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

27<sup>th</sup> September, 2022.

**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 Auditor-General for Local Government,  
The State Statistician-General,  
Tutors General,  
Administrative Secretaries,  
The Chief Registrar, Ondo State Judiciary,  
The Chief Registrar, Customary Court of Appeal,  
Registrars of State Owned Tertiary Institutions,  
All Heads of Extra-Ministerial Departments.

**2023 ADVANCE PROPOSALS AND DRAFT ESTIMATES**

**INTRODUCTION**

As enshrined in Section 121(1) of the Constitution of the Federal Republic of Nigeria, 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. To this end, this Ministry has concluded the preliminary activities that would lead to the preparation of the 2023 estimate. Hence, this Budget Call Circular provides guidance and clarity on the criteria for the estimation of revenue

as well as the admission of Personnel, Overhead and Capital Expenditure into the Year 2023 Estimate. Consequently, all Ministries, Departments, Extra-Ministerial Departments and Agencies (MEDAs) are expected to adhere strictly to the guidance stipulated in this Call Circular.

## **OVERVIEW OF THE ECONOMY**

2. Economists, the world over, predicted and projected global economic recovery to strengthen from the second quarter of this year after a short-lived impact of the Omicron Variant of Covid-19. However, the emergence of Ukraine/Russia crisis earlier this year has significantly worsened the prospect of the envisaged early global recovery, causing a tragic humanitarian crisis in Eastern Europe and spilling to other parts of the world.

3. This crisis unfolds when the global economy was on a mending path but had not yet fully recovered from the Covid-19 Pandemic, with a significant divergence between the economic recoveries of advanced economies and developing ones. The extended lockdowns in China have also slowed economic recovery activities and caused bottlenecks in global supply chains. Higher, broader and more persistence price pressures also led to a tightening of monetary policy in many Countries. These and many more have increased the risk of economic downturn in emerging economies like Nigeria and in Sub-Saharan African Countries. Beyond the immediate humanitarian impacts, the war in Ukraine has severely set back global economic recovery, slowing growth and further accentuating the world's inflation caused by the Covid-19 Pandemic. International Monetary Fund (IMF) projected global growth at 3.6 percent in 2022 and 0.8

percentage in 2023, a 0.2 percentage point lower than their January forecast. The downward trend largely reflects the war's direct impacts on Russia and Ukraine and its attendant global spillovers.

4. Although Nigeria's economy grew by 3.5% in second quarter of 2022, the nation's economic Growth will decelerate during 2022-2023 period to about 3.2% due to persistent low oil production and inefficiencies in the Oil Industry. Inflation may be elevated above 16% in 2023 propelled by rising food prices and higher energy costs. Pushed by inevitable public borrowings, debt to GDP may reach 40% in 2024.

5. The headwinds may be worsened by rising insecurity and removal of Oil subsidies which may create socio-economic crises. Climate change, flood and insecurity will collaborate to further push food prices upwards in the coming years (AfDB, 2022). Nevertheless, Nigeria's growth prospects have improved in recent times due to robust recovery in the non-oil sector of the economy and higher global oil prices. Notwithstanding, the Country is unable to harness and maximize the available opportunity due to crude oil theft, low crude oil output and opaque subsidy regime. Despite improved oil prices, the Nigeria fiscal space is deteriorating while the worsening revenue collection at the Federation level has increased budgetary pressures for sub nationals and many States are now in precarious fiscal positions.

6. The Russian-Ukraine war is affecting Nigeria economy through direct and indirect channels including trade disruptions, escalating prices of food and energy which has arrested Foreign Direct Investments (FDI) and stagnated investments.

Climate change has impaired crop yield, while extreme weather conditions may precipitate unimaginable flood worse than 2012 episode with attendant food crises and internally displaced humanitarian problems.

