

Our Ref No. DB/481^T/1

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

17th October, 2018.

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 State Accountant-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.

2019 ADVANCE PROPOSALS AND DRAFT ESTIMATES

INTRODUCTION

Section 26 (2) of the Ondo State Fiscal Responsibility Law (2017) requires this Ministry to issue the budget call circular guiding the preparation of the annual estimates. To this end, this Ministry has concluded the preliminary activities that would lead to the preparation of the 2019 estimates. Hence, this budget call circular will provide guidance and clarity on the criteria for the estimation of revenue as well as the admission of Personnel, Overhead, Special Programmes and Capital Expenditure into the 2019 Estimates. Consequently, all Ministries, and Extra-Ministerial Departments and Agencies (MEDAs) are to submit, via the online portal, their proposals for 2019 Estimates taking due cognizance of the guidelines stipulated in this call circular. All MEDAs are enjoined to treat the content of this call circular with dispatch.

OVERVIEW OF THE ECONOMY

2. Nigeria and Ondo State, to a varying degree, continue to grapple with the mechanics of good governance and resource management, including effective revenue mobilisation, generation and efficient allocation of public funds. Implementing Government programmes and projects demands effective Public Financial Management culture that is imbued with transparency and accountability measures, to achieve strategic outcomes. Nigeria's economy, which is the largest in Sub-Saharan Africa, is still recovering from the effect of the economic recession witnessed in 2016. Figures from the National Bureau

of Statistics revealed that the economy declined by 1.5 percent at the end of 2016 due to a drop in the global oil prices.

3. The current administration in Nigeria has made concerted effort at revamping the economy through different initiatives propelled by the Economic Recovery and Growth Plan (ERGP) which has placed the Country on a good path to bounce back completely from her recent economic woes. However, the perennial herders/farmers crisis, particularly in the food producing States in the North, has further reduced the supply of local commodities and increased imports, thereby resulting in inflation. This may dampen the recovery process if not well managed.

4. Following the implementation of a decent list of pro-market policy actions in 2018 driven by the ERGP plan of the Federal Government, the chill of recession has given way to a new spring of hope as leading indicators have turned positive. Improvement in current market condition, oil output level and prices has given the economy a new lease of life. Though slowly, inflation rate is moderating and investors confidence is strengthening. Going into 2019, however, the current economic resurgence, which is broadly oil output led, may not be robust enough to result in a long- term recovery/economic boom in the absence of bold policy actions. While the outlook of key macro-economic variables seems positive, the economy remains vulnerable. The International Monetary fund has forecast a GDP growth of 2.3% in 2019. This, in their view, will be driven by the spill-over effect of the upsurge in oil output as observed in 2018. The projected growth of the services and manufacturing sectors remain very weak, making the overall growth outlook vulnerable to the vagaries of oil output. Therefore, the State would adopt a conservative plan going into 2019 Fiscal Year.

BUDGET PERFORMANCE FOR 2018

5. Budget Performance data for January-June 2018 is presented below:

S/N	DESCRIPTION	2018 APPROVED BUDGET N(B)	ACTUAL AS AT JUNE,2018 N(B)	% PERFORMANCE
1.0	Revenue Recurrent			
1.1	Statutory Allocation	25.352	19.000	74.9
1.2	IGR	20.924	7.249	34.6
1.3	VAT	12.000	5.576	46.5
	Sub-Total	58.276	31.825	54.6
2.0	Capital Receipt			
2.1	Mineral Derivation Fund	15.537	9.292	59.8
2.2	Exchanged Gain	6.126	0.972	15.9
2.3	Refund FGN on Roads	10.000	-	-
2.4	Budget Support	10.925	0.004	0.03
2.5	Excess Paris Club Refund	13.156	-	0%
2.6	Credit from Development Partners	12.748	0.080	0.63
2.7	Grants	6.279	-	-
2.8	Roll-Over Fund	13.500	6.750	50%
2.9	Excess Petroleum Profit Tax	3.683	0.108	2.93
2.10	Loans/Leases	31.195	-	-
	Sub-Total	123.149	17.206	13.9
	TOTAL REVENUE	181.425	49.031	27.0
3.0	Debt Repayment	13.600	4.123	30.3
4.0	(Statutory Transfer)			
4.1	Transfer to Local Govt. Joint Account (10% IGR)	2.093	0.262	12.5
4.2	Transfer to OSOPADEC	6.215	2.361	37.9
	Sub-Total	8.308	2.623	31.6
5.0	(Recurrent Expenditure)			
5.1	Personnel Cost	37.100	16.552	43.7
5.2	Overhead Cost	4.489	1.784	39.7
5.3	Grants to Parastatals	7.227	12.165	29.9
5.4	CRFC	12.500	7.328	58.6
5.5	Grants & Loans	0.150	0.062	43.3
5.6	Special Programme	16.311	4.237	25.9
	Sub-Total	78.588	32.128	40.9
6.0	Capital			
6.1	Capital Expenditure of MDAs	80.929	5.171	6.4
	TOTAL EXPENDITURE	181.425	44.045	24.3

