LAGOS STATE DEBT SUSTAINABILITY ANALYSIS AND DEBT MANAGEMENT STRATEGY

(DSA-DMS) REPORT

Developed by the Lagos State Debt Management Office

November 2021

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DEBT MANAGEMENT

SIGN

DATE 15/12/2021

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1. INTRODUCTION

The DSA analyzes trends and patterns in the Lagos State's public finances during the period 2016-2020 and evaluates the debt sustainability in 2021-2030 in the medium to long-term, under various macroeconomic assumptions, shock scenarios and the related policies adopted by the State. To ensure that State debt stock remains sustainable in the medium to long-term, by using the State's macroeconomic framework with a view to assessing the current and future debt levels, as well as its ability to meet debt service obligations as and when due, and without compromising growth and development.

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

Lagos State Debt Sustainability Analysis forecast for primary balance that comprises the difference between revenue and expenditure, plus the existing debt service (interest payment and principal repayments). The solid debt position results from the State's strong performance in terms of mobilizing Internally Generated Revenue (IGR) underpinned by the successful tax administration reforms introduced recently, its control of recurrent expenditure growth and its low level of public debt. Given the State's own forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable.

2. THE STATE FISCAL AND DEBT FRAMEWORK

Lagos State Government has been active in involving the public in its budgetary preparation by way of citizens participation in budgeting, this is very important in the developing countries as a means of improving the performance and accountability of bureaucracies and improving social justice. As the economy is the primary and critical component of life, the State government has vibrant economic policies to harness the abundant economic potentials, particularly financial policy framework that had and will always assist the State Government, Ministries, Departments and Agencies in translating the yearnings of the citizens for good governance, economic development and prosperity into reality. This includes:

- Formulation, Co-ordination and Implementation of Financial Policy and Regulations.
- Monitoring of all the State Revenue through electronic means.
- Ensuring budget discipline (balancing public expenditures with State resources).
- Determining the funding priorities of the State.
- Formulation of Accounting Policies and Maintenance of Accounting Standards.
- Cash Management.
- Public Debt Management and Strategy (Loans Policy, Outstanding Debts Management and Contractors' Arrears).

The State has also put a number of measures in place to improve and sustain the growth in revenue generation such as:

- Expansion of tax net to capture more tax payers.
- Introduction of technology for revenue collection and to block leakages in the system.
- Electronic Billing system to mitigate against fraud.
- Land-use charge.
- Implementation of Tax Incentives and Reliefs for Taxpayers (individuals & business) in Lagos.

The COVID-19 (Corona Virus Disease) devastated the world in the early part of year 2020. The COVID-19 which appeared in China gradually became a global pandemic. The global fight against the deadly virus led to collapse of the economies of the leading industrialised countries because of which oil demand declined worldwide, as well as collapse in the commodity market. This pandemic led to recession in almost all the nations. In addition, the world suffers attendant consequences of policies like lockdown, which came into effect in many parts of the world to contain the virus. Many countries of the world including Lagosia are currently experiencing various degrees of economic difficulties due to pandemic. This has impacted on the revenue generation negatively.

Lagos State Government has also invested massively on developmental and productive projects as well as infrastructural developments which cut across all sectors of the State. Some of these include the followings: Massive investment on infrastructural development such as Bridges, Roads, Schools, Railways, etc.; Focus on Security to encourage both Local and Foreign Investors; Light-Up Lagos Project; Agricultural Projects, Enhancement and Livelihood Improvement Support projects; Implementation of minimum wage; Payment of Pensions and Gratuities as and when due; Construction of Jetties with shelter and Shoreline protection and Channelization of waterways to improve water transportation and navigation in the State. This is to improve travel time and stress-free commuting.

Medium-Term Budget Forecast

State Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) constitute the major components of the Annual Budget Process. These set of principles provides logical starting point for the development of Medium-Term Expenditure Framework (MTEF), which highlight the context of the annual budget. The key objective is to achieve fiscal realism and sustainability for both the medium and long-term development of the State through an institutionalized fiscal reform.

This Medium-Term Budget Framework (MTBF) document is prepared to assist and inform decision makers on the most effective approach to get a realistic aggregate budget size and allocating resources in order to achieve the Government's policy objectives. It makes recommendation on how the budget should be divided to produce the sectoral allocation of resources using a medium-term perspective. In effect, it provides a platform for the Executive Council (EXCO) to deliberate over the inter-sectoral allocation of resources in the Y2022 budget and the outer Y2023 and Y2024.

The Economic and Fiscal Update (EFU) of this MTBF document provides economic and fiscal analysis, which form the basis for budget planning process.

The Fiscal Strategy (FS) is a key element in MTBF and annual budget process, and as such, it determines the resources available to fund Government projects and programmes from a fiscally sustainable perspective. This is consistent with the Government's macroeconomic objectives and determines the amount of overall resources that are expected to be available to the Treasury for the budget over the medium term. It provides an analysis of the Government's key policy priorities to which resource allocation will be aligned. It then goes on to develop indicative resource envelopes for the 9 Functional Groups in accordance with the standard Classification of Functions of Government (COFOG) over the period Y2022-Y2024; these envelopes are consistent with the aggregate resource availability determined by the Medium-Term Fiscal Framework (MTFF).

In accordance with international best practice in budgeting, the production of a combined EFU, FS and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Lagos State Government (LASG) for the period Y2022-Y2024. The purpose of this document is three-fold:

- To provide a backward-looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update;
- To set out medium-term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy; and,
- Provide indicative sector envelopes for the period Y2022-Y2024.

3. THE STATE REVENUE, EXPENDITURE, AND PUBLIC DEBT TRENDS (2016 – 2020)

The State economy experienced a growth under Internally Generate Revenue (IGR) from N313.606 billion in 2016, N355.161 billion in 2017, N412.708 billion in 2018, N407.662 billion in 2019 and N437.161 billion in 2020, respectively, which represent an average of 8.87 percent over the historical period.

3.1 Total Revenue

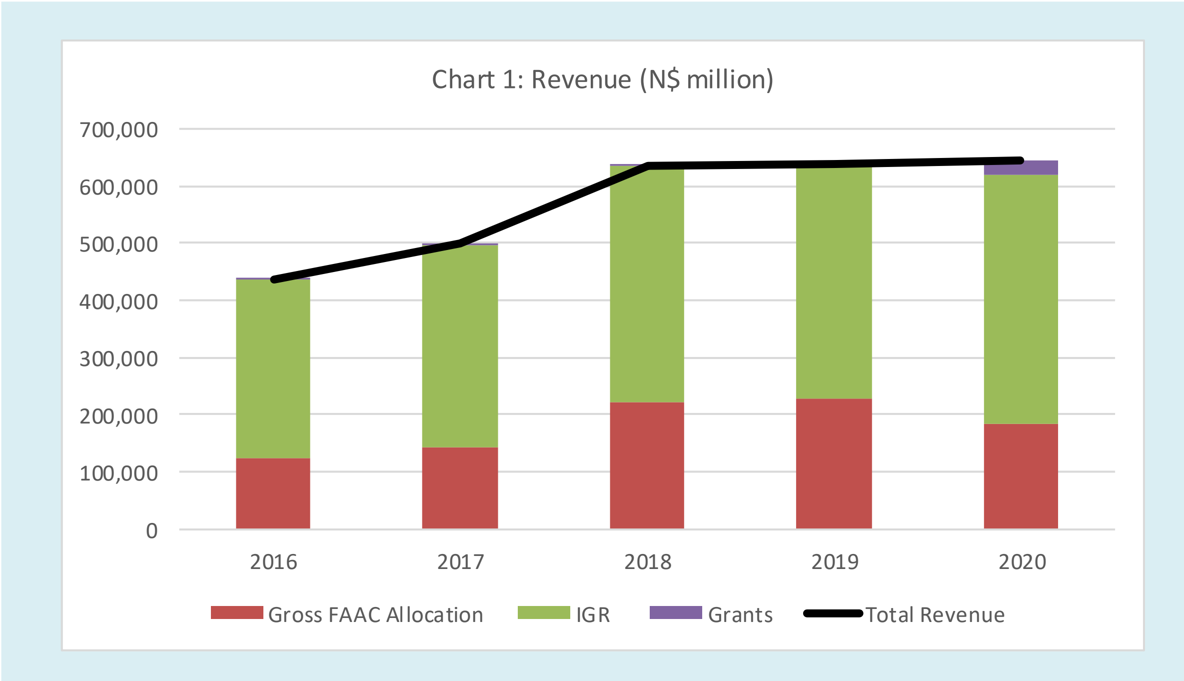
The State's economy comprises Statutory Allocation, Derivation, VAT Allocation, IGR, and Capital Receipt. the State's Revenue amounted to N643.77 billion as at end 2020 from N637.641 billion as at end 2019, the increase was due to the COVID-19 pandemic intervention fund and contribution from other sector of the economic activities, as well as revenue accrued to the to the State from the Federal Government.

State recorded an increase in the review period relative to the preceding year, as the FAAC Allocations amounted to N123.535 billion (2016), N141.780 billion (2017), N223.055 billion (2018), N229.495 billion (2019) and N183.319 billion in 2020 respectively.

While the Internally Generated Revenue (IGR) shows steady growth during the period under review. IGR grew from N313.606 billion in 2016, N355.161 billion in 2017, N412.708 billion in 2018, N407.662 billion in 2019 and N437.161 billion in 2020. The improvement in IGR is due to the aggressive revenue drive of the State Government and consistent investment in Security and Infrastructural development which create a conducive environment where businesses are thriving. The details of the revenue are as shown in the table below.

The actual grant received by State Government comprises internal grants and external grants. Lagos State Grants received N0.200 billion in 2016, N1.542 billion in 2017, N0.906 billion in 2018, N0.484 billion in 2019 and N23.298 billion in 2020, respectively. the increase was due to the COVID-19 pandemic intervention fund and contribution from the donor agencies and individual from within and out the countries.

	2016	2017	2018	2019	2020
Total Revenue	437,341	498,483	636,670	637,641	643,777
Gross FAAC Allocation	123,535	141,780	223,055	229,495	183,319
IGR	313,606	355,161	412,708	407,662	437,161
Grants	200	1,542	906	484	23,298



3.2 Total Expenditure

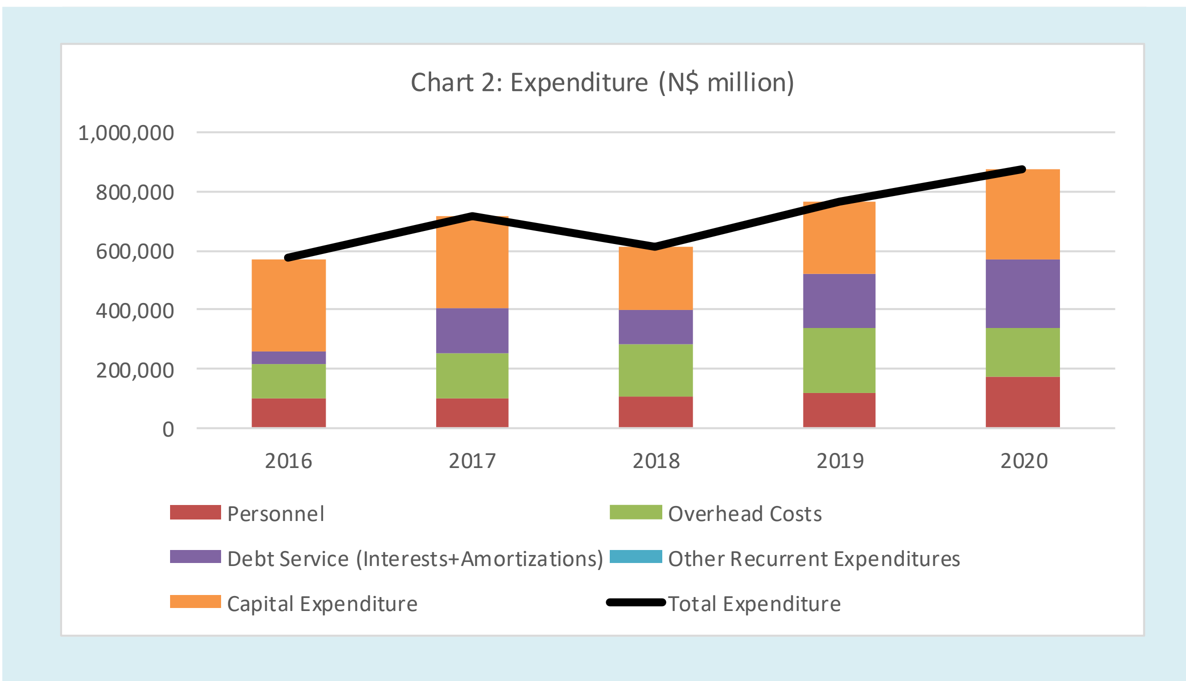
Total Expenditure covers Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment) stood at N876.469 billion in 2020 which was higher compared to N572.659 billion in 2016, N714.292 billion in 2017, N612.252 billion in 2018 and N762.567 billion in 2019, respectively.

