February 17, 2014

Dr. Jim Yong Kim  
The President  
The World Bank Headquarters  
1818, H Street, NW  
Washington, DC, 20433, USA

Dear Dr. Kim,

LETTER OF DEVELOPMENT POLICY

A. Accelerating the Growth of the Lagos Economy through Infrastructural Renewal and Development

The various policy reforms of the present administration and its immediate predecessor have been driven, principally, by the key objectives of improving the capacity of government to deliver services, providing needed enabling infrastructure as well as social amenities, and strengthening institutions to support the implementation of a new socio-economic order in the State.

Over the last five years 2008-2013, the State has focused on the key areas of new approaches to budget planning and preparation, ensuring fiscal sustainability, and improving the investment climate in pursuit of a private sector led economic growth.

In an attempt to enhance transparency and accountability in the use of fiscal resources, Lagos State has passed into Law the Lagos State Public Procurement Agency and the Board of the institution is soon to be inaugurated. Equally the State has passed the Office of the State Auditor General Law and created the Lagos State Financial System Management Bureau to anchor the full roll-out of the Oracle Financial System (IFMIS).

It will be recalled that in the years 1999 to 2007, the State introduced the repositioning of the organs of government, creation of new offices within the government (separation of the economic planning & budgeting function from the finance function), and partnered with multilateral institutions on reforms and modernization in specific sectors (agriculture, health, education, transportation, fiscal management, potable water and urban renewal).
Specifically, the World Bank supported Lagos State through the following: Lagos Metropolitan Development Governance Project ($200m), LAMATA ($190m), HIV/AIDS ($5m), Lagos Eko Secondary Education Project ($90m), Lagos Urban Water ($138.5m), Commercial Agriculture ($26.3m), FADAMA III ($4.15m).

Between 2008 and 2013, the State deepened its engagement and collaboration with multilateral institutions and agencies, particularly the World Bank and French Development Agency (AFD). Further drawings on the above listed World Bank assisted facilities to Lagos State continued to strengthen the various projects for which they were established.

The World Bank Development Policy Operation - Lagos DPO-1 ($200m), which was approved in 2010 and drawn in 2011, moved our cooperation to a new level in providing budget support for the implementation of our priority programmes and reforms.

The concessional terms attached to this facility enlarged our fiscal space. The continuation of the various reforms in all four focus areas of the DPO programme have continued to have a positive impact on important areas of reform and the management of Lagos State finances through more effective budgetary planning and greater transparency and accountability in the deployment of fiscal resources.

These interventions have strengthened the capacity of Government to deliver public services for priority programmes in Lagos State, including Public Transport Infrastructure and Traffic management, Lagos State Metropolitan Road Network, Rehabilitation of Water Treatment Plants at Adiyen and Iju, Rehabilitation and Expansion of Onikan Water Treatment Plant, Construction of Water Plants at Alexander and Apongbon, Construction of Roads and Street Drains in some blighted areas of the State. Provision of HCT trainings for Community based counsellors and testers on HIV/AIDS, production and distribution of resource materials such as teachers’ guides and training manuals on HIV/AIDS prevention.

The results of these interventions are also noticeable in the provision of ten specialised Maternal and Child Care (MCC) Centres across the five divisions of the State and the rehabilitation and expansion of the Ayinke House MCC (within the Lagos State University Teaching Hospital).

The vision of the Lagos State Government to make Lagos Africa’s model Megacity has been doggedly pursued through the implementation of the well-
articulated Ten Point Agenda. This has continued to deliver appreciable economic growth and a better quality of life for residents. The government hopes to sustain these achievements through a continued investment in infrastructure renewal and development, creating an enabling environment for private sector-led growth as well as institutionalizing good governance and best practices.

The new Lagos State Development Plan (LSDP) represents a continuation and consolidation of the previous Ten Point Agenda and Lagos State Economic Empowerment and Development Strategy (LASEEDS). Achievements to date include:

**Roads**

In order to create an efficient road network to provide alternative routes to road users and help in relieving the problem of road congestion, a number of strategic roads and bridges were identified for either construction in phases or rehabilitation.