2019 FISCAL FRAMEWORK

6. A tight Fiscal Framework is envisaged in 2019. Despite growths predicted for oil related revenue; non-oil revenue, particularly pertaining to the State is expected to contract. Hence, total projected revenue, though expected to

surpass 2017 actuals, will be far less than the budgeted figure for 2018 estimates. Hence, emphasis would be placed on Independent Revenue (IR) generation. More so, no spending unit would be allowed to deviate from its resource envelope as it has been judiciously and realistically allocated.

KEY ASSUMPTIONS

7. The Table below shows the key assumptions for 2019 estimates as contained in the 2019-2021 MTEF documents.

KEY ASSUMPTIONS	2018	2019
GDP Growth Rate (%)	1.90	2.30
Inflation Rate (%)	12.40	13.50
Oil Price Benchmark per barrel in Dollar	51.00	55.00
Average Production of Crude Oil (MBPD)	2.30	2.40
Exchange Rate (N to USD)	305.00	305.00

8. As noted earlier, revenue from the Federation Accounts, which has a large dose of crude oil related components, would account for a greater percentage of revenue inflow into the State. Hence, the indicators in the above table, would seriously impinge on the performance of the State's economy in 2019.

9. Given the above scenario and using different scientific model of estimation, total resource envelope has been projected at a total of N152.165 Billion. The details of the expected revenue, as well as the projected expenditure is as presented in the table below:

TABLE 3: 2019 FISCAL FRAMEWORK/PROJECTIONS

S/N	ITEM	2018 N'B	2019 N'B
1	<u>RECURRENT REVENUE</u>		
1.1	Statutory Allocation	25.352	32.474
1.2	VAT	12.000	10.807
1.3	Independent Revenue	20.924	25.000
1.4	Mineral Derivation	15.537	17.671
	Sub Total Recurrent Revenue	73.813	85.952
2	<u>CAPITAL RECEIPT</u>		
2.1	Roll-Over	13.500	-
2.2	Exchange Gain	6.126	0.840
2.3	Budget Support Fund	10.925	-
2.4	Refund From FGN on Roads	10.000	4.300
2.5	Excess Paris Club	13.156	13.156
2.6	Excess Petroleum Profit Tax	3.683	-
2.7	Credit From Development Partners	12.1748	16.768
2.8	Grants	6.279	8.832
2.9	Forex Account Stabilization	-	2.316
2.10	Loan/Leases (Bond)	31.195	20.000
	Sub Total Capital Receipts	107.612	66.212
	Total Revenue	181.425	152.165
3.0	<u>PROPOSED EXPENDITURE PROFILE</u>		
3.1	Debt Service Principal	13.600	8.369
4.0	<u>STATUTORY TRANSFER</u>		
4.1	OSOPADEC	6.215	7.069
4.2	10% IGR Contribution to JAAC	2.093	2.500
	Sub Total Statutory Transfer	8.308	9.569
5.0	<u>RECURRENT EXPENDITURE</u>		
5.1	Personnel Cost	37.910	45.082
5.2	Overheads	4.489	4.000
5.3	Grant to Parastatals/Tertiary Institutions	7.227	7.150
5.4	Special Programme	16.311	9.911
5.5	Consolidated Revenue Fund Charges	12.500	12.500
5.6	Grants and Loans	0.150	0.150
5.7	Planning Contingency		0.500
	Sub-Total Recurrent Expenditure	78.588	79.292
6.0	<u>CAPITAL EXPENDITURE</u>		
6.1	MEDAs	80.929	9.865
6.2	Non-Discretionary Fund		27.224
6.3	Capital Reserve		15.000
6.4	Planning Reserve		2.848
	Sub Total Capital	80.929	54.938
	TOTAL BUDGET	181.425	152.168

