

DRAFT

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

July, 2021.

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.

2022 ADVANCE PROPOSALS AND DRAFT ESTIMATES:
CALL CIRCULAR

INTRODUCTION

The Constitution of Federal Republic of Nigeria provides that an annual budget be prepared and placed before the House of Assembly for legislation

and appropriation for a given financial year. This has, therefore, set the basis for the Ministry of Economic Planning and Budget to commence preparation of 2022 Budget Estimate. 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 ceiling.

OVERVIEW OF WORLD ECONOMY

The World economy is experiencing an exceptionally strong but highly uneven recovery. Global growth is set to reach 5.6 percent in 2021 (WEO), its strongest post recession pace in 80 years. Growth is concentrated in a few major economies, with most emerging market and developing economies lagging behind, while, about 90 percent of advanced economies are expected to do so. In low-income countries, the effect of the Pandemic are reversing earlier going in poverty reduction and compounding food insecurity and other long-standing challenges. The global outlook remains highly uncertain with major risks around the path of the pandemic and the possibility of financial stress amid large debt loads. Controlling the pandemic at the global level will require more equitable vaccine distribution with necessary efforts to pursue widespread vaccination. Policy makers face a difficult balancing as they seek to nurture the recovery through efficiently-allocated fiscal support while safeguarding price stability and fiscal sustainability.

NIGERIA ECONOMY (OUTLOOK AND RISKS)

Nigeria's economy entered a recession in 2020, reversing three years of recovery, due to fall in crude oil prices on account of falling global demand and containment measures. It mainly affected aviation, tourism, hospitality, restaurants, manufacturing, and trades contraction, (in these sectors) offsetting demand driven expansion in Financial, Information and Communication Technology Sectors. Overall real GDP shrunk by 3% in 2020 (WEO), although mitigating measures in the Economic Sustainability Programme (ESP) of the Federal Government prevented the decline from being much worse. Inflation rose to 12.8% in 2020 from 11.4% in 2019, occasioned by higher food prices due to constraints on domestic supplies and the pass-through effects of an exchange rate premium that widened to about 24%. The removal of fuel subsidies and an increase in electricity tariffs added further to inflationary pressures. In 2022, it is projected to grow by 2.9% based on expected recovery in crude oil prices and production stimulus measures outlined in the Economic Sustainability Programme and the Finance Act of 2020 could boost non-oil recovers. Improved revenues can narrow the fiscal deficit to 4.6% and the current account deficit to 2.3% in 2021 as global economic conditions improve. Re-opening of Borders will increase access to inputs, easing pressure on domestic prices and inflation, projected at 11.4% in 2021.

3. However, the cushioning effect and relieve created by these statistics, there is still need to adopt a cautious approach in making projection and crafting

of 2022 Budget Estimate. It is therefore, pertinent for all MEDAs to tailor their estimates to largely accommodate the programme of the present administration and reflect economic realities of the moment.

BUDGET PERFORMANCE 2021

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

S/N	DESCRIPTION	2021 BUDGET N(B)	MID YEAR TARGET	MID YEAR ACTUAL	% PERFORMANCE
1.0	Revenue Recurrent				
1.1	Statutory Allocation				
1.2	IGR				
1.3	VAT				
	Sub-Total				
2.0	Capital Receipt				
2.1	Mineral Derivation Fund				
2.2	Exchanged Gain				
2.3	Refund from FGN on Roads				
2.4	Total Loans				
2.5	Grants				
2.6	Roll-Over Fund				
2.7	Excess Petroleum Profit Tax				
2.8	Forex Stabilization Account				
2.9	Excess Crude				
2.10	Withholding Tax Refund from FGN				
2.11	State Govt. Covid-19 Intervention Fund				
	Sub-Total				
	TOTAL REVENUE				
3.0	Debt Repayment				
4.0	(Statutory Transfer)				
4.1	Transfer to Local Govt. Joint Account (10% IGR)				
4.2	Transfer to OSOPADEC				
4.3	Transfer to Ondo State IRS				
	Sub-Total				
5.0	(Recurrent Expenditure)				

5.1	Personnel Cost				
5.2	Overhead Cost				
5.3	Grants and Contributions				
5.4	Social Contribution and Social Benefits				
5.5	Special Programme				
	Sub-Total				
6.0	Capital				
6.1	Capital Expenditure of MDAs				
	TOTAL EXPENDITURE				

2022 Fiscal Framework

The Fiscal framework envisages inelastic revenue profile from all sources and strict expenditure control. The Revenue performance from January-June, 2021 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 Assumption

Key assumptions underlying the preparation of revenue and expenditure for 2022 Estimates are set out in table 2. Unarguably, receipts from the Federation Account constitute the bulk of revenue inflow to the State which invariably influences Budget performance. This framework adopted the most plausible and conservative assumptions based on information available from the Federal fiscal and monetary authorities upon which the State derives.