While some of the roads and bridges have been completed, others are in different stages of construction. The roads are of high quality to ensure durability. The Lagos State Roads, Bridges and Highways Infrastructure Development Authority (Private Sector Participation) Law enacted in 2004 provides a legislative framework empowering the State to enter into and perform concession agreement obligations.

It also creates opportunities for private sector financing of the construction of toll roads and bridges. The tolled Lekki-Epe Expressway has opened up the Lekki corridor and can be described as the Nigeria’s first ever direct user-based toll road concession. The said Law was however repealed and replaced by the Office of Public-Private Partnerships Law, 2011 which further streamlines and consolidates PPP arrangements across sectors within the State.

The Lekki-Ikoyi Link Bridge was also constructed to provide a transport infrastructure and strategic traffic management solution aimed at easing traffic congestion within the Lekki corridor, which has been adjudged as the fastest growing real estate hub in Africa.

Similarly, Okota-Itire Link Bridge was constructed to ease traffic connectivity for seven different Local Governments. Bridge works are also being undertaking in Agiliti, Mile 12 area to connect Communities that have been separated by
water in the Kosofe Local Government area. Similar Bridge projects are in progress in Ojo and Badagry Local Government Areas.

The massive infrastructure development and modernization going on the Lagos Badagry Expressway, a 61km four lane road being remodeled into a ten-lane carriage way, bears eloquent testimony to the audacious and game-changing infrastructure development in Lagos State. This project has opened up the Orile-Mile 2-Okokomaiko corridor and already giving fillip to the improvement of business climate around the Badagry axis which is the gateway to the West African Region.

Transportation

The Government is determined to actualize its vision to create a City State where transportation infrastructure allows for convenient, efficient, easy and affordable movement of people and goods to different parts of the State. Creating an affordable and reliable public transport system, particularly for the low and middle classes, will reduce travel time and increase productivity.

This administration is committed to the pursuit of an intermodal mass transit system and has developed a framework for the attraction and deployment of private capital in the road and water transportation systems.

In 2007, the Bus Rapid Transit system was introduced to meet the mobility needs, particularly of the less privileged and poor. The system offers the use of high capacity buses on dedicated lanes allowing the buses to move faster where there is traffic congestion.

The buses were financed by the private sector while the State provides the road furniture with the former responsible for the day-to-day operations and maintenance of the buses. Routes already in operations include Ojota-CMS-TBS, Oshodi-Yaba-Oyingbo-CMS, Ojota-Third Mainland Bridge-TBS while the Eric Moore-Badagry construction works are fast progressing.

The State has also embarked on Construction of Lagos Rail Mass Transit (LRMT) Blue Line project between Okokomaiko and Marina to help alleviate current traffic problem along the axis, promote the use of public transport and promote urban development and renewal. This project is of a high priority to the Lagos State Government and progressing well within the available resources of the State.
For the water transportation system, jetties have been constructed and rehabilitated, waterways have been dredged and ferry routes have been identified and concessioned. The state-of-the-art Ferry Terminals constructed at Ikorodu, Badore and Osborne are soon to be put into service.

**Power/Water Supply**

As a means of providing potable water for its current and growing population, the State is restructuring the Lagos Water Corporation (LWC) to increase operational efficiency in water delivery and create opportunities for the private sector participation in the construction and management of water plants, water distribution and power generation.

Akute Power Project is a Public-Private Partnership arrangement between the Lagos Water Corporation and a power company to build and operate a 12.15MW natural gas-fuelled power generating plant to supply electricity exclusively to LWC plants at Iju and Adiyan.

Reliable power supply to these plants will increase water supply by optimizing their capacity utilization of the available 115 million gallons per day. The restructuring of LWC will lead to improved revenue collections and lower cost of water delivery to end users. In addition, a 10-Year Master Plan towards achieving potable water reliability in the State has been developed and being implemented.

The Government is also exploring opportunities that will increase capacity for power generation and distribution in the State. This is one of the priorities of the Government as the constant supply of power generation is paramount to sustaining a high-growth economy. The inefficiencies in the economy are predominantly fostered by the erratic supply of power for business operations. The business opportunities foregone, as a result is unquantifiable. The extra burden borne by business owners is reflective in high operations costs that result in high pricing. To this end, the Government has embraced an open approach to achieving this objective; whereby Public-Private Partnerships are considered as well as State sponsored power projects.