POLICY THRUST AND PRIORITIES FOR 2019 BUDGET

10. The Policy-Thrust and Priorities of Government in the next Fiscal year is aimed at consolidating the modest achievement of the 2018 budget, particularly in the areas of road infrastructure, agriculture and health. The budget-will focus on efforts to catalyse needed economic growth through further programmed investment in infrastructural facilities and agricultural activities with a view of providing food security and generating employment for the citizens, while due cognizance will be accorded health and other social investments. The expected policy thrust of 2019 budget is as follows.

- i. Efficient and effective resource allocation and management in accordance with global best practices;
- ii. Sustained expansion of the fiscal space and rejig the economy through strategic wealth creation for the productive sector (Youths, Artisans, Women, etc);
- iii. Innovative and integrated approach to drive government revenue through technology and intelligent development approach;
- iv. Improvement in the State's Fiscal performance to enable the State increase its draw-down on Federal Government and International Performance –based grants;
- v. Reduction in reliance of Federal Transfers through diversification of the State's economy;

- vi. Increase in actual Independent Revenue by at least 50%;
- vii. Sustained investment in infrastructural facilities and resuscitation of ailing/moribund industries in the state;
- viii. Accelerated rural development;
- ix. Promotion of functional education and technological growth;
- x. Reduction in maternal and infant mortality rates through improved healthcare delivery; and
- xi. Provision of social security services for the elderly and other vulnerable groups.

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

- i. Constitution of Economic Advisory Team and Efficiency Unit for the State;
- ii. Compliance with global best practices in Fiscal allocation and management;
- iii. Deployment of ICT to drive independent Revenue (IR), empower and create wealth for the productive sector;
- iv. Sustained engagement of revenue consultants to help drive independent revenue generation;
- v. continuous resuscitation of dilapidated infrastructural facilities;
- vi. Deliberate investment in agro enterprises; provision of farm inputs and supply of improved seedlings to farmers to boost food production;

- vii. Encouragement of productive Public Private Partnership (PPP) investment in the State;
- viii. Collaboration with relevant Federal agencies and Development Partners to support the State's initiatives;
- ix. Improved Capital/Recurrent Expenditure ratio towards the acceptable general recommendation of 60:40 for a developing economy;
- x. Enhancing accessibility to semi-urban and rural areas through opening up of rural feeder roads;
- xi. Sustenance of citizen engagement and enlightenment;
- xii. Diligent execution of Memoranda of Understanding (MoUs) signed with technical partners.

GUIDELINES ON PREPARATION AND SUBMISSION OF 2019 DRAFT ESTIMATES

12. In compliance with the provisions of the Fiscal Responsibility Law, (FRL 2017) the State Government adopted the Medium Term Expenditure Framework (MTEF) approach, as an integrated approach to policy planning and budgeting within a multi-year framework, in the 2018 fiscal year. This year's budget preparation will also toe the line of multi-year budgeting with the preparation of the 2019-2021 MTEF and MTSS for five pilot sectors of Education, Health, Infrastructure, Agriculture and Public Finance. To this end, all MEDAs, particularly those in the five pilot sub-sectors, are expected to be guided by the respective MTSS documents. MEDAs outside the five pilot sectors are to study the Strategic Development and Policy Implementation Report of the present administration as it affects their MEDAs and distil out relevant projects

and programmes to actualize the development objectives of the present administration. In sum, MEDAs in the five pilot sectors should ensure that proposed programmes and projects for year 2019 Budget are in consonance with the MTSS for the pilot sectors while the ministerial mandates (for other MEDAs outside the pilot sectors) are within the policy thrust of the State government, as contained in the Blueprint to Progress.

