

DB/478

Our Ref. No. DB/478/1

Ministry of Economic Planning & Budget,
Budget Department,
Akure.

02 December, 2016

CIRCULAR LETTER TO:

- The Chief of Staff to the Governor,
- The Senior Special Assistant to the Deputy Governor,
- The Secretary to the State Government,
- The Head of Service,
- All Permanent Secretaries,
- All Tutors-General,
- The Clerk of the House of Assembly,
- The Accountant-General,
- The Statistician-General,
- The Auditor-General,
- The Chief Registrar, On to State Judiciary,
- All Head of Extra-Ministerial Departments.

2017 ADVANCE PROPOSALS AND DRAFT ESTIMATES

INTRODUCTION

1. The State Budget remains government's most important economic policy tool for translating its policies and goals into developmental programmes/projects. In this wise, the preparation of yet another budget is highly imperative to ensure that government is provided with the requisite fiscal tool to foster development in the State. Consequently, the State Executive Council has approved the memorandum on 2017 fiscal framework, policy thrust, guidelines, and other necessary macroeconomic indices to enable this Ministry put in place a well-articulated Budget in line with general priorities of

7

government. For this purpose, all government Ministries, Departments and Agencies (MDAs) are to submit, via the online portal, their proposals for 2017 Budget Estimates in line with the guidelines contained in this Call Circular.

POLICY FOCUS AND PRIORITIES

2. Since the inception of this administration in 2009, the State Budget process has witnessed massive improvement in preparation and implementation. The Budgets were crafted in a more pragmatic way to clearly reflect the "A CARING HEART" Agenda of the present administration, which we have had seven in its series. Unarguably, Ondo State has witnessed massive facelift through the emplacement of modern infrastructures and impactful programmes.

3. A cursory look at the global economy, growth prospects had continue to weaken, and the recent events such as the Brexit vote, terrorist attacks around the world, and the outcome of the US presidential election are creating elevated levels of uncertainty for businesses. The Nigerian economy is not spared from this economic brunt as the country is currently battling with economic recession. The scenario is further worsened due to the prolong low price of crude oil price at the international market, coupled with the renewed attacks by Niger Delta militants on oil facilities in recent time. Also, the Naira has continued to plunge against US dollar, thus escalating prices of goods in the country. Despite the Federal Government's expansionary 2016 Budget, and its commitment to diversify the economy and elicit interest in non-oil sectors, revenue from oil and gas sector still accounts for a substantial part of national revenue. These uncertainties have prompted economic forecasters including the International Monetary Fund to forecast Nigeria's economy growth to contract by 1.7% in 2016 and expand by 0.6% in 2017, less than the 1.1% it had earlier predicted.

4. Considering the unimpressive economic growth forecast for the next fiscal year, the preparation of the 2017 Estimates is expected to adopt a conservative approach in its revenue and expenditure projections. Notwithstanding the aggressive revenue drive and strategies put in place by the State in recent past, revenue from the Federation Account still constitutes a substantial portion of the State's total revenue. The 2017 Budget is unique, considering the fact that the present administration that will prepare the estimates has less than two months to implement the budget while the incoming administration will implement the larger part of it. It is, therefore, imperative to put in place a workable Budget that will largely accommodate the programmes of the incoming administration. Consequently, the 2017 Budget of the State will have a twin-focus of emplacing infrastructural facilities to stimulate the economy and the completion of on-going projects across the State.

5. In like manner, disaggregation of resource envelopes to the various MDAs would be performed in line with the policy focus and priorities of the government in the next fiscal year. The foregoing will ensure that government spendings have direct bearing on life enhancing projects/programmes. To this end, the main objectives of the 2017 Budget are as follow:

- i. emplacement of sustainability structure for completed projects/programmes;
- ii. expansion of the infrastructural base of the State to enhance better economic activities;
- iii. completion of on-going developmental projects/programmes;
- iv. empowerment of market women, artisans and youths to stimulate the economy; and

- v. expansion of agricultural-related activities to boost food production and generate employment opportunities.
6. The above objectives are to be achieved by the deployment of the following strategies:
- i. sustained Independent Revenue drive by all MDAs;
 - ii. plugging of revenue loopholes to improve revenue;
 - iii. sustained maintenance strategy for existing/new infrastructural facilities;
 - iv. allocating available resources to government's priority areas;
 - v. setting the 2017 expenditure at a sustainable level; and
 - vi. ensuring due process in the implementation of projects/programmes.