Recently, the Lagos State Government launched the 10.4 MW Alausa Power Project and 9.7MW Island Power Project to provide uninterrupted power supply in their areas of jurisdiction. The Island Power delivers uninterrupted power supply to such facilities like the Mercy Children Hospital and Lagos Island Maternity and...
the Lagos Mortuary, the Lagos High Court and Magistrate Court in Igbosere as well as the Lagos House all on the Lagos Island.

The Alausa Power project powers the State Secretariat, the Governor's office, Lagos State House of Assembly as well as the Lagos State Radio and Television as well as the Lagos Printing Corporation. The latter is particularly essential for the success of our major initiatives in e-government, including the Oracle Financial and GIS systems being supported by the DPO programme.

**Environment/Physical Planning**

An urban development and town planning procedure has been designed for sustainable development. Master Plans for different sub-regions/cities within the State have also been developed to limit the growth of slums and guide orderly development of urban and rural areas.

To accomplish this objective, the State Government has embarked on the preparation, review of development plans and implementation for the following areas: Lekki, Badagry, Mainland, Alimosho, Apapa, Agege-Ifako-Ijaiye, Ikoyi-Victoria Island, Ikorodu and Epe.

The State has made relative success with the involvement of the private sector in the solid waste management system through the development of sanitary land-fill sites and transfer loading stations. The State has also established the Drainage Office in each Local Government for sustainability of storm water; while flood fighting equipment such as D'siltman machine has been procured for removal of silts and debris from blocked manholes.

**Health**

To improve access to free and quality healthcare the government is expanding and improving capacity to provide curative healthcare at the secondary and tertiary levels while also emphasizing preventive care through the provision of primary health care especially for women and children through provision of dedicated Maternal and Child Care Centres.

Out of the ten such Centres planned for the State by the Present Administration, the sixth and seventh centres have been completed and are fully operational including Amuwo-Odofin and Alimosho Maternal and Child Care Centres which both opened for operation recently. Others are those in Ajegunle, Gbaja in Surulere, Ifako-Ijaiye, Isolo and Ikorodu. The remaining three are in various stages of
completion. The one in Lekki has been completed and presently being equipped. The Badagry and Epe Maternal and Care Centres are in appreciable stages of construction progress.

**Education**

Education is a particular high priority in Lagos State, and the Government is committed to devoting a minimum of 13% of state expenditures to this sector. Schools, laboratories and libraries are being constructed and rehabilitated, to improve the quality of education.

The State is also undertaking a review of schools' curriculum and teachers' welfare enhancement, while indigent students are taken care of through a functional scholarship scheme. We have been partnering with the World Bank on developing models to improve the training and incentives of teachers towards achieving greater learning outcomes.

In the period from 2007 to date and with the support of the World Bank through the EKO Project, considerable progress has been recorded with pass rate in core subjects (5 credits including English and Mathematics) in public schools at West African Examination Council (WAEC) improving from under 10% to 41.06% in 2013.

To ensure efficiency in Education Administration, six new Educational Districts, each headed by the Tutor-General/Permanent Secretaries have been created while Teachers Establishment and Pensions Office have also been created.

Lagos State Educational Management System has also been introduced to ensure easier access to education data in both public and private schools in the State through appropriate information technology. The Lagos State University (LASU) now has a new and well stocked Library and Lecture theater amongst other infrastructure development within the campus.

**Employment**

Creation of an enabling environment for sustainable job creation by the private sector as well as the expansion of entrepreneurship development scheme has been the fulcrum of the State’s approach to poverty alleviation. A significant number of people have been employed in areas of waste management, road construction, road transportation services, agricultural initiatives, traffic
management, beautification of the environment programme, KAI Brigade etc. Stimulating job creation on a massive scale will empower people.

The Agric YES program has created hundreds of youth agric-entrepreneurs, thus further contributing to reduction in youth unemployment. Various Vocational Training and Skills Acquisition Centres have been developed graduating thousands of youths yearly in numerous skills ranging from construction, electrical, plumbing, ICT, shoes and dress making to auto mechanics.