13. As part of the on-going reforms of the Government's financial processes in the State, Government recently migrated to the new digital platform, State Integrated Financial Management Information System (SIFMIS). Hence, MEDAs should note that reporting on the budget will, going forward, be effected on SIFMIS. However, the budgeting application on SIFMIS is still being tested. Hence, the 2019 budget preparation process will be conducted using the existing State's Budget Portal, www.ondobudget.org.

14. Accounting Officers are enjoined to note and strictly adhere to the relevant portions of Chapter 25 of the Ondo State Financial Regulations and Stores (2017) and the Ondo State Public Finance Management Law 2017, on the preparation of the annual estimates, especially as regards pre-call circular activities of MEDAs. In effect, all relevant plan documents must be consulted, particularly the MTSS (in case of MEDAs in pilot sectors) and the Blueprint to Progress, to ensure consistency of proposals with the plans and visions of the State. To this end, Accounting Officers are to ensure that all spending entities set clear goals and targets that are Specific, Measureable, Achievable, Relevant, Time-bound (SMART) with in-built mechanism for Evaluation and Readjustment.

15. Accounting Officers are also to ensure that the established four levels of ministerial budget defense are observed before upload to the portal. The four levels are;

- a. Defence under the Head of Division;
- b. Defence under the Head of Department;
- c. Pre-Ministerial Defence under the Accounting Officer;
- d. Ministerial Defence under the Commissioner/Chief Executive Officer.

16. Accounting officers are to note that the order of priorities of this Administration, as directed by the Chief Executive of MEDAs, is the main basis for sector allocation and determination of the MEDAs' indicative envelopes. This is also consistent with aggregate resource availability, determined by the MYBF.

REVENUE

17. Since the inception of the current administration in Ondo State, a lot of restructuring and new initiatives have been put in place as a way of shoring up Independent Revenue (IR). Based on the reforms, the Board of Internal Revenue (BIR), with the help of the Revenue Consultants, have surpassed past records in revenue generation. However, the contribution of IR to total revenue is still less than 10%. Consequently, it has become inevitable, for the State to look inwards to further improve our Independent Revenue, considering the inherent potentials in the State.

18. To this end, all MEDAs are to note that indicative figures for revenue represents the minimum possible and should endeavour to be innovative to exceed the limit to further expand the State's Independent Revenue base.

Hence, an action plan for revenue generation must be prepared and submitted to the Budget Department not later than Friday 26th October, 2018.

19. Further to this, Section 29 (c) of the FRL 2017, requires the State to produce a Monthly Revenue Framework, as part of the documents that must be submitted to the House of Assembly on the presentation of the budget. Hence, a new revenue template has been added to the portal to capture this information. Accounting Officers are enjoined to ensure that budget officers fill the "Expected Monthly Revenue Generation Template" online in accordance with the requirement of the Law. Please note that this information will form an essential aspect of Pre-Treasury Budget Defence.

EXPENDITURE

20. All Ministries, Extra Ministerial Departments and Agencies (MEDAs) are to note that issues regarding Personnel, Overhead, Special Programme and Capital Expenditure of the Budget must be handled in line with the guidelines contained in this circular. However, it is pertinent that the Budget proposals on Personnel costs recognize promotions, advancements, conversions and new employments, (if envisaged). This should be factored-in to avoid extra budgetary request in the course of implementing the budget. **The Personnel Proposals must be defended and cleared in line with guidelines provided by the Office of Establishments to qualify for admission into the budget.** Clearance from the Office of Establishment must be obtained and presented at the Pre-Treasury Board Defence.

