



**LAGOS STATE GOVERNMENT
MINISTRY OF ECONOMIC PLANNING AND BUDGET**

**HALF YEAR 2018
BUDGET PERFORMANCE
APPRAISAL**

By

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Outline

- **Purpose of the Presentation**
- **2018 Budget Overview**
- **2018 Budget Focus and Priorities**
- **2018 Key Implementation Strategies**
- **Review of Q1 2018 Performance**
- **Review of Q2 2018 Performance**
- **Highlights of HY Budget Performance Review (Jan. - Jun. 2018)**
 - **Revenue Appraisal**
 - **Expenditure Appraisal**
 - **Comparative Analysis**
- **Observations and Recommendations**
- **Summary/Conclusion(s)**
- **Annexures**



2018 Approved Budget Overview



Y2018 Budget



SN	Details	2018 Budget (₦'bn)
1.	Total revenue	897.423
2.	Total recurrent expenditure (debt & non-debt)	347.039
	Recurrent debt	35.906
	Recurrent non-debt	311.133
	a. Personnel cost	112.242
	b. Overhead cost	198.892
3.	Recurrent surplus	550.384
4.	Capital expenditure	699.082
5.	Financing – (Surplus)/Deficit	148.699
	a. External loans	18.850
	i. World Bank - DPO	-
	ii. Others	18.850
	b. Internal loans	44.849
6.	Bond issuance	85.000
7.	Budget size	1,046

Y2018 Budget of N1.046trn was signed into law on Wednesday 26th February, 2018.

The State's Vision and Mission:

Vision

Africa's model megacity, a global economic and financial hub that is safe, secure, functional and productive.

Mission

Eradicate poverty and promote economic growth through infrastructural renewal and development.



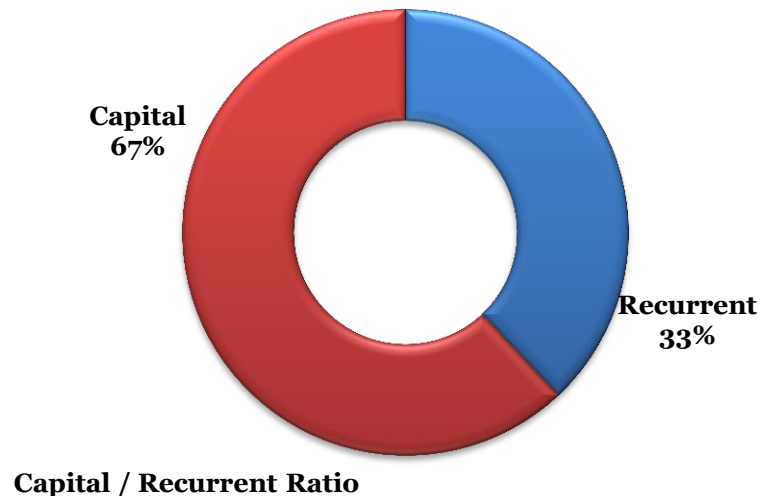
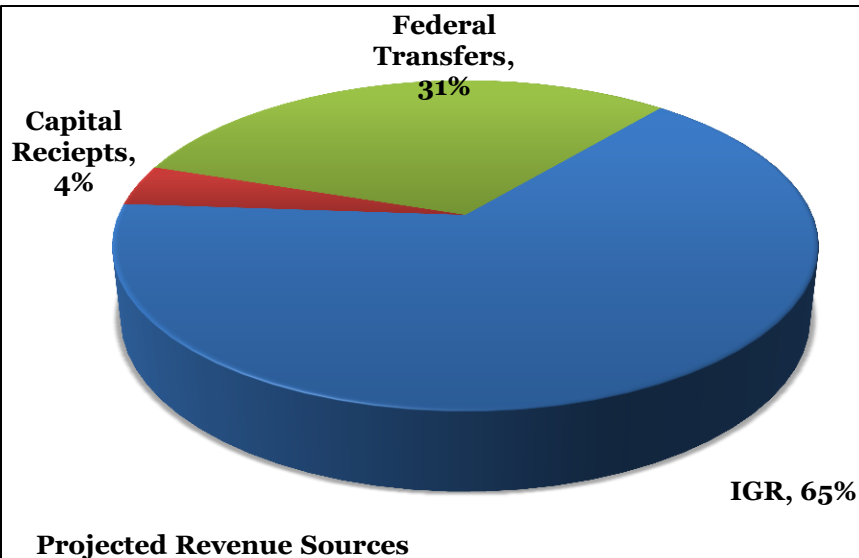
Y2018 Budget: *Details of Function Group Allocation*



