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

27<sup>th</sup> September, 2019.

**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.

**2020 ADVANCE PROPOSAL AND DRAFT ESTIMATES**

**INTRODUCTION**

1. This is to inform you that the State Government is on the verge of concluding the activities for the formal approval of the year 2020-2022 Medium Term Expenditure framework (MTEF) which will be the precursor to the

preparation of a well-articulated Budget for the year 2020. The draft Year 2020-2022 MTEF is aimed at consolidating on the gains of the last two years, deepening the goals of rapid infrastructural development, poverty eradication and wealth creation, among others, as well as ensuring uninterrupted service delivery to the good people of Ondo State. This Budget Call Circular, therefore, set out the requirements that must be followed in the preparation of the draft estimates of Ministries, Extra Ministerial Departments and Agencies (MEDAs) for the financial year 2020. In this regard, you are advised to adhere to the framework and guidelines stipulated in this Call Circular to facilitate smooth discussion and subsequent approval of the proposed Estimates.

### **ECONOMIC AND FISCAL UPDATE**

2. Global economic growth remains uncertain amidst several economic conflicts across several nations of the World. The United States and China are involved in trade wars using tariffs as their arsenal. There is the Brexit imbroglio on the European side; Iran and the North Atlantic Treaty Organisation (NATO) nations are keeping oil prices uncertain as the nuclear power controversies continued amidst rising geopolitical tensions. Against this backdrop, the IMF, in the reviewed edition of World Economic Outlook (WEO) released in July, 2019, forecasted global GDP at 3.2 Percent in 2019 picking up to 3.5 percent in 2020 (0.1 percentage point

lower than the April WEO projections for both years). The GDP growth released so far this year, together with generally softening inflation, points to weaker-than-anticipated global activity. Investment and demand for consumer durables have been subdued across advanced and emerging market economies as firms and households continue to hold back on long-range spending. Accordingly, global trade which is intensive in machinery and consumer durables, remains sluggish. The projected growth pickup in 2020 is precarious; presuming stabilization in currently stressed emerging markets and developing economies and progress toward resolving trade policy differences. In Sub-Saharan Africa that includes Nigeria, growth is expected at 3.4 percent before the end of 2019 and 3.6 percent in 2020, a forecast that is 0.1 percent lower for both years, than the prediction in the April,2019 Edition of World Economic Outlook (WEO). Higher, albeit volatile, oil prices supported the higher outlook for Nigeria.

### **BUDGET PERFORMANCE FOR 2019**

3. Budget performance data from January–June 2019 is presented below:

S/N	DESCRIPTION	2019 APPROVED BUDGET N(B)	MID YEAR TARGET	MID YEAR ACTUAL	% PERFORMANCE
1.0	<b>Revenue Recurrent</b>				
1.1	Statutory Allocation	47.549	23.774	17.747	74.6
1.2	IGR	25.123	12.561	15.899	126.6
1.3	VAT	13.019	6.50	6.301	96.8
	<b>Sub-Total</b>	<b>85.691</b>	<b>42.844</b>	<b>39.947</b>	<b>93.2</b>
2.0	<b>Capital Receipt</b>				
2.1	Mineral Derivation Fund	17.671	8.836	6.624	74.9
2.2	Exchanged Gain	0.840	0.420	0.036	8.57
2.3	Refund from FGN on Roads	4.300	2.150	0	
2.4	Short term Borrowing	4.959	2.479	1.350	54.5
2.5	Long term Borrowing	46.328	23.164	0.919	3.97
2.6	Grants	13.650	6.825	3.139	45.9
2.7	Roll-Over Fund	8.549	4.274	2.900	67.9
2.8	Excess Petroleum Profit Tax			0.574	
2.9	Forex Stabilization Account	2.315	1.158	0.525	45.3
2.10	Excess Crude			0.574	
2.11	Withholding Tax Refund from FGN	9.600	4.800		
2.12	Excess Bank Charges			0.053	
	<b>Sub-Total</b>	<b>108.213</b>	<b>54.106</b>	<b>16.120</b>	<b>29.8</b>
	<b>TOTAL REVENUE</b>	<b>193.903</b>	<b>96.950</b>	<b>56.067</b>	<b>57.8</b>
3.0	Debt Repayment	10.369	5.185	3.698	71.3
4.0	<b>(Statutory Transfer)</b>				
4.1	Transfer to Local Govt. Joint Account (10% IGR)	2.500	1.250	0.053	4.24
4.2	Transfer to OSOPADEC	7.069	3.534	1.394	39.4
	<b>Sub-Total</b>	<b>9.569</b>	<b>4.784</b>	<b>1.447</b>	<b>30.2</b>
5.0	<b>(Recurrent Expenditure)</b>				
5.1	Personnel Cost	36.232	18.116	17.154	94.7
5.2	Overhead Cost	4.513	2.256	1.538	68.1
5.3	Grants to Parastatals	7.562	3.781	3.117	82.4
5.4	Consolidated Revenue Fund Charges	18.159	9.079	7.081	78.0
5.5	Grants & Loans	0.130	0.65	0.047	72.8
5.6	Special Programme	17.257	8.628	5.912	68.5
	<b>Sub-Total</b>	<b>83.853</b>	<b>41.925</b>	<b>34.849</b>	<b>83.1</b>
6.0	<b>Capital</b>				
6.1	Capital Expenditure of MDAs	90.123	45.056	8.821	19.6
	<b>TOTAL EXPENDITURE</b>	<b>193.903</b>	<b>96.950</b>	<b>48.815</b>	<b>50.4</b>