Lagos State's Personnel Costs stood at N97.966 billion in 2016, N100.960 billion in 2017, N107.307 billion in 2018, N119.276 billion in 2019 and N170.758 billion in 2020, respectively. the Personnel costs increased due to the implementation of the new minimum wage and employment of medical personnel to combat the spread of COVID 19 pandemic.

Lagos State's Overhead Costs amounted to N118.417 billion in 2016, N1149.370 billion in 2017, N175.732 billion in 2018, N221.218 billion in 2019 and N168.080 billion in 2020, respectively. This is due to the increased cost of repairs and maintenance of Government public facilities and infrastructures which includes repairs/maintenance of roads, renovation/rehabilitation of Schools, Hospitals, Housing Estates, Purchase of drugs, medical equipment, improved welfare package for frontline medical personnel and establishment/equipment of the Security agencies across Lagos Metropolis.

Lagos State's Capital Expenditure was amounted to N314.442 billion 2016, N309.335 billion 2017, N213.765 billion in 2018, N241.057 billion in 2019, and N304.937 billion in 2020 respectively, the increase was due to construction of COVID-19 related capital project in the State.

	2016	**2017**	**2018**	**2019**	**2020**
Total Expenditure	572,659	714,292	612,252	762,567	876,469
Personnel	97,966	100,960	107,307	119,276	170,758
Overhead Costs	118,417	149,370	175,732	221,218	168,080
Debt Service (Interests+Amortizations)	41,835	154,628	115,448	181,015	232,694
Other Recurrent Expenditures	0	0	0	0	0
Capital Expenditure	314,442	309,335	213,765	241,057	304,937



3.3 Debt Portfolio

Subnational Debt Management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk. In a broader macroeconomic context for public policy, governments should seek to ensure that both the level and rate of growth in their public debt are on a sustainable path and that the debt can be serviced under a wide range of circumstances, including economic and financial market stress, while meeting cost and risk objectives.

Every government faces policy choices concerning debt management objectives, in particular its preferred risk tolerance, the parts of the government balance sheet that debt managers should be responsible for, the management of contingent liabilities, and the establishment of sound governance for public debt management. Poorly structured debt portfolios, in terms of maturity, currency, or interest rate composition and large contingent liabilities, have been important factors in inducing or propagating economic crises in many countries throughout history.

Sound risk management practices are essential given that a government's debt portfolio is usually the largest financial portfolio in the country and can contain complex and risky financial structures, which have the potential to generate substantial risk to the government's balance sheet and overall financial stability. **Debt crises have highlighted the importance of sound debt management practices.**

Lagos State's Debt Stock - State Debt stock comprises of External and Domestic Debt, the total debt stock stood at 1,055.884 billion in 2020 compared to N900.236 billion in 2019, representing an increase of N155.648 billion or 17.29 percent. The increase in the Debt stock was reflected in both Domestic and External Debt components. The Total External Debt stock increased from N456.009 billion in 2019 to N542.410 billion in 2020, while the Total Domestic Debt stock increased from N444.227 billion in 2019 to N513.475 billion in 2020. Whereas the increase in the external debt in the year was largely due to additional disbursements on existing Multilateral loans, the growth in the domestic debt was attributed to new loan from commercial banks loans and State bonds. The details of the debt stock are as shown in the table below.

	2016	**2017**	**2018**	**2019**	**2020**
Outstanding Debt (Old + New)	774,866	924,134	982,624	900,236	1,055,884
External	386,694	454,071	438,249	456,009	542,410
Domestic	388,172	470,062	544,375	444,227	513,475

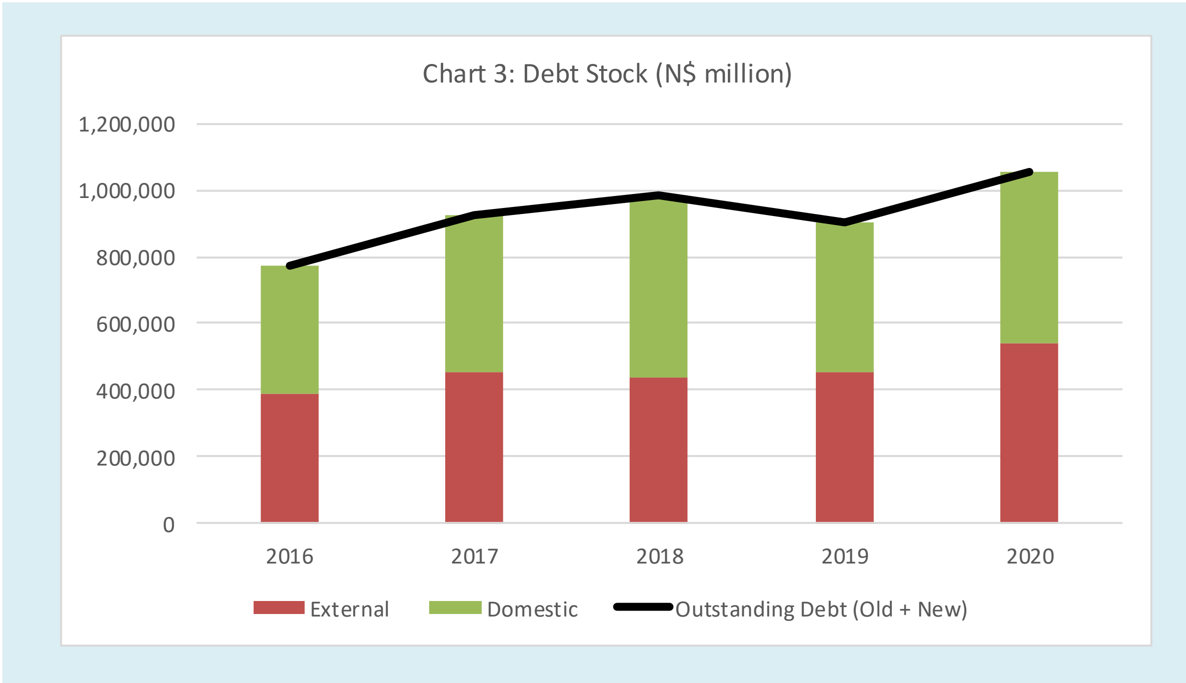
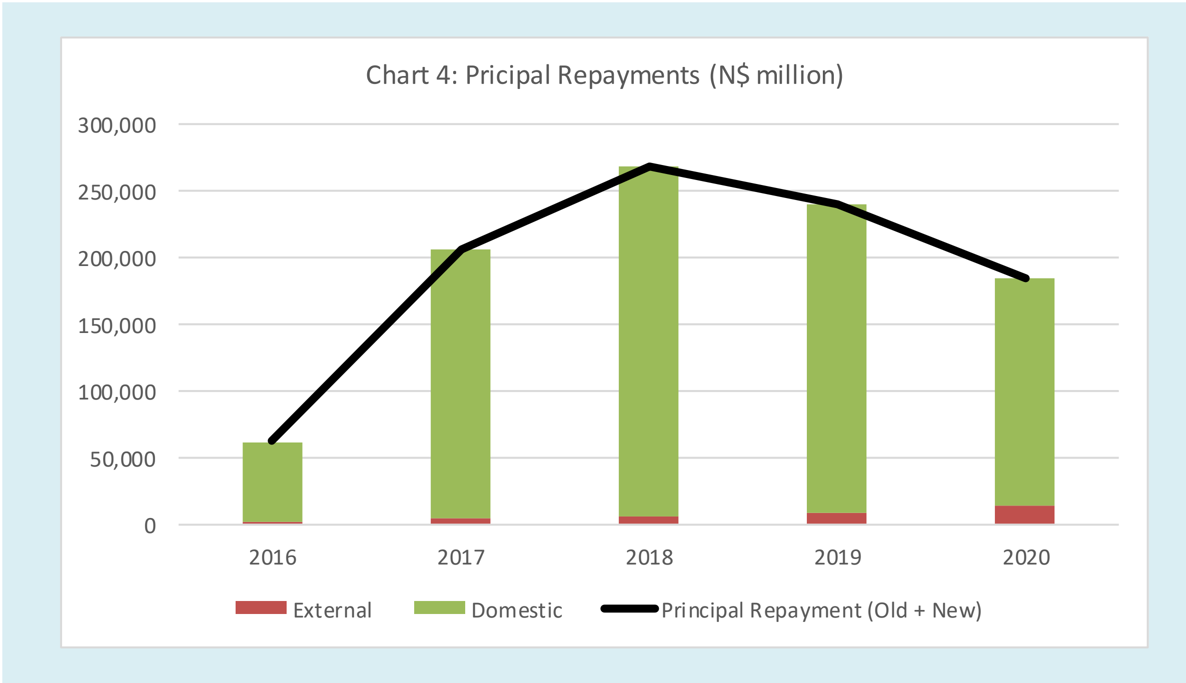


Chart 3: Debt Stock (N$ million)

Debt composition - The main domestic debt portfolio consists of Bail out loans, Budget Support Facility, Excess Crude Account Backed Loan, Contractor's Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). The ratio of External to Domestic Debt in the Total Debt portfolio was 51.37 percent external and 48.63 percent domestic as at December 31, 2020.

Debt Service - The Total debt service that comprises the interest payment and principal repayment stood at N111.294 billion in 2016, N261.254 billion in 2017, N337.913 billion in 2018, N300.767 billion in 2019 and N231.831 billion in 2020, respectively. Lagos State's Principal Repayment stood at N62.031 billion 2016, N206.238 billion in 2017, N269.025 billion in 2018, N240.703 billion in 2019, and N184.294 billion in 2020 respectively.

	2016	**2017**	**2018**	**2019**	**2020**
Principal Repayment (Old + New)	62,031	206,328	269,025	240,703	184,294
External	1,547	4,556	5,548	8,088	13,936
Domestic	60,484	201,771	263,477	232,615	170,358



Interest Payment amounted to N49.262 billion in 2016, N54.926 billion in 2017, N68.888 billion in 2018, N60.064 billion in 2019 and N47.538 billion in 2020 respectively.

