

MINISTRY OF ECONOMIC PLANNING AND BUDGET, AKURE
ANALYSIS OF THE ONDO STATE YEAR 2020 APPROVED BUDGET
PRESENTED BY PASTOR EMMANUEL IGBASAN, HONOURABLE
STATE COMMISSIONER FOR ECONOMIC PLANNING AND BUDGET
ON 8TH JANUARY, 2020

Protocol,

It is my pleasure to welcome you all gentlemen of the press to this formal presentation of analysis of the year 2020 Budget, to the good people of Ondo State through you, men of the pen profession. As we all know, budget analysis is a breakdown of how Government plans to generate income (Revenue) and how it intends to utilize the Income (Expenditure) within a specified period, usually a year. Hence, today's event is an attempt to explore the priority areas of spending in line with Government's policies/programmes and needs assessment of the people based on the expected Revenue as contained in the 2020 Budget.

Review of 2019 Budget

2. In year 2019, the State operated a total budget of ₦193.903 Billion. This was broken into ₦10.369 Billion for Debt Repayment (principal), ₦9.569 Billion for Statutory Transfers, ₦83.852 Billion for Recurrent Expenditure and ₦90.113 Billion for Capital Expenditure, with a matching revenue estimates of ₦193.903 Billion.
3. In the course of the year (2019), due to exigencies of government there was need to re-allocate funds to new priority areas. However, the revenue base remained in-elastic and hence a re-ordering of the budget

was carried out through an amendment to the 2019 Appropriation Law by the State House of Assembly but without changing the budget size.

4. It is instructive to note that the expected revenue of ₦193.903 billion has a component of Bond, Credit from Development Partners and Grants totalling ₦59.978 billion which is yet to be fully drawn down as expected. This has constituted a huge drag on budget implementation. As at the end of September, 2019 actual revenue performance stood at ₦91.706 billion or 47.29% of budget figure.

5. On the expenditure side of the budget, government has had to finance some of the legacy projects on goodwill using contractors' finance. Hence, despite the inadequacy of revenue, more projects, particularly on the Capital side, were indirectly financed but could not be reported as fund has not been officially expended by government. As at end of September 2019, total releases stood at ₦81.020 billion representing 41.77% performance.

6. **OUR SUCCESS STORY**

Job Creation Through Agriculture, Entrepreneurship and Industrialisation

- 6000 direct job provided through Ondo Linyi Industrial Park at Ore;
- ₦550 million and ₦244.9 million in 2018 and 2019 respectively through Micro Credit Agency;

- 500 Youths have been filled from “Youth in Agric” programme through OSAEC;
- Conclusion of feasibility study on Ondo Deep Seaport.

Massive Infrastructural Development and Maintenance

- Dualisation of Ikare Township Road including construction of the notorious Oke-Alabojuto section of the road;
- Construction of Gaga Road in Akure;
- Construction of Sabomi – Ajagba Road – 2.300 km;
- Construction of fly over across Benin-Lagos Express Way – 0.500 km;
- Drilling of 75 new hand pump boreholes and renovation of over 2000 existing ones;
- Construction of 8.135km dual carriageway from Oba-Adesida – (‘A’Division) – Oba Osupa (NEPA Road) – Ijoka Road.

Promotion of Functional Education and Technological Growth

- Renovation of over 800 public primary schools;
- Provision of modern science equipment’s for our secondary schools.

Provision of Accessible and Qualitative Health Care and Social Service Delivery

- Establishment of UNIMED Teaching Hospital
- Increase in the number of Mother and Child Hospital from 2 to 7

- Distribution of modern medical equipment to all Health facilities in the State
- Contributory Health Insurance Scheme free Health Service to:
 - (i) Pregnant Women
 - (ii) Children aged 0 – 5
 - (iii) Person Living with Disabilities

Workers Welfare

- Regular payment of salaries and payment of six out of seven months' salary arrears;
- Appointment of 44 new Permanent Secretaries;
- Promotion of workers as and when due.

Information

- Rejuvenation of moribund 96.5 FM now Alalaye FM.

7. The 2020 Budget Estimates

The 2020 budget has been prepared based on the projections of the 2020-2022 Medium-Term Expenditure Framework (MTEF). MTEF is a three-year planning document that shows the aggregate knowledge envelope available to the State Government and how the resources are allocated to meet the developmental agenda of Government. MTEF is one of the statutory provision of the Ondo State Fiscal Responsibility Law (FRL 2017). The law makes it mandatory that every yearly budget must be

prepared on the basis of the next three years' projections of MTEF. So, 2020 budget is an offshoot of the 2020-2022 MTEF.

