the agricultural sector made a modest 1 percent contribution to the aggregate capital importation during the second quarter of 2023. Despite this sectoral realignment, financial institutions within the service sector emerged as the primary beneficiaries of capital inflows.

Foremost among these institutions was First Bank, securing the highest capital influx into Nigeria at $323.13 million, constituting 18.23 percent of the total capital importation. Subsequently, Citibank Nigeria Limited claimed the second-highest position, attracting $187.77 million, equivalent to 12.23 percent, followed by Rand Merchant Bank, which accounted for $126.03 million, representing 6.47 percent. Conversely, Sterling Bank, Wema Bank, and Jaiz Bank were among the entities experiencing comparatively lower capital inflows.

The prevailing global economic uncertainties, epitomized by events such as the Ukraine war, escalating inflation rates, and the implementation of stringent monetary policies in major economies, have fostered a risk-averse investment climate. Simultaneously, domestic challenges, including concerns related to insecurity and suboptimal infrastructure, have contributed to a waning allure for foreign investment. The intricate interplay of these global and domestic factors underscores the complexity of the forces influencing capital importation trends during the specified period.

Figure 3.3: Distribution of capital importation between Lagos and Abuja



Data Source: LBS

In the realm of investment destinations, Lagos State has sustained its pre-eminence as the foremost recipient of capital importation, surpassing Abuja**[3]**. In the first quarter of 2023, the aggregate value of capital imported into Lagos State reached $705 million, marking an improvement from the $600.5 million recorded in the preceding quarter, albeit falling short of the more substantial figure of $1,119.4 million documented during the analogous period in 2022. The performance in the first quarter of 2023 also declined when compared with the corresponding quarter in 2021, where capital inflows into Lagos State totalled $1,578.3 million. The share of Lagos State in total capital importation has gradually decreased from over 80% in 2021 to 62.2% in the first quarter of 2023. In the second quarter of 2023, Lagos State attracted $778.06 million, constituting 75.52 percent of the total capital importation, while Abuja received $194.28 million, representing 18.86%, as illustrated in Figure 3.3.

A comparative analysis with the preceding quarter (2022Q2) reveals declines of 26.5% and 57.2% for Lagos and Abuja, amounting to $1,054.18 million and $453.95 million, respectively, under review. Further scrutiny into the year-on-year growth of capital importation exposes significant volatility. The post-Covid-19 recovery posed considerable challenges for Lagos State, witnessing unprecedented growth of 146.3 percent in the fourth quarter of 2021 compared to the -75.1 percent contraction experienced in the same quarter of 2020 (Figure 3.4). Except for the second quarter of 2022, characterized by a growth rate of 35.1% in capital importation, subsequent quarters witnessed negative growth. Although the decline in capital importation moderated to -37 percent and -26.2 percent in the first and second quarters of 2023, respectively, capital importation performed more robustly in the corresponding quarters of 2022. On a quarterly basis, the oscillation in the growth of capital importation is markedly unstable (Figure 3.5). This fluctuation poses challenges to the Lagos economy's aspiration for vibrancy, inclusivity, and sustainability, and can be attributed to a several factors, including capital reversals due to Covid-19, exchange rate uncertainties, escalating inflation, and infrastructural development considerations. It is paramount to underscore that credit inflows outweigh foreign investment inflows. This suggests that capital importation may exert a limited impact on the sustainable growth of the state. Therefore, it is imperative to focus on substantially facilitating foreign investment inflows into the real sector to foster inclusive and sustainable growth within the state.

[3] Unlike other states, Abuja is now becoming major contender for the attraction of capital importation in Nigeria. This necessitates its comparison with Lagos state.

Figure 3.4: Growth of capital importation (%, year-on-year)

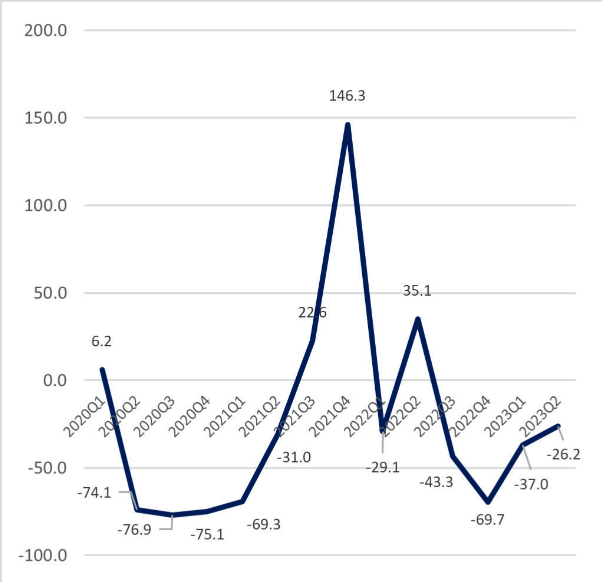
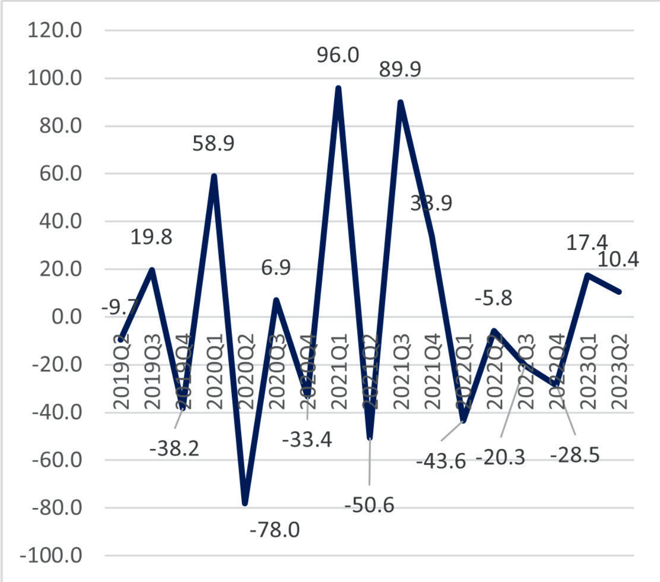


Figure 3.5: Growth of capital importation (%, quarter-on-quarter)

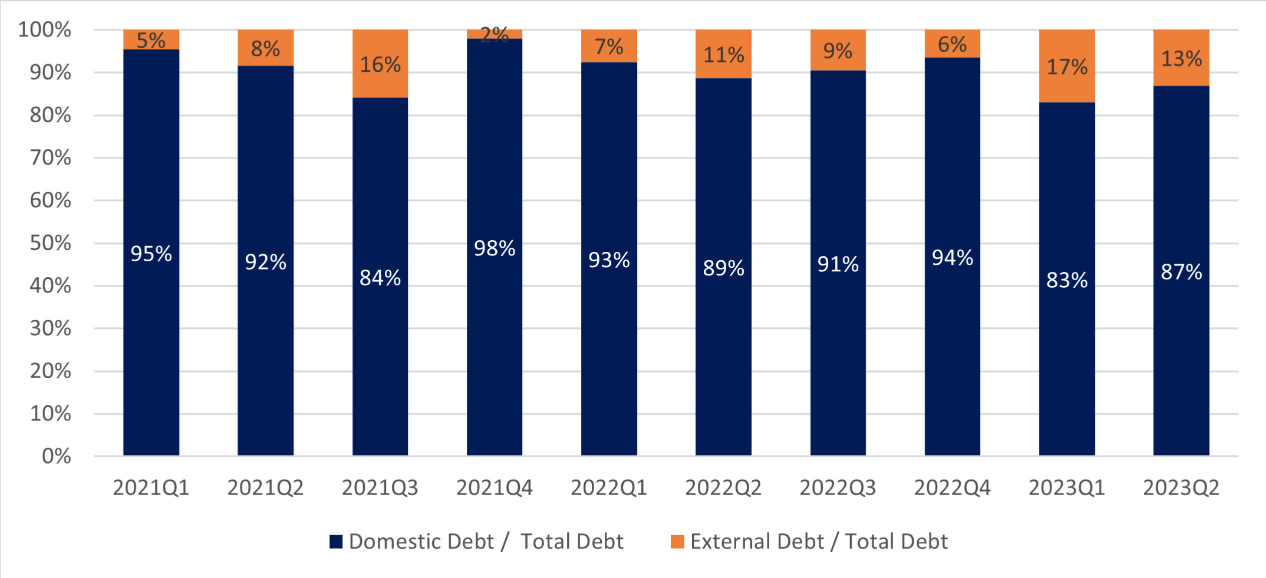


Data Source: LBS

4. Analysis of Fiscal Policy

The public debt portfolio of Lagos State, encompassing both external and domestic obligations, registered a notable expansion, escalating from N52,873 million in the first quarter of 2023 to N60,451 million in the second quarter of the same year (Figure 4.1). This discernible growth represents an increase of 12.5 percent within the stated timeframe. In a breakdown of the debt components, internal debt and external debt reached N52,573 million and N9,714 million, respectively, during the second quarter of 2023. However, a nuanced analysis reveals that the proportion of domestic debt to the total debt stood at 87 percent, with external debt comprising the remaining 13 percent in the same quarter. Lagos State's government has proactively instituted various measures to prudently manage its debt profile, encompassing the reduction of external borrowing, augmentation of non-debt revenue streams, and fortification of debt management capabilities. These strategic interventions have not only mitigated the overall debt burden but have also elevated the creditworthiness of the state. Lagos' current debt stock is deemed sustainable and resilient against external shocks, such as fluctuations in global interest rates and oil prices, stemming from persistent currency misalignment between the Naira (N) and the Dollar ($). However, it is imperative to acknowledge the potential risks associated with the continual ascent of the state's public debt. This trajectory may give rise to elevated debt servicing costs, fiscal complexities, and constraints on public expenditure. Additionally, an overreliance on domestic debt carries the inherent risk of crowding out private investment. The active participation of the government in the domestic loan market may signal limited resource availability for private enterprises within the state. While the management of external debt remains meticulous, prudent considerations are warranted to ensure that the mounting accumulation of domestic debt does not compromise the sustainability of private investment, which is pivotal for fostering inclusive development in the state.

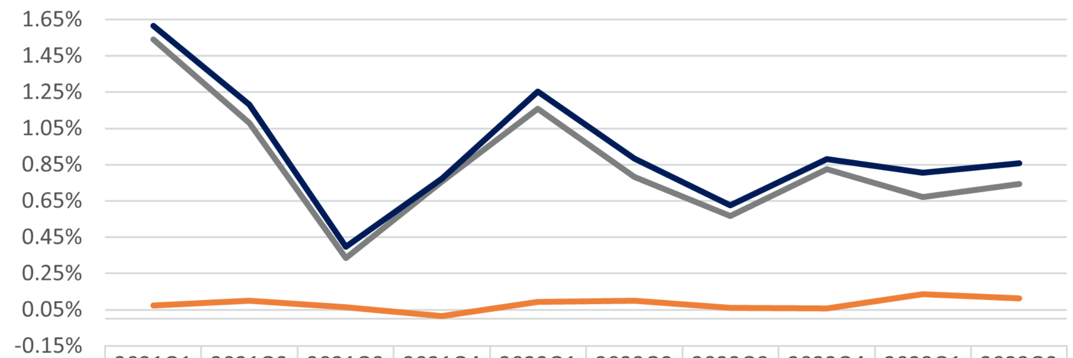
Figure 4.1: Composition of Public Debt



Data Source: LDMO

To fortify fiscal sustainability within the state, the external debt-to-GDP ratio has consistently remained below 0.25% from the first quarter of 2021 to the second quarter of 2023 (Figure 4.2). This robust financial stance signifies the state's minimal reliance on external financing for supporting public investment endeavours. Nonetheless, a meticulous examination reveals a closely aligned trajectory between domestic debt and total public debt, indicating that the overall debt profile is substantially influenced by domestic debt dynamics. In particular, both domestic and total public debt exhibited significant declines, contracting from 1.45% and 1.62% in the first quarter of 2021 to 0.33% and 0.40% in the third quarter of the same year, respectively. This reduction coincided with a period marked by a considerable enhancement in total revenue. The fiscal deficit experienced a substantial decline, plummeting from N87.5 billion in the second quarter of 2022 to N30.9 billion in the third quarter of 2021. However, a subsequent spike occurred in both domestic and total public debt, reaching 1.16% and 1.12% in the first quarter of 2022. Subsequently, these debt indicators receded to 0.57% and 0.63% in the third quarter of 2022, only to register an ascent to 0.74% and 0.86% in the second quarter of 2023. While total public debt-to-GDP ratio is discernibly slow, the proclivity towards relying heavily on domestic debt may limit the accessibility of domestic borrowing for private sector within the state. The active involvement of the government in the credit market may influence the dynamics of private-sector financing. Furthermore, an elevated dependence on domestic borrowing by the state may instigate interest rate volatility, introducing uncertainty into the credit market and potentially dissuading private sector investments within the state. This intricate interplay underscores the imperative for strategic debt management practices to ensure a balanced and conducive fiscal environment that fosters sustainable economic development.

Figure 4.2a: Trend in public debt (as a percentage of GDP)



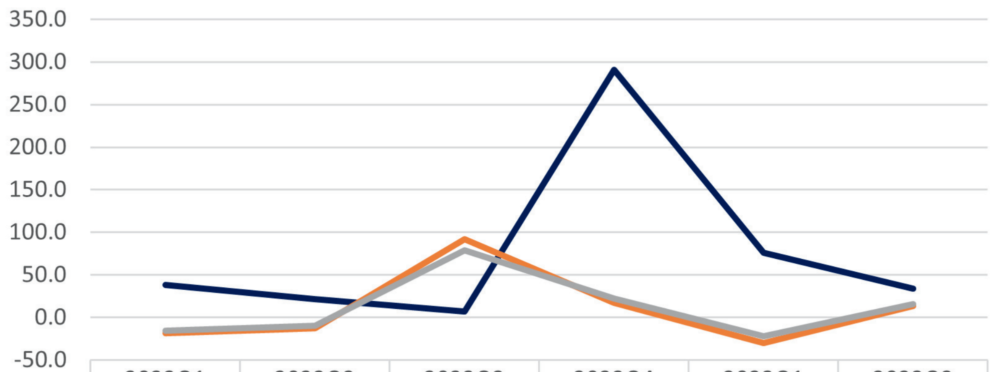
	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2
External Debt	0.07%	0.10%	0.06%	0.02%	0.09%	0.10%	0.06%	0.06%	0.14%	0.11%
Domestic Debt	1.54%	1.08%	0.33%	0.76%	1.16%	0.78%	0.57%	0.83%	0.67%	0.74%
Total Debt	1.62%	1.18%	0.40%	0.77%	1.25%	0.88%	0.63%	0.88%	0.81%	0.86%

Data Source: LDMO

Upon further examination, a detailed scrutiny is given to the growth rates of public debts, as illustrated in Figures 4.2b and c. Despite the relatively low public debt ratio, the growth rate of public debt exhibits considerable volatility. Figure 4.2b delineates the yearly debt growth rate (year-on-year), revealing an upward trajectory in external debt from 38.3 percent in 2022Q1 to 76.1 percent in 2023Q1. Additionally, the debt growth rate escalated from 21.2 percent in 2022Q2 to 33.9 percent in 2023Q2, indicating a notable surge in external debt accumulation in 2023. As for domestic debt, its growth rate underwent a substantial reduction from -18.3 percent in 2022Q1 to -30.2 percent in 2022Q2. However, there was an upswing in growth from -12.4 percent in 2022Q2 to 13.4 percent in 2023Q2, signifying a significant increase in domestic debt accumulation during the second quarter.

Considering the growth of total public debt, a substantial decline was observed from -15.7 percent in 2022Q1 to -22.2 percent. Nevertheless, the second quarter of 2023 witnessed a growth rate of 15.9 percent in total public debt. In a quarter-on-quarter analysis, there was a notable reduction in external debt, plummeting from 135.1 percent in 2023Q1 to -11.7 percent in 2023Q2 (Figure 4.2c). Conversely, domestic debt experienced an increase, rising from -21.3 percent in 2023Q1 to 19.7 percent in 2023Q2. Similarly, the growth rate of total public debt increased from -11.3 percent in 2023Q1 to 14.3 percent in 2023Q2. The surge in total public debt in 2023 can be primarily attributed to extensive infrastructure development in the state. However, this heightened growth warrants vigilant monitoring due to potential implications for public debt service and repayment.

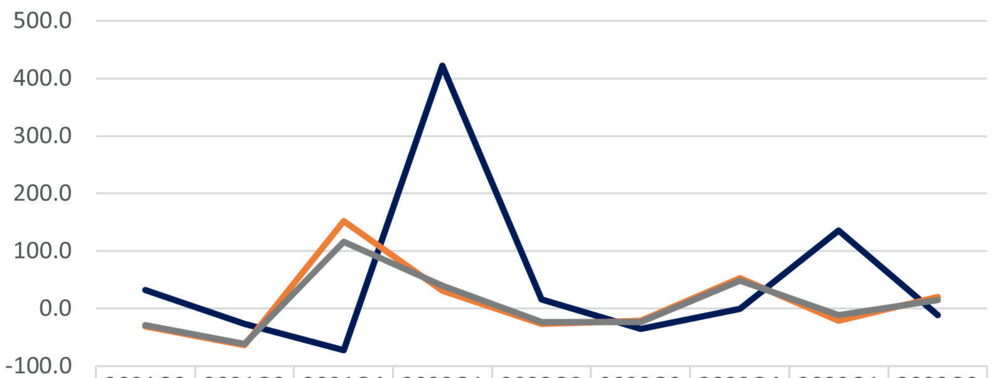
Figure 4.2b: Growth rate of public debt (%, year-on-year)



	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2
External Debt (%)	38.3	21.3	6.7	290.9	76.1	33.9
Domestic Debt (%)	-18.3	-12.4	92.2	16.7	-30.2	13.4
Total Public Debt (%)	-15.7	-9.6	78.6	22.2	-22.2	15.7

Data Source: LDMO

Figure 4.2c: Growth rate of public debt (%, quarter-on-quarter)



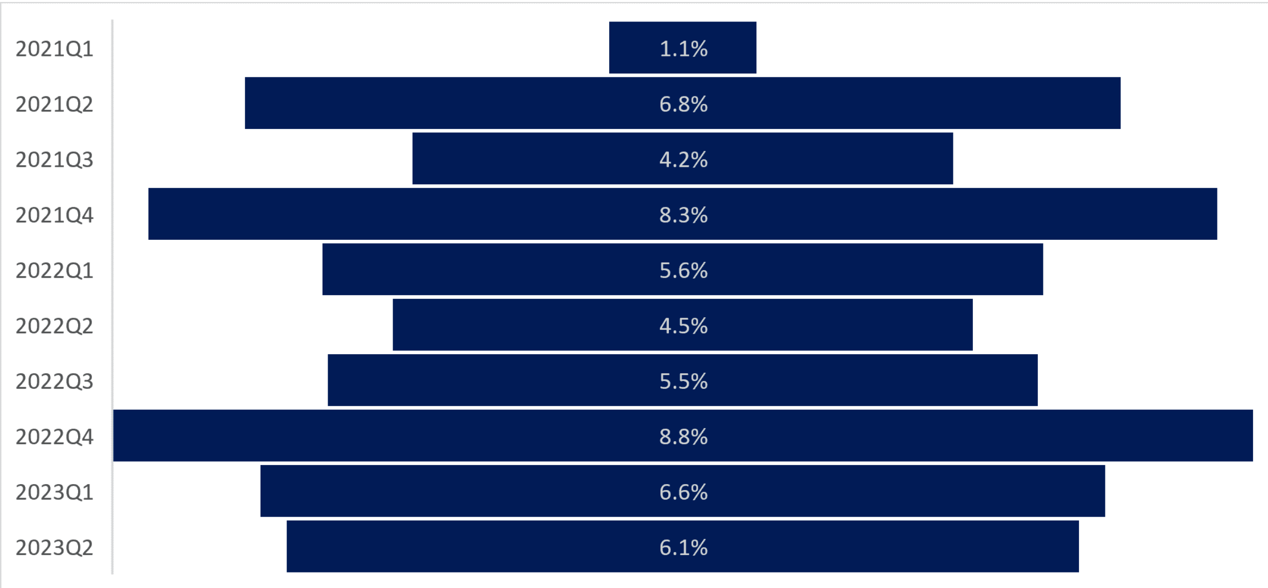
	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2
External Debt (%)	32.3	-26.7	-72.7	421.9	16.1	-35.5	0.0	135.1	-11.7
Domestic Debt (%)	-31.3	-64.1	152.1	31.5	-26.3	-21.3	53.1	-21.3	19.7
Total Public Debt (%)	-28.4	-61.0	116.5	39.3	-23.1	-22.9	48.0	-11.3	14.3

Data Source: LDMO

While the total public debt-to-GDP ratio for the state remains very low, its implications for public debt servicing must be monitored. As depicted in Figure 4.3, the public debt service-to-total revenue ratio exhibits fluctuations over the assessed period. Specifically, the public debt service ratio ascended from 1.1% in the first quarter of 2021 to 5.6% in the first quarter of 2022, further increasing to 6.6% in the first quarter of 2023. However, it experienced a decline from 6.8% in the second quarter of 2021 to 4.5% in the second quarter of 2022, only to rebound to 6.1% in the second quarter of 2023.

The first quarter of 2021 recorded a relatively lower ratio, but subsequent quarters have witnessed a consistent upward trend. However, the financial strength of Lagos State remains robust. Apart from statutory transfers, the state predominantly relies on internally generated revenue (IGR), contributing approximately 70% to the total revenue. Over ten consecutive quarters, the state has maintained a debt service-to-total revenue ratio consistently below 10%, well below the World Bank's recommended threshold of 22.5%. As of the second quarter of 2023, Lagos State's debt service to total revenue stands at 6.1%, a slight reduction from 6.6% in the first quarter of 2023. This strategic positioning is advantageous, considering the state's economic stability, strong investor confidence, and absence of fiscal strain. The government's adept management has led to a reduction in debt, contributing to enhanced financial sustainability and aligning with the overarching goal of transforming the state into a global megacity. It is imperative to maintain a trajectory of low debt accumulation, ensuring that resources earmarked for developmental projects are not disproportionately allocated to debt service. This aligns with the government's commitment to driving inclusive development and fortifying the state's stature as a global economic hub. The commendable debt sustainability achieved thus far underscores the state's fiscal resilience and bolsters its capacity to pursue ambitious developmental objectives.