Function group	Recurrent N'bn	Capital N'bn	Total N'bn	Allocation %
General public service	84.562	84.658	169.220	16.18
Public order and safety	24.047	22.386	46.433	4.44
Economic affairs	61.938	415.675	477.613	45.66
Environmental protection	15.141	39.145	54.286	5.19
Housing & community amenities	6.966	52.607	59.573	5.69
Health	60.347	32.149	92.495	8.84
Recreation, culture & religion	4.357	8.089	12.446	1.19
Education	86.004	40.043	126.047	12.05
Social protection	3.677	4.331	8.008	0.77
Total	347.038	699.082	1,046.121	100.00



Y2018 Budget: *Projected Revenue Sources and Capital to Recurrent Ratio*





Y2018 Budget Focus



1. Transport/Traffic Management
2. Infrastructural Renewal Development
(Physical and Social) especially Roads
3. Sustainable Environment(Cleaner Lagos Initiative)
4. Security
5. Health
6. Economy (including agriculture & tourism)
7. Power
8. Housing
9. Education
10. Skill Acquisition/Microfinance
11. e-Governance
12. Enhanced capacity building



Y2018 Budget Key Implementation Strategies



1. Benchmark performance set at 100%
2. Revenue Stakeholders' meeting as a vehicle for sustained revenue drive
3. Central billing, revenue automation, multi-channels revenue payment system
4. Quarterly budget performance appraisal
5. Tighter operational expenditure control
6. Strict adherence to the Y2018 Budget Operational Guidelines
7. Continuous Implementation of Treasury Single Account(TSA)
8. More effective and efficient project monitoring and evaluation
9. Ensuring Capital to Recurrent ratio of 67 : 33
10. Planned and systematic maintenance of existing/new infrastructural facilities and
11. Ensuring sustainable fiscal deficits



Highlights of Budget Performance Review



Q1 Y2018 Budget Performance (Recap)



Highlights of Q1 Budget Review

- Overall Budget Performance for Q1 was **₦163.491bn /63%**;
- Total Revenue (TR) performed for Q1 was **₦141.957bn/63%**;
- Total Capital Receipts for Q1 was **₦5.424bn/55%**;
- Recurrent Expenditure for Q1 was:
 - Personnel Cost performed: **₦24.688bn/88%**;
 - Overhead Cost performed: **₦39.566bn/80%**;
- Recurrent Surplus was **₦71.477bn/52%**;
- Capital Expenditure performance was **₦93.011bn/53%**; and
- Capital/Recurrent performance ratio closed at 57:43 for Q1.



Q2 2018 Budget Performance Review



Q1 VS Q2 2018 Budget Performance Review

Details	Q2 2018			Q1 2018		
₦'bn	Prov. Apr. - Jun.	Actual Apr. - Jun.	Perf %	Prov. Jan. - Mar.	Actual Jan. - Mar.	Perf %
Total revenue (a)	224.356	138.802	62	224.356	141.957	63
Total capital receipts (b)	9.885	2.503	25	9.885	5.424	55
Recurrent expenditure (debt & non-debt) (c) = (d) + (e) + (f)	86.760	68.289	79	86.760	70.480	81
a. Recurrent debt (d)	8.977	5.105	57	8.799	6.227	69
b. Recurrent non-debt	77.784	63.184	81	77.783	64.253	83
i. Personnel cost (e)	28.061	25.183	90	28.061	24.688	88
ii. Overhead cost (f)	49.723	38.001	76	49.723	39.566	80
Recurrent surplus (g) =(a)-(c)	137.596	70.513	51	137.596	71.477	52
Capital expenditure (h)	174.771	74.510	43	174.771	93.011	53
Financing requirement - (deficit)/surplus (i) = (g) – (h)	(37.175)	(3.996)	11	(37.175)	(21.534)	58
Budget size (j) = (c) +(h)	261.530	142.798	55	261.530	163.491	63

- Q2 2018 Budget performed at 55%/ ₦142.798bn lower than 63%/ ₦163.491bn for Q1 2018.
- The Overhead Cost is ₦38.001bn/76% compared to ₦39.566bn/80% in Q1.
- Capital Expenditure performed at ₦74.510bn/43% in Q2 2018 when compared with ₦93.011bn/53% in Q1.
- Total Revenue (TR) recorded ₦138.802bn/62%, slightly lower than ₦141.957bn/63% in Q1 by ₦3.155bn in absolute terms.



Comparative Analysis of Q2 Budget Performance from 2016 to 2018

- The Budget performance for Q2 2018 was 55% compared to 65% in Q2 2017.
- Capex was 43% in Q2 2018 compared to 44% in Q2 2017.

