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

28th September, 2020.

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,
Special Advisers,
Chairmen of Commissions, Boards & Parastatals
All Permanent Secretaries,
The State Accountant-General,
The Clerk of the House of Assembly,
The State Auditor-General,
The State Statistician-General,
Tutors General,
Administrative Secretaries,
The Chief Registrar, Ondo State Judiciary,
Registrars of State Owned Tertiary Institutions,
All Heads of Extra-Ministerial Departments.

2021 ADVANCE PROPOSAL AND DRAFT ESTIMATES

INTRODUCTION

2. Section 121(1) of the Constitution of Federal Republic of Nigeria provides that each State of the Federation should prepare an annual Budget and place same before the State House of Assembly for appropriation for a given Financial

Year. This has, therefore, set the basis for the Ministry of Economic Planning and Budget to commence preparation of 2021 Budget Estimates. This Budget call circular will provide guidance and clarity on the criteria for admission of Personnel, Overhead, Special Programmes and Capital Projects into the Budget. It will also discuss how best to complete next fiscal year's Budget Proposal within the available Budget Ceilings.

ECONOMIC AND FISCAL UPDATE

3. The Economic and Fiscal Update (EFU) provides economic and fiscal analyses that form the basis for the Budget planning process. The outbreak of the Covid-19 pandemic with its attendant restriction on economic activities and severe impact on the oil market is set to reverse Nigeria's growth of 2.3% achieved in year 2019. Already in the first quarter of 2020, the effect of the pandemic and the slump in crude oil price are evident on Nigeria's Purchasing Manager's Index (PMI), which tracks the performance of the business aspect of the economy. The manufacturing PMI, though still on the expansionary benchmark, slid to 51.1 points in March, 2020 from 60.8 points recorded in December, 2017. This suggests a significant slowdown in economic activities in Q1 of 2020. The lockdown of several States and the Federal Capital Territory (FCT) in the second quarter of the year will have an immense negative impact on GDP growth in the year. The three major GDP components being household consumption, government spending and private investment were constrained during the lockdown and are expected to perform poorly in full-year assessment

relative to 2019. This is based on the high level of uncertainty over the pandemic as well as the fragility of the Nigerian economy exemplified by the poor performance of major macro-economic indicators expected throughout 2020. In the Nigerian Economic Summit Group (NESG) 2020 outlook report released in May, 2020, three scenarios were projected for the Nigerian economy going into 2021. The projection factored in movement in crude oil price, government Capital spending and oil production volumes. The worst-case scenario assumed an average crude oil production of 1.5 million barrels per day and capital spending of ₦1 trillion in 2020 Budget by the Federal Government. The outcome showed that GDP will decline by 1.9 %, inflation will rise to 15%; Government reserve will decline by 25%; exchange rate will reach N400/US\$1 while the unemployment rate and underemployment rate will increase to 52% towards the end of 2020. With the Covid-19 outbreak and restrictions of movement, the Nigerian economy will be severely affected in 2020. This means that our earlier envisioned worst-case scenario will become even worse, especially as we adjust the assumption of crude oil price and output. Several estimates have shown that GDP would contract significantly in 2021.

BUDGET PERFORMANCE 2020

4. Budget performance data from January – June 2020 is presented in the table below:

S/N	DESCRIPTION	2020 REVISED BUDGET N(B)	MID YEAR TARGET	MID YEAR ACTUAL	% PERFORMANCE
1.0	Revenue Recurrent				
1.1	Statutory Allocation	26.731	13.365	16.296	121.9
1.2	IGR	24.245	12.123	11.230	92.6
1.3	VAT	17.879	8.940	6.466	72.3
	Sub-Total	68.855	34.428	33.992	98.7
2.0	Capital Receipt				
2.1	Mineral Derivation Fund	10.946	5.473	6.603	120.6
2.2	Exchanged Gain	1.500	0.750	1.097	146.3
2.3	Refund from FGN on Roads	8.000	4.000	-	-
2.4	Total Loans	40.000	20.000	7.127	35.6
2.5	Grants	11.207	5.604	2.378	42.4
2.6	Roll-Over Fund	4.081	4.081	4.081	100.0
2.7	Excess Petroleum Profit Tax	-	-	-	-
2.8	Forex Stabilization Account	0.313	0.157	0.163	103.8
2.9	Excess Crude	4.036	2.018	1.319	65.4
2.10	Withholding Tax Refund from FGN	1.000	0.500	-	-
2.11	State Govt. Covid-19 Intervention Fund	1.500	0.750	-	-
	Sub-Total	82.583	41.291	22.768	55.1
	TOTAL REVENUE	151.438	75.719	56.760	75.0
3.0	Debt Repayment	13.000	6.500	9.377	144.3
4.0	(Statutory Transfer)				
4.1	Transfer to Local Govt. Joint Account (10% IGR)	1.424	0.712	0.178	25.0
4.2	Transfer to OSOPADEC	6.378	3.189	0.906	28.4
4.3	Transfer to Ondo State IRS	4.258	2.129	1.653	77.6
	Sub-Total	12.060	6.030	2.737	45.4
5.0	(Recurrent Expenditure)				
5.1	Personnel Cost	40.060	20.030	18.430	92.0
5.2	Overhead Cost	3.765	1.883	1.126	59.8
5.3	Grants and Contributions	8.341	4.171	3.096	74.2
5.4	Social Contribution and Social Benefits	10.651	5.326	5.476	102.8
5.5	Special Programme	12.206	6.103	4.387	71.9
	Sub-Total	75.023	37.512	32.515	86.7
6.0	Capital				
6.1	Capital Expenditure of MDAs	51.355	25.678	8.630	33.6
	TOTAL EXPENDITURE	151.438	75.719	53.259	70.3