**Food Security**

The Government has entered into partnerships with private sector to increase food production in Lagos with the State providing the required land. The State has also ensured food security through: Empowerment of Farmers/Fishermen Cooperative Societies, Support for strategic food preservation and farm settlements, Creation of Agricultural Youth Empowerment Scheme (Agric-YES), the Implementation of the World Bank Assisted FADAMA Projects, Redevelopment and Rehabilitation of Infrastructure at the Agriculture Training Institute Araga, Epe to enhance capacity to provide practical training in Agriculture.

Various clusters have equally been developed across the State with focus on Aquaculture, Poultry, Piggery, Rice Plantation, Cassava Plantation, Vegetable Farming, etc.

**Shelter**

A housing policy is being implemented to deliver affordable mass housing stock to low and medium income earners. The objective is to boost housing supply by providing a range of housing type, at affordable prices and stimulate demand for houses by initiating programmes such as providing land subsidy to private developers or creating opportunities for intermediate renting.

The State has already entered into agreements with a number of private development organizations with the government providing land as equity while the other parties construction of residential schemes and in some cases, provide long-term management of the housing estates and infrastructure.

The State Government recently launched the mortgage housing scheme through Lagos Home Ownership Scheme (Lagos HOMS) targeted at First Time Home Owners whereby the State is making affordable housing available to
Lagosians through a mortgage arrangement at a single digit interest rate and a minimum tenor of 10 years. Owners shall emerge through monthly Draws that would deliver a minimum of 200 homes monthly in the first instance.

It is envisaged that the scheme would be complemented with private sector capital and resources as it evolves.

**Revenue Enhancement**

The efforts of Government in infrastructure renewal and development have resulted in increased investment and economic opportunities in the State and an increase in IGR, with more people becoming favourably disposed to voluntary payment of taxes.

The Lagos State Internal Revenue Service (LIRS) has widen the tax net over the last five years with tax-paying citizens topping the 4 million mark. Efforts are also geared towards further increasing the tax base with the enrolment of over 750,000 professionals, artisans, drivers, e.t.c. within the tax bracket.

While the Ten Point Agenda has been the government’s strategy to foster economic growth, it has now become obvious that it is imperative to redefine the role of government, presently the biggest spender in the Lagos economy, and promote a private sector-led economy. This will allow the government to focus on providing basic social services for the State’s growing population.

At the last Lagos State Economic Summit (Ehingbeti 2012), four (4) key sectors where opportunities abound have been identified as focal areas and these include, Power, Agriculture and Agro Allied, Transportation and Housing (PATH).

These four key sectors do not only represent major opportunities in themselves but are the key drivers of opportunities in other sectors. The focus of Government is presently on these key four Sectors to drive exponential growth and sustainable development over the next decade.

Government spending must therefore catalyze economic growth and manage the emergence of a strong private sector that can sustain economic growth in the long term. In the short-term however, the focus of Government on infrastructural renewal and development will assist in reducing the cost of living and creating the required investment climate for business growth.
In this context, the Lagos DPO has been designed to increase the capacity of government and improve the effectiveness of government institutions in terms of fiscal sustainability, quality of spending and the investment climate.

The Lagos DPO is based on 4 pillars; Fiscal Sustainability, Budget Planning & Preparation, Budget Execution, and the Investment Climate.

Reforms under these four pillars will play a key role in the realization of the Lagos State Development Plan, the successful implementation of the PATH development agenda and the creation of a new economy based on opportunities and responsive governance.

This letter therefore further outlines the reforms that have been implemented as part of the DPO programme, as well as proposed reforms to be carried out over the medium-term.

B. The DPO Programme in Focus – Prior Actions & Result Indicators

Fiscal Sustainability

The achievements of Lagos State in improving services and infrastructure have required substantial increases in budgetary finance. We have generated these resources primarily through higher internally generated revenue (IGR) and increased Government borrowing. While Lagos State's debt position today remains sound and sustainable as attested to by both local and international rating agencies, we need to be prudent and carefully assess the risks to the State's future financial position.

