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

3rd November, 2017.

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,
The Chief Registrar, Ondo State Judiciary,
Registrars of State Owned Tertiary Institutions,
All Heads of Extra-Ministerial Departments.

2018 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 appropriation for a given financial year. This has, therefore, set the basis for the Ministry of Economic Planning and Budget to commence preparation of 2018 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.

Overview of the Economy

2. The global economic activities are picking up gradually. According to International Monetary fund's world economic Outlook, April, 2017 edition, world economic growth rate is expected to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018. Similarly, the Nigeria economy has continued to recover from the current economic challenges as evident in the fall in inflation rate. According to the National Bureau of Statistics, Nigeria's inflation dropped for the eight consecutive month since January, 2017 from 16.01% in August to 15.98% in September, 2017. Also, the economy has statistically moved out of recession as the GDP grew in the second quarter of 2017 by 0.55% in real term. The economy has been projected to grow by 3.5% in 2018.

3. Notwithstanding the cushioning effect and relieve created by these statistics, there is still the need to adopt a cautious approach in making projections and in crafting the year 2018 Budget Estimates. It is, therefore, important for all MDAs to tailor their estimates to largely accommodate the programme of the present administration and also reflect the economic realities of the moment.

4. The actual revenue receipt from January – September, 2017 is a pointer to the fact 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 budget

ceilings as already realistically allocated. Please note that policies, targets and strategies being pursued should be affordable and consistent with budget proposals. This means that MDAs budget proposal should be realistic and attainable, and as such, should translate effectively into the attainment of Government Policy objectives and Goals contained in the Blueprint to progress.

Budget Performance for 2017

5. Budget performance data for January – September 2017 is presented below.

2017 ACTUAL BUDGET PERFORMANCE

S/N	DESCRIPTION	2017 APPROVED BUDGET N(B)	ACTUAL AS AT SEPT N(B)	% OF TOTAL BUDGET
1.0	Revenue Recurrent			
1.1	Statutory Allocation	26.460	18.554	70
1.2	IGR	14.764	7.920	54
1.3	VAT	12.000	7.542	63
	Sub-Total	53.224	34.016	
2.0	Capital Receipts			
2.1	Mineral Derivation Fund	17.560	10.863	62
2.2	Exchanged Gain	7.305	3.774	40
2.3	Refund FGN on Roads	6.060		
2.4	Budget Support	6.666	6.555	98
2.5	Excess Paris Club Refund	13.156	9.100	69
2.6	Credit from Development Partners	18.031	-	
2.7	Grants	5.000	-	
2.8.	Roll-over Fund	6.200	6.200	100
2.9	Excess Petroleum Profit Tax	6.644	2.455	37
2.10	Loans/Leases	31.000		
	Sub-Total	117.622	38.947	
	TOTAL REVENUE	170.846	72.963	
3.0	Debt Repayment	8.127	6.683	82
4.0	Statutory Transfer			
4.1	Transfer to Local Govt. Joint Account (10%IGR)	1.350	-	
4.2	Transfer to OSOPADEC	7.024	1.557	22
	Sub-Total	8.374	1.557	
5.0	RECURRENT EXPENDITURE			
5.1	Personnel Cost	54.004	16.554	31
5.2	Overhead Cost	3.958	1.525	39

5.3	Grants to Parastatals	7.699	2.251	29
5.4	CRFC	15.283	4.503	29
5.5	Grants & Loans	0.180	-	
5.6	Special Programme	14.035	5.776	41
	Sub-Total	95.159	30.609	
6.0	CAPITAL			
6.1	Capital Expenditure of MDAs	59.187	4.269	7
	TOTAL EXPENDITURE	170.846	43.118	

SOURCE: Office of the Accountant-General

Flowing from the 2017 Budget Performance Statistics above, MDAs must strive to enhance the revenue base of the State by blocking all financial loopholes, redirecting and refocusing energy on revenue generation and institutionalizing prudence in all spheres of administration.

Policy Thrust and Priorities for the 2018 Budget

6. The policy thrust and priorities of Government in the next fiscal year is aimed at streamlining sectorial programmes and projects within the frame work of the Medium Term Expenditure Framework (MTEF) and the Blueprint to progress. Each sector and sub-sector has critical needs, the fulfilments of which will move the State to the next level in terms of socio-economic development. The various competing needs of different sectors should be prioritized and the programmes and projects necessary to address them properly sequenced in line with the Medium Term Sector Strategy (MTSS) and the Blueprint to progress. To this end the main objectives of 2018 Budget are as follows:

- (i) intensify efforts on Independent Revenue initiatives;
- (ii) massive investment on infrastructural facilities;
- (iii) wealth creation through empowerment of Youths, Artisans, Farmers and Market Women;

- (iv) enhancement of Agriculture related activities; and
- (v) enhancement of community development through improved collaboration with communities.

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

- (i) activation of revenue codes for easy lodgment of revenue;
- (ii) engagement of Revenue Consultants to help drive Independent Revenue generation;
- (iii) resuscitation of decaying infrastructural facilities;
- (iv) provision of farm inputs and seedlings to farmers to boost food production;
- (v) deployment of ICT to empower and create wealth for the Youths and Artisans;
- (vi) collaboration with relevant Federal Agencies/Development Partners to support State initiatives; and
- (vii) enhancing accessibility to semi-urban and rural areas through opening-up of rural feeder roads.

