LAGOS STATE

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

NOVEMBER 2022

Developed by the Lagos State Debt Management Office

November, 2022

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1.0 INTRODUCTION

1.1 BACKGROUND

The DSA analyzes trends and patterns in the Lagos State's public finances during the period 2017-2021, and evaluates the debt sustainability in 2022-2031 (the long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances.

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

1.2 SUMMARY OF FINDINGS

The analysis of the Lagos State S-DSA shows that the State exhibits a solid debt position that appears sustainable in the long term. The solid debt position results from the State's strong performance in terms of mobilizing Internally Generated Revenue (IGR) underpinned by the successful tax administration reforms introduced, 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.

2.0 LAGOS STATE FISCAL AND DEBT FRAMEWORK

2.1 FISCAL REFORMS IN THE LAST FIVE YEARS

2. The State Fiscal and Debt Framework

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

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

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

- Expansion of tax net to capture more tax payers.
- Introduction of technology for revenue collection and to block leakages in the system.
- Electronic Billing system to mitigate against fraud.
- Land-use charge.

- Implementation of Tax Incentives and Reliefs for Taxpayers (individuals & business) in Lagos.

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

Some of these include the followings:

- Global Food Security system
- Improved healthcare facilities
- 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.
- Channelization of waterways to improve water transportation and navigation in the State. This is to improve travel time and stress-free commuting.

2.2 LAGOS STATE APPROVED 2022 BUDGET AND MEDIUM –TERM EXPENDITURE FRAMEWORK (MTEF), 2022-2024

2.2.1 Approved 2022 Budget

The Y2022 budget was christened the Budget of Consolidation, because it will be the final full year of Budget implementation before the next general election in 2023. It is therefore an excellent opportunity to consolidate on what has been done so far, and ensure that every effort, investments, partnership, policy is translated maximally into noticeable positive impact in the lives of Lagosians. It is therefore a landmark budget in the history of the state both in its size and texture. The total budget size for the Year 2022 is One Trillion, Seven Hundred and Fifty-Eight Billion, One Hundred and Fifty-Eight Million, Six Hundred and Forty-Six Thousand, Eight Hundred and Forty-Four Naira (N1, 758,196,646,844). This comprises the sum of Five Hundred and Ninety-One Billion, Two Hundred and Eighty million, Eight Hundred and Three Thousand, Four Hundred and Eighty-Six Naira (N591,280,803,486) as Recurrent Expenditures and One Trillion, One Hundred and Sixty-Six Billion, Nine Hundred and Fifteen Million, Eight Hundred and Forty-Three Thousand, Three Hundred and Fifty-Eight Naira (N1,166,915,843,358). Resulting in a Capital to Re-current ratio of 66:34, it is strongly in favour of Capital Expenditure.

The expected revenue for the 2022 fiscal year is N1,159,640,000,000 (One Trillion, One Hundred and Fifty-Nine Billion, Six Hundred and Forty Million Naira) comprising of IGR of N815,336,000,000 (Eight Hundred and Fifteen Billion, Three Hundred and Thirty-Six Million Naira). Federal Transfers of N256,268, 000,000 (Two Hundred and Fifty-Six Billion, Two Hundred and Sixty-Eight Million Naira) while N88,036,000,000 (Eighty-Eight Billion, and Thirty-Six Million Naira) budgeted as Capital Receipt.

There is a Financing Gap of N521,275,000,000 (Five Hundred and Twenty-One Billion, Two Hundred and Seventy-Five Naira). This is to be funded as follows:

Table:1

Details	**=N=**
External Loans	39,599,000,000
Internal Loans	346,861,000,000
Bond Issuance	134,815,000,000
Total	521,275,000,000

The year 2022 Budget projects a continuing but very gradual recovery to growth in economic activities as the global economy cautiously recovers from the impact of the Corona virus pandemic. Therefore, the revenue expectations have been approached with cautious optimism.

It should also be noted that there has been a corresponding review of the accruals from the Statutory Allocations and VAT in line with the downward review of the Federal Budget's benchmark Oil Price to $57 per barrel.

2.2.2 The Key Objectives of Approved 2022 Budget

The objectives of the Y2022 Budget is consistent with the THEMES agenda and designed to give priority to the to the completion of the ongoing projects. These include stadia, Special Committee on Rehabilitation of Public Schools (SCRPS), Lekki-Epe Road, Fire Equipment, New Massy Children Hospital, Opebi-Mende Link bridge, Lagos-Badagry Expressway expansion project.

Other projects under the Contractor-financed program include 24km Red line rail from Agbado to Oyingbo (Phase 1) which span 10 bridges/overpasses, 13 pedestrain bridges and 8 train stations. The 13-kilometre Blue line rail from Mail 2 to Marina with sea crossing (Phase 1) and the 20km Lagos-Badagry Expressway to Okokomaiko.

The construction of the 130-bed New Massey ultra-modern General Hospital is to be made as a fit-for-purpose programmed pediatric center. This would be the largest specialist children hospital in Sub-Saharan Africa.

The completion of 8 Stadia across the 5 IBILE Divisions of Lagos state. These are meant to facilitate youth development, engagement and community sports.

Another objective of the Y2022 Budget is to enhance the wellbeing of the people through Human capital development and Social interventions by increasing the allocation to education by 25% representing 10% of the budget size. The proposed construction and rehabilitation of schools across the state will also significantly improve access to quality education.

The budget also concentrated on Food Security, which is getting more critical, the government has continued to provide support to Farmers, create food banks and improve food systems generally.

It will also help in achieving the vision of the state to be the technology hub for Africa; a major incubation and acceleration destination for technology solutions. It has provided an increase in technology investment of 27%over the Y2021 budget to N30 Billion. This will definitely strengthen the intelligence gathering /capacity –building capabilities together with improving the ease of doing business through the smart city project, the Lagos New Data Centre project, Eko Excel project and the Oracle upgrade project.

2.2.3 Indicative Three-Year Fiscal Framework

The 2025 Approved MTEF was not available as at the time of writing this report, hence the indicative three –year Fiscal framework for the period between 2022-2024 was used for this report while 2025 figures were projected.

The indicative three-year fiscal framework for the period 2022-2024 is presented in the table below:

	APPROVED	PROJECTIONS		
FISCAL ITEMS	Y2021 (₦ M)	Y2022 (₦ M)	Y2023 (₦ M)	Y2024 (₦ M)
TOTAL REVENUE	971,028	1,141,292	1,258,730	1,393,613
Internally Generated Revenue	723,817	829,513	912,464	1,003,711
Capital Receipts	71,811	65,943	67,112	79,893
Federal Transfer	175,400	245,835	279,154	310,010
TOTAL RECURRENT EXPENDITURE	460,587	506,121	527,398	540,958
Debt Servicing	27,473	38,455	38,160	29,142
Total Personnel Cost	170,526	181,089	188,332	195,865
Total Overhead Cost	262,587	286,577	300,906	315,951
TOTAL CAPITAL EXPENDITURE	702,935	744,738	841,869	971,744
Capital Expenditure	572,007	619,101	670,690	812,991
Repayment	130,929	125,637	171,179	158,753
TOTAL EXPENDITURE (BUDGET SIZE)	1,163,523	1,250,859	1,369,266	1,512,703
FINANCING REQUIREMENT (BORROWING)	**(192,495)**	**(109,567)**	**(110,536)**	**(119,090)**

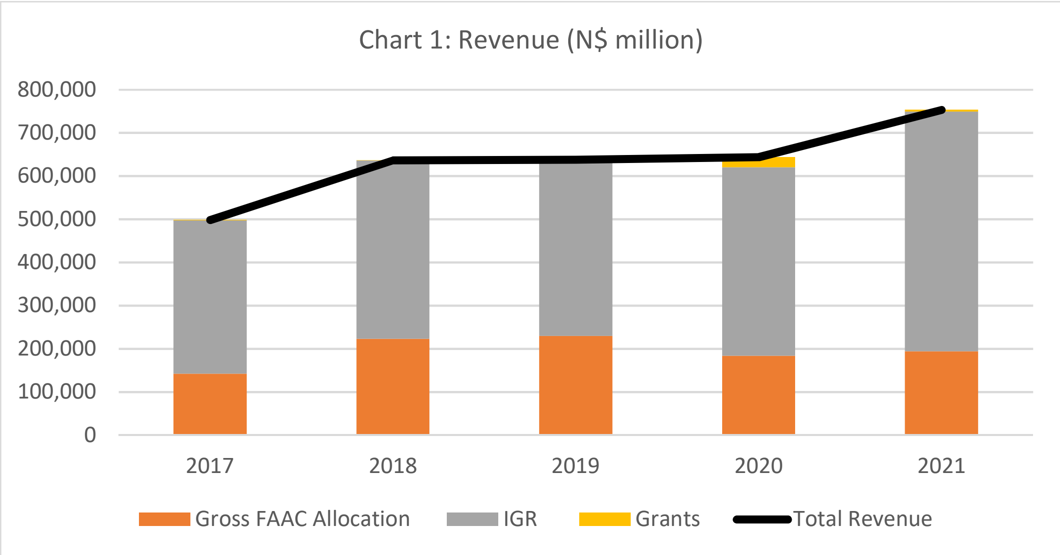
2.2.4 Medium Term Policy Objectives and Target

1. Increase spending on containment efforts and management of health infrastructures, education, environment and security. The slight increase in personnel & overhead costs was due to additional employment of teachers and medical personnel
2. Public debt service was estimated to fall in Y2021 due to negotiation on reduction of interest rate which in turn create fiscal space for the State budget. It was expected that Government actual spending on capital projects would increase to aid economic recovery and sustainability
3. It was envisaged that revenue performance would improve as economy return to normalcy and anticipated increase in non-oil revenue would depend on government capacity to manage Covid-19 crisis.

3.0 STATE REVENUE, EXPENDITURES AND PUBLUC DEBT (2017-2021)

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

3.1 Revenue, Expenditure, Overall and Primary Balance



3.1.1 AGGREGATE TOTAL REVENUE COMPOSITION AND TREND FROM Y2017 TO Y2021

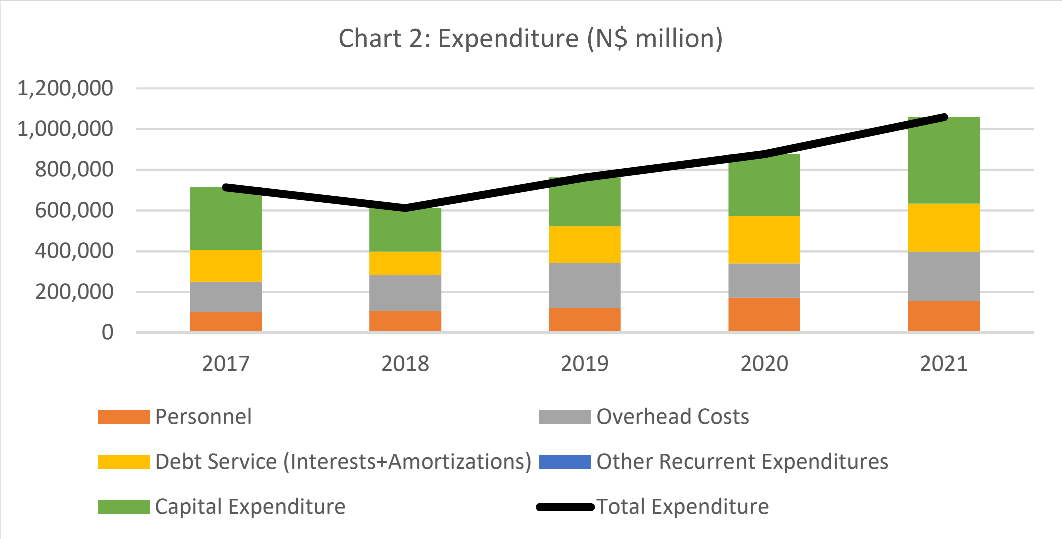
The total revenue increased from N498.4 billion in Y2017 to N753.3 billion in Y2021. The performance recorded in the Revenue Chart above is due to aggressive Revenue policies of present administration resulting in steady growth in IGR.

