

Our Ref. No. DB/476/38
Budget Department,
Ministry of Economic Planning & Budget,
Akure.

6th November, 2015.

CIRCULAR LETTER TO:

The Chief of Staff to the Governor,
The Senior Special Assistant to the Deputy Governor,
State Commissioners,
The Secretary to the State Government,
The Head of Service,
Special Advisers to the Governor,
Chairmen of Commissions, Boards and Parastatals,
Permanent Secretaries,
The Clerk, Ondo State House of Assembly,
The Chief Registrar, Ondo State Judiciary,
The State Auditor-General,
The Accountant-General,
Tutors-General,
Auditor-General of the Local Government,
Statistician-General,
Registrars of State Owned Tertiary Institutions,
Heads of Extra-Ministerial Departments,

2016 ADVANCE PROPOSALS AND DRAFT ESTIMATES

INTRODUCTION

1. The State Executive Council, has approved the memorandum on 2016 fiscal framework, policy thrust, guidelines, and other relevant macroeconomic indices for the preparation of the State's 2016 draft estimates. This, therefore, formally flags-off the

preparation of the 2016 Budget in line with the vision and mission of the present Administration, as contained in A CARING HEART Agenda. To this end, all Ministries, Departments and Agencies (MDAs) are to submit, via the online portal, their proposals for 2016 Budget Estimates taking due cognizance of the guidelines stipulated in this Call Circular.

POLICY FOCUS AND PRIORITIES

2. This administration has in the last seven years transformed the landscape of this State through its policies and agenda. Notwithstanding the current economic realities in the country, and the world at large, the State Budgets had been conservatively crafted and implemented to enhance the economic well-being of the citizenry.

3. In view of the forecasted 2016 economic realities in the country, the Budget of the State will focus largely on completion of on-going projects and sustainability of the achievements of the present Administration in the State.

4. The policy focus and priorities of the government in the next fiscal year, basically informed the pattern of resource envelope allocation to the various MDAs. This will help in forging a clearer link between policy, planning and budgeting. It is also instructive to note that 2016 fiscal year is the only remaining full budget instrument which the present administration will implement in its entirety before its exit in 2017. To this end, it is the desire of government to complete on-going projects and emplace sustainability structures for all the life changing projects and programmes already put in place. Consequently, the main objectives of the 2016 budget are as follows:

- i. Completion of ongoing developmental projects and programmes by making the most effective use of available resources;

- ii. Emplacement of sustainability structure for the projects/programmes already completed;
- iii. Improving the living conditions of the populace and enhancement of economic activities through concerted implementation of youth in agricultural programme as an employment generation strategy;
- iv. Sustaining the regime of peace being enjoyed in the state through provision of requisite support to security agencies for crime control and prevention; and
- v. Encouragement of agricultural production as both a food security initiative and a strategy for the expansion of the state's productive capability.

5. The above objectives are to be achieved by the deployment of the following strategies:

- (i) Aggressive Independent Revenue drive by all MDAs;
- (ii) Blockage of revenue loopholes and allocation of funds to economically viable projects/programmes;
- (iii) Vigorous maintenance strategy for public infrastructural facilities;
- (iv) Ensuring that total capital investment fund is allocated to government's priority areas;
- (v) Setting the 2016 expenditure at a sustainable level; and
- (vi) Building greater transparency, accountability and comprehensiveness into the budget process.

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2016 FISCAL FRAMEWORK

6. The assumptions below are in tandem with the Fiscal Strategy Paper (FSP) from the Federation, and the performance of key macroeconomic indices which are the major determinants of accruable revenue inflow to the Federation account. Also, it is premised on the need to sustain revenue growth from non-oil sources which is a good stance for an enduring economic development strategy. Furthermore, the framework has adopted the most plausible and conservative assumptions based on information available from the federal fiscal and monetary authorities upon which the State derives.

INDICATORS	2015	2016
GDP Growth (%)	5.54	5.78
Estimated State GDP (₦)(Post Rebasing of National GDP)	N.A	N.A
Inflation Rate (%)	8.78	8.10
Exchange Rate(₦ to USD)	253	253
Oil Price (per barrel) Benchmark (\$)	52	38
Average Production of Crude oil (MBPD)	2.2782	2.200

Source: Fiscal Strategy Paper, 2015

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FISCAL STRATEGY PROJECTIONS FOR 2016:

S/N	ITEM	2016 ₦ (B)
A	<u>RECURRENT REVENUE</u>	
i.	Statutory Allocation	27.000
ii.	IGR	12.500
iii.	VAT	8.600
B	<u>Capital Receipts</u>	
i.	Mineral Derivation Fund	14.000
ii.	NNPC Refund	-
iii.	Bond	-
iv.	Grants/Credits	4.000
v.	Refund from FGN	2.500
vi.	Roll-over Fund	14.467
vii.	Loan/Leases	25.783
viii.	Education Endowment Fund	-
	TOTAL	108.850
C	<u>EXPENDITURE</u>	
i.	Personnel	37.000
ii.	Overhead Cost	3.000
iii.	Special Programme	8.000
iv.	Grants to Parastatals/ Tertiary Institutions	7.000
v.	Consolidated Revenue Fund Charges	12.000
vi.	Grants and Loans	0.200
vii.	Planning Contingency	0.800
	Total Recurrent	68.000
D	<u>CAPITAL</u>	
i.	MDAs	15.000
ii.	OSOPADEC	8.000
iii.	Bond and other loans Repayment	15.850
iv.	Planning Contingency	2.000
	Total Capital	40.850
	GRAND TOTAL	108.850

Source: 2015 Fiscal Strategy Paper

8. The table at the previous page depicts projections for 2016 Estimates. The projections are products of the forecasting tools and techniques deployed by the central planning and budget as well as performance of the revenue items during the fiscal year. The projections show relative stability in the recurrent expenditure items with a deliberate intention of freeing resources for capital expansion. Above all, receipts from the federation account still constitute the bulk of the revenue inflow to this State which invariably influences the projection.

ECONOMIC AND BUDGET PERFORMANCE FOR 2015

9. Budget performance data for Jan-Aug 2015 is presented in Table 1 below:

2015 ACTUAL BUDGET PERFORMANCE (JAN-SEPT)

S/N	DESCRIPTION	APPROVED BUDGET ₦(B)	ACTUAL AS AT SEPT ₦(B)	VARIANCE ₦(B)	%
A	<u>REVENUE RECURRENT</u>				
i.	Statutory Allocation	38.000	20.190	17.810	53
ii.					
iii.	IGR	12.000	6.147	5.853	51
iv.	VAT	10.000	6.026	3.974	60
	Sub-Total	60.000	32.363	7.637	54
B	<u>CAPITAL RECEIPTS</u>			0	
i.	Mineral Derivation Fund	20.000	11.388	8.612	57
ii.	NNPC Refund		-	-	
iii.	SURE-P	5.000	-	5.000	
iv.	Roll-over Fund	5.000	-	0	-
v.	Grants/Credit from Development Partners	6.000	1.714	4.286	29
vi.	Refund from FGN	-	-	-	
vii.	Education Trust Fund	3.000	-	3.000	0

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viii.	Bond	23.000	-	23.000	0
ix.	Sundry Income	-	-	-	-
x.	Loans/Leases	7.000	10.124	(3.124)	145
xi.	Ecological fund	2.000	-	0	100
xii.	Excess Crude		-	-	-
	Sub-Total	71.000	23.226	47.774	33
	Total Revenue	131.000	55.589	80.163	42
C	<u>RECURRENT EXPENDITURE</u>				
i.	Personnel Cost	37.705	23.764	13.941	63
ii.	Overhead Cost	3.916	2.099	1.817	54
iii.	Grants to Parastatals	8.071	4.862	3.209	60
iv.	CRFC	12.423	6.466	5.957	52
v.	Grants & Loans	0.200	0.100	0.100	50
vi.	Special Programme	14.388	6.635	7.753	46
	Sub-Total	76.703	43.926	32.777	57
D	<u>CAPITAL</u>				
i.	Capital Expenditure of MDAs	46.617	15.043	31.574	32
ii.	OSOPADEC	7.680	4.735	2.945	62
iii.	Sub Total	54.297	19.778	34.519	36
	Total Expenditure	131.000	63.704	67.296	49

10. The Budget performance table above clearly shows positive performance from recurrent expenditure items which posted 57% while the capital posted a lowly performance of 36% in the period under review. Similarly, the revenue inflow from all sources was average at 42% up to September, 2015. This is not unconnected with massive plunge in the crude oil benchmark price, which constitutes a large proportion of receipts from the federation account.

11. Flowing from the 2015 Budget performance statistics above, MDAs are enjoined to review the strategies employed in the current year for improved Budget performance and project/service delivery, in year 2016. As envisaged, external revenue inflow might not improve thus necessitating the need to deploy more effort on independent revenue generating activities to shore up aggregate receipt for the state as a way of fastracking Budget implementation. Similarly, MDAs are to ensure compliance with necessary guidelines and criteria for fund release to prevent administrative hiccups in implementation.