Details	2018			2017			2016		
₱'bn	Prov. Apr-Jun.	Actual Apr-Jun.	Perf %	Prov. Apr-Jun.	Actual Apr-Jun.	Perf %	Prov. Apr-Jun.	Actual Apr-Jun.	Perf %
Total Revenue (a)	224.356	138.802	62	160.712	117.292	73	135.719	97.086	72
Total Capital Receipts (b)	9.885	2.503	25	6.360	4.665	73	8.585	4.294	50
Recurrent expenditure (debt & non-debt) (c) = (d) + (e) + (f)	86.760	68.289	79	76.296	75.847	99	68.914	66.667	97
a. Recurrent debt (d)	8.977	5.105	57	7.520	5.565	74	3.288	4.058	123
b. Recurrent non-debt	77.784	63.184	81	68.776	70.283	102	65.626	62.609	95
i. Personnel cost (e)	28.061	25.183	90	26.178	24.909	95	31.302	24.097	77
ii. Overhead cost (f)	49.723	38.001	76	42.598	45.373	107	34.324	38.512	112
Recurrent Surplus (g)	137.596	70.513	51	84.416	41.445	49	66.805	30.419	50
Capital Expenditure (h)	174.771	74.510	43	126.954	55.563	44	96.733	66.740	69
Financing - (requirement) / Surplus (i) = (g) - (h)	(37.175)	(3.996)	11	(42.537)	(6.230)	15	(29.928)	(36.321)	121
Budget Size (j) = (c) + (h)	261.530	142.798	55	203.249	131.411	65	165.647	133.407	81



Half Year 2018 Budget Performance Review



Comparative Analysis of Half Year Budget Performance for 2017 and 2018



Details	2018			2017		
N'bn	Prov. Jan. - Jun.	Actual Jan. - Jun.	Perf %	Prov. Jan. - Jun.	Actual Jan. - Jun.	Perf %
Total revenue (a)	448.712	281.595	63	321.424	241.433	75
Total capital receipts (b)	19.770	7.844	40	12.720	8.567	67
Recurrent expenditure (debt & non-debt)	173.520	141.455	82	152.591	149.311	98
(c) = (d) + (e) + (f)						
a. Recurrent debt (d)	17.953	12.648	70	15.039	11.150	74
b. Recurrent non-debt	155.567	128.807	83	137.552	138.161	100
i. Personnel cost (e)	56.121	49.870	89	52.356	48.871	93
ii. Overhead cost (f)	99.447	78.937	79	85.197	89.290	105
Recurrent surplus (g)	275.191	140.140	51	168.833	92.122	55
Capital expenditure (h)	349.541	166.782	48	253.909	102.306	40
Financing requirement – (deficit)/surplus	(74.350)	(26.643)	36	(85.075)	(10.184)	12
(i) = (g) - (h)						
Budget size (j) = (c) + (h)	523.061	308.238	59	406.499	251.617	62

- Overall, HY performance was 59% compared to 62% in HY 2017.
- Total Revenue performed at ₦281.595bn/63%, compared to ₦241.433bn/75% in HY2017. In absolute terms however, HY 2018 was ₦40.162bn better than HY 2017.
- Recurrent (non-debt) performed at ₦128.807bn/78%, lower than ₦138.161bn/100% in 2017.
- Capital Expenditure closed at ₦166.782bn/48% higher than ₦102.306bn/40% in 2017



Half Year 2018 Revenue Appraisal



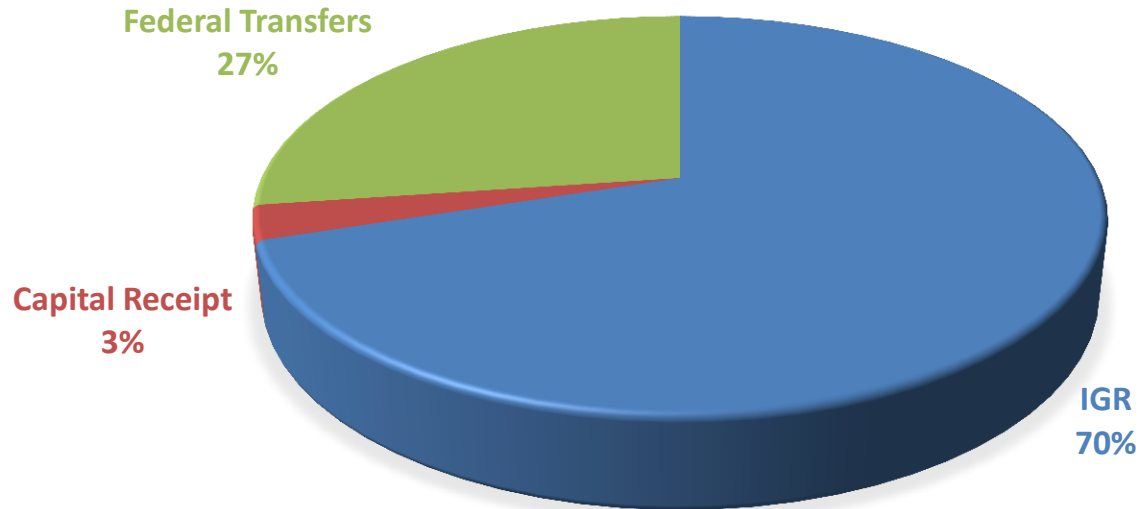
Half Year 2018 Revenue Appraisal (1/3)