Table:

KEY ASSUMPTIONS	2022	2023	2024
GDP Growth (%)			
Inflation Rate (%)			

Exchange Rate			
Oil Price (per Barrel) Benchmark (\$)			
Average Production of Crude Oil (MBPD)			

Policy Thrust and Priorities for the 2022 Budget

The policy thrust and priorities of Government, in the next fiscal year is aimed at streamlining sectorial programmes and projects within the framework of the Medium Term Expenditure Framework (MTEF) and to further consolidate on the modest gain of this administration in the last four years as contained in Second Term Blueprint Christened REDEEMED. The varying competing needs of different sectors should be prioritized and programmes/projects necessary to address them be properly (aligned) with the Medium Term Sector Strategy (MTSS). To this end, the main objects of 2022 Budget are as follows:

- i. Intensify efforts on Independent Revenue Initiatives;
- ii. Completion of all on-gong projects;
- iii. Wealth creation through empowerment of Youths, Artisans, Farmers and Market Women;
- iv. Sustaining the regime of peace being enjoyed in the State through provision of requisite support to security agencies for crime prevention and control;
- v. Improvement in the State's Fiscal Performance to enhance the State (increase its) draw-down on Federal Government and International Performance-based grants;
- vi. Sustenance of combat against gender based violence;

- vii. Enhancement of Community Development through improved accessibility.

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. Ensure loan facilities are used only to finance Capital Expenditure project;
- iii. Grow IR by a minimum of 20% every year from 2022-2024;
- iv. To harness the Public, Corporate and Private individual grants to boost State's resources;
- v. Grow the Economy through targeted spending in areas of comparative advantage;
- vi. Sustenance of the peace being enjoyed in the State through provision of support to security agencies for crime control and presentation; and
- vii. Funding all Recurrent Expenditure with Recurrent Revenue (IR, VAT, and Non Moral Compact of Statutory Allocation) in the long-run.

GUIDELINES ON PREPARATION AND SUBMISSION OF 2020 DRAFT ESTIMATES

8. As stipulated in the Fiscal Responsibility Law (FRL, 2017), Ondo State Government adopted a more strategic approach to policy, planning and budgeting through the introduction of a Medium Term Expenditure Framework (MTEF). Its component includes 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 sectors of Education, Health, Infrastructure, Agriculture and Public Finance are expected to be guided by their respective MTSS documents.

9. All Accounting Officers of MEDAs are to ensure that they study the Strategic Development and Policy Implementation Report (i.e. the Blueprint to Progress document) of the present administration as it affects their MEDAs, and sieve out projects/programmes that align with the development objectives of Government as articulated in the document and the Sustainable Development Goals (SDGs) as well as other high level policy documents of Government.

10. Similarly, all Accounting Officers are to ensure that the preparation of their estimates duly follow necessary ministerial level of defence before the final upload to the portal. For the avoidance of doubt, the four levels are as follows:

- (a) **Defence of Units under the Head of Division:** Where inputs from all stakeholders are articulated into policies and programmes for the estimates;
- (b) **Defence of Divisions under the Head of Departments:** Where all inputs from the divisional levels are collated and consolidated into Departmental proposal;
- (c) **Pre-Ministerial Defence under the Accounting Officers:**
- (d) Where all inputs from the various Departments are collated and consolidated into a Ministerial proposal under the chairmanship of the Accounting Officer; and

(e) **Ministerial Defence:** Where the Chief Executive Officer consolidates and moderates the different request in line with Executive Council's policy for the MEDAs.

11. MEDAs are enjoined to note that the Budget Ceiling/Envelope for the various expenditure classes have been pre-loaded on the portal (hence) Budget Officers are to print out the given envelopes for their Accounting Officers, (who will, thereafter), for allocation according to set priorities of Departments and Units in the MEDAs.

REVENUE

12. It has become imperative in the State that the only way to have budget realism/performance and a sustainable economy is to shore up and increase Internal Revenue (IR) of the State. The State, as a matter of deliberate policy, is striving to be less dependent on allocation from the Federation account. MEDAs are, therefore, enjoined to further deepen and expand their revenue base and institute strategies for efficient and viable revenue generation; guide against revenue defaults and forestall leakages as much as possible. MEDAs are to note that targets have been set by Ondo State Board of Internal Revenue for MEDAs to meet and these will form the basis for discussion during Budget bilateral discussions/Pre-Treasury Board meeting.

EXPENDITURE

13. It is of utmost importance for all MEDAs to ensure that budgeting for personnel, overhead cost and special programmes are done in line with

guidelines and instructions contained in this circular and as displayed on the budget portal. However, it is imperative to stress the need for thorough work on the personnel estimates to avoid issues of over/under estimation and take cognisance of promotions, advancement, conversions and new employment, if envisaged.

14. Similarly, Capital estimates should be prepared in accordance with the guidelines contained herein as dictated by Government priorities. The status of the projects, especially level of completion and implementation timeline, must be clearly stated as contained on the online forms.