	2016	**2017**	**2018**	**2019**	**2020**
Interest Payment (Old + New)	49,262	54,926	68,888	60,064	47,538
External	1,362	4,975	5,180	5,050	5,723
Domestic	47,900	49,951	63,708	55,014	41,815

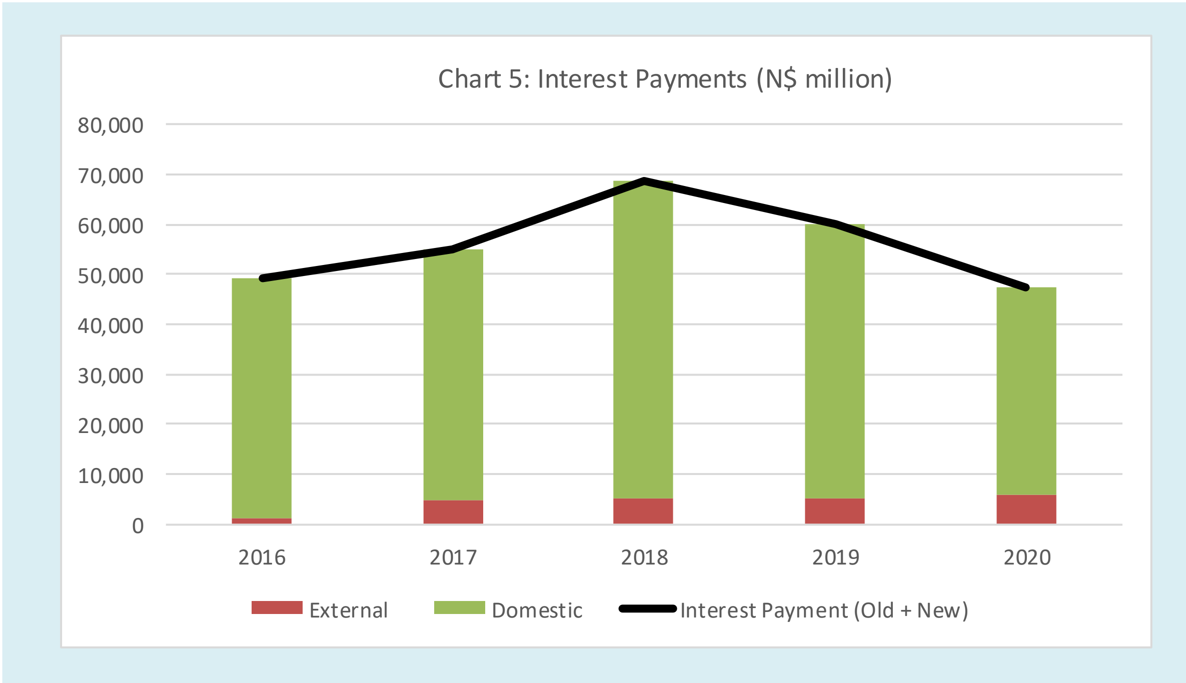


Chart 5: Interest Payments (N$ million)
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
2016
2017
2018
2019
2020
External
Domestic
Interest Payment (Old + New)

4. DEBT SUSTAINABILITY ANALYSIS

The concept of debt sustainability refers to the ability of the government to honor its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden.

Lagos State Debt as percent of GDP stood at 2.86 percent in 2016, 3.32 percent in 2018 and 3.55 percent in 2020. Debt as % of Revenue stood at declined from 177.18 percent in 2016 to 164.01 percent in 2020. Debt service as % of Revenue stood at 36.01 percent in 2020. Personnel Cost as at end December 2020 was 26.52 percent. All the indicators are still below the thresholds. The ratios of Debt Service as % of FAAC remained at 126.46 percent in 2020, Interest Payment as % Revenue stood at 7.38 percent in 2020, and External debt service as % of Revenue remained at 3.05 percent in 2020. The details of the debt burden indicators are as shown in the table below.

Lagos State Debt Burden Indicators

	Threshold	2016	2017	2018	2019	2020
Debt as % of GDP	25	2.81	3.26	3.32	2.64	2.96
Debt as % of Revenue	200	177.18	185.39	154.34	141.18	164.01
Debt Service as % of Revenue	40	25.45	52.41	53.08	47.17	36.01
Personnel Cost as % of Revenue	60	22.40	20.25	16.85	18.71	26.52
Debt Service as % of Gross FAAC Allocation	Nil	90.09	184.27	151.49	131.06	126.46
Interest as % of Revenue	Nil	11.26	11.02	10.82	9.42	7.38
External Debt Service as % of Revenue	Nil	0.67	1.91	1.68	2.06	3.05

4.1 Medium-Term Budget Forecast

Lagos State's medium-term debt sustainability is predicated upon a gradual recovery of the Lagosian economy that will increase FAAC statutory allocation. According to the Federal Government and State's own forecasts, the Lagosian economy is expected to gradually recover in the period 2022-2024, with real GDP expanding at an average annual rate of 3 percent and domestic inflation decreasing below 10 percent by 2023. Such a moderate recovery will be supported by higher oil prices in global markets, an increase in domestic production, prudent fiscal policy, and the stabilization of the exchange rate relevant for international public-sector financial transactions at its current level. Oil and gas revenue, as well as shared resources such as custom duties and VAT, would then increase relative to the depressed levels observed in 2020, thus improving the State's revenue position.

The State Government is intent on continuing significant investment in the rebuilding and recovery of its economy while laying the foundations for the future by intensifying covid-19 response, taking stock of the impact of the pandemic on the Government's fiscal position, supporting core public services through managing critical cost pressures, and delivering priority and time-sensitive projects. The indicative three-year fiscal framework for the 2022-2024 is presented in the table below

Indicative Three Years Fiscal framework

Items	2021 Approved Budget	2022	2023	2024
National Inflation	16.00%	13.50%	12.75%	12.00%
National Real GDP Growth	2.50%	2.30%	2.30%	2.40%
State Inflation	9.01%	15.63%	10.83%	10.75%
State Real GDP Growth	2.00%	3.50%	4.50%	4.75%
State GDP	41,167,788.00	45,647,091.00	50,435,288.00	54,851,402.00
Revenue				
Gross Statutory Allocation	55,000.00	60,500.00	66,069.56	67,390.95
Derivation	100.00	110.00	112.20	114.00
Other FAAC transfers	8,587.88	10,806.48	14,124.69	16,770.78
VAT Allocation	151,021.75	174,418.91	198,847.23	225,733.40
IGR	723,817.00	829,513.00	912,464.00	1,003,711.00
Grants	25,627.42	44,771.42	44,881.57	56,550.77
Other Non-Debt Creating Capital Receipts	17,549.15	22,111.93	27,861.03	35,104.90
Total Revenue	**981,703.21**	**1,142,231.74**	**1,264,360.28**	**1,405,375.81**
Expenditure				
Personnel costs	170,526.00	181,089.00	188,332.00	195,865.00
Overhead costs	262,587.00	286,577.00	300,906.00	315,951.00
Debt Charges	169,077.21	165,031.74	214,968.28	199,658.81
Capital Expenditure	572,007.00	594,101.00	645,690.00	787,991.00
Total Expenditure	**1,174,197.21**	**1,226,798.74**	**1,349,896.28**	**1,499,465.81**
Budget Deficit	**-192,494.00**	**-84,567.00**	**-85,536.00**	**-94,090.00**
New Domestic Borrowing	154,697.22	12,000.00	12,000.00	13,200.00
New External Borrowing	37,796.78	72,567.00	73,536.00	80,890.00
Financing Requirement (Borrowing)	**192,494.00**	**84,567.00**	**85,536.00**	**94,090.00**

Fiscal Assumptions

The 2022-2024 fiscal strategy setting will provide the opportunity to reassess the impact of the social support measures and start planning to bring public finances on a firm footing. In setting the overall strategy for the 2022-2024 budget, the government recognize the need to adapt to the exceptional degree of macroeconomic uncertainty and its impact on revenues, opt for a prudent approach, and preserve a medium-term orientation to planning and budgeting.

Considering the current situation, government understands the risks and difficulty in making policy decisions based on a single macro-fiscal scenario, hence, the need to outline several scenarios and make policies contingent on them. These policies will be refined and adapted according to different assumptions, especially with regard to the impact on public revenue linked to the economic slowdown. These assumptions are:

- To strategically improve on revenue generation for the State through technological innovations and expansion of Tax net;
- To engage the Economic Advisory Team with the mandate of providing intelligence (economic and financials) in order to improve the business environment and the overall economy of the State;
- To ensure efficiency in personnel and overhead expenditure by adopting a Performance Evaluation Review Mechanism that rewards performance in addition to allowing greater resource availability for capital development;
- To ensure priority is given to completion of ongoing capital projects before new projects are commenced;
- To ensure continuity of Accountability and Transparency in the discharge of duties by Public servants; and
- To maximise the benefit of the State as one of the 100 resilient cities of the world in order to attract more FDIs.

Financial Control & Management (2009) – The **F**inancial **C**ontrol and **M**anagement was enacted to ensure that the requisite rules and regulations that would guarantee probity and transparency in the control and management of public funds and resources of government are put in place. Some key provisions of the law are:

i. Authority of remission of funds to the Consolidated Revenue Account resides with each MDAs;
ii. Public money shall be paid into the Consolidated Revenue Fund or other appropriate funds;
iii. No public or official account shall be opened in any bank without prior authority in writing of the Ministry;

iv. Contingency funds may be utilized for making money available to meet expenditure which is not provided for in the appropriation law of Consolidated Revenue Fund;
v. The State Commissioner may limit or suspend expenditure if the public interest so requires; and
vi. The Accountant General shall transmit to the Auditor-general accounts showing the financial position of the State at the beginning of a fiscal year.

Public Procurement Laws - The Lagos State **P**ublic **P**rocurement **L**aw was enacted in Y2011, "to establish the State council on public procurement as the regulatory authorities responsible for the monitoring and oversight of public procurement, harmonizing the existing government policies and practices by regulating, setting standard, developing the legal framework and professional capacity for public procurement in Lagos state and for related matters". The law sets out provisions for:

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

Audit Laws 26th July, 2011

i. The Auditor General will determine which auditing standards should be applied and may establish audit programmes and code of ethics specific to the audit performed by him. Notes will provide information about the basis of preparation of the financial statements and specific accounting policies;
ii. After the close of each fiscal year, the Accounting officer will prepare and submit to the Accountant-General, with a copy to the Auditor-General, appropriation accounts of the monies expended under the votes for which they are responsible;

iii. Without prejudice, any person who fails to reply to an audit query within the specified period may be liable to disciplinary action;
iv. Review of the Auditor-General's audit report will be done by the Public Accounts Committee (PAC);
v. Annual estimates & expenditures must be prepared and submitted to the House at least 90 days before beginning of each year; and
vi. The Auditor-General may amend the draft plan after comments from the House or PAC and submit to the Ministry of Economic Planning & Budget for inclusion in the State budget.

Fiscal Responsibility Acts (FRA) 30th July, 2007

i. Although, FRA provides for the preparation of MTEF, but at States' discretion, this can be modified as appropriate. The Lagos State Government therefore, provides for the preparation of MTBF, over the next three financial years, not later than four months before the commencement of the next financial years as prepared by the Ministry of Economic Planning & Budget;
ii. The State also provides that the MTBF shall be the basis for the preparation of the annual budget;
iii. Mandates the Accountant-General of the State to prepare the annual cash plan of each financial year; and
iv. The State also borrow for only capital expenditure and human development on not more than 3% interest rate with long amortisation period and on approval.

