

MINISTRY OF ECONOMIC PLANNING AND BUDGET, AKURE
ANALYSIS OF THE ONDO STATE YEAR 2020 REVISED BUDGET
HELD ON 28th SEPTEMBER, 2020.

Protocols.

One of the numerous ways by which the openness and transparency of this government is demonstrated is through acquainting our people with the highlights and details of our Budget and State Finances. It is unavoidable that the novel Covid-19 Pandemic will have a considerable impact on the State economy as the outbreak in Nigeria and the World at large has obstructed various micro and macro-economic variables in the Country and will have direct impact on revenue accruable to the government, and consequently its expenditure.

2. Today's event is geared towards explaining the Fiscal programmes of the State in the Revised 2020 Budget so that the ordinary man on the street can understand the dreams and visions encapsulated in the Budget and, in the final analysis, be able to contribute meaningfully to the Budgetary process towards the overall development of our dear Sunshine State. Aside from the foregoing, the avowed commitment of the present administration towards good governance, probity and accountability demands laying before the people the financial proposal of the State.

However, in revising the 2020 Budget, we focussed our attention only on some strategic initiatives that are Covid-19 responsive and projects that can reasonably be delivered before the end of the year.

Review of 2020 Original Budget

3. The 2020 Fiscal year started with an estimate of ₦187.859 billion broken into ₦10.508 billion for Debt Services, ₦14.179 billion for Statutory Transfers, ₦82.700 billion and ₦80.470 billion for Recurrent Expenditure and Capital Expenditure respectively. The Budget equally had a matching revenue estimates of ₦187.859 billion. However, the outbreak of Covid-19 early in the year has necessitated the urgent need for a review of the initial Budget Figure and its fundamentals in order to take care of the realities of Covid-19 which has greatly affected the economy of the State. The effect has been huge as our earnings as a State has fallen drastically; whereas, the demand for funds to carry out statutory social responsibilities has risen astronomically. To balance these extreme realities, the State, as a matter of utmost expediency, had to engage in various cost cutting measures to enable us manage the lean resources available to the State efficiently.

4. In the face of our revenue realities, therefore, the Original Approved Figure of ₦187.859 billion has now been reduced to ₦151.438 billion broken into ₦13.000 billion for Debt Repayment (Principal), ₦12.060

billion for Statutory Transfers, ₦95.022 billion for Recurrent Expenditure and ₦51.355 billion for Capital Expenditure, with a matching revenue estimates of ₦151.438 billion.

OBJECTIVES AND POLICY THRUST OF THE REVISED 2020 ESTIMATES

5. Gentlemen of the Press, I wish to inform you that early this year I highlighted to you in this same hall the objectives and policy thrust of the original year 2020 Budget to include:

- (i) To reduce overdependence on Federal Transfer through improved Independent Revenue Generation;
- (ii) To pursue initiative that would continue to generate economic growth and guarantee security, among others.

6. However, the change in the macroeconomic variables used in making forecasts for the Budget occasioned by Covid-19 Pandemic has brought about a change to the focus of government towards addressing the effects of the pandemic on the people of Ondo State. To that extent, below are the new objectives and targets:

- curb the spread of the Covid-19 in the State through regular publicity and airing of jingles about the need for regular adherence to Covid-19 protocols and personal hygiene;
- give priority to cushioning the effects of Covid-19 pandemic in the State through provision of healthcare facilities, palliatives and economic rebound initiatives like micro-credit loans, agricultural re-engineering, etc.;

- reflate and rejig the economy through targeted spending in healthcare, agriculture, education, water and sanitation, environment and sewage, social safety net, etc.;
- create efficiencies in personnel and overhead expenditure to allow greater for resource to mitigate the effects of the Covid-19 pandemic;
- create employment opportunities through the establishment of public workfare programmes that would re-engage those who lost their jobs to Covid-19 across the State;
- broaden the security network across the State to ensure safe and secured environment and encourage farmers to return to farm, thereby guaranteeing food security in the medium term; and
- Reform the public sector through capacity building, financial system harmonisation and efficient internally generated revenue management system.

