



# What we know about Lagos State Finances

## About BudgIT

BudgIT is a civic organisation driven to make the Nigerian budget and public data more understandable and accessible across every literacy span. BudgIT's innovation within the public circle comes with a creative use of government data by either presenting these in simple tweets, interactive formats or infographic displays. Our primary goal is to use creative technology to intersect civic engagement and institutional reform.

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# Overview





# History



Lagos State was created by virtue of the State (Creation and Transitional Provisions) Decree No. 14 of 1967 on 27 May 1967, which restructured Nigeria into 12 States. Prior to this, Lagos Municipality had been administered by the federal government (FG), through the Federal Ministry of Lagos Affairs as the regional authority, while the Lagos City Council governed the City of Lagos.

The metropolitan areas (previously referred to as Colony Provinces) of Ikeja, Agege, Mushin, Ikorodu, Epe and Badagry were administered by the then Western Region. The State became an administrative entity on 11 April 1968, with Lagos Island serving the dual role of State and Federal Capital.

However, in 1976, Lagos Island ceased to be the capital; Ikeja assumed that role. The seat of the federal government was subsequently relocated to Abuja on 12 December 1991, and Lagos also ceased to be Nigeria's political capital.

Lagos nevertheless remains Nigeria's economic, manufacturing, financial and commercial hub, also ranking among Africa's top cities along the same yardsticks.

## POPULATION

According to the 2006 census conducted by the National Population Commission (NPC), Lagos has a population of over nine million, of a national estimate of 150 million.

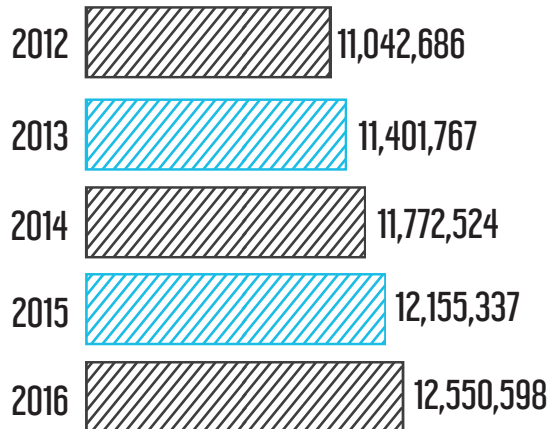
The population growth has a rate of about

600,000 per annum, with a density of approximately 4,193 persons per sq. km. In the urban areas of the Lagos metropolis, the average population density is over 20,000 people per sq. km.

Current demographic trend analysis reveals that Lagos' population growth rate of 8% has resulted in its harbouring 36.8% (an estimated 49.8 million) of Nigeria's 150 million urban population (World Bank, 1996).

The implication is that whereas Nigeria's population growth is approximately 4-5% and stands globally at 2%, Lagos' population is growing ten times faster than that of New York and Los Angeles (USA), with grave implications for urban sustainability'.

## Estimated Population Figures

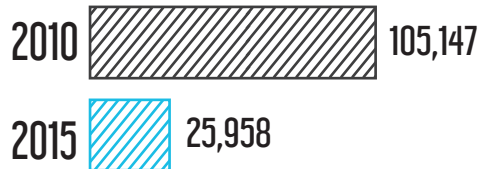


Source: Nigerian Bureau of Statistics (NBS), Central Bank of Nigeria (CBN)

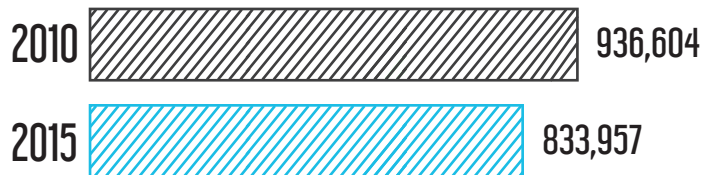
## Motor Vehicles Registration Statistics



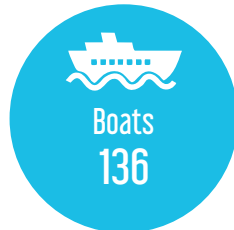
### Motor Cycles



### Motor Vehicles



### Number of Boats by Ownership & Passengers (2015)



### Number of Ferries by Ownership & Passengers (2015)



Source: Lagos State Government



# Finances

## Lagos Telecommunications Statistics as at Q4 2017

Active Voice  
19,417,181

13.39%  
of total active voice  
lines in Nigeria

Active  
Internet Lines  
13,631,562

13.81%  
of total active internet  
lines in Nigeria

Source: NCC, NBS

Lagos is a State every other in Nigeria may envy, considering the size of its tax revenue relative to its centrally-collected revenue. Compared to many of its peers, Lagos is highly industrialised, being the nation's economic capital and home to a booming port system. The State government relies on statutory allocations to undertake projects and implement programmes, as highlighted in its budget. Statutory allocations make up about 21.67% of Total revenue for the state government, while the balance is generated internally.

The economic structure of Lagos state gives it a considerable advantage, in terms of internally-generated revenue (IGR) uptake. In 2016, Lagos accounted for approximately 37% of Total IGR collected by all States, reinforcing the optimal financial position Lagos enjoys.

It is important to note at this point that more details on Lagos' financial statements are notoriously kept opaque, with scant useful information.

The State does not publish its detailed budget, budget implementation reports, audited statements and other critical documents needed for holistic, independent assessment.

The low level of transparency in Lagos' finances is reflected in the quality of service and abysmal range of infrastructure in the state; the paradox of Lagos is its reality as a place where rubbish dumps grow on streets, in tandem with six-figure skyscrapers. Despite its huge revenue uptake,

<sup>1</sup><https://www.fmdqotc.com/wp-content/uploads/2017/07/LASG-Series-2-Bond-Prospectus.pdf>

<sup>2</sup>[https://www.cbn.gov.ng/Out/2017/SD/eCopy%20of%202016%20Statistical%20Bulletin\\_Real%20Sector%20Statistics\\_Final.xlsx](https://www.cbn.gov.ng/Out/2017/SD/eCopy%20of%202016%20Statistical%20Bulletin_Real%20Sector%20Statistics_Final.xlsx) (Tab C5.2)

<sup>3</sup>Telecoms Data: Active Voice and Internet per State, Porting and Tariff Information (Q4 2017) - ppg 59  
<http://www.nigerianstat.gov.ng/download/729>

<sup>4</sup>Telecoms Data: Active Voice and Internet per State, Porting and Tariff Information (Q4 2017) - ppg 60

the condition of Lagos' road and drainage systems are overwhelmingly sub-optimal. Lagos is still some way from achieving crucial schemes, including a light rail system, and lagging behind in terms of road infrastructure, drainage construction and the provision of fire stations.

The condition of schools and hospitals, when juxtaposed with the State's revenue is just as

disconcerting. Furthermore, the Overhead costs of running the office of the governor of Lagos in 2017 was N6bn, a figure significantly higher than the N1.32bn allocated for Overhead costs for maintaining the office of the President of Nigeria, in the 2018 budget.