Details	Provision (Jan. – Jun. 2018) ₦'bn	Actual (Jan. – Jun. 2018) ₦'bn	Performance %
Total Revenue (A+B+C)	448.712	281.595	63
Total Internally Generated Revenue (A+B)	360.062	205.035	57
A. Internally Generated Revenue	340.292	197.190	58
I. Lagos State Internal Revenue Services (LIRS)	220.061	166.763	76
II. Internally Generated Revenue (Others)	104.679	21.439	20
III. Dedicated Revenue	13.053	8.988	69
IV. Investment Income	1.500	0.000	0
V. Extra Ordinary Revenue	1.000	0.000	0
B. Capital Receipts	19.770	7.844	40
C. Federal Transfers	88.650	76.561	86
I. Statutory Allocation	28.750	28.230	98
II. Value Added Tax	51.600	48.201	93
III. Extra Ordinary Revenue	7.550	0.000	0
III. 13% Derivation	0.750	0.130	17



Half Year 2018 Revenue Appraisal (2/3)

% of Actual Performance





Half Year 2018 Revenue Appraisal (3/3)

Total Revenue



- Total Revenue ("TR") performed at ₦281.595bn/63% of target compared to ₦241.433bn/75% in HY 2017; ₦40.162bn more in absolute terms due to ongoing reforms in revenue collection.

Total IGR



- Total Internally Generated Revenue ("TIGR") was ₦205.035bn/57%, against ₦183.441bn/77 % in HY 2017 and represents 73% of TR vs 76 % in HY 2017.

Dedicated Revenue



- Dedicated Revenue amounted to ₦8.988bn/69%, which is equivalent to 4% of TIGR and 3% of the TR.

LIRS



- LIRS performance of ₦166.763bn/76% accounted for 81% of the TIGR and 59% of the TR, compared to ₦142.975bn/79% accounted for 81% of the TIGR and 59% of the TR in 2017; ₦23.788bn more in absolute terms.

Capital Receipts



- Capital receipts performed at ₦7.844bn/40%, 4% of TIGR and 3% of TR respectively.