Figure 4.3: Trend of public debt service (as a percentage of Total revenue)

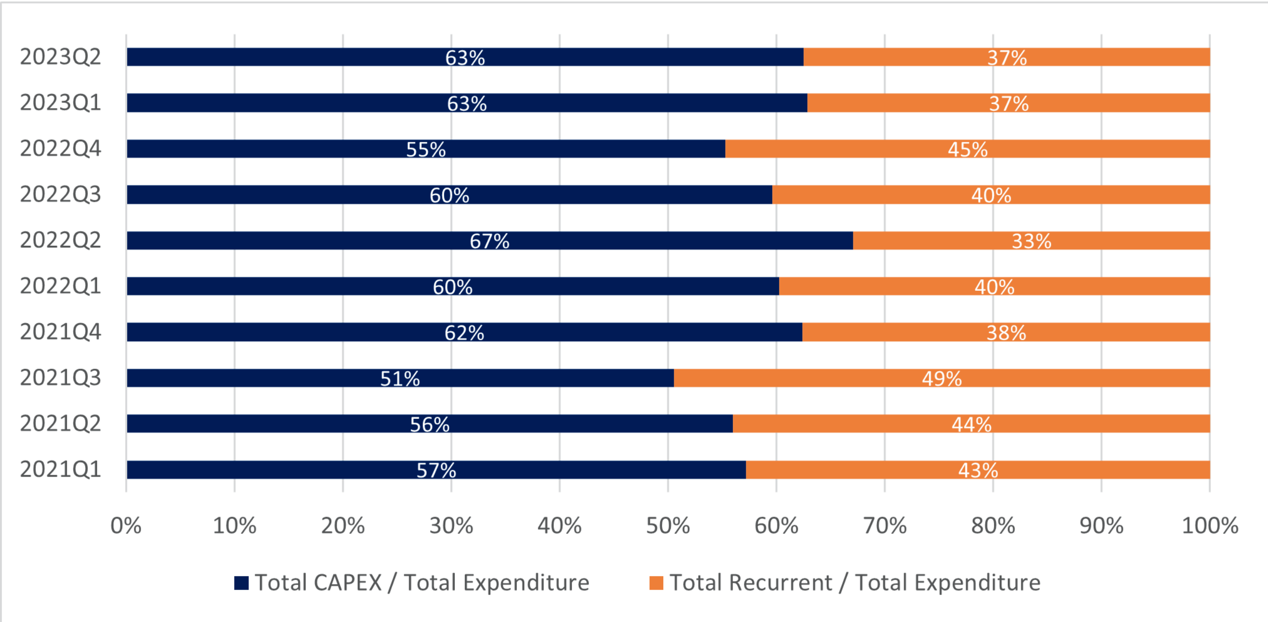


Data Source: LDMO

Lagos State stands as the economic nucleus of Nigeria, with a budget structure predominantly emphasizing capital-driven initiatives focused on infrastructural development, renewal, and modernization. The fiscal framework for the year 2023, aptly named the "Budget of Continuity," reflects the ongoing commitment of the current administration to advance the delivery of reliable and ample infrastructure tailored to meet the demands of a 21st century economy. The approved budget for the year 2023 amounts to ₦1.768 Trillion, comprised of ₦1.020 Trillion allocated to Capital Expenditure and ₦748.097 Billion designated for Recurrent Expenditure, which includes Debt Charges. This allocation results in a Capital to Recurrent ratio of 58:42, as illustrated in Figure 4.4. The budgetary performance for both capital and recurrent expenditures during the first and second quarters of 2023 stands at 63 percent and 37 percent, respectively.

These figures underscore the administration's unwavering dedication to the execution of capital projects aligned with its economic agenda encapsulated in THEMESPLUS Agenda**[4]** (Traffic Management and Transportation, Health and Environment, Education and Technology, Making Lagos a 21st century economy, Entertainment and Tourism, and Security and Governance). Notable initiatives include the Phase II of the Blue Line Rail, road construction and rehabilitation, reconfiguration of major junctions, and the procurement of electric buses. These endeavours collectively contribute to the realization of the LSDP 2052, emphasizing the strategic vision for sustained development and growth in the region.

Figure 4.4: Budgetary allocation of public spending



Data Source: LMEPB

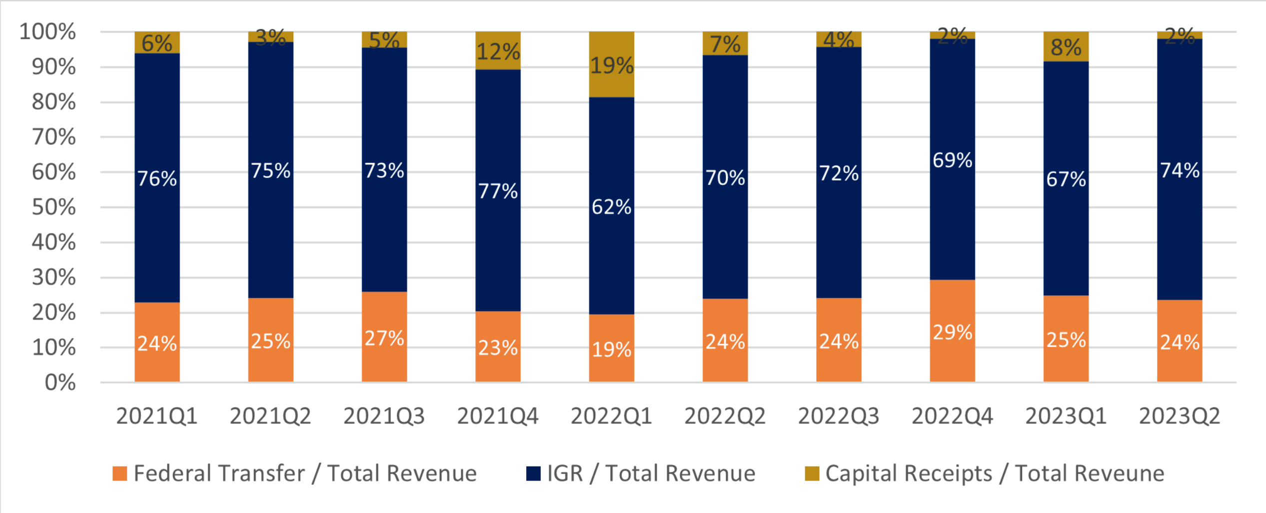
Lagos State's fiscal sustenance relies predominantly on Internally Generated Revenue (IGR), marking a notable shift toward greater fiscal autonomy. In the fiscal year 2022, the aggregate revenue performance**[5]** reached N965 billion, constituting 78% of the budgeted N1.24 trillion. A detailed breakdown indicates that the IGR segment achieved a commendable 76%, positioning Lagos as the foremost state in IGR generation nationwide. This sustained growth in IGR has empowered the State government to strategically invest in key sectors such as infrastructure, education, healthcare, and security, fostering a comprehensive development agenda. Examining the second quarter of 2023, the IGR's share of total revenue expanded to 74%, compared to 67% in the preceding quarter (2023Q1), as depicted in Figure 4.5.

[4] See Appendix for breakdown.

[5] Ministry of Economic Planning and Budget's state budget performance report for 2022.

This portrays a 71% performance, amounting to N392.97 million in the first half of 2023. The foremost contributor to the state's revenue remains the Pay As You Earn (PAYE) collected by the Lagos Inland Revenue Service (LIRS). Additional revenue streams, encompassing land use charges, fees, federal transfers (including statutory allocations, value-added tax (VAT), and other FAAC transfers), collectively achieved a 25% performance in 2023H1, while capital receipts constituted 5%. LIRS remains at the forefront of revenue generation, continually enlarging the tax net through diverse initiatives. The institution has identified four cardinal revenue sources—portfolio-based, place-based, value chain-based, and skill-based—to further augment the State's revenue. Concurrently, the State government remains committed to enhancing the ease of doing business by fostering a conducive business environment and providing incentives to attract investors. Despite these efforts, the projected revenue for the year 2023 is anticipated to reach N142 billion, underscoring the need for continued strategic initiatives to bolster fiscal resilience and sustain growth.

Figure 4.5: Composition of Revenue Generation in Lagos State

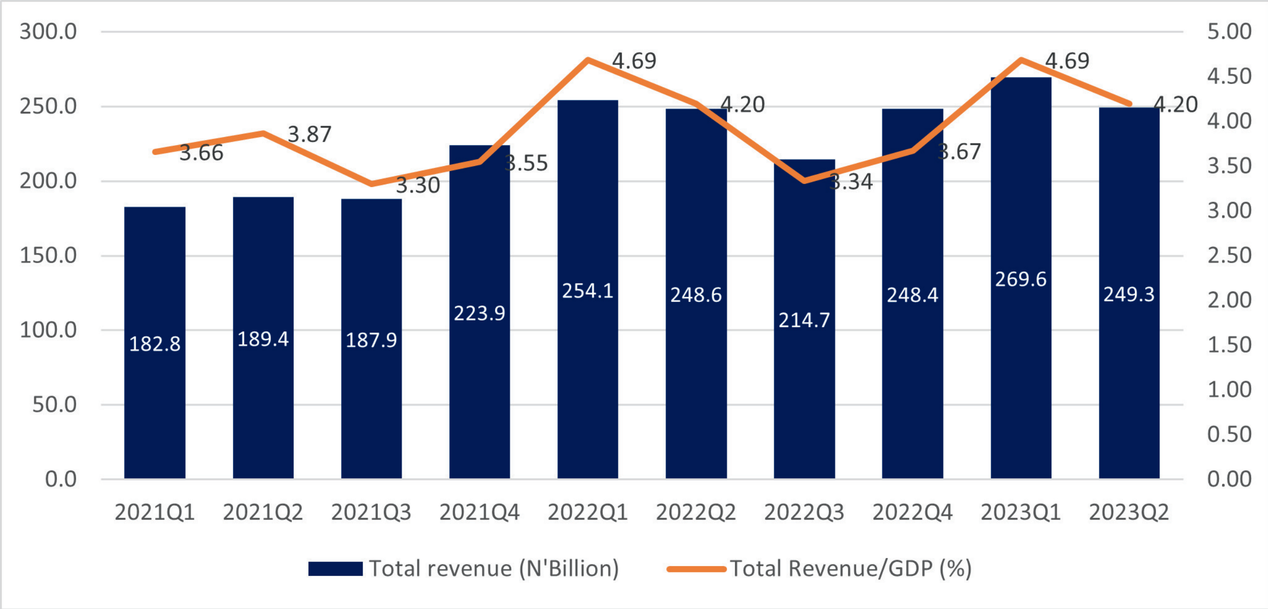


Data Source: LMEPB

Lagos State is progressively moving towards the LSDP 2052 target**[6]** of achieving a 5% revenue-to-GDP ratio, currently standing at 4.20% as of 2023Q2 (Figure 4.6). The unwavering commitment of the Lagos State government to maintaining a robust revenue-to-GDP ratio reflects its dedication to sustainable economic development. Strategic investments in infrastructure, education, and healthcare play an important role in attracting businesses and investors to the State, fostering an environment conducive to economic growth. To fortify its revenue base, the government is actively working to enhance tax collection mechanisms and broaden the tax base, with a particular focus on extending taxation coverage to the informal sector. This strategic approach aligns with the government's objective of sustaining a high revenue-to-GDP ratio, enhancing fiscal resilience, and promoting inclusive economic growth. Lagos State's proactive efforts are poised for success, given its favourable position to nurture economic growth and attract businesses and investors. The government's commitment to principles of good governance, coupled with its strategic focus on infrastructure and human development, positions Lagos State as one of the most prosperous states in Nigeria. This trajectory is not only conducive to achieving the objectives outlined in the LSDP 2052 but also a strategic approach to ensure a sustainable economic growth in the state.

[6] https://lsdp2052.com/

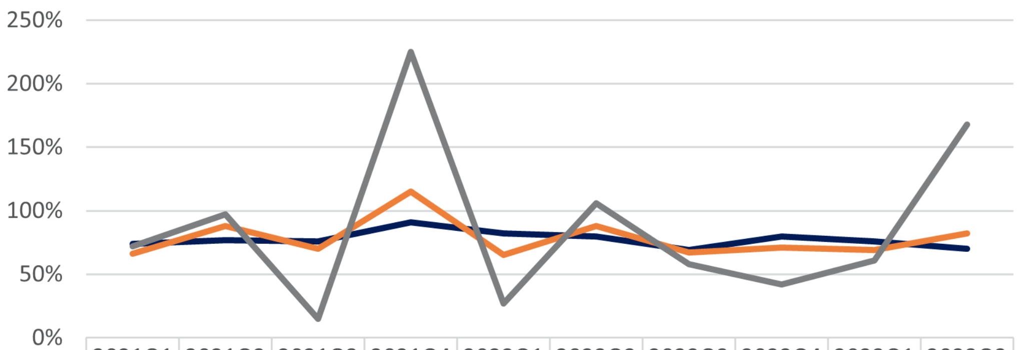
Figure 4.6: Trends of Total Revenue



Data Source: LMEPB

The fiscal progress of the Lagos State's budget has exhibited sustained and commendable performance over ten consecutive quarters. This favourable trend is attributable to the State's effective revenue mobilization efforts, marked by a consistent increase in the Internally Generated Revenue (IGR) and strategic tax system reforms. These fiscal measures have propelled the State towards its goal of directing investments into key sectors, namely infrastructure development, quality education, and healthcare services. The 2023Q2 fiscal report indicates a significant total revenue performance of 70% as depicted in Figure 4.7, underscoring the continued success of the State's revenue enhancement strategies. Concurrently, total expenditure witnessed an uptick, reaching 82% compared to the 69% recorded in 2023Q1. The robust performance in total expenditure is chiefly driven by the allocation to capital projects, emphasizing the State's commitment to fostering economic development through targeted investments. Furthermore, the State administration's prudent fiscal management is evident in its reduced reliance on debt, contributing to an enhancement of the State's overall financial sustainability. Projections for the remainder of the year anticipate a cumulative budget performance of 85%, highlighting the State's steadfast commitment to prudent financial management and sustained economic growth.

Figure 4.7: Performance of Budget composition

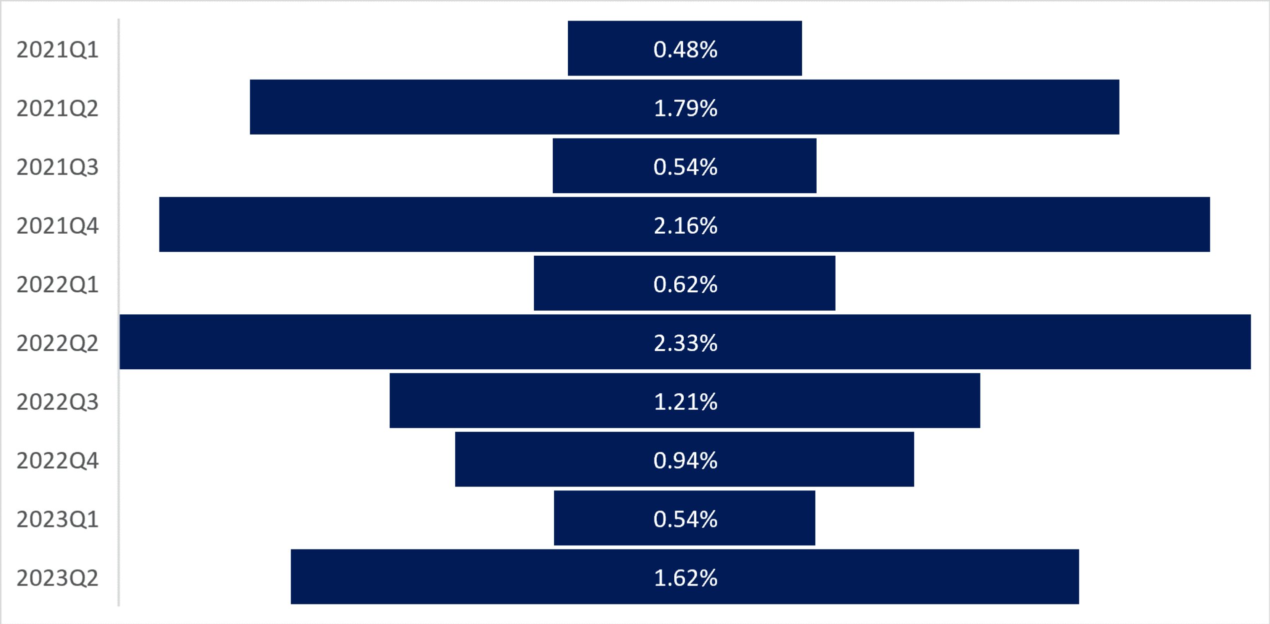


	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2
Total Revenue	74%	77%	76%	91%	82%	80%	69%	80%	76%	70%
Total Expenditure	66%	88%	70%	115%	65%	88%	67%	71%	69%	82%
Deficit	72%	97%	15%	225%	27%	106%	58%	42%	61%	168%

Data Source: LMEPB

Figure 4.8 shows that the budget deficit-to-GDP ratio in Lagos has exhibited fluctuations over the past ten quarters. As of 2023Q2, the ratio stands at 1.62 percent below the threshold set by the Fiscal Responsibility Act (FRA) of 2007, which mandates a cap of 3.0 percent. This lower deficit-to-GDP ratio reflects the fiscal prudence of the Lagos State government, indicating responsible financial management and a capacity to meet debt obligations. The observed deficit-to-GDP ratio not only signifies a balanced budgetary approach but also indicates the government's adeptness in overseeing its finances judiciously. The State's commitment to sustaining a deficit-to-GDP ratio below the stipulated threshold is indicative of a robust and well-managed economy. This prudent fiscal stance positions the government favourably, enabling it to address existing debts effectively. The Lagos State administration is proactively taking measures to further curtail the budget deficit. Initiatives include ongoing reforms aimed at enhancing tax collection mechanisms, broadening the tax base, and augmenting overall revenue generation. Despite these commendable efforts, continuous growth in the deficit should be monitored closely. A state maintaining a low deficit-to-GDP ratio is better positioned to foster economic growth, elevate the living standards of its citizens, and deliver essential public services.

Figure 4.8: Trend in deficit (as a % of GDP)



Data Source: LMEPB

5. Policy Actions and Events

5.1. Policy Actions of Lagos State Government in 2023

The 2023 Lagos State budget, aptly titled "Budget of Continuity," was enacted with a total allocation of N1.768 trillion. This comprehensive budgetary framework allocated N1.020 trillion to capital expenditure and N748.097 billion to recurrent expenditure, encompassing debt charges. The capital-to-recurrent ratio for Y2023 was delineated at 58:42, representing a significant shift from the 66:34 ratio observed in Y2022. Crucially, the Y2023 budget relied heavily on internally generated revenue, with total revenue estimates reaching N1.418 trillion. The deficit-funding requirement amounted to N350.411 billion, constituting approximately 25% of the total revenue. The budget strategically prioritized key sectors, including infrastructure development, education, healthcare, agriculture, public order and safety, and transportation.

A noteworthy allocation of 27.3% of the budget, totalling N482.86 billion, was earmarked for modern infrastructure development. This encompassed pivotal investments in projects such as the construction of the fully functional light rail (Red-Blue) system, the 37 km Fourth Mainland Bridge, and other critical transportation infrastructure. The infrastructure initiatives aimed to alleviate traffic congestion along Carter, Eko, Third Mainland Bridges, and Ikorodu road, ultimately reducing commute times and enhancing the overall transportation network within the state. Specifically, the budget outlined provisions for the second phase of the Blue Line from Mile 2 to Okokomaiko, completion of Eight Stadia across the Five IBILE divisions, ongoing school construction and rehabilitation efforts, completion of the 130-Bed New Massey Hospital, finalization of the ultra-modern 280-Bed General Hospital in Ojo, completion of the Mental Health Facility in Ketu-Ereyun, Epe, and the completion of the Opebi Link Bridge in Maryland. Moreover, the budget allocated 15% for the provision of affordable and world-class education, healthcare, and social services.

In line with the commitment to affordable housing, 3.8% of the budget was dedicated to the housing sector, aiming to finalize projects such as the 444 units at Sangotedo Phase II, 420 units at Ajara, Badagry Phase II, and the construction of 136 units at Ibeshe II, among others. Additionally, 2.6% of the budget was allocated to enhance food security through initiatives such as the Cattle Feedlot Project, fish processing Hub programs, and Wholesale Produce Hub and Market. In addressing security concerns, 4.9% of the budget was directed towards the public order and safety sector to ensure a secure environment conducive to living, working, and investment. Notably, 0.7% of the budget was allocated to the Rescue and Emergency operation, emphasizing the state's commitment to swift and effective emergency response measures.

5.2. Policy Achievements in 2023 so far

The State's transportation network has experienced noteworthy enhancements with the deployment of 1300 BRT buses, 1000 Medium Capacity buses, 500 Last Mile Business, and around 1000 LagRide taxis. In collaboration with Oando PLC, the government introduced electric mass transit buses to mitigate carbon emissions and enhance efficiency. The inaugural phase of the Blue Line Rail, spanning 13 km from Marina to Mile 2 with five stations, was commissioned on September 4, 2023, facilitating the movement of over 80,000 passengers. The government aspires to surpass 150,000 daily passengers between Marina and Mile 2, with the second phase from Mile 2 to Okokomaiko already underway. Additionally, the construction of the Red Line (96% completion rate) covering Agbado to Ebute Metta, flyover bridges, and the Ikeja Red Line Rail Terminal is progressing. The Yaba and Ikeja Flyover Bridge Projects, integral to the Lagos Red Line Rail project, have been commissioned, reaching the final stages of completion.

Multiple jetties with waiting shelters and shoreline protection have been commissioned, contributing to smoother journeys along the waterways. The ferry fleet has experienced significant expansion, growing from 6 vessels to 21, and an additional 10 vessels, each with varying capacities, are poised for deployment. This expansion has facilitated the transportation of 1.8 million passengers on a monthly basis. The road transport system has seen substantial progress, with over 1,600 roads constructed and rehabilitated, including 141 new roads spanning 700 kilometres. Projects such as the Eleko-Epe rigid pavement 6-lane expressway (18.75 km), ongoing Opebi-Maryland-Ojota link bridge construction, and the commissioning of various roads and bridges showcase the commitment to a sustainable infrastructural development.

The health sector has experienced noteworthy advancements, including the establishment of key healthcare infrastructure such as a 280-bed General Hospital in Ojo, a 1000-bed mental health and rehabilitation hospital, a 250-bed New Massey Children Hospital, and maternal and children’s hospitals in Eti Osa, Badagry, Epe, and Alimosho. Simultaneously, strategic renovation and remodeling initiatives are underway at pivotal healthcare facilities, including Mainland Hospital in Yaba, Apapa General Hospital, Harvey Road Health Centre, Ebute Metta Health Centre, and Isolo General Hospital, with each project currently at varying stages of completion.