It is therefore a matter of legal and moral principle for Lagos state to open up its books to public scrutiny.



<http://www.nigerianstat.gov.ng/download/729>

<http://www.budgetoffice.gov.ng/index.php/2017-approved-budget?task=document.viewdoc&id=647>

# Lagos 2018 Budget Fiscal Framework







# Fiscal Framework

Lagos' 2018 spending plans suggest she may be borrowing heavily through the year. The southwestern Nigerian State is planning to spend approximately N1.046tn, with 66.8% (or N699.082bn) going into Capital items, while the balance will be spent on Recurrent items, including the servicing of public debts, payment of salaries and emoluments of workers and other associated Overhead costs

At N1.046tn, Lagos' expansionist spending plan for fiscal year 2018 is up 28.65%, from 2017 levels of N813bn. Capital expenditure projections in 2018 stand at N699.082bn, a rise from N436.26bn in 2017.

What and how the State will spend the N1.046tn on is locked away from public debate and assessment. Lagos is hoping for a Revenue uptake of N897bn, which is significantly higher than 2017 projections of N642bn. Disaggregated information on the State's revenue projections for 2018 has again not being made public.

In 2017, Lagos' budget was anchored on Internally-generated Revenue projections of N450.87bn, Federal transfers of N166.54bn and Capital receipts of N25.44bn.

With revenue projected at N897bn and the 2018 spending plan built around N1.046tn, the deficit for Lagos is pegged at N149bn, which will most likely be closed by borrowing, and sales of government properties. Preliminary information released to the public on the 2018 budget states that the projects therein include the construction of the Agege Pen Cinema flyover; construction of alternative routes

through Oke-Ira in Eti-Osa to Epe-Lekki Expressway; the construction of an 8km Regional Road to serve as an alternative route to connect Victoria Garden City (VGC) with Freedom Road in Lekki Phase 1; the completion of the ongoing reconstruction of Oshodi International Airport Road into a 10-lane road and the construction of a Bus Rapid Transit (BRT) lane from Oshodi to Abule-Egba.

According to a sectoral breakdown of the budget, General Public Services are earmarked to gulp N171.623bn, representing 16.41%; Public Order and Safety comes to N46.612bn (4.46%); Economic Affairs at N473.87bn (45.3%); Environmental Protection at N54.582bn (5.22%), while Housing and Community Amenities got N59.904bn (5.73%).

The Health sector got N92.676bn (8.86%); Recreation, Culture and Religion got N12.511bn (1.2%) Education was pegged at N126.302bn (12.07%), while Social Protection got N8.042bn (0.77%).

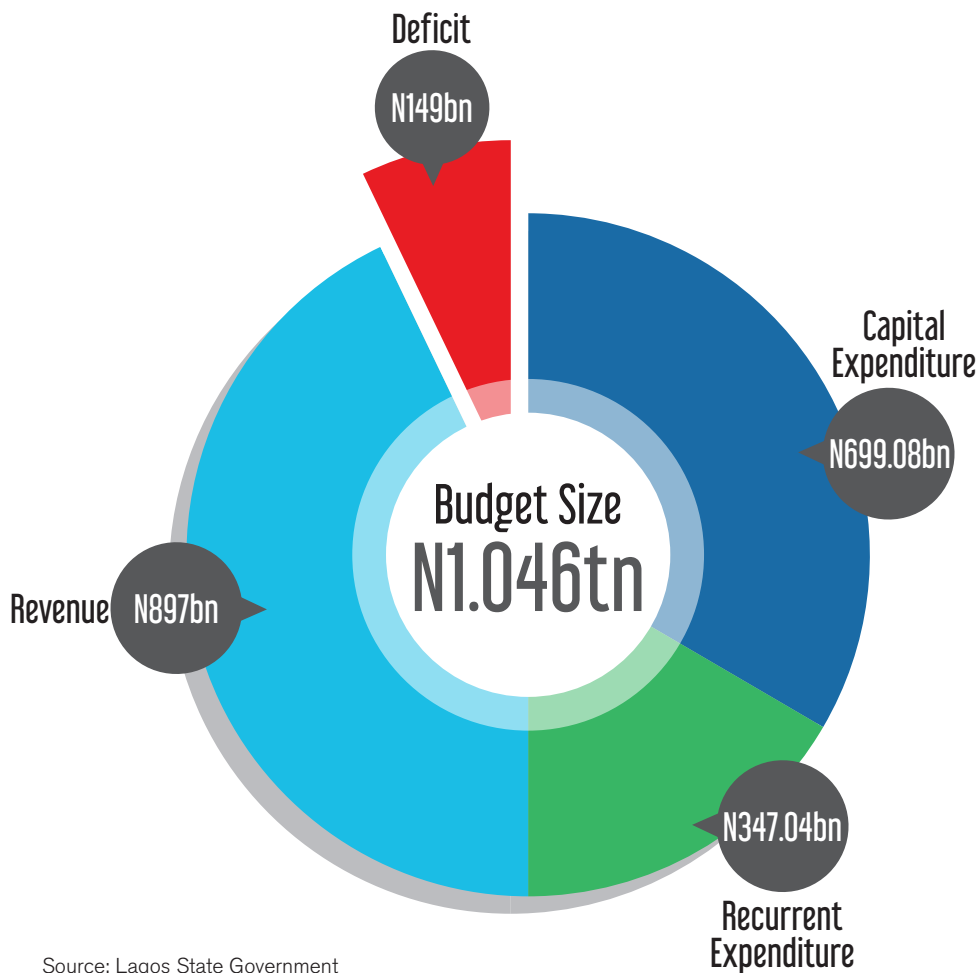
Under the budget, there are provisions for the completion of five new Art Theatres; establishment of a Heritage Centre at the former Federal Presidential State House recently handed over to the State Government; a world class museum between the former Presidential Lodge and the State House, Marina; construction of four new stadia in Igbogbo, Epe, Badagry and Ajeromi Ifelodun (Ajegunle) and completion of the ongoing Epe and Badagry Marina projects. On

<sup>6</sup><https://www.premiumtimesng.com/regional/ssouth-west/257126-lagos-assembly-passes-n1-046-trillion-budget-2018.html>

Housing, there are provisions that include the completion of projects, particularly those at Gbagada, Igbogbo, Iponri, Igando, Omole Phase I, Sangotedo and Ajara-Badagry under the Rent-to-Own policy.

However, the breakdown of the budget, and amounts voted for each project, along with total amounts spent in periods past remain unclear and inaccessible by the wider public.