4.2 Borrowing options

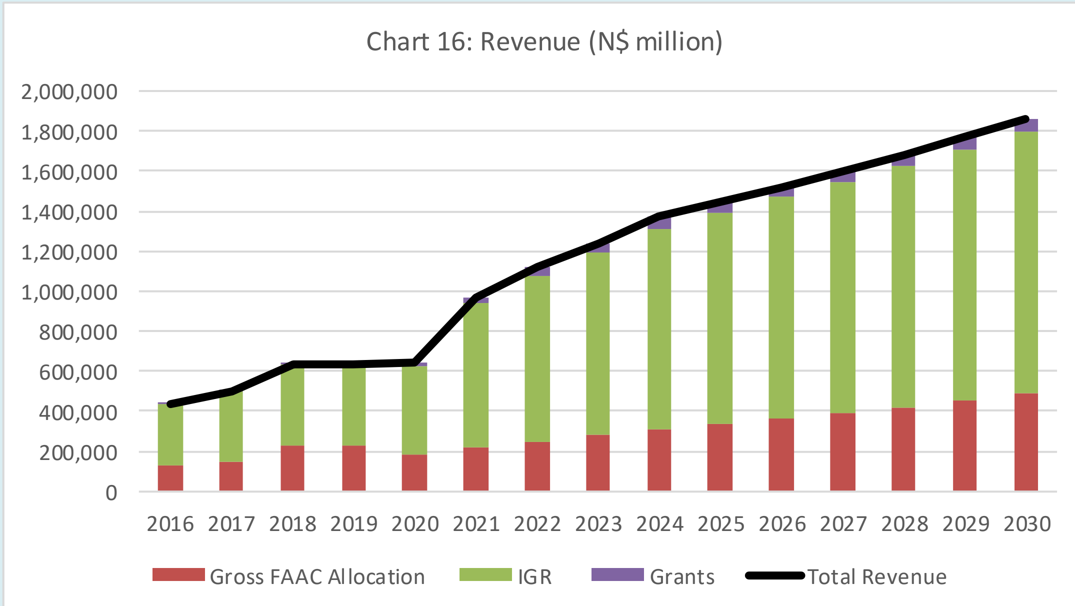
The borrowing options are considered due to the timing of government's cash flows throughout the fiscal year. External and Domestic borrowing serve as one of the main sources of borrowing with average ratio of N63.257 billion and N46.790 billion percent over the projection period from 2021 to 2030 and given the limited funding envelopes from the external borrowing with long processing time required, domestic borrowings are mainly through: State bonds, the commercial banks, Federal Government and other Central Bank of Lagosia (Interventions) loans are main source of financing.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
New Domestic Financing (NGN' Million)										
Commercial Bank Loans (maturity 1 to 5 years)	55,045.39	0.00	0.00	0.00	10000.0	0.0	20000.0	15000.0	12000.0	35000.0
Commercial Bank Loans (maturity 6 years)	0.0	12000.0	12000.0	13200.0	15000.0	12000.0	8000.0	11000.0	9000.0	0.0
State Bonds (maturity 1 to 5 years)	0.0	0.0	0.0	0.0	0.0	0.0	20000.0	0.0	0.0	0.0
State Bonds (maturity 6 years or longer)	99,651.83	0.0	0.0	0.0	0.0	20000.0	0.0	19000.0	25000.0	45000.0
Other Domestic Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New External Financing (US$' Million)										
External Financing - Concessional Loans	0.0	0.0	0.0	0.0	150.0	144.3	50.0	92.7	87.5	85.6
External Financing - Bilateral Loans	99.7	191.5	194.0	213.4	135.0	0.0	61.6	0.0	50.0	113.7
Other External Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Borrowing Requirements	192,494.00	84,567.00	85,536.00	94,090.00	133,028.97	86,678.25	90,300.37	80,144.23	98,099.81	155,532.06

4.3 DSA Simulation Results

The chart above shows that Total Revenue steadily increased from N433.84billion in Y2016 to N1,073.74billion in Y2025 and then to N1,116.83billion in Y2030 due to improved Government Revenue generation strategy. The following are the movement in the component of Total revenue; IGR increased from N310.11billion in Y2016 to N704.57billion in Y2030, FAAC increased from N123.54billion in Y2016 to N374.74billion in Y2030 and Grant increased from N0.2billion in Y2016 to N37.52billion in Y2030.

Lagos State Revenue is estimated grow from N964.154 billion in 2021 to N1,857.312 billion in 2030 during the projected period, this is driven largely by expected improvement in IGR from N723.817 billion in 2021, N1,055.073 billion in 2025, N1,157.796 billion in 2027 and N1,311.881 billion in 2030 respectively and FAAC allocation projected to increase to N485.910 billion in 2030 from N214.710 billion in 2021. The details of the revenue projections are as shown in the table below. Estimated on Revenue were sources from the Approved 2021 Budget; Medium Term Expenditure Framework (MTEF), 2021-2023; the projections period from 2024-2030 projections as estimated by the official of State Ministry of Economic Planning and Budgeting.



Lagos State Expenditure is projected to grow from N1,196.944 billion in 2021 to N1,495.042 billion in 2024, the Capital expenditure has the largest share over the estimated period. indicating stability in the state growth recovery. The growth in the period is predicated on sustaining effective implementation of the new laws. Government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors, including Infrastructure, Manufacturing, Housing and Construction, Education, Health, agriculture, and Water Resources within the period.

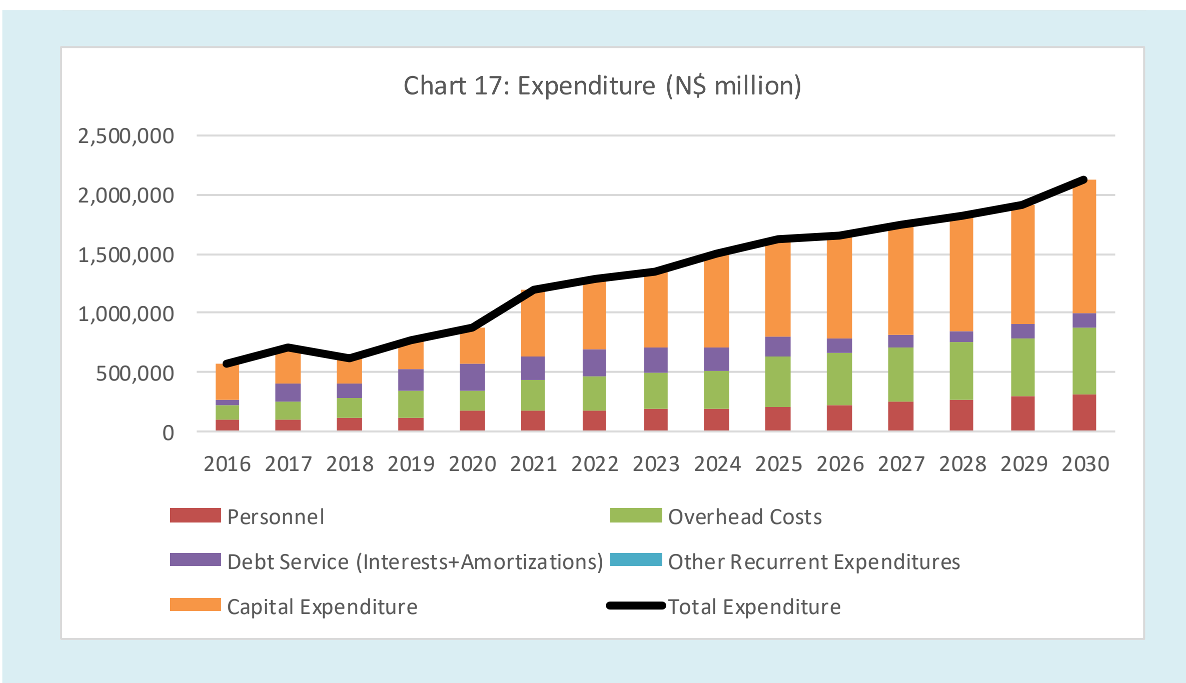
Estimated on Expenditure were sources from the Approved 2021 Budget; Medium Term Expenditure Framework (MTEF), 2022-2024; the projections period from 2025-2030 projections as estimated by the official of the State Ministry of Economic Planning and Budgeting.

Personnel – The 6 percent increase in the personnel cost is to accommodate additional medical personnel, teachers, redeployment of Corp-members from volatile States, personnel cost estimated to grow from N170.526 billion in 2021 to N315.727 billion in 2030.

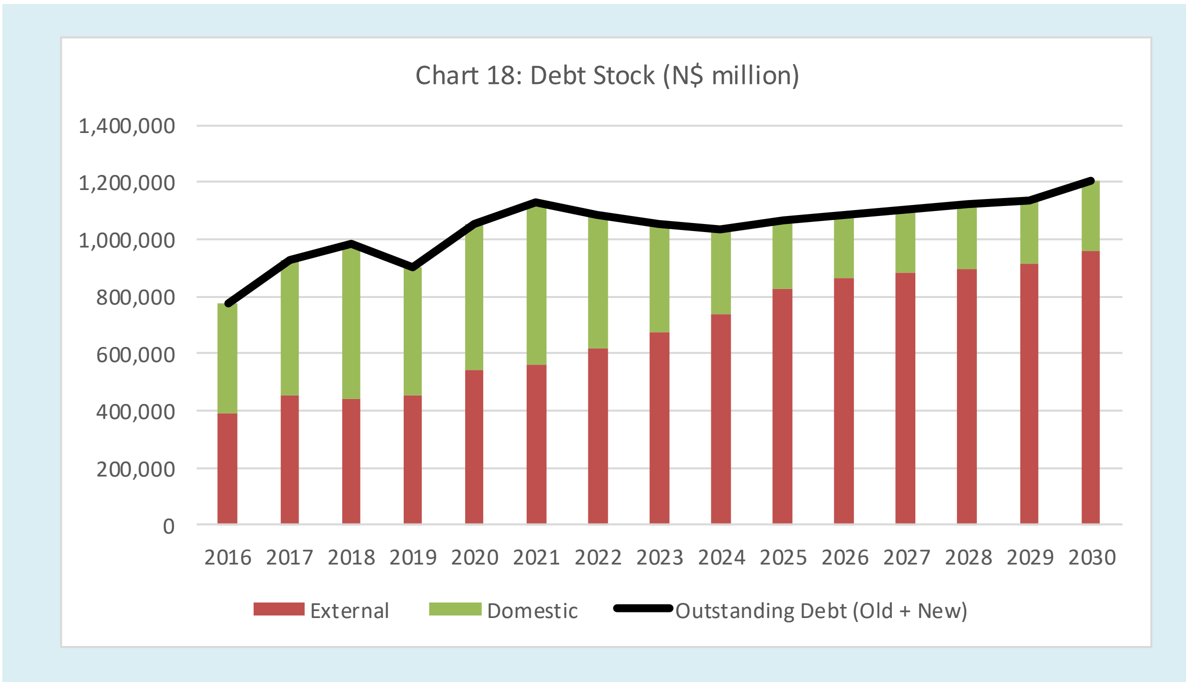
Overheads – increment is to increase spending on Social Welfare Programmes: including Health, Education, Civic Engagement etc. and build the capacities of staff in priority sectors to deliver services. Estimated at N262.587 billion in 2021, N300.906 billion in 2023, N442.803 billion in 2026, and N556.803 billion in 2030, respectively.

Total Debt Service – is based on the projected principal and interest repayments for 2021 to 2030. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the projection period.

Capital Expenditure – The increase is to demonstrate the administration's commitment to massive infrastructural renewal and development towards rebuilding and actualizing a greater Lagos. This will be achieved through boosting local production of goods and services to replace imported goods, improve human capital development, improving social amenities in the city centres, construction of additional Industrial Estates and powering it by Independent Power Project (IPP) to reduce operational cost. The percentage of capital as percentage of total expenditure estimated to increase from 34.79 percent in 2020 to 47.79 percent in 2021, 46.25 percent in 2022, 47.93 percent in 2023, 52.71 percent in 2024, 51.04 percent in 2025, 52.45 percent in 2026, 52.90 percent in 2027, 53.26 percent 2028, 52.40 percent in 2029 and 53.13 percent in 2020.



Lagos State's Debt Stock estimated to increase at N1,131.780 billion in 2021, N1,056.286 billion in 2023, N1,067.084 billion in 2025, N1,1105.320 billion in 2027, and N1,207.117 billion in 2030, respectively. Principal Repayment estimated to decrease from N116.598 billion in 2021 to N85.707 billion in 2030, compared with the Interest Payment N75.226 billion in 2021 to N38.508 billion in 2030. (see Charts 18 to 20, below).



