

Our Ref. No. DB/500/123
Ministry of Economic Planning & Budget,
Budget Office,
Akure.

4th November, 2024

CIRCULAR LETTER TO:

The Chief of Staff to Mr Governor,
The Deputy Chief of Staff to Mr Governor,
The Head of Service,
The Secretary to the State Government,
State Commissioners,
Special Advisers,
The Chairmen of Commissions/Boards/Agencies,
Senior Special Assistants to Mr. Governor,
The Permanent Secretaries/Tutors-General/Directors-General,
The Clerk, Ondo State House of Assembly,
The Chief Registrars,
The Accountant-General,
The State Auditor-General,
The Auditor-General for Local Government,
The State Statistician-General,
Registrars of State-Owned Tertiary Institutions,
General Managers/Heads of Non-Ministerial Departments,

2025 ADVANCE PROPOSALS AND DRAFT ESTIMATES

Introduction

Government Budget is a vital tool for annual revenue and expenditure planning, facilitating fiscal prioritization and progress monitoring. To this end, Section 121(1) of the Nigeria's 1999 Constitution (as amended) requires each State to mandatorily submit its Annual Budget to the State House of Assembly for legislative approval.

2. Consequently, this Office has carried out the preliminary activities that will eventually lead to the commencement of year 2025 Budget preparations in accordance with the vision and mission of the Present Administration. This Budget Call Circular, therefore, provides

guidance and clarity on the criteria for the estimation of revenue as well as admission of Expenditure items (Personnel Cost, Overhead Cost and Capital Expenditure) into the Year 2025 Estimates. Hence, all Ministries, Departments, Extra-Ministerial Departments and Agencies (MEDAs) are expected to conform to the guidance stipulated in this Call Circular.

Overview of the Economy

3. In the outgoing year, the World Bank (October, 2024) forecasts a slight slowdown in global economic growth, from 2.8% in 2023 to 2.7% in 2024. Likewise, the Organisation for Economic Cooperation and Development (OECD, 2024) has projected stable growth of 3.3%, the same as in 2023, while Reuters anticipates a decline from 2.9% to 2.6%. This global deceleration is expected to have implications for national economies, including Nigeria. Likewise, the impact of the currency flotation and the removal of fuel subsidies continues to severely affect the country's economy. According to the National Bureau of Statistics (NBS, 2024), headline inflation has reached a 28-year high of 34.19%, while the exchange rate has surged to unsustainable levels.

Performance of Key Macro-Economic Variables:-

4. **National Real GDP Growth:** For the entire year 2023, Nigeria real Gross Domestic Product (GDP) growth grew by 2.74% slightly lower than the 3.10% growth rate in 2022. The International Monetary Fund (IMF) projects Nigeria's GDP growth rate to be 3.10% in year 2024. In the same vein, the National Bureau of Statistics (NBS) reported (August, 2024) that the real GDP growth for 2024 Quarter 2 was 3.19% driven by higher Crude Oil Production (Oil Sector growth was 10.15% year –on-year). Non-Oil GDP grew by 2.80% year-on-year. The largest growing sector in 2024 Q2 was financial and insurance at 28.79%.

5. **Inflation:** The rate of inflation, as measured by the Consumer Price Index (CPI), more than doubled in the last 30 months, from a low of 15.4% in November 2021 to 34.19% in June

2024, before a marginal drop in July 2024, to 33.40%. Inflation has been partly fuelled by the spiralling money supply. The devaluation of the Naira has also driven up the prices of imported goods, weighing a heavy cost on Premium Motor Spirit (PMS) prices.

6. In an effort to combat rising inflation, the CBN has aggressively raised interest rates. Ever since the new CBN Governor took over the administration of the Apex Bank, the Monetary Policy Rate (MPR) has been increased four times, from 18.75% prior to the first monetary Policy Committee (MPC) meeting in February 2024 to 26.76% in July 2024. The direct impact of this monetary policy stance is the increase in the cost of borrowing for the government, private sector, and individuals.

7. **Exchange Rate Devaluation:** The value of the Naira on the foreign exchange market has plummeted since the CBN adopted a free-floating exchange rate in middle of 2023. It was devalued by almost 80% in the Second half of 2023, from ₦460 in June to the USD to 830 by December, 2023. This was followed by a further approximation to 80% devaluation over the first three months of 2024, hitting ₦1,510 to the USD by March. The said three months witnessed high levels of daily volatility – up to 10% savings (either appreciation or depreciation). The NGN: USD rate as at September, 2024 settled at ₦1,653.97.