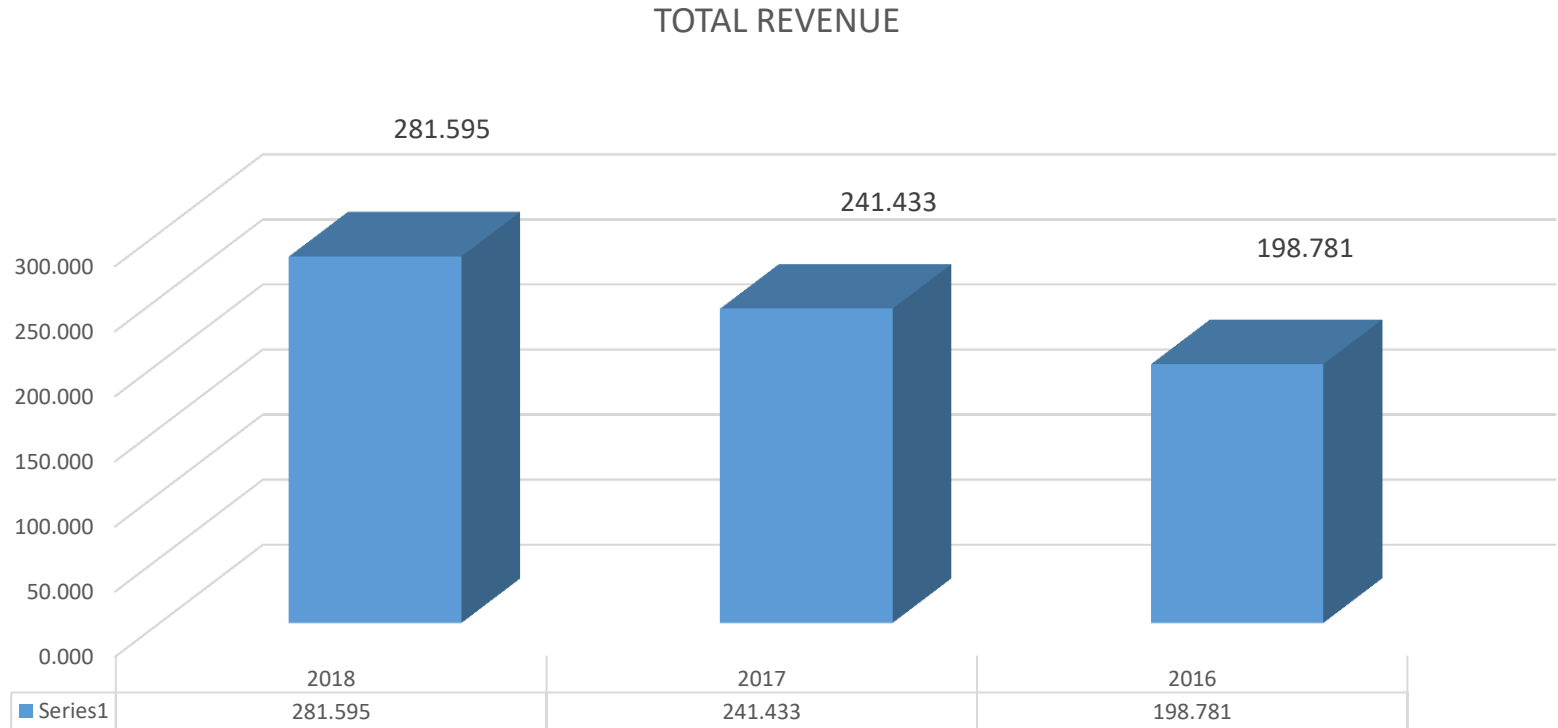
Federal Transfers



- Federal transfers contributed ₦76.561bn/86%; 27% of the TR; Statutory Allocation (SA) contributed ₦28.230bn/98%, while VAT performed at ₦48.201bn/93% of provision.



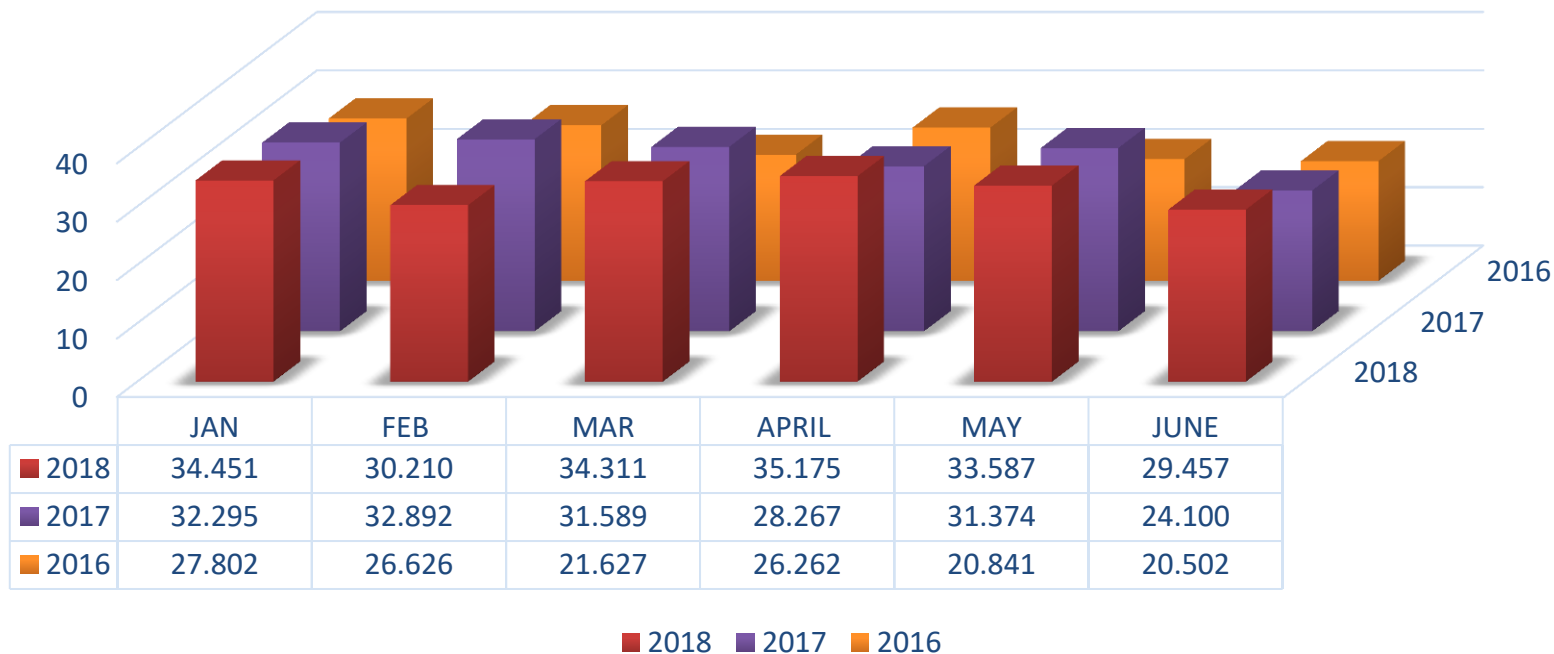
Half Year Total Revenue Actuals For 2016 – 2018