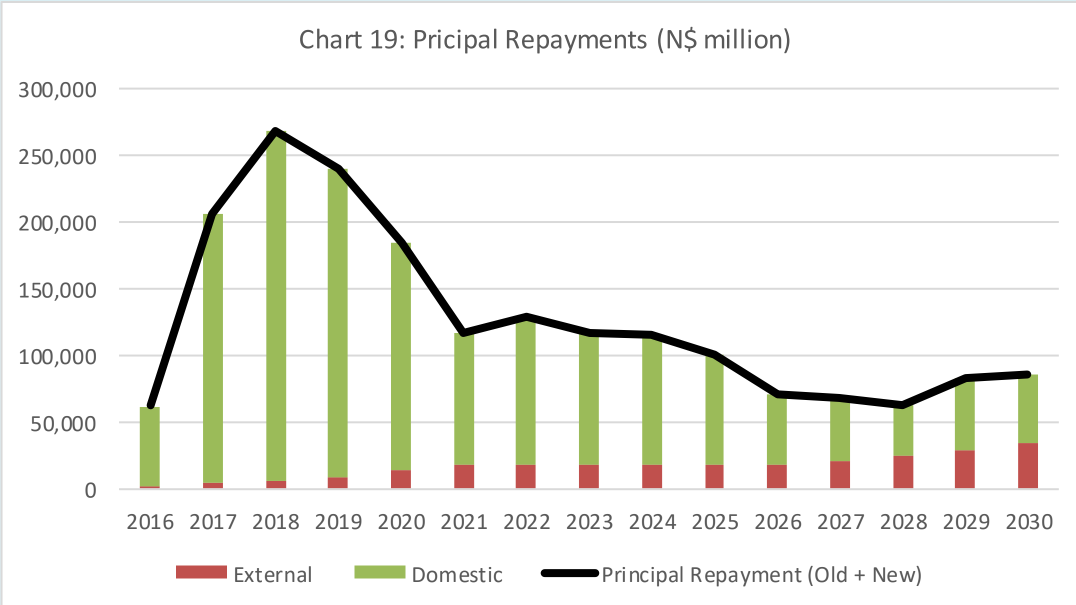


Chart 19: Pricipal Repayments (N$ million)
300,000
250,000
200,000
150,000
100,000
50,000
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
External
Domestic
Principal Repayment (Old + New)

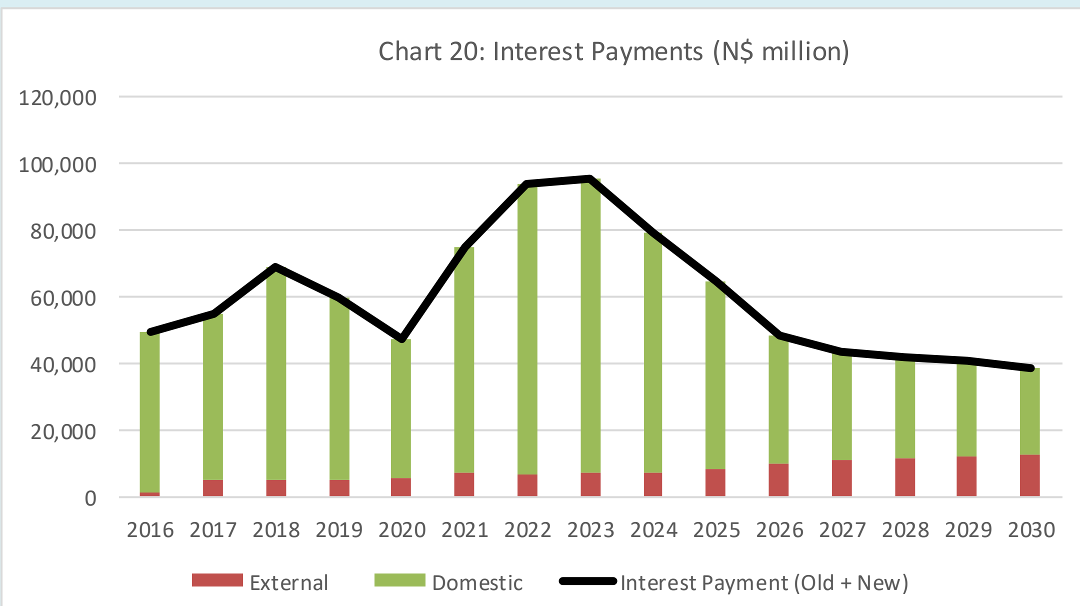


Chart 20: Interest Payments (N$ million)
120,000
100,000
80,000
60,000
40,000
20,000
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
External
Domestic
Interest Payment (Old + New)

4.4 Main Key Findings

The Baseline Scenario results shows that the ratio of Debt as % of GDP is projected at 2.75 percent in 2021, 2.09 percent in 2023, 1.79 percent in 2025, 1.55 percent in 2027 and 1.30 percent in 2030 respectively, as against the indicative threshold of 25 percent. The ratio of Debt as % of Revenue estimated to decline from 117.39 percent in 2021 to 64.99 percent in 2030, against the benchmarks of 200 percent. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2021 to 2030, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively. The details of the debt and debt service indicators are as shown in the table below.

On the Total Debt Sustainability Analysis, the results show that the ratio of Debt to revenue remains below its indicative threshold under the Baseline scenario. However, based on the Most Extreme Shock in Revenue, Expenditure, Exchange rate and Interest rate, and historical remains moderate debt distress over the projection period.

2021 DSA exercise shows that there is substantial Space to Borrow based on the state's current revenue profile. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2021 to 2030, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

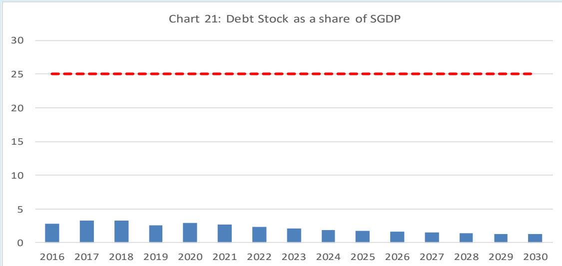


Chart 21: Debt Stock as a share of SGDP

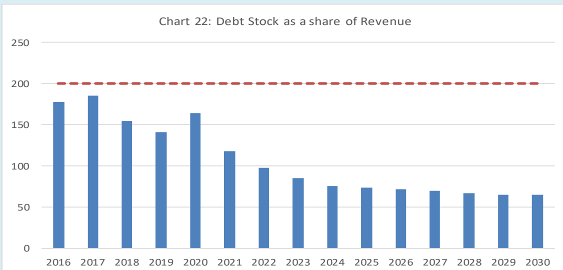


Chart 22: Debt Stock as a share of Revenue

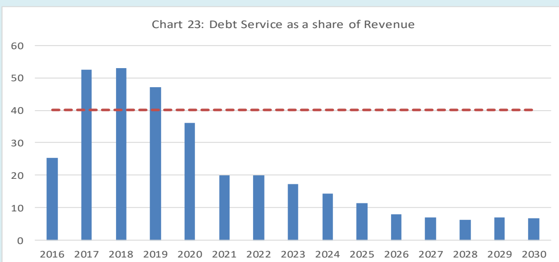


Chart 23: Debt Service as a share of Revenue

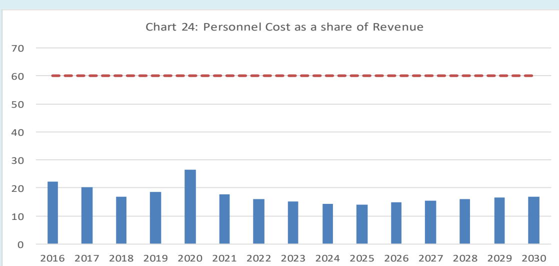


Chart 24: Personnel Cost as a share of Revenue

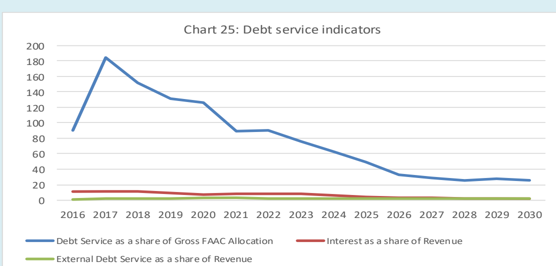


Chart 25: Debt service indicators

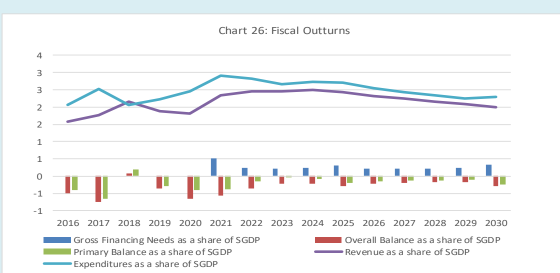


Chart 26: Fiscal Outturns

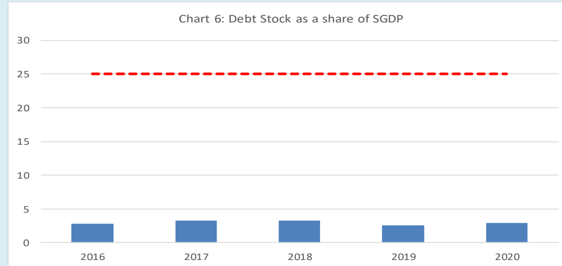


Chart 6: Debt Stock as a share of SGDP

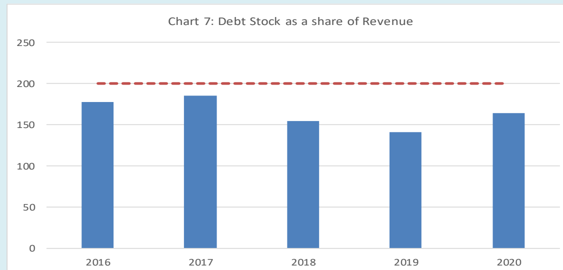


Chart 7: Debt Stock as a share of Revenue

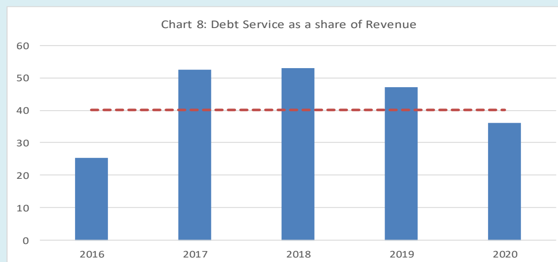


Chart 8: Debt Service as a share of Revenue

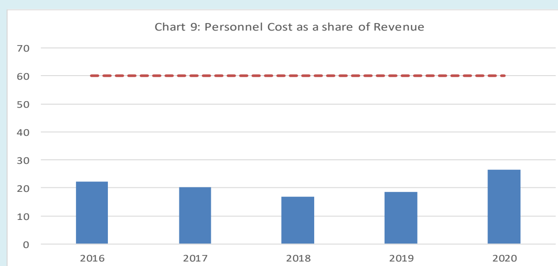


Chart 9: Personnel Cost as a share of Revenue

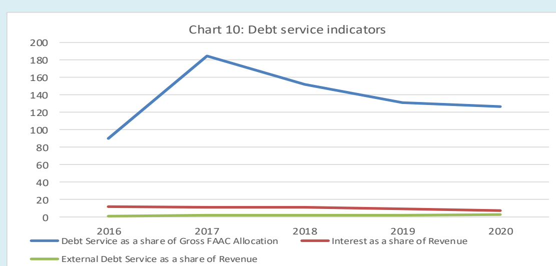


Chart 10: Debt service indicators

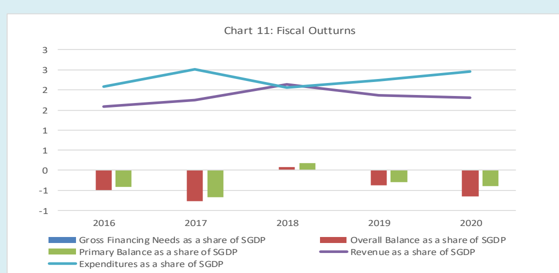


Chart 11: Fiscal Outturns

Conclusion

The result of the 2020 DSA shows that Lagos remains at a substantial risk of debt distress relative to the baseline scenario with Some-Space to accommodate shocks. However, debt sustainability remains mostly sensitive to the revenue shocks and expenditure shocks, indicating that an increase in aggregate output, does not result to a proportionate increase in revenue. There is, therefore, the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.