2021 FISCAL FRAME WORK

5. The Fiscal Framework envisage an inelastic revenue profile from all sources and strict expenditure control. The revenue performance from January-June, 2020, as indicated above, is a pointer that there might not be a significant improvement in revenue in the next fiscal year. Consequently, no spending unit would be allowed to deviate from its resource envelope as it has been judiciously and realistically allocated.

KEY ASSUMPTIONS

6. Key assumption underlying the preparation of revenue and expenditure for 2021 Estimates are well set out in the table below. Unarguably, receipts from the Federation account constitutes the bulk of the revenue inflow to this State, which invariably influences Budget performance. This framework has adopted the most plausible and conservative assumption based on information available from the Federal Fiscal and Monetary Authorities upon which the State derives its macro-economic variables.

Table:

KEY ASSUMPTIONS	2021	2022	2023
GDP Growth (%)	3.0	4.68	3.86
Inflation Rate (%)	11.95	10.94	11.02
Exchange Rate	380	380	380
Oil Price (per Barrel) Benchmark (\$)	40.0	40.0	40.0
Average Production of Crude Oil (MBPD)	1.86	2.09	2.38

POLICY THRUST AND PRIORITIES FOR 2021 BUDGET

7. The Policy-thrusts and Priorities of Government in the next fiscal year are aimed to further consolidate on the modest gain of the last three and half years, using the following approaches:

- i. Efficient and effective resource allocation and management;
- ii. Sustenance of Investment in Infrastructural facilities;
- iii. Intensification of efforts on Independence Revenue generation;
- iv. Creation of wealth through empowerment of youth, artisans, farmers and market women;
- v. Enhancement of agricultural related activities;
- vi. Enhancement of Community development through improved accessibility;
- vii. Facilitate social inclusion through target spending on the vulnerable and marginalised groups;
- viii. Improvement in the State's Fiscal Performance to enable the State increase its draw-down on Federal Government and International Performance-based grants;
- ix. Reduction in reliance of Federal Transfer through diversification of the State's economy;
- x. Combating gender based violence

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

- i. Create efficiencies in Personnel and overhead expenditure to allow greater resource for capital development;
- ii. Grow IR by a minimum of 20% every year from 2021-2023;
- iii. To harness the public, corporate and private individual grants to boost the State's revenue;

present administration as it affects their MEDAs and distil out relevant projects and programmes to actualize the development objectives contained in the report. MEDAs in the five pilot sectors should ensure that the proposed programmes and projects for year 2021 Budget are in consonance with the MTSS for the pilot sectors while the programmes and projects for other MEDAs outside the pilot sectors must be within the policy thrust of the State Government as contained in the Blue Print to Progress.

All Accounting Officers are to ensure that the preparation of their estimates follow necessary Ministerial level of defence. Please, note that the order of priorities of this Administration, as directed by the Chief Executive of MEDAs, is the main basis for sectoral allocation and determination of the MEDA's indicative envelopes. This is also consistent with aggregate resource availability, determined by the 2021-2023 Multi Year Budgeting Framework (MYBF).

