

Our Ref No. DB/429/33
Budget Department,
Ministry of Economic Planning & Budget;
Akure,

21 August, 2010.

CIRCULAR LETTER TO:

The Chief of Staff to the Governor,
The Senior Special Assistant to the Deputy Governor,
All State Commissioners,
The Secretary to the State Government,
The Head of Service,
All Permanent Secretaries,
The Clerk of the House of Assembly,
The Chief Registrar, Ondo State Judiciary,
All Head of Extra-Ministerial Departments

2011 ADVANCE PROPOSALS AND DRAFT ESTIMATES

Early this year, this Ministry issued a circular referenced DB/429/5 dated 29th April, 2010 on the 2011 Budget preparatory plan. The import of the circular was to sensitize the public service to the introduction of e-budgeting in the 2011 budget and ensure a smooth operation of the process. Therefore, it is assumed that Ministries, Departments and Agencies (MDAs) of Government would have thoroughly prepared for the 2011 budgetary process by now. The budgetary process in this State, which has been widely acclaimed for its comprehensiveness, will not depart from that but would rather be strengthened, so as to guarantee the

integrity of the budget document which will emerge from the process. Hence, MDAs are enjoined to study and follow carefully, the provisions of this call circular.

PRINCIPLES AND POLICIES

2. It is pertinent to remind MDAs that the driving principle behind the present administration's policies is the 12-point developmental Agenda with the acronym A CARING HEART. Also, the State has prepared a vision document (Ondo State Vision 20:2020) as well as the Medium Term Plan (First Implementation Plan 2010 – 2013) derived from the vision document. In line with our earlier circular on the subject, each MDA is expected to study these documents, as it affects it, and distil relevant programme, initiatives and projects for the 2011 budget. MDAs are also requested to be guided by the eight(8) MDG goals and their 47 targets in making their proposals for 2011.

3. For the avoidance of doubt, the 2011 budget will have the following guiding principles:

- (i) Aggressive revenue generation through the expansion of the Revenue base of the State;
- (ii) Continuation of the execution of all on-going projects with special focus on Star Projects;
- (iii) Maintenance and strengthening of existing Public Infrastructure and Utilities;

- (iv) Promotion of Public Private Partnership (PPP) and Micro, Small and Medium Enterprises (MSME);
- (v) Extensive Capacity Building to sustain already established projects/programmes;
- (vi) Entrenching plan and budget discipline through adoption of holistic and systemic planning processes for the State;
- (vii) Development of the tourism potential of the State into a massive economic instrument;
- (viii) Sustenance of efforts aimed at attaining the MDGs;
- (ix) Sustenance of quality education at all levels;
- (x) Training and retraining of the workforce;
- (xi) Strengthening the three 'I's initiative for community driven development;
- (xii) Sustaining security initiatives in the state;
- (xiii) Improved access to free quality healthcare and reduction in infant & maternal mortality rates;
- (xiv) Empowerment of farmers for food production and processing;
- (xv) Sustenance of rural and urban renewal programme

4. These policies will be strengthened by the following strategies:

- (i) Revenue diversification and deepening;
- (ii) Conduct of Impact Assessment of projects and programmes;
- (iii) Enforcement of planning process in admitting projects/programmes into the budget;

- (iv) Regular monitoring of projects and the review of performance of the budget;

Procedure

5. The process for the preparation of the 2011 budget, though substantially different from the past, will however not deviate from the basic principles guiding budget preparation. Hence, Accounting Officers are to study and adhere strictly to the relevant portions of Chapter 25 of the Financial Regulations (Revised Edition) 1999 and the provision of Chapter 100 of the Laws of Ondo State on the preparation of the annual estimates. Also, MDAs are to study the relevant portions of the Ondo State Vision 20:2020 as well as the Ondo State First Implementation Plan 2010 - 2013, and devolve their components for the 2011 budget. Hence MDAs are to set clear targets that are Specific, Measurable, Achievable, Realizable and Time-bound (SMART) in consonance with the Long and Medium Term Plans. Please note that a concise means of verifying the achievements of the various proposed projects/programmes will be a prerequisite for admitting the project(s) into the 2011 budget.
6. Over the years, it has been noted that MDAs do not care to adhere to the necessity of making adequate preparation for projects/programmes proposed for implementation. This has accounted for the high rate of

project/programme failure and thus affecting the performance of the Budget negatively. Therefore, MDAs are to attach a copy of Annex XXIV with every item of expenditure proposed in the 2011 budget except for Other Charges and Personnel Cost. This is to ensure that all programmes/projects are properly planned for and implementation strategies put in place. The details of Annex XXIV will be addressed later.