4.5 DSA Sensitivity Analysis

2021 DSA analysis shows that Lagos remains at low risk of debt distress under sensitivity analysis, the State DSA analysis shows deteriorate related to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock, that would lead to increase Gross Financing Needs over the projection period. The shocks apply breached all scenarios remains below the threshold.

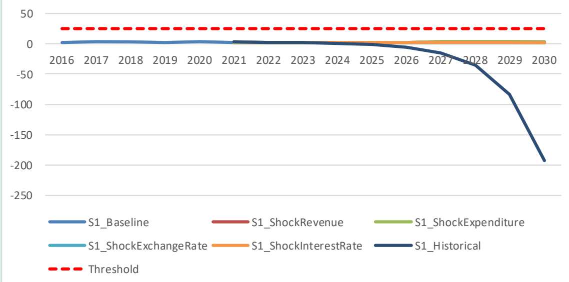


Chart 27: Debt Stock as a share of SGDP

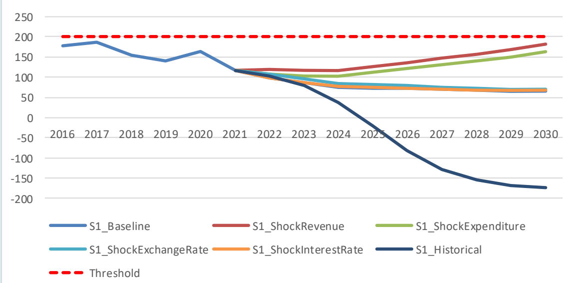


Chart 28: Debt Stock as a share of Revenue

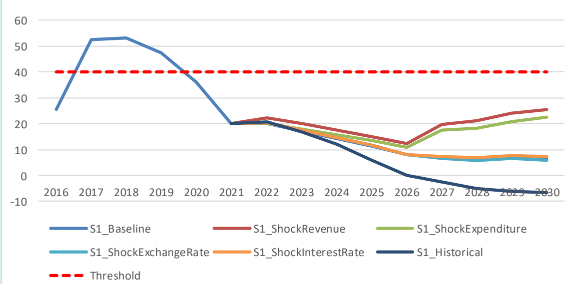


Chart 29: Debt Service as a share of Revenue

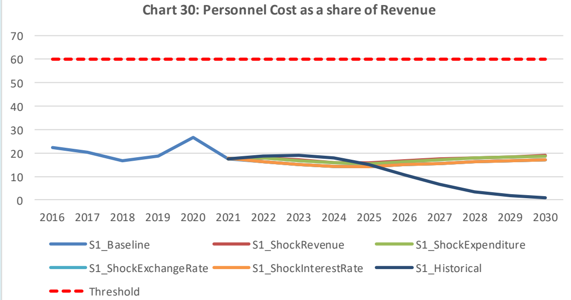


Chart 30: Personnel Cost as a share of Revenue

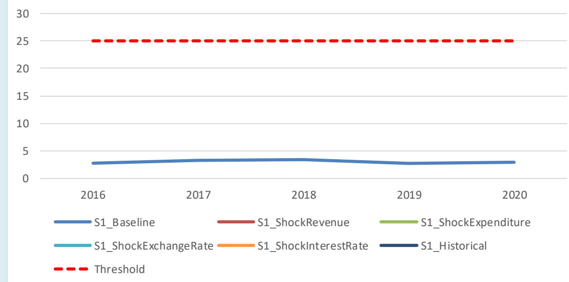


Chart 12: Debt Stock as a share of SGDP

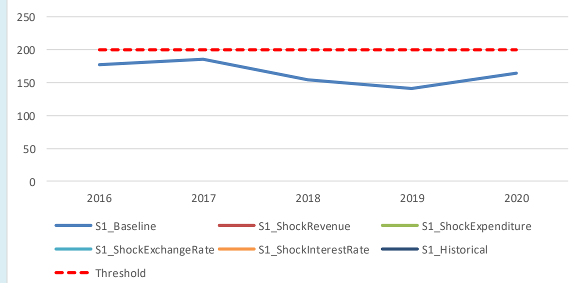


Chart 13: Debt Stock as a share of Revenue

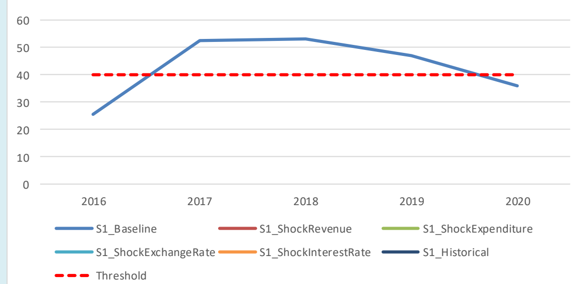


Chart 14: Debt Service as a share of Revenue

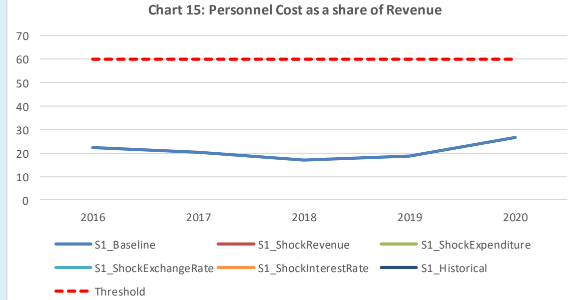


Chart 15: Personnel Cost as a share of Revenue

5. DEBT MANAGEMENT STRATEGY

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, in light of factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Lagos State The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. The Lagos State's Debt Management Strategy, 2021-2025, analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2025, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2025 caused by an un-expected shock, as projected in the most adverse scenario. The following four strategies are assessed by the government.

5.1 Alternative Borrowing Options

Strategy 1 (S1) Reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2021 and MTEF, 2022-2024. External gross borrowing under Bilateral loans accounts on average 53.58 percent over the strategic period, the concessional loans account on average of 9.64 percent, respectively. The Domestic gross financing comprises commercial bank loans, and State bonds. The Commercial Bank loans with the maturity of 1-5 years is projected to account on average of 11.03 percent over the strategic period. The Commercial Bank loans and State bonds with the maturity of above 6 years estimated with an average of 8.85 percent and 16.90 percent over the DMS period of 2021-2025.

Strategy 2 (S2) focus more on financing through commercial bank loans: In this strategy it has been assumed the distribution between external and domestic borrowing remains the same in 2021 as its in strategy 1. The remaining of financing distributions from 2022 to 2025, where the state government focus its financing through commercial bank loans with average 32.35 percent under maturity of 1-5 years and 17.08 percent under maturity of above 6 years, State bond with the maturity period of 1-5 years and above 6 years estimated to account on average of 2.27 percent and 21.86 percent, other financing needs through concessional loans and bilateral loans projected to account on average of 18.16 percent and 8.29 percent over the strategic period.

Strategy (S3) focus its financing through domestic debt market: In strategy 3, the government decided to focus its financing from 2021 to 2025, through State Bonds (1-5 years), State Bonds (above 6 years), Commercial Bank loans (1-5 years), Commercial Bank loans with the maturity of above 6 years, Concessional Loans and Bilateral loans with an average of 21.19 percent, 6.05 percent, 14.37 percent, 39.29 percent, 9.95 percent, and 9.15 percent, respectively. This strategy considers the scenario where proportions of external and domestic debt instruments in 2021 remains the same with strategy 1.

Strategy (S4) focus its financing through external borrowing: In this strategy it has been assumed the distribution between external and domestic borrowing remains the same in 2021 as its in strategy 1. The remaining of financing distributions from 2022 to 2025, focus its financing through Concessional Loans with an average of 13.53 percent from 2021-2025, Bilateral loans 26.11 percent, other gross financing comprises Commercial bank loans (1-5 years), State Bonds (1-5 years) and Commercial bank loans (above 6 years) with average period of 28.19 percent, 9.97 percent, and 22.19 percent, respectively.

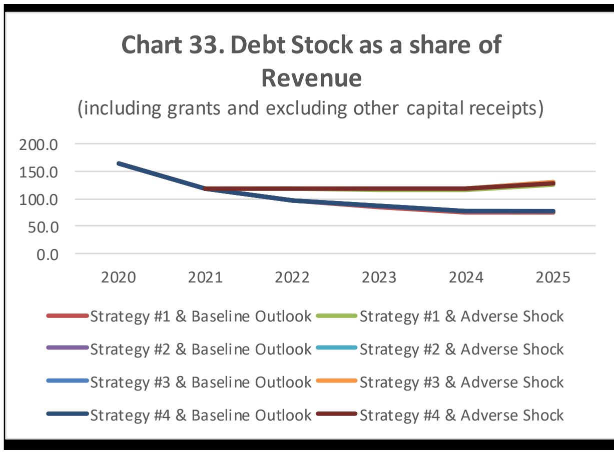
5.2 DMS Simulation Results

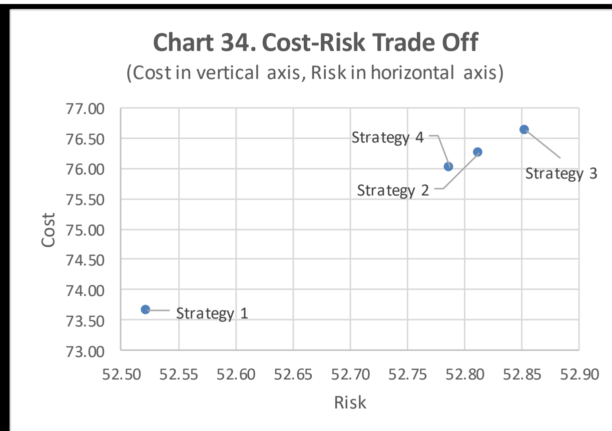
Analysis of strategies & outcomes of the analysis. The cost risk trade off charts illustrate the performance of the alternative strategies with respect to four debt burden indicators.

a. Debt as a share Revenue:

- Strategy 1 shows the Cost ratio of Debt to Revenue estimated at 73.65 percent in 2025, as against Strategy 4 (76.03 percent), Strategy 2 (76.26 percent) and Strategy 3 (76.63 percent), over the DMS period of 2025, compared with the Risks measured of Strategy 1 (52.52 percent), Strategy 4 (52.79 percent), Strategy 2 (52.81 percent) and Strategy 3 (52.85 percent), respectively.

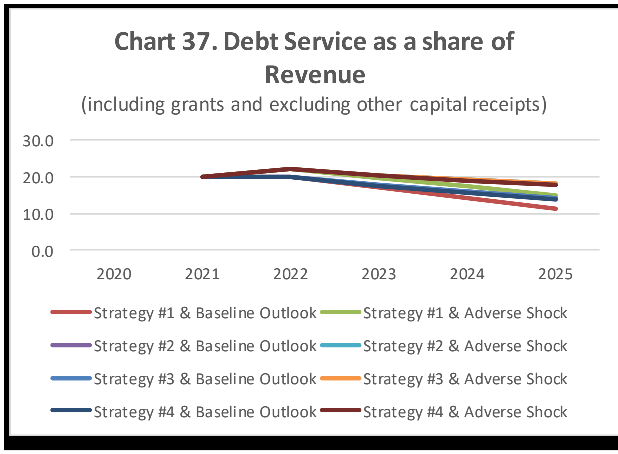
- Analysis using this debt indicator of debt to revenue shows that S1 has the lowest costs and lowest risks with the average measured by 73.65 percent and 52.52 percent compared with Strategy 4, and Strategy 2, but Strategy 3 has the highest Costs and risks. Strategy 1 concentrated more on Concessional and bilateral financing with little proportion of domestic financing over the DMS period of 2021-2025.