Comparative of Monthly IGR for Half Year 2016 – 2018

MONTHLY IGR

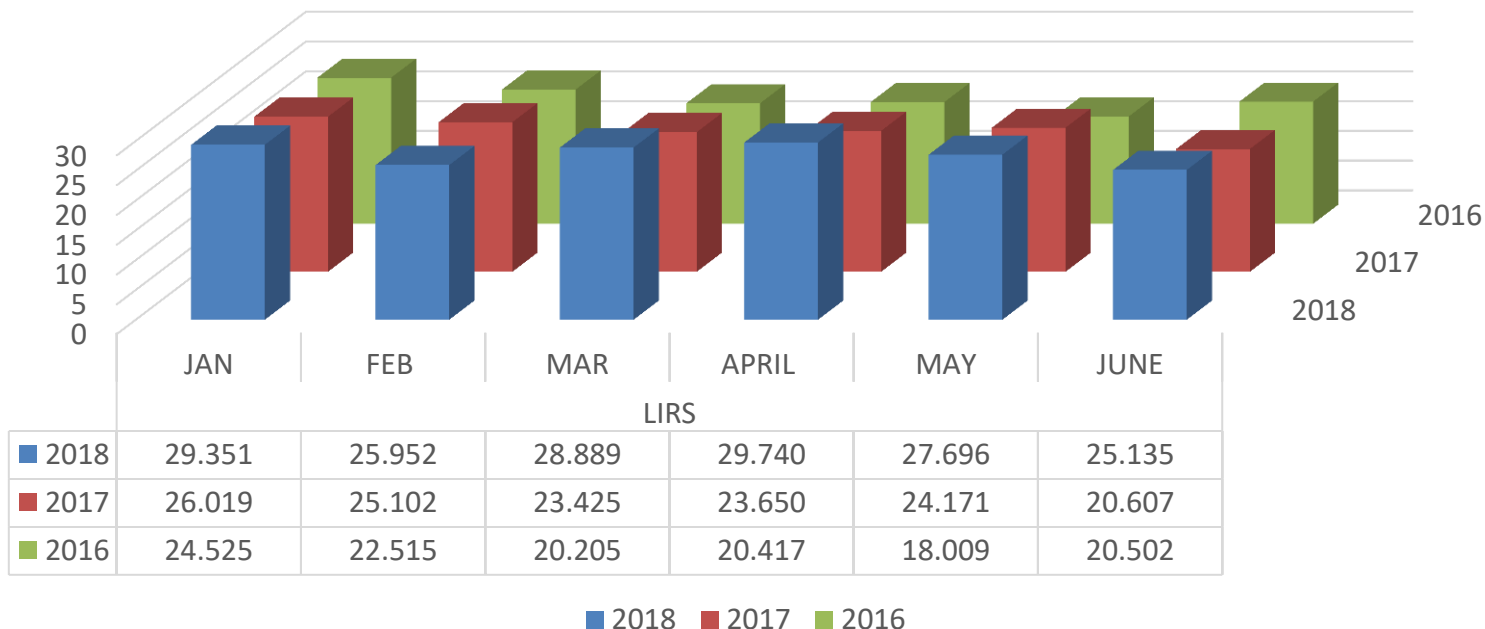




Comparative of Monthly Revenue of LIRS for Half Year 2016 – 2018



LIRS REVENUE





Half Year 2018 Capital Receipts Appraisal

Details	Provision (Jan. – Jun. 2018) ₹'bn	Actual (Jan. – Jun. 2018) ₹'bn	Performance %
Grants (Donor agencies)	9.762	2.900	30
Other capital receipts	10.008	4.944	49
Total capital receipts	19.770	7.844	40



Half Year Capital Receipts Performance From 2012 to 2018

Year	Provision (Jan. –Jun.) ₦'bn	Actual (Jan. – Jun.) ₦'bn	Performance %
2012	12.838	5.524	43
2013	11.456	3.072	27
2014	11.592	17.793	153
2015	10.488	3.208	31
2016	17.171	5.483	32
2017	12.721	8.567	67
2018	19.770	7.844	40



Half Year 2018 Recurrent Expenditure Appraisal



Half Year 2018 Personnel Cost Performance Appraisal (1/2)

- Total Personnel Cost (“TPC”) was ~~₦~~49.870bn/89% recording an increase of ~~₦~~0.999bn in absolute terms over the same period in 2017 at ~~₦~~48.871bn/93%.
- TPC accounted for 24% of IGR, 18% of TR and 35% of Total Recurrent Expenditure.
- TPC remained within the State Wage Policy of 25% ceiling of TR, 35% of IGR and the World Bank DPO III Trigger of 40% ceiling of Recurrent Expenditure (RE).