REVISED 2020 BUDGET

7. Just like the original 2020 Budget was prepared based on 2020-2022 MTEF, the Revised 2020 Budget too was prepared using the projections of the revised 2020-2022 Medium Term Expenditure Framework (MTEF). MTEF is a statutory provision of the Ondo State Fiscal Responsibility Law (FRC, 2017). The Law makes it mandatory that every yearly Budget must be prepared on the basis of the next three years'

projection of MTEF. So, the Revised 2020 Budget is an offshoot of the revised 2020-2022 MTEF.

8. I wish to emphasise here that despite the new direction, this government is committed to the completion of the ongoing infrastructures that dot the nooks and crannies of this State. It is also needful for me to state here that the new policy directions is largely informed by the outcome of our interactions with various stakeholders and the representatives of the people during our consultative meetings including Civil Society Organisations (CSOs), Community-Based Organisations (CBOs), Professional Organisations, Student bodies, Directors of Local Govt. Administration (DLGAs) in the 18 Local Government Areas of the State, of which many of you here participated in.

9. The Revised 2020 Budget is christened 'Budget of Growth' as we had it in the original Budget. The reason for this is that all the new objectives are tending towards economy recovery, growth and development.

10. In view of the low demands for crude oil in the international market, as well as the lockdowns occasioned by the pandemic, there are negative changes in the macroeconomic variables used in making forecasts for revenue for the original year 2020 Budget. The changes are as shown in the table below:

Macro-Economic Variables

S/N	KEY ASSUMPTIONS	ORIGINAL 2020 BUDGET ₦'B	REVISED 2020 BUDGET ₦'B
1.	GDP Growth (%)	2.6	-4.42
2.	Inflation Rate (%)	11.7	14.13
3.	Exchange Rate (₦:\$)	305	360
4.	Oil Price Benchmark (\$ per barrel)	55	25
5.	Crude Oil Production (MBPD)	2.0	1.7

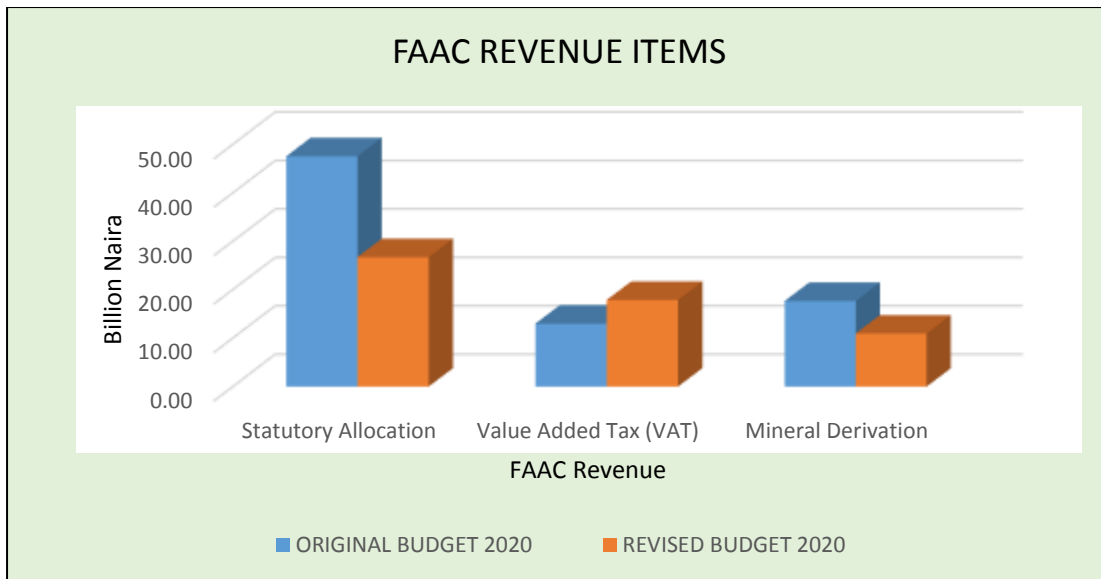
11. Due to negative changes in the above Macroeconomic variables, the total revenue thrown up as proposed budget for the review was ₦151,438,000.00. It is to be sourced from three (3) different sources, namely:

	₦'B	
i. Federation Account	-	55.556
ii. Independent Revenue	-	24.245
iii. Other Revenue Sources	-	<u>71.637</u>
TOTAL	=	<u>151.438</u>

(A) Transfer from the Federation Accounts

The Table below shows the various constituents of the Federation Accounts:

S/N	REVENUE ITEMS	ORIGINAL 2020 BUDGET ₦'B	REVISED 2020 BUDGET ₦'B	VARIANCE	
				₦'B	%
1.	Statutory Allocation	47.549	26.731	20.818	-43.8
2.	Value Added Tax (VAT)	13.019	17.879	(4.860)	37.3
3.	Mineral Derivation	17.671	10.946	6.725	-38.1
	TOTAL	78.239	55.556	22.283	-29.0



The increase in Value Added Tax (VAT) is due to the new increase in the rate from 5% to 7.5%.

(B) Independent Revenue – ₦24.245 billion

12. The projected Independent Revenue for the original 2020 Budget was ₦30 billion representing ₦2.5 billion per month. However, because of the pandemic, Ondo State Internal Revenue Service made some tax incentives available for the citizens in order to cushion the effects of the pandemic on them. This therefore, reduced the proposed revenue for revised 2020 Budget to ₦24.245 billion. Incentives given include:

- i. The minimum tax payable under the Presumptive Tax Regime (Artisans, Market Women, etc.) in the State has been reduced by 50% for year 2020.
- ii. The deadline for the submission of Form A for employees and Annual Returns in accordance with Section 41 (3) & 81 (1-3) of the

Personal Income Tax Act (PITA) 2011 as amended, for companies operating in Ondo State is extended to September, 30th.

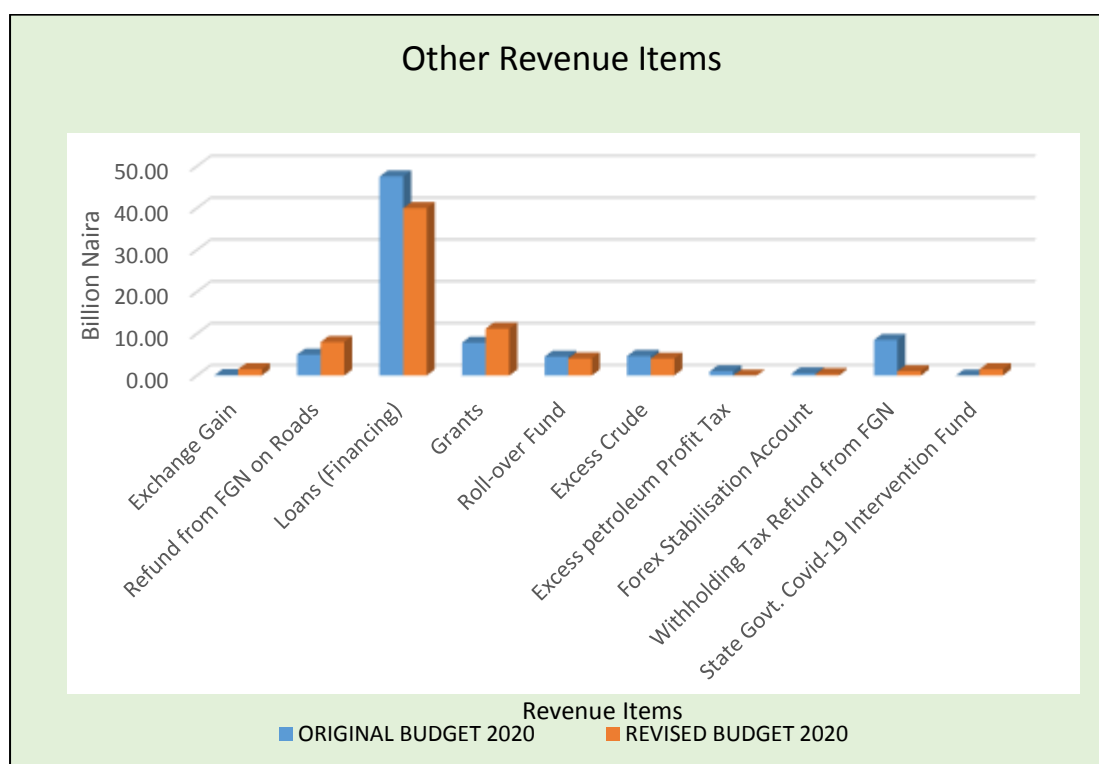
- iii. The penalty hitherto being charged on late remittance of Pay As You Earn (PAYE) deductions has been waived between March and September, 2020 for all sectors.
- iv. Registration for National Tax Identification Number (NTIN) can now be done on the website of Ondo State Internal Revenue Services (www.odirs.ng) following their full integration with the JTB NTIN administrators and the NTIN certificate will be sent to applicant's e-mail address directly. Applicants do not require a visit to ODIRS offices anymore for NTIN registration.