## **2019 FISCAL FRAMEWORK**

4. The economic prospects of Ondo State depend on a number of global and domestic factors which are highly uncertain. Despite the risks, the economic outlook for the State remains cautiously optimistic, supported by impressive growth in the Independent Revenue (IR) and the effort of government to get a favourable financing options, particularly Bond, through the Capital Market. Therefore, the 2020-2022 MTEF has adopted the most plausible and conservative assumptions based on information available from the Federal fiscal and monetary authorities upon which the State derives her fiscal policies.

5. The table below shows the key fiscal assumptions for 2020 proposed estimates, as contained in the 2020-2022 MTEF document:

<b>Indicators</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
GDP Growth (%)	2.60	2.40	2.70
Inflation Rate (%)	11.70	11.30	11.40
Exchange Rate	305	305	305
Oil Price (per Barrel) Benchmark (\$)	55	55	55
Average Production of Crude Oil (MBPD)	2.000	2.1000	2.2000

Source: Ondo State Medium Term Expenditure Framework

## **POLICY THRUST AND PRIORITIES FOR 2020 BUDGET**

6. The policy – thrust and priorities of Government in the next fiscal year are aimed at the continuous provision and maintenance of key infrastructures in various sectors of the economy to further stimulate

growth, support the private sector to create more jobs and improve the overall well-being of Ondo State residents. The expected policy thrust for 2020 budget is as follows:

- i. To grow Independent Revenue (IR) by a minimum of 20% every year from 2020-2022;
- ii. To ensure quality human-capital development initiatives through continuous improvement in access to, and quality of public services, which include education and health care delivery systems at all levels. Inherent in this is the resolve of government to promote gender equality and inclusive development;
- iii. To pursue initiatives that would continue to generate economic growth and guarantee security. This would involve implementation of programmes that generate employment and create wealth and ensure adequate security. Indeed, the outcomes of the First Ondo State Economic and Investment Summit Tagged (Develop Ondo) held in November, 2018 and Security Summit held in January, 2019, are intended to accord priority to areas that would ultimately help unlock the vast resource potentials of the State and put in place a dynamic and competitive State economy; and

- iv. To broaden governance reforms; particularly in the areas of policy, strategy, public expenditure, financial management and public service delivery. As part of this process, Government has produced MTSS for key sectors and intends to produce the Ondo State Development Master Plan (ODSDP) soon.
7. The above objectives are to be achieved by the deployment of the following strategies:
- i. Give priority to completion of ongoing capital projects before new ones are initiated;
  - ii. Create efficiencies in personnel and overhead expenditure to allow more fund to capital development;
  - iii. To reduce over-dependence on Federal transfers through improved independent revenue generation achievable via a technological-driven and autonomous Board of Internal Revenue;
  - iv. Ring-fence borrowed funds to finance Capital projects;
  - v. Have a long term target of funding all Recurrent Expenditure with Recurrent Revenue (IR, VAT and Non Mineral component of Statutory Allocation); and
  - vi. Target sources of Capital Receipts and Financing outside of loans (e.g. Grants, PPP, etc).

## **GUIDELINES ON PREPARATION AND SUBMISSION OF 2020 DRAFT ESTIMATES**

8. As stipulated in the Fiscal Responsibility Law (FRL, 2017), Ondo State Government adopted a more strategic approach to policy, planning and budgeting through the introduction of a Medium Term Expenditure Framework (MTEF). Its component includes the Medium Term Fiscal Framework (MTFF), Multi-Year Budget Framework (MYBF) and Medium Term Sector Strategy (MTSS) which allow for projection of revenues and expenditures within a Multi-Year Framework. To this end, all MEDAs, particularly those in the five pilot sectors of Education, Health, Infrastructure, Agriculture and Public Finance are expected to be guided by their respective MTSS documents.