3.1.2 FAAC ALLOCATION TREND

The Gross FAAC Allocation component which comprises of Statutory Allocation, Derivatives, VAT Allocation and other FAAC transfers, of the Total Revenue moved from N141.78 billion in Y2017 to N193.84billion in Y2021. The impressive result recorded in statutory allocation was attributed to increase in VAT component representing 72% of FAAC Allocation on average.

3.1.3 INTERNALLY GENERATED REVENUE TREND

The Revenue chart above shows a steady growth in the IGR of the State which moved from N355.16 billion in Y2017 to N555.65 billion in Y2021. This performance is due to the aggressive revenue drive of the State Government and consistent investment in Security and Infrastructural development which create a conducive environment where businesses are thriving.



3.1.4 AGGREGATE TOTAL EXPENDITURE TREND

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

3.1.5 EXPENDITURE VARIATION

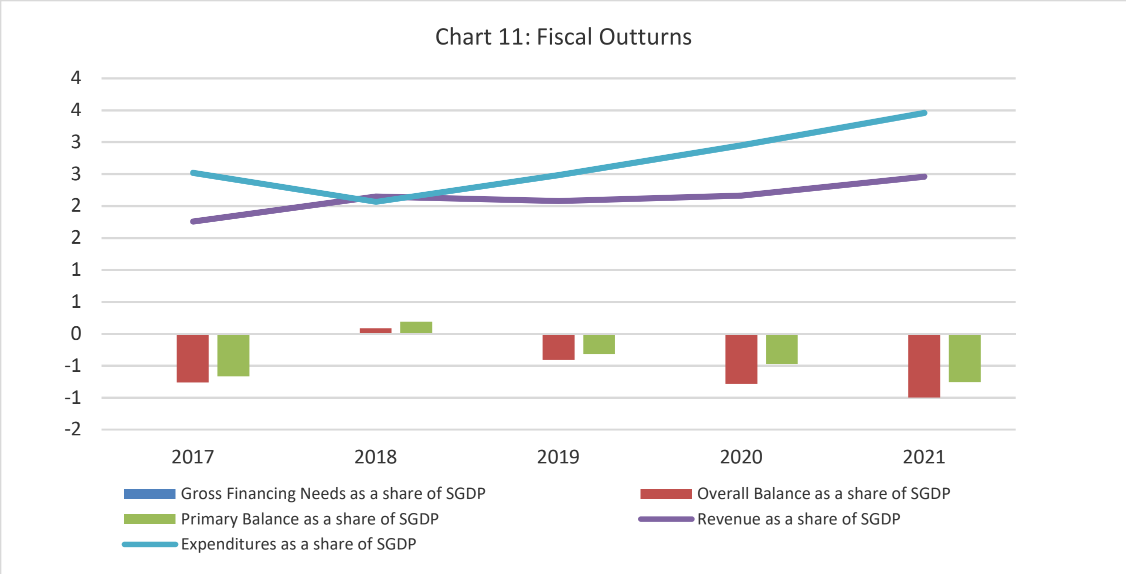
Capital Expenditures: There was an increase in the capital expenditure from N309.33billion in Y2017 to N424.47billion in Y2021. This is due to huge investment in construction and improvement of infrastructural development.

Debt Service: There was a sharp increase in the debt service from N154.63billion in Y2017 to N235.55billion in Y2021 due to increase in exchange rate, interest rate and repayment of existing loan facilities.

Overhead Costs: Overhead Costs increased from N149.37billion in Y2017 to N245.64billion in Y2021. This is due to the increased cost of repairs and maintenance of Government public facilities and infrastructures which includes repairs/maintenance of roads, renovation/rehabilitation of Schools, Hospitals, Housing Estates, Purchase of drugs, medical equipment, improved welfare package for frontline medical personnel and establishment/equipment of the Security agencies across Lagos Metropolis and rising in inflation rate.

Personnel Cost: The Personnel cost increased from N100.96billion in Y2017 to N153.54billion in Y2021, this is due to the implementation of the new minimum wage, yearly promotion of staff and employment of medical personnel to combat the spread of COVID 19 pandemic.

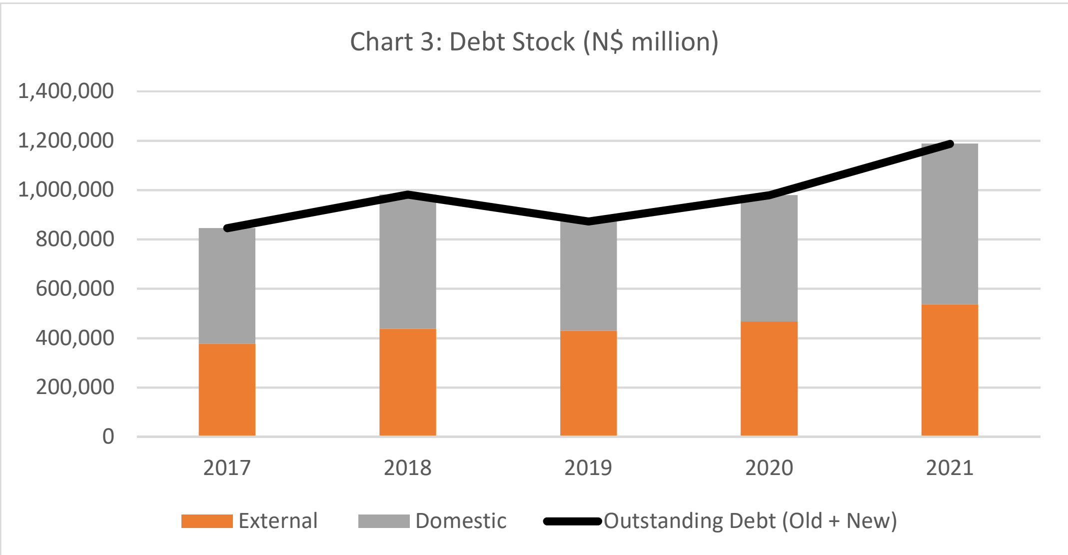
3.1.6 OVERALL AND PRIMARY BALANCE TREND



FISCAL OUTTURNS

Since 2017 the overall balance as a share of SGDP decrease continuously from Y2017 to Y2021 owing to the fall in federal transfers (oil receipts) and the pressing need for infrastructural development. In 2018, overall balance partially recovered to a surplus of 0.1 percent of SGDP, due to the upturn of federal transfers.

3.2 Existing Public Debt Portfolio



3.2.1 PUBLIC DEBT STOCK

The public debt includes the explicit financial commitments like Loans and Bonds that have paper contracts (Agreements) instrumenting the Government promises to repay. Lagos State Government public debt broadly comprise of External Loan, Domestic commercial loans and Bond that are used for infrastructural development which are promptly serviced as and when due. The debt stock as at 2021 amounted to N1188.09billion.

3.2.2 EXISTING PUBLIC DEBT PORTFOLIO COMPOSITION

The state debt portfolio largely consists of Internal loan which comprises of commercial bank loan and Bond, representing 55 percent of total debt portfolio.

External Loan in the chart above shows a steady increase from N375.97billion in Y2017 to N537.31billion in Y2021 due to exchange rate fluctuation over the period under review. The high exchange rate of Naira to a Dollar at the end of 2021 was alarming, this increased the loan value to almost double the original loan amount. In conclusion, the cost of servicing external loan becomes too high and risky.

Domestic Loans and Bonds as shown in the chart above also increased from N470.06billion in Y2017 to N650.73billion in Y2021. All Commercial Bank loans that were taken by the State between 2016 and 2018 were restructured in 2019 which resulted to a drop in debt stock in the period but increased in Y2020 due to CBN policy on Grace period extension as a result of COVID 19, which resulted to capitalization of accrued interest. In 2021 additional loan were obtained for infrastructural development.

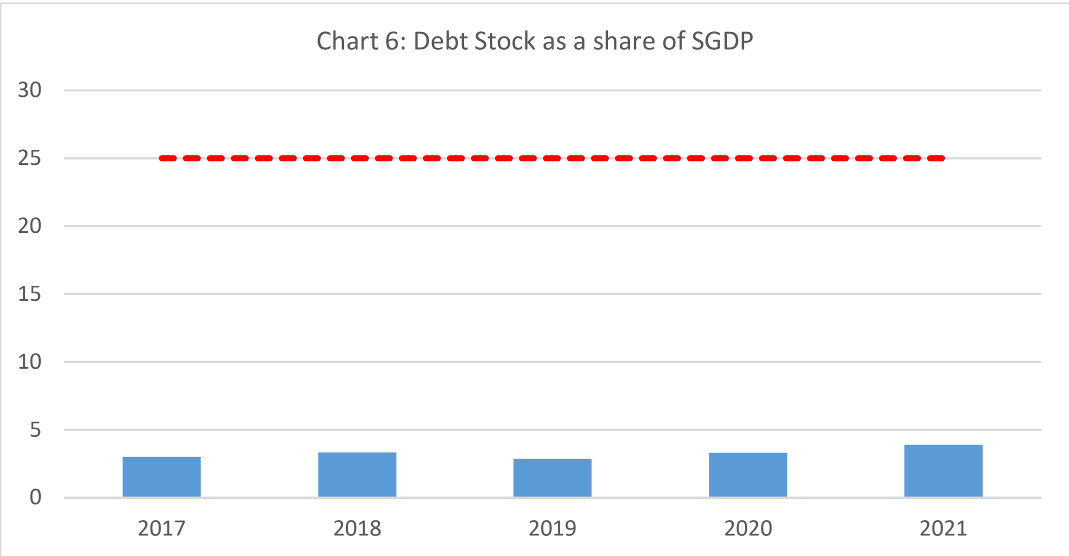
Table 2: Lagos State Debt Stock as at Y2021		
Component	**Amount**	**As a percentage of Total Debt**
	N' Million	%
External	537,308.00	45%
Domestic	650,728.00	55%
Total Debt	1,188,037.00	

The table above show the composition of the existing public debt portfolio at end of Y2021 with the External Loan component of 55% and Domestic Loan of 45% of the State's total debt. The External loan is costly and risky due to the fluctuation in exchange rate over time and the devaluation of the currency (Naira). However, the Domestic loan component is more stable because it is denoted in the local currency hence no exposure to exchange rate volatility and less risky in terms of the opportunity to restructure.