7. One unique feature of this year's preparation process is the deployment of an internet-based e-budgeting suite, to assist in the collation and analysis of the budget. The program will be test run during the 2011 budgetary process. Therefore, both the manual and the internet processes will be used for the 2011 budgetary process. To this end, Budget Officers from all MDAs are to liaise with the Budget Department for the e-budget codes of their MDAs which will be used to electronically upload the draft estimates to the e-budget portal.

8. Accounting Officers are also enjoined to take cognizance of the provisions of Financial Regulation 25004 which prescribes the guidelines for pre-call circular activities and actions of MDAs. For the avoidance of doubts, four stages/levels of preparation have been identified with detailed procedure for the preparation of the 2011 draft estimates as enunciated below. Therefore, Accounting Officers are to check the e-budget web-portal for the Resource Envelope of their MDAs and re-

allocate to various departments, who will in turn give to the divisions in their departments to enable them prepare their estimates.

9. Accounting Officers are to note that resource allocation to an MDA is not sacrosanct as each project/programme would be considered on its OWN MERIT. Therefore, the final allocation to an MDA would depend on the depth of preparation, the evidence canvassed at the defence and strict adherence to the provisions of this call circular, especially in providing all details for each project/programme as contained in Annex XXIV. This implies that MDAs could get more or less than their Resource Envelope depending on their preparation. However, MDAs are strictly advised not to exceed their resource envelopes in their projections, as this could lead to bulk withdrawals from their allocations.

Stage I DEFENCE UNDER THE HEAD OF DIVISION

Date: 7th September, 2010

10. The first level of the defence of projects/programmes should start at the level of the Divisions. Each divisional head is to ensure that inputs are taken from all levels stakeholders as it pertains to their activities. This is the level to articulate the desires from all strata of the society, ward level, constituencies, Local Government Councils, Non-Governmental Organisations (NGO's), Civil Societies, other political parties etc; into coherent projects/programmes in consonance with the policy documents of Government for further consideration. Inputs from

opinion and political leaders should be sought at this level before final compilation is made. It is apposite to alert MDAs that the civil society has been sensitized to forward its inputs to relevant MDA. In essence, the 2011 Budget is not a Public Service exercise alone, but that of the entire state - both public and private sectors. At the end of the exercise, projects/programmes representing the wishes and aspirations of the people should be distilled out according to the priorities placed on them for consideration and defence under the Head of Department.

Stage II DEFENCE AT THE DEPARTMENTAL LEVEL

Date of Defence: 9th September, 2010

11. At this level, all the Heads of Divisions are to consider the divisional estimates and agree on priorities to be presented at the Pre-Ministerial level

Stage III PRE-MINISTERIAL DEFENCE

Date of Defence: 13th September, 2010

12. At this level, all heads of Department are to consider returns from each Department under the Chairmanship of the Accounting Officer of the Agency. It is expected that prices must be checked at this level to ensure compliance with benchmark prices. All other rules and regulations governing budget preparation must be adhered to at this level.

Stage IV MINISTERIAL DEFENCE

Date of Defence: 15th September, 2010

This stage of Defence should be chaired by the Chief Executive Officer of the MDA. At this level, all programme/projects are to be fine-tuned to ensure compliance with the policy direction of government. Expansion of their revenue base would be a major determinant of

REVENUE ESTIMATES

146. In the current year, a noticeable improvement on Internally Generated Revenue (IGR) was achieved; however, it (IGR) only contributed an abysmal 5.56% to the total budget. This in essence implies that the State's economy still depends largely on outside sources (especially federation accounts) for which we have no control. It is, therefore, the desire of government to reverse this undesirable trend, through massive Internal Revenue Generation drive. To this end, MDAs are expected to creatively diversify and deepen their revenue base, in the coming fiscal year. Revenue performance and future expectation shall be

PERSONNEL COSTS

MDA Personnel costs are to be estimated based on the ACTUAL number of officers physically in post and not on the number of available posts in component of the Federation Account has been put in abeyance by the Federal Government. Hence, revenue accruing to the state from the federation account will substantially dwindle in the next fiscal year;

148. All MDAs are required to prepare detailed establishments proposals and submit to the Office of Establishments and Service Matters Department (Estabs) for consideration. Accounting Officers are enjoined

to show keen interest in the returns rendered to Estabs as the outcome would determine what would be captured in the 2011 personnel estimates.

OTHER CHARGES

19. The proforma marked Annexes XI and XII should be used to render returns in Other Charges by MDAs, while Boards/Parastatals and Tertiary Institutions are to render their return in Annexes XIII & XIV. Please note that the total Other Charges are to be broken down to its component part and the percentage presented in the last column of the relevant Annexe.

