

Our Ref No. DB/473/27

Budget Department,
Ministry of Economic Planning & Budget;
Akure,
2nd December, 2014.

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 Clerk of the House of Assembly,
The State Auditor-General,
The Acting State Accountant-General,
The Acting 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.

2015 ADVANCE PROPOSALS AND DRAFT ESTIMATES

Government has considered all relevant economic indices, key assumptions, policies guidelines, among others, which are necessary to form the basis for the 2015 draft estimates. These have, therefore, set the basis for this Ministry to commence preparations towards 2015 Budget estimates. This Call Circular sets out instructions for submission of information and statistical data that will be used to prepare the 2015 State Budget. In this wise, all Ministries, Departments and Agencies (MDAs) are to submit, via the online portal, their proposals for 2015 Budget Estimates in consonance with the guidelines lucidly laid out in this Call Circular.

Overview of the Global Economy

2. A cursory look at the global economy indicates that the economic recovery, which is in a consolidation process, is taking place at different rates and in different areas. This economic resurgence is moving at a less decisive pace than it had, after previous downturns, and thus heightened the risks on the horizon which could derail the global economy. Much of the growth in recent years have taken place because of the extraordinary and bold monetary policies in Nigeria and countries like United States, Japan and the United Kingdom.

3. Nigeria, being a subset of the global economy is also expected to feel the heat of this global economic fluctuation. In recent times, the Nigerian economy, with the GDP rebasing emerged as the largest economy in Africa. However, activities like oil pipeline vandalism and drop in crude oil price at the global market, have negative effects on Nigeria revenue and its Foreign Reserves. This dwindling financial resources from the Federation account, has serious financial implication on the economy of the State, since the revenue from the Federation Account forms the bulk of the State's revenue estimates. Consequently, the 2015 Budget is expected to be crafted taking due cognizance of every variables and the assumption that revenue inflow might not improve significantly during the next fiscal year.

Current Initiatives

4. Government has over the years, recorded landmark achievements in project executions, which have earned the State accolades and recognition in several spheres of life. Therefore, the need to continue in this regard and consolidate on the programmes, projects and structures already put in place cannot be over-emphasized. More importantly, the State, through the Public Sector Governance Reforms and Development Project (World Bank Assisted), embarked on activities to reform the State's Public Financial Management

System in line with international best practices. The project focuses substantially on reforming the State Budgetary process through the introduction of some budget components like; Medium Term Expenditure Framework, Medium Term Fiscal Framework, Medium Term Sector Strategy, etc. Some of the contents of these components will be incorporated into the 2015 Budget process of the State.

5. As a result of these envisaged changes in the Public Finance Management System mentioned above, each MDA is requested to study this Call Circular carefully so as to comply with all provisions and requirements herein. Should you be in doubt about any provisions of this Circular, you should be free to contact the Budget Department for clarifications as technical support would be available to any entity in complying with the provisions of this circular.

Economic and Budget Performance for 2014

6. Budget performance data for the first half of 2014 is presented in table

1. Below:

Table 1: 2014 ACTUAL BUDGET PERFORMANCE

S/N	DESCRIPTION	APPROVED BUDGET N(B)	ACTUAL AS AT AUGUST N(B)	VARIANCE N(B)	%
1.0	Revenue Recurrent				
1.1	Statutory Allocation	43.00	24.910	(18.090)	58
1.2	IGR	15.00	7.115	(7.885)	47
1.3	VAT	10.00	5.655	(4.345)	57
	Sub-Total	68.00	37.680	(30.32)	55
2.0	Capital Receipts				
2.1	Mineral Derivation Fund	20.00	17.252	(2.748)	86
2.2	NNPC Refund	2.00	0.610	(1.390)	31
2.3	SURE-P	5.00	3.173	(1.827)	63
2.4	Roll-over Fund	7.00	7.00	-	100
2.5	Grants/Credit from Development Partners	6.00	-	(6.00)	0
2.6	Refund from FGN	2.00	-	(2.00)	0
2.7	Education Trust Fund	3.00	-	(3.00)	0
2.8.	Bond	23.00	-	(23.00)	0
2.9	Sundry Income	1.00	-	(1.00)	0
2.10	Loans/Leases	21.00	-	(21.00)	0
2.11	Excess Crude	10.00	-	(10.00)	0
	Sub-Total	100.00	28.035	(71.965)	21
	TOTAL REVENUE	168.00	65.715	(102.285)	39
3.0	RECURRENT EXPENDITURE				
3.1	Personnel Cost	34.371	21.129	(13.242)	61
3.2	Overhead Cost	5.670	2.078	(3.592)	37
3.3	Grants to Parastatals	7.409	4.328	(3.081)	58
3.4	CRFC	8.180	16.966	(8.786)	207
3.5	Grants & Loans	0.370	0.084	(0.286)	23
3.6	Special Programme	15.943	6.270	(9.726)	39
	Sub-Total	71.943	50.802	(21.141)	70
4.0	CAPITAL				
4.1	Capital Expenditure of MDAs	85.817	10.866	(74.951)	13
4.2	OSOPADEC	10.240	4.023	(6.217)	39
	Sub Total	96.057	14.889	(81.169)	16
	TOTAL EXPENDITURE	168.000	65.591	(102.409)	39

2015 Fiscal Framework

7. The fiscal framework envisages inelastic revenue profile from all sources and strict expenditure control. The revenue performance from January-August, 2014 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

8. Key assumptions underlying the preparation of revenue and expenditure for 2015 Estimates are set out in table 2. Unarguably, receipts from the federation account constitute the bulk of the revenue inflow to this State which invariably influences Budget performance. This 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.

