

**Our Ref No. DB/488/34**

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

28<sup>th</sup> 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	<b>Revenue Recurrent</b>				
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
	<b>Sub-Total</b>	<b>68.855</b>	<b>34.428</b>	<b>33.992</b>	<b>98.7</b>
2.0	<b>Capital Receipt</b>				
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	-	-
	<b>Sub-Total</b>	<b>82.583</b>	<b>41.291</b>	<b>22.768</b>	<b>55.1</b>
	<b>TOTAL REVENUE</b>	<b>151.438</b>	<b>75.719</b>	<b>56.760</b>	<b>75.0</b>
3.0	Debt Repayment	<b>13.000</b>	<b>6.500</b>	<b>9.377</b>	<b>144.3</b>
4.0	<b>(Statutory Transfer)</b>				
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
	<b>Sub-Total</b>	<b>12.060</b>	<b>6.030</b>	<b>2.737</b>	<b>45.4</b>
5.0	<b>(Recurrent Expenditure)</b>				
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
	<b>Sub-Total</b>	<b>75.023</b>	<b>37.512</b>	<b>32.515</b>	<b>86.7</b>
6.0	<b>Capital</b>				
6.1	Capital Expenditure of MDAs	51.355	25.678	8.630	33.6
	<b>TOTAL EXPENDITURE</b>	<b>151.438</b>	<b>75.719</b>	<b>53.259</b>	<b>70.3</b>