## 2018 Lagos State Budget



Source: Lagos State Government

# Revenue





# Revenue

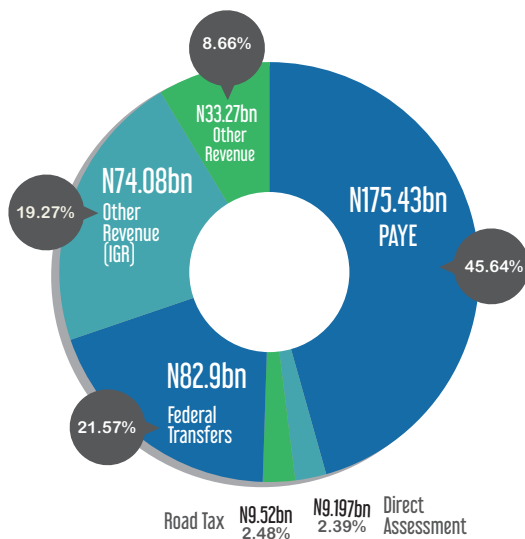
Lagos' Revenue projection for the 2018 financial year is set at N897bn, a 39.72% increase over 2017 estimates.

The State's projected Revenue for 2016 was N542.9bn, while Actual Revenue for Lagos in 2015, 2014, 2013 and 2012 was N384.4bn, N408.1bn, N316.2bn and N310.4bn respectively.

Cumulatively, Lagos' Revenue between 1999 and 2006 was N419.4bn; the State collected a total of N2.44tn between 2007 and 2015.

Currently, data on actual collections in 2016 and 2017 remains unavailable.

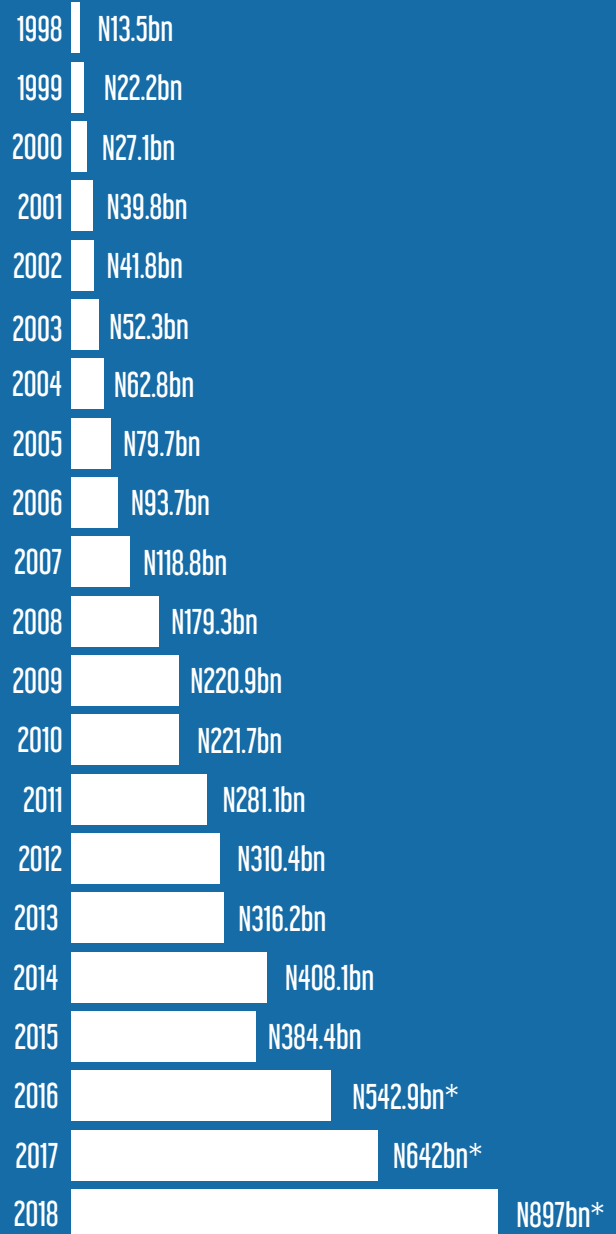
## Composition of Lagos State Revenue based on 2015 Actual Receipt



Source: Lagos State Government, OAGF



## A History of Lagos State Revenue



Source: Lagos State Government, Budget Research  
\*Budget Figures

# Internally Generated Revenue

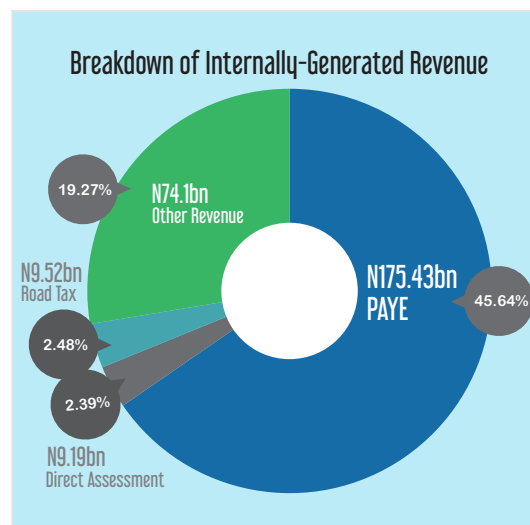
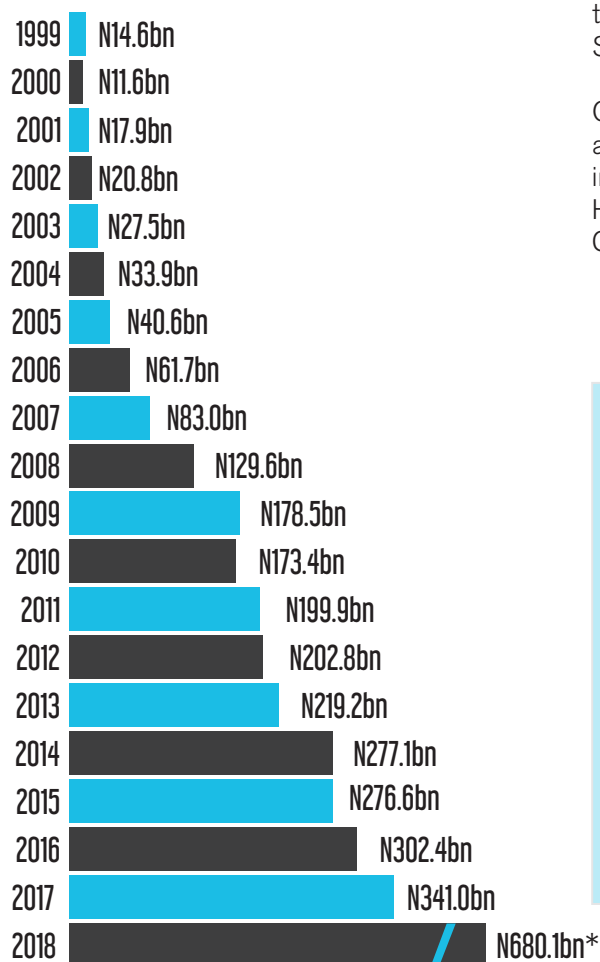
Lagos' Internally-generated Revenue (IGR), when compared to most of its peers, is relatively high. Her IGR as at the end of 2016 was N302.4bn, from 2015 levels of N276.6bn. Previous financial reports from the government show that IGR amounted to N219.2bn and N277.12bn in 2013 and 2014 respectively. Between 2007 and 2017, Lagos' IGR came to N2,38tn.