Some of these risks are on the revenue side. Slow growth in Nigeria's oil sector and the volatility of oil prices make the size of future Federal (Statutory) Transfers to Lagos State somewhat uncertain. Other external factors, including changes in federal tax laws and rules, such as those affecting the Personal Income Tax, can also impact IGR in Lagos State.

Our cooperation with the World Bank has been important for a better appreciation of those risks that can impact revenue. Since the first DPO, Lagos State became the first sub-national entity to undergo a comprehensive Debt Management Performance Assessment (DeMPA) and few areas of weakness identified were highlighted and are being addressed.
We have also been working towards the consolidation of all liabilities, including contingent liabilities, into our debt sustainability analysis. As a prior action for DPO-2, Lagos State has adopted a Medium-Term Fiscal Strategy for 2014-2016 that is consistent with long-term debt sustainability, including an assessment of primary contingent liabilities. As the end of our DPO Programme with the World Bank, the finances of parastatals will have been incorporated into this analysis in a comprehensive way.

Despite the impressive growth in the IGR over the years and the change in the relative allocation between capital expenditure and recurrent expenditure, a significant budget funding gap has continued to be a recurring decimal in the State in view of the huge infrastructure gap.

A financing strategy to support the infrastructure development and renewal process was developed to ensure that the economic growth of the State is not constrained by current revenues. The State’s approach is to form partnerships with reputable private institutions and use the right complement of financial services, people and technology to provide infrastructure at a reasonable economic cost to the people while creating opportunities for investors to make profit.

The focus of Lagos State is to further strengthen revenue collection mainly through widening the State’s tax base and increasing collections of Land Use Tax, Personal Income Tax, land transactions and the informal sector. For example, through advocacy, enforcement of tax laws (through prosecution) and the constant delivery of social goods, the tax paying population of the State has increased from 500,000 in 2007 to 4.2m taxpayers in 2014.

Over 600,000 properties have been identified for the purpose of achieving higher collections of Land Use Charge. An Enterprise Registration and Identification Programme was designed to create a robust database for the State’s very large informal sector and also promote the culture of tax payment.

To stimulate growth in the commerce and industry sector, some industrial estates and markets are being reconstructed and modernized.

Improving the functioning of the Lagos State Internal Revenue Service (LIRS) has been a part of our cooperation with the World Bank under the DPO. Our review of the LIRS led to the proposed Amendment to the Lagos State Revenue Administration Law (currently before the State House of Assembly), another prior action for DPO-2 which we believe can strengthen the functioning of this
A primary thrust of this new draft Law is to provide strong independence of the LIRS Board from LIRS Management.

The main thrust of the financing strategy to fund the State's budget deficit is hinged on its Debt Issuance Programme and Public-Private Partnerships arrangements.

In 2008, the State embarked on a N275 billion multi-tranche Debt Issuance Programme to finance key infrastructure projects. The Debt Issuance Programme has helped to fund the State's budget deficit. Suffice to note that 15% of the State's IGR is transferred to a Sinking Fund to service the debt and repay the Bonds issued under the programme, serving as an effective way of instilling confidence in the bond holders.

As at the year ended December 31, 2013 the State has successfully issued a total of N275 billion in four tranches of N50 billion; N57.5 billion; N80 billion and N87.5 billion respectively. As at this period, a total of N98 billion has been accrued in the Sinking Fund managed by independent Trustees for the repayment of the Bonds at maturity.

The State has continued to be guided by the Public Finance Model (PFM) developed with Messrs. PricewaterhouseCoopers, UK, to put into perspective the financial risk of the State under the Debt Issuance Programme and provide direction for the financial commitment of the State. The Ministry of Finance currently uses the PFM as a planning tool to prepare projections for the Programme and also to determine the minimum required revenue to sustain the State's debt profile as well as the relationship between GDP growth and IGR.

The PFM also shows clearly that the State's current debt levels and future borrowing capacity cannot completely meet the financing requirements for the State's huge infrastructure gap.

In a bid to meet the financing requirement for infrastructural development and renewal, the State identified the need to improve on the PFM by developing a robust Economic and Financial Model (EFM) to aid long term strategic and financial planning for the State. In this regards, financing from Multilateral Agencies have been identified and now being deployed to complement the Debt Issuance Programme and deepen the financial base of the State especially in social sectors such as education, urban renewal and health.
This is in addition to the State’s Public-Private Partnership initiative also designed to accelerate the delivery of infrastructure by creating opportunities for investors to realize a reasonable return on investment while the people of Lagos receive reliable and efficient services.