C. Other Revenue Sources

In the same vein, ₦71.637 billion is expected from other sources as listed below:

S/N	ITEMS	ORIGINAL 2020 BUDGET ₦'B	REVISED 2020 BUDGET ₦'B	VARIANCE	
				₦'B	%
1.	Exchange Gain	0.100	1.500	(1.400)	1400.0

2.	Refund from FGN on Roads	5.000	8.000	(3.000)	60.0
3.	Loans (Financing)	47.576	40.000	7.576	-15.9
4.	Grants	7.849	11.207	(3.358)	42.8
5.	Roll-over Fund	4.500	4.081	0.4190	-9.3
6.	Excess Crude	4.660	4.036	0.624	-13.4
7.	Excess petroleum Profit Tax	1.000	-	1.000	-100.0
8.	Forex Stabilisation Account	0.500	0.313	0.187	-37.4
9.	Withholding Tax Refund from FGN	8.485	1.000	7.485	-88.2
10.	State Govt. Covid-19 Intervention Fund	-	1.500	1.500	-100.0
	TOTAL	79.670	71.637	8.033	-10.1



Expenditure Proposals

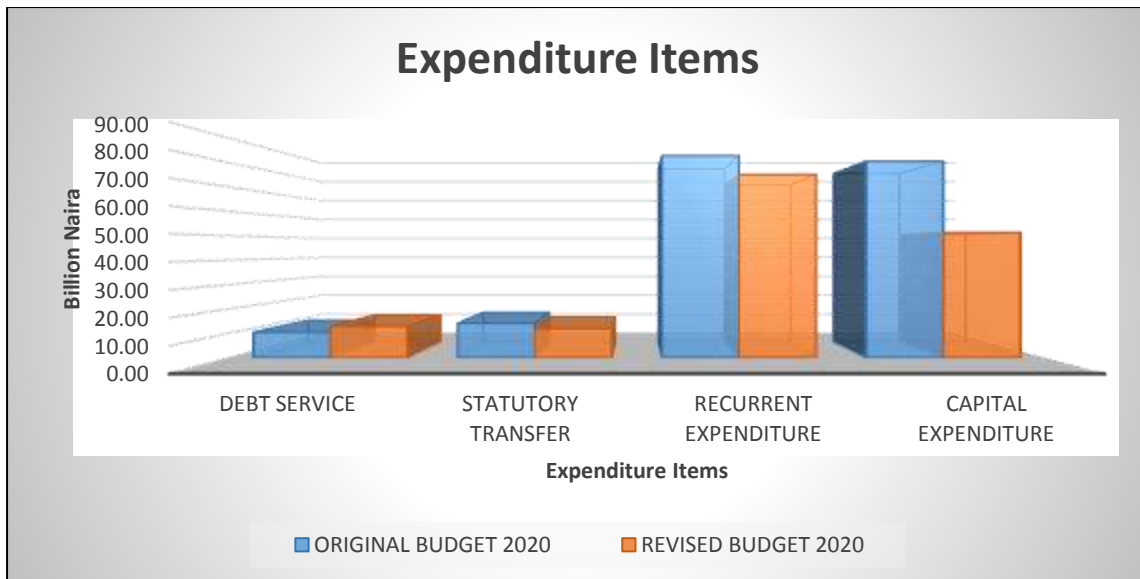
13. In order to meet up with the Expenditure need of this time, some cost-cutting measures are put in place by this government, including:

- Removal of non-priority expenditures like
 - * Buildings and Renovations;
 - * Purchase of Vehicles (except statutorily required);
 - * Purchase of Furniture and fittings;
 - * Purchase of equipment (other than medical or those that have direct impact on the fight against Covid-19);
- Suspension of non-health related recruitments of staff;
- Reduction in the cost of governance (overhead and special programmes).

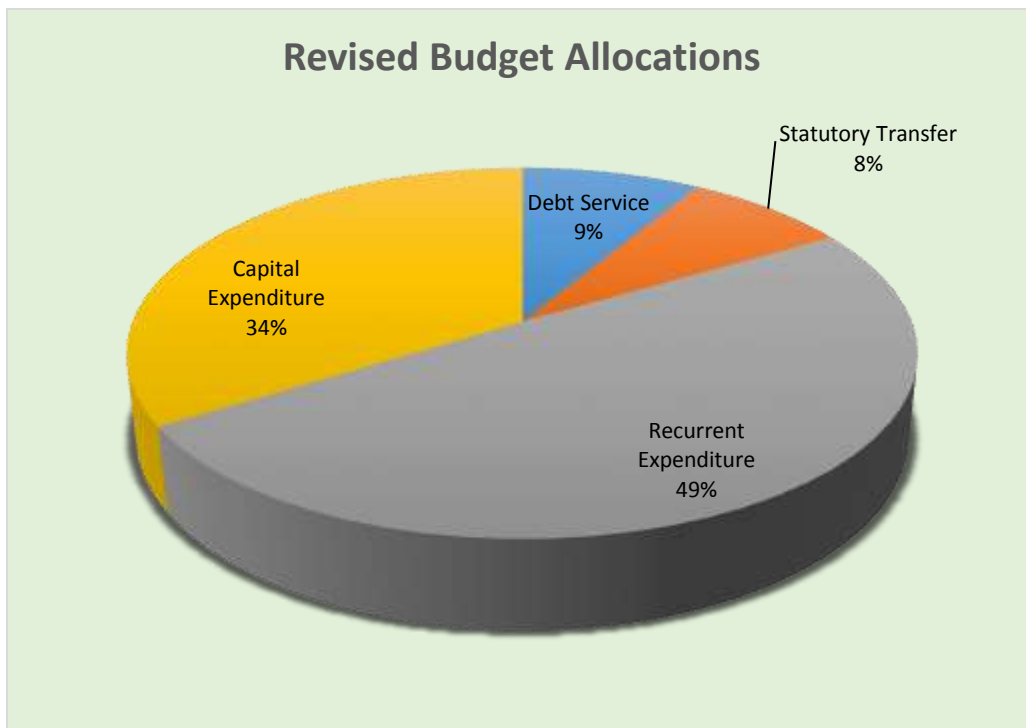
14. Consequently, the sum of ₦151,438,000,000.00 has been appropriated to serve the people of the State during this Covid-19 year. This is divided as shown below:

Expenditure Division

S/N	EXPENDITURE CLASSES	ORIGINAL 2020 BUDGET#B	REVISED 2020 BUDGET#B	VARIANCE	
				#B	%
1.	Debt Service	10.508	13.000	(2.492)	23.7
2.	Statutory Transfer	14.180	12.060	2.12	-15.0
3.	Recurrent Expenditure	82.700	75.023	7.677	-9.3
4.	Capital Expenditure	80.470	51.355	29.115	-36.2
	TOTAL	187.858	151.438	36.420	-19.4