Lagos State officially notes that there are 12 taxes and levies collectable by the government, namely: Personal Income Tax, Withholding Tax (from individuals only), Capital Gains Tax (individuals only) and Stamp Duties on instruments executed by individuals.

The State also collects tax on Pools Betting and Lotteries; Gaming and casino taxes; Road Taxes; Business premises registration fee; Development Levy (individuals only), Naming of Streets registration in the State capital and Right of Occupancy fees on lands owned by the State Government in urban areas of the State.

Other revenue sources include Market taxes and levies where the State Finance is involved in the construction of the market, as well as Hotel Occupancy and Restaurant Consumption Tax.

## History: Internally Generated Revenue 1999-2017



Source: Lagos State Government, NBS, BudgIT Research  
\*Budget Figures



# Personal Income Tax

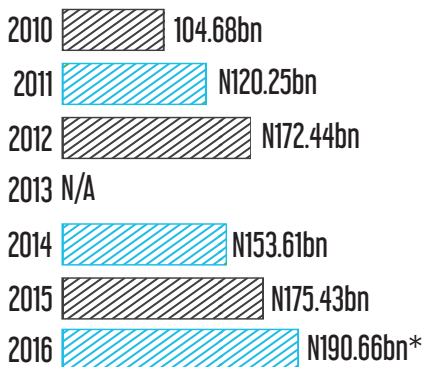
## PAYE

Pay As You Earn (PAYE) is a form of personal income tax that refers to tax deducted directly from the wages and salaries of employees operating in the formal sector.

Lagos' total receipt under personal income tax (on incomes of individuals), which was N190.66bn in 2016, accounted for approximately 63.3% of Total IGR that year. In 2010, 2011 and 2012, receipts under personal income tax (PAYE) was N104.68bn, N120.25bn, N172.44bn respectively. Figures for 2018 remain outstanding and unclear.

On average, 64.8% of IGR for Lagos state came from PAYE between 2010 and 2016.

### History: PAYE



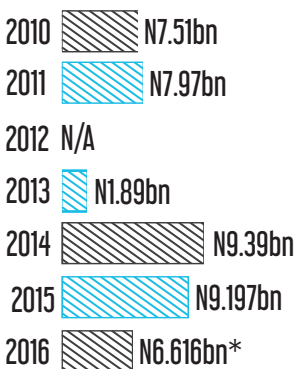
Source: NBS  
\*Jan-June, 2016

## Direct Assessment

Direct Assessment may relate to a form of personal income tax used to assess tax for self-employed individuals. With the self-assessed tax scheme, a new taxpayer can assess him/herself, and pay the calculated amount. Direct assessment may also relate to those taxes imposed on businesses, especially (informal) by the State authorities, based on the size of their activities.

Lagos' total receipt under direct assessment - was pegged at N6.62bn in 2016. In 2010, 2011 and 2012, revenue gotten under direct assessment was N7.51bn and N7.97bn respectively.

### History: Direct Assessment collected



Source: NBS  
\*Jan-June, 2016

## Road Tax

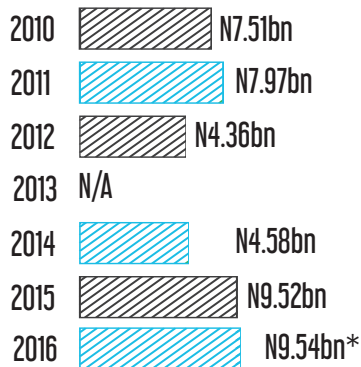
Road taxes are daily levies paid by commercial transporters operating within Nigeria's states.

In Lagos, total receipt under Road Tax was approximately N9.54bn in 2016, accounting for about 3.16% of total Internally-generated Revenue.

In 2010, 2011, 2012 and 2015 receipts from Road Tax was N7.51bn, N7.97bn, N4.36bn and N9.516bn respectively.

Preliminary reports from the Nigeria Bureau of Statistics show that revenue from Road tax in Lagos was N9.54bn, between January and June 2016.

### History: Road Tax Collection



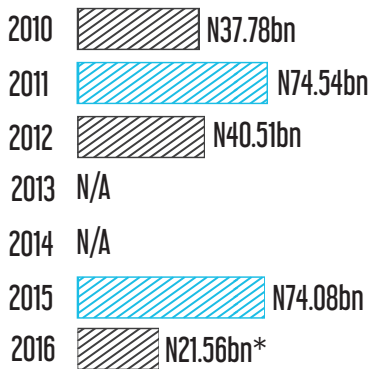
\*Jan-June, 2016

Source: Lagos State Government, BudgIT Research

## Other Taxes

These include various tax such as levies on market traders, land registration and other land-related fees, as well as development levies on individuals, pool betting/lottery/gaming fees and stamp duties on individuals.

### History: Other Taxes



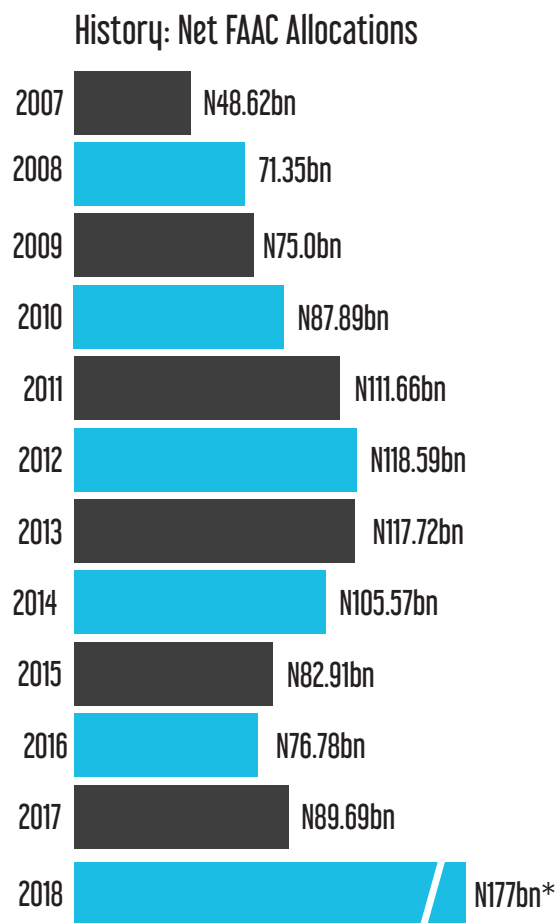
\*Jan-June, 2016

Source: Lagos State Government, BudgIT Research

## Federal Transfers Under FAAC

The States received about N89.69bn in 2017 from the federation account, facilitated via the Federal Account Allocation Committee (FAAC). In 2014, 2015 and 2016, the total amount received from FAAC came in at N105.57bn, N82.91bn, N76.77bn respectively.

The composition of federal transfers includes revenue from company income tax, tariffs on import, Value Added Tax and revenue for the oil sector.



\*Budget Projection  
Source: Office of the Attorney General of the Federation (OAGF); Budget Research





# Breakdown

## Value Added Tax

Value Added Tax (VAT) was introduced in France in 1968; since then, over 150 countries worldwide have adopted some form of VAT.