Furthermore, significant progress has been made in enhancing medical staff accommodation, with the commissioning of an 11-floor Residents Doctor’s Quarters at LASUTH, along with similar ongoing projects at Gbagada General Hospital and the new Ojo General Hospital. The Isolo General Hospital facility's quarters have also been successfully completed. Additionally, the acquisition of new ambulances, including a floating clinic, and the establishment of new Ambulance Bases at strategic locations, such as General Hospital Lagos, General Hospital Badagry, General Hospital Ikorodu, Maternal and Child Centre Eti-Osa, and the Lagos State University Teaching Hospital (LASUTH), aim to improve emergency response times.

A notable project on the horizon is the preliminary construction of a four-floor state-of-the-art facility within the Mainland Hospital, Yaba, intended to house the proposed Lagos State Infectious Disease Research Institute (IDRI) and patients. In terms of healthcare accessibility, the government introduced the Eko Social Health Alliance (EkoSHA) under the Lagos State Health Scheme (LSHS), incorporating a health insurance and endowment fund for vulnerable and disadvantaged Lagosians. This initiative, aimed at supporting various demographics, such as the elderly, orphanages, individuals with specific health conditions, and victims of domestic and sexual violence, is poised to enhance the overall health landscape of the state. Additionally, the completion of 10 Triage and Oxygen Therapy Centres across the state further fortifies the healthcare infrastructure.

The educational initiatives outlined by the government are comprehensive, entailing the upgrading of 970 public schools, the recruitment of over 1,000 teachers, and the renovation and digitization of 243 public school libraries. Additionally, numerous schools have been inaugurated strategically across the state. The government's commitment extends to advancing teacher development programs within the framework of the EKO EXCEL program, leveraging modern teaching methods to enhance the pedagogical skills of educators. Significantly, over 18,000 teachers have undergone training, complemented by the provision of teaching tablets, contributing to the overall improvement of teaching methodologies. The distribution of personal e-learning devices and textbooks to more than 500,000 pupils underscore the commitment to fostering a technologically enriched learning environment. Furthermore, the EKO Digital Skills Initiative has successfully trained 321,000 pupils in primary and secondary schools in various ICT programs, with a notable pilot project on EdTech application at Vetland Junior School, Agege. Recognizing excellence in teaching, the government has implemented a reward system to commend teachers who demonstrate outstanding performance. Emphasis on vocational education encompasses diverse fields such as agriculture, technology, beauty and fashion, building, and media. The state has achieved an impressive 80 percent pass rate in Mathematics and English language external examinations, reflecting the efficacy of educational reforms. Furthermore, two institutions, namely Lagos State Polytechnic and Adeniran Ogunsanya College of Education, along with Michael Otedola College of Primary Education, have undergone substantial upgrades, transitioning to universities with the commencement of full operations. As part of the educational infrastructure enhancement, the near-completion of an 8,272-bedspace hotel at LASU reflects the government's dedication to providing holistic support for educational endeavours.

Additionally, In the area of women's empowerment, the government has provided support to 1,000 women, collaborating with entities like Ebony Life, Del-York, Ogidi Studio, and the late Peace Anyiam-Osigwe. The unveiling of the Heidelberg Speedmaster CX 104-5+LX Machine at the Lagos State Printing Corporation showcases the commitment to technological advancement in the printing industry, promoting efficiency and production growth. Also, the Lagos International Financial Centre Council, inaugurated by the government, is a strategic move to create an environment conducive to investment, propelling the state into a global financial powerhouse. Additionally, the completion of the GAC Car Assembly Plant signifies a stride towards greater industrialization, job creation, and technical training. Environmental regeneration efforts, social inclusion initiatives, and gender equality drive the state's participation in global programs.

In the agricultural sector, the government has successfully completed and commissioned the 32 Metric Tonnes per hour Lagos Rice Mill in Imota. This strategic initiative is poised to yield substantial economic benefits, generating over 250,000 direct and indirect jobs for rice farmers, distributors, as well as haulage and logistics operators.

The Lagos State Employment Trust Fund, complemented by the Five Billion Series 1 of the 30 billion Eko Rice Contracts Programme on the Lagos Commodities and Futures Exchange, underscores the government's commitment to ensuring food security and empowering local farmers. Remarkably, local paddy production has experienced a notable surge, fostering the creation of over 2,260 jobs and enhancing livelihoods in communities engaged in rice production. The government's unwavering focus on agriculture is exemplified through the Lagos Agri-preneurship Program (LAP), a robust initiative empowering young entrepreneurs with modern agricultural technologies and practices. An array of programs, including the World Bank-assisted APPEALS (Agro Processing, Productivity Enhancement and Livelihood Support Scheme), the Lagos CARES Project, Agricultural Value Chains Enterprise Activation Program, the Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS), Lagos Agricultural Scholars' Programme (LASP), Eko Agro Mechanization Services, and collaborations with Mastercard Foundation and IITA, have collectively trained tens of thousands of farmers, farming households, and Agro-processors across diverse value chains.

These initiatives extend comprehensive support in the form of grant assistance, extension services, and facility rehabilitation to bolster the capacity and resilience of the agricultural sector. The multifaceted approach underscores the government's dedication to fostering sustainable agricultural practices and uplifting the livelihoods of stakeholders in the sector. Additionally, the government has inaugurated a mid-level Fresh Food Agro Hub in Mushin. This strategic move is poised to augment the food supply chain, enhance logistical capabilities, and modernize markets across the state. Furthermore, it aligns with the overarching objective of bolstering food security. The facility optimizes storage capacity and provides consumers access to affordable, fresh farm produce. Notably, it will also facilitate the various aspects of food production, processing, and marketing. This innovative method has been expanded to areas such as Ajah, Agege and Abule Ado to foster food accessibility within the state.

To mitigate the impact of fuel subsidy removal, the government's Food Bank Programme, providing food palliatives for 500,000 vulnerable households, has been instrumental. A 25% reduction in transportation costs within the government-owned bus system has also been implemented, fostering the engagement of over 2,500 Micro, Small, and Medium Enterprises. Furthermore, the government has recently initiated a new economic relief program to assist low-income traders. The inaugural phase of the Lagos Market Trader Money scheme is anticipated to offer business grants of N50,000 to 15,000 traders spanning the 57 local councils. This intervention is specifically designed to alleviate the impact of economic challenges and empower small businesses throughout the state.

In addition, the Circular Economy Hotspot has been initiated to create new wealth for SMEs, expand job creation, and encourage innovative ideas and manpower for long-term material use. The government's multifaceted approach to economic development underscores its commitment to holistic and sustainable growth. In the fiscal year 2023, the government also commissioned the $1.5 billion Deep Sea Port with a 16,000-container capacity. Within the housing sector, the unveiling of Greenwich Gardens has been executed, introducing 101 housing units to the Agboyi-Ketu area. This initiative is strategically aligned with the goal of offering Lagosians access to decent and affordable housing options.

In the entertainment sector, the government successfully inaugurated the esteemed $100 million Lagos Film City in Ejirin, Epe. Additionally, over 10,000 young individuals have undergone comprehensive training programs facilitated through collaborative efforts with prestigious institutions such as Del York Creative Academy, EbonyLife Academy, Ogidi Studios, and the African Film Academy.

The training initiatives encompass diverse aspects of the filmmaking process, including film production, post-production, visual effects, and all ancillary services vital to supporting the intricacies of filmmaking. Furthermore, the government has demonstrated its commitment to preserving cultural heritage through the commissioning of the John Randle Centre. This initiative stands as the first among several others dedicated to celebrating and safeguarding the rich history and culture of the Yoruba people. The multifaceted endeavours in the entertainment sector underscore the government's visionary approach to fostering both economic and cultural growth within the state.

Considering substantial project implementations, the government has achieved an impressive 78 percent performance in the execution of the 2023 budget as of the third quarter. Notably, both capital and recurrent expenditures have demonstrated commendable budget performance rates of 80 percent and 75 percent, respectively, for the fiscal year 2023. The budget performance may be nearing 90%-95% by the end of the year’s fourth quarter. This attests to the government's effective fiscal management and allocation of resources, contributing to the successful realization of key developmental initiatives outlined in the budget.

5.3. Key National Policies that Influenced Lagos State Economy in 2023

CBN Naira Design Policy: The fiscal year 2023 was marked by substantial disruptions in economic activities nationwide, imparting a pronounced impact on both the demand and supply facets of the economy. Lagos State, not immune to these policy shocks, experienced consequential effects, particularly exacerbated by the policy spillover coinciding with the election period historically characterized by elevated government spending. This confluence of factors significantly influenced the livelihoods of the state's citizens. The scarcity of the national currency, the Naira, posed a pervasive challenge, affecting households across the socioeconomic spectrum, ranging from the vulnerable to the affluent. The adverse consequences were particularly pronounced for vulnerable households and businesses, as they grappled with heightened economic uncertainties and constraints during this period.

Removal of Fuel Subsidy: The federal government undertook a decisive measure by eliminating the subsidy on fuel, resulting in a notable escalation in fuel prices from N189 to N595/N617 per litre. This consequential adjustment has exerted substantial upward pressure on firms’ prices of consumer goods and inputs. Additionally, the surge in transport costs has been considerable, and fuel consumption has experienced a simultaneous decline as households and firms adapt to the altered economic landscape. Despite a robust and efficient public transport system in Lagos, the elevated fuel prices have led to a significant increase in commercial transport fares and food inflation, underscoring the broader economic implications of the policy change.

Exchange rate unification: The convergence of the exchange rates between the Naira and the Dollar is evident in a notable depreciation observed in both the parallel and official markets. This depreciation has contributed to the escalating inflationary pressures, primarily driven by elevated prices of imported inputs. In December 2023, the parallel market recorded a dollar/naira exchange rate of N1205, while the official exchange rate was N1012.5. While the unification has reduced the premium disparity between the parallel and official markets, the consequential imported inflation is exerting significant strain on households. Simultaneously, the depreciation is amplifying the cost of production for businesses, posing challenges to economic stakeholders.

5.5. Expected Policy Actions of Lagos State Government in 2024

The policy measures outlined in the recently presented 2024 budget, labelled "The Budget of Renewal," signify the government's strategic direction toward fostering a robust economy. The budget for 2024, amounting to N2.246 trillion, reflects noteworthy growth compared to preceding fiscal plans. Notably, the budget expansion in 2023 was a mere 0.6%, whereas in 2024, it surged impressively by 27%. Financing for the 2024 budget will be derived from a total revenue of N1.847 trillion and deficit financing of N398.28 billion. Internally generated revenue constitutes a substantial 67.7% (N1.251 trillion) of the total revenue, with Federal transfers accounting for 32.3% (N596.63 billion). The deficit financing, representing 17.7% of the total budget, exhibits a noticeable decrease from the figures recorded in 2022 (29.7% of the total budget) and 2023 (19.8% of the total budget), underscoring the budget's dependence on internally generated revenue, a positive aspect for an economy striving for inclusive development.

Breaking down the budget allocation, recurrent expenditure claims 45% (N1.021 trillion), while capital expenditure commands 55% (N1.224 trillion). This distribution diverges from the 58:42 capital-recurrent expenditure ratio observed in 2023. Despite the overall budget's 27% growth, capital and recurrent expenditures registered growth rates of 20% and 36.5%, respectively, indicating a faster expansion of recurrent expenditure. The recurrent debt service and repayments account for 24.2% of the total budget, with recurrent debt service representing 7.8%. Sectoral allocations reveal economic affairs receiving 23.8% (N535 billion), education 8.9% (N199 billion), health 6.9% (N156 billion), environment 4.2% (N94 billion), social protection 2.2% (N50 billion), and security 3.7% (N84 billion).

While the budget aims to facilitate and sustain the THEMESPLUS Agenda, positioning the state as a 21st century economy, it is crucial to highlight the adverse impact of the exchange rate (Naira/$). The depreciation of the Naira is evident in the shrinking size of the state's budget, with the 2022 budget at $4.15 billion, compared to $2.8 billion and $2.6 billion for 2023 and 2024, respectively. This underscores the urgent need for collaborative efforts between the federal and sub-national governments to proactively address the challenges posed by a weaker currency, as it significantly hampers development at both national and subnational levels.

6. Overview of the Macroeconomic Forecast for 2024

6.1. Economic growth to remain strong

Lagos is anticipated to have a robust growth of 8% in the first quarter of 2024, surpassing the 7.64% growth recorded in the second quarter of 2023. This upswing is expected to stem from the commendable performances in the agriculture, industry, and service sectors, with quarterly growth rates of 6.58%, 6.53%, and 7.75%, respectively. The state's economic resilience underpins this positive trajectory. Despite facing various policy shocks at the national level, such as the Naira redesign policy, high inflation, and FX and subsidy reforms, the service sector within Lagos is experiencing a flourishing economic landscape. Precisely, sub-sectors like air transport, accommodation and food services, rail transport and pipelines, electricity, gas, steam, and air conditioning supplies, motor vehicles and assembly, post and courier services, as well as financial institutions, are expected to sustain their robust growth in 2024. However, the growth in road transport may see moderation due to the removal of fuel subsidies. On the flip side, other contracting sectors like telecommunications, livestock, transport services, basic metal, iron and steel, electrical and electronics may still encounter lower or negative growth in 2024.

It is imperative to underscore that the anticipated robust growth rate in 2024 will be notably influenced by a robust fiscal budget. The substantial allocation to public investment is poised to fortify economic expansion within the state. The commendable track record of budget performance in public investment is anticipated to persist, fostering increased private investment from both domestic and international investors.

6.2. Persistence of inflation

We project the prevailing inflationary pressures in the state to endure throughout the second half of 2023 and continue to 2024. The anticipated spike in headline and food inflation can be attributed to the depreciation of the exchange rate, the removal of fuel subsidies and economic structure. The persistent devaluation of the naira is poised to amplify inflation by raising input prices and production costs stemming from imported inflation. Despite a contracting premium between the parallel and official exchange rates and the removal of fuel subsidies, we expect headline and food inflation to surpass 27.7% and 33.1%, respectively, by January 2024.

6.3. Effectiveness of Fiscal policy

The budget execution has demonstrated a commendable performance, with 78% of the 2023 budget implemented as of the third quarter. Specifically, N1.03 trillion has been executed out of the prorated estimate of N1.33 trillion. At a more detailed level, 80% of the capital expenditure has been realised, totalling N613.52 billion out of the budgeted N764.93 billion. In contrast, recurrent expenditure implementation stands at 75%, with N419.06 billion executed out of the allocated N561.07 billion. The overall budget performance for the year is anticipated to reach approximately 90%, implying an implementation of about N1.19 trillion. Given this remarkable performance, it is expected that between 90% and 92% of the 2024 budget will be achieved. Furthermore, the execution of capital expenditure is projected to range between 90% and 95%, while recurrent expenditure performance is expected to fall within the range of 85% to 90%.

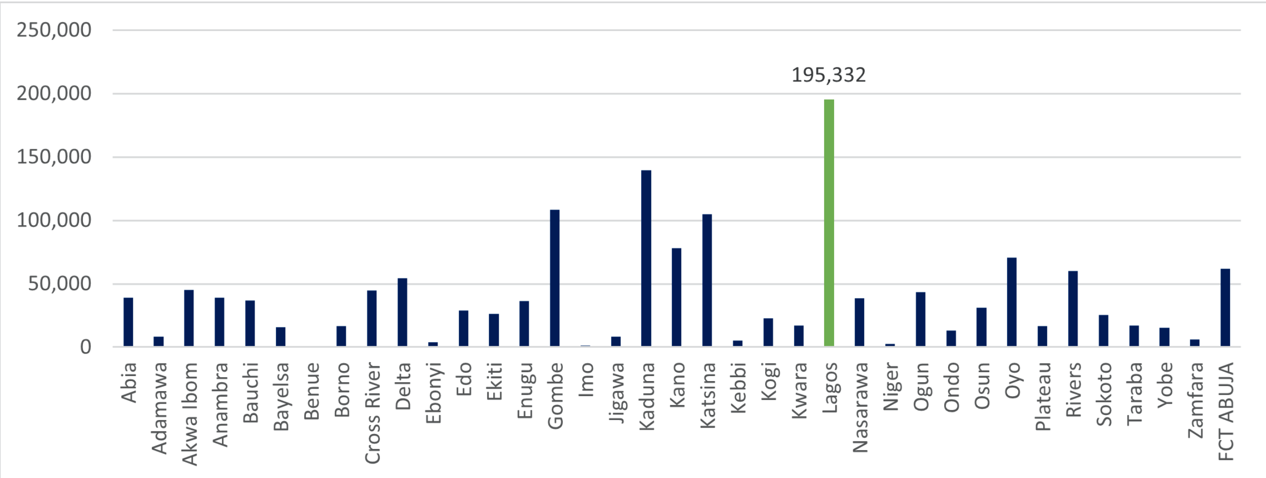
Part 2: Business, Socio-economic and Infrastructure developments in Lagos State

7. Development of Businesses

7.1. MSME Structure in Lagos State

In 2020, a year overshadowed by the challenges posed by the COVID-19 pandemic, an examination of enterprises registered with the Corporate Affairs Commission (CAC) underscores Lagos as a formidable economic powerhouse. Despite the global crisis, Lagos contributed significantly, constituting 13.2% of the national total of 1,480,520 registered enterprises. This not only reaffirms Lagos' status as a major economic hub but also highlights its remarkable adaptability in fostering a conducive business environment. Lagos registered an impressive 195,332 enterprises (Figure 7.1), showcasing the resilience of its entrepreneurial ecosystem and emphasizing its unparalleled role in driving business registration at a national level. Comparing Lagos with other states reveals varying degrees of business activities. States such as Kaduna (9.4%) and Kano (5.3%) also make substantial contributions to the national total, indicating regional economic strength. However, states such as Benue, Imo, and Niger exhibit lower registration figures, signalling potential areas for targeted interventions to stimulate business growth. This analysis positions Lagos as a standout performer in sustaining economic activities and attracting entrepreneurial efforts, even in the face of a challenging global environment. The disparities among states underscore the need for tailored strategies to boost business registration in some regions, contributing to overall national economic resilience and growth.

Figure 7.1: Number of Enterprises Registered by State with CAC, 2020

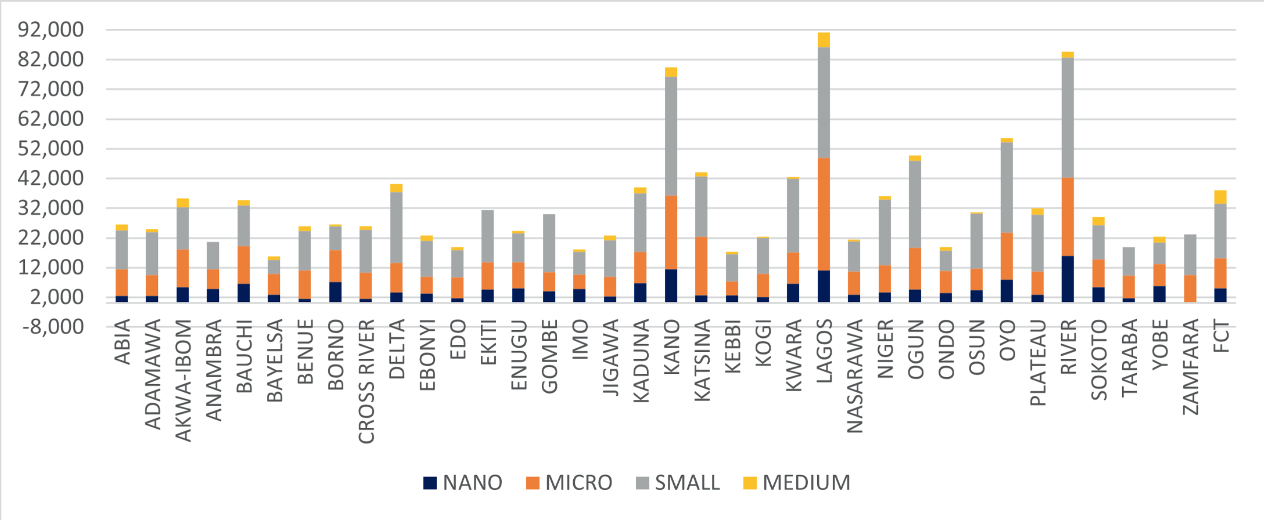


Source: NBS/SMEDAN 2021 MSME Survey Report

A detailed analysis of the distribution of formal enterprises across states and categories in Nigeria provides valuable insights into the nation's business landscape. Focusing on Lagos, a standout performer, the total number of formal enterprises reaches 91,097, comprising 11,024 nano, 38,005 micro, 37,135 small, and 4,932 medium enterprises (see Figure 7.2). Lagos emerges as a major hub for formal economic activities, significantly contributing to the national total of 1,240,965 formal enterprises. In Lagos, the state's contribution is notable across all enterprise categories, representing 7.3% of the total nano, 9.5% of micro, 6% of small, and 9.3% of medium enterprises at a national level.

This highlights the robust and diverse economic ecosystem in Lagos, showcasing its strength across various business landscapes. Other states, such as Rivers and Kano, also exhibit substantial formal economic activities, contributing to the overall dynamism of Nigeria's business environment. This analysis emphasises Lagos's key role in fostering formal economic activities and underlines the need for targeted strategies to sustain and replicate such success in other states. The diversity in enterprise categories in Lagos suggests a well-rounded economic environment, setting a precedent for inclusive growth and development in other states.