Objectives and Policy Thrusts of the 2020 Estimates

8. Gentlemen of Press, our experience in the last three years has shown that there is great advantage in focusing on key projects that are holistically designed to provide tangible improvements in the lives of our people rather than spreading ourselves thin on small and inconsequential projects. Therefore, the major objectives of the 2020 Budget is to focus on growth drivers of the economy sector through strategic mobilisation of our people to create wealth.

9. In order to give effect to the objectives, the following policy thrusts are distilled for the 2020 estimate:

- To reduce over-dependence on Federal Transfer through improved Independent Revenue Generation;
- To ensure quality human-capital development initiatives through continuous improvement in access to and quality of public service;
- To pursue initiative that would continue to generate economic growth and guarantee security;
- To broaden governance reforms particularly in the areas of policy and strategy; public expenditure and financial management; and public service management.

10. The key targets of Ondo State Government from a fiscal perspective are to:

- Create efficiencies in personnel and overhead expenditure to allow greater resource for Capital Development;
- Grow Independent Revenue (IR) by a minimum of 20% every year from 2020 to 2022;
- Ensure loan will only be used for Capital Expenditure projects;
- Achieve long term target of funding all recurrent expenditure with revenue of a recurrent nature (IGR, VAT and Non-Mineral Component of Statutory Allocation);
- Target sources of Capital receipts and financing outside of loans (e.g. Grants, PPP, etc);
- Give priority to the completion of ongoing capital projects before new projects are commenced; and
- Grow the economy through targeted spending in areas of comparative advantage.

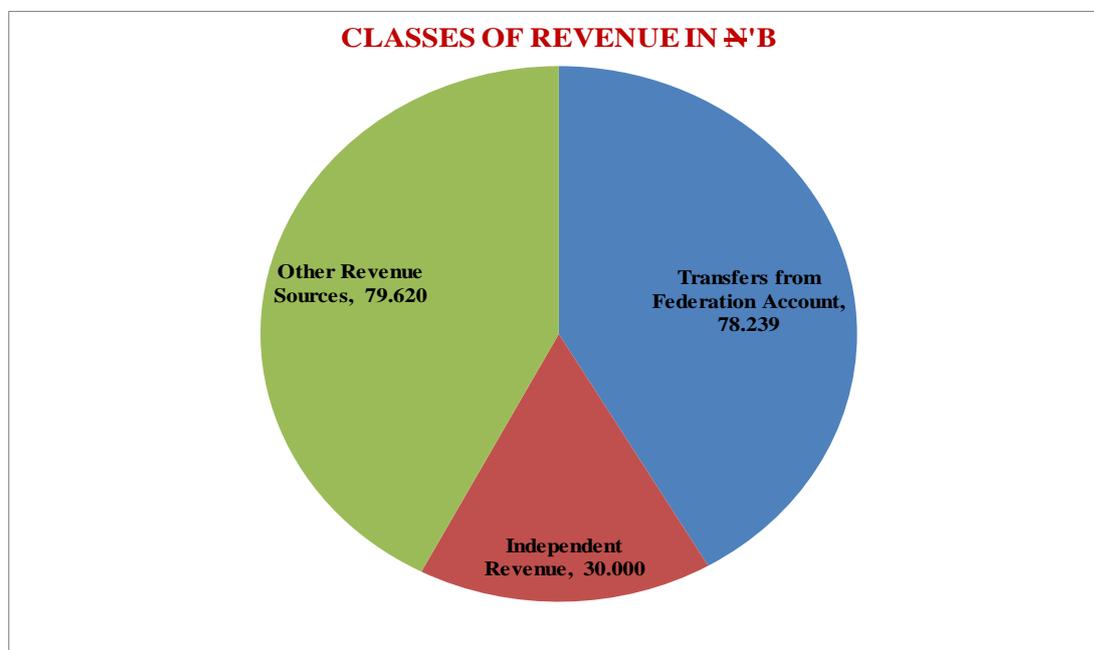
11. The 2020 Budget has been designed to leap frog the economy in all sectors and improve on the successes and achievements of this administration, notwithstanding the fluctuating fortunes of the economy in the last three years. The policy direction of this budget is largely informed by the outcome of my Ministry's interactions with residents of Ondo State

during our Consultative meetings which were validated in a strategic dialogue, comprising political leaders, professionals, civil society Organisations (CSOs), women and youth groups. The policy bedrock of the 2020 budget rests on Human Capital Development, Economic Revolution, Infrastructural Expansion, Institutional Reform, Social Welfare Enhancement, Culture & Tourism and Environmental Sustainability. All of these, if pursued with uncommon focus, will help us build a new society, create new jobs, new opportunities and wealth and in-turn create a new era of prosperity for all.