15. Also, new capital projects must be backed with appropriate documents like Bureau of Public Procurements benchmark prices, Bill of quantities (BoQ), Bill of Engineering Measurement and Evaluation (BEME), etc, which must be presented at the Pre-Treasury Board Defence. **All spending units are enjoined to ensure completion of their monthly revenue and expenditure profile on the budget portal before the Pre-Treasury Board meeting.**

PERSONNEL

16. In line with extant guidelines on personnel cost submission, all MEDAs are required to prepare detailed establishment proposals and defend it with the Office of Establishments with clearance obtained before submitting to the budget portal and bring same for the Pre-Treasury Board meeting.

OVERHEAD

17. It behoves on Government to maintain buildings and all infrastructures owned by the Government, an aspect of Government's spending that cannot be overemphasized. This administration is moving away from the era of (just) building infrastructures without adequate provision for maintenance (plan) (and) hence, the emphasis on maintenance plan on all procurements of infrastructures. Nonetheless, for (the purpose of) emphasis, MEDAs are hereby advised against making excessive provisions for Overhead Cost as expenditure requests on this economic activity are fixed to the approved monthly Running Cost (of MEDAs as deemed fit) by Government. **Hence, request for increase in Overhead Cost Budget would not be processed except with appropriate approval of Mr Governor.**

SPECIAL PROGRAMMES

18. The Ministry of Economic Planning & Budget will be beaming its search light on this class of expenditure to ensure that only critical programmes of Government are accommodated, as Government is making effort to gradually remove Special Programmes from the Budget. All Accounting Officers are to take due diligence scrutinizing this class of expenditure stringently. Any activity of recurrent value should be transferred to the Overhead Cost while Capital projects should be moved and accommodated in the capital side. 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

19. In the last 2 years, the State has been implementing programmes built around the five cardinal programmes of intervention (JMPPR) of this administration as contained in the Blue-Print to progress document. Year 2020 will be the third in succession for this administration. Hence, it is pertinent for MEDAs to carefully study the documents as to be apprised of the information contained therein and make provision for the implementation within their budget ceiling.

20. In the same vein, some of the life-transforming programmes and projects of this administration are still on-going. **MEDAs are to make provision for the completion of these ongoing projects as a matter of priority in the 2022 proposals.**

21. In selecting projects for 2022, MEDAs are to carefully appraise and select only core capital projects which would promote real growth and economic development as contained in their Medium Term Sector Strategy (MTSS) and the vision of this government for the next one and half years. Projects which provoke multiplier effect in revenue and employment generation should be considered while all projects that will not have direct impact on the people should be discontinued.

22. Finally, all Accounting Officers are to ensure that their Budget Officers fill the online form on Capital project, while MEDAs with donor support projects

should discuss with Ministry of Economic Planning & Budget so as to capture their relevant information and data in the budget.

TERTIARY INSTITUTIONS/PARASTATALS

23. Funding the totalling of both Recurrent and Capital Expenditure of all parastatals and Tertiary institutions in the State is no longer sustainable. Hence, the need for all parastatals and Tertiary institutions in the State to look inwards and generate revenue to ensure sustainability of these institutions. Government would ensure prudent fiscal management policy by focusing only on core capital development in the parastatals and Tertiary institutions and in the long-run embark on gradual withdrawal from funding them where possible, and apply the savings to other critical sectors of the economy. This will in-turn lead to financial autonomy and independence of the institutions. All parastatals and Tertiary institutions are enjoined to do the holistic review of their revenue sources so as to increase and expand their revenue base. To this end, the Board of Internal Revenue has given targets to all Revenue Retaining Agencies (RRAs) which will form the basis of budget negotiations at the Pre-Treasury Board meeting.

PUBLIC PRIVATE PARTNERSHIP (PPP)

24. 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

25. MEDAs are, however, advised to liaise with the Technical Aids and Assistant Coordinating Department of the Ministry of Economic Planning and Budget, the Ondo State Investment Promotion Agency (ONDIPA), and the Ministry of Justice for further guidance on any of these arrangements they might be inclined to consider from the outset.

IMPACT ASSESSMENT OF PUBLIC EXPENDITURE

26. 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.

BUDGET DEFENCE PLAN AND SCHEDULE

27. 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 homogeneity of 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 their priorities.

OTHER INFORMATION

28. 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.

29. All Accounting Officers are enjoined to provide functional laptops and internet modem with data to their Budget Officers to facilitate the budget preparation.

30. Realistic figures, based on Bureau of Public Procurements benchmark price, BOQs and 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.

31. Besides, MEDAs are required to maintain constant interaction with this Ministry, the Office of Establishments, Ministry of Finance, Office of Accountant-General, Bureau of Public Procurement, Board of Internal Revenue and the

schedule officer on Budget in the House of Assembly until the 2022 J
Appropriation Bill is signed into Law.

32. The deadline for submission of all budget proposals is
2021 after which the portal would be closed to all MEDAs.

33. MEDAs are to complete all entries online on or before the set date.
However, 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 the Pre-Treasury Board
meeting.

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

O. 'Bunmi Alade FCTI, FCA
Permanent Secretary