Table 2:

Key Assumptions	2015	2014
Benchmark Oil Price per Barrel	\$73	\$77.5
Average Production (mbpd)	2.2782	2.3883
Inflation Rate	11.91%	12.3
Exchange Rate (U.S Dollars)	₦184	₦160

9. Given the key assumptions set out above and on the basis of time series data analysis, Independent Revenue has been projected to grow at an insignificant rate. Aggregate revenue from all sources is projected at N130 billion for 2015 as computed in table 3. The projected aggregate expenditure for the same period is put at N130 billion.

Table 3: FISCAL FRAMEWORK 2015 PROJECTIONS

S/N	ITEM	2015 ₦ (B)
1.0	RECURRENT REVENUE	
1.1	Statutory Allocation	35.000
	IGR	15.000
1.2		
1.3	VAT	9.000
2.0	Capital Receipts	
2.1	Mineral Derivation Fund	20.000
2.2	SURE P	4.000
2.3	NNPC Refund	-
2.4	Grants/Credits	4.000
2.5	Roll-over Fund	5.000
2.6	Bond	23.000
2.7	Loan/Leases	15.000
	TOTAL	130.000
3.0	EXPENDITURE	
3.1	Personnel	39.000
3.2	Overhead Cost	5.000
3.3	Special Programme	13.000
3.4	Grants to Parastatals/ Tertiary Institutions	8.000
3.5	Consolidated Revenue Fund Charges	10.730
3.6	Grants and Loans	0.370
3.7	Planning Contingency	0.900
	Total Recurrent	77.000
4.0	Capital	
4.1	MDAs	28.000
4.2	OSOPADEC	7.680
4.3	Bond and other loans Repayment	15.684
4.4	Planning Contingency	1.636
	TOTAL	53.000

	GRAND TOTAL	130.000
--	--------------------	----------------

Objectives of State 2015 Budget

10. The main objective of the 2015 fiscal year is to further consolidate on the modest gains of the last five years, using the following strategies:

- Setting the 2015 expenditure at sustainable level;
- Ensuring that 2/3rd of the total capital investment fund is directed to the government priority areas;
- Building greater transparency, accountability and comprehensiveness into the budget process;
- Using budget to further the goals of job creation, poverty reduction and wealth creation as articulated in the 'A CARING HEART' agenda; and
- vigorous maintenance strategy for public facilities.

Strategic Prioritization

11. The State does not plan to present a supplementary or re-ordered budget during the 2015 fiscal year except in the event of unforeseen occurrences such as a natural disaster or other compelling reasons. Accordingly, every spending entity is advised to ensure that all activities that are urgent and important to them are included in their 2015 proposals by way of strategic prioritization within the allocated resources. Presently, the State is executing a number of capital projects that would be completed in the next fiscal year. Therefore, MDAs are enjoined to disaggregate their envelope to address on-going projects while other prioritized projects will

follow suit. It is intended that government would aim to achieve not less than 85% funding of capital projects and programs in the approved budget estimates for 2015.

Guidelines on Preparation and Submission of 2015 ESTIMATES

12. In line with the existing practice, the process will be conducted using the State's budget portal www.ondobudget.org. The application has been programmed and designed to comply with the International Public Sector Accounting Standard (IPSAS) format for budget presentation.

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 that proposals for 2015 are consistent with the plans and visions of the State. To this end, Accounting Officers are to ensure that all spending entities set clear targets that are Specific, Measurable, Achievable, Relevant and Time-Bound in line with the Long and Medium Term Plans of the relevant 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: where inputs from all stakeholders including NGOs, CBOs, FBOs, Civil Societies, political parties etc are articulated into policies and programmes for the in-coming year.
- (b) Defence at the Departmental Level: where all inputs from the divisional levels are collated and consolidated into a departmental proposal.
- (c) Pre-Ministerial Defence: where all inputs from the various departments are collated and consolidated into a Ministerial proposal and chaired by the Accounting Officer.
- (d) Ministerial Defence: where the Chief Executive Officer consolidates and moderates the different requests in line with Executive Council's policy for the MDA.

15. It is worthy of 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. Notwithstanding the dwindling resources from the federation account, the receipts from Federation Account would still form the bulk of the recurrent revenue for the year. However, the State Government expects its Independent Revenue (Internal Revenue) performance to improve in order to complement the revenue from the federation account. To meet internal revenue targets for 2015, the following strategies are to be adopted:

- newly introduced economic codes to be strictly used by all revenue generating MDAs in remitting collections to the State coffers;
- MDAs to set a realistic revenue target for 2015;
- realistic revenue budget 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 issue of over expenditure which has characterized

previous budgets and for all MDAs to clear 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 like 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 profile on the portal before the Pre-Treasury Board Meeting.

Budget Defence Plan and Schedule

18. The 2015 Budget defence would be carried out in 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

18. 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 automated form therefore, operators should only input figures while other manipulation would be generated automatically. MDAs are to complete **All** entries online, on or before Wednesday 10th December, 2014. 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. The deadline for the submission of all budget proposals is 4 p.m. on Wednesday 10th December, 2014 after which the portal would be closed to MDAs.

SGD

C.O.Kolawole (NPOM),
Permanent Secretary.