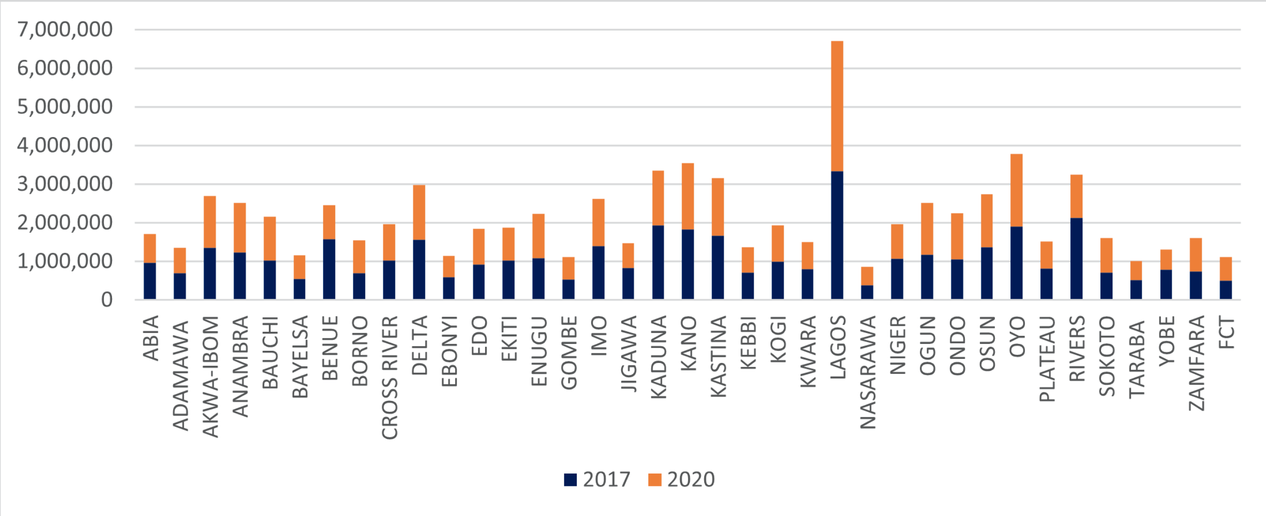
Figure 7.2: Formal Enterprises by Categories and State



Source: NBS/SMEDAN 2021 MSME Survey Report

Lagos continues to assert its key role in entrepreneurial activities, exemplifying the enduring vibrancy and resilience of micro-enterprises and making a substantial contribution to the national informal sector. In the context of the 2020 data on informal micro-enterprises, Lagos stands out as a key player with an impressive count of 3,385,150 enterprises, representing 8.8% of the national total (Figure 7.3). This underscores the state's significance in driving informal economic activities at a national level. Comparing the 2020 figures to those of 2017 reveals a marginal increase of 1.7% in the number of informal micro-enterprises in Lagos. This positive trend is particularly important when contrasted with the national decrease of 7.3%, highlighting the resilience and growth of the informal sector in the state. Lagos's ability to not only withstand but thrive in the face of broader economic challenges positions it as a model for sustaining and fostering informal entrepreneurship, offering insights that could inform strategies in other regions.

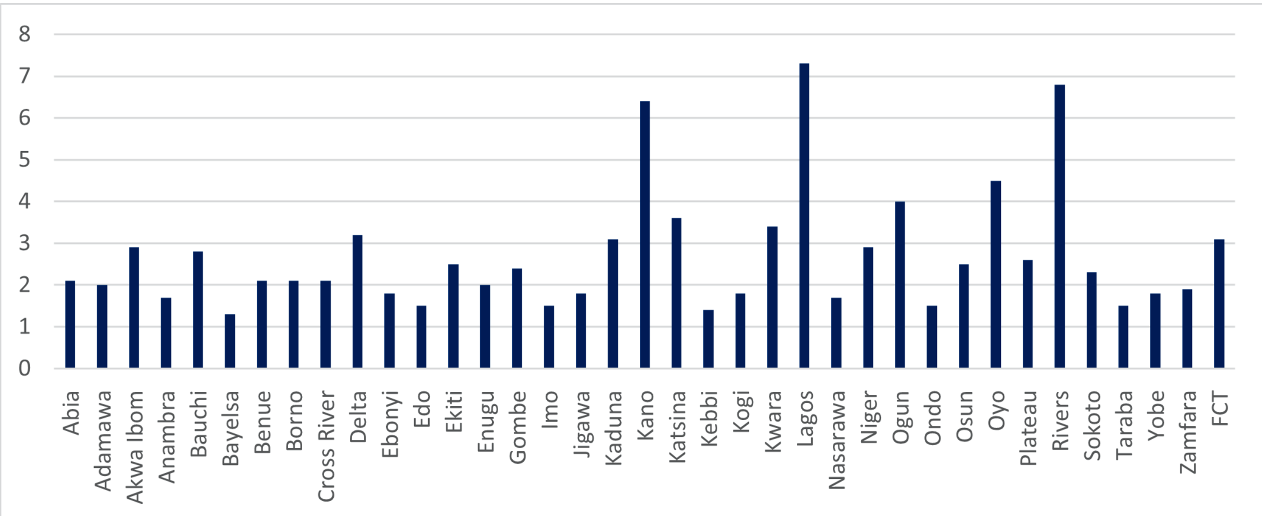
Figure 7.3: Number of Micro-enterprises (Informal) by State in 2020



Source: NBS/SMEDAN 2021 MSME Survey Report

Further analysis reveals that Lagos emerges as a dominant economic player with 91,097 enterprises, constituting 7.3% of the national total. Kano follows with 79,328 enterprises, making up 6.4%, and Rivers with 84,613 enterprises at 6.8% (see Figure 7.4). These three states collectively contribute 20.5% of the national enterprises. In contrast, some states such as Ebonyi, Edo, Imo, Kebbi, and Taraba have relatively lower percentages, each contributing less than 2%. This distribution highlights regional economic disparities, suggesting a need for targeted policies to foster enterprise development in states with lower participation.

Figure 7.4: Share of Enterprises by State

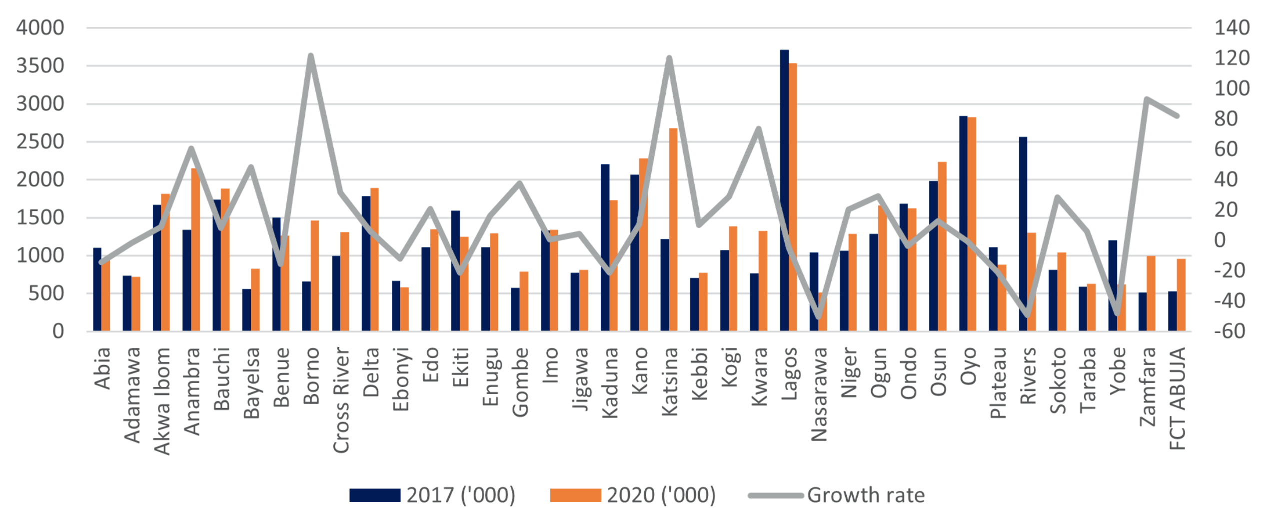


Source: NBS/SMEDAN 2021 MSME Survey Report

7.2. MSME Employment Size in Lagos State

The contribution of micro, small and medium scale enterprises (MSME) to growth and employment has been identified as a way of tackling developmental challenges in the developing countries. As commercial hub of Nigeria and West Africa, Lagos State has been leveraging the potential in the MSME to drive growth and employment in the state. Specifically, Lagos State contributed 6.6% of Nigeria's total MSME employment in 2017 and 6.8% in 2020 (Figure 7.5), demonstrating resilience amidst a challenging economic landscape. Despite huge contribution, there was a decline in total employment from 3.72 million to 3.53 million. This reflects in a negative growth rate of -4.9%, reflects a measured response compared to the national decrease of -8.3%. This decline is primarily attributed to the intensified impact of the COVID-19 pandemic, marked by lockdowns and economic uncertainties. Sectoral variations, particularly in service-driven businesses with strong online presence, influenced the extent of the State's resilience while lack of access to finance, a key challenge for most MSMEs played a role in employment constraints. Understanding gender-wise dynamics is crucial. Male employment in Lagos decreased by -8.5%, tied to higher representation in sectors severely affected by the pandemic. Conversely, female employment increased by 1.3%, suggesting resilience or opportunities in specific sectors. Lagos's ability to maintain a pivotal role in MSME employment amid challenges underscores the effectiveness of targeted interventions. Specifically, the state provides initial capital**[7]** of N25 billion over four years. This fund was deployed through the Lagos State Employment Trust Fund (LSETF) to ensure improvement in finance, enhance institutional capacity of MSMEs, and develop programmes for training and job placement as well as facilitating innovation within the state.

Figure 7.5: Total Employment Size of MSME across States (2017-2020)



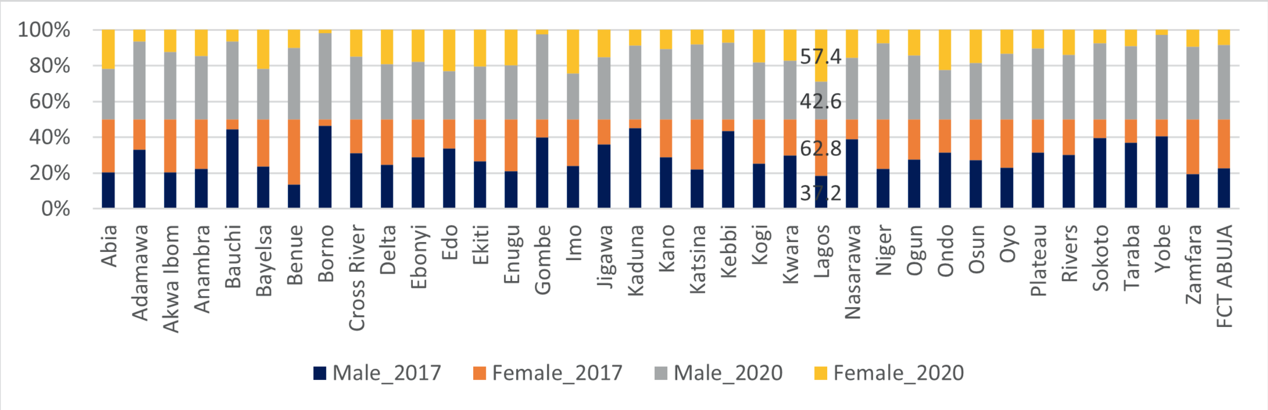
Source: NBS/SMEDAN 2021 MSME Survey Report

Examining the gender dynamics in Lagos' MSME employment from 2017 to 2020 reveals a noteworthy shift in the male to female ratio. Starting at 37.15% male and 62.85% female in 2017, the balance shifted to 42.62% male and 57.38% female in 2020 (see Figure 7.6). This subtle adjustment reflects a measured approach towards achieving gender balance, underscoring Lagos' commitment to inclusive employment practices amid an evolving economic landscape.

[7] https://lsetf.ng/sites/default/files/Impact_of_Covid-19_on_MSMEs_in_Lagos_GIZ_LSETF_Report_October_2021_Final.pdf

The observed shift signifies a conscious effort to create a more equitable employment environment. Unlike some states where gender imbalances persist, Lagos stands out as a beacon of gender diversity in MSME employment. The commitment to fostering inclusivity is particularly crucial in the context of broader economic challenges and disruptions, such as those induced by the COVID-19 pandemic. Comparatively, states like Bauchi, Kaduna, Yobe, and Gombe exhibit considerable shifts in gender ratios, suggesting ongoing changes in societal dynamics. Lagos' ability to maintain and enhance gender balance in MSME employment positions it as a model for other regions to emulate, reinforcing the importance of fostering diversity for sustainable economic growth.

Figure 7.6: Total Employment Size of MSME across States by Gender (2017-2020)



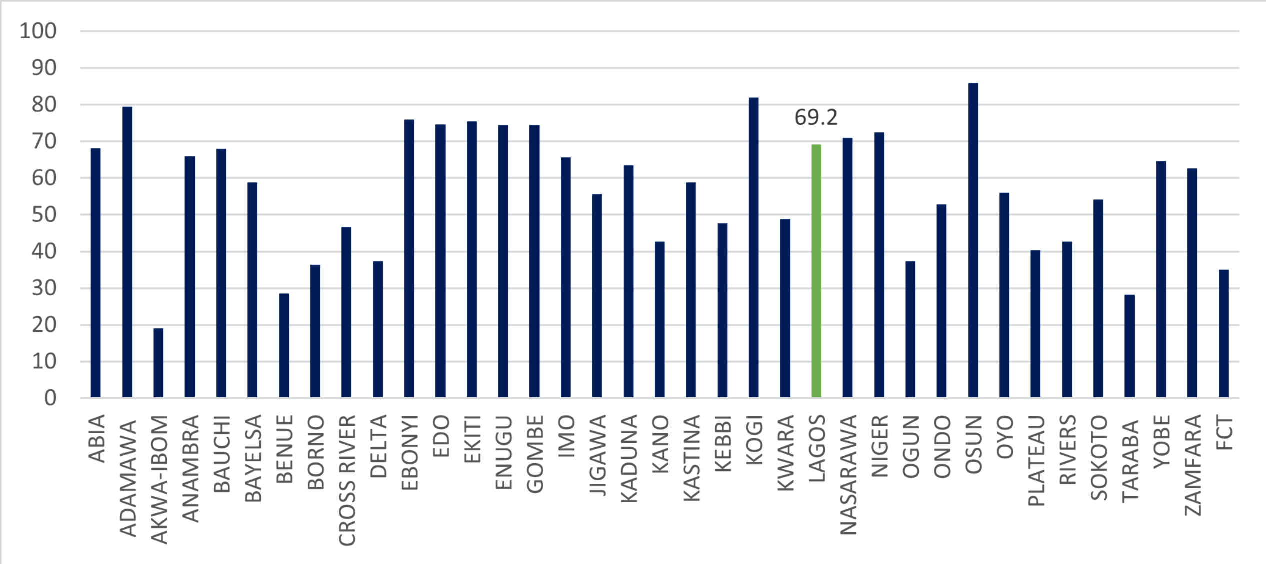
Source: NBS/SMEDAN 2021 MSME Survey Report

7.3. Factors Influencing MSME Development

(a) Access to Finance

Figure 7.7 reveals a significant trend in the financial resilience of sole-proprietorships within the state. With 69.2% reporting access to bank finance, Lagos surpasses the national average of 55.7%, indicating a relatively favourable financial environment. This insight aligns with the overarching challenge of inadequate finance faced by businesses nationally (92.4%). Lagos's economic robustness during the COVID-19 pandemic is underscored by the fact that only 35.6% of microenterprises were temporarily closed, and the longest closure duration was 13 months. The concentration of positive interventions, such as tax waivers (16.8%) and funds to small businesses (15%), further reflects a proactive approach to supporting businesses therefore, contributing to the resilience observed in the state.

Figure 7.7: Access to Bank Finance for Sole-Proprietorships in Nigeria (2020)

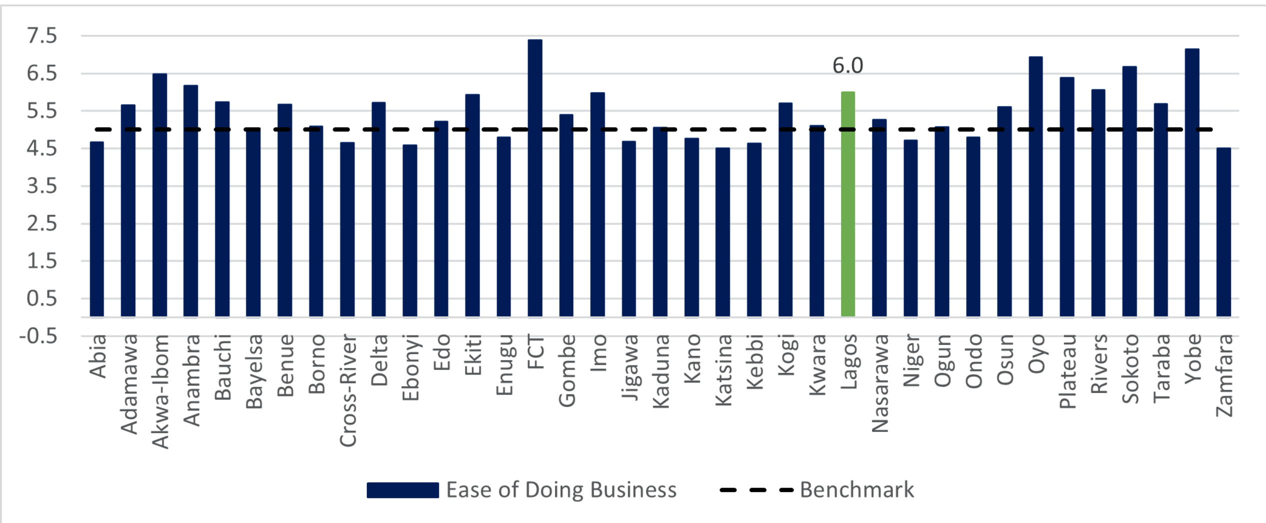


Source: NBS/SMEDAN 2021 MSME Survey Report

(a) Ease of Doing Business

The reported ease of doing business index in Lagos, standing at 6% (see Figure 7.8), reveals an intricate picture of the business environment in the state, considering a benchmark point of 5%. While Lagos falls marginally behind Gombe (7.4%), Yobe (7.1%), Oyo (6.9%), and Akwa-Ibom (6.5%), it is crucial to contextualize this figure within the broader socio-economic landscape. Lagos, as Nigeria's commercial capital, is a vibrant economic hub, hosting a significant number of enterprises, including 91,097 formal establishments and 64,986 sole-proprietorships while surpassing the national average. However, the reported ease of doing business in Lagos prompts a nuanced exploration of potential challenges. Despite being a digital transaction hub with 44,968 microenterprises engaging in online activities, the state faces hurdles such as growing inflation and challenges of multiple taxes. The economic activities in Lagos are intricate, encompassing various sectors and enterprise categories. The diverse economic ecosystem, with its strengths and challenges, calls for a meticulous examination to identify targeted interventions that can enhance the ease of doing business in the state.

Figure 7.8: Ease of Doing Business by State

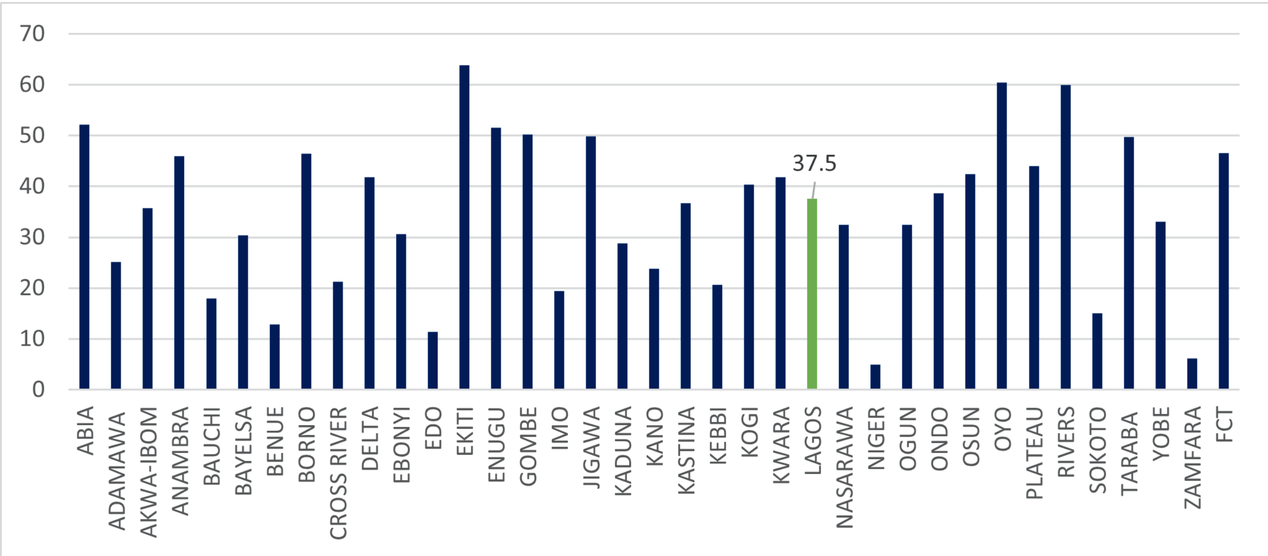


Source: Ease of Doing Business Subnational Baseline Survey 2021

(a) Share of temporary business closure

Figure 7.9 reveals a complex economic landscape marked by 1,269,887 closures, constituting 37.5% of the total enterprises in the state. This significant figure highlights the substantial impact of external factors, likely exacerbated by the challenges posed by the COVID-19 pandemic. While Lagos is the economic nerve centre, the relatively measured percentage compared to some states suggests a stronger resilience in the face of economic disruptions. Understanding the dynamics of these closures is pivotal for effective policy responses. A closer look at the data indicates that despite the challenges, Lagos exhibits a diverse socio-economic environment. The closure percentage aligns with the national average, yet the absolute number of closures is substantial, emphasising the sheer scale of economic activity within the state. The reasons behind these closures merit careful examination, considering factors such as industry composition, the effectiveness of containment measures, and the adaptability of businesses. This analysis provides a foundation for targeted policies aimed at fostering resilience, ensuring sustainable recovery, and fortifying Lagos's pivotal role in Nigeria's economic landscape.