9. All accounting officers of MEDAs are to ensure that they study the Strategic Development and Policy Implementation Report (i.e. the Blueprint to Progress document) of the present administration as it affects their MEDAs and sieve out projects and programmes that align with the development objectives of government as articulated in the document and the Sustainable Development Goals (SDGs) as well as other high level policy documents of Government such as; change agenda ,ERGP etc.

10. Similarly, all Accounting Officers are to ensure that the preparation of their estimates duly follow necessary ministerial level of defence before



the final upload to the portal. For the avoidance of doubt, the four levels are as follows:

- (a) **Defence of Units under the Head of Division:** Where inputs from all stakeholders are articulated into policies and programmes for the estimates;
- (b) **Defence of Divisions under the Head of Departments:** Where all inputs from the divisional levels are collated and consolidated into departmental proposal;
- (c) **Pre-Ministerial Defence under the Accounting Officers:** Where all inputs from the various departments are collated and consolidated into a ministerial proposal under the chairmanship of the Accounting Officer; and
- (d) **Ministerial Defence:** Where the Chief Executive Officer consolidates and moderates the different request in line with Executive Council's policy for the MEDAs.

11. MEDAs are enjoined to note that the Budget Ceiling/Envelope for the various expenditure classes 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 of Departments and Units in the MEDAs.

## **REVENUE**

12. It has become imperative in the State that the only way to have budget realism/performance and a sustainable economy is to shore up internal revenue (IR) of the State. The State, as a matter of deliberate policy, is striving to be less dependent on transfers from the Federation account. MEDAs are, therefore, enjoined to further deepen and expand their revenue base and institute strategies for efficient and viable revenue generation; guard against revenue defaults and forestall leakages as much as possible. MEDAs are to note that targets have been set by Ondo State Board of Internal Revenue for MEDAs to meet and these will form the basis for discussion during Budget bilateral discussions/Pre-Treasury Board meeting.

## **EXPENDITURE**

13. It is of utmost importance for all MEDAs to ensure that budgeting for personnel, overhead cost and special programmes are done in line with guidelines and instructions contained in this circular and as displayed on the budget portal. However, it is imperative to stress the need for thorough work on the personnel estimates to avoid issues of over/under estimation and take cognisance of promotions, advancement, conversions and new employment, if envisaged.

14. Similarly, capital estimates should be prepared in accordance with the guidelines contained herein as dictated by Government priorities. The status of the projects, especially level of completion and implementation timeline, must be clearly stated as contained on the online forms.

15. Also, new capital projects must be backed with appropriate documents like Bureau of Public Procurements benchmark prices, Bill of quantities (BoQ), Bill of Engineering Measurement and Evaluation (BEME), etc, which must be presented at the Pre-Treasury Board Defence. **All spending units are enjoined to ensure completion of their monthly revenue and expenditure profile on the budget portal before the Pre-Treasury Board meeting.**

## **PERSONNEL**

16. In line with extant guidelines on personnel cost submission, all MEDAs are required to prepare detailed establishment proposals and defend it with the Office of Establishments with clearance obtained before submitting to the budget portal and bring same for the Pre-Treasury Board meeting.

## **OVERHEAD**

17. It behoves Government to maintain buildings and all infrastructures owned by the Government, an aspect of Government's spending that cannot be overemphasized. This administration is moving away from the

era of just building infrastructures without adequate maintenance plan and hence, due emphasis must be placed on maintenance plan on all assets and public infrastructures. Nonetheless, for the purposes of emphasis, MEDAs are hereby advised against making excessive provisions for Overhead Cost as expenditure requests on this economic activity are fixed to the approved monthly running cost of MEDAs as deemed fit by Government. **Hence, request for increase in overhead cost budget would not be processed except with express approval of Mr Governor.**

### **SPECIAL PROGRAMMES**

18. The Ministry of Economic Planning & Budget will be beaming its search light on this class of expenditure to ensure that only critical programmes of government are accommodated, as government is trying to gradually remove special programmes from the budget. All Accounting Officers are to take due diligence in scrutinizing this class of expenditure stringently. Any activity of recurrent nature should be transferred to the Overhead Cost while Capital projects by nature should be moved and accommodated in the capital side. Should there be any doubt as to the classification of any item, please refer to the Budget department for resolution before uploading on the platform.

## **CAPITAL ESTIMATES**

19. In the last 2 years, the State has been implementing programmes built around the five cardinal programmes of change (JMPPR) of this administration as contained in the Blue-Print to progress document. Year 2020 will be the third in succession for this administration. Hence, it is pertinent for MEDAs to carefully study the documents as to be apprised of the information contained therein and make provision for the implementation within their budget ceiling.