8. The Federal Government and States have approved a new minimum wage of ₦70,000.00, aimed at alleviating economic hardships. Additionally, relief packages, are being implemented at all levels to provide further support. For instance, in Ondo State, workers across all categories continue to receive ₦15,000.00 as a palliative measure. Therefore, it is very important that a very careful approach should be adopted in making projections and for crafting the 2025 Budget Estimates. As a result of this, all MEDAs are to think outside the box towards having a workable Budget that will largely accommodate the programmes that the present economic realities in the country had imposed on the polity.

2024 Budget Performance

9. By the end of the Third Quarter, Revenue reached 118.77% of its cumulative target. Cumulative recurrent expenditure stood at 120.75%, largely influenced by a N51.180 billion debt cancellation agreement with the Federal Government and the rising Naira/Dollar exchange rate which has increased interest payment on foreign loans. As at end of September, Capital expenditure was at 29.97% of its cumulative target.

2025 Fiscal Framework

10. The 2025 Fiscal framework focusses on improved revenue and controlled expenditure that would ensure optimal resource allocation. The notable revenue growth projection from January to September 2025 hints at a potential uptick in revenue for the next fiscal year.

11. The Nigerian economy faces significant hurdles, hindering its recovery and undermining growth. With the State's revenue predominantly derived from the Federation allocations, budget allocation is substantially influenced by resource inflow from the Federation Accounts. Therefore, this framework, drawing on national economic outlook, adopts a flexible approach to generate macro-economic indicators from the Ondo State Medium-Term Expenditure Framework (2025-2027) to inform its projections as analysed below:

Table 2.0: Macro-Economic Framework

Revenue

MACRO-ECONOMIC FRAMEWORK

ITEM	2025	2026	2027
NATIONAL INFLATION	27.00%	21.00%	19.00%
NATIONAL REAL GDP GROWTH	3.00%	3.1%	3.20%
OIL PRODUCTION BENCHMARK (MBPD)	1.6500	1.7000	1.8000
OIL PRICE BENCHMARK	\$75.00	\$75.00	\$75.00
NGN:USD EXCHANGE RATE	1500	1200	1200
MINERAL RATIO	18%	20%	22%

Source: Budget Office, Federal Ministry of Finance & Economic Planning

Policy Thrust and priorities for the year 2025 Budget

12. The policy thrust and priorities of Ondo State Government for 2025 Budget are stated below:

- a. To tackle food insecurity by ensuring food availability, accessibility and affordability for all residents and by enhancing the agricultural value chain;
- b. To develop human capital development through driving economic growth, prosperity and improved quality of life;
- c. To transform Ondo State's infrastructure landscape, drive economic growth, connectivity and improved quality of life;
- d. To have resilient community development initiative through fostering of vibrant, adaptable, and sustainable communities across the State;
- e. To facilitate social inclusion and social security through equitable opportunities, protection, and empowering the vulnerable populations; and
- f. To diversify the State economy through the transformation of the State into a vibrant, industrial and sustainable economy.

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

- a. Boosting of crop and livestock production through: (i) farmer support programs (Inputs Subsidies, training) (ii) Agricultural infrastructure development (iii) Promote Public – Private Partnerships for food distribution;
- b. Revitalize infrastructure (Schools, Libraries, ICT facilities), vocational and technical education expansion;
- c. Upgrading healthcare infrastructure (Hospitals, Clinics);
- d. Recruitment and training of healthcare professionals;

- e. Health Insurance Schemes for vulnerable groups;
- f. Improvement of road construction and rehabilitation;
- g. Expansion of Solar Power to major cities and towns;
- h. Rural electrification;
- i. Upgrading of rural roads and bridges;
- j. Enhancing street lighting and security;
- k. Social inclusion initiatives (Youth, Women, disabled etc)
- l. Promotion of accessible infrastructure;
- m. Support inclusive economic empowerment initiatives;
- n. Agricultural processing and value addition;
- o. Crop and livestock production expansion;
- p. Tourism infrastructure development (hotels, resorts);
- q. Cultural tourism promotion;
- r. Small and Medium Enterprises (SME) support;
- s. Access to finance (loans, grants); and
- t. Business environment reform.

Guidelines on Preparation and Submission of 2025 Draft Estimates

14. In compliance with the Fiscal Responsibility Law of 2017, the State is mandated to develop a comprehensive Medium Term Revenue Framework and Medium –Term Expenditure Framework (MTRF and MTEF). This integrated approach streamlines policy planning and budgeting across multiple years, encompassing two (2) key components:

- Medium –Term Fiscal Framework (MTEF): Outlining the State’s Fiscal Strategy
- Medium –Term Sector Strategy (MTSS): Providing a detailed plan for sector-specific development.