On average, countries from the Organisation for Economic Co-operation and Development (OECD) cohort collect about 32% of their total revenue from VAT and 27% from personal income taxes. This relatively new tax has become a crucial revenue source among OECD-member countries.

Nigeria is projecting a VAT uptake of N207.86bn in fiscal year 2018; but the federal government's share of VAT revenue was N106.74bn and N104.66bn in 2014 and 2015 respectively. Clearly, expectations for revenue collection numbers appear to be way beyond the actual reality, in terms of what the government receives.

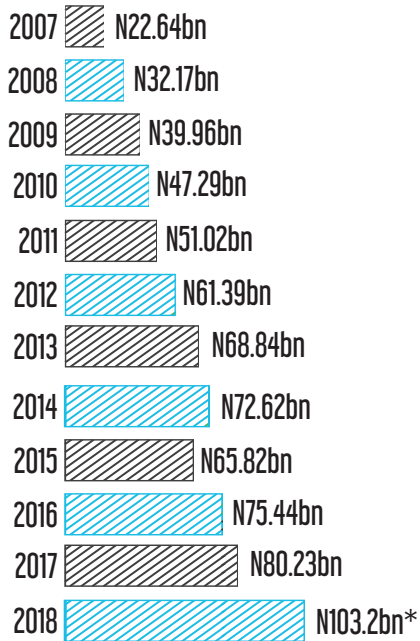
On one hand, revenue from VAT seems to be growing, despite Nigeria recently crawling out of economic recession. However, the perception in the wider economy is that Household Consumption expenditure is declining, with salaries paid out to employees also plumbing lower depths, while the economy's capacity to create jobs is strained,

due to structural and policy challenges.

With regards to VAT figures, Lagos State received approximately N80.23bn in 2017.

For 2015 and 2016, Lagos received a total of N65.8bn and N75.43bn respectively.

### History: Value Added Tax



\*Budget Projection

Source: Office of the Attorney General of the Federation (OAGF), Lagos State Government, BudgIT Research



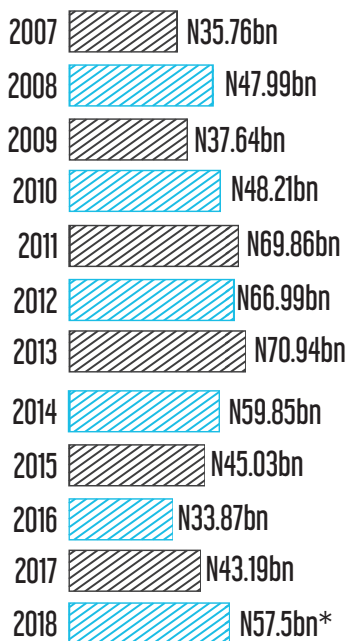
## Statutory Revenue

Statutory revenue allocation to Lagos state in 2017 was approximately N43.19bn; a rise of 27.5%, from N33.87bn in 2016.

In 2015, 2014 and 2013, Statutory revenue was N45.03bn, N59.85bn and N70.94bn respectively.

Statutory revenue for any State is the money it is entitled to from the Federation Account. Oil revenue, Company income tax, Customs-related revenue (excluding VAT) are paid directly into the Federation Account.

### History of Statutory Revenue



Source: OAGF, Lagos State Government  
\*Budget Projection

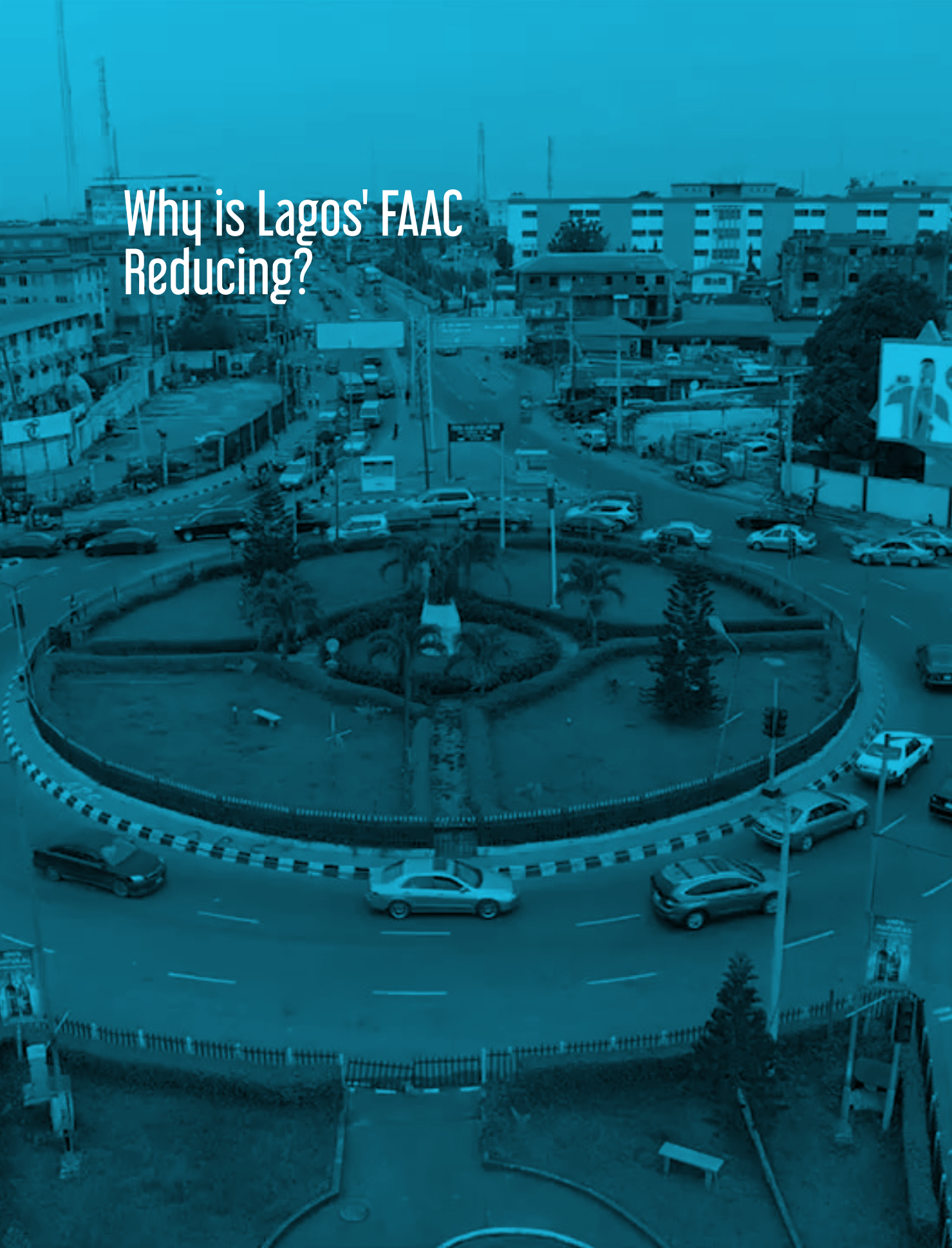
After a deduction of 13% of the revenue accruing to the Federation Account directly from any natural resources, what is left

becomes Statutory revenue, which is then shared among the federal, state and local governments, using a composite sharing formula.