A PPP Office was set up in 2008 to focus on collaborating with the private sector to ensure that all the required policies and incentives are in place to attract local and foreign investment. The PPP Law has subsequently been passed in 2011 thus providing a legal framework that ensures an orderly and uniform application of approaches and standards in PPPs in the State. Bills to ensure more efficient regulation in the transportation sector have been passed into law.

**Budget Preparation**

Given limited resources and the huge infrastructure/services gaps in Lagos State, the Government has prioritized greater efficiency in budget planning and execution. For budget planning, we have introduced a number of institutions with the intention of ensuring that budgetary resources flow in the direction of our development priorities.

Our development priorities themselves also reflect the results of regular surveys of the Lagos State populace. To improve execution of the State’s capital budget, capital projects have to meet the readiness requirements as defined by the State Executive Council to be included in the budget. Our annual budget is embedded in a three year rolling Medium Term Expenditure Framework.

As an accomplishment under the DPO Programme, all our MDAs now produce Medium Term Sector Strategies (MTSS) that inform the prioritization of projects and expenditures under communicated resource ceilings during budget planning.

MDAs now receive their resource ceilings (envelopes) in a timely manner for the planning of effective sector allocations. These ceilings are also communicated through nine functional sectors based on the IMF Classification of Functions of Government (COFOGS). A prior action for DPO-2 highlights our success in ensuring that MDAs received their budgetary ceilings for the 2014 budget before end-July 2013.

For the period of the next DPO operation (DPO-3), we will be expanding the preparation of MTSS to include the COFOGS. We will thus have comprehensive
sector strategies for areas like education and health that go beyond the confines of individual MDAs.

An Economic Intelligence Unit (EIU) was created in the Ministry of Economic Planning and Budget to develop Medium-Term Sector Strategies for MDAs as well as collect and analyse data on sectoral policies and performance. The EIU has prepared MTSS for 25 Ministries and these have been approved by the State Executive Council and published on the website of the State Government.

**Budget Execution**

The Public Financial Management Law, the Audit Law and the Public Procurement Law have since been passed by the State House Assembly and signed into Law by the Governor. Lagos State has high hopes that the implementation of these modern laws will greatly enhance the cost-effectiveness and efficiency of our public expenditure programmes.

The PFM Law provides a reporting framework for management and accountability for public funds. The revised Audit Law will strengthen the operational independence and raise the standards of the Office of the State Auditor General. The Procurement Law will promote transparency and accountability in expenditure.

Under DPO-2, we are taking two very important prior actions for the implementation of the Procurement Law. The Procurement Agency Board will be inaugurated and begin to function as an important independent oversight institution.

Secondly, MDAs will move to standard bidding documents for all contracts over 100 million naira. This will help promote transparency and fairness in large procurement tenders, while also ensuring that Lagos State gets enhanced value for its money. It should be noted that the prior action in DPO-2 for standard bidding documents concerns eight pilot MDAs. In fact, we have already gone beyond this target, and now require virtually all MDAs to use these documents.

We are happy that DPO-2 also highlights the implementation of the new Audit Law. As a prior action, we are establishing the Audit Service Commission, which provides the legal foundation for the strong independence of our independent audit body, the Office of the Auditor General of Lagos State.
The Auditor General’s Office is also committed to conducting its audits in a timely manner, and submitting an Opinion on the financial statements within three months after receiving accounts from the Accountant General’s Office.

The audited financial statements of Lagos State are made available to the public on our website.

Lagos State has prioritized the development of e-government, including the rollout of the Oracle Financials System. For this purpose, we have formed the Lagos State Financial Systems Management Bureau. I personally meet with this Bureau every month.

Since the time of DPO-1, we have solicited the assessments of international experts and developed what we believe to be a strong action plan for moving forward. The Cash Management and Accounts Receivable Modules of the Oracle Financial System acquired by the State in 2003 are now operational. This will improve the State’s cash management process and budget execution.