12. As stated earlier, the 2020 budget christened 'Budget of Growth' is designed to focus on the growth drivers of the economy in order to accelerate the pace of economic recovery and development. In all, a total of ₦187.859 billion was budgeted to further deliver the dividends of democracy to the people of the State. The budget has a provision of ₦80.470 billion for Capital Project and ₦82.700 billion for Recurrent Expenditure. It also has a provision of ₦10.508 billion and ₦14.180 billion for Debt Repayment and Statutory Transfer respectively.

13. Taking into consideration the macro-economic variables and indicators as contained in the 2020-2022 MTEF document, three classes of revenue to fund all the laudable projects in the 2020 budget, have been distilled out as follows:

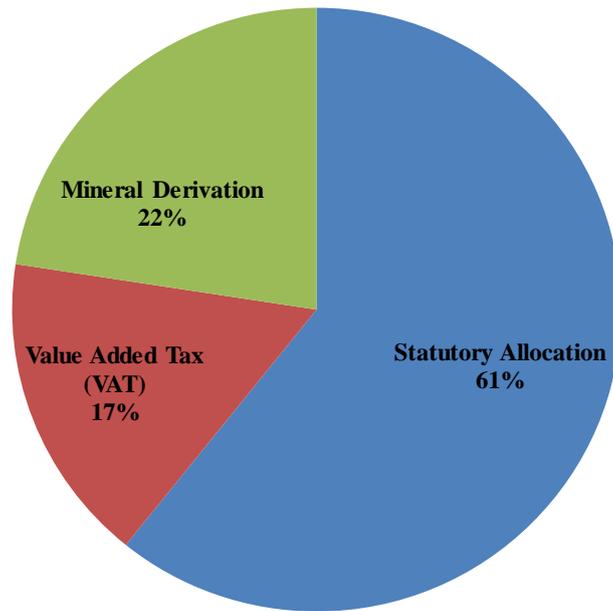
- a. Federation Account N78.239 billion
- b. Independent Revenue (IR)/Internally Generated Revenue (IGR) N30.000 billion
- c. Other Revenue Sources N79.620 billion



A. Transfers from Federation Account: N78.239

| S/N | REVENUE ITEM | 2019 APPROVED BUDGET N.B | 2020 APPROVED BUDGET N.B | 2020 EXPECTED MONTHLY RECEIPT |
|------|-----------------------|--------------------------|--------------------------|-------------------------------|
| i. | Statutory Allocation | 26.460 | 47.549 | 3.962 |
| ii. | Value Added Tax (VAT) | 12.000 | 13.019 | 1.085 |
| iii. | Mineral Derivation | 17.560 | 17.671 | 1.473 |

TRANSFER FROM FEDERATION ACCOUNT



B. Independent Revenue (IR): ₦30 Billion

14. The projection of ₦30 billion in 2020 as Independent Revenue (IR) represents an average of ₦2.5 billion per month. In essence, the contribution of IR to total revenue is 15.96%. The fluctuation of revenue from the Federation Account has been a problem since the global economic crunch of 2016. Hence, the present administration has put in place several measures to shore up our Independent Revenue, some of which includes:

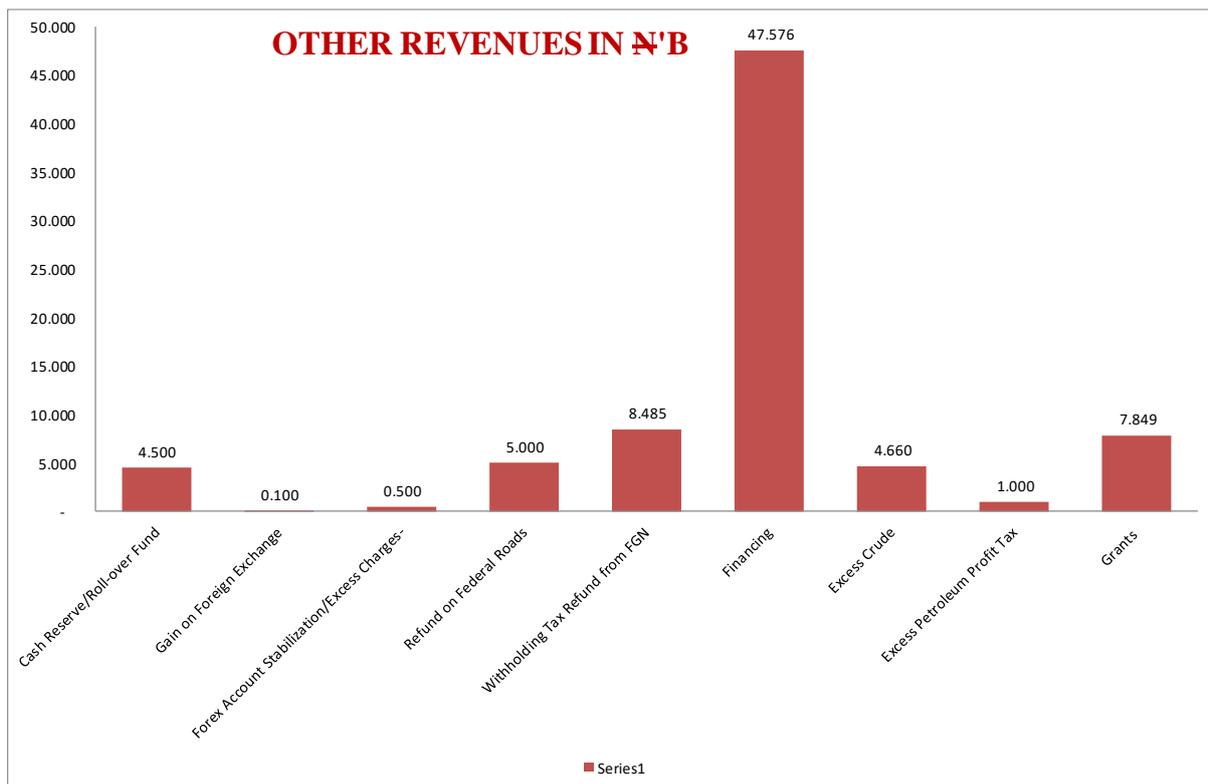
- Sustaining the Revenue drive in the State by yearly increase of at least 20%;
- Innovative and Integrated approach to drive government revenue through ICT;

- Determining of new revenue areas to expand the revenue base of the State;
- Plugging of revenue leakages.

C. Other Revenue: ₦79.620 BILLION

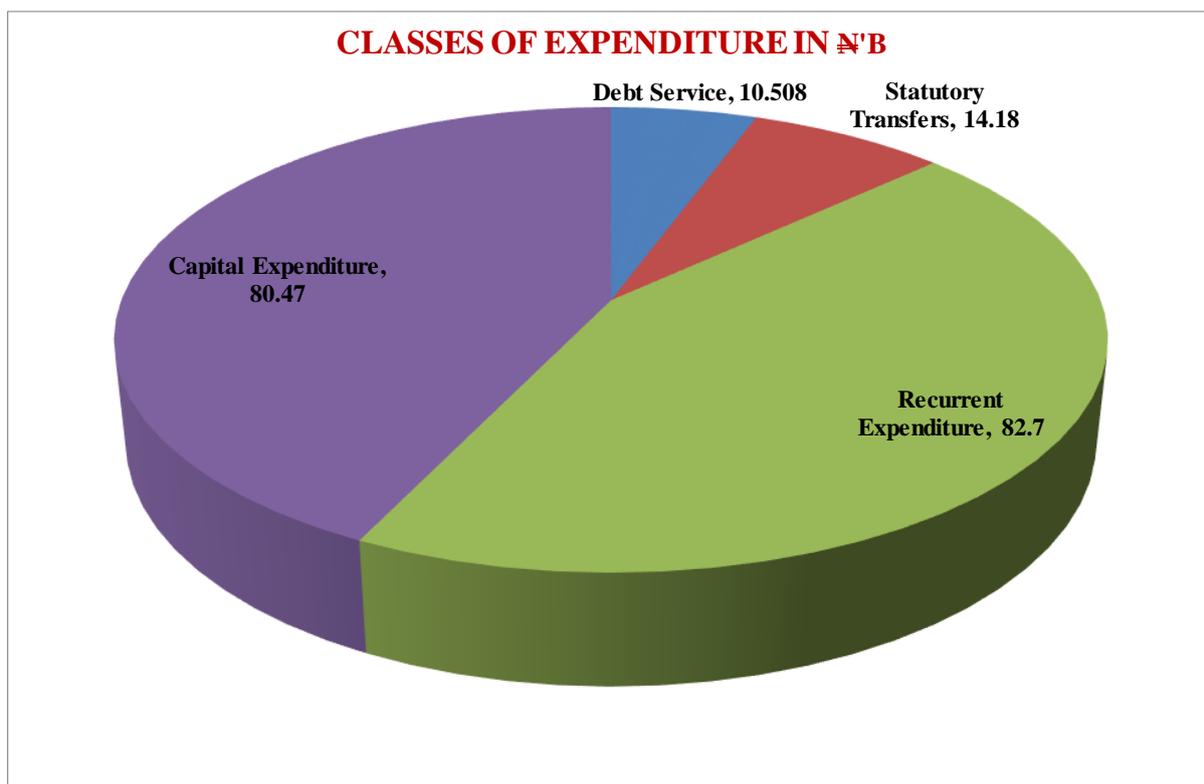
15. In the same vein, ₦79.620 billion is expected from other sources as listed below:

| | | ₦'B |
|--------|---------------------------------------------|------------------------|
| (i) | Cash Reserve/Roll-over Fund | - 4.500 |
| (ii) | Gain on Foreign Exchange | - 0.100 |
| (iii) | Forex Account Stabilization/Excess Charges- | 0.500 |
| (iv) | Refund on Federal Roads | - 5.000 |
| (v) | Withholding Tax Refund from FGN | - 8.485 |
| (vi) | Financing | - 47.576 |
| (vii) | Excess Crude | - 4.660 |
| (viii) | Excess Petroleum Profit Tax | - 1.000 |
| (ix) | Grants | - <u>7.849</u> |
| | TOTAL | = <u>79.670</u> |



Expenditure Proposals

16. In the last two and half year, the present administration has engaged in massive Investment and regeneration of the Infrastructural base of the State. This is to deliver quality Infrastructure to encourage and facilitate the delivery of public services and ease the movement of people, goods and services for socio-economic activities and leisure. Others are on the verge of being completed and hence priority is on the completion and delivery of all such projects. In all, a total budget of ₦187.859 billion has been appropriated for the services of the people of the State.



Debt Service

17. A total of ₦10.508 billion which represents 5.60% of the total budget size has been set aside to cater for debt repayment (Principal) in 2020 Fiscal year only. The Interest element has been taken care of in the recurrent side of the budget.