GUIDELINES ON PREPARATION AND SUBMISSION OF 2016 DRAFT ESTIMATES

12. In line with the existing practice, the budget preparation process will be conducted using the State's Budget portal www.ondobudget.org.

13. Accounting Officers are enjoined to note and strictly adhere to the relevant portions of Chapter 25 of the Financial Regulations and CAP 122 of the Laws of Ondo State on the preparation of the annual estimates especially as regards pre-call circular activities of MDAs. In effect, all relevant plan documents must be consulted to ensure consistency of proposals with the plans and visions of the State. In this regard, Accounting Officers are to ensure that all spending entities set clear targets that are specific and achievable and also in consonance with the policy thrust of government peculiar to respective MDA.

14. Accounting Officers are also to ensure that the established four levels of defence at the Ministerial level is observed before the final upload to the portal. For the avoidance of doubt, the four levels are as follows:

- (a) Defence under the Head of Division;

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- (b) Defence at the Departmental Level;
 - (c) Pre-Ministerial Defence; and
 - (d) Ministerial Defence.

15. MDAs are to note that the envelopes for the various expenditure classes for all MDAs have been pre-loaded on the portal, hence Budget Officers are to print the envelopes for their Accounting Officers, who will, thereafter, allocate according to set priorities to Departments and Units in the MDA.

REVENUE

16. In the face of the prevailing dip in revenue from the federation account, there is the need for MDAs to devote more efforts towards stimulating Independent Revenue performance to effectively complement federal receipts. To ensure the attainment of internal revenue targets for 2016, the following strategies are to be adopted:

- use of only approved economic codes by all revenue generating MDAs in remitting collections to the State coffers;
- MDAs to set a realistic revenue target for 2016;
- realistic revenue Budgeting in respect of assessment and collection to be put in place; and a detailed enforcement action plan to be formulated for implementation, and a copy to be submitted during Pre-Treasury Board defence.

EXPENDITURE

17. Budgeting for Personnel, Overhead costs, Special Programme must be done in line with the guidelines stipulated herein and displayed on the portal. However, it is very important to stress the need for thorough work on the Personnel Cost to avoid the issues of over/under estimations by some MDAs. MDAs are to clear all such issues on Personnel costs and obtain clearance from the Office of Establishments before the set

date for Pre-Treasury Defence. MDAs are to submit the cleared figures to this office during the Pre-Treasury Defence. Similarly, Capital Estimates should be presented in the prescribed format that will clearly state the status of the project especially, level of completion and implementation timeline. Also, all indicated capital projects should be in line with government priorities while same should be backed with appropriate documents including PPMU benchmark Prices, BoQ, BEME, etc and to also present same during Pre-Treasury Defence. All spending units are enjoined to ensure completion of their monthly revenue and expenditure profiles on the portal before the Pre-Treasury Board Meeting.

BUDGET DEFENCE PLAN AND SCHEDULE

18. The 2016 Budget defence would be carried out in a systematic manner to ensure that MDAs are taken in line with homogeneity of activities and projects. The Budget defence schedule would facilitate effective negotiation and interactive sessions to ensure that the proposals are comprehensive and reflective of the priorities of the government, while avoiding overlap of projects/programmes.

OTHER INFORMATION

19. All enquiries concerning this Call Circular should be directed to the Permanent Secretary, Ministry of Economic Planning & Budget and marked for the attention of the Director Budget.

20. Accounting Officers are to ensure that all proposals comply with requisite benchmark prices. Realistic figures based on PPMU price, BoQs and BEME are necessary pre-requisite for the defence of the proposals even if the project is an on-going one.

21. Besides, MDAs are required to maintain constant interaction with this Ministry, the Office of Establishments, Ministry of Finance (Accountant-General), PPMU, Board of Internal Revenue and the schedule officer on Budget in the House of Assembly in line with FR 25013 until the 2015 Appropriation Bill is signed into law.

22. Most importantly, Accounting Officers are enjoined to provide functional laptops and internet modem with data to their Budget Officers to facilitate the preparation. It should be noted that the portal runs in an automated form, therefore, operators should only input figures while other processing would be generated automatically. MDAs are to complete all entries online, on or before Friday, 13th November, 2015. Each MDA is, however, to print copies of what is uploaded for its defence at the Pre-Treasury Board level and to also submit the contribution of the MDA to the Budget Speech of Mr. Governor on or before pre-Treasury Board deliberation.

23. In view of the time constraint attached to this exercise, the deadline for the submission of all Budget proposals is Monday 16th November, 2015 after which the portal would be closed to MDAs.

24. Thank you.



C. O. Kolawole, NPOM
Permanent Secretary.