The prior action for DPO-2 is the Implementation of the ‘Procure-to-Pay’ module in pilot MDAs. This module will hopefully help us elevate cash management and commitment control in budget execution in the State to a new level.

Annual Financial Statements are prepared within six months of the financial year end and quarterly budget performance reports are being prepared and published on the State’s website, within 30 days of the end of each quarter.

**Investment Climate**

The private sector is the primary engine of growth and development in Lagos State, and one important task of the Lagos State Government is to facilitate its continued and accelerated growth. The State set up a Business Ways and Means Committee for this purpose. The Committee in 2009 reviewed the business processes of the State and made recommendations which have since been adopted by the State’s Executive Council.

The DPO Programme focuses on two areas of first order importance for entrepreneurs and businesses in Lagos State: land registration and building (construction) permits.

We believe that a simplification and reduction in costs for these procedures would provide important benefits to the private sector, but also potentially boost
State revenues as more property is registered and Lagos experiences acceleration in growth in construction and land transactions.

We have already made attempts to streamline a number of these procedures. For example, to simplify the approval processes for land related transactions and reduce the number of days to register a property, the Government has implemented a number of reforms such as digitization of existing survey records, delegating Governor’s Consent to appointed Honourable Commissioners, reducing mandatory processing deadlines, increasing staffing levels and the publication of the new procedures.

To fast track the building development permit process, the pre-inspection procedure has been eliminated, approval of development permits has been delegated based on project size and building regulations have been published for wide dissemination. The development approval process is to be automated and this will further reduce the number of days to obtain an approval.

Our review of land registration procedures in Lagos State has motivated a major reform that is highlighted in the DPO Programme. World Bank Doing Business and other surveys point to high fees charged by Lagos State for land registration as a share of land value relative to most other countries. In reality, however, a number of land holders have found an informal means to reduce these costs through understating the value of the property, i.e. selling the property formally at a low price and settling with an informal side payment.

The current system seemingly suffers from the high formal costs identified in business climate surveys and a land valuation system that is not based on market realities. We are therefore currently preparing a land reform to solve both of these problems. Lagos State has already created a new objective methodology for land valuations that will be applied together with a downward adjustment in fees charged for land registration. This important reform will be implemented under the next DPO programme (Lagos DPO-3).

The prior actions for Lagos DPO-2 pertaining to the investment climate all fall into the priority area of e-government: the GIS, the piloting of and transition to electronic certificates of ownership, and the piloting of an e-approval system for development permits. All of these actions will help ensure enhanced transparency and fairness, while also providing a foundation for the future streamlining and simplification of administrative procedures.
Lagos State has already invested significant amounts in the creation of the GIS, and we have successfully created the skeleton of a valuable GIS in Lagos. A GIS mapping integrated with orthophotos is now fully accessible by key MDAs (a prior action for DPO-2), and accessible online on a commercial basis.

We understand that getting substantial value and revenue out of the GIS for Lagos State will require additional measures, and we are happy for the support of the World Bank in assisting our GIS Working Group clarify strategic options and develop an Action Plan. The implementation of phase one of this Action Plan will be part of the next DPO Program.

We have piloted an electronic Certificate of Occupancy (CofO) system, another prior action for DPO-2. All new certificates of occupancy are now issued in electronic form. A programme for the conversion of all existing CofOs to electronic form is also underway. We expect that the electronic CofO system will assist Lagos State on many fronts: increased transparency, more secure property rights, and the streamlining of procedures to obtain CofOs.

For building permits, we are piloting an electronic approval system that will allow online applications, thereby improving transparency and facilitating the further streamlining of procedures. This pilot will commence with one local government in 2014, and then hopefully be rolled out to all of Lagos State subsequently.

Let me express the appreciation of Lagos State Government for the strong support given to us by the World Bank, and for the DPO Programme in particular.

We understand that the willingness of the World Bank to extend the Budget Support to the Lagos State Government indicates a high level of confidence in our ability to mobilize budgetary resources for real developmental impact and outcomes. We are honored that we have earned that confidence and pledge to continue diligently our efforts and reforms to improve the quality of life and the overall living standards of Lagosians.

Babatunde Raji Fashola, SAN
Governor, Lagos State