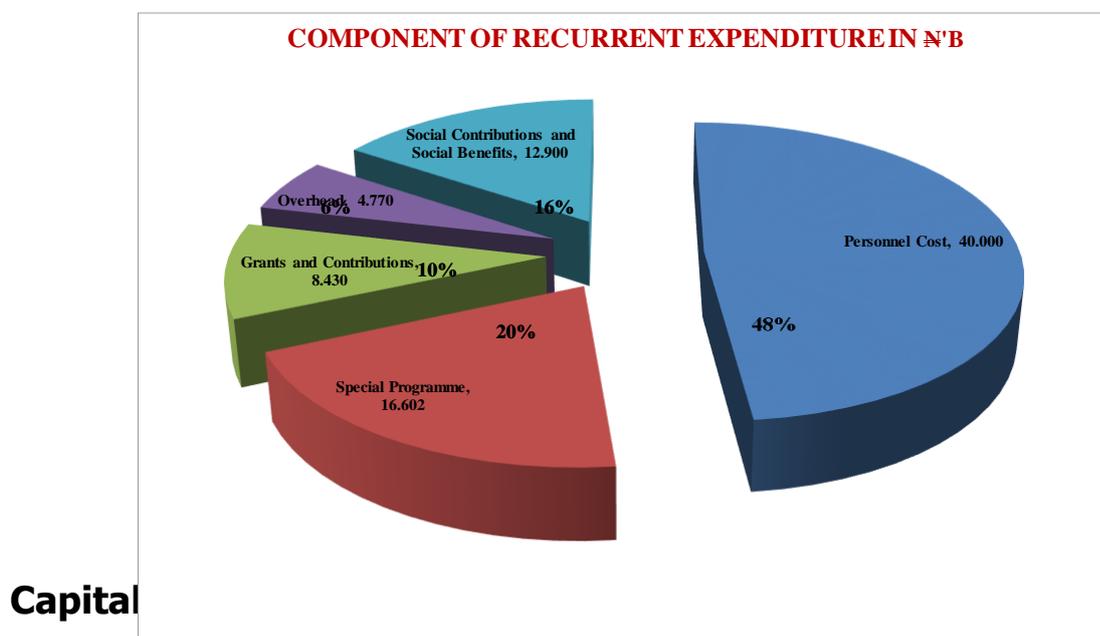
Statutory Transfers

18. As mandated by relevant statutes, the sum of ₦14.180 billion has been set aside as statutory transfers to OSOPADEC, 10% of State's IR to Joint Account Allocation Committee (JAAC) of Local Governments and transfer to Internal Revenue Services for 2020.

Recurrent Expenditure

19. A total of ₦82.700 billion is earmarked for recurrent expenditure in year 2020. This represents a slight decrease of 1.37% lower than 2019 figure of ₦83.852 billion. This is an attempt to free more funds for Capital development as well as prepare a realistic budget. In spite of this, provision has been made to cater for the new minimum wage that has been approved by the Federal Government. Also, in order to service, maintain and sustain all the laudable Capital Projects being put in place by the present administration adequate provision was made for maintenance services in 2020. The breakdown is as follows:

| S/N | ITEM OF EXPENDITURE | APPROVED ESTIMATES | | | |
|------|------------------------------------------|--------------------|---------------|---------------|---------------|
| | | 2019 ₦'B | % | 2020 ₦'B | % |
| i. | Salary and Wages | 36.232 | 43.28 | 40.000 | 48.37 |
| ii. | Special Programme | 17.257 | 20.61 | 16.602 | 20.07 |
| iii. | Grants and Contributions | 7.562 | 9.03 | 8.430 | 10.19 |
| iv. | Overhead | 4.513 | 5.39 | 4.770 | 5.77 |
| v. | Social Contributions and Social Benefits | 18.159 | 21.69 | 12.900 | 15.60 |
| | TOTAL | 83.723 | 100.00 | 82.702 | 100.00 |



20. On the Capital side, a total of ₦80.470 billion or 42.84% of the total budget was allocated to Capital development. This is a deliberate attempt to consciously expand the fiscal space and rejig the economy.

21. In order to ensure that this administration does not shift focus from the target set at the inception of this administration, key projects distilled out of the (JMPPR) have been given adequate attention and budgetary provision made for them. It is these initiatives that will be pursued with utmost desire and vigour in 2020. It will also be used to benchmark our Key Performance Indicators (KPIs).

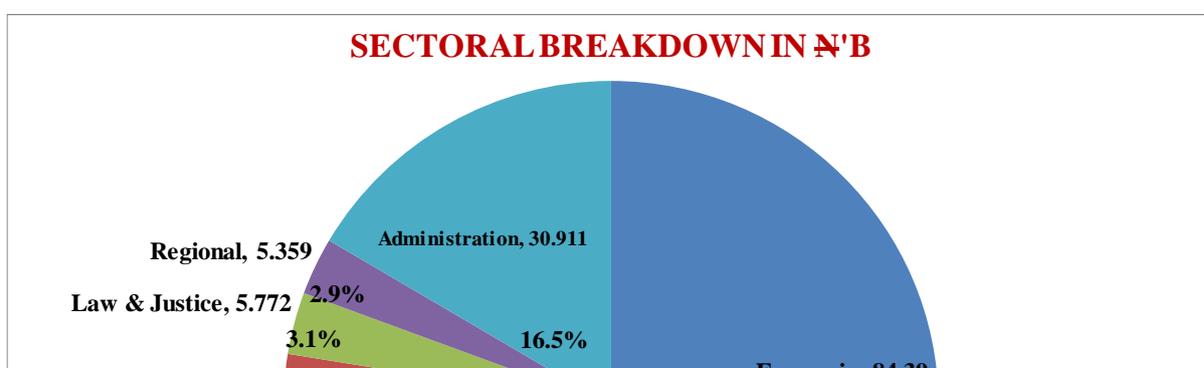
22. The structure of 2020 expenditure is geared towards maximizing positive socio-economic impact of the State's Fiscal Operations on the populace. This, we intend to achieve by allocating more fund for key developmental programmes of government. In all, the total budget of ₦187.859 billion has been appropriated with ₦82.700 billion for recurrent expenditure while ₦80.470 billion is for Capital Project.