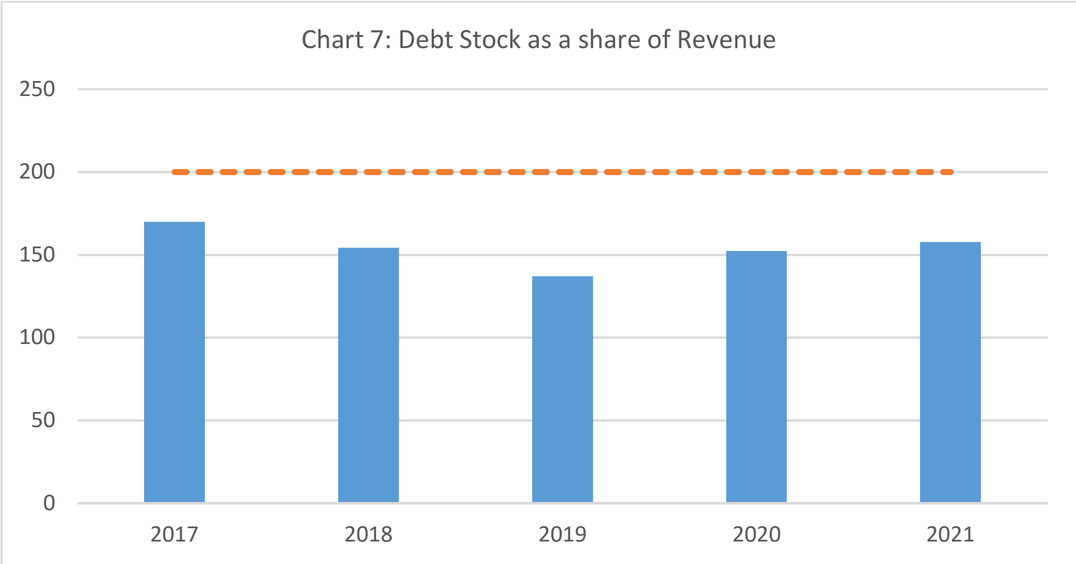
4.0 SUSTAINABILITY ANALYSIS

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

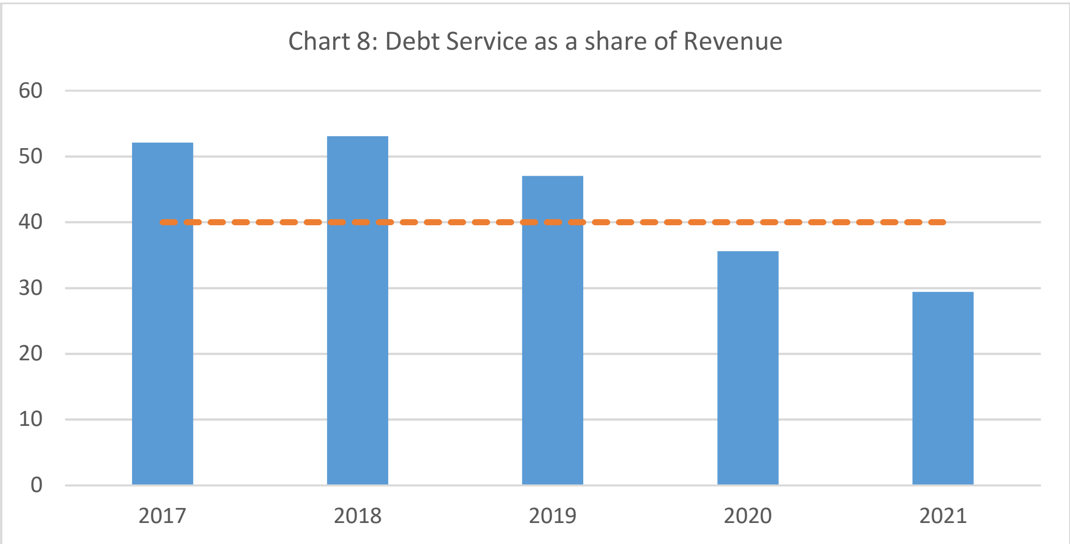
4.1 LAGOS STATE DEBT SUSTAINABILITY ANALYSIS



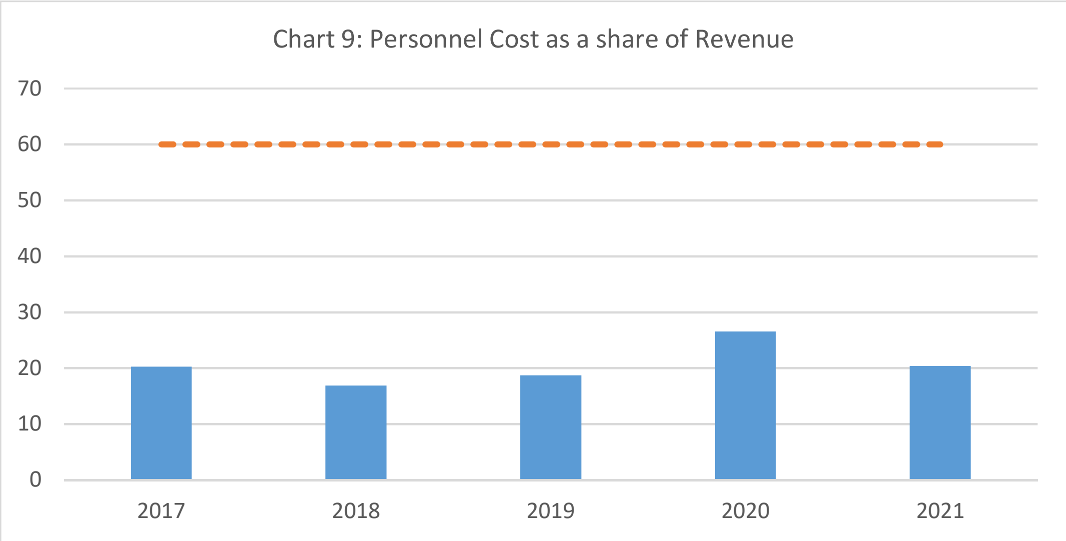
The Chart above shows the Lagos State Debt Stock as a share of Gross Domestic Product (SGDP) is below the threshold of 25% from Y2017 to Y2021 which indicates that Lagos State has the ability to pay back its debt.



The Debt Stock as a percentage of Revenue in the Chart above is less than the threshold of 200% from Y2017 to Y2021 indicating that Lagos State debt profile is sustainable.



The Debt Service as a share of Revenue surpassed the threshold of 40% from Y2017 to Y2019 while in Y2020 and Y2021 it was below threshold in the period under review indicating the Lagos State ability to service its debt as and when due.



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

4.2 MEDIUM-TERM BUDGET FORECAST

Lagos State's medium-term debt sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation. According to the Federal Government and State's own forecasts, the Nigerian economy is expected to gradually recover in the period 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 2021, thus improving the State's revenue position.

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

The target is to progressively grow total revenue towards achieving a 5% of State GDP which currently stands at 2.95% in Y2021 and is projected to increase gradually to 4.11%, 4.28% and 4.88% in Y2023, Y2024 and Y2025 respectively. (Revenue to GDP ratio, not GDP growth rate.) With the existing stimulants and equipment provided for revenue generating agencies, IGR is expected to improve over the Medium term.

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

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

LAGOS STATE DEBT BURDEN INDICATORS AS AT THE END -2021

INDICATORS	THRESHOLDS	RATIO
Debt as a % of GDP	25%	4%
Debt as a % of Revenue	200%	158%
Debt Service as a % of Revenue	40%	29%
Personnel cost as a % of Revenue	60%	20%
Debt Service as a % of FAAC Allocation	Nill	114%
Interest payment as % of Revenue	Nill	8%
External Debt Service as a % of Revenue	Nill	3%

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

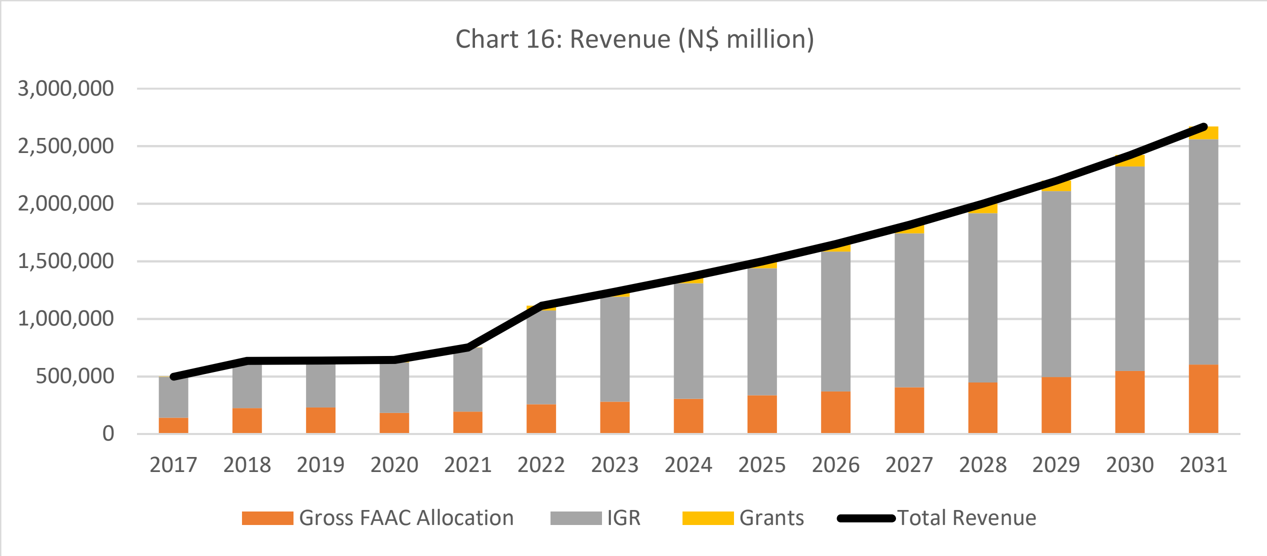
4.3 BORROWING OPTIONS

The deficit financing will be by way of a combination of external loan and domestic loans and bonds, which are well within our fiscal sustainability parameters. Lagos State Baseline Scenario one (S1) shows the apportionment of the planned borrowing as a ratio of 40% to 60% for the Commercial loan and Bond respectively. This is in line with past average trend of borrowing. The State planned borrowing of N295.85billion, N234.44billion and N276.35billion for Y2022, Y2023 and Y2024 respectively will be apportioned as stated above at 5years prevailing interest rate (Commercial loan) and 10years 14% fixed interest rate (Bond). The external loan financing comprises of Bilateral financing with a 20 Years and 40 Years Tenor with a moratorium of 7Years and 10 Years respectively with an average interest rate of 2.5%. External financing is limited due to the funding envelopes from the external borrowing with long processing time required loans from Multilateral and Bilateral requirements.