REVENUE

10. It has become inevitable to look towards improving our independent revenue as the State is striving to be less dependent on transfers from the Federation account. MEDAs are, therefore, enjoined to further deepen and expand their revenue base and institute strategies for efficient revenue generation. Well-guided monitoring mechanism must also be put in place to forestall revenue leakage. To this end, all MEDAs are to note that indicative figures for revenue represent the minimum possible and should endeavour to be innovative so as to exceed the limit which will further expand the State

- iv. Ensure loan facilities are used only to finance capital expenditure project;
- v. Give priority to cushioning the effects of coronavirus pandemic through agricultural re-engineering and provision of healthcare facilities, palliatives and economic rebound initiatives like Micro-Credit loans;
- vi. Grow the economy through targeted spending in areas of comparative advantage;
- vii. Sustaining the regime of peace being enjoyed in the State through provision or requisite support to security agencies for Crime Control and Prevention; and
- viii. Have a long term target of Funding all Recurrent Expenditure with Recurrent Revenue (IR, VAT and Non Mineral Compact of Statutory Allocation).

GUIDELINES ON PREPARATION AND SUBMISSION OF 2019 DRAFT ESTIMATES

9. In line with the provision of the Fiscal Responsibility Law, the Ondo State Government has adopted the MTEF approach as an integrated approach to Policy Planning and Budgeting within a multi-year framework. Its components include the Medium Term Fiscal Framework (MTFF), Multi-year Budget Framework (MYBF) and Medium Term Sector Strategy (MTSS) which allow for projection of revenues and expenditures within a multi-year framework. To this end, all MEDAs, particularly those in the five pilot sub-sectors of Education, Health, Infrastructure, Agriculture and Public Finance are expected to be guided by their respective MTSS documents. MEDAs outside the five pilot sectors are to study the Strategic Development and Policy Implementation Report of the

adequate provisions for maintenance cost within the limit of available resource envelop.

SPECIAL PROGRAMME

14. All MEDAs are to note that in due time this class of expenditure will be faced out so as to align our budget with best practice world over. To this end, the Ministry of Economic Planning and Budget will be beaming its search light on this class of expenditure. All Accounting Officers are to take due diligence in scrutinizing this class of expenditure stringently. Any activity of recurrent nature should be transferred to the overhead cost while capital projects by nature should be moved and accommodated in the Capital side of the Budget. Should there be any doubt as to the classification of any item, please refer to the Budget Department for resolution before uploading on the platform.

CAPITAL ESTIMATES

15. Ondo State has witnessed various developmental projects in the last three and half years. Several of these projects are at varying degrees of completion. Attention should be given to the completion of all on-going projects in line with scoring criteria in the MTSS template. To this end, all MEDAs within the five pilot sectors to wit: Education, Infrastructure, Health, Agriculture and Public finance are to distil from their MTSS documents projects that have been cleared in accordance with the scoring matrix.

16. Other MEDAs outside the aforementioned sectors are to capture projects and programmes of the present administration as contained in the Blueprint to

Independent Revenue base. All MEDAs are therefore required to prepare a revenue Mobilization Plan and clear same with the States Internal Revenue Service before appearing for the 2021 Pre –Treasury Board Defence.

EXPENDITURE

11. All MEDAs are to note that issues regarding Personnel, Overhead and Special Programme of the Budget must be done in line with the guideline contained in this circular. However, it is pertinent that Budget proposal on personnel cost recognizes promotions, advancements, conversions and new employments, if envisaged; this should be done to avoid extra budgetary request in the course of the implementation of the Budget.

PERSONNEL

12. In line with extant guideline on personnel cost submission, all MEDAs are required to prepare detailed establishment proposal and defend it with the Office of Establishment, with clearance obtained before submitting to the Budget Portal and bring same to the Pre-Treasury Board Meeting.

OVERHEAD

13. Accounting Officers across all MEDAs are to note that maintenance costs of government machinery and Infrastructure have become a vital aspect of Government spending. It is, therefore, imperative for MEDAs to move away from the era of just building infrastructure without making adequate provision for the maintenance of such infrastructure. MEDAs should therefore ensure

Medium Term Plan. The plan should be brought for discussion at the Pre-Treasury Board Defence.

PROCUREMENT PLAN

18 As part of the reform process in the State, all procurements (Expenditures) contained in the Budget must emanate from a prior approved procurement plan. Such plan will be approved by the Ondo State Bureau of Public Procurement. Starting from the 2021 budget preparation, therefore, MEDAs are to prepare a procurement plan for all items of expenditure (procurements) in their estimates and obtain formal, written approval before the Pre-Treasury Board Defence. All MEDAs must attend the Pre-Treasury Defence with their approved procurement plans. Kindly liaise with the Bureau of Public Procurement for further clarification on this, if required

PUBLIC PRIVATE PARTNERSHIP (PPP)

19. Wherever expedient and feasible, MEDAs are enjoined to embrace PPP arrangement as alternative strategy in the delivery of critical projects, due to dwindling fortune of revenue accruing to the State. The underlisted are the various options available.