Sectoral Analysis

23. The Sectoral breakdown of 2020 Budget is as follows:

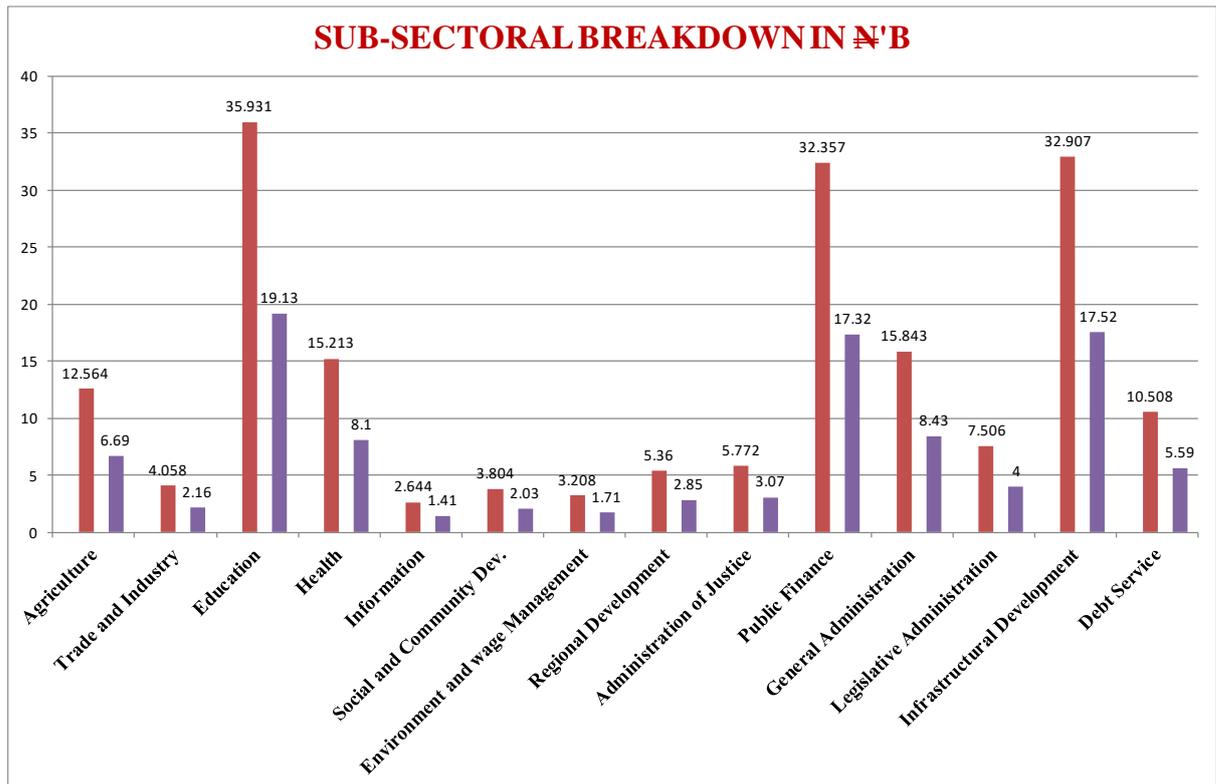
Sectoral Breakdown

| | Sector | | Amount (₦'B) | % |
|-------|----------------|---|---------------------|----------|
| (i) | Economic | - | 84.39 | 45.2 |
| (ii) | Social | - | 60.877 | 32.3 |
| (iii) | Law & Justice | - | 5.772 | 3.1 |
| (iv) | Regional | - | 5.359 | 2.9 |
| (v) | Administration | - | 30.911 | 16.5 |



Sub-Sectoral Breakdown

| Sub-Sector | | Amount (N'B) | % |
|-----------------------------------------|---|---------------------|----------|
| i. Education | - | 35.931 | 19.13 |
| ii. Infrastructural Development | - | 32.907 | 17.52 |
| iii. Public Finance | - | 32.357 | 17.32 |
| iv. General Administration | - | 15.843 | 8.43 |
| v. Health | - | 15.213 | 8.10 |
| vi. Agriculture | - | 12.564 | 6.69 |
| vii. Debt Service | - | 10.508 | 5.59 |
| viii. Legislative Administration | - | 7.506 | 4.00 |
| ix. Administration of Justice | - | 5.772 | 3.07 |
| x. Regional Development | - | 5.360 | 2.85 |
| xi. Trade and Industry | - | 4.058 | 2.16 |
| xii. Social and Community Dev. | - | 3.804 | 2.03 |
| xiii. Environment and Sewage Management | - | 3.208 | 1.71 |
| xiv. Information | - | 2.644 | 1.41 |