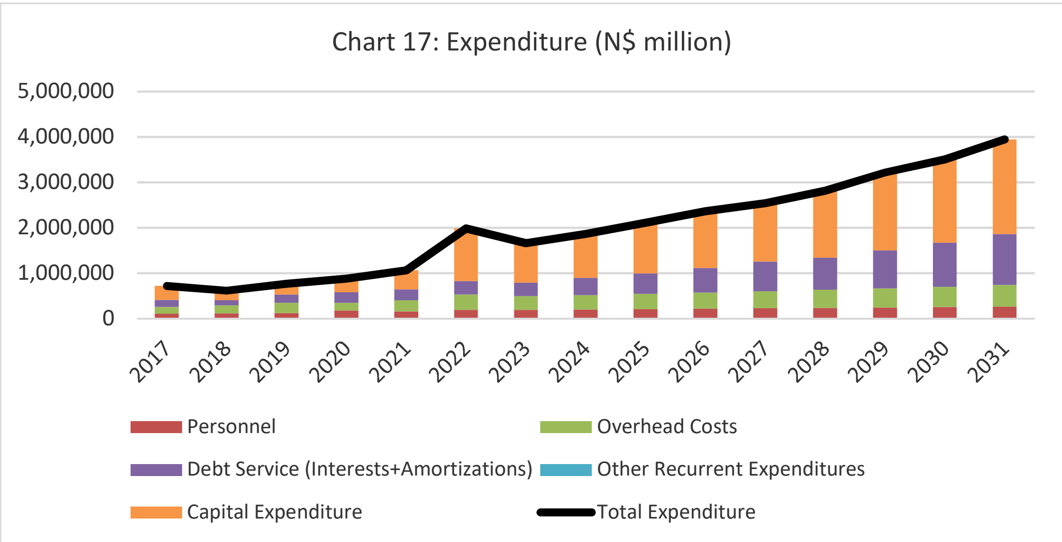
4.4 DSA SIMULATION RESULTS

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

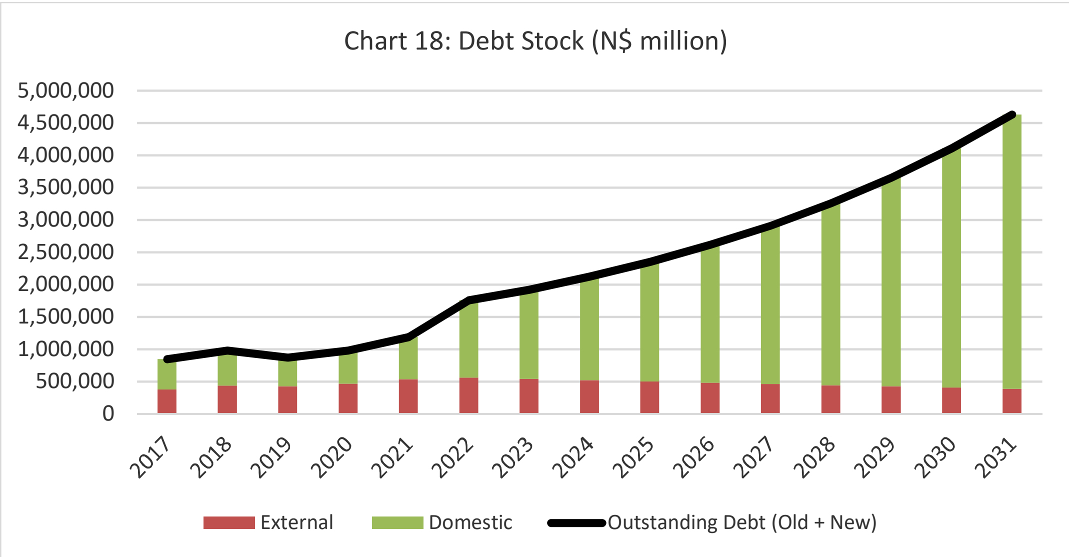
The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the state as well as employing appropriate technology. In addition, efforts will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



The chart above shows that Total Revenue steadily increased from N498.48billion in Y2017 to N1,651.46 billion in Y2025 and then to N2,569.46 in Y2031 due to improved Government Revenue generation strategy. The following are the movement in the component of Total revenue; IGR increased from N355.16 billion in Y2017 to N1,855.95 billion in Y2031, FAAC increased from N141.78 billion in Y2017 to N603.31billion in Y2031 and Grant increased from N1.54 billion in Y2017 to N110.2billion in Y2031.

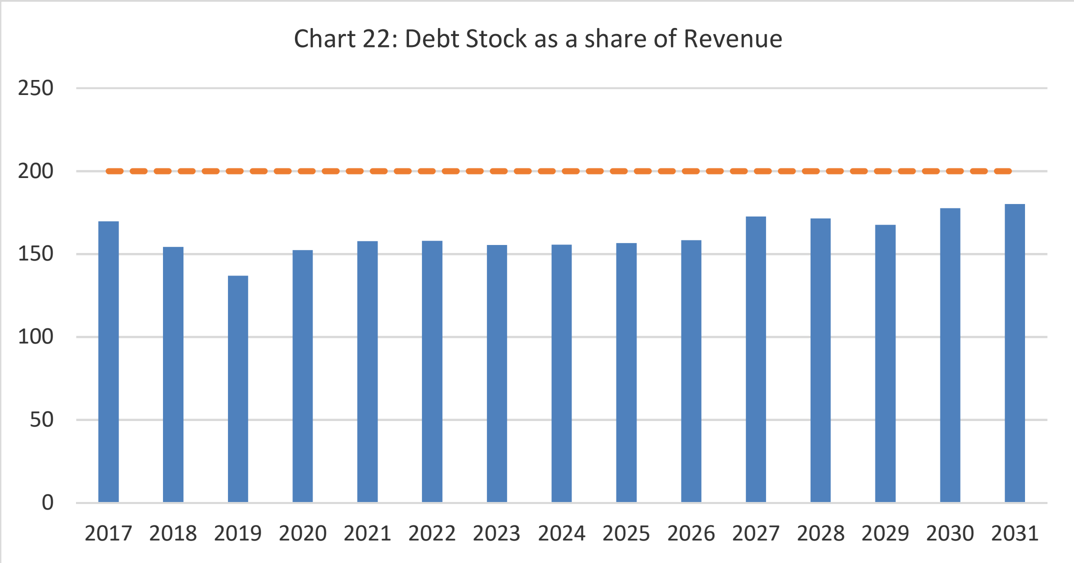


The chart above shows that Total Expenditure fluctuated during the period under review from N714.29 billion in Y2017 to N3,945 billion in Y2031 due to infrastructural development in making Lagos a 21st Century Mega City. The following are the movement in the component of the Total Expenditure; Personnel Cost increased from N100.96billion in Y2017 to N257.75billion in Y2031, Capital expenditure increased from N309.34 billion in Y2017 to N2,090.21billion in Y2031, Debt Service increased from N154.63billion in Y2017 to N1,121.97 billion in Y2031 and Overhead Cost increased from N149.37 billion in Y2016 to N475.07 billion in Y2031.



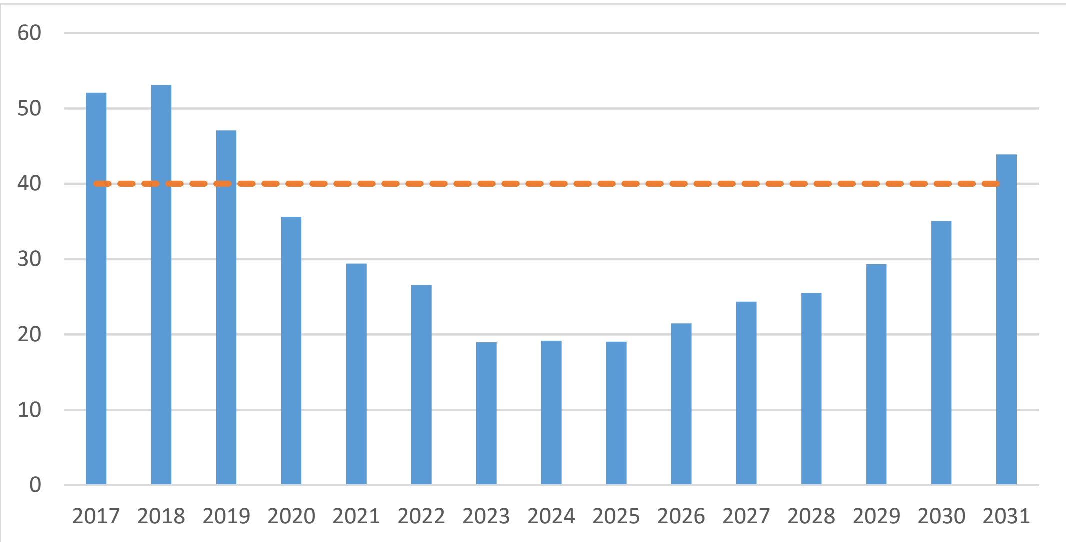
The Chart above shows that Lagos State Debt stock increased steadily from N846.03billion in Y2017 N4,629.51 in Y2031 due full redemption of Domestic loan and continuous servicing of External loan in the period under review. The following are the movement in the component of the Total Debt Stock; External loan increased from N375.96billion in Y2017 to N389.18billion in Y2031 due to volatility of the exchange rate and Domestic Loan increased from N470.06billion to N4,240.33billion in Y2031.

DEBT STOCK AS A SHARE OF REVENUE



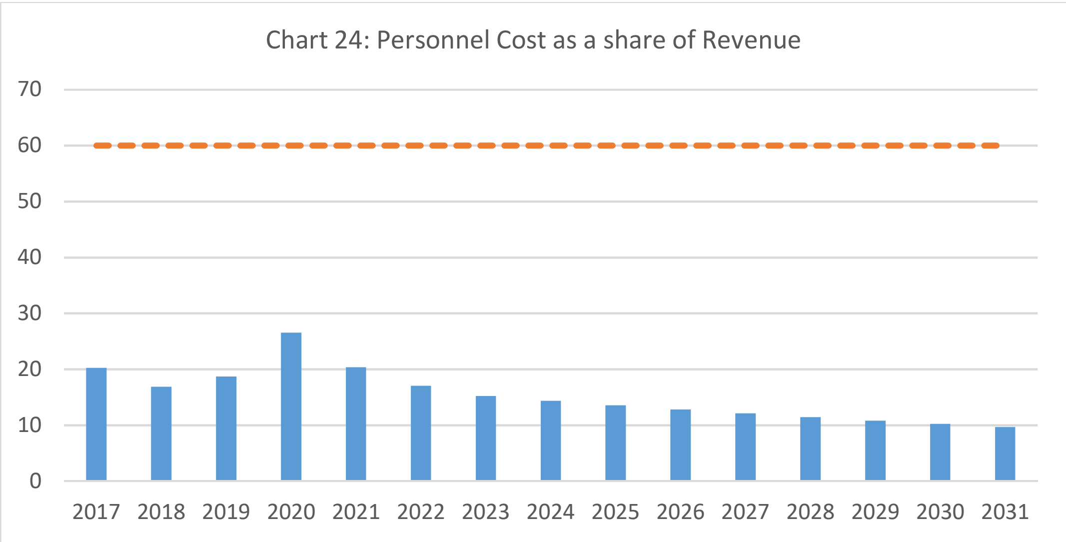
The Chart above shows that the State debt stock as a share of Revenue is below the threshold of 200% in Y2017 to Y2031 indicating the State's ability to fulfill its obligations from Total Revenue as it falls due and more strategies should be put in place to sustain the below threshold.