Half Year 2018 Personnel Cost Performance Appraisal (2/2)

Year	Provision (Jan. – Jun.) ₦'bn	Actual (Jan. – Jun.) ₦'bn	Performance %
2012	40.812	37.081	91
2013	44.480	39.984	90
2014	43.960	42.719	97
2015	56.650	44.455	78
2016	62.604	45.997	73
2017	52.356	48.871	93
2018	56.121	49.870	89

- Total Personnel Cost (TPC) was ~~₦49.870bn~~/89% recording an increase of ~~₦0.999bn~~ in absolute terms over the same period in 2017 at ~~₦48.871bn~~/93%.
- TPC gulped 24% of IGR and 18% of TR and 35% of Total Recurrent Expenditure;
- TPC at 24% of IGR is within Wage Policy of maximum 25% of TR and 35% of IGR.



Half Year Overhead Costs Performance From 2016 - 2018

Details	2018			2017			2016		
	Prov. ₦'bn	Actual ₦'bn	Perf %	Prov. ₦'bn	Actual ₦'bn	Perf %	Prov. ₦'bn	Actual ₦'bn	Perf %
Total Overhead Costs	99.446	78.937	79	85.197	89.290	105	68.648	60.398	88
Overhead Costs	62.692	60.111	96	52.127	68.595	132	41.196	52.299	127
Dedicated Expenditure	13.053	8.989	69	11.861	9.430	80	10.709	0.049	0
Subvention	23.702	9.837	42	21.208	11.265	53	16.743	8.051	48
External Debt Charges	2.907	3.008	103	3.039	1.474	49	0.701	0.667	95
Internal Debt Charges	11.547	9.640	83	11.000	9.676	88	5.876	7.566	129

- Total Overhead Cost performed **₦78.937bn/79%**; recording 56% of the Total Recurrent Expenditure and 38% of IGR compared with **₦89.290bn/105%**; recording 60% of the Total Recurrent Expenditure and 49% of IGR in 2017.
- Overhead subventions to Government Agencies/Tertiary Institutions performed at **₦9.837bn/42%** as against **₦11.265bn/53%** in 2017.
- Holistic review of running cost and monthly Subventions have been concluded and implemented.



Half Year Recurrent Expenditure From 2012 - 2018

Year	Provision (Jan. – Jun.) ₱'bn	Actual (Jan. – Jun.) ₱'bn	Performance %
2012	116.810	102.609	88
2013	114.865	99.060	86
2014	117.333	112.668	96
2015	120.989	116.867	97
2016	137.828	114.829	83
2017	152.591	149.311	98
2018	173.520	141.455	82



Half Year Capital Expenditure and Financing Activities Appraisal



Capital Expenditure: Half Year Performance From 2016 - 2018

Details	2018			2017			2016		
	Prov. ₱'bn	Actual ₱'bn	Perf %	Prov. ₱'bn	Actual ₱'bn	Perf %	Prov. ₱'bn	Actual ₱'bn	Perf %
Core capital	216.830	102.587	47	197.158	57.814	29	134.907	81.204	60
Capital development	10.008	4.944	49	7.781	0.000	0	12.792	0.672	5
Risk Retention Fund	0.054	0.000	0	0.054	0.000	0	0.050	-	-
Special expenditure	57.844	5.645	10	3.500	5.132	147	1.708	1.577	92
Grants from Donor agencies	9.763	2.900	30	4.940	1.396	28	4.379	0.012	-
Counterpart Fund	3.272	0.000	0	3.099	2.782	90	3.047	-	-
Contingency Reserve	2.599	3.575	138	1.550	0.000	0	0.289	0.570	197
Staff Housing Fund	0.050	0.000	0	0.050	0.000	0	0.050	-	-
External Loans (principal repayments)	2.688	2.036	76	1.649	3.438	208	0.823	0.1556	189
Internal loans (principal repayments)	12.297	12.230	99	11.896	11.124	94	10.000	5.000	50
Consolidated service account	34.139	32.865	96	22.234	20.620	93	25.423	24.863	98
Total	349.541	166.782	48	253.909	102.306	40	193.467	115.442	60



Half Year Capital / Recurrent Expenditure Performance Ratio

From 2012 - 2018



Year	Budget projection	Actual performance	Year
2012	53:47	44:56	2012
2013	54:46	45:55	2013
2014	52:48	47:53	2014
2015	51:49	24:76	2015
2016	58:42	50:50	2016
2017	62:38	41:59	2017
2018	67:33	54:46	2018