## BUDGET PERFORMANCE 2022

7. Budget performance data from January – June 2022 is presented in the table below:

**Table 2. 1: Cumulative Revenue as at June, 2022**

	REVENUE SOURCES	2022 Approved Target	2022 Mid-Year Target	Mid-Year Actual	Variance	Performance
(A)	<b>Revenue from Federation Account</b>	₦	₦	₦	₦	(%)
i.	Statutory Allocation	33,242,755,920.00	16,621,377,960.00	14,766,384,184.22	-1,854,993,775.78	88.84
ii.	Mineral Derivation Fund	14,680,288,528.00	7,340,144,264.00	8,736,970,967.83	1,396,826,703.83	119.03
iii.	Share of Value Added Tax	12,120,000,000.00	6,060,000,000.00	12,208,975,153.85	6,148,975,153.85	201.47
vi.	Excess Crude/Additional Fund	8,060,000,000.40	4,030,000,000.20	7,660,625,847.84	3,630,325,847.64	190.09
	<b>Sub-total</b>	<b>68,103,044,448.40</b>	<b>34,051,522,224.20</b>	<b>43,372,956,153.74</b>	<b>9,321,433,929.54</b>	<b>127.37</b>
(B)	<b>Independent Revenue</b>					
i.	ODIRS	21,512,205,000.00	10,756,102,500.00	8,562,985,532.02	-2,193,116,967.98	79.61
ii.	MEDAs	9,433,599,154.91	4,716,799,577.46	2,510,319,098.65	-2,206,480,478.81	53.22
	<b>Sub-Total (without RRA)</b>	<b>30,945,804,154.91</b>	<b>15,472,902,077.46</b>	<b>11,073,304,630.67</b>	<b>-4,399,597,446.79</b>	<b>71.57</b>
iii.	Revenue Retaining Agencies (RRA)	0.00	0.00	2,459,176,422.99	0.00	-
	<b>Sub-total (with RRA)</b>	<b>30,945,804,154.91</b>	<b>15,472,902,077.46</b>	<b>13,532,481,053.66</b>	<b>-1,940,421,023.80</b>	<b>87.46</b>
(C)	<b>Other Revenue Sources</b>					
i.	Roll Over/Opening Balance	17,680,564,548.38	8,840,282,274.19	17,680,564,548.38	8,840,282,274.19	200.00
ii.	Domestic Loan/Borrowing	56,164,208,848.31	28,082,104,424.16	28,123,561.71	-28,053,980,862.45	0.10
iii.	Foreign Loan/Borrowings	15,394,300,000.00	7,697,150,000.00	2,030,246,398.32	-5,666,903,601.68	26.38
iv.	Domestic Grants	9,778,515,000.00	4,889,257,500.00	3,656,575,849.28	-1,232,681,650.72	74.79
v.	Foreign Grants	370,000,000.00	185,000,000.00	7,852,720.00	-177,147,280.00	4.24
vi.	Health Insurance Contribution	846,000,000.00	423,000,000.00	84,836,919.55	-338,163,080.45	20.06
	<b>Sub-Total</b>	<b>100,233,588,396.69</b>	<b>50,116,794,198.35</b>	<b>23,488,199,997.24</b>	<b>-26,628,594,201.11</b>	<b>46.87</b>
	<b>Total</b>	<b>199,282,437,000.00</b>	<b>99,641,218,500.00</b>	<b>80,393,637,204.64</b>	<b>-19,247,581,295.37</b>	<b>80.68</b>
	Less (RRA)	0.00	0.00	2,459,176,422.99	2,459,176,422.99	
	<b>GRAND TOTAL</b>	<b>199,282,437,000.00</b>	<b>99,641,218,500.00</b>	<b>77,934,460,781.65</b>	<b>-21,706,757,718.36</b>	<b>78.22</b>

**Source:** Office of Accountant General, Internal Revenue Service & Other MEDAs

## 2023 Fiscal Framework

8. The Fiscal framework envisages a fairly elastic revenue profile from all sources and would therefore, emplace a cautious expenditure control so as to be

able to withstand any economic shock. The Revenue performance from January-June, 2022 as indicated above is a pointer to the fact that there might be a significant improvement in revenue in the next fiscal year. However, no spending unit would be allowed to deviate from its resource envelope as it has been judiciously and realistically allocated.

### **Key Assumptions**

9. Key assumptions underlying the preparation of revenue and expenditure for 2023 Estimates are set out in Table 2. As usual, receipts from the Federation Account is expected to constitute the bulk of revenue inflow to the State in year 2023. The performance of the Federation Account would, therefore, substantially influence the performance of the State Budget. Hence, the State is adopting a fiscal framework with the most prudent and conservative assumptions based on information available from the Federal fiscal and monetary authorities.