DEBT SERVICE AS A SHARE OF REVENUE



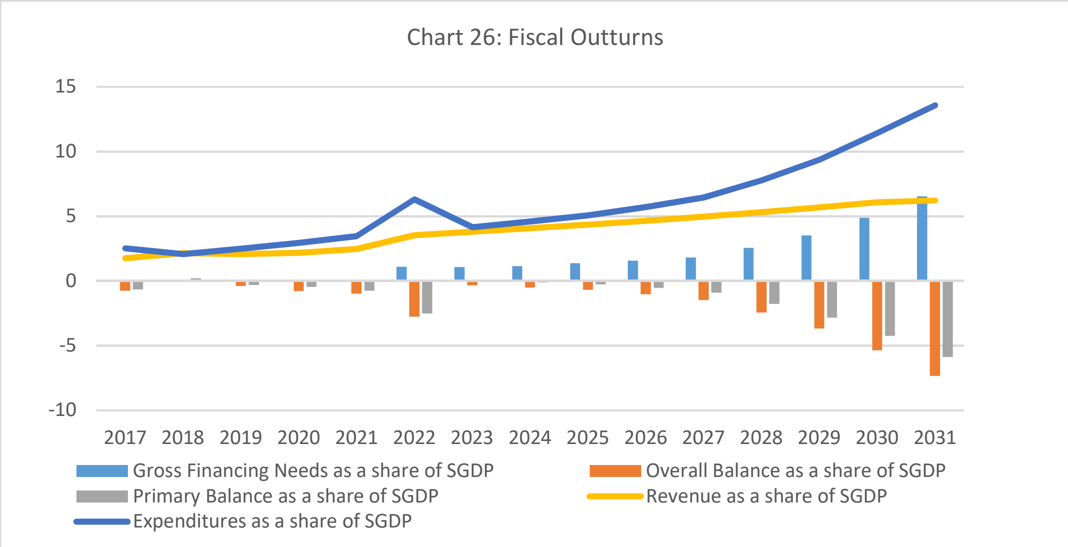
The chart above shows that Lagos State has put in place necessary strategies in ensuring that it Debt Service as a share of Revenue is below the threshold overtime, although the Debt Service as a share of Revenue increased beyond threshold from Y2017 to Y2019 and 2031. Therefore, more strategies should be put in place to bring it down below threshold.

PERSONNEL COST AS A SHARE OF REVENUE



Lagos State Government Personnel Cost as a share of Revenue shows that the correlation falls below the threshold of 60%. This is an indication the State Government has the ability to meet its staff obligation.

FISCAL OUTTURNS



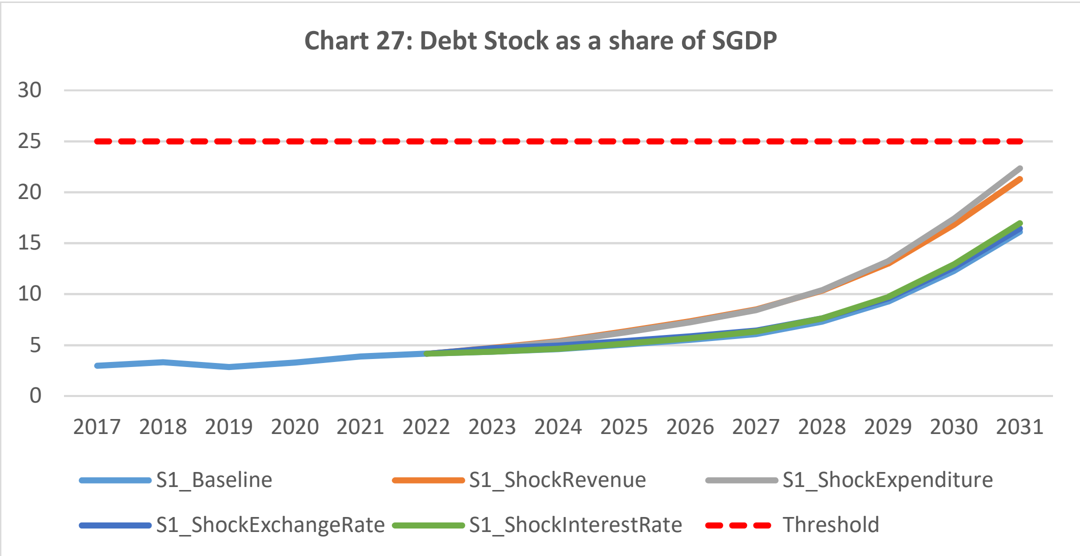
Since 2017 the overall balance as a share of SGDP decrease continuously from Y2017 to Y2031 owing to the fall in federal transfers (oil receipts) and the pressing need for infrastructural development. On the other hand, primary fiscal balance also shows a dwindling movement from Y2017 to Y2031.

SUMMARY OF FINDINGS

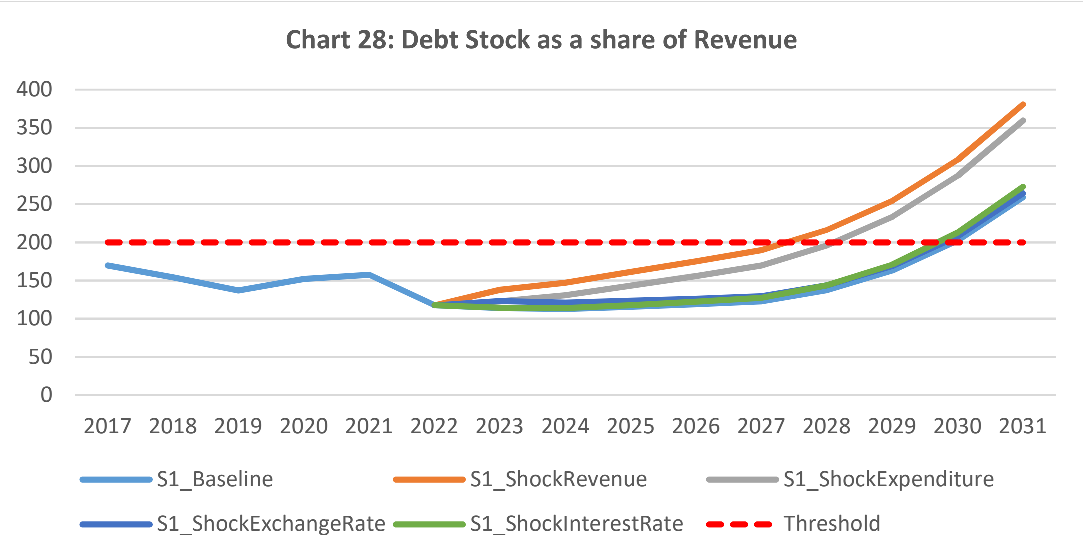
Lagos State DSA result shows that, the State remains at the Low Risk of Debt Distress. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output, does not result to a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

4.5 DSA SENSITIVITY ANALYSIS

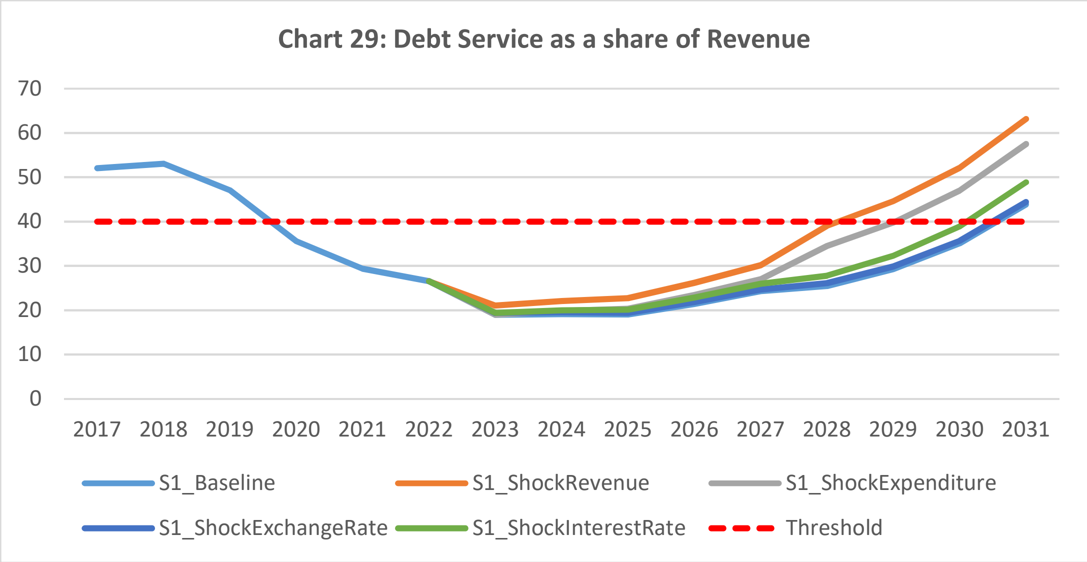
The State faces important sources of fiscal risks associated to the possibility of adverse country wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. A sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness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



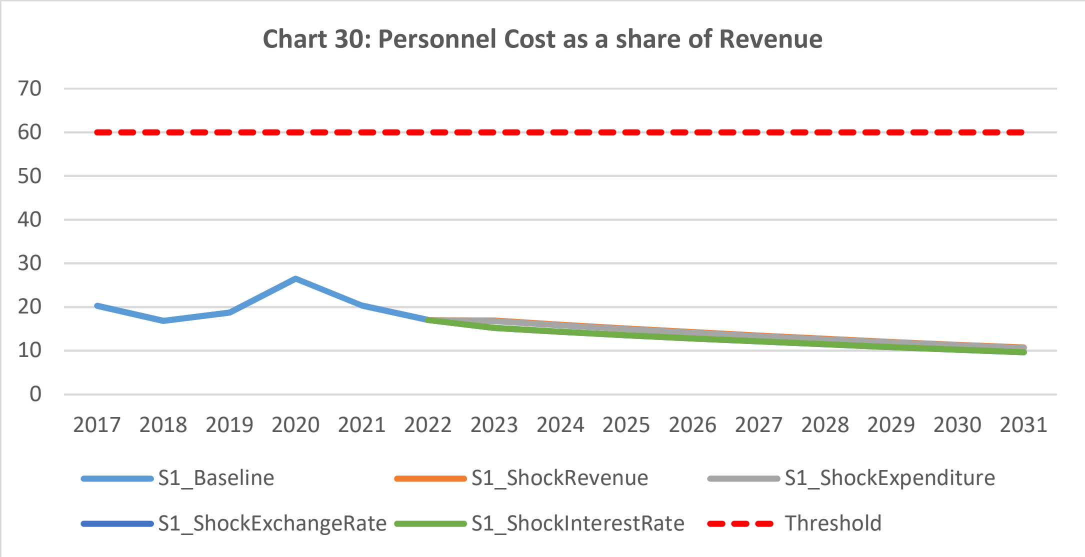
The Debt stock as a share of SGDP chart shows that the scenario one (S1) Baseline, ShockRevenue, ShockExpenditure, ShockExchangeRate, ShockInterestRate are all below the required threshold except for Historical which is slightly above threshold in 2027 and 2028. This is an indication that the strategy is favourable and sustainable to the State. Due to the position of the shocks to the threshold, it is imperative to note that any slight adverse change in the fiscal policy of the economy will trigger the movement of the Debt stock as a share of SGDP above the threshold.