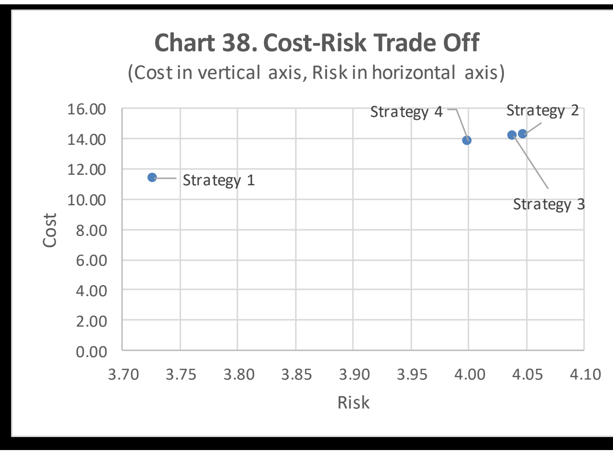




b. **Debt Service as a share of Revenue:**

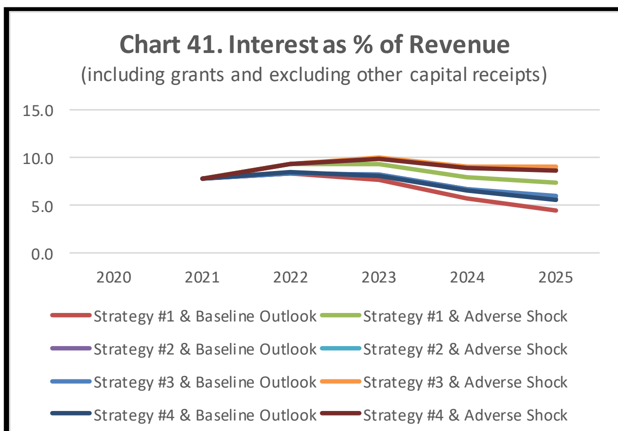
- In terms of Debt Service to Revenue, Strategy 1 has the lowest costs of 11.39 percent and lowest risks of 3.73 percent compared to Strategy 4 and Strategy 3 with the moderate costs at 13.84 percent and 14.19 percent and moderate risks at 4.00 percent and 4.05 percent, Strategy 2 has the highest costs with an estimated of 14.28 percent and highest risks measured of 4.05 percent, respectively, as at end of strategy period of 2025.
- Strategy 1 has the lowest cost at 11.39 percent and lowest risks at 3.73 percent, compared Strategy 2 with the highest cost and highest Risk, while the Strategy 4 and 3 estimated to have moderate costs and Moderate risks during the projection period, 2021-2025.

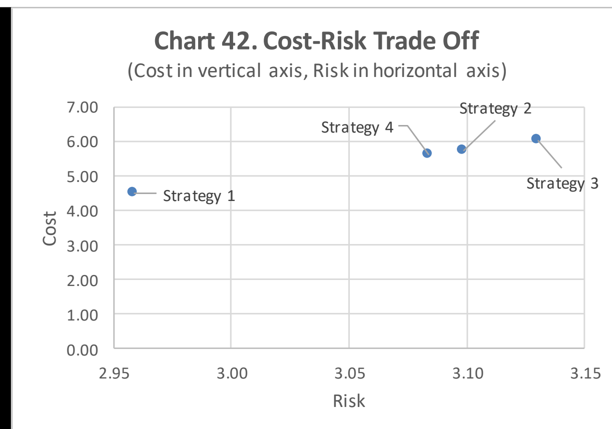




c. **Interest as a share of Revenue**

- S1 is the least costly with regards Interest to Government revenues, which projected at 4.48 percent and least risky measured at 2.96 percent, whilst Strategy 3 is the costliest strategy of 6.02 percent and highest risks measured at 3.13 percent, compared with Strategy 2 and Strategy 4 with moderate costs estimated at 5.74 percent and 5.60 percent, moderate risks measured at 3.10 percent and 3.10 percent over the strategic period of 2023.





5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of cost and risk shows that Strategy 1 has the lowest costs and risks under debt to revenue, debt service to revenue and interest payment to revenue, **it was considered that S1 is the most feasible of the strategies to implement in the short-term and it would still greatly improve the portfolio's debt position relative to the base year 2020**.

In comparison to the current debt position, Lagos State debt portfolio stood at N 1,055.884 billion as at end-2020, which expected a slight increase to N 1,067.083 billion under S1 during the strategic period, compared to Strategy 2 (N 1,104.976 billion), Strategy 3 (N 1,110.311 billion), and Strategy 4 (N1,101.576 billion). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2021-2025.

The Debt Management Strategy, 2021-2025 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2021 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Annex I: Lagos State Baseline Assumptions

1. REVENUE: The target is to progressively grow total revenue towards achieving a 5% of State GDP which currently stands at 3.20% in Y2021, 3.64% in Y2022 and projected to increase gradually to 4.06% in Y2024. (Revenue to GDP ratio, not GDP growth rate.)
2. INTERNALLY GENERATED REVENUE: The medium-term fiscal objective is targeted at achieving monthly IGR(LIRS) of N50bn. It is expected that IGR will continue to improve annually in the medium to long term should the dependencies required to stimulate the expected growth be put in place. All things being equal, it is expected that LIRS would capture the Informal Sectors into the tax net by collaborating with Local Governments in determining the sharing formula of revenue collected.
3. STATUTORY ALLOCATION – The estimation for statutory allocation is based on the mineral assumptions and the national macro-economic framework. Currently, the price of crude oil hovers around $68 per barrel, though a conservative estimate of $50 per barrel was used for budget forecast.
4. VAT: The State GDP growth rate performing well with diverse economic activities in the State is expected to yield high return (revenue) to government in form of VAT.
5. PERSONNEL: The 6% increase in the personnel cost is to accommodate additional medical personnel, teachers, redeployment of Corp-members from volatile States.
6. OVERHEAD: Slight increment is to increase spending on Social Welfare Programmes: including Health, Education, Civic Engagement etc. and build the capacities of staff in priority sectors to deliver services.
7. CAPITAL EXPENDITURE: The increase is to demonstrate the administration's commitment to massive infrastructural renewal and development towards rebuilding and actualizing a greater Lagos. This will be achieved through boosting local production of goods and services to replace imported goods, improve human capital development, improving social amenities in the city centres, construction of additional Industrial Estates and powering it by Independent Power Project (IPP) to reduce operational cost.
8. DEBT INTEREST REPAYMENT/DEBT PRINCIPAL: is based on the projected principal and interest repayments for 2022, 2023 and 2024. Hence, an own value has been used anticipating that public debt charge over the medium term.

		Projection Methodology	Source
2021			
Assumptions:			
Economic activity	State GDP (at current prices)	Stands at 3.2% in Y2021. Projected to increase gradually to 4.06 in Y2024	MEDIUM TERM BUDGET FRAMEWORK
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	STATUTORY ALLOCATION – The estimation for statutory allocation is based on the mineral assumptions and the national macro-economic framework. Currently, the price of crude oil hovers around $68 per barrel, though a conservative estimate of $50 per barrel was used for budget forecast.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	1.a. of which Net Statutory Allocation ('net' means of deductions)	STATUTORY ALLOCATION – The estimation for statutory allocation is based on the mineral assumptions and the national macro-economic framework. Currently, the price of crude oil hovers around $68 per barrel, though a conservative estimate of $50 per barrel was used for budget forecast.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	1.b. of which Deductions	STATUTORY ALLOCATION – The estimation for statutory allocation is based on the mineral assumptions and the national macro-economic framework. Currently, the price of crude oil hovers around $68 per barrel, though a conservative estimate of $50 per barrel was used for budget forecast.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	2. Derivation (if applicable to the State)	STATUTORY ALLOCATION – The estimation for statutory allocation is based on the mineral assumptions and the national macro-economic framework. Currently, the price of crude oil hovers around $68 per barrel, though a conservative estimate of $50 per barrel was used for budget forecast.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	STATUTORY ALLOCATION – The estimation for statutory allocation is based on the mineral assumptions and the national macro-economic framework. Currently, the price of crude oil hovers around $68 per barrel, though a conservative estimate of $50 per barrel was used for budget forecast.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	4. VAT Allocation	VAT: The State GDP growth rate performing well with diverse economic activities in the State is expected to yield high return (revenue) to government in form of VAT.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	5. IGR	INTERNALLY GENERATED REVENUE: The medium-term fiscal objective is targeted at achieving monthly IGR(LIRS) of N50bn. It is expected that IGR will continue to improve annually in the medium to long term should the dependencies required to stimulate the expected growth be put in place. All things being equal, it is expected that LIRS would capture the Informal Sectors into the tax net by collaborating with Local Governments in determining the sharing formula of revenue collected.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	6. Capital Receipts		LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	6.a. Grants		LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	6.b. Sales of Government Assets and Privatization Proceeds		LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	6.c. Other Non-Debt Creating Capital Receipts		LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	PERSONNEL: The 6% increase in the personnel cost is to accommodate additional medical personnel, teachers, redeployment of Corp-members from volatile States.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	2. Overhead costs	OVERHEAD: Slight increment is to increase spending on Social Welfare Programmes: including Health, Education, Civic Engagement etc. and build the capacities of staff in priority sectors to deliver services.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	DEBT INTEREST REPAYMENT/DEBT PRINCIPAL: is based on the projected principal and interest repayments for 2022, 2023 and 2024. Hence, an own value has been used anticipating that public debt charge over the medium term.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	5. Capital Expenditure	CAPITAL EXPENDITURE: The increase is to demonstrate the administration's commitment to massive infrastructural renewal and development towards rebuilding and actualizing a greater Lagos. This will be achieved through boosting local production of goods and services to replace imported goods, improve human capital development, improving social amenities in the city centres, construction of additional Industrial Estates and powering it by Independent Power Project (IPP) to reduce operational cost.	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	Variation in Revenue and Expenditure assumptions	PUBLISHED FINANCIAL STATEMENT
Debt Amotization and Interest Payme	**Debt Outstanding at end-2020**		
	External Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO
	Domestic Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMD
	New debt issued/contracted from 2021 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	the internal and external loans are projections based on agreement LGS MTBF & FSP2022-2024 Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	External Financing - Bilateral Loans	the internal and external loans are projections based on agreement LGS MTBF & FSP2022-2024 Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	Other External Financing		LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	the internal and external loans are projections based on agreement LGS MTBF & FSP2022-2024 Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	the internal and external loans are projections based on agreement LGS MTBF & FSP2022-2024 Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	State Bonds (maturity 1 to 5 years)	the internal and external loans are projections based on agreement LGS MTBF & FSP2022-2024 Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	State Bonds (maturity 6 years or longer)	the internal and external loans are projections based on agreement LGS MTBF & FSP2022-2024 Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	Other Domestic Financing	the internal and external loans are projections based on agreement LGS MTBF & FSP2022-2024 Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2022-2024	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
Proceeds from Debt-Creating Borrow corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**	**Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**	
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the LGS 2022-2023 MTBF & FSP	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the LGS 2022-2023 MTBF & FSP	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the LGS 2022-2023 MTBF & FSP	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the LGS 2022-2023 MTBF & FSP	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	Other Domestic Financing	Financing distributions was agreed by the LGS 2022-2023 MTBF & FSP	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the LGS 2022-2023 MTBF & FSP	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	External Financing - Bilateral Loans	Financing distributions was agreed by the LGS 2022-2023 MTBF & FSP	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
	Other External Financing	Financing distributions was agreed by the LGS 2022-2023 MTBF & FSP	LGS 2021 Annual Budget & MTBF & FSP, 2022-2024
Proceeds from Debt-Creating Borrow corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
Proceeds from Debt-Creating Borrow corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
Proceeds from Debt-Creating Borrow corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the Lagos State Government official	Lagos State DSA-DMS Technical Team