Figure 7.9: Share of temporary business closure



Source: NBS/SMEDAN 2021 MSME Survey Report

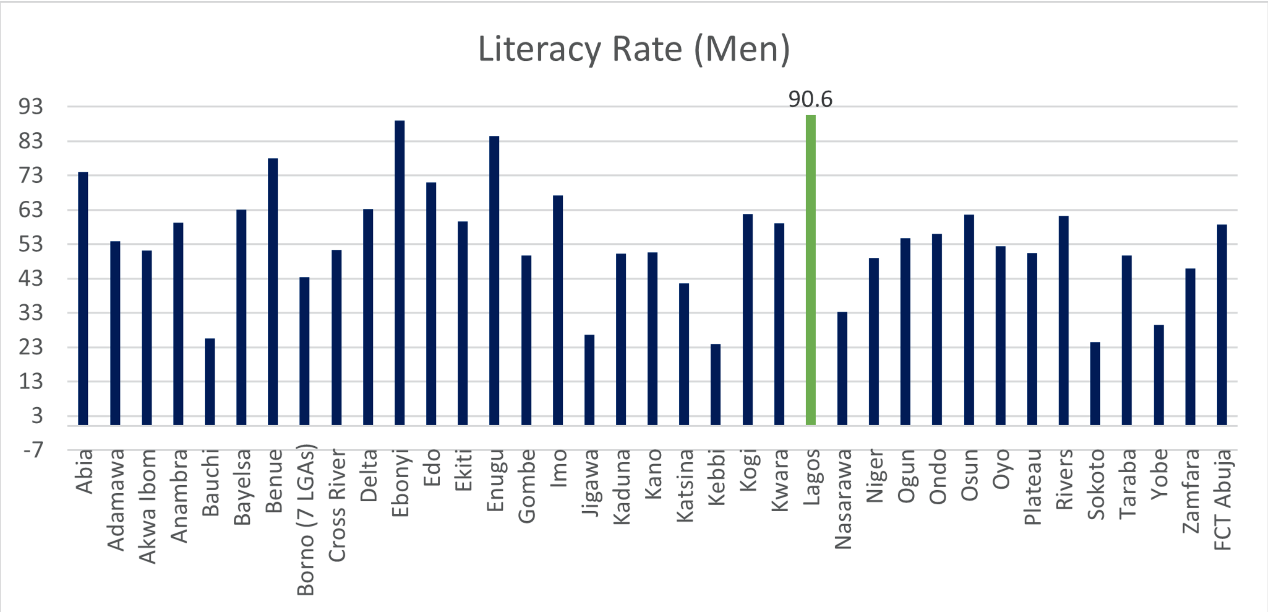
8. Socio-Economic Development

8.1. Education

Education stands as a fundamental catalyst for societal advancement, and literacy rates serve as key benchmarks reflecting a state's dedication to fostering knowledge and empowerment. Lagos State emerges as a beacon of educational achievement, boasting an impressive men's literacy rate of 90.6% (see Figure 8.1). This high percentage underscores a commendable commitment to delivering accessible and high-quality education, positioning Lagos as an exemplary model for other states to emulate. Following closely, Ebonyi State demonstrates substantial progress with an impressive men's literacy rate of 89.1%, while Enugu State maintains a solid literacy rate of 84.6%, albeit slightly lower than Lagos and Ebonyi. In contrast, Kebbi State grapples with a significant challenge, exhibiting a men's literacy rate of only 23.9%, highlighting underlying issues in educational access.

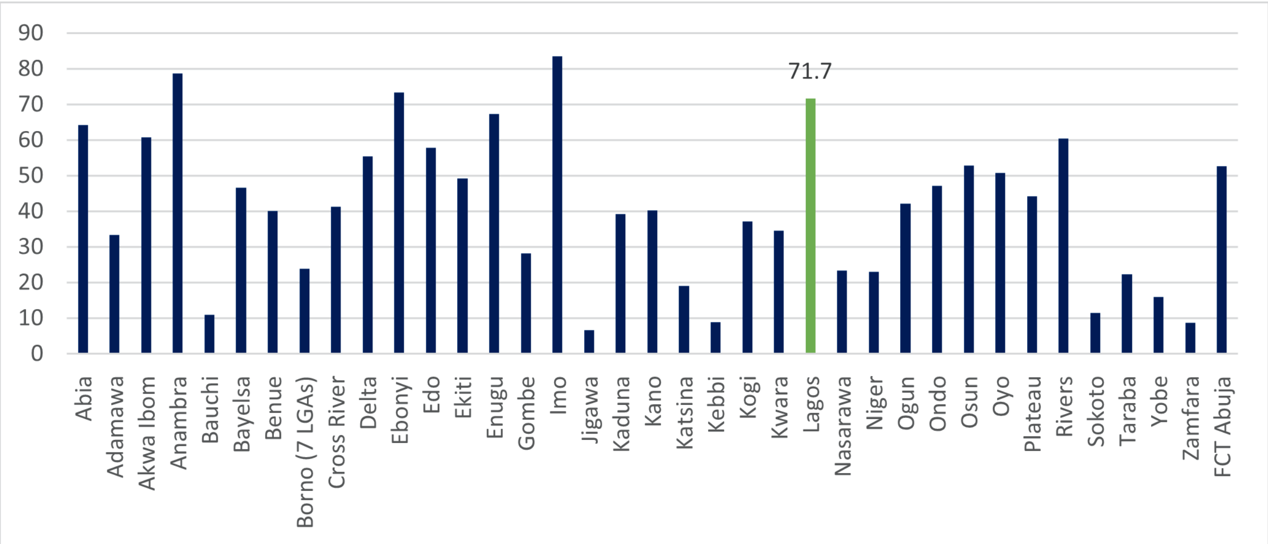
Sokoto State mirrors Kebbi's struggle, with a men's literacy rate of 24.5%, emphasising the urgent need for concerted efforts to enhance educational access and quality in these states. Turning attention to women's literacy rates, Lagos State achieves a notable figure of 71.7% (se Figure 8.2), indicative of a generally favourable educational environment. This relatively high literacy rate is a result of both social and economic opportunities and the city's commitment to women's education. Imo State outperforms Lagos with an impressive women's literacy rate of 83.5%, suggesting effective strategies implemented to promote women's education, potentially through targeted policies, community engagement, and awareness programs. Additionally, Anambra State demonstrates a commendable women's literacy rate of 78.7%, reflecting a commitment to fostering educational opportunities for women. On the flip side, Jigawa State faces a substantial challenge with a women's literacy rate of only 6.7%, and Zamfara State shares a similar struggle, reporting a women's literacy rate of 8.7%. These states, like Jigawa, grapple with factors such as poverty, cultural norms, and limited infrastructure. Kebbi State faces challenges akin to Jigawa and Zamfara, with a women's literacy rate of 8.9%. Despite the impressive literacy rates recorded in Lagos State, the gender divide is more pronounced, emphasising the need for targeted efforts to bridge this gap.

Figure 8.1: Literacy rate (Men) by State



Source: MICS

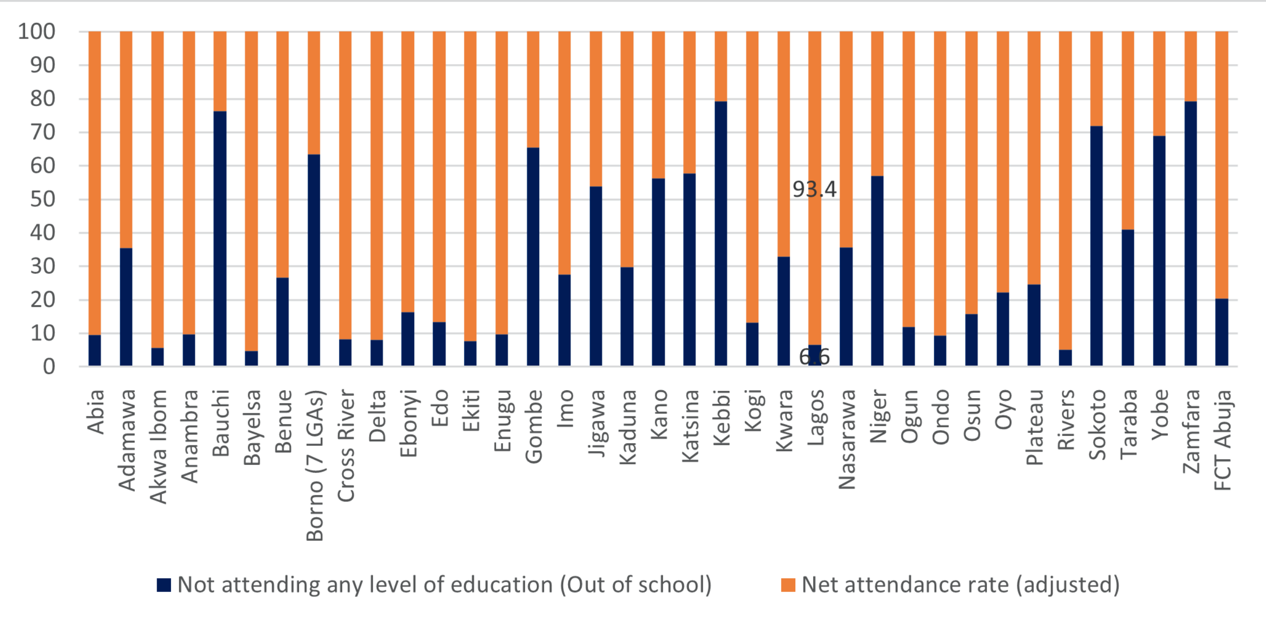
Figure 8.2: Literacy rate (Women) by State



Source: MICS

Furthermore, Lagos State maintains a relatively low out-of-school rate at 6.6% (See Figure 8.3). This figure attests to the state's commitment to education, facilitated by robust policies, infrastructure, and community engagement. Ekiti State demonstrates a commendable out-of-school rate of 7.7%, signalling a concerted effort to ensure widespread access to education. Rivers State boasts an even lower out-of-school rate at 5.1%, emphasising a positive educational landscape. Yobe State faces a substantial challenge with an alarmingly high out-of-school rate of 79.3%, the highest among the states considered. This stark contrast with Lagos, Ekiti, and Rivers underscores systemic issues affecting educational access while Kebbi State shares a similar struggle with a high out-of-school rate of 79.2%, emphasising the urgency of addressing educational disparities. Despite the impressive performance from Lagos State, the out-of-school is still a major challenge. For instance, 35% of children who are able to attend primary school do not attend secondary school or drop out once they reach a certain level**[8]**. This has necessitated carrying out-of-school children survey in 2023 to design better plan towards addressing the issues and ensure better future for children in Lagos.

Figure 8.3: Out-of-school children by State



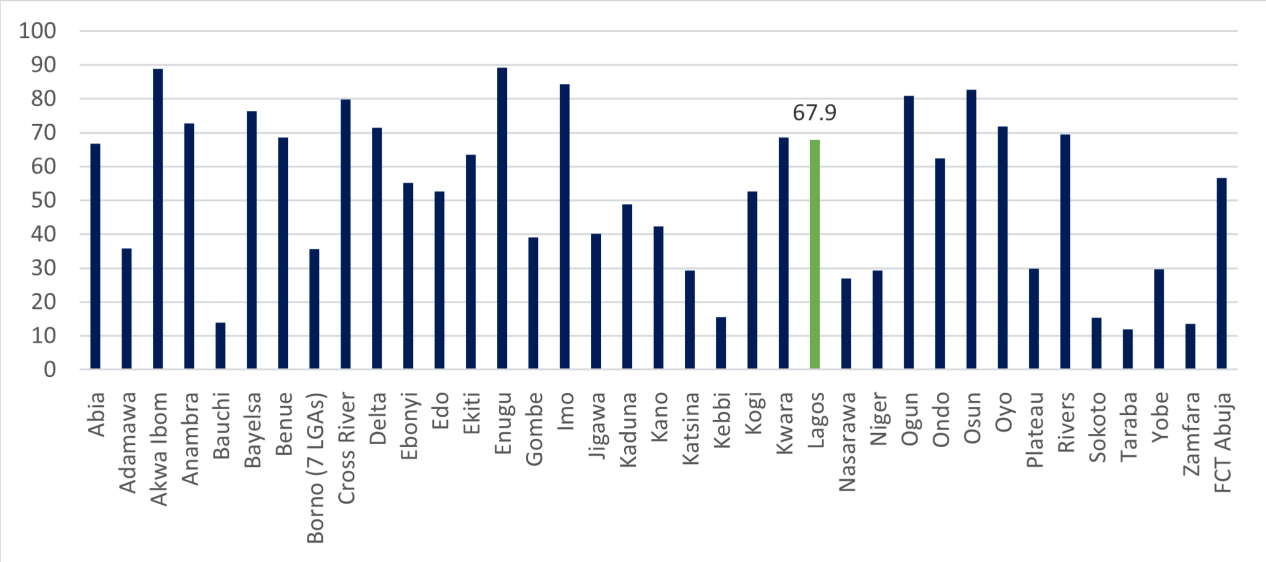
Source: MICS

The evaluation of school readiness emerges as a pivotal metric in gauging educational development and the cultivation of prospective human capital. It constitutes the cornerstone of a child's enduring odyssey in learning. Within this context, Lagos exhibits a school readiness rate of 67.9%, as depicted in Figure 8.4. This statistic implies a positive trajectory in priming children for formal education, albeit with identifiable areas for enhancement. Enugu state performs exceptionally better in early childhood education, showcasing a commendable school readiness rate of 89.3%. Following closely is, Akwa Ibom state which impressively boasts an 88.8% school readiness rate. Contrastingly, Taraba state faces a substantial challenge of school readiness, grappling with a meagre rate of 1.9%. This stark contrast underscores a pronounced deficiency in adequately preparing children for the rigors of formal education. Similarly, Zamfara State encounters analogous obstacles, registering a school readiness rate of 13.6%. Similar to Taraba, Zamfara confronts formidable challenges in ensuring the adequate preparation of children for their scholastic endeavours.

[8] https://mepb.lagosstate.gov.ng/2022/12/20/lasg-decries-high-rate-of-out-of-school-children/

These discernments underscore the imperative of targeted interventions to address the identified gaps and fortify the foundations of formal education in these regions. Despite the progress, there is need for Lagos State to continue to improve the rate of school readiness as several states have higher scores.

Figure 8.4: School readiness by State

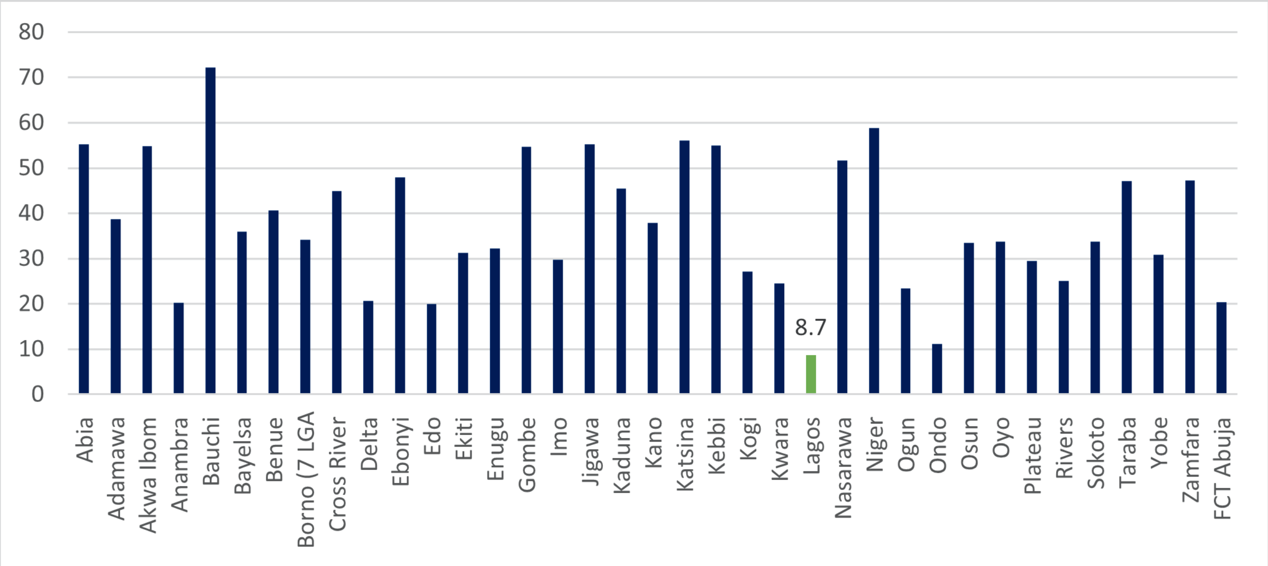


Source: MICS

Furthermore, the challenge of child labour persists as a pressing global issue, necessitating meticulous scrutiny and pre-emptive measures to safeguard the well-being of children. Illustrated in Figure 8.5, Lagos exhibits the lowest child labour rate among Nigerian states, standing at 8.7%. This commendable outcome can be attributed to proactive initiatives undertaken by the state government, including the EKO EXECEL program, public awareness campaigns, teacher development programs, and infrastructure development. These multifaceted measures aim to channel children of school age into meaningful and quality learning experiences, shielding them from economic activities that could jeopardise the state's future productivity and human capital. Conversely, Ondo state contends with a challenge, facing an 11.1% child labour rate, signifying the presence of children engaged in labour instead of attending school. Anambra State confronts a more substantial issue with a child labour rate of 20.3%, surpassing the prevalence observed in Lagos and Ondo. However, the most disconcerting scenario unfolds in Bauchi State, where the child labour rate skyrockets to an alarming 72.2%. This appalling figure underscores the exigency for immediate attention and intervention. Similarly, Niger State contends with a significant challenge, grappling with a high child labour rate of 58.86%, indicative of a pervasive issue. It is imperative for Lagos State to maintain its commitment to eradicating child labour through initiatives such as the THEMESPLUS Agenda, aligning with its aspirations to emerge as a 21st century economy. This concerted effort remains essential in mitigating the detrimental impact of child labour on the state's socio-economic landscape.

[8] https://mepb.lagosstate.gov.ng/2022/12/20/lasg-decries-high-rate-of-out-of-school-children/

Figure 8.5: Rate of Child Labour by State



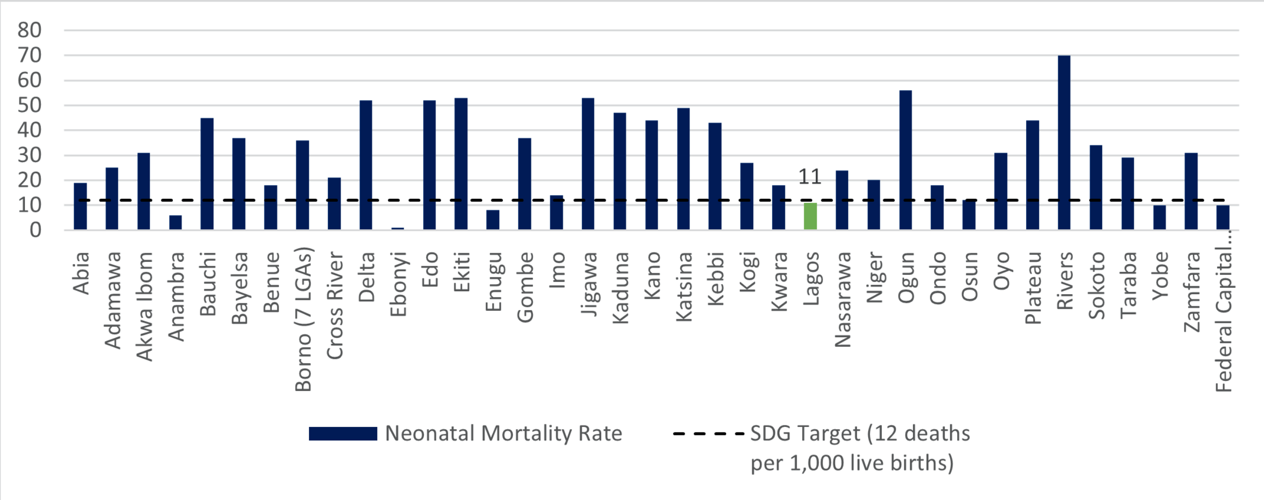
Source: MICS

8.2. Health

Health serves as another important metric for assessing developmental progress and the building cultivation of human capital. Neonatal healthcare, in particular, stands as a crucial measure for evaluating the quality of healthcare delivery. Illustrated in Figure 8.6, the states of Nigeria are scrutinized based on their performance in neonatal healthcare. Noteworthy is the exemplary performance of Lagos State, which exhibits a remarkably low neonatal mortality rate of 11, closely approaching the Sustainable Development Goals (SDG) target of 12 deaths per 1000 live births. In contrast, neighbouring states such as Ogun and Oyo present comparatively elevated rates of 56 and 31, respectively, significantly surpassing the SDG benchmark. This discrepancy underscores the robust healthcare system and effective prenatal care initiatives implemented in Lagos. Further enhancing the narrative, states like Ebonyi, Anambra, Enugu, Yobe, and the Federal Capital Territory (FCT) surpass Lagos, reporting exceptionally low rates of 1, 6, 8, 10, and 10, respectively, indicative of advanced healthcare provisions. However, a notable exception arises with Rivers State, reporting a significantly higher rate of 70, signalling formidable healthcare challenges and potential socioeconomic disparities affecting neonatal care. The exceptional success of Lagos positions it as an exemplary model of effective healthcare strategies, setting a benchmark for other states aspiring to attain SDG targets in neonatal health. Recognising the progress achieved, the government, in collaboration with UNICEF, recently launched the Early Newborn Action Plan—a comprehensive five-year initiative aimed at augmenting the coverage of state-wide interventions in Lagos's neonatal healthcare system. This strategic plan aligns the state's efforts with international standards, ensuring that children in Lagos not only survive but thrive, realising their full potential.

[8] https://mepb.lagosstate.gov.ng/2022/12/20/lasg-decries-high-rate-of-out-of-school-children/

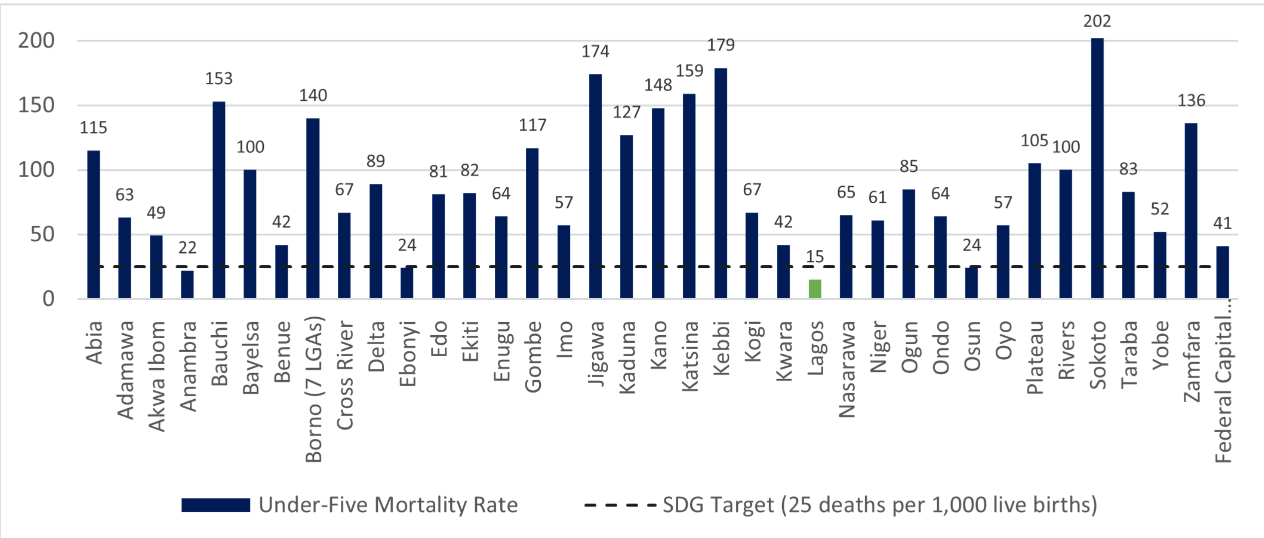
Figure 8.6: Neonatal mortality rate by State



Source: MICS

In-depth analysis extends to the assessment of under-five child healthcare outcomes across the diverse states of Nigeria. A lucid examination of under-five mortality rates reveals pronounced disparities in child healthcare outcomes. Lagos State emerges as a significant example, boasting a remarkably low under-five mortality rate of 15, thereby attaining the Sustainable Development Goals (SDG) target of 25 deaths per 1000 live births. This accomplishment underscores the state's efficacy in healthcare initiatives and the presence of a robust healthcare infrastructure. Concomitantly, Ebonyi and Osun States present remarkable performances, each exhibiting under-five mortality rates of 24. This parity reflects the reliability of healthcare provisions and the efficacy of interventions directed towards child health. Conversely, Sokoto state reports a significantly high rate of 202, signifying substantial healthcare challenges and potential socioeconomic disparities that impede child healthcare access and quality. The exemplary performance of Lagos not only underscores successful healthcare strategies but also provides a promising paradigm for other states to emulate. By strategically implementing targeted interventions and enhancing healthcare infrastructure, these states can aspire not only to meet but surpass SDG targets in child health. Lagos, through its demonstrable success, serves as a beacon for spurring the discourse and application of healthcare improvements on a broader scale.