These frameworks enable the State to project revenue and expenditure, ensuring a cohesive and sustainable financial plan.

15. All Accounting Officers are enjoined to note and comply strictly with the relevant portions of chapter 25 of the Ondo State Financial Regulations and the Ondo State Public Financial Management Law of 2017, on the preparation of the annual Estimates, especially as regards pre-call Circular activities of MEDAs.

16. In addition, all submissions must be compliant with the National Chart of Accounts format and coding. Every Budget Officer must ensure that their MEDAs Budget proposals are approved and duly endorsed by the Accounting Officer of the MEDA before final submission on the State's Budget portal www.ondobudget.org. In view of this, Accounting Officers are to ensure all Budget Officers in their respective MEDAs are provided with functional laptops with internet facility to ensure seamless preparation of the 2025 Budget.

Revenue

17. The Ondo State Internal Revenue Service (ODIRS), has in recent years, frontally addressed the issues affecting internal revenue generation in the State which has greatly improved internal revenue in the last two years of its operations. In spite of this, the contribution of the Independent Revenue (IR) to total revenue is still very low.

In order to substantially increase Internal Revenue, therefore, all the revenue generating MEDAs are advised to introduce full automation of all forms of revenue collection and expand the tax net with data-driven tax administration in order to exceed the limit already achieved and further accelerate the growth of the State's Independent Revenue.

Expenditure

18. Accounting officers are to please note that all matters relating to Personnel cost, Overhead cost, and Capital Expenditures in the Budget must adhere to the guidelines outlined

in this Circular. Importantly, the Budget proposals for Personnel Costs must take into account the new minimum wage as well as promotions, advancements, conversions, and new employments to avoid supplementary budget requests during implementation.

Personnel

19. Personnel cost budget proposals must be justified and approved in accordance with the Office of Establishments and Training's guidelines to be eligible for inclusion in the Budget. Furthermore, evidence of clearance from the Office of Establishments and Training must be presented during the Pre-Treasury Board defence.

Consolidated Revenue Fund Charges (CRF Charges)

20. The Consolidated Revenue Fund (CRF) is a designated budget line under salaries and wages in the State's Chart of Accounts (CoAs), intended for paying consolidated salaries as well as public officers mentioned in the constitution as amended, such as the Governor, Judges, Civil Service Commissioners, all Audit officers etc. However, in the past two years, this budget head has been combined with regular public servant salaries in various Ministries, Extra-Ministerial Departments and Agencies (MEDAS), instead of being separated. The Nigeria Governors' Forum (NGF) Secretariat in Abuja which tracks budget performance reports, has requested that we separate the CRF from the regular salaries.

21. The Office of Establishments and Training must recognize the importance of allocating sufficient funds for consolidated salaries under CRF charges. To ensure accurate accounting, the Office of the State's Accountant-General should categorize all consolidated salary payments under the budget head during the implementation of the 2025 Budget. This will maintain transparency and compliance with financial regulations.

Overhead

22. The rising rate of inflation in the country indeed calls for urgent action from both the Federal and State Governments to mitigate the effects of inflation on MEDAs overhead. As part of their fiscal responsibilities, Accounting Officers in all Ministries, Extra-Ministerial Departments and Agencies (MEDAs) are expected to allocate sufficient resources for maintenance costs of government machinery and infrastructure, ensuring optimal utilization within the allocated budget. It is essential that MEDAs transition from an infrastructure development approach that focuses solely on construction to a holistic approach that incorporates comprehensive maintenance planning, allocation and execution.

Capital Estimates

23. Having keyed-in to the National Human Capital Development Initiatives by the State Government, there is the need for the sustainability of our focus on the three thematic areas of Health and Nutrition, Education and Labour Force participation. The 2025 Budget will sustain the already created Human Capital Development (HCD) projects for jobs and equally address the shortfalls in the State's employment generation. The State Government will soon conclude the employment processes for a number of Teachers, Medical and Health Officers to cover Education, Health Care and Youth Development. Social Safety Net (the Aged, the Vulnerable, and Women) would be addressed in the proposed 2025 Budget.