Financing Activities: Half Year Performance From 2016 - 2018

Details	2018			2017			2016		
	Prov. ₱'bn	Actual ₱'bn	Perf %	Prov. ₱'bn	Actual ₱'bn	Perf %	Prov. ₱'bn	Actual ₱'bn	Perf %
Financing requirement	(74.350)	(26.643)	36	(85.075)	(10.164)	12	59.858	31.471	53
Financing									
Financing (sources)	74.350	15.000	20	85.076	10.164	12	59.857	39.526	66
External loans	9.425	0.000	0	11.276	0.164	1	28.208	39.562	140
i. DPO	0.000	0.000	0	0	0	0	20.000	39.526	198
ii. Others	9.425	0.000	0	11.276	0.164	1	8.208	0	0
Internal loans	22.425	15.000	67	23.800	10.000	0	10.000	0	0
Bond issue	42.500	0.000	0	50.000	0.000	0	21.649	0	0
Repayments	49.123	47.131	96	35.779	35.182	98	36.246	31.420	87
External loans (principal repayments)	2.688	2.036	76	1.649	3.438	208	0.823	1.556	189
Internal loan (principal repayments)	12.297	12.230	99	11.896	11.124	94	10.000	5.000	50
Consolidated debt service accounts	34.139	32.865	96	22.234	20.620	93	25.423	24.863	98



Half Year 2018 Capital Expenditure and Financing Activities Appraisal

Capital Expenditure

- HY 2018 performed at ₦166.782bn/48% as against ₦102.306bn/40% the same period in 2017; ₦64.476bn more in absolute terms.
- As at the end of HY 2018, the Capital: Recurrent ratio closed at 54:46, as against 41:59 recorded same time in 2017 and shy of the projected 67:33 in 2018.
- Efforts should be made to improve revenue to provide fund for capex.

Financing Activities

- The State repaid ₦47.131bn as debt obligation in the second quarter 2018. This is 4% less than the projection.



Observations/Recommendations (1/4)

1.0 **Revenue:**

- 1.1 Federal Allocation performance at N76.561bn/86% is improving compared to N57.992bn/70% during the same period of Y2017. However, the State should lean more on IGR
- 1.2 We will continue our efforts to operate discretionary expenditures in line with Revenue performance



Observations/Recommendations (2/4)

2.0 **Recurrent Expenditure:**

2.1 ***Personnel Costs:***

- ❖ Personnel Cost performance of ₦49.870bn/89% is lower compared to ₦48.871bn/93% for the same period last year.

2.2 ***Overhead Expenditure:***

- ❖ The Total Overhead Cost running at ₦78.937bn/79% in Q2 2018 and ₦89.290bn/105% in Q2 2017 indicates that reforms and efforts geared towards tighter control of overhead expenditure while ensuring improved funding of Capital projects has began to yield expected results. However, more efforts is required to push it further.



Observations/Recommendations (3/4)

3.0 Capital Expenditure:

- The Total Capital Expenditure of 48% performance indicates a Capex/Recurrent ratio of (54:46); as such maintaining a favourable tilt towards Capital expenditure.
- In view of the foregoing; and the need to sustain a higher Capex to Recurrent Ratio in remaining 2 quarters, efforts should be geared towards ensuring sustained delivery of infrastructure related projects: road construction and rehabilitation, transportation, security, environment, etc.
- MDAs must exhaust provision for capital expenditures in their budget before seeking for state wide votes from MEPB.
- Note that the Special Expenditure recorded low performance (10%), due to deliberate efforts to preserve it.



Observations/Recommendations (4/4)

4.0 Financing:

- The Bond issuance is yet to be drawn down.
- Efforts should be made to accelerate drawdown on capital expenditure related facility to enhance the aforementioned Capex : Recurrent Expenditure Ratio in order to met the projected target Ratio of 67:33.



Conclusion: The EXCO is Invited to Note:

Budget Size

- 2018 Budget size was ₦1,046.121Trn, with a Q2 pro-rata size of ₦523.06bn

HY Performance

- HY performed ₦308.238bn/59%; compared with to N251.617bn/62% for same period in 2017

Total Revenue

- Total Revenue performance was ₦281.595bn/63% compared with ₦241.433bn/75% in HY 2017

Capital Receipts

- Total Capital Receipts for the period amounted to ₦7.844bn/40%



Conclusion: The EXCO is Invited to Note:

Recurrent Expenditure

- Total Recurrent Expenditure for the period performed ₦141.455bn/82% (Total Personnel Cost ₦49.870bn/89%; Total Overhead Cost ₦78.937bn/79%)

Capital Expenditure

- Total Capital Expenditure performance was ₦166.782bn/48%

Capital / Recurrent

- Capital/Recurrent Expenditure Ratio closed at 54:46 vs 67:33 target for 2018

Debt

- **Internal Loan Performed N15.000bn, while there is no draw down on bonds and external loans**

Kindly consider all the issues raised, observations and recommendations made; and approve the Q2 Y2018 Budget appraisal as presented.

Itesiwaju ipinle Eko lo je wa l'ogun!

Thank you.

Comments, Observations &
Questions?