Lagos state is entitled to some share of oil revenue, company income tax, revenue from tariff on incomes and other categories of revenue that are federally-collected and allocated, at the monthly FAAC meetings.



# Why is Lagos' FAAC Reducing?



## Why is Lagos' FAAC Reducing?

Bonds issued by Nigerian States are usually assisted by Irrevocable Standing Payment Orders (ISPOs), which legally empower the Accountant General of the Federation (AGF) to withdraw sums due to debt holders directly from State governments' revenue accounts with the federal government, including interest and capital repayments.

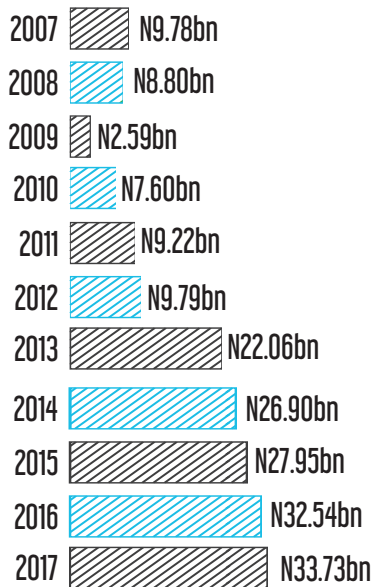
Also, almost all external debt have some form of ISPOs, which enables the federal government to deduct interest and capital repayments as due, on behalf of the States. Lagos has been issuing bonds and increasing its stock of external debt, with its Domestic debt leaping from N157.34bn in 2011, to N311.76bn in 2016; figures for 2017 are unavailable.

External debt has also grown from 2011 figures of \$400.5mn, to \$1.45bn in 2017. The implication is that the federal government is making deductions to ensure Lagos meets its debt obligations. These deductions at source have therefore resulted in a reduction in the total revenue Lagos gets via the FAAC allocations.

In 2007, only N9.78bn was deducted from

Lagos' allocation. However, Total deductions from the state's FAAC account in 2017 rose to N33.73bn, from 2016 deductions worth N32.54bn. In 2015, 2014 and 2013, a total of N27.95bn, N26.9bn and N22.06bn was deducted from Lagos' FAAC allocation respectively, reinforcing the State's increasing debt profile.

### History: Deductions from Lagos' FAAC Allocations



Source: OAGF, Budget Research



# Debt

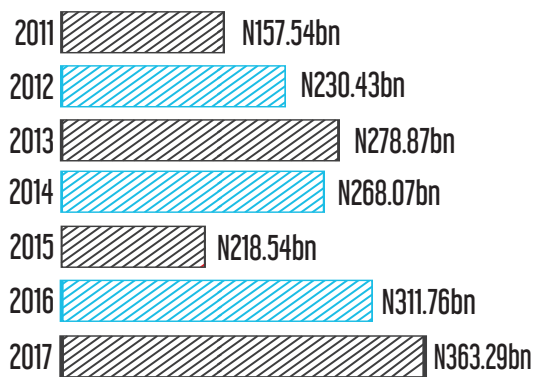


# Debt

## Domestic Debt Profile

Lagos has the highest domestic debt profile among all 36 States in Nigeria; Total debt was N311bn, as at year-end 2016. Debt in 2015, 2014 and 2013 amounted to N218.54bn, N268.07bn, N278.87bn respectively.

### History: Domestic Debt Profile

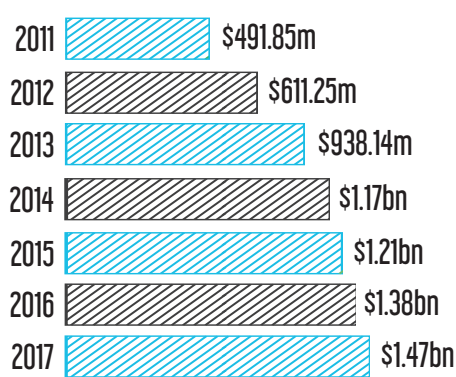


Source: Debt Management Office (DMO), CBN, Budget Research

## External Debt

Between 2012 and 2014, Lagos' external debt rose by 89.85%, from \$611m, to \$1.16bn. The State's total external debt in 2015 and 2016 was at \$1.2bn and \$1.17bn respectively. Lagos State has the highest foreign debt profile among its equals, followed by Kaduna, Edo and Cross River States.

### History: External Debt Profile



Source: DMO, CBN, Budget Research



# Expenditure



## Personnel Costs

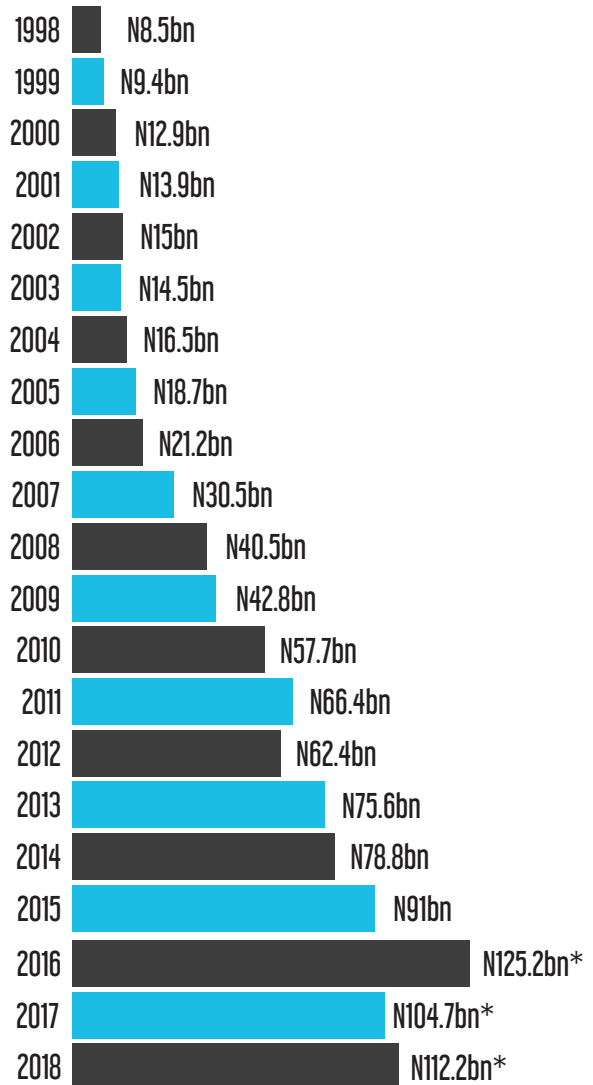
Lagos spent approximately N91bn in 2015, or 22.89% of Total expenditure, on the salaries and remuneration of its civil workers; up from N78.8bn in 2014 and N75.6bn in 2013.