**Table 2: KEY ASSUMPTIONS FOR 2023 FISCAL YEAR**

<b>KEY ASSUMPTIONS</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
GDP Growth (%)	2.31%	3.75%	3.30%	3.46%
Inflation Rate (%)	13.00%	17.16%	16.21%	17.21%
Exchange Rate	410.25	435.57	435.92	437.57
Price (per Barrel) Benchmark (\$)	\$57.00	\$70.00	\$66.00	\$62.00
Average Production of Crude Oil (MBPD)	1.8000	1.6900	1.8300	1.8300

### **Policy Thrust and Priorities for the Year 2023 Budget**

10. The policy thrust and priorities of Government in the next fiscal year is aimed at streamlining sectorial programmes and projects within the ambit of the

Medium Term Expenditure Framework (MTEF) and to further consolidate on the gains of this administration in the last four years as contained in the Second Term Blueprint Christened the REDEEMED agenda. The varying competing needs of different sectors should be prioritized and programmes/projects necessary to address them be properly aligned within the Medium Term Sector Strategy (MTSS). To this end, the main objectives of Year 2023 Budget are to:

- i. attain financial resilience and sustainability through efficient, effective and sufficient revenue mobilization and administration;
- ii. optimize resource inflow and expand fiscal space nationally and internationally;
- iii. adhere to development policy and ensure fiscal discipline;
- iv. sustain human capital development through job creation and Social Service delivery;
- v. safeguard lives and livelihood in a secure environment;
- vi. stimulate rural economy and ensure shared prosperity;
- vii. increase effective and efficient healthcare delivery;

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

- i. Intensifying efforts on Independent Revenue Initiatives through automation and expand the tax net through evidence-based tax administration;
- ii. Stimulating robust partnership and harnessing the public, corporate and private individual grants to boost State's resources;

- iii. Leveraging Donor and Development Partners' Support in funding key Intervention Programmes;
- iv. Ensuring efficient public financial management through timely and effective prioritization to achieve development goals;
- v. Creating employment and jobs through Agri-business and entrepreneurships;
- vi. Strategic intervention and support for businesses, the aged and youth through Social Investment programmes;
- vii. Provision of essential support to security agencies for crime prevention and control;
- viii. Prioritizing Community-Based infrastructure and stimulate rural economy through massive construction of rural amenities;
- ix. Reduction of the State's recurrent expenditure, cost of governance to mop up fund for Capital projects;

### **GUIDELINES ON PREPARATION AND SUBMISSION OF 2023 DRAFT ESTIMATES**

12. The Fiscal Responsibility Law, (FRL 2017) makes it compulsory for the State to prepare Medium Term Revenue Framework and Medium Term Expenditure Framework (MTRF and MTEF) which is an integrated approach to policy planning and budgeting within a multi-year framework. Its components include the Medium Term Fiscal Framework (MTFF) and Medium-Term Sector Strategy (MTSS) which all allows for revenue and expenditure projection with a multi-year Framework. To this end, all MEDAs, particularly those in the five pilot sub-sectors of Education,

Health, Agriculture, Infrastructure and Public Finance are all expected to be guided by their respective MTSS documents. MEDAs outside the five pilot sectors are to study the strategic Development and Policy documents of this administration, the REDEEMED agenda, and distil out relevant projects and programmes to actualize the development objectives of the present administration.

13. All Accounting Officers are enjoined to note and strictly adhere to the relevant portions of Chapter 25 of the Ondo State Financial Regulation and the Ondo State Public Financial Management Law 2017, on the preparation of the annual Estimates, especially as regards pre-call circular activities of MEDAs.

14. The State Budget portal has been re-designed so as to align with the new Budget Template given to the State by the Secretariat of the Nigerian Governors Forum (NGF). To this end, Accounting Officers are to ensure all Budget Officers in their respective MEDAs are given functional laptops with internet facility to ensure seamless preparation of the 2023 Budget. As usual, the 2023 Budget preparation process will be conducted using the State's Budget Portal [www.ondobudget.org](http://www.ondobudget.org).

## **REVENUE**

15. Since the inception of the current administration in Ondo State, a lot of efforts has been put into shoring up revenue of the State, through various reforms being spear headed by the Ondo State Internal Revenue Service. However, the contribution of Independent Revenue (IR) to total revenue is still less than 16%. Consequently, it has become inevitable, for the State to look inwards to further improve our Internal Revenue (IR), considering the abundance of potentials that

abound in the State. To this end, all MEDAs are to note that indicative figures for revenue represent the minimum possible that can be achieved. Therefore, MEDAs should endeavor to be innovative so as to exceed the limit which will further expand the State's Independent Revenue base. **All MEDAs are, therefore, required to prepare a revenue mobilization plan and clear same with the State Internal Revenue Service before appearing for the 2023 Pre-Treasury Board defence.**

### **EXPENDITURE**

16. All Ministries, Extra-Ministerial Departments and Agencies (MEDAs) are to note that issues regarding Personnel, Overhead and Capital Expenditures of the Budget must be handled in line with the guidelines contained in this circular. However, it is pertinent to note 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.