The Debt stock as a share of Revenue chart shows that the scenario one (S1) Baseline, ShockRevenue, ShockExpenditure, ShockExchangeRate, ShockInterestRate and Historical are all below the required threshold till 2023. While the Historical increased in Y2024 and declined from y2028 to Y203. All others declined till 2027 and begin to increase in 2028 to 2031. This is an indication that the strategy is favourable and sustainable to the State. However, the Baseline position is more sensitive to move above the threshold upon any adverse fiscal policy, the other shock scenarios can be managed in line with the movement of economic indices.



The Debt service as a share of Revenue chart shows that the scenario one (S1) Baseline is above the threshold in Y2017 to Y2019. However, the ShockRevenue, ShockExpenditure, ShockExchangeRate, ShockInterestRate and Historical are all below the required threshold till 2028. The Historical falls below the threshold till 2031 while ShockRevenue, ShockExpenditure, increased above threshold in 2028 to 2031 and ShockExchangeRate, ShockInterestRate surpassed threshold in Y2030 to Y2031. This is an indication that the strategy is favourable and sustainable to the State overtime. It further shows that the Baseline position is more sensitive as it has moved above the threshold with past adverse fiscal policy, the other shock scenarios can be managed in line with the movement of economic indices.



The Personnel Cost as a share of Revenue chart shows that the scenario one (S1) Baseline, ShockRevenue, ShockExpenditure, ShockExchangeRate, ShockInterestRate and Historical are all below the required threshold. This is an indication that the strategy is favourable and sustainable to the State. The gap between the base line and the threshold shows the State Government's ability to fulfill its Personnel cost obligation no matter the shock.

The projected fiscal deficits exceed N33.66 billion from 2023 onwards, and hence are only slightly higher than the imbalances expected in the Baseline Scenario. On the other hand, the public debt ratio will deteriorate, chiefly as a consequence of the revenue shortfall and reach 61 percent of Total Revenue by 2025. This implies a favourable position of the State's public debt.

5.0 DEBT MANAGEMENT STRATEGY

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

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

5.1 ALTERNATIVE BORROWING OPTIONS

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2021 and MTEF, 2022-2024. The Domestic gross financing comprises commercial bank loans, State bonds and other domestic financing. The Domestic Financing under the Commercial Bank loans (maturity of 1-5 years) accounts of 40 percent and Domestic bond of 60 percent (maturity of 7-10 years) to fund its deficit for the projection years.

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

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

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

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

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

5.2 DEBT MANAGEMENT STRATEGY SIMULATION RESULTS

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

5.2.1 Debt Stock/Revenue

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

								COST	RISK measured only in 2026
S1_Tables	Indicator2_baseline	**Debt Stock as % of Revenue (including grants and excluding other capital receipts)**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
S1_Tables	Indicator2_baseline	Strategy #1 & Baseline Outlook	157.7	158.0	155.4	155.5	156.6	158.2	173.4
S1_Tables	Indicator2_shock	Strategy #1 & Adverse Shock		158.0	207.9	265.6	314.8	331.6	
S2_Tables	Indicator2_baseline	Strategy #2 & Baseline Outlook	157.7	158.0	155.4	155.5	156.6	158.2	173.4
S2_Tables	Indicator2_shock	Strategy #2 & Adverse Shock		158.0	207.9	265.6	314.8	331.6	
S3_Tables	Indicator2_baseline	Strategy #3 & Baseline Outlook	157.7	158.0	155.4	155.5	156.6	158.2	173.4
S3_Tables	Indicator2_shock	Strategy #3 & Adverse Shock		158.0	207.9	265.6	314.8	331.6	
S4_Tables	Indicator2_baseline	Strategy #4 & Baseline Outlook	157.7	158.0	154.7	153.9	153.8	153.9	174.4
S4_Tables	Indicator2_shock	Strategy #4 & Adverse Shock		158.0	207.2	264.0	312.3	328.4	

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

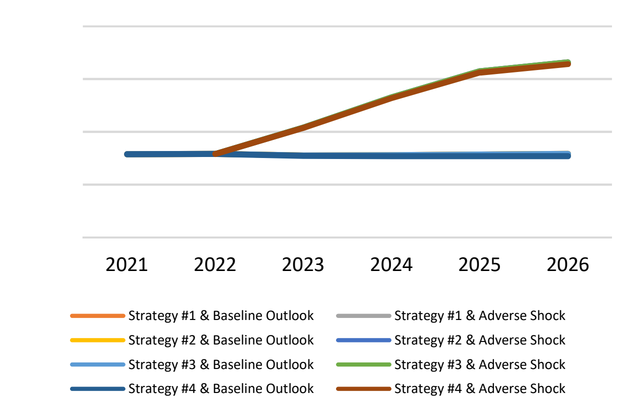


Chart 34. Cost-Risk Trade Off

(Cost in vertical axis, Risk in horizontal axis)

The Cost-Risk Trade-off scatter plot shows the trade-off of the cost and risk for the four DMS. Looking at the chart, the preferred strategy combines the lesser cost couple with the lesser risk. For the debt/revenue indicator, **the Strategy (S1)** is the preferred one since it has the same cost with the other three strategy which is slightly higher than the lowest cost but comes with a higher risk. (158.2% Cost and 173.4% Risk).

5.2.2 Debt Service/Revenue

The table below shows the performance of the state from 2022-2026 when expressing debt service as a percentage of revenue. Under this performance indicator, strategy S3 in the year of measurement (2026) cost of 27.4% and 5.4% as risk which is the lowest when compared to other alternative strategies.

								COST	RISK measured only in 2026
S1_Tables	Indicator4_baseline	**Debt Service as % of Revenue (including grants and excluding other capital receipts)**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
S1_Tables	Indicator4_baseline	Strategy #1 & Baseline Outlook		26.6	24.0	27.7	30.1	32.8	6.0
S1_Tables	Indicator4_shock	Strategy #1 & Adverse Shock		26.6	26.7	31.6	35.1	38.8	
S2_Tables	Indicator4_baseline	Strategy #2 & Baseline Outlook		26.6	24.0	30.4	32.4	35.9	6.4
S2_Tables	Indicator4_shock	Strategy #2 & Adverse Shock		26.6	26.7	34.6	37.6	42.3	
S3_Tables	Indicator4_baseline	Strategy #3 & Baseline Outlook		26.6	24.0	22.3	25.7	27.4	5.4
S3_Tables	Indicator4_shock	Strategy #3 & Adverse Shock		26.6	26.7	25.5	30.1	32.8	
S4_Tables	Indicator4_baseline	Strategy #4 & Baseline Outlook		26.6	23.3	26.7	28.1	30.2	5.7
S4_Tables	Indicator4_shock	Strategy #4 & Adverse Shock		26.6	25.9	30.5	32.9	35.9	

Chart 37. Debt Service as a share of Revenue (including grants and excluding other capital receipts)

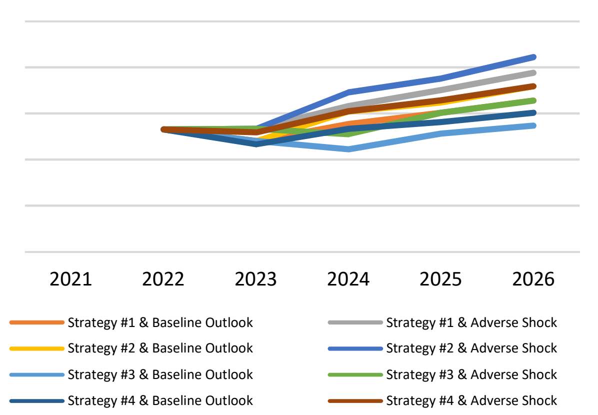
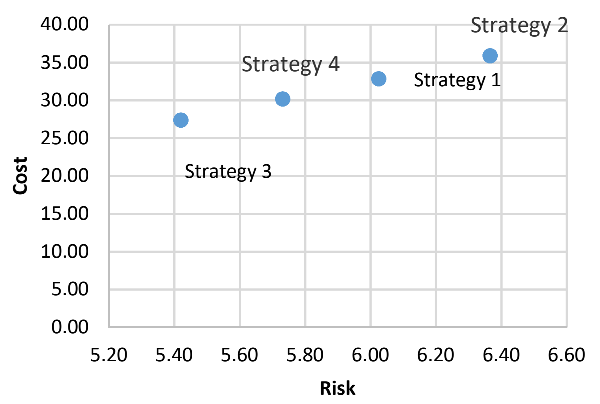


Chart 38. Cost-Risk Trade Off (Cost in vertical axis, Risk in horizontal axis)

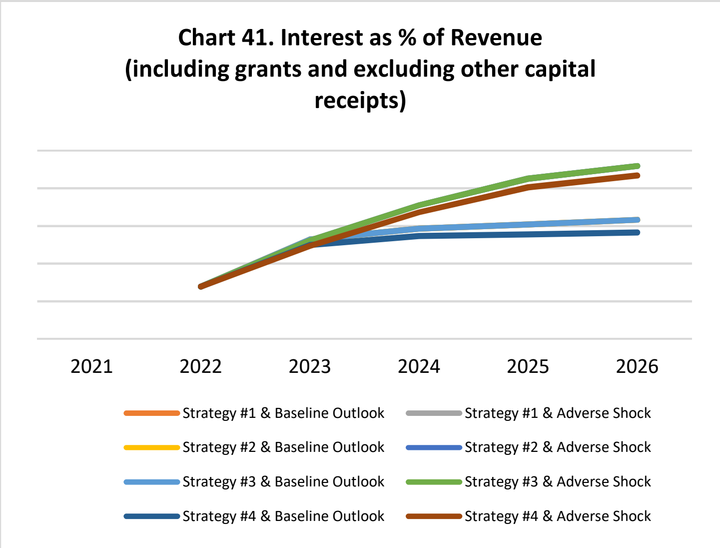


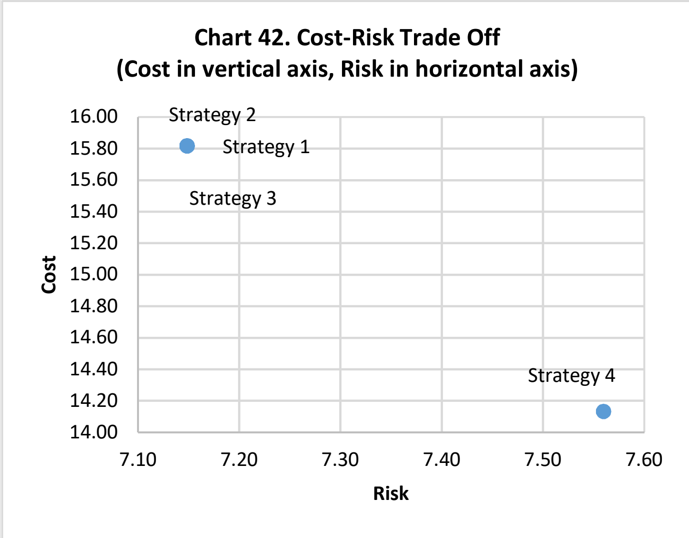
The Cost-Risk Trade-off scatter plot shows the trade-off of the cost and risk for the four DMS. Looking at the chart, the preferred strategy combines the lesser cost couple with the lesser risk. For the debt service/revenue indicator, the **alternative strategy (S3)** is the preferred one since it shows the lesser cost and the lesser risk (27.4% of Cost and 5.4% of Risk)

5.2.3 Interest/Revenue

The table below shows the performance of the state from 2021-2026 when expressing interest as a percentage of revenue. The first three strategies (S1, S2, S3) has the same cost of 15.8 and risk of 7.1, while Strategy 4 has a lower cost of 14.1 but higher risk of 7.6 due to concentration on more State bonds borrowings and commercial bank loans with little proportion of external financing over the DMS period of 2021-2026. As the external debt service terms requirement has low interest rate, longer maturity and grace period in concessional external financing.