24. The policy of this administration as contained in the Blueprint to Progress document is:

J - Job creation through Agriculture, Entrepreneurship and Industrialization

M - Massive Infrastructure Development and Maintenance

P - Provision of Functional Education and Technological Growth

P - Provision of Accessible and Qualitative Health Care and Social Service Delivery.

R - Rural Development and Community Extension Services.

25. Gentlemen of the Press, Ladies and Gentlemen, fund has been proposed for some legacy projects/Key Initiatives across all sectors of the economy in the 2020 fiscal estimates. Some of these initiatives include:

(a) **Key Projects in 2020 Appropriation Law**

- i. Reticulation of Owena Dam to serve about 1.2m people in Akure, Ondo, Idanre, Ifedore and Owo metropolis;
- ii. Independent Power Plant to serve State Secretariat, GRA and Oba-Ile axis of Akure;
- iii. Various Agricultural Projects to affect about 500,000 farmers (CACS – ₦2.5 billion; AADS - ₦1.5 billion; LIFE-ND – ₦2.0 billion, Cassava Revolution);
- iv. Introduction of ICT in schools and rapid broadband penetration;
- v. Improved health care delivery system through Contributory Health Insurance Scheme (CHIS), free health care for pregnant mothers and children of age 0-5yrs and Persons Living with Disabilities (PLWDs);
- vi. Zero pothole through Public Work Department of the Ministry of Works and Infrastructure;
- vii. Construction of coastal Road from Araromi in Ilaje to Lekki in Lagos;
- viii. 500km Rural Roads to connect farmers to market (N1.750 billion);
- ix. Clean Ondo initiatives (Open Defecation Free Ondo Agenda);
- x. Long Term Development Plan (Agenda 2050).

(b) **Other Initiatives**

Amount(₦'B)

| | | |
|-------|--------------------------------------------------------------------------------|--------|
| i. | Nigeria State Health Investment Project | 1.429 |
| ii. | Ondo State Erosion and Watershed Management Project (NEWMAP) | 1.201 |
| iii. | Partnership for Expansion of Water Supply and Sanitation and Hygienic (PEWASH) | 0.915 |
| iv. | Malaria Control AFDB | 0.786 |
| v. | SUBEB (UBE) | 1.474 |
| vi. | Construction/Rehabilitation of Roads | 17.325 |
| vii. | Construction of New High Court | 1.350 |
| viii. | Renovation of House of Assembly Parliamentary Building | 0.800 |

CONCLUSION

26. The implementation of the 2020 Budget is of utmost importance to this government as no stone will be left unturned in ensuring that the details contained therein are adhered to and implemented to the letter.

27. Gentlemen of the press, it is now time to reawaken the spirit of industry and creativity which I believe lies within every one of us. This Budget of Growth clearly outlines our fiscal priorities and serve as a compass to the future that we seek. Ondo State must become the standard bearer of progress in Nigeria. We must lead the nation in social and economic progress. We will be unrelenting in our pursuit of a safer, viable and digital Ondo State. We shall hold all accountable and will aggressively ensure justice is meted to offenders.

28. Let me reiterate that my Ministry has even gone further to produce the easy-to-understand versions tagged Citizens Budget of the 2020 budget, both in English and Yoruba languages so that the common man on the street can relate to the document and distil what the government has in stock for them. Copies are available at our office and on our web portal www.ondobudget.org. You are all therefore, enjoined to acquaint yourself with the programmes and projects contained herein.

29. Gentlemen of the Press, on behalf of our Governor, Arakunrin Oluwarotimi Odunayo Akeredolu SAN, I thank you for your support on this journey of renewal and advancement. As we engage frontiers and push boundaries as well as work together with the shared passion of Mr Governor to birth a new, prosperous, safe and healthy Ondo State, our people shall be the ultimate beneficiary of our efforts. I solicit your continuous and harmonious working relationship in the interest of our dear State and to the glory of God, our maker.

30. I want to appreciate you for your time, as I welcome your comments and questions.

31. Thank you and God bless you all.