24. The Budget has been designed to ensure the completion of ongoing developmental projects as well as address infrastructure gaps in our system and sustaining the growth rate needed to improve the standard of living for our citizens. Therefore, all Ministries, Extra-Ministerial Departments, and Agencies (MEDAs) are urged to prioritize these objectives in their budget estimates. Accounting Officers must ensure that all Human Capital Development initiatives and interventions within their respective MEDAs are properly documented in the

Medium Term Sector Strategy (MTSS). This is critical, as any projects or programs not included in the MTSS will not be considered for inclusion in the 2025 Budget.

25. For transparency and efficient tracking, Capital Estimates Submissions must adhere to the prescribed format, providing detailed project information, notably:

- Project completion status (percentage)
- Implementation schedule (commencement and completion dates)

This information should be uploaded to the designated portal as specified.

26. Accounting Officers should please note, that there will be no room bulk budgeting i.e., bulk provision without breakdown of the detail of the items. For example, the description "implementation of "X" programme/project across the State" is considered a lump sum. The required idea is to provide detail of each programme/project, location and the associated cost. Emphasis is being laid on this on a yearly basis.

27. In addition, it must be re-emphasized that all provisions such as procurement of Laptops/Desktops/Motor vehicles without proper details are not allowed. It is also expected that the specification, the number (units) as well as the cost per unit of the item be clearly stated in 2025 budget. In the same way, furniture and fittings must be properly broken down into either chair, table, cabinets, air-conditioner etc and must include the type, the number intended to be purchased and price per unit. More so, any capital item should be in accordance with government preference and should be backed up with the required documents, comprising the Bureau of Public Procurements Benchmark Prices, Bill of Quantity (BOQ), Bill of Engineering Measurement and Evaluation (BEME), etc.

28. Fundamentally, all spending units must update their monthly revenue and expenditure profiles on the portal before the Pre-Treasury Board Meeting.

29. Consultations with relevant stakeholders regarding the 2025-2027 Medium-Term Expenditure Framework (MTEF) and the 2025 Budget are currently ongoing. Citizen requests gathered during the engagement process should be incorporated into the budget proposals of all Ministries, Extra-Ministerial Departments, and Agencies (MEDAs), as applicable. The details of these requests will be communicated to the respective MEDAs once the Budget Office has compiled them.

Tertiary Institutions/Parastatals

30. For the sustainability of the State's tertiary institutions and parastatals, enough revenue should be generated in order to maintain all their recurrent needs without entirely depending on the State Government, considering the paucity of funds accruing to the Government.

31. In view of this, emphasis will still be laid on the need for all parastatals and Tertiary Institutions to prepare and submit to the Administrative Secretary, Budget Office, a detailed work plan on how to generate and increase their Independent Revenue to the level that will fund their entire recurrent expenditure. Please prepare and submit a comprehensive document detailing revenue sources and expected yields for the upcoming fiscal year to the Administrative Secretary's Office.

32. Currently, significant funds generated by school authorities are not accurately recorded. To address this, we will prioritize automating revenue management and conducting detailed expenditure analyses to ensure informed decision-making for subvention allocations next year.

Revenue Retaining Agencies (Inclusive of All Tertiary Institutions)

33. Emphasis is still being laid on the directive of the State's House of Assembly on the need for all Revenue Retaining Agencies (RRA) (including all State-owned tertiary Institutions) to provide details of their expected Independent Revenue as well as the proposed disbursement of the expenditure for inclusion and capturing into the 2025 Budget.

34. This effort is designed to complement, not supersede, the autonomy of Revenue Retaining Agencies (RRA) as stipulated in current legislation. By ensuring precise revenue and expenditure tracking, we can optimize our financial reporting and improve the State's national ranking.

Ondo State Development Plan

35. Before any nation could experience progress and development, there is the need for strategic and sustainable direction, which provides the compass to guide and direct efforts and resources. The Ondo State Government, under the current administration, has embarked on an audacious Initiative – Ondo 2055, a 30 – year long-term development plan aimed at achieving sustainable growth and development. This comprehensive plan prioritizes developmental governance, human capital development, security and overall prosperity for the people of Ondo State.

36. The Committees responsible for formulating the plans at various stages have been actively working to bring them to fruition. This is to harness all State's potential and available resources and strategize on how best to allocate our common wealth in order to bring the desired welfare to the people of the State. This would be rolled out with technical support from a consulting firm and three public sector Management Consultants.

37. All Accounting Officers and Directors across all the MEDAs are implored to give the necessary assistance and feed the Committees with the necessary data that may be of help to achieve the great feat of having the State Development Plan (Ondo 2054). In addition, they could consider making necessary budgetary provisions that might be relevant to the assistance to be rendered.