- * Concession
- * Joint Venture
- * Franchising
- * Leasing, etc

20. MEDAs are, however, advised to liaise with the Technical Aids and Assistant Coordinating (TAAC) Department of the Ministry of Economic Planning

progress, which objective must be specific, measurable, achievable, realistic and time bound (SMART). Otherwise, such project would not be admitted into the year 2021 Budget. Complying with above conditions would ensure quick and timely delivery of critical projects that will impact positively on the lives of the citizenry and improve Capital Budget performance as well as expedite the pace of sustainable development in the State. MEDAs are therefore enjoined to work assiduously with government in its resolve to accord growth enabling capital priority in the 2021 Budget Estimates.

TERTIARY INSTITUTIONS/PARASTATALS

17. Over the years, government has made huge investments in the parastatals and tertiary institutions across the State. It is expected by now that such investments should be generating revenue to ensure sustainability of these institutions. It is however disheartening to note that these institutions still come up to government for all recurrent needs in spite of all efforts to make these institutions self-sustaining. Government intends to begin, in no distant time, a process of gradual disengagement from funding the recurrent expenditure of parastatals and tertiary institutions starting from the 2021 fiscal year. This would enable government to gradually withdraw its funding where possible, and apply the savings to other critical sectors of the economy, while at the same time enhancing the financial autonomy and Independence of the institutions. To this end, it is pertinent for all parastatals and tertiary institutions to come up with a clear-cut strategic plan to actualise this directive in the 2021-2023

their priorities and direction of government. Similarly, MEDAs are to provide justifications for the costed items in the Budget, especially when there is the need to increase their Budget ceilings. A tentative Budget Defence Plan and Schedule is on the Budget Portal for download.

OTHER INFORMATION

23. All enquiries as regards 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. All Accounting Officers are enjoined to provide functional laptops and internet modem with data to their Budget Officers to facilitate the Budget Preparation.
25. MEDAs are to note that they are to liaise with Ondo State Office of Public Procurement for guidance on procurement plan before their costed items would be admitted into the Budget.
26. Similarly, realistic figures, based on Bureau of Public Procurements BENCHMARK PRICE, Bill of Quantities (BOQs) and Bill of Engineering Measurement and Evaluation (BEME) are necessary pre-requisites for the defence of the proposals, even when the projects are ongoing. It should also be noted that the Budget Portal runs for 24 hours all day and is automated. Therefore, operators should only input figures as the summation will be done by the system itself.
27. Besides, MEDAs are required to maintain constant interaction with this Ministry, the Office of Establishments, Ministry of Finance, Office of Accountant-

and Budget, the Ondo State Investment Promotion Agency (ONDIPA), and the Ministry of Justice for further guidance on any of these arrangements that may be inclined to consider from the outset.

IMPACT ASSESSMENT OF PUBLIC EXPENDITURE

21. The major reason for Planning and Budgeting for a specific period of time is to improve the quality of life of the people. Therefore, the need to periodically appraise and measure effectiveness of government's intervention as and when due cannot be over emphasized. **Therefore, MEDAs are to clearly define their goals and objectives and identify the desired outputs and outcomes of proposed interventions.** It is, therefore, compulsory for MEDAs to identify Key Performance Indicators (KPIs) which are Specific, Measureable, Achievable, Realistic and Time-Bond (SMART). MEDAs are advised to liaise with the Monitoring and Evaluation Department of the Ministry of Economic Planning and Budget for guidance in this regard.

BUDGET DEFENCE PLAN AND SCHEDULE

22. All Accounting Officers are enjoined to carefully study Chapter 25 of the Financial Regulations and Stores (FRS), 2017 and comply fully with the provisions therein, to avoid overlap of projects/programmes. The Budget Defence would be carried out in a systematic manner to ensure that MEDAs with similar/complementary activities and projects are taken together. The Budget Defence is designed to facilitate effective negotiation and interactive session to ensure that MEDAs proposals are comprehensive and reflective of

General, Bureau of Public Procurement, ODIRS and the secretariat of Budget and Appropriation Committee in the House of Assembly until the 2021 Appropriation Bill is signed into Law.

28. The deadline for submission of all budget proposals has been placed on the e-budget portal and would be automatically shut-down once the deadline lapses.

29. MEDAs are to complete all entries online on or before the set date. Furthermore, MEDAs are to print copies of what is uploaded for its defence at the Pre-Treasury Board level and to also submit the contribution of the MEDAs to the Budget speech of Mr Governor on or before Treasury Board meeting.

30. We appreciate your support towards crafting a realistic budget for the good people of our Sunshine State.

31. Thank you.



O. 'Bunmi Alade *FCTI, FCA*
Permanent Secretary