Between 2005 and 2015, these personnel costs for Lagos grew by 386.7%.

Actual spending on personnel costs for 2016 and 2017 are as yet unavailable.



## History: Actual Personnel Costs



\*Budget Projection

Source: Lagos State Government; BudgIT Research





## Public Debt Servicing

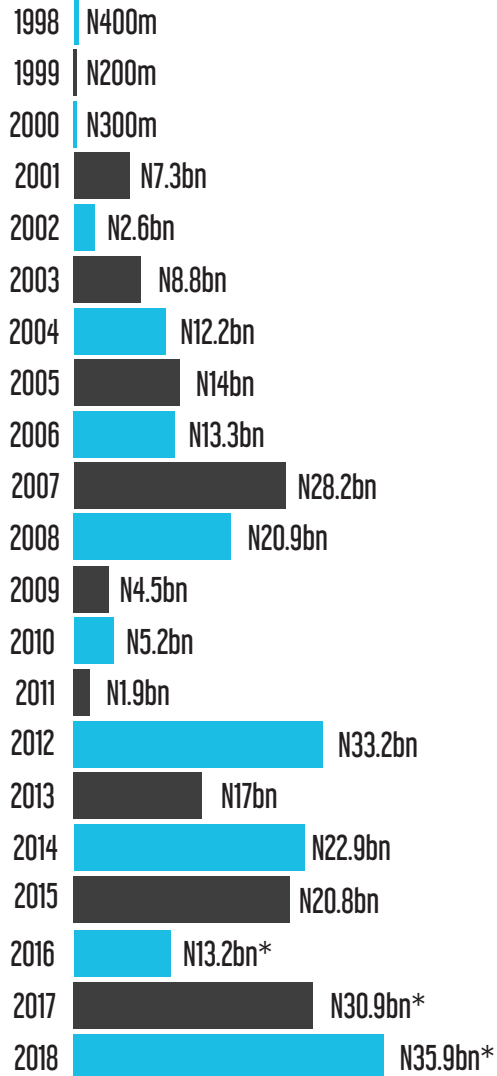
The cost of servicing debt taken on by the Lagos government, relative to its revenue, is more or less flat.

About 12.9% of Lagos' revenue was spent servicing outstanding debt in 2015; public debt servicing costs have risen from N4.5bn in 2009, to N35.9bn in 2018.

Public debt servicing costs came to N22.9bn, N17bn, N33.2bn and N1.9bn in 2014, 2013, 2012 and 2011 respectively. Actual cost of servicing outstanding debts for Lagos state in 2016 and 2017 remains unclear, due to the State neglecting to publish its budget implementation reports.



## History: Public Debt Servicing



Source: Lagos State Government; BudgetIT Research  
\*Budget Projection

## Overhead costs and Subvention

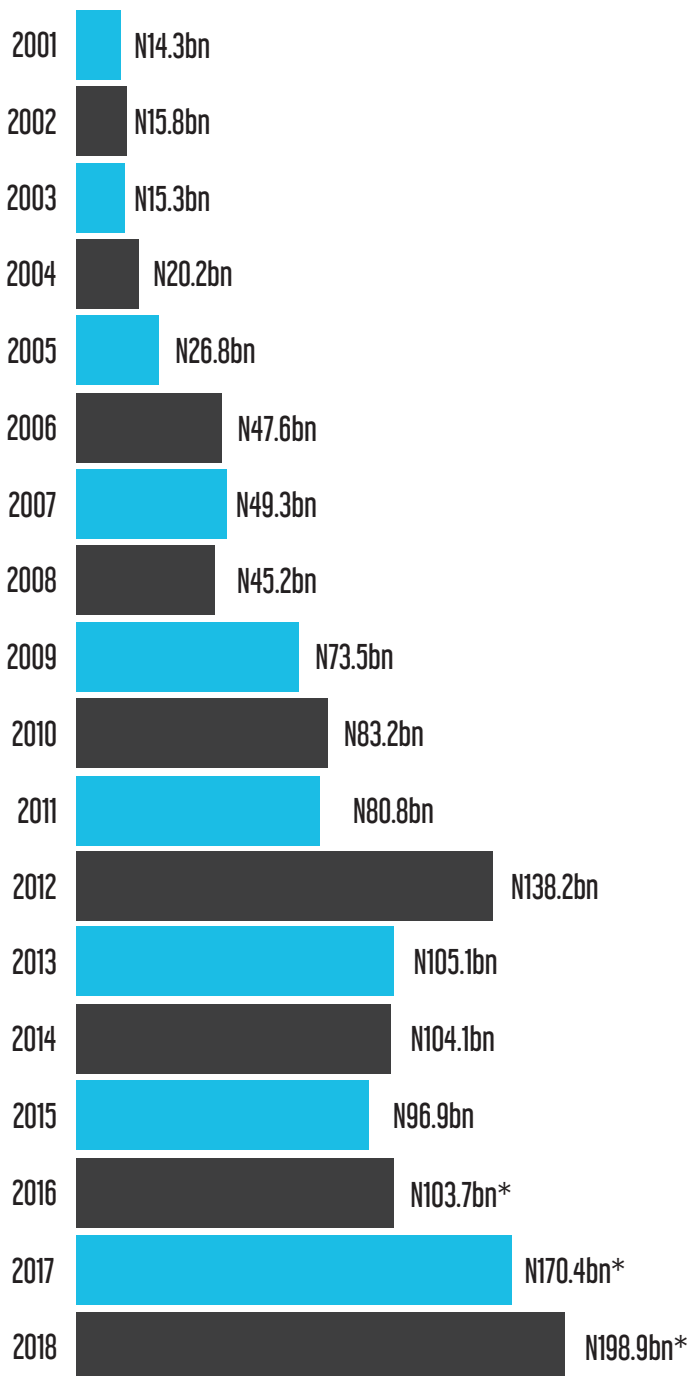
Available data suggests the Overhead costs of maintaining Lagos' government has somewhat exhibited a downward trend, from 2014 levels of N104.1bn to N96.9bn in 2015.

Lagos spent N105.1bn, N138.2bn, N80.8bn and N83.2bn on Overheads in 2013, 2012, 2011 and 2010 respectively, while figures for 2016 and 2017 are unknown. Furthermore, the breakdown of Lagos' 2018 overhead cost projections is not publicly available.

Essentially, what the State plans to spend on stationery and computer consumables, newspapers and periodicals, international and domestic travels, utility bills and general maintenance remains secret.