								COST	RISK measured only in 2026
S1_Tables	Indicator6_baseline	**Interest as % of Revenue (including grants and excluding other capital receipts)**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
S1_Tables	Indicator6_baseline	Strategy #1 & Baseline Outlook		7.0	13.2	14.7	15.2	15.8	7.1
S1_Tables	Indicator6_shock	Strategy #1 & Adverse Shock		7.0	13.1	17.8	21.3	23.0	
S2_Tables	Indicator6_baseline	Strategy #2 & Baseline Outlook		7.0	13.2	14.7	15.2	15.8	7.1
S2_Tables	Indicator6_shock	Strategy #2 & Adverse Shock		7.0	13.1	17.8	21.3	23.0	
S3_Tables	Indicator6_baseline	Strategy #3 & Baseline Outlook		7.0	13.2	14.7	15.2	15.8	7.1
S3_Tables	Indicator6_shock	Strategy #3 & Adverse Shock		7.0	13.1	17.8	21.3	23.0	
S4_Tables	Indicator6_baseline	Strategy #4 & Baseline Outlook		7.0	12.5	13.7	13.9	14.1	7.6
S4_Tables	Indicator6_shock	Strategy #4 & Adverse Shock		7.0	12.4	16.8	20.1	21.7	





The Cost-Risk Trade-off scatter plot shows the trade-off of the cost and risk for the four DMS. Looking at the chart, the preferred strategy combines the lesser cost couple with the lesser risk. Like the previous indicators, for the interest/revenue indicator, **Strategy (S1)** is the preferred one since it has the same cost with the other three strategy which is slightly higher than the lowest cost but comes with a higher risk. (158.2% Cost and 173.4% Risk).

5.3 DMS ASSESSMENT

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

The cost-risk profile observed in the four DMS revealed that it would be optimal for the State to operate under the alternative Strategy (S3) because it has the lowest cost and lowest risk in the Debt service as a share of Revenue and also shares the same cost and risk with the other two strategies (S1, S2) both in Debt stock and Interest as a share of Revenue. However, the alternative Strategy (S3) is not implementable in the real sense. It is not practicable for the State government to source all its financial gap from wholly Domestic bond without a share of other financing options because of the requirements and the time involved in raising bonds for the state.

Consequently, the State would settle for the Reference Strategy (S1) which gave fair consideration to all Domestic financing instruments (both loan and bond). A comparison of the performance of the reference strategy (S1) with the performance of the other three alternative strategies (S2, S3, and S4) proves that the best strategy under the three indicators is the Reference **Strategy (S1).**

2022			
		Projection Methodology	**Source**
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)	Based on 5years avearage increase of Gross Statutory Allocation (GSA) @ 8% and expected increase in Non-Oil Revenue due to government capacity to manage post pandemic economy	PUBLISHED FINANCIAL STATEMENT
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		
	4. VAT Allocation	Based on 5years avearage increase of VAT @ 13% and expected increase in	PUBLISHED FINANCIAL STATEMENT
	5. IGR	The target is to progressively grow IGR in line with past trend of 10% annually.	PUBLISHED FINANCIAL STATEMENT
	6. Capital Receipts		
	6.a. Grants		
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Based on 5years past trend of 11% Increase and expected increase in employment especially Health workers as a result of COVID 19 Pandemic and Security Personnel.	PUBLISHED FINANCIAL STATEMENT
	2. Overhead costs	Based on trend in the last 5years of 24% average Increase aand increase in repair and maintenance cost of government infrastructures	
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Based on current interest rate	MPR
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		
	5. Capital Expenditure	Based on trend in the last 5years of 6% average Increase and increase in Capital Projects/Infrastructural Developments	MEDIUM TERM BUDGET FRAMEWORK
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	Variation in Revenue and Expenditure assumptions	PUBLISHED FINANCIAL STATEMENT
Debt Amotization and Interest Payments	**Debt Outstanding at end-2021**		
	External Debt - amortization and interest	Based on current interest rate agreement	DMO DATA BASE
	Domestic Debt - amortization and interest	All loan balances at 2020 will be fully redeemed by 2025 and as such no projection available.	DMO DATA BASE
	New debt issued/contracted from 2022 onwards		
	New External Financing	**Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans	Interest Rate: 2%. Maturity: 30years. Grace Period on Principal Repayment: 5years.	DMO STRATEGY
	Other External Financing		
	New Domestic Financing	**Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)**	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest Rate: 14%. Maturity: 5years. Grace Period on Principal Repayment: 1year.	DMO STRATEGY
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)	Interest Rate: 14%. Maturity: 10years. Grace Period on Principal Repayment: 2years.	DMO STRATEGY
	Other Domestic Financing		

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	40% of required borrowing : Interest Rate: 14%. Maturity: 5years. Grace Period on Principal Repayment: 1years.	DMO STRATEGY
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)	60% of required borrowing : Interest Rate: 14%. Maturity: 10years. Grace Period on Principal Repayment: 2years.	DMO STRATEGY
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans		
	Other External Financing		

Proceeds from Debt-Creating Borrowings 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)	60% of required borrowing : Interest Rate: 14%. Maturity: 5years. Grace Period on Principal Repayment: 1years.	DMO STRATEGY
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)	40% of required borrowing : Interest Rate: 14%. Maturity: 10years. Grace Period on Principal Repayment: 2years.	
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans		
	Other External Financing		

Proceeds from Debt-Creating Borrowings 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)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)	100% of required borrowing : Interest Rate: 14%. Maturity: 10years. Grace Period on Principal Repayment: 2years.	DMO STRATEGY
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans		
	Other External Financing		

Proceeds from Debt-Creating Borrowings 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)	40% of required borrowing : Interest Rate: 14%. Maturity: 5years. Grace Period on Principal Repayment: 1years.	DMO STRATEGY
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)	50% of required borrowing : Interest Rate: 14%. Maturity: 10years. Grace Period on Principal Repayment: 2years.	DMO STRATEGY
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	10% of required borrowing : Interest Rate: 2.5%. Maturity: 30years. Grace Period on Principal Repayment: 5years.	
	External Financing - Bilateral Loans		
	Other External Financing		

Indicator	Actuals					Projections									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	28,343,617.92	29,627,583.82	30,674,905.09	29,717,096.15	30,608,609.04	31,526,867.31	32,472,673.33	33,446,853.53	34,450,259.13	35,483,766.91	36,548,279.91	37,644,728.31	38,774,070.16	39,937,292.27	42,937,292.27
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00
Fiscal Indicators (Million Naira)															
Revenue	**659,731.24**	**699,896.21**	**764,247.69**	**893,694.07**	**1,053,195.16**	**1,905,493.84**	**1,642,657.00**	**1,860,930.59**	**2,084,250.76**	**2,338,207.72**	**2,502,637.59**	**2,782,704.22**	**3,215,044.66**	**3,504,059.88**	**3,935,238.82**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	38,230.86	57,055.31	55,161.07	45,879.84	47,436.27	72,750.00	66,069.56	67,390.95	69,412.68	71,495.06	73,639.91	75,849.11	78,124.58	80,468.32	82,882.37
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)	197.00	130.02	41.37	314.47	3,784.54	3,784.00	8,474.81	10,062.47	11,068.71	12,175.59	13,393.14	14,732.46	16,205.71	17,826.28	19,608.90
3. Other FAAC transfers (exchange rate gain, augmentation, others)	23,120.47	66,814.93	66,588.77	5,154.11	3,509.22	315.00	6,708.31	1,677.08	1,693.85	1,710.79	1,727.90	1,745.17	1,762.63	1,780.25	1,798.05
4. VAT Allocation	80,231.70	99,055.19	107,704.19	131,970.18	139,104.56	179,419.00	198,847.23	225,733.40	252,821.41	283,159.98	317,139.17	355,195.87	397,819.38	445,557.71	499,024.63
5. IGR	355,161.35	412,708.18	407,661.90	437,161.06	555,651.32	815,336.00	912,464.41	1,003,710.86	1,104,081.94	1,214,490.13	1,205,939.15	1,369,533.06	1,596,486.37	1,668,135.01	1,855,948.51
6. Capital Receipts	162,789.87	64,132.57	127,090.39	273,214.41	303,709.25	833,889.84	450,092.67	552,355.84	645,172.17	755,176.18	890,798.31	965,648.53	1,124,645.99	1,290,292.32	1,475,976.35
6.a. Grants	1,541.79	906.14	483.93	23,297.65	3,890.08	42,231.00	44,881.57	56,550.77	62,205.85	68,426.43	75,269.08	82,795.99	91,075.58	100,183.14	110,201.46
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	10,020.36	18,226.43	8,972.29	13,927.94	0.00	45,804.86	107,766.69	117,431.83	130,349.34	144,687.76	160,603.42	178,269.79	197,879.47	219,646.21	243,807.30
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	151,227.72	45,000.00	117,634.17	235,988.82	299,819.17	745,853.98	297,444.42	378,373.23	452,616.98	542,061.98	654,925.82	704,582.76	835,690.94	970,462.96	1,121,967.60
Expenditure	**714,292.43**	**612,252.14**	**762,566.52**	**876,468.71**	**1,058,523.06**	**1,985,788.98**	**1,662,208.23**	**1,865,865.82**	**2,110,036.44**	**2,361,486.17**	**2,541,638.77**	**2,818,767.57**	**3,218,824.67**	**3,505,103.39**	**3,944,999.89**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	100,959.59	107,306.82	119,276.43	170,757.71	153,535.51	189,586.00	188,332.09	195,865.38	203,699.99	211,847.99	220,321.91	229,134.79	238,300.18	247,832.18	257,745.47
2. Overhead costs	149,370.41	175,731.99	221,217.58	168,080.42	244,968.23	333,433.00	300,905.97	315,951.27	334,908.34	355,002.84	376,303.01	398,881.20	422,814.07	448,182.91	475,073.89
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	26,034.28	31,979.07	28,224.80	91,879.77	73,244.96	77,504.55	163,547.50	200,173.89	228,121.39	261,186.95	300,174.17	345,047.28	396,116.45	454,288.85	521,366.09
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	21,064.20	26,771.90	23,175.70	50,143.27	66,878.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	4,970.08	5,207.17	5,049.10	41,736.50	6,366.03	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	309,334.89	213,765.02	241,057.12	304,936.59	424,468.17	1,166,916.00	875,525.75	975,675.94	1,118,811.13	1,252,573.36	1,290,088.03	1,486,168.84	1,722,019.49	1,838,625.33	2,090,212.93
6. Amortization (principal) payments	128,593.26	83,469.24	152,790.59	140,814.22	162,306.19	218,349.43	133,896.92	178,199.35	224,495.59	280,875.03	354,751.65	359,535.48	439,574.49	516,174.11	600,601.52
Budget Balance (' + ' means surplus, ' - ' means deficit)	**-54,561.19**	**87,644.07**	**1,681.17**	**17,225.36**	**-5,327.90**	**-80,295.14**	**-19,551.23**	**-4,935.22**	**-25,785.68**	**-23,278.45**	**-39,001.18**	**-36,063.36**	**-3,780.01**	**-1,043.51**	**-9,761.07**
Opening Cash and Bank Balance	**212,883.63**	**158,322.44**	**245,966.51**	**247,647.68**	**264,873.04**	**259,545.13**	**179,249.99**	**159,698.76**	**154,763.54**	**128,977.85**	**105,699.41**	**66,698.23**	**30,634.87**	**26,854.86**	**25,811.35**
Closing Cash and Bank Balance	**158,322.44**	**245,966.51**	**247,647.68**	**264,873.04**	**259,545.13**	**179,249.99**	**159,698.76**	**154,763.54**	**128,977.85**	**105,699.41**	**66,698.23**	**30,634.87**	**26,854.86**	**25,811.35**	**16,050.28**