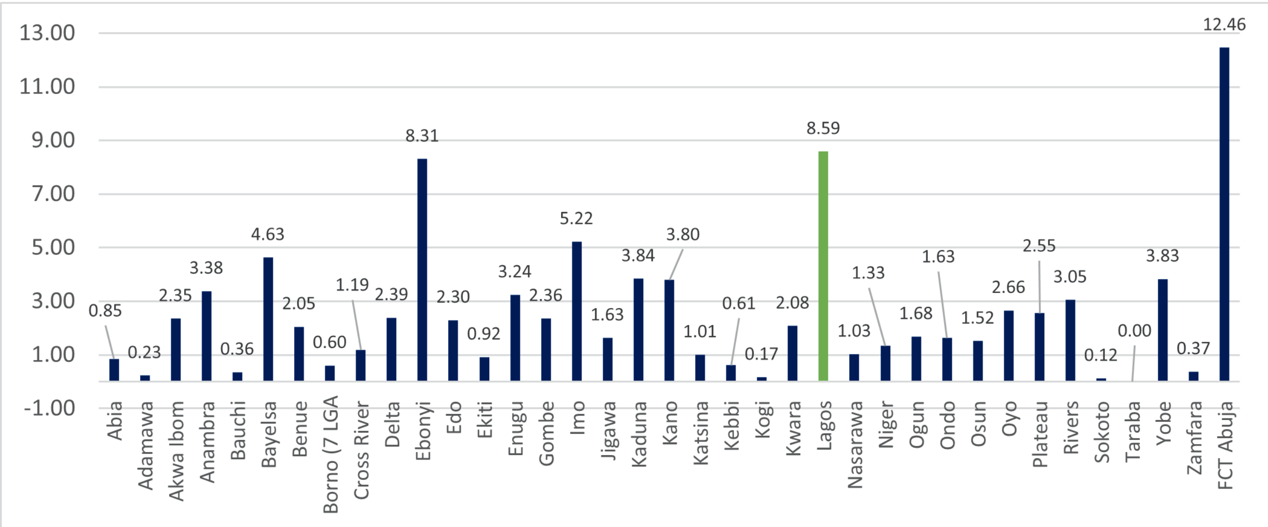
Figure 8.6: Under-five mortality rate by State



Source: MICS

Furthermore, a pivotal metric reflecting the quality of healthcare is the proportion of the state population enrolled in the Health Insurance Scheme. As depicted in Figure 8.7, the landscape of health insurance coverage across Nigerian states unveils a diverse tableau of healthcare service accessibility. A prevailing observation is the generally low coverage across the country. The Federal Capital Territory (FCT) emerges as a frontrunner, exhibiting an impressive health insurance coverage rate of 12.46%, indicative of superior healthcare access and robust insurance initiatives. Lagos and Ebonyi states also manifest relatively increased coverage rates of 8.59% and 8.31%, respectively, underscoring enhanced healthcare accessibility for their respective populations. Conversely, states such as Sokoto, Taraba, and Kogi report conspicuously low rates ranging from 0.12% to 0.17%, highlighting substantial challenges in healthcare access and insurance provisions. While some states, including Anambra and Yobe, present moderate rates in the range of 3-4%, a pervasive disparity in health insurance coverage persists nationwide. This underscores the imperative for substantive improvements and policy interventions to ensure equitable access to healthcare services for all citizens. The exemplary performance of the FCT underscores the viability of successful healthcare insurance models, which other regions could adopt and implement to enhance healthcare accessibility on a national scale. Furthermore, it is imperative for Lagos State to intensify awareness initiatives, enabling a larger proportion of Lagosians to benefit from the Lagos State Health Scheme. This strategic imperative aligns with the broader goal of fostering inclusive healthcare access and strengthening the effectiveness of health insurance mechanisms across the state.

Figure 8.7: Health insurance coverage by State

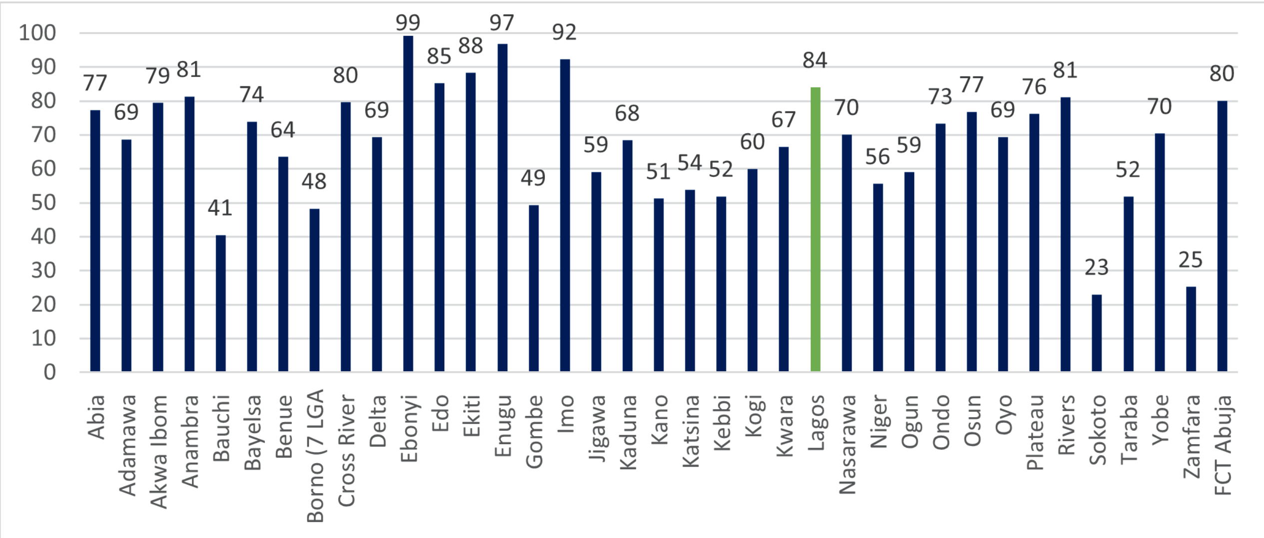


Source: MICS

Moreover, an assessment of vaccination records was conducted to elucidate the governmental role in health preventive measures across the diverse states of Nigeria. The examination of vaccination records across the states reveals discernible disparities in coverage levels. Ebonyi State emerges as a frontrunner, boasting an exceptionally high vaccination rate of 99, indicative of robust vaccination programs and heightened community participation. Enugu and Ekiti closely trail behind with rates of 97 and 88, respectively, signifying robust vaccination initiatives and heightened community awareness.

Conversely, Sokoto and Zamfara report diminished rates of 23 and 25, shedding light on considerable challenges in vaccination coverage, potentially attributed to issues related to healthcare accessibility or awareness deficits. Despite its substantial population, Lagos demonstrates a commendable vaccination rate of 84, suggesting the efficacy of vaccination programs and comprehensive healthcare outreach. Generally, states such as Anambra, Rivers, and the Federal Capital Territory maintain rates exceeding 80, confirming to the success of vaccination campaigns and active healthcare engagement. However, states with lower rates, particularly Sokoto and Zamfara, necessitate targeted interventions and refined healthcare strategies to expand vaccination coverage and shield the populace against preventable diseases. Despite Lagos' commendable performance, there exists a need for heightened efforts to improve the vaccination rate in the state. Therefore, the state should aspire to achieve a level of vaccination coverage akin to that observed in Ebonyi, where near-perfect results underscore the comprehensive reach of vaccination initiatives. This strategic imperative aligns with the overarching goal of fortifying public health resilience across diverse states.

Figure 8.8: Vaccination records by State



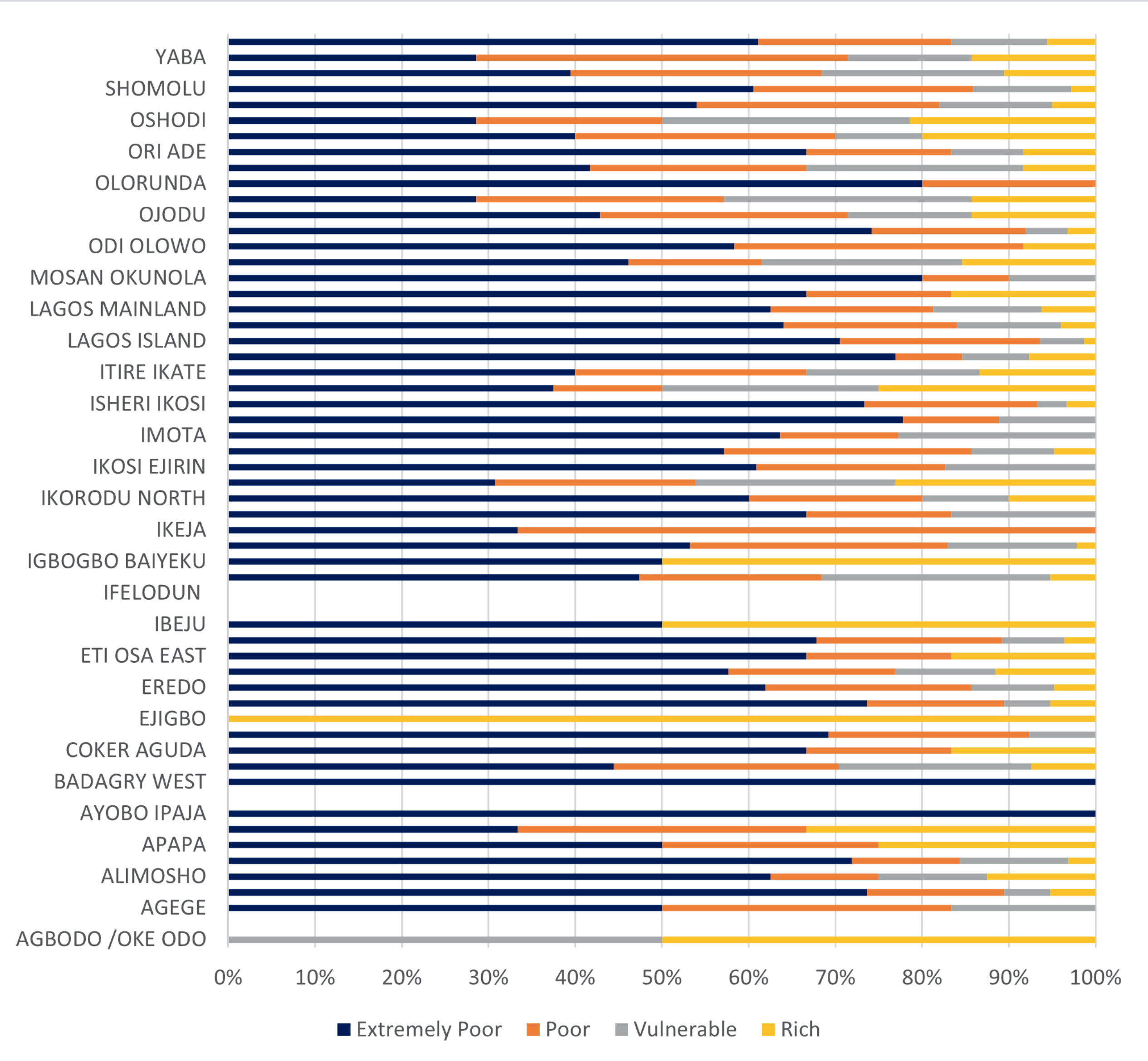
Source: MICS

8.3. Poverty

The data on socio-economic stratification in non-slum areas of Lagos provides insights into the distribution of households across different economic classes within various Local Government Areas (LGAs) in Lagos State. The categorisation includes Extremely Poor, Poor, Vulnerable, and Rich. Figure 8.9 reveals varying economic landscape, Specifically, the LGAs exhibit a diverse economic landscape, with variations in the distribution of households across economic classes. For instance, Lagos Island has a substantial number of households classified as Extremely Poor (55), highlighting pockets of economic vulnerability within this non-slum area. More so, there is concentration in vulnerable class within the state. Across several LGAs, the vulnerable class has a noticeable presence, indicating a significant proportion of households facing economic challenges. Oto-Awori, Surulere, and Shomolu LGAs stand out in the Vulnerable category.

Under rich class distribution, the distribution of households is relatively limited across the LGAs, suggesting that a majority of households in non-slum areas do not fall into this high economic bracket. Oto Awori and Surulere despite highly vulnerable records, exhibits the highest count in the Rich class with 5 and 4 households respectively. The figure further underscores the existence of economic disparities within non-slum areas. These disparities may be influenced by factors such as access to education, employment opportunities, and infrastructure development. Addressing these disparities requires targeted interventions focused on uplifting economically vulnerable households.

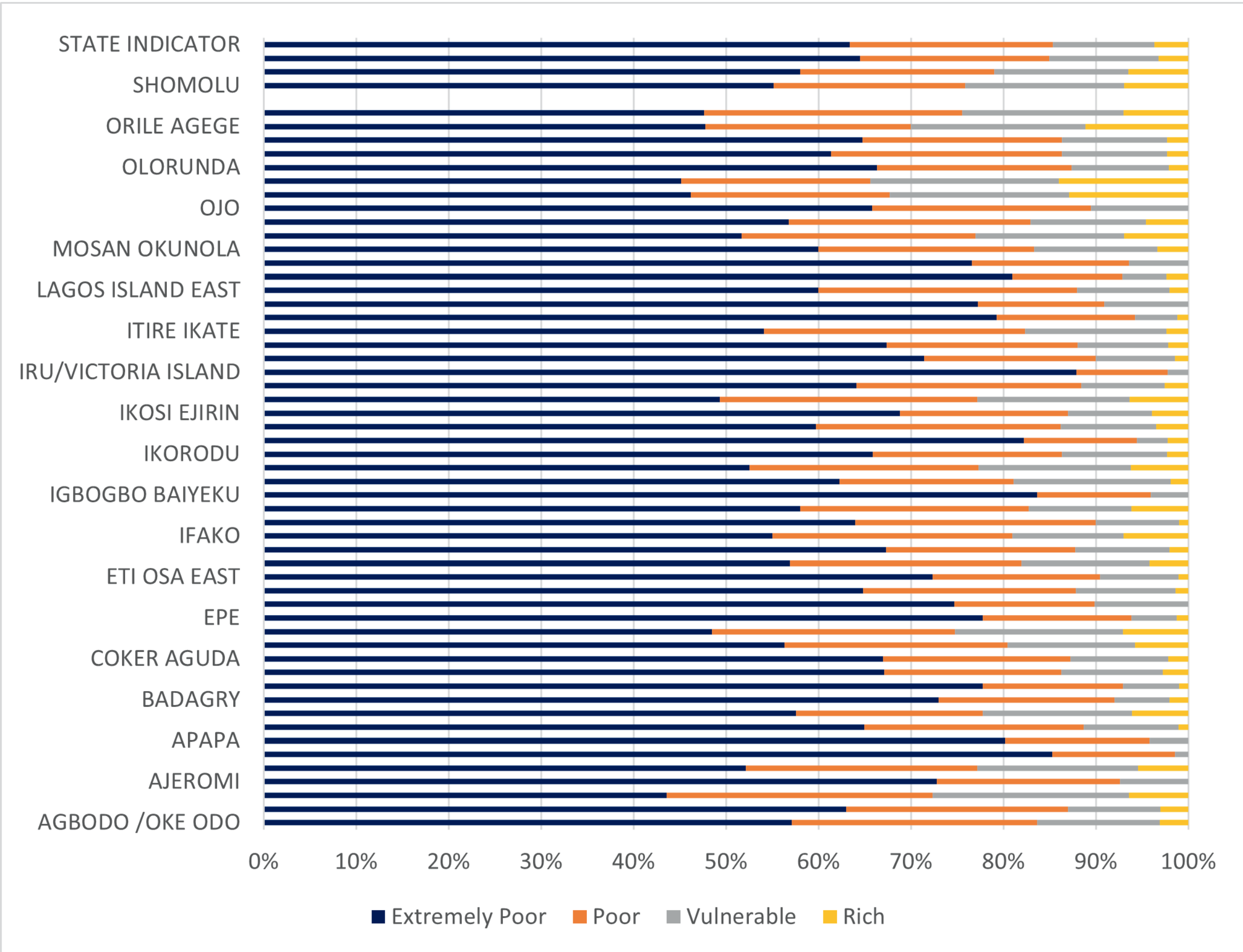
Figure 8.9: Poverty profile in Non-Slum Areas of Lagos in 2020



Source: LBS

In Figure 8.10, socio-economic stratification in non-slum areas of Lagos state was considered. First, there is observed extreme poverty concentration. In several slum areas, there is a notable concentration of households classified as Extremely Poor, indicating severe economic challenges. Notable examples include Igbogbo baiyeku, Ikorodu North, and Iru/Victoria Island, where the Extremely Poor category has a significant presence. Considering the rich class limited presence, the figure reveals limited representation of rich class across slum areas, signifying a lack of high economic affluence within these communities. Few or no households in Amuwo Odofin, Ojo, Apapa, and Iru/Victoria Island fall into the Rich category. Furthermore, the Vulnerable class is prevalent across various slum areas, reflecting a considerable proportion of households facing economic uncertainties. Notable examples include Ajegunle, Mushin, and Surulere, where the Vulnerable category has a significant presence. In terms of economic disparities within LGAs, slum areas exhibit high disparities within LGAs, necessitating tailored interventions. For instance, Agege and Ikeja LGA has both Extremely Poor and Rich households, showcasing a unique economic duality that policymakers need to address.

Figure 8.10: Poverty in Slum Areas of Lagos in 2020



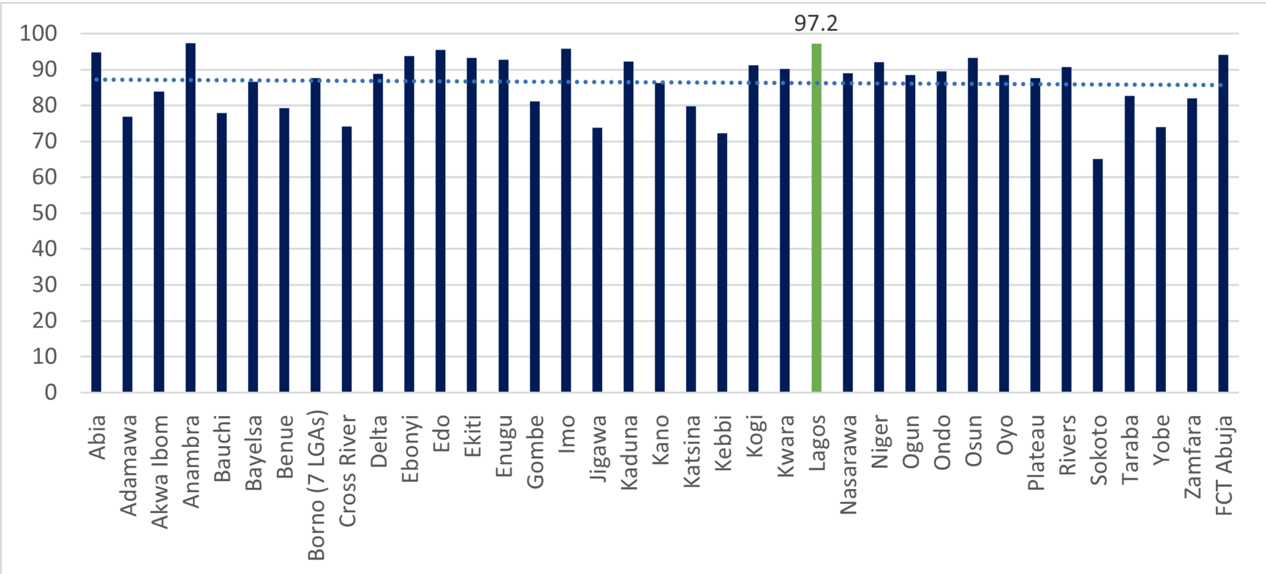
Source: LBS

9. Infrastructure Development in Lagos

9.1. Digital Infrastructure

Infrastructure assumes a pivotal role in catalysing economic activities and fostering an environment conducive to human flourishing. In the context of escalating modernization and a technology-driven milieu, access to mobile phones, computers, and the internet has become an integral facet of recent infrastructural development. Consequently, Figure 9.1 shows the distribution of mobile phone usage across states, offering insights into the evolving technological landscape in Nigeria. The figure underscores the widespread nature of mobile phone usage, with Anambra, Edo, Imo, and Lagos State exhibiting usage rates surpassing 95%. Anambra State emerges as the leader in mobile phone usage, recording an impressive rate of 97.4%, surpassing Lagos State at 97.2%. Following closely are Imo with 95.8% and Edo with 95.5%. Conversely, Sokoto reports the lowest usage rate at 65.1%, indicative of comparatively diminished mobile phone usage compared to other states in Nigeria. Additionally, states such as Jigawa, Cross River, Yobe, and Kebbi register usage rates below 75%. The exceptional mobile phone usage in Lagos highlights the paramount role of the state as the country's economic, commercial, and technological hub. However, it is noteworthy that the mobile phone penetration in Lagos, though substantial, lags behind that of Kenya, which boasts a penetration rate of 124.5%. This disparity underscores the potential for further expansion and optimization of mobile phone infrastructure in Nigeria to align with global benchmarks and capitalise on the multifaceted benefits associated with enhanced connectivity.