2017 FISCAL FRAMEWORK

7. The fiscal framework was premised on the projected aggregate resources available to government to implement its projects/programmes for the next fiscal year. The projections are a function of some macroeconomic assumptions stated as follow:

INDICATORS	2016	2017
GDP Growth (%)	5.78	3.02
Inflation Rate (%)	8.10	12.92
Exchange Rate(N to USD)	197	290
Oil Price (per barrel) Benchmark (\$)	38	42.50
Average Production of Crude oil (MBPD)	2.200	2.200

Source: National Fiscal Strategy Paper, 2017

8. As earlier mentioned, the performance of the indicators above has direct impact on the total accruable revenue to the Federation Account which would also determine what eventually comes into the State. Similarly, the data obtained from the State

Ministry of Finance on the performance of the current year's budget also played a major role in arriving at realistic projections for the State. It is expected, therefore, that there might not be significant improvement in the aggregate revenue from the Federation Account to the State in the next fiscal year.

FISCAL STRATEGY PROJECTIONS FOR 2017		
S/N	ITEM	2017 N (B)
A	RECURRENT REVENUE	
i	Statutory Allocation	
ii	Independent Revenue	28.000
iii	VAT	17.000
B	CAPITAL RECEIPT	12.000
iv	Roll Over Fund	
v	Mineral Derivation Fund	1.000
vi	SURE-P	16.000
vii	NNPC Refund	
viii	Grants/Credit	
ix	Refund from FGN	8.000
x	Excess Crude	13.000
xi	EEF	5.000
xii	Ecological Fund	
	Sub-Total	100.000
	Grand Total	100.000
C	RECURRENT EXPENDITURE	
i	Personnel cost	
ii	Overhead Cost	37.000
iii	Grants to Parastatals & Tertiary Institutions	3.000
iv	Special programme	6.500
v	Consolidated Revenue Fund Charge	8.000
vi	Grants and Loans	8.000
vii	Planning Contingency	0.200
	Sub-Total (C)	2.300
D	CAPITAL EXPENDITURE	65.000
i	MDAs	
ii	OSOPADEC	8.100
iii	Bond and Bank Loan Repayment	6.400
iv	Outstanding Demestic Debt/Approvals	15.500
v	Planning/Contingency Reserve	
	Sub-Total(D)	5.000
	Grand Total	35.000
	Grand Total	100.000

Source: Ondo State 2017-2019 MYBF

10. The table at the previous page depicts projections for 2017 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 2016

11. Budget performance data for Jan-Sept 2016 is presented in Table 1 below:

2016 ACTUAL BUDGET PERFORMANCE (JAN-SEPT)

S/N	DESCRIPTION	APPROVED BUDGET N(B)	EXPECTED JAN-SEPT N(B)	ACTUAL AS AT SEPT N(B)	%
	REVENUE RECURRENT				
	Statutory Allocation	27.000	20.250	15.055	74
	Independent Revenue	12.899	9.674	5.699	59
	VAT	8.600	6.450	6.307	98
	CAPITAL RECEIPTS				
	Mineral Derivation Fund	14.000	10.500	8.182	78
	NNPC Refund	-	-	-	-
	SURE-P	-	-	-	-
	Roll-over Fund	14.967	11.225	-	100
	Grants/Credits	4.000	3.000	-	-
	Refund from FGN	2.500	1.667	-	-
	Education Trust Fund	-	-	2.478	-
	Excess Crude	-	-	-	-
	Ecological fund	-	-	-	-
	Sub-Total	83.966	62.766	37.721	41
	Bond	-	-	-	-
xi.	Loans/Leases	39.755	-	-	-
	Total Revenue	123.721	92.582	37.721	41
C	RECURRENT EXP				
	Personnel Cost	37.000	27.750	10.681	38
	Overhead Cost	3.731	2.798	1.585	57
	Grants to Parastatals & Tertiary Institutions	6.889	5.167	2.232	43
	Special Programme	12.784	9.588	4.68	49
	CRFC	8.590	6.443	14.250	221
	Grants & Loans	0.200	0.150	0.044	29
	Sub-Total	69.194	51.896	33.472	64
D	CAPITAL EXPENDITURE				
	Capital Expenditure of MDAs	47.027	35.270	6.465	18
	OSOPADEC	7.500	5.625	1.974	35
	Sub Total(D)	54.527	40.895	8.439	21
	Total Expenditure(C&D)	123.721	92.791	41.911	45