2018 Fiscal Framework

8. Unarguably, receipt from the Federal Accounts constitutes the bulk of revenue inflow to the state which invariably determined the size of the budget. In the light of the foregoing, this framework has adopted the most flexible assumptions using macro-economic indicators as contained in the approved 2018-2020 Ondo State MTEF stated as follows:

Indicators	2017	2018
GDP Growth (%)	5.78	3.50
Inflation Rate (%)	8.10	12.42
Exchange Rate (₦ to \$)	305	305
Oil Price (per Barrel) Benchmark (\$)	42.5	45
Average Production of Crude Oil (MBPD)	2.200	2.300

Source: Ondo State Medium Term Expenditure Framework

Given the fiscal framework set out above, it is clear that revenue shortfalls and its attendant fiscal challenges are expected in 2018. However, Independent Revenue has been projected to grow at a significant rate in 2018.

Guidelines on Preparation and Submission of 2018 Draft Estimates

10. In line with the provisions of the Fiscal Responsibility Law, the Ondo State Government has adopted the MTEF approach as an integrated approach to policy planning and budgeting within a multi-year framework. Its components include the Medium Term Fiscal Framework (MTFF), Multi-year Budget Framework (MYBF) and Medium Term Sector Strategy (MTSS) which allow for projection of revenues and expenditure within a multi-year framework. To this end, all MDAs, particularly those in the five pilot sub-sectors of Education, Health, Infrastructure, Agriculture and Public Finance are expected to be guided by the respective MTSS documents. MDAs outside the five pilot sectors are to study the Strategic Development and Policy Implementation Report of the present administration as it affects their MDA and distil out relevant projects and programmes to actualize the development objectives of the

present administration. In sum, MDAs in the five pilot sectors should ensure that proposed programmes and projects for year 2018 Budget are in consonance with the MTSS for the pilot sectors while the ministerial mandates (for other MDAs outside the pilot sectors) are within the policy thrust of the state government as contained in the Blueprint to progress.

11. All Accounting officers are to ensure that the preparation of their estimates duly follow necessary ministerial level of defence. Please, note that the order of priorities of the Administration, as directed by the Chief Executive of MDAs, is the main basis for sector allocation and determination of the MDAs' indicative envelopes. This is also consistent with aggregate resource availability, determined by the MYBF.

Revenue

12. It has become inevitable, to look inwards and improve on our independent revenue as the State is striving to be less dependent on transfers from the Federation account. MDAs are, therefore, enjoined to further deepen and expand their revenue base and institute strategies for efficient revenue generation. Well-guided monitoring mechanism must also be put in place to forestall revenue leakages. To this end, all MDAs are to note that indicative figures for revenue represent the minimum possible and should endeavor 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 27th November, 2017.

Expenditure

13. All MDAs are to note that issues regarding personnel, overhead, and special programme of the Budget must be done in line with the guideline contained in this circular. However, it is pertinent that the Budget proposal on personnel cost recognizes promotions, advancements, conversions and new employments, if envisaged; this should be done to avoid extra budgetary request in the course of implementation of the budget.

14. **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.

Overhead

15. Accounting Officers across all MDAs are to note that maintenance costs of government machinery and infrastructure have become a vital aspect of Government spending, it is, therefore, imperative for MDAs to move away from the era of just building infrastructure without maintenance plan and hence the emphasis on maintenance plan on all procurements of infrastructure is mandatory. MDAs should, therefore, ensure adequate provisions for maintenance cost within the limit of available resource envelope.

Capital Budget

16. The year 2018 Budget is designed to commence development projects of the new administration and urgently address the infrastructural deficit in our system in

order to sustain the growth rate, create more employment opportunities, and improve the living standard of our people. Hence, all MDAs must capture projects and programmes of the present administration as contained in the Blueprint to progress and that the projects are specific, measurable, achievable, realistic and time bound (SMART) goals otherwise such project would not be admitted into the year 2018 Budget. Complying with these conditions would ensure quick and timely delivery of critical projects that will impact positively on the lives of the citizenry, improve capital budget performance and finally expedite the pace of sustainable development in the state. MDAs are, therefore, enjoined to work assiduously with government in its resolve to accord growth enabling capital expenditure priority in the 2018 Budget Estimates.

Tertiary Institutions/Parastatals

17. Over the years, government has made huge investments in the parastatals and tertiary Institutions across the State. It is expected that such investments should by now be generating revenue to ensure sustainability of these institutions. It is however, disheartening to note that these institutions still come up cap-in-hand to government for all recurrent needs inspite of all efforts to make these Agencies self-sustaining. Government would, as a matter of prudent fiscal management policy, henceforth restricts itself to capital development in the parastatals and tertiary institutions. Hence, government intends to begin a process of gradual disengagement from funding the recurrent expenditure of parastatals and Tertiary Institutions starting from the

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 2018 budget pending final conclusion on the TSA programme of Government.

18. To this end, all parastatals and Tertiary Institutions are required to urgently prepare and submit to the permanent secretary, 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

19. 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, MDAs 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. MDAs 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

20. All Accounting Officers across all MDAs are to note that 2018 Budget defense would be carried out in systematic manner in order to ensure that line MDAs with

cross-cutting projects /programmes are taken together to avoid overlapping and double counting. Similarly, MDAs are to ensure that their proposals are comprehensive and reflective of the major focus and direction of the 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

21. 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 PPMU 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 runs in automated form, therefore, operators should only input figures while other manipulation would be generated automatically. 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 2018 Appropriation Bill is signed into law. The deadline for the submission of all budget proposals is Wednesday, 8th November, 2017 after which the portal would be closed to MDAs. Budget Officers are to download the indicative envelope on the portal for their Accounting Officers. 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.

22. MDAs are to complete **All** entries online, on or before the set date. However, MDAs 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 MDA to the Budget Speech of Mr. Governor on or before pre-Treasury Board deliberation.

Signed

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