Figure 9.1: Distribution of Mobile Phone Usage by State

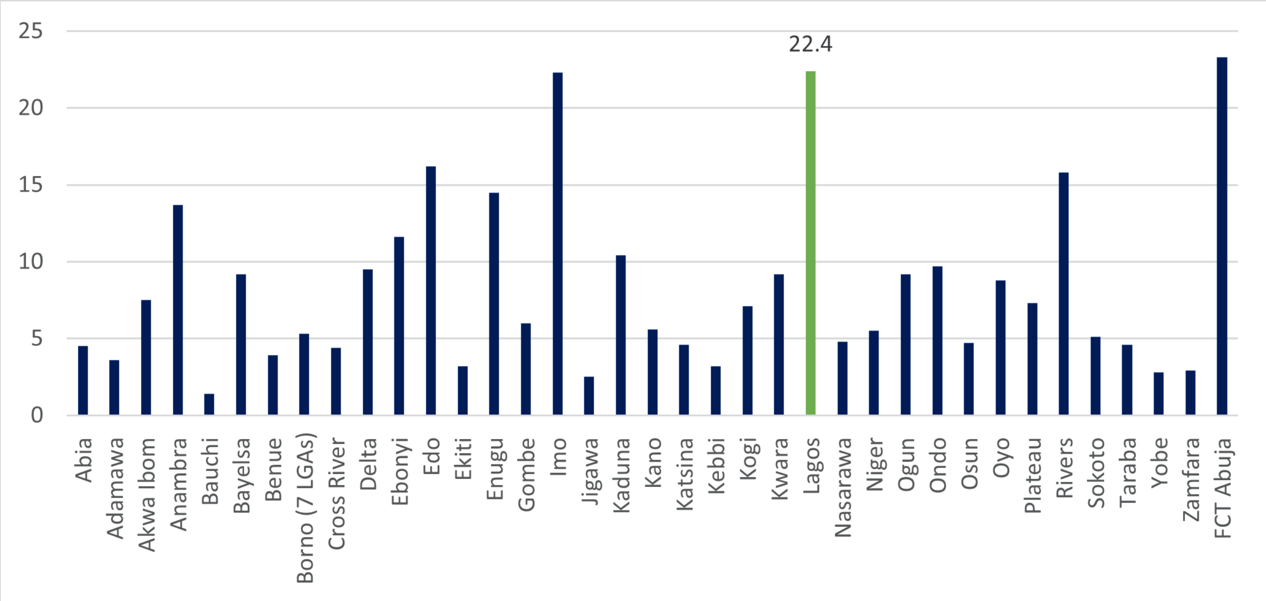


Source: MICS

Another facet of digital infrastructure pertains to access to computers, as elucidated in Figure 9.2. The percentages reflecting computer usage across diverse states in Nigeria showed distinctive patterns, with the Federal Capital Territory (FCT) Abuja emerging prominently with the highest computer usage rate at 23.3%. Lagos follows closely at 22.4%, with Imo state marginally trailing at 22.3%. In contrast, Yobe, Jigawa, Kebbi, and Zamfara exhibit the lowest computer usage rates across the states, ranging from 2.5% to 3.2%.

The figures underscore the significant digital footprint in Lagos, indicative of a well-developed technological infrastructure and a populace actively engaged in computer usage. Nonetheless, it is imperative to acknowledge that computer usage remains generally low, with less than 30% of the population having access across the states in the country. This underscores the existing digital divide and the scope for advancements in digital infrastructure to facilitate broader access and integration of computer technologies, thereby fostering economic development and technological inclusivity.

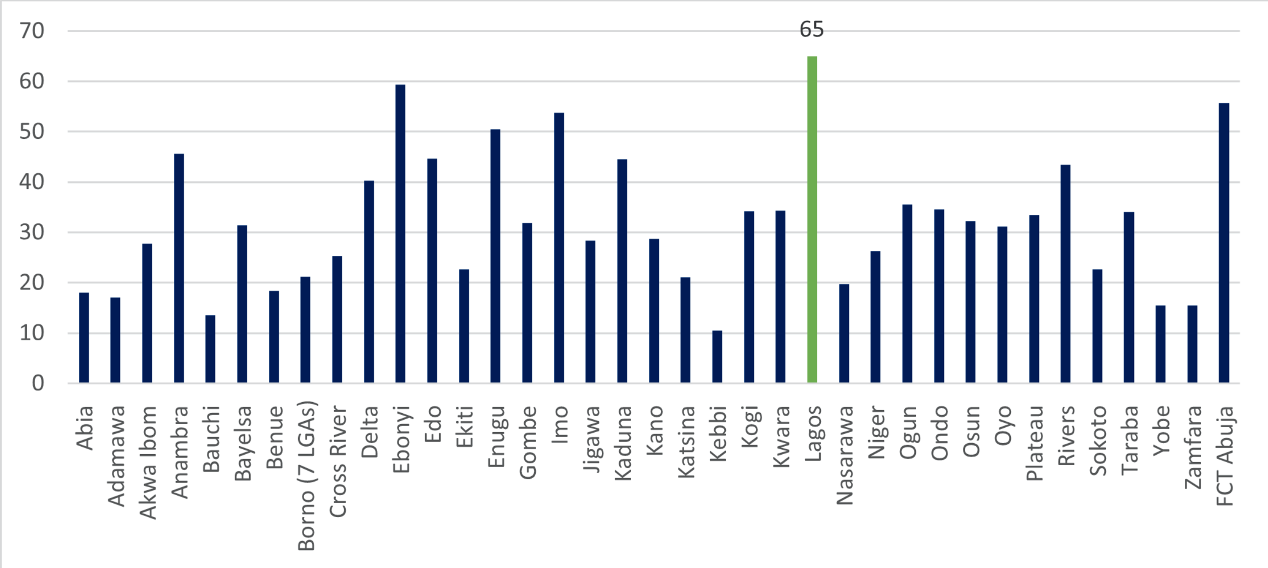
Figure 9.2: Distribution of computer usage by State



Source: MICS

Moreover, an examination of the percentage of households with internet access at home across various states in Nigeria unveils distinctive patterns. Lagos State emerges as the leader in this regard, registering the highest rate at 65% (Figure 9.3), signalling a well-connected urban centre experiencing a surge in internet accessibility. FCT Abuja closely follows with a rate of 55.7%, underscoring a pronounced digital presence in the country's capital. Additionally, Ebonyi, Imo, and Enugu exhibit substantial rates ranging from 50.5% to 59.4%, indicative of robust internet access in these states. Conversely, Kebbi, Yobe, and Zamfara report the lowest rates, ranging from 10.5% to 15.5%, respectively, emphasising challenges in internet accessibility in these states. The prevalence of high rates in states like Lagos, FCT Abuja, Ebonyi, Imo, and Enugu signifies an encouraging trend in internet connectivity, reflective of urbanisation and technological integration. However, the discernible digital divide, particularly in states with lower rates, underlines the imperative for targeted interventions to enhance internet infrastructure and foster broader access, thereby fostering economic development and technological inclusivity across the nation.

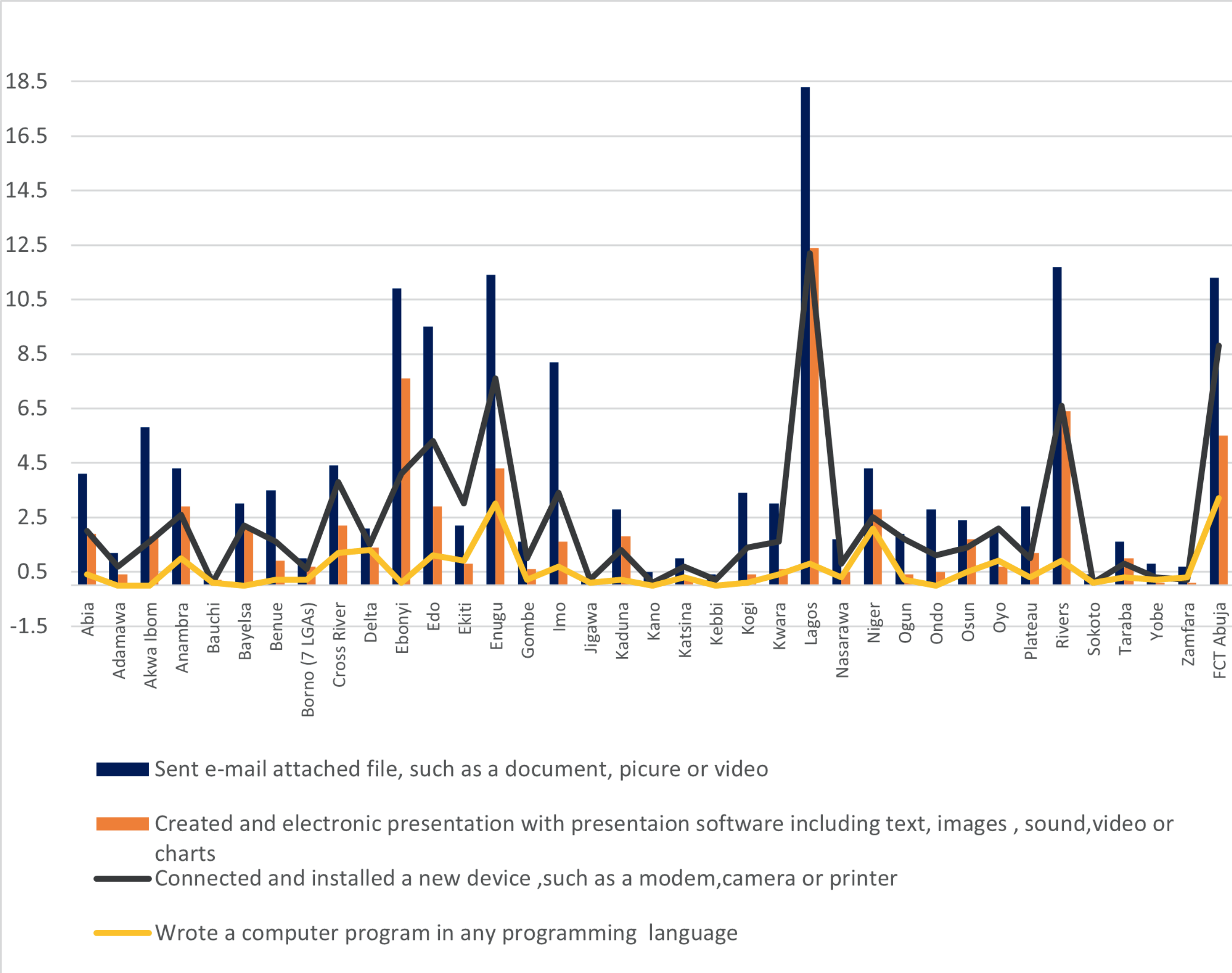
Figure 9.3: Internet accessibility by State



Source: MICS

Furthermore, Lagos asserts its dominance in Information and Communication Technology (ICT) skills, particularly in the utilization of digital devices for sending email-attached files, encompassing documents, pictures, and videos, with a notable rate of 18.3% (Figure 9.4). This places Lagos ahead, with Rivers State following at 11.7%, Enugu at 11.4%, and the Federal Capital Territory (FCT) Abuja at 11.3%. Conversely, states with the lowest percentages in this category were Jigawa (0.3%), Kebbi (0.4%), and Bauchi (0.4%). In the realm of creating electronic presentations utilising presentation software, including text, Lagos again leads with 12.2%, trailed by Ebonyi (7.6%), Rivers State (6.6%), and FCT Abuja (3.2%). However, Kano, Katsina, and Kebbi record the least percentages in this category at 0%. Delving into the application of ICT skills at an advanced level, Lagos reports a 0.8% utilization of ICT skills for computer programming. Interestingly, this figure is surpassed by states such as Enugu (3%), Niger (2.1%), and the Federal Capital Territory (3.2%). This nuanced exploration underscores the diverse landscape of ICT skills across states, with Lagos emerging as a notable hub while other states demonstrate proficiency in specific facets of advanced ICT applications. This emphasizes the multifaceted nature of digital skill acquisition and deployment across the country.

Figure 9.4: ICT skills by State



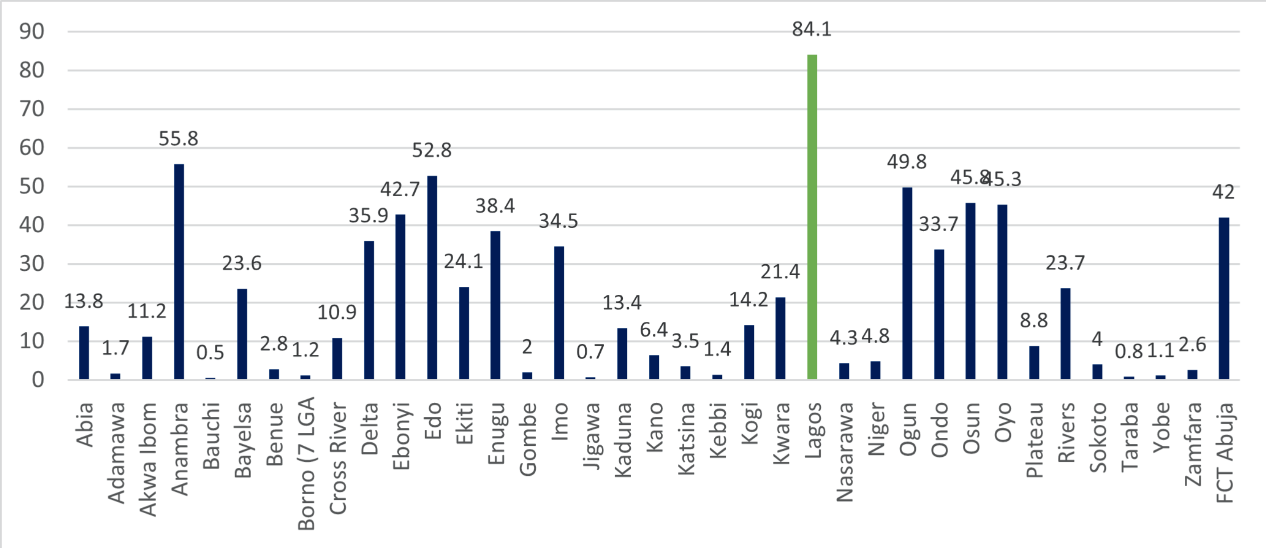
Source: MICS

9.2. Energy

9.2.1. Use of clean and solid energy

Energy development is also crucial for infrastructure development, and there is a burgeoning concern for the quality of energy usage, particularly in cooking and lighting within households. Figure 9.5 shows the primary reliance on clean fuels and technologies for cooking across various states in Nigeria, explaining the percentage of households with access to energy. Lagos emerges as the exemplar in this context, boasting the highest energy access rate at 84.1%. This signifies a well-developed infrastructure and widespread accessibility of clean energy, indicative of concerted governmental efforts to promote clean energy and cultivate an environment conducive to the prosperity of Lagosians. Subsequently, FCT Abuja follows with a 42% rate, reflecting a moderate level of energy accessibility in the nation's capital. Anambra, Edo, and Delta also register commendable rates of energy accessibility, ranging from 35.9% to 55.8%. Conversely, Bauchi, Jigawa, Taraba, and Yobe report the lowest energy access rates, ranging from 0.5% to 1.1%. This dichotomy underscores the imperative for targeted interventions and improved infrastructure to bolster energy accessibility in these states, aligning with broader national objectives of enhancing the quality of life and fostering sustainable economic development.

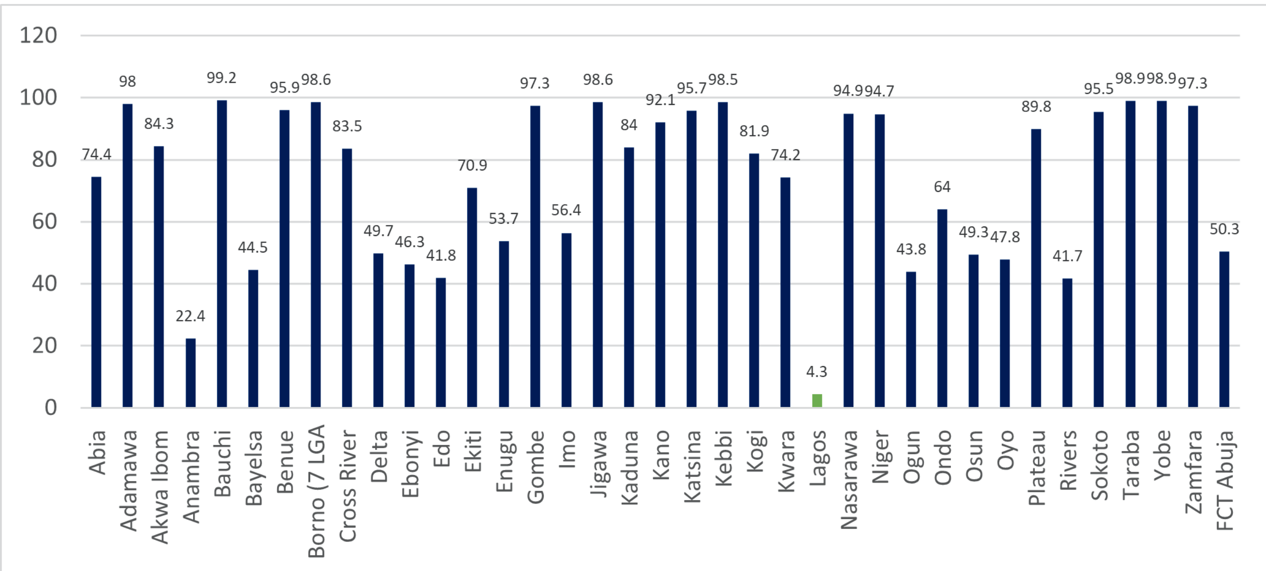
Figure 9.5: Primary reliance on clean fuels and technologies for cooking



Source: MICS

A comprehensive examination of cooking practices, particularly the use of solid fuels and traditional technologies, is presented in Figure 9.6. The analysis focuses on the percentage of households employing solid fuels and traditional cooking technologies across diverse states in Nigeria. Remarkably, Lagos stands out with the lowest percentage at 4.3%, indicative of a widespread preference for cleaner and more advanced cooking methods in the urban centre. Conversely, Bauchi, Jigawa, Taraba, and Yobe record high percentages, ranging from 98% to 99.2%. Additionally, Sokoto and Zamfara exhibit increased percentages, while states such as Abia, Bayelsa, and Kwara demonstrate intermediate figures. The discernible disparities in the use of solid fuels and traditional cooking technologies underscore the imperative of promoting cleaner and more sustainable cooking practices, particularly in states heavily reliant on traditional methods. This nuanced analysis reflects the need for targeted interventions and initiatives aimed at transitioning towards cleaner and more environmentally sustainable cooking practices across the country, aligning with broader objectives of environmental conservation and improved public health.

Figure 9.6: Solid fuels and technology for cooking

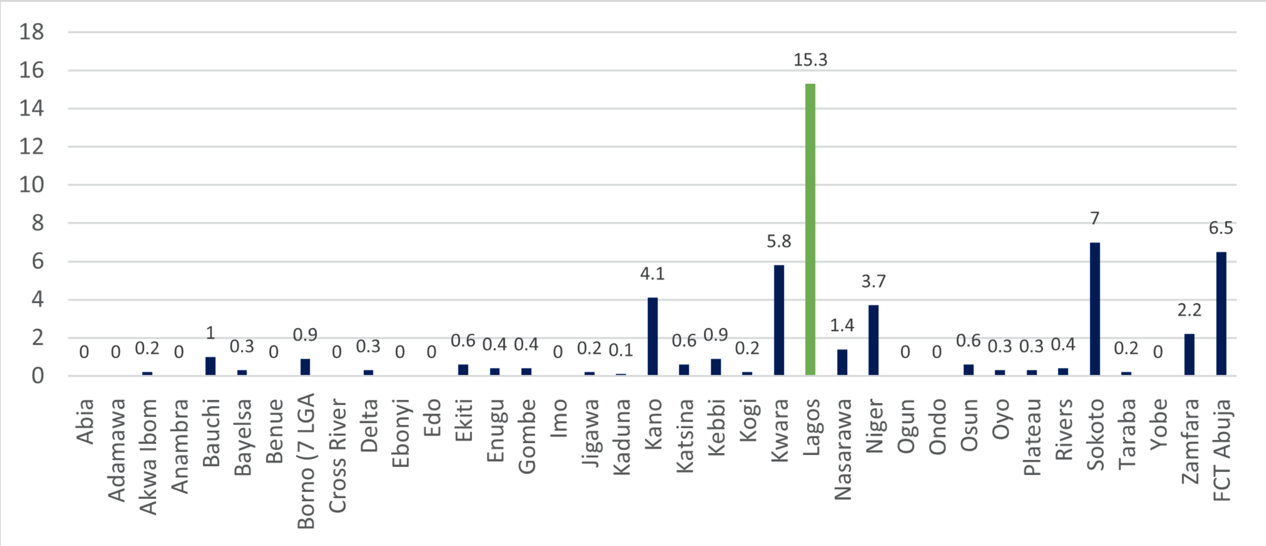


Source: MICS

9.2.2. Use of polluting fuels and technology in poorly ventilated locations

International efforts have been earnestly directed towards mitigating environmental pollution to ensure a high-quality living environment. Illustrated in Figure 9.7 is the percentage of household members residing in homes where cooking is conducted with polluting fuels and technologies in inadequately ventilated locations across various states in Nigeria. Lagos State has the highest percentage (15.3%) of residents exposed to indoor air pollution from cooking practices. Despite strides made in the adoption of clean energy, a substantial number of households continue to employ polluting fuels and technologies for cooking. This substantial percentage in Lagos prompts concerns regarding how households can be assisted in transitioning to cleaner cooking methods, thereby reducing exposure to polluted environments. Furthermore, Kwara, Kano, Sokoto, and the Federal Capital Territory (FCT) Abuja exhibit marginal increases in percentages, ranging from 4.1% to 6.5%, indicative of households in these states employing polluting cooking methods. In contrast, states such as Abia, Adamawa, Anambra, and Delta record 0%, reflecting an absence of household members living in poorly ventilated conditions with polluting fuels. This variance underscores the heterogeneous landscape of environmental quality across states, necessitating targeted interventions and policies to ameliorate the conditions in regions facing heightened exposure to indoor air pollution.