Open Government Partnership (OGP) and Human Capital Development (HCD)

38. It will be recalled by all Accounting Officers that emphasis was made last year that the Ondo State Government had joined the open Government Partnership (OGP), with the objectives on the Principles of Transparency, Accountability and Citizens' participation in government. This is to ensure openness in the management of the economy through proper disclosure and inclusiveness leading to optimal resource utilization and reduction in corruption through citizens' participation in decision-making. As a result of this, MEDAs are compelled to make sure that their projects/programmes are in tandem with the principles of OGP by involving their stakeholders in the conceptualization and implementation of projects in 2025 Fiscal Year.

39. It is expedient for MEDAs to make budgetary provisions to support the fight against violence targeting women, girls and other vulnerable populations. The Ministries of Health, Women Affairs and Social Development, Education, Agriculture, Justice and Ondo State Agency Against Gender Based Violence Public Private Partnership (PPP), in particular are enjoined to prioritise the welfare of vulnerable populations in their budget allocations.

40. MEDAs are advised to explore PPP arrangements as a viable alternative for critical project delivery, given the current financial constraints and dwindling State revenue. The underlisted are some of the various options available

- Concession
- Joint venture
- Franchising
- Leasing etc.

41. In the last few years, many MEDAs, having projects expected to be funded by Development partners or Donor Agencies have not been able to draw down funds in spite of

large provisions for those projects in their Budgets. The reason for this has been lack of concretized and well-defined Memorandum of Understanding with the Development partners that indicates the actual times to draw down. Although, Government requires MEDAs to strive to look for and enter into partnership with reputable local and international Development partners that will bring development to the State, they are advised to include the projects in their budgets only in the year(s) funds are expected to be drawn down.

42. In line with that, MEDAs are implored to liaise with the Technical Aids and Assistant Coordinating (TAAC) 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 that they may be inclined to consider from the outset.

Impact Assessment of Public Expenditure

43. The main objectives of having a financial plan (Budget) for a period of time is to improve the quality of life of the populace. As a result of this, there is the need to periodically measure the effectiveness of government's programmes/projects. In effect, MEDAs are enjoined to clearly define their goals and objectives and the desired outputs and outcomes of proposed interventions. In other words, it is required of agencies to identify measurable Key Performance Indicators (KPIs) in the Capital Budget. MEDAs are encouraged to collaborate with the Monitoring and Evaluation Department of the Ministry of Economic Planning and Budget for additional guidance and support.

Budget Defence Plan and Schedule

44. All Accounting Officers are to note that the 2025 Budget defence process will be structured to facilitate coordinated review of cross-cutting projects/programmes across MEDAs, eliminating duplication and ensuring efficient resource allocation. MEDAs must ensure their proposals align with the government's primary focus and direction, providing comprehensive

details and justifications for budget items, particularly when seeking budget ceiling increases.

All Capital budget lines must include detailed descriptions, specifying:

45. For further clarification on this Budget Call Circular, please contact the Administrative Secretary, Budget Office.

46. All Accounting Officers are enjoined to provide functional laptops and internet modem with data to their Budget Officers to facilitate the Budget preparation process. Realistic figures based on the Bureau of Public Procurement (BPP) benchmark price, Bill of Quantities (BOQs) and Bill of Engineering Measurements and Evaluation (BEME) are necessary pre-requisite for the defence of the proposals, even if the project is on-going.

47. It should be noted that the portal is automated, hence, operators should only input figures while other manipulations would be generated automatically by the system.

48. MEDAs are required to maintain constant interaction with the Budget Office, Office of Establishments, Ministry of Finance, Office of the Accountant-General, ODBPP, Ondo State Internal Revenue Service (ODIRS) and the schedule officer on Budget in the House of Assembly until the 2025 Appropriation Bill is signed into Law.

49. The deadline for the submission of all Budget proposals is Friday 15th November, 2024 after which the portal would be closed and inaccessible to MEDAs for budget entry. Budget Officers are to download the indicate envelope on the portal and present same to their Accounting Officers.

50. All MEDAs are to complete all entries online, on or before the set date. In addition, MEDAs are free to print copies of what is uploaded for its defence at the Pre-Treasury Board level.

51. All relevant MEDAs must submit their contributions to the Budget speech of Mr. Governor on or before Pre-Treasury Board defence. Non-compliers would be prevented from participating in the defence process.

52. Thank you.



S. R. Aworere,
Administrative Secretary