Code	Indicator	Shock	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
			Actuals					Projections									
			BASELINE SCENARIO														
	Financing Needs and Sources (Million Naira)																
	Financing Needs							**791,658.84**	**405,211.10**	**495,805.07**	**582,966.32**	**686,749.74**	**815,529.24**	**882,852.55**	**1,033,570.41**	**1,190,109.18**	**1,365,774.90**
	i. Primary balance							-576,100.00	-127,317.92	-122,367.06	-156,135.02	-167,966.21	-199,604.60	-214,333.15	-201,659.48	-220,689.72	-253,568.37
	ii. Debt service							295,853.98	297,444.42	378,373.23	452,616.98	542,061.98	654,925.82	704,582.76	835,690.94	970,462.96	1,121,967.60
	Amortizations							218,349.43	133,896.92	178,199.35	224,495.59	280,875.03	354,751.65	359,535.48	439,574.49	516,174.11	600,601.52
	Interests							77,504.55	163,547.50	200,173.89	228,121.39	261,186.95	300,174.17	345,047.28	396,116.45	454,288.85	521,366.09
	iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)							-80,295.14	-19,551.23	-4,935.22	-25,785.68	-23,278.45	-39,001.18	-36,063.36	-3,780.01	-1,043.51	-9,761.07
	Financing Sources							**791,658.84**	**405,211.10**	**495,805.07**	**582,966.32**	**686,749.74**	**815,529.24**	**882,852.55**	**1,033,570.41**	**1,190,109.18**	**1,365,774.90**
	i. Financing Sources Other than Borrowing							45,804.86	107,766.69	117,431.83	130,349.34	144,687.76	160,603.42	178,269.79	197,879.47	219,646.21	243,807.30
	ii. Gross Borrowings							745,853.98	297,444.42	378,373.23	452,616.98	542,061.98	654,925.82	704,582.76	835,690.94	970,462.96	1,121,967.60
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)							298,341.59	118,977.77	151,349.29	181,046.79	216,824.79	261,970.33	281,833.10	334,276.37	388,185.19	448,787.04
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	State Bonds (maturity 1 to 5 years)							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	State Bonds (maturity 6 years or longer)							447,512.39	178,466.65	227,023.94	271,570.19	325,237.19	392,955.49	422,749.65	501,414.56	582,277.78	673,180.56
	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	0.00	0.00	0.00	0.00	0.00	0.00
	External Financing - Bilateral Loans							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Other External Financing							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Residual Financing							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Debt Stocks and Flows (Million Naira)																
	Debt (stock)		**846,031.41**	**981,603.31**	**872,959.16**	**980,032.66**	**1,188,036.62**	**1,759,489.87**	**1,923,037.37**	**2,123,211.25**	**2,351,332.65**	**2,612,519.59**	**2,912,693.76**	**3,257,741.04**	**3,653,857.49**	**4,108,146.34**	**4,629,512.42**
	External		375,968.98	437,228.40	428,732.20	466,558.16	537,308.30	561,478.60	541,667.40	521,921.80	502,422.20	482,980.00	463,238.50	444,148.90	425,707.10	407,269.40	389,180.20
	Domestic		470,062.43	544,374.91	444,226.96	513,474.50	650,728.32	1,198,011.27	1,381,369.97	1,601,289.45	1,848,910.45	2,129,539.59	2,449,455.26	2,813,592.14	3,228,150.39	3,700,876.94	4,240,332.22
	Gross borrowing (flow)							**745,853.98**	**297,444.42**	**378,373.23**	**452,616.98**	**542,061.98**	**654,925.82**	**704,582.76**	**835,690.94**	**970,462.96**	**1,121,967.60**
	External							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Domestic							745,853.98	297,444.42	378,373.23	452,616.98	542,061.98	654,925.82	704,582.76	835,690.94	970,462.96	1,121,967.60
	Amortizations (flow)		**205,543.83**	**269,012.18**	**240,219.57**	**182,345.16**	**162,698.70**	**218,349.43**	**133,896.92**	**178,199.35**	**224,495.59**	**280,875.03**	**354,751.65**	**359,535.48**	**439,574.49**	**516,174.11**	**600,601.52**
	External		3,772.53	5,534.73	7,604.27	11,987.02	18,343.60	19,778.40	19,811.20	19,745.60	19,499.60	19,442.20	19,741.50	19,089.60	18,441.80	18,437.70	18,089.20
	Domestic		201,771.30	263,477.45	232,615.30	170,358.14	144,355.10	198,571.03	114,085.72	158,453.75	204,995.99	261,432.83	335,010.15	340,445.88	421,132.69	497,736.41	582,512.32
	Interests (flow)		**54,070.32**	**68,875.90**	**59,761.48**	**46,737.20**	**58,675.13**	**77,504.55**	**163,547.50**	**200,173.89**	**228,121.39**	**261,186.95**	**300,174.17**	**345,047.28**	**396,116.45**	**454,288.85**	**521,366.09**
	External		4,119.40	5,167.79	4,747.69	4,922.60	6,962.23	6,732.20	6,355.00	5,715.40	5,658.00	5,346.40	5,030.70	4,719.10	4,497.70	4,280.40	4,305.00
	Domestic		49,950.92	63,708.11	55,013.79	41,814.60	51,712.90	70,772.35	157,192.50	194,458.49	222,463.39	255,840.55	295,143.47	340,328.18	391,618.75	450,008.45	517,061.09
	Net borrowing (gross borrowing minus amortizations)							**527,504.55**	**163,547.50**	**200,173.89**	**228,121.39**	**261,186.95**	**300,174.17**	**345,047.28**	**396,116.45**	**454,288.85**	**521,366.09**
	External							-19,778.40	-19,811.20	-19,745.60	-19,499.60	-19,442.20	-19,741.50	-19,089.60	-18,441.80	-18,437.70	-18,089.20
	Domestic							547,282.95	183,358.70	219,919.49	247,620.99	280,629.15	319,915.67	364,136.88	414,558.25	472,726.55	539,455.29
	Debt and Debt-Service Indicators																
ndicator1_baselin	**Debt Stock as % of SGDP**		**2.98**	**3.31**	**2.85**	**3.30**	**3.88**	**5.58**	**5.92**	**6.35**	**6.83**	**7.36**	**7.97**	**8.65**	**9.42**	**10.29**	**10.78**
ndicator2_baselin	**Debt Stock as % of Revenue (including grants and excluding other capital receipts)**		**169.72**	**154.18**	**136.90**	**152.23**	**157.70**	**157.97**	**155.40**	**155.53**	**156.62**	**158.19**	**172.64**	**171.47**	**167.49**	**177.54**	**180.17**
ndicator3_baselin	**Debt Service as % of SGDP**							**0.94**	**0.92**	**1.13**	**1.31**	**1.53**	**1.79**	**1.87**	**2.16**	**2.43**	**2.61**
ndicator4_baselin	**Debt Service as % of Revenue (including grants and excluding other capital receipts)**							**26.56**	**24.04**	**27.72**	**30.15**	**32.82**	**38.82**	**37.09**	**38.31**	**41.94**	**43.67**
ndicator5_baselin	**Interest as % of SGDP**							**0.25**	**0.50**	**0.60**	**0.66**	**0.74**	**0.82**	**0.92**	**1.02**	**1.14**	**1.21**
ndicator6_baselin	**Interest as % of Revenue (including grants and excluding other capital receipts)**							**6.96**	**13.22**	**14.66**	**15.20**	**15.82**	**17.79**	**18.16**	**18.16**	**19.63**	**20.29**
	Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							**17.02**	**15.22**	**14.35**	**13.57**	**12.83**	**13.06**	**12.06**	**10.92**	**10.71**	**10.03**
	Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026																
	For Debt Stock as % of SGDP the adverse shock is: Historical	**Historical**															
Indicator1_shock	**Debt Stock as % of SGDP**							**5.58**	**8.15**	**11.79**	**16.45**	**22.00**	**27.25**	**28.13**	**11.46**	**-63.86**	**-323.24**
	For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical	**Historical**															
Indicator2_shock	**Debt Stock as % of Revenue (including grants and excluding other capital receipts)**							**157.97**	**207.88**	**265.56**	**314.84**	**331.58**	**280.92**	**161.35**	**29.53**	**-63.32**	**-113.29**
	For Debt Service as % of SGDP the adverse shock is: Historical	**Historical**															
Indicator3_shock	**Debt Service as % of SGDP**							**0.94**	**0.93**	**1.34**	**1.80**	**2.38**	**3.08**	**5.57**	**6.86**	**6.75**	**1.90**
	For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	**Revenue**															
Indicator4_shock	**Debt Service as % of Revenue (including grants and excluding other capital receipts)**							**26.56**	**26.71**	**31.60**	**35.10**	**38.85**	**46.52**	**52.48**	**54.59**	**60.34**	**63.33**
	For Interest as % of SGDP the adverse shock is: Historical	**Historical**															
Indicator5_shock	**Interest as % of SGDP**							**0.25**	**0.51**	**0.79**	**1.11**	**1.52**	**2.01**	**2.49**	**2.62**	**1.38**	**-4.50**
	For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical	**Historical**															
Indicator6_shock	**Interest as % of Revenue (including grants and excluding other capital receipts)**							**6.96**	**13.08**	**17.77**	**21.29**	**22.96**	**20.77**	**14.28**	**6.76**	**1.37**	**-1.58**

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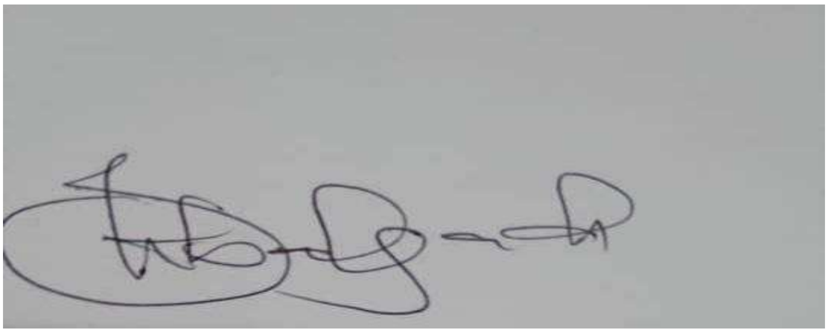

W.O Abalagada

LAGOS STATE DEBT MANAGEMENT OFFICE

25TH OF NOVEMBER 2022