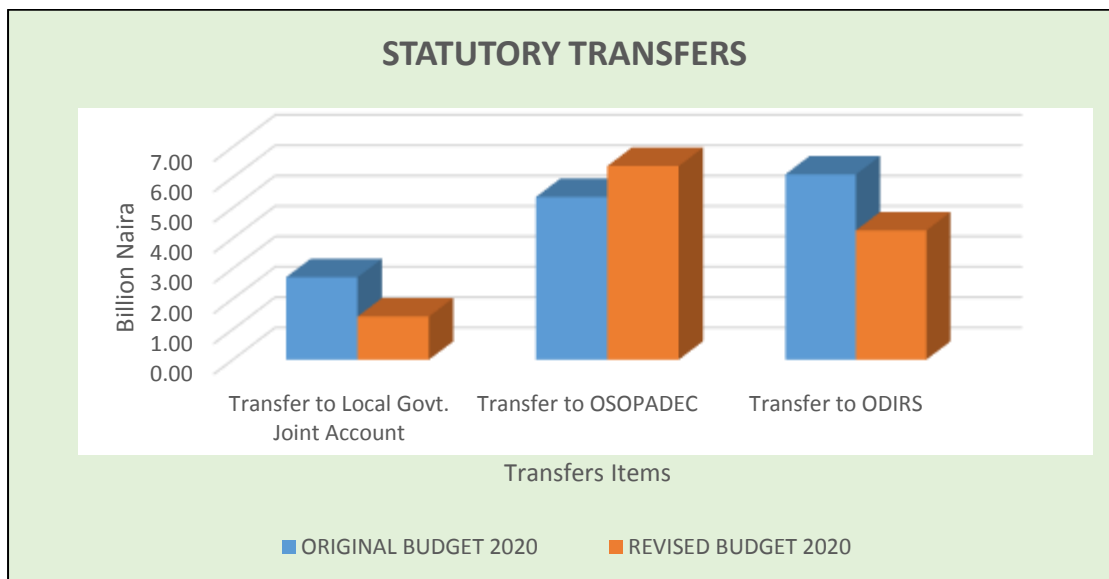
The table above shows that total Expenditure is reduced by 19.4% in the revised budget. The graph below shows the 2020 Revised Budget Allocations to Debt Service, Capital and Recurrent Expenditures in Percentage.



15. From the above table, ₦13.0 billion is marked to repay and service debt, while ₦12.060 is for Statutory Transfers. The Statutory Transfers is in turn divided thus:

Statutory Transfers

S/N	ITEMS	ORIGINAL 2020 BUDGET ₦'B	REVISED 2020 BUDGET ₦'B	VARIANCE	
				₦'B	%
1.	Transfer to Local Govt. Joint Account	2.720	1.424	1.296	-47.6
2.	Transfer to OSOPADEC	5.360	6.378	(1.018)	19.0
3.	Transfer to ODIRS	6.100	4.258	1.842	-30.2
	TOTAL	14.180	12.060	2.120	-15.0