DEBT MANAGEMENT
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DATE 15/12/2021
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Annex II: Lagos State Baseline Scenarios, 2021-2030

Indicator	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actuals					Projections									
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	27,568,452.00	28,343,000.00	29,627,000.00	34,077,027.00	35,639,960.00	41,167,788.00	45,647,091.00	50,435,288.00	54,851,402.00	59,770,475.00	65,257,405.00	71,248,035.00	77,788,604.00	84,929,598.00	92,726,135.00
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
Fiscal Indicators (Million Naira)															
Revenue	**559,257.88**	**659,731.24**	**699,896.21**	**764,247.69**	**893,694.07**	**1,174,197.21**	**1,226,798.74**	**1,349,896.28**	**1,499,465.81**	**1,626,201.75**	**1,658,702.33**	**1,759,176.17**	**1,851,278.47**	**1,978,288.25**	**2,153,316.74**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	27,308.60	38,230.86	57,055.31	55,161.07	45,879.84	55,000.00	60,500.00	66,069.56	67,390.95	71,412.54	75,434.13	79,455.71	83,477.30	87,498.89	91,520.48
1.a. of which Net Statutory Allocation ('net' means of deductions)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	0.00	197.00	130.02	41.37	314.47	100.00	110.00	112.20	114.00	125.40	137.94	151.73	166.91	183.60	201.96
3. Other FAAC transfers (exchange rate gain, augmentation, others)	20,788.34	23,120.47	66,814.93	66,588.77	5,154.11	8,587.88	10,806.48	14,124.69	16,770.78	20,963.48	26,204.34	32,755.42	40,944.29	51,180.35	63,975.45
4. VAT Allocation	75,437.62	80,231.70	99,055.19	107,704.19	131,970.18	151,021.75	174,418.91	198,847.23	225,733.40	243,146.50	260,559.60	277,972.70	295,385.80	312,798.90	330,212.00
5. IGR	313,606.47	355,161.35	412,708.18	407,661.90	437,161.06	723,817.00	829,513.00	912,464.00	1,003,711.00	1,055,072.71	1,106,434.42	1,157,796.13	1,209,157.84	1,260,519.55	1,311,881.26
6. Capital Receipts	122,116.85	162,789.87	64,132.57	127,090.39	273,214.41	235,670.57	151,450.35	158,278.60	185,745.67	235,481.12	189,931.90	211,044.48	222,146.32	266,106.96	355,525.59
6.a. Grants	199.68	1,541.79	906.14	483.93	23,297.65	25,627.42	44,771.42	44,881.57	56,550.77	58,219.98	47,521.10	50,521.10	53,521.10	56,521.10	59,521.10
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	15,769.77	10,020.36	18,226.43	8,972.29	13,927.94	17,549.15	22,111.93	27,861.03	35,104.90	44,232.18	55,732.55	70,223.01	88,480.99	111,486.05	140,472.43
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	106,147.40	151,227.72	45,000.00	117,634.17	235,988.82	192,494.00	84,567.00	85,536.00	94,090.00	133,028.97	86,678.25	90,300.37	80,144.23	98,099.81	155,532.06
Expenditure	**572,659.15**	**714,292.43**	**612,252.14**	**762,566.52**	**876,468.71**	**1,196,944.06**	**1,284,452.04**	**1,347,096.97**	**1,495,042.16**	**1,626,201.75**	**1,658,702.33**	**1,739,176.17**	**1,821,278.47**	**1,908,288.25**	**2,126,687.88**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	97,965.69	100,959.59	107,306.82	119,276.43	170,757.71	170,526.00	181,089.00	188,332.00	195,865.00	204,398.00	226,663.78	248,929.56	271,195.34	293,461.12	315,726.90
2. Overhead costs	118,417.16	149,370.41	175,731.99	221,217.58	168,080.42	262,587.00	286,577.00	300,906.00	315,951.00	426,802.92	442,802.92	458,802.92	474,802.92	490,802.92	556,802.92
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	21,277.75	26,034.28	31,979.07	28,224.80	91,879.77	75,226.34	93,943.53	95,312.66	79,110.29	64,861.25	48,289.75	43,760.52	42,065.41	41,080.22	38,507.52
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	18,052.35	21,064.20	26,771.90	23,175.70	50,143.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Overhead costs	3,225.40	4,970.08	5,207.17	5,049.10	41,736.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Capital Expenditure	314,441.78	309,334.89	213,765.02	241,057.12	304,936.59	572,007.00	594,101.00	645,690.00	787,991.00	829,943.46	869,943.46	919,943.46	969,943.46	999,943.46	1,129,943.46
6. Amortization (principal) payments	20,556.77	128,593.26	83,469.24	152,790.59	140,814.22	116,597.72	128,741.51	116,856.31	116,124.87	100,196.13	71,002.42	67,739.71	63,271.33	83,000.53	85,707.08
Budget Balance (' + ' means surplus, ' - ' means deficit)	**-13,401.27**	**-54,561.19**	**87,644.07**	**1,681.17**	**17,225.36**	**-22,746.86**	**-57,653.30**	**2,799.31**	**4,423.65**	**0.00**	**0.00**	**20,000.00**	**30,000.00**	**70,000.00**	**26,628.86**
Opening Cash and Bank Balance	**144,078.00**	**130,676.73**	**76,115.55**	**163,759.62**	**165,440.79**	**182,666.14**	**159,919.28**	**102,265.99**	**105,065.29**	**109,488.94**	**109,488.94**	**109,488.94**	**129,488.94**	**159,488.94**	**229,488.94**
Closing Cash and Bank Balance	**130,676.73**	**76,115.55**	**163,759.62**	**165,440.79**	**182,666.14**	**159,919.28**	**102,265.99**	**105,065.29**	**109,488.94**	**109,488.94**	**109,488.94**	**129,488.94**	**159,488.94**	**229,488.94**	**256,117.80**
Financing Needs and Sources (Million Naira)															
Financing Needs						**210,043.15**	**106,678.93**	**113,397.03**	**129,194.90**	**177,261.15**	**142,410.80**	**160,523.38**	**168,625.22**	**209,585.86**	**296,004.49**
i. Primary balance						-40,965.94	58,352.81	101,571.25	70,463.91	-12,203.77	-23,118.63	-29,023.15	-33,288.48	-15,505.11	-145,161.03
ii. Debt service						191,824.06	222,685.04	212,168.97	195,235.16	165,057.37	119,292.17	111,500.23	105,336.75	124,080.75	124,214.60
Amortizations						116,597.72	128,741.51	116,856.31	116,124.87	100,196.13	71,002.42	67,739.71	63,271.33	83,000.53	85,707.08
Interests						75,226.34	93,943.53	95,312.66	79,110.29	64,861.25	48,289.75	43,760.52	42,065.41	41,080.22	38,507.52
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-22,746.86	-57,653.30	2,799.31	4,423.65	0.00	0.00	20,000.00	30,000.00	70,000.00	26,628.86
Financing Sources						**210,043.15**	**106,678.93**	**113,397.03**	**129,194.90**	**177,261.15**	**142,410.80**	**160,523.38**	**168,625.22**	**209,585.86**	**296,004.49**
i. Financing Sources Other than Borrowing						17,549.15	22,111.93	27,861.03	35,104.90	44,232.18	55,732.55	70,223.01	88,480.99	111,486.05	140,472.43
ii. Gross Borrowings						192,494.00	84,567.00	85,536.00	94,090.00	133,028.97	86,678.25	90,300.37	80,144.23	98,099.81	155,532.06
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						55,045.39	0.00	0.00	0.00	10,000.00	0.00	20,000.00	15,000.00	12,000.00	35,000.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	12,000.00	12,000.00	13,200.00	15,000.00	12,000.00	8,000.00	11,000.00	9,000.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00	20,000.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						99,651.83	0.00	0.00	0.00	0.00	20,000.00	0.00	19,000.00	25,000.00	45,000.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	0.00	0.00	0.00	56,850.00	54,678.25	18,950.00	35,144.23	33,149.81	32,429.70
External Financing - Bilateral Loans						37,796.78	72,567.00	73,536.00	80,890.00	51,178.97	0.00	23,350.37	0.00	18,950.00	43,102.36
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**774,866.03**	**924,133.53**	**982,623.94**	**900,235.76**	**1,055,884.14**	**1,131,780.42**	**1,087,605.91**	**1,056,285.60**	**1,034,250.73**	**1,067,083.57**	**1,082,759.40**	**1,105,320.05**	**1,122,192.95**	**1,137,292.23**	**1,207,117.21**
External	386,694.10	454,071.10	438,249.03	456,008.80	542,409.64	562,325.20	616,605.45	671,824.38	734,465.53	824,473.05	861,182.90	882,714.63	892,851.25	915,643.66	956,479.44
Domestic	388,171.93	470,062.43	544,374.91	444,226.96	513,474.50	569,455.22	471,000.46	384,461.22	299,785.20	242,610.52	221,576.50	222,605.42	229,341.70	221,648.57	250,637.77
Gross borrowing (flow)						**192,494.00**	**84,567.00**	**85,536.00**	**94,090.00**	**133,028.97**	**86,678.25**	**90,300.37**	**80,144.23**	**98,099.81**	**155,532.06**
External						37,796.78	72,567.00	73,536.00	80,890.00	108,028.97	54,678.25	42,300.37	35,144.23	52,099.81	75,532.06
Domestic						154,697.22	12,000.00	12,000.00	13,200.00	25,000.00	32,000.00	48,000.00	45,000.00	46,000.00	80,000.00
Amortizations (flow)	**62,031.30**	**206,327.51**	**269,025.10**	**240,703.36**	**184,293.97**	**116,597.72**	**128,741.51**	**116,856.31**	**116,124.87**	**100,196.13**	**71,002.42**	**67,739.71**	**63,271.33**	**83,000.53**	**85,707.08**
External	1,546.99	4,556.21	5,547.65	8,088.06	13,935.83	17,881.22	18,286.75	18,317.07	18,248.85	18,021.45	17,968.39	20,768.64	25,007.62	29,307.41	34,696.28
Domestic	60,484.31	201,771.30	263,477.45	232,615.30	170,358.14	98,716.50	110,454.76	98,539.24	97,876.02	82,174.68	53,034.03	46,971.08	38,263.72	53,693.13	51,010.80
Interests (flow)	**49,262.49**	**54,926.06**	**68,887.96**	**60,063.53**	**47,537.50**	**75,226.34**	**93,943.53**	**95,312.66**	**79,110.29**	**64,861.25**	**48,289.75**	**43,760.52**	**42,065.41**	**41,080.22**	**38,507.52**
External	1,362.16	4,975.14	5,179.85	5,049.74	5,722.90	6,966.02	6,661.63	7,139.89	7,394.32	8,275.28	9,976.13	11,042.37	11,458.13	12,036.88	12,731.70
Domestic	47,900.33	49,950.92	63,708.11	55,013.79	41,814.60	68,260.32	87,281.90	88,172.77	71,715.97	56,585.97	38,313.62	32,718.15	30,607.28	29,043.34	25,775.81
Net borrowing (gross borrowing minus amortizations)						**75,896.28**	**-44,174.51**	**-31,320.31**	**-22,034.87**	**32,832.84**	**15,675.83**	**22,560.65**	**16,872.90**	**15,099.28**	**69,824.98**
External						19,915.56	54,280.25	55,218.93	62,641.15	90,007.52	36,709.86	21,531.73	10,136.62	22,792.41	40,835.78
Domestic						55,980.72	-98,454.76	-86,539.24	-84,676.02	-57,174.68	-21,034.03	1,028.92	6,736.28	-7,693.13	28,989.20

DEBT MANAGEMENT OFFICE
SIGN
DATE 15/12/2021