21. In line with the 2019-2021 MTEF, the aggregate envelopes for Overhead and Special Programmes have been reviewed downward. Therefore, MEDAS are required to make do with the allocated envelopes, as agitations for increment or variations may not be entertained. Accounting officers are, however, enjoined to prioritise maintenance of government assets and infrastructure in the allocation of Overhead and Special Programme Votes.

CAPITAL ESTIMATES

22. The year 2019 Budget is designed to further consolidate the development projects of this administration in order to continue addressing the infrastructural deficit in our system and sustain the attendant growth rate, create more employment opportunities, and consequently improve the living standard of our people. Therefore, capital estimates must be presented in the format that will clearly state the current status of projects, especially level of completion and implementation timeline, as provided on the portal. Accounting officers are to ensure that their Budget Officers do not default in this regard. Also, all indicated capital projects should be in line with government priorities and should be backed-up with appropriate documents, including the Bureau of Public Procurement's Benchmark Prices, BoQ, BEME, (Bill of Engineering Measurement and Evaluation) etc; and 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.**

TERTIARY INSTITUTIONS/PARASTATALS

23. Parastatals and Tertiary Institutions have enjoyed enormous investments from government in time past. It is expected that such investments should by now be generating revenue to ensure sustainability of these institutions. Hence, Government would, as a matter of prudent fiscal management policy, restricts itself to capital development in the parastatals and tertiary institutions. **To this end, government intends to sustain the process of gradual disengagement from funding the recurrent expenditure of parastatals and Tertiary Institutions that began in 2018 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. This will guide the 2019 estimates pending final conclusion on the Treasury Single Accounts (TSA) programme of Government.

24. To this end, all parastatals and Tertiary Institutions are required to urgently prepare and submit to the Permanent Secretary, Ministry of Economic Planning and Budget, a detailed workplan on how to generate and increase their Independent Revenue to the level that will fund their entire recurrent expenditure.

IMPACT ASSESSMENT OF PUBLIC EXPENDITURE

25. The primary objective of having a financial plan (Budget) for a period of time is to improve the quality of life of the citizenry. Therefore, the need to periodically measure the effectiveness of governmental programmes/projects cannot be overemphasized. In effect, MEDAs are enjoined to clearly define their goals and objectives and identify the desired output and outcome of proposed interventions. In other words, it is mandatory for agencies to identify measurable Key Performance Indicators (KPIs) in the capital budget. MEDAs are, therefore, urged to liaise with the Monitoring and Evaluation Department of the Ministry of Economic Planning and Budget (MEP&B) for further guidance.

BUDGET DEFENSE PLAN AND SCHEDULE

26. All Accounting Officers are to note that 2019 Budget defense would be carried out in a systematic manner in order to ensure that line MEDAs with cross-cutting projects /programmes are taken together, to avoid overlapping and double counting. Similarly, MEDAs are to ensure that their proposals are comprehensive and reflective of the major focus and direction of government and 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

27. All enquiries concerning, this Budget call circular should be directed to the Permanent Secretary, Ministry of Economic Planning and Budget, and marked for the attention of the Director Budget.

28. Accounting Officers are enjoined to provide functional laptops and internet modem with data to their Budget Officers to facilitate the budget preparation. Realistic figures based on the Bureau of Public Procurement (BPP) bench mark price, BoQs and BEME are necessary pre-requisite for the defense of the proposals, even if, the project is on-going. It should be noted that the portal is automated, therefore, operators should only input figures while other manipulation would be generated automatically. Besides, MEDAs are required to maintain constant interaction with this Ministry, the Office of Establishments, Ministry of Finance, Office of the Accountant-General, BPP, Board of Internal Revenue and the schedule officer on Budget in the House of Assembly until the 2019 Appropriation Bill is signed into Law. The deadline for the submission of all budget proposals is 4.00 pm on Friday, 26th October, 2018, after which the portal would be closed to MDAs. Budget Officers are to download the indicative envelope on the portal for their Accounting Officers.

29. MEDAs are to complete **ALL** entries online, on or before the set date. Moreover, 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 MEDA to the Budget Speech of Mr. Governor on or before Pre-Treasury Board deliberation.

30. Thank you.

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