## History: Overhead costs and subvention



Source: Lagos State Government; BudgIT Research  
\*Budget Projection

## Capital Expenditure

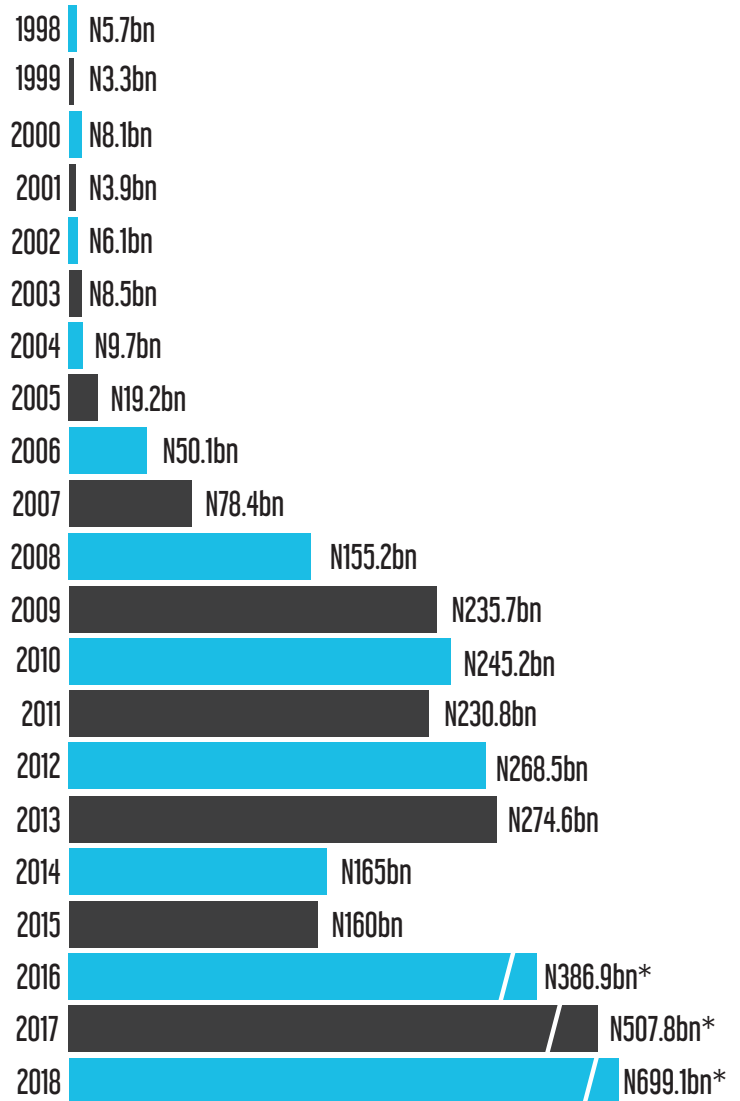
The Capital expenditure portion of Lagos' 2015 spendings was N160bn; a N5bn increase over 2014 capital spending, which accounted for 40.24% of Actual spending.

Capital spending in 2013, 2012, 2011 and 2010 was N274.6bn, N268.5bn, N230.8bn and N245.2bn respectively. Information on the 2016 and 2017 budget implementation report is not available, and the breakdown of the State's 2018 budget remains excluded from public knowledge.

Preliminary information released to the public on Lagos' 2018 budget included proposed spending on projects such as the construction of the Agege Pen Cinema flyover; construction on alternative routes through Oke-Ira in Eti-Osa to Epe-Lekki Expressway; the construction of an 8km Regional Road to serve as alternative route to connect Victoria Garden City (VGC) with Freedom Road in Lekki Phase 1; the completion of the ongoing reconstruction of Oshodi International Airport Road into a 10-lane road and the construction of a BRT Lane from Oshodi to Abule-Egba.



## History: Capital Spending

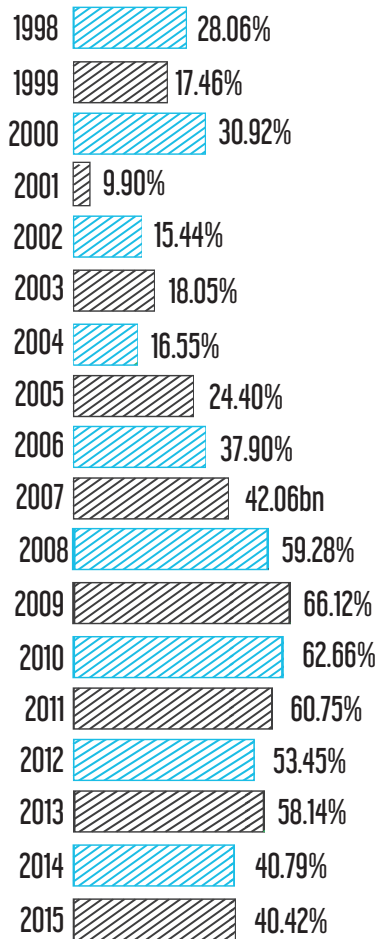


Source: Lagos State Government; BudgIT Research  
\*Budget Projection

# Transportation Statistics



## History: Capital Expenditure as a Percentage of Total Spending



Source: Lagos State Government, BudgIT Research

## Conclusion

From the foregoing, the unequivocal, recurring theme is that Lagos State's finances and specifically its utilisation and spending of taxpayers funds remain mainly opaque, uncoordinated, and brazen. The government has persistently shown an inability to acknowledge the presence or wishes of the same Lagosians in whose names these monies are disbursed and collected.

This situation is exacerbated by the non-capacity of the Lagos Assembly to encourage or enforce conditions that mandate the Lagos state government to articulate its policies, present a detailed budget and/or submit standardised performance measurement indicators. Lawmakers have presided over a sustained culture where governors appear to sit back and routinely award contracts without accountability.

A wanton disregard for the sanctity of public funds in Nigeria's richest state by total government revenue means that even when tax revenues climb to all-time highs and outgrow agreed benchmarks, Lagos will rather continue to agitate for more tax, drawdown on previous savings, or resort to heavy debts accumulation - debts which will be paid in years to come by children currently under the age of five.

Worldwide, transparency is increasingly viewed by leaders and the led as central to curbing corruption and other dysfunctions within developing countries.

A deliberate attempt by any government to keep key information, including its detailed

budget documents and budget implementation reports, away from the public is widely regarded as an attempt to nurture and foster a corrupt system for the benefit of the ruling elite and their cronies.

Over the last decade, Lagos State's accounts have taken on a worrisome trend; the amount of public funds being handled has grown, but so has secrecy and an outright refusal to adhere to the basic tenets of democracy that state the public has a right to know.

With over N3.8tn spent by Lagos State governments between 1999 and 2015 amid little or no documentation and verifiable trails backing such spendings, we use this medium to call for a holistic audit of the State's finances.

We urge the Lagos government to submit to the fundamental principles of democracy, which include publishing key budget documents, including the detailed proposed budget for Lagos State, the enacted budget, budget implementation reports, financial statements for Lagos, and the Audit reports. It is equally necessary for Lagos to publish all contract agreements entered into and carried over within each relevant financial year.

We reiterate that it is important for taxpayers, civil society organisations, development partners, international organisation to take note and be aware. Lagos is increasingly normalising opacity in governance, despite being a prominent State; a development that could set dire precedents for other States, and contribute to a devastating retardation of Nigeria's hard-won democracy.



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# Simplifying the Nigerian Budget

At BudgIT, we believe it is the RIGHT of every citizen to have access to, and understand public budgets. We also believe budgets must be efficiently implemented for the GOOD of the people.

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