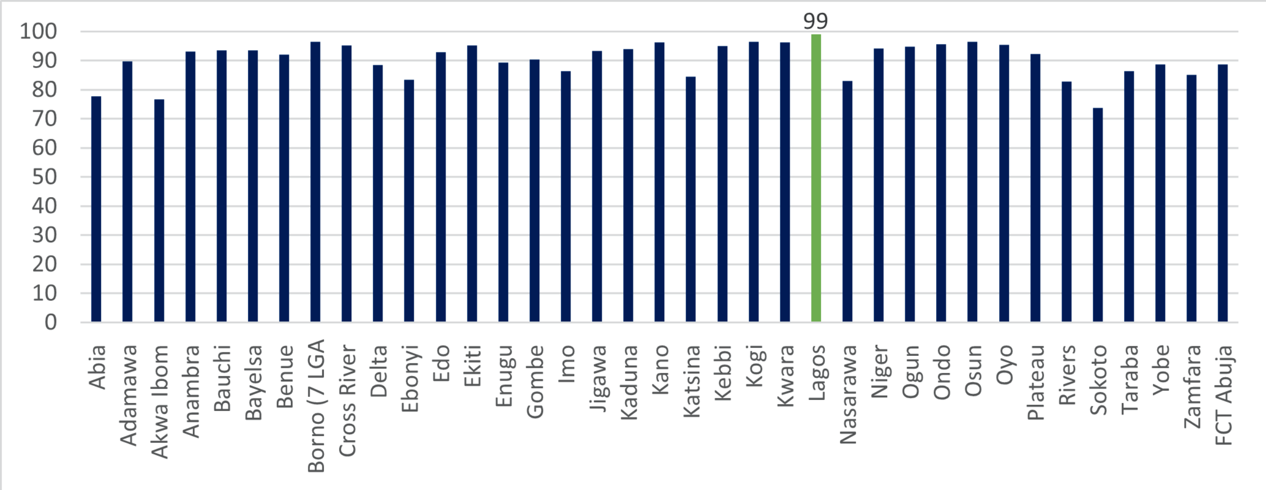
Figure 9.7: Households cooking with polluted fuels and technology



Source: MICS

Moreso, Figure 9.8 reveals the primary dependence on clean fuels and technologies for lighting within households across different states. The data reveals that Lagos takes the lead with the highest percentage at 99%, signifying an uptick in the utilization of clean fuels for illumination in the urban centre and throughout the state. Additionally, other states demonstrating a substantial reliance on clean fuels include Borno, Cross River, Kogi, Kwara, Ondo, Osun, and Oyo, all ranging from 95.2% to 96.6%. Conversely, Sokoto records the lowest percentage at 73.8%, indicative of a relatively lower adoption of clean fuels for lighting in comparison to other states. Meanwhile, states such as Abia, Akwa Ibom, and Anambra also register marginal yet noteworthy percentages, reflecting a broader commitment to sustaining cleaner energy practices across diverse states in Nigeria. This nuanced analysis sheds light on the diverse landscape of clean energy adoption for lighting, necessitating strategic interventions and policies to further enhance the transition to cleaner energy sources across the nation.

Figure 9.8: Primary reliance on clean fuels and technologies for lighting



Source: MICS

Part 3: What next?

10. Concluding Remarks

Certainly, the economic landscape of Lagos State persists in a state of vibrancy, characterized by a robust growth trajectory and an expanding economic footprint. The state has consistently fortified its economic and strategic significance within the Nigerian economy and African continent. Noteworthy is the predominant influence of the services sector in the economy of Lagos, with the trade, technology, and financial sub-sectors constituting the preponderant contributors to its overall composition. The ascendancy of several sub-sectors within the services domain underscores the expanding nature of these economic segments, consolidating the state's economic prowess, primarily underpinned by service-centric activities.

Integral to the resilience of Lagos State's economy is a robust fiscal framework implemented by the government, as evidenced by the recent fiscal budgets, spanning the years 2022 through 2024. These budgets prominently align with the THEMESPLUS Agenda, as well as the overarching objectives outlined in the Lagos State Development Plan (2022-2052). Of particular note is the reliance on internally generated revenue as a primary source of budgetary financing, exemplified by discernible capital-recurrent expenditure ratios. This fiscal strategy underscores the government's unwavering commitment to positioning the state prominently on the global economic stage and realising the envisioned status of a 21st century economy. Significant strides have been achieved in critical socio-economic indicators, notably health and education, while the burgeoning business environment attests to the prevailing economic dynamism. Infrastructural development, a cornerstone of the state's success story, has manifested in commendable progress across digital, road, rail, water, and clean energy domains.

Nonetheless, there are still challenges with requires strengthening and sustainability of government policies. First, eight subsectors are currently contracting in the state. These include telecommunication; livestock, plastic and rubber products; transport services; forestry; basic metal, iron and steel; electrical and electronics; other manufacturing sector. The sub-sectors cut across all the broad sectors – Agriculture, Industry, and Services. This was largely due to domestic constraints and spillover effects of national policies on the state economy. Also, rising prices are also a major concern in the state as headline and food inflation stood at 27.7 percent and 33.1 percent in July, respectively, with expected further increase by January 2024. This is eroding the purchasing power of households which may further increase poverty level in the state. While the state enjoys strong fiscal sustainability, there is need for a caution about the growth rate of public debt as it stood at 15.7% (year-on-year) as at the second quarter of 2023. Undoubtedly, the state largely relies on domestic resources but it is high time the state considered a shift to balance or surplus budget given its robust revenue potential. More so, the trend of capital importation is not encouraging especially at the aftermath of Covid-19. The huge fluctuation of capital importation and increasing competitiveness of Abuja in the attraction of foreign investment is a major concern that the state needs to give adequate attention to, to realise its goal of becoming 21st century economy by 2052. Furthermore, the ease of doing business in the state is still below expectation given its economic and investment potential. Finally, the exposure of households to pollution arising from fuels and other technology is still relatively high as the state has the highest percent (15.3 percent) compared to other states in Nigeria.

11. Policy Suggestions

Despite the impressive performance portrayed by the Lagos economy and huge commitment of the state government towards achieving 21st century economy, there are some areas that need improvement from the relevant MDAs:

Despite the impressive performance portrayed by the Lagos economy and huge commitment of the state government towards achieving 21st century economy, there are some areas that need improvement from the relevant MDAs:

A. It is recommended that Lagos Internal Revenue Service and Ministry of Finance (Valuation Office) act on the following:

1. Public Investment Optimisation

- Optimize government investments to boost internally generated revenue without overburdening the populace and businesses.
- Actively participate in associated benefits (by capturing resulting value) from infrastructure projects like roads, rail, and water aimed at stimulating economic activities.

2. De-dollarisation and re-dollarisation Initiatives

- Move towards de-dollarization of the Lagos State economy by discouraging the practice of quoting sale prices and school fees in US Dollars. If the practice persists, individuals or entities should discharge their statutory obligations to the Lagos State Government in the same currency.
- Require foreign airlines selling tickets in US Dollars to pay their obligations in the same currency, especially for expenses incurred locally.

B. It is recommended that Ministry of Finance and Ministry of Economic Planning and Budget ensure effective delivery of:

3. Debt Management Strategy

- Mitigating crowding-out effects by implementing measures to moderate domestic debt levels through to prevent the crowding-out effect on essential private investments.
- Enhancing revenue mobilization by expanding the array of options for domestic revenue mobilization to decrease reliance on domestic debt as a source of funding.
- Striving for fiscal balance or surplus through evaluation of the possibility of transitioning towards a balanced or surplus budget by enhancing revenue diversification efforts.

4. Promoting Capital Importation:

- Capital importation declined significantly in post-COVID-19, emphasizing the need for proactive measures to attract foreign investments rather than credit.
- Government initiatives, such as signing a Memorandum of Understanding with the Nigerian-Arabian Gulf Chamber of Commerce, and global support for long-term funding to address water shortage, demonstrate commendable steps.
- Collaborations with international entities like Dubai Chamber International and Daewoo Engineering and Construction Nigeria Limited are expected to revitalize capital inflows.
- Sustaining these efforts is crucial to ensure a conducive environment for foreign businesses, fostering long-term and consistent investor attraction.

C. It is recommended that Land Bureau and Ministry of Physical Planning and Urban Development focus on:

5. Real Estate Asset Optimization

- Focus on growing the number of undocumented real estate assets by establishing a time frame (6 to 12 months) for discounted documentation.
- Fast-track the process of issuing Certificates of Occupancy to convert dead real estate assets into commercial and bankable assets.
- Accelerate the registration of such assets in the official register to confirm them as revenue sources.

D. It is recommended that Ministry of Works and Infrastructure act on the following:

6. Infrastructure Development:

- Embrace public-private partnership arrangements to leverage benefits from substantial public investments.
- Expand the scope of infrastructure development to integrate rural areas into the state's development process.

E. It is recommended that Ministry of Agriculture strengthens her strategic roadmap delivery implementation of:

7. Agricultural Improvement

- Concede the trade-offs between urbanization and agriculture due to expansive real estate projects encroaching on traditional farming lands.
- Meticulously ensure equitable land distribution to strike a balance between urban development and preserving space for crucial agricultural activities.
- Allocate land resources judiciously to optimize agricultural productivity and facilitate storage expansion.
- Align substantial government investments in agriculture with efforts to fortify food security, emphasizing the strategic use of land resources.

8. Taming Rising Prices:

- State government has initiated efforts to provide palliatives to mitigate the ripple effect of rising prices. Expansion and sustainability of these interventions are crucial to effectively alleviate the impact of high price levels.
- Commendable policy interventions in agriculture are expected to positively influence food prices. However, government must ensure the sustainability of these interventions to consistently address the challenges posed by rising prices.

F. It is recommended that Ministry of Commerce, Industry and Cooperatives acts on the following:

9. Strengthening Ease of Doing Business

- Ongoing efforts to enhance the ease of doing business are in progress, but further improvements are crucial for unlocking full business potential.
- Key areas for refinement encompass tax policies, business start-ups, contracts enforcement, and land and property acquisition and development.
- Collaboration with the Presidential Committee on Fiscal Policy and Tax Reforms, aiming to harmonize the tax structure, fostering business confidence and expansion.
- Complete the collaboration to eradicate multiple taxes and rebuild investor confidence, achieving a logical and conclusive resolution.
- Commendable introduction of the small claims court by the state judiciary, in collaboration with the Presidential Enabling Business Environment Council, requires broader implementation for expediting commercial dispute resolution.

Appendix

THEMESPLUS AGENDER of MR GOVERNOR

Technology and Innovation Hub:
Creating an environment conducive to technological innovation and entrepreneurship. This includes supporting tech startups, establishing innovation hubs, and providing resources for research and development.

Diversification of Economy:
Encouraging diversification away from traditional sectors (like oil and gas) into knowledge-based industries such as technology, finance, creative arts, and services.

Infrastructure Development:
Investing in critical infrastructure such as power, transportation, telecommunications, and digital infrastructure to support economic activities and enhance connectivity.

Ease of Doing Business:
Implementing policies and reforms to streamline bureaucratic processes, reduce red tape, and improve the business environment to attract investments and facilitate entrepreneurship.

Skills Development and Education:
Focusing on education reform and skill development programs to equip the workforce with the skills needed for the 21st-century economy, including STEM education and vocational training.

Entrepreneurship and SME Support:
Supporting small and medium-sized enterprises (SMEs) through funding, mentorship programs, and access to markets to stimulate economic growth and job creation.

Financial Inclusion and Access to Capital:
Promoting financial inclusion and ensuring access to capital for businesses, especially for startups and small businesses, through initiatives like microfinance and venture capital funds.

Global Competitiveness:
Engaging in global trade and partnerships, attracting foreign direct investment, and enhancing Lagos' competitiveness in the global economy..

Sustainable Development Goals (SDGs):
Aligning economic development with sustainability goals to ensure long-term growth that is environmentally conscious and socially inclusive.

Public-Private Partnerships (PPPs):
Collaborating with the private sector to drive economic growth, leveraging their expertise and resources in various development projects.

Education & Technology

Technology Integration in Education:
Implementing technology in classrooms, including smart boards, computers, tablets, and educational software to facilitate interactive and engaging learning experiences

ICT Education and Training:
Providing training for educators and students in Information and Communication Technology (ICT) to improve digital literacy and equip them with essential tech skills.

E-Learning Platforms:
Developing and utilizing online platforms and resources for distance learning, offering flexibility and accessibility to education.

STEM Education:
Emphasizing Science, Technology, Engineering, and Mathematics (STEM) education to prepare students for careers in technology-driven fields and foster innovation.

Partnerships with Tech Industry:
Collaborating with technology companies and industry experts to provide mentorship, internships, and resources for students to gain practical experience and exposure to emerging technologies.

Tech Entrepreneurship Programs:
Creating programs to encourage students and young entrepreneurs to develop technological innovations and startups, fostering a culture of innovation and entrepreneurship.

Education Reform:
Implementing policies and reforms to improve the quality of education, including curriculum enhancements and teacher training programs focused on integrating technology into teaching methodologies.

School Infrastructure and Connectivity:
Upgrading school infrastructure to accommodate technology, ensuring access to reliable internet connectivity for educational institutions.

Digital Skills Development:
Offering programs and workshops to develop digital skills beyond the classroom, preparing students for the evolving demands of the modern workforce.

Research and Development:
Investing in educational research and development to continuously improve teaching methods and educational technology tools.

Appendix

HEALTH & ENVIRONMENT

1
Healthcare Infrastructure Improvement: Building and upgrading healthcare facilities such as hospitals, clinics, and health centers to enhance access to quality healthcare services.

2
Healthcare Services Accessibility: Ensuring healthcare services are easily accessible to all residents, especially in underserved areas, through initiatives like mobile clinics and community health programs.

3
Disease Prevention and Control: Implementing measures for disease prevention, immunization programs, and health education campaigns to promote healthy living and reduce the spread of diseases.

4
Maternal and Child Health: Focusing on maternal care, child healthcare, and family planning services to improve maternal and child health outcomes.

5
Emergency Response and Preparedness: Strengthening emergency response systems and preparedness for natural disasters or health crises to mitigate their impact on public health.

ENTERTAINMENT AND TOURISM

Cultural Heritage Sites: Lagos is rich in cultural heritage, featuring historical sites, museums, and landmarks that showcase the city's history and traditions

Beach Tourism: With its coastal location, Lagos boasts beautiful beaches that attract tourists for relaxation, water sports, and leisure activities

Eco-Tourism: Initiatives promoting eco-tourism, including nature reserves, parks, and conservation areas that showcase the region's biodiversity.

Hospitality and Accommodation: The city offers a wide range of accommodation options, including hotels, resorts, guesthouses, and Airbnb rentals, catering to different preferences and budgets.

Infrastructure Development: Investing in tourism-related infrastructure such as transportation, roads, and facilities to enhance the tourist experience and accessibility to attractions.

Promotion and Marketing: Launching campaigns to market Lagos as a tourist destination, highlighting its attractions, events, and unique cultural experiences.

Cuisine and Culinary Tourism: Lagos' diverse culinary scene, featuring local and international cuisines, offers a unique experience for food enthusiasts and tourists.

1
Music, Film, and Arts: Lagos is a hub for music, film, and artistic expression in Nigeria. It involves supporting local talent, hosting events, and creating platforms for artists to showcase their work.

2
Entertainment Venues: The city boasts numerous entertainment venues, including theaters, concert halls, and cultural centers, hosting live performances, concerts, and art exhibitions.

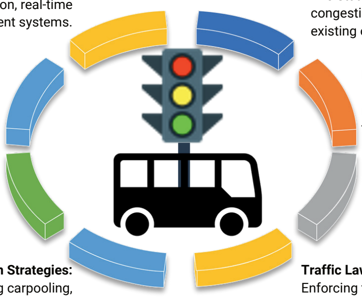
3
Nightlife: Lagos has a vibrant nightlife scene with restaurants, bars, clubs, and lounges catering to various tastes and styles, attracting both locals and tourists.

4
Events and Festivals: Organizing and hosting various cultural, music, and arts festivals throughout the year, promoting cultural exchange and tourism.

5
Media and Broadcasting: Lagos serves as a major hub for media and broadcasting, with several TV stations, radio stations, and production houses contributing to the entertainment industry.

Appendix

TRAFFIC MANAGEMENT & TRANSPORTATION



Technology Integration:
Utilizing technology for traffic monitoring, management, and communication to optimize transportation systems. This includes apps for navigation, real-time traffic updates, and smart traffic management systems.

Road Infrastructure:
The State focuses on constructing and maintaining road networks to ease congestion and improve commuting. This includes building new roads, repairing existing ones, and creating alternative routes.

Urban Planning and Development:
Incorporating transportation considerations into urban planning to design cities in ways that promote walkability, reduce dependency on cars, and encourage the use of public transportation

Public Transportation:
Enhancing public transport systems like buses, water transportation, and the rail network to provide efficient and accessible options for commuters. Projects like the Lagos Rail Mass Transit (LRMT) aim to alleviate congestion on roads.

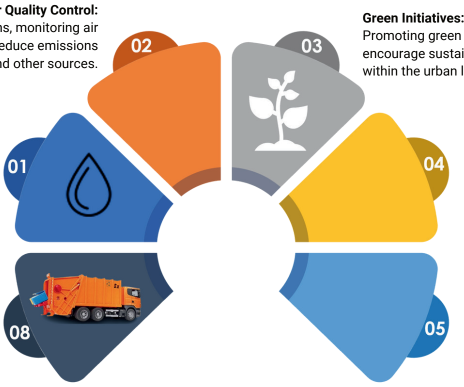
Infrastructure Development for Multimodal Transportation:
Integrating various modes of transportation (buses, rail, waterways) to create a seamless and interconnected transportation network.

Traffic Management:
Implementing traffic control measures such as traffic lights, roundabouts, and pedestrian crossings to regulate traffic flow and minimize gridlock.

Traffic Decongestion Strategies:
Introducing policies to decongest traffic, such as encouraging carpooling, implementing tolls for congestion pricing, and restricting vehicular movement during peak hours.

Traffic Law Enforcement:
Enforcing traffic regulations to ensure compliance by motorists, reducing reckless driving, and enhancing road safety. This includes measures such as deploying traffic officers and using technology for monitoring

HEALTH & ENVIRONMENT.../2



Air Quality Control:
Addressing air pollution through regulations, monitoring air quality, and implementing measures to reduce emissions from industries, vehicles, and other sources.

Green Initiatives:
Promoting green spaces, tree planting, and initiatives that encourage sustainability and environmental conservation within the urban landscape.

Clean Water and Sanitation:
Ensuring access to clean and safe drinking water, as well as improving sanitation facilities to prevent waterborne diseases and promote public health.

Environmental Policies and Regulations:
Enforcing environmental laws and regulations to protect natural resources, biodiversity, and ecosystems.

Waste Management:
Implementing efficient waste management systems to handle and dispose of waste effectively, including recycling initiatives and waste-to-energy projects

Climate Change Adaptation:
Developing strategies to adapt to climate change impacts and mitigate their effects on public health and the environment.

SOCIAL INCLUSION AND GENDER EQUALITY

1 **Poverty Alleviation Programs:**
Implementing initiatives aimed at reducing poverty and providing social safety nets for vulnerable populations through programs like welfare schemes, food assistance, and skill-building initiatives.

2 **Inclusive Policies:**
Developing policies that promote inclusion, diversity, and equal opportunities for marginalized groups such as persons with disabilities, ethnic minorities, and the elderly.

3 **Access to Education and Healthcare:**
Ensuring equitable access to quality education and healthcare services for all residents, regardless of socio-economic background or location.

4 **Housing and Urban Development:**
Providing affordable housing options and improving living conditions in urban areas to address housing challenges and promote inclusive communities.

Appendix

SECURITY, GOVERNANCE AND FINANCE

Policy Formulation and Implementation:
Developing and implementing policies and regulations that govern various aspects of public life, including urban planning, infrastructure development, and social welfare programs.

Transparency and Accountability:
Promoting transparency and accountability in government operations through measures such as open governance, public disclosures, and anti-corruption efforts.

Public Service Delivery:
Ensuring efficient delivery of public services such as healthcare, education, water supply, and sanitation to the residents.

Urban Planning and Development:
Planning and managing urban growth, infrastructure development, and zoning regulations to create sustainable and livable communities.

Public Participation and Engagement:
Encouraging citizen participation in governance through town hall meetings, public forums, and community engagement initiatives.

Ethical Leadership and Good Governance:
Fostering ethical leadership and good governance practices within the government, emphasizing integrity, accountability, and responsiveness to citizens' needs.

Legal Framework and Justice System:
Strengthening the legal framework and justice system to ensure fair and efficient administration of justice for residents.

SOCIAL INCLUSION AND GENDER EQUALITY

1. **Education and Skill Development:**
Providing quality education and skill-building opportunities to equip youth with the necessary skills for employment, entrepreneurship, and leadership roles.

2. **Youth Empowerment Initiatives:**
Implementing programs that support youth entrepreneurship, innovation, and civic engagement, encouraging active participation in community development.

3. **Mental Health and Well-being:**
Addressing mental health issues among young people and providing support services, counseling, and awareness campaigns to promote mental well-being.

4. **Youth Participation in Governance:**
Encouraging youth involvement in decision-making processes, fostering youth representation in governance structures, and promoting youth-led initiatives.

Appendix

SECURITY, GOVERNANCE AND FINANCE

1. **Women Empowerment Programs:**
Implementing initiatives that empower women economically, politically, and socially, such as entrepreneurship programs, leadership training, and access to credit facilities.

2. **Gender-Based Violence Prevention:**
Implementing policies and programs to prevent and address gender-based violence, providing support services for victims, and creating awareness campaigns to change societal attitudes.

3. **Equal Opportunities:**
Ensuring equal opportunities for men and women in education, employment, and leadership roles, aiming for gender parity in various sectors.

SOCIAL INCLUSION AND GENDER EQUALITY

1. **Education and Skill Development:**
Providing quality education and skill-building opportunities to equip youth with the necessary skills for employment, entrepreneurship, and leadership roles.

2. **Youth Empowerment Initiatives:**
Implementing programs that support youth entrepreneurship, innovation, and civic engagement, encouraging active participation in community development.

3. **Mental Health and Well-being:**
Addressing mental health issues among young people and providing support services, counseling, and awareness campaigns to promote mental well-being.

4. **Youth Participation in Governance:**
Encouraging youth involvement in decision-making processes, fostering youth representation in governance structures, and promoting youth-led initiatives.

SECURITY, GOVERNANCE AND FINANCE

1. **Law Enforcement:**
Deploying police and security personnel to maintain law and order, prevent crime, and ensure public safety

2. **Surveillance and Monitoring:**
Utilizing technology such as CCTV cameras, drones, and other surveillance systems to monitor public areas and assist in crime prevention.

3. **Community Policing:**
Engaging with communities to foster cooperation between law enforcement agencies and residents, promoting a collaborative approach to crime prevention.

4. **Crime Prevention Programs:**
Implementing initiatives targeting specific crimes such as robbery, cybercrime, and violence to curb criminal activities.

5. **Emergency Response Services:**
Strengthening emergency response systems, including ambulance services, fire departments, and disaster management agencies

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Economic Intelligence Department