### **PERSONNEL**

17. 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 Establishments must be obtained and presented at the Pre-Treasury Board defence.

### **OVERHEAD**

18. It is pertinent for all Accounting Officers across all MEDAs to note that maintenance cost of government machinery and infrastructures have become a

vital aspect of Government spending. It is, therefore, imperative for MEDAs to move away from the era of just building infrastructures without making adequate provision for the maintenance of such infrastructure. All MEDAs should, therefore, ensure adequate provision for maintenance cost within the limit of available resource envelope.

### **CAPITAL ESTIMATES**

19. The year 2023 Budget is designed to further consolidate on all the developmental 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, Bill of Quantity (BoQ), Bill of Engineering Measurement and Evaluation (BEME), e.t.c and present same during Pre-Treasury Board meetings. 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**

20. 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.** This would enable government to gradually withdraw its funding, where possible, and apply the savings to other deprived sectors of the economy, while at the same time enhancing the financial autonomy and independence of the Institutions.

21. To this end, all Tertiary Institutions are required to urgently prepare and submit to the office of the Honourable Commissioner, 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.

## **NATIONAL POLICY ON NUTRITION AND MATTERS AFFECTING**

22. Nutrition is a critical part of sound human health. Good nutrition is related to improved infant, child and maternal health, stronger immune system, safer pregnancy and child birth, low risk of non-communicable diseases (such as diabetes and cardiovascular disease) longevity, and attainment of full potentials. Malnutrition especially among children under 5 years is a major underlying cause

of diminished mental and physical capacity, compromised health and poor learning capacity.

23. Accounting Officers are to note that government at all levels, more than ever before, are increasingly recognizing the importance of nutrition for development, and at the same time taking responsibility for addressing challenges associated with it. Therefore, all MEDAs are to continuously and strategically plan towards addressing this menace of malnutrition through their Budget, starting with the Year 2023 Budget. At the very least, the underlisted Ministries should provide and make budgetary provision(s) in their 2023 Estimates to cater for nutrition activities.

1. Ministry of Finance
2. Ministry of Economic Planning and Budget
3. Ministry of Health
4. Ministry of Agric
5. Ministry of Education, Science & Technology
6. Ministry of Information
7. Ministry of Culture & Tourism
8. Ministry of Women Affairs and Social Development
9. Ministry of Water Resources
10. Ministry of Environment

## **OPEN GOVERNMENT PARTNERSHIP (OGP) AND HUMAN CAPITAL DEVELOPMENT (HCD)**

24. All Accounting Officers are to note that Ondo State Government has joined the Open Government Partnership (OGP) which is hinged 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. To this end, MEDAs are mandated to ensure that their projects/programmes complies with the principles of OGP by engaging their stakeholders in the conceptualization and implementation of projects in year 2023 Budget.

25. The State Government has also key-in to the National Human Capital Development Initiatives, which focuses on three thematic areas of Health and Nutrition, Education and Labour force participation. Hence, Accounting Officers are enjoined to ensure that the Human Capital Development (HCD) initiatives/interventions of their Ministries, Extra-Ministerial Departments and Agencies (MEDAs) are properly captured in their respective MTSS document as projects and programmes that are not in the MTSS will not be accommodated in the year 2023 Budget.

## **IMPACT ASSESSMENT OF PUBLIC EXPENDITURE**

26. 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 DEFENCE PLAN AND SCHEDULE**

27. All Accounting Officers are to note that 2023 Budget defence 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 provisions. 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**

28. 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.

29. 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 defence of the proposals, even if the project is on-going.

30. It should be noted that the portal is automated, therefore, operators should only input figures while other manipulations would be generated automatically.

31. MEDAs are required to maintain constant interaction with this Ministry, the Office of Establishments, Ministry of Finance, Office of the Accountant-General, BPP, Ondo State Internal Revenue Service (ODIRS) and the schedule officer on Budget in the House of Assembly until the 2023 Appropriation Bill is signed into Law.

32. The deadline for the submission of all Budget proposals is 7<sup>th</sup> October, 2022 after which the portal would be closed to MDAs. Budget Officers are to download the indicative envelope on the portal for their Accounting Officers.

33. 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.

34. MEDAs must submit their contributions to the Budget Speech of Mr. Governor on or before Pre-Treasury Board defence. Defaulters would not be allowed to participate in the defence process.

35. Thank you.

**Signed**

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