TRANSFER TO OTHER FUNDS

20. Annexes XV & XVI are to be used in rendering returns on Transfer to Other Funds. MDAs are to note that new heads will not be allowed except with the express written approval of Mr. Governor.

GRANTS TO PARASTATALS

21. Annexes XVII and XVIII are meant for Parastatals and Tertiary Institutions who receive monthly grants and subvention from Government. Hence, only Parastatals and Tertiary Institutions are to correctly fill these Annexes in rendering returns on their estimates.

CONSOLIDATED REVENUE FUND CHARGES

22. MDAs are reminded that this Head of Expenditure is managed by the Office of the Accountant-General of the State (Treasury Department).

Hence, only the Office of the Accountant-General should render returns on Annexe XIX. However, MDAs and other interested parties whose activities are captured under this expenditure head are strongly advised to liaise with the Treasury Department to ensure that their projections are captured appropriately by the Treasury Department.

CAPITAL ESTIMATES

23. In the current year, a recurrent: capital ratio of 35: 65% was used. It is the intention of government to gradually take the ratio to 30: 70% in the nearest future. This underscores the importance this administration attaches to capital development. Therefore, Accounting Officers are enjoined to pay particular attention to this class of expenditure in the preparation of the 2011 estimates.

24. MDAs are expected to carefully capture the desires and aspirations of the people, including various interest groups that relate with the MDA, in their estimates in line with the guiding principles of government. Greater attention and allocation should be given or made to core capital issues which would promote real growth and economic development. As MDAs are conceptualizing the projects/programmes for 2011, it is of paramount importance to equally plan the implementation strategy with it, in order to be able to convince this Ministry of the capacity and capability of the MDA to implement such programme. Hence, a copy of documents on Annexe XXIV should accompany each project/programme

proposed for 2011. MDAs are to note that required details specified in the Annexe are to be provided, otherwise such project/programme may not be admitted into the budget.

25. It is also important to stress that MDAs are expected to give top-most priority to the completion of on-going projects, especially the Star Projects of this administration. Hence, where it becomes apparent that an on-going project cannot be completed in the current fiscal year, such project should be rolled-over to 2011 and accorded priority in the allocation of resources.

26. Finally, only core capital and critical development initiative should be captured in the capital estimates. All expenditures that could be met from Other Charges or Transfer to Other Funds votes should not be reflected under the capital estimate.

27. The proforma marked Annexe XX should be used for rendering returns on capital expenditure funded by the State while Annexe XXI should be used for expenditures with foreign components or donor assisted funds. Annexe XXII should show the summary of capital expenditure at a glance.

CHECKLIST FOR ADMITTING PROJECTS

28. Annexe XXIV contains the requirements for admitting projects/programmes into the 2011 budget. The Annexe is divided into two parts; Part A is meant for projects while Part B is meant for

programmes. MDAs are to fill a copy of this Annexe correctly for every item of expenditure proposed and ensure that the required documents are provided. Accounting Officers are to note that the defence of the budget would be based on the content of the Annexe as regarding any proposed item of capital expenditure and the Transfer to Other Funds.

GENERAL

29. Accounting Officers are enjoined to supervise the completion of the proformas (Annexes) personally and ensure that they are filled correctly and totalled. All necessary details must be provided as required. Please take note of the requirement of Financial Regulations 1999 (Revised) 25023 regarding rendering report on actual expenditure for the preceding year. Hence, all renditions pertaining to actual expenditure for 2009 fiscal year must be RECONCILED WITH THE APPROPRIATION ACCOUNTS, prepared by the Office of the Accountant-General of the State.

30. Furthermore, MDAs are required to maintain constant interaction with this Ministry, the Office of Establishments, Ministry of Finance, PPMU, Board of Internal Revenue and the schedule officer(s) on Budget in the House of Assembly in line with FR25013, until the 2011 Appropriation Bill is signed into law.

31. Finally, MDAs are to complete the soft copy of all the required Annexes online and upload to the e-budget portal on or before **Monday**

20th September, 2010. In addition, 10 bound copies and a rewritable Compact Disc (with the name of the MDA boldly printed on the Disc) containing the proposals as well as the MDAs' contribution to the Budget Speech, are to be submitted by hand to the Budget Department not later than **Friday 17th September, 2010**. Please note that the contribution to the budget speech is a prerequisite for the submission of the proposals.

32. The time-table for the Pre-Treasury Board Meeting is attached, hereto, as Annexe XXV.

33. Kindly ensure strict compliance with the provisions of this Call Circular. Thank you.



C.O. Kolawole,
Permanent Secretary.