12. The total revenue from all sources stood at N37.721 Billion at the end of September, 2016 as against N92.791 Billion expected for the same period. the amount

represent only 41% of the expected revenue for the same period. Similarly, at the end of September, 2016; total expenditure stood at N41.911 Billion as against N92.791 Billion expected for the period. Obviously, revenue has continued to fall short of its expected figures, which posed a major constraint on the expenditure performance.

13. Flowing from the 2016 Budget performance statistics above, MDAs are enjoined to review the strategies employed in the out-going year for improved revenue performance, project delivery and other services rendered by the State in the next fiscal year. As earlier remarked, 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 Fast tracking 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 2017 DRAFT ESTIMATES

14. As is the usual practice, the Budget preparation process will be conducted using the State's Budget portal www.ondobudget.org.

15. Accounting Officers are required 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 including the Medium Term Sector Strategy document, 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.

8

16. Accounting Officers are also to ensure that the preparation of their estimates duly follow necessary ministerial levels of defence.

17. 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. MDAS should desist from the habit of rejecting envelopes under the claim of being insufficient to disaggregate amongst their activities as clearly observed during 2016 budget defence at the State House of Assembly.

REVENUE

18. Part of the strategies for the realization of the 2017 budget objectives is sustenance of independent revenue drive by all MDAs. Obviously, the State is striving to be less dependent on transfers from the federation account. In this wise, MDAs are enjoined to further deepen and expand their revenue base and institute strategies for efficient revenue generation. There is no better time to ensure self-sufficiency other than the present period in which the main stay of our economy, oil sector, is underperforming. Well-guided monitoring mechanism must also be put in place to forestall leakages in the State revenues.

EXPENDITURE

19. Budgeting for Personnel, Overhead costs, Special Programmes 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. Issues on personnel costs should be cleared to time 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.

20. In line with the conservative approach adopted for 2017 budget, the aggregate overhead cost of the state has been slightly reviewed downward. Therefore, MDAs are to make do with the envelopes, as agitations for increment may not be entertained. It is also expected that MDAs prioritize maintenance of government infrastructure and assets for improved service delivery.

21 Similarly, Capital Estimates should be presented in the prescribed format that will clearly state the current status of projects especially, level of completion and implementation timeline. Also, all indicated capital projects should be in line with government priorities while same should be backed up with appropriate documents including PPMU benchmark Prices, BoQ, BEME, etc and to also present same during Pre-Treasury Defence. Most importantly, 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

22. In line with the usual practice, the 2017 Budget defence would be carried out in a systematic manner to ensure that line MDAs with cross-cutting projects/programmes are taken together to avoid overlapping and double counting. MDAs are to ensure that their proposals are comprehensive and reflective of the priorities of the government provide justifications for their estimates, especially when there is the need to increase resource envelope.

OTHER INFORMATION

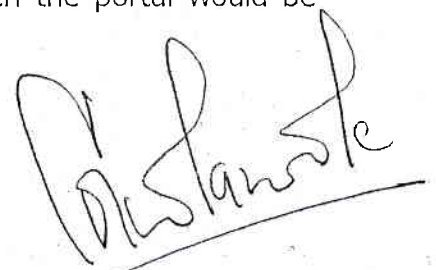
23. All enquiries concerning this Call Circular should be directed to the Permanent Secretary, Ministry of Economic Planning & Budget and marked for the attention of the Director Budget.

24. 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.

25. 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 2017 Appropriation Bill is signed into law.

26. Also, Budget Officers should be provided with functional laptops and internet modem with data 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 electronically. MDAs are to complete all entries online, on or before Thursday, 8th December, 2016. 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. MDAs are required to make final submission of their budget proposals on or before 12th December, 2016 after which the portal would be closed to MDAs.

27. Thank you.



C. O. Kolawole, NPOM
Permanent Secretary.