20. In the same vein, some of the life-transforming programmes and projects of this administration are still on-going. **MEDAs are to make provision for the completion of these ongoing projects as a matter of priority in the 2020 proposals.**

21. In selecting projects for 2020, MEDAs are to carefully appraise and select only core capital projects which would promote real growth and economic development as contained in their Medium Term Sector Strategy (MTSS) and the vision of this government for the next one and half years. Projects which provoke multiplier effect in revenue and employment generation should be considered while all projects that will not have direct impact on the people should be minimised.

22. Finally, all Accounting Officers are to ensure that their Budget Officers fill the online form on capital project, while MEDAs with donor

support projects should discuss with Ministry of Economic Planning & Budget so as to capture their relevant information and data in the budget.

### **TERTIARY INSTITUTIONS/PARASTATALS**

23. Funding both recurrent and capital expenditure of all parastatals and tertiary institutions in the State is no longer sustainable. Hence, the need for all parastatals and tertiary institutions in the State to look inwards and generate revenue to ensure sustainability of their institutions. Government would ensure prudent fiscal management policy by focusing only on core capital development in the parastatals and tertiary institutions and in the long-run embark on gradual withdrawal from funding them where possible, and apply the savings to other critical sectors of the economy, which in-turn will lead to financial autonomy and independence of the institutions. All parastatals and tertiary institutions are enjoined to do the holistic review of their revenue sources so as to increase and expand their revenue base. To this end, the Board of Internal Revenue has given targets to all Revenue Retaining Agencies (RRAs) which will form the basis of budget negotiations at the Pre-Treasury Board meeting.

### **PUBLIC PRIVATE PARTNERSHIP (PPP)**

24. Wherever expedient and feasible, MEDAs are enjoined to embrace PPP arrangement as alternative strategy in the delivery of critical projects,

due to dwindling fortune of revenue accruing to the State. The underlisted are the various options available.

- \* Concession
- \* Joint Venture
- \* Franchising
- \* Leasing, etc

25. MEDAs are, however, advised to liaise with the Technical Aids and Assistant Coordinating 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 they might be inclined to consider from the outset.

### **IMPACT ASSESSMENT OF PUBLIC EXPENDITURE**

26. The major reason for planning and budgeting for a specific period of time is to improve the quality of life of the people. Therefore, the need to periodically appraise and measure effectiveness of government's intervention as and when due cannot be over emphasized. **Therefore, MEDAs are to clearly define their goals and objectives and identify the desired outputs and outcomes of proposed interventions.** It is, therefore, compulsory for MEDAs to identify Key Performance Indicators (KPIs), which are Specific, Measureable, Achievable, Realistic and Time-Bond (SMART). MEDAs are advised to

liaise with the Monitoring and Evaluation Department of the Ministry of Economic Planning and Budget for guidance.

## **BUDGET DEFENCE PLAN AND SCHEDULE**

27. All Accounting Officers are enjoined to carefully study Chapter 25 of the Financial Regulations and Stores (FRS), 2017 and comply fully with the provisions therein, to avoid overlap of projects/programmes. The budget defence would be carried out in a systematic manner to ensure that MEDAs with homogeneity of activities and projects are taken together. The budget defence is designed to facilitate effective negotiation and interactive session to ensure that MEDAs proposals are comprehensive and reflective of their priorities.

## **OTHER INFORMATION**

28. All enquiries as regards this Call Circular should be directed to the Permanent Secretary, Ministry of Economic Planning & Budget and marked for the attention of the Director, Budget.

29. All Accounting Officers are enjoined to provide functional laptops and internet modem with data to their Budget Officers to facilitate the budget preparation.

30. Realistic figures, based on Bureau of Public Procurements benchmark price, BOQs and BEME are necessary pre-requisites for the defence of the proposals, even when the projects are ongoing. It should



also be noted that the budget portal runs for 24 hours all day and is automated. Therefore, operators should only input figures as the summation will be done by the system itself.

31. Besides, MEDAs are required to maintain constant interaction with this Ministry, the Office of Establishments, Ministry of Finance, Office of Accountant-General, Bureau of Public Procurement, Board of Internal Revenue and the schedule officer on Budget in the House of Assembly until the 2020 Appropriation Bill is signed into Law.

32. The deadline for submission of all budget proposals is 8<sup>th</sup> October, 2019 after which the portal would be closed to all MEDAs.

33. MEDAs are to complete all entries online on or before the set date. However, 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 MEDAs to the Budget speech of Mr. Governor on or before the Pre-Treasury Board meeting.

34. We appreciate your support towards crafting a realistic budget for the good people of our Sunshine State.

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