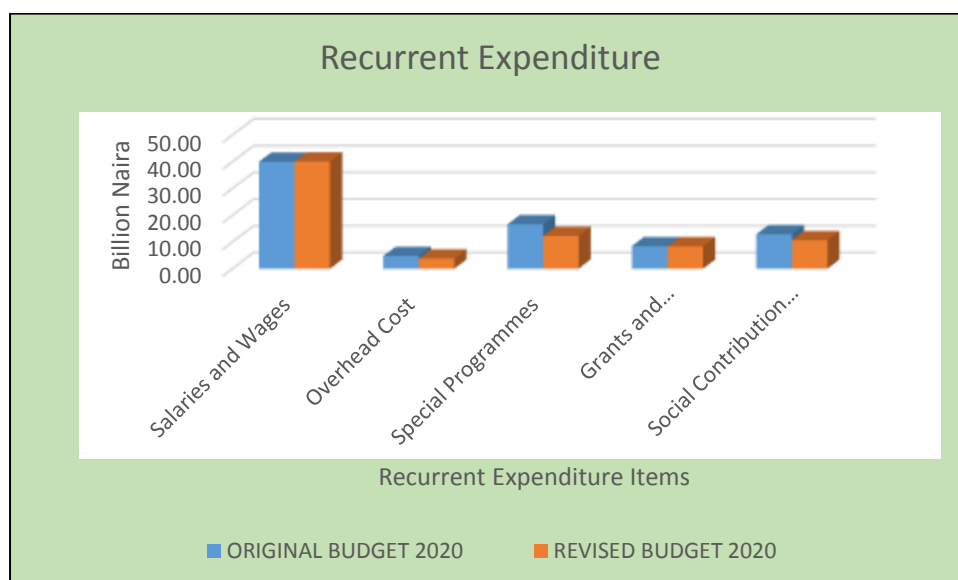


This means that the total Transfers in the original 2020 Budget is reduced by 15%.

16. Also, the total amount proposed for recurrent expenditure in the Revised Budget is ₦75.023, which is 9.3% reduction from the original Budget. This is as shown in the table below:

Recurrent Expenditure

S/N	RECURRENT ITEMS	ORIGINAL 2020 BUDGET ₦'B	REVISED 2020 BUDGET ₦'B	VARIANCE	
				₦'B	%
1.	Salaries and Wages	40.000	40.060	(0.06)	0.15
2.	Overhead Cost	4.770	3.765	1.005	-1.1
3.	Special Programmes	16.602	12.206	4.396	-26.5
4.	Grants and Contributions	8.430	8.341	0.089	1.1
5.	Social Contribution and Social Benefits	12.900	10.651	2.249	-17.4
	TOTAL	82.702	75.023	7.679	-9.3



Capital Expenditure

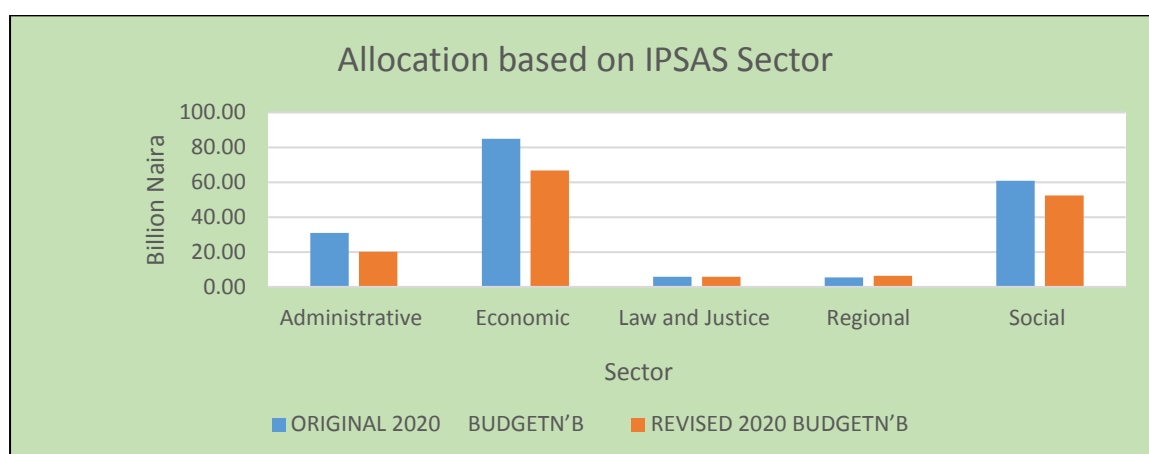
17. Notwithstanding the challenge brought on the revenue by Covid-19 Pandemic, the sum of ₦51.355 billion was earmarked as Capital Expenditure in the revised 2020 Budget. This is 36.2% reduction in the original 2020 Capital Expenditure of ₦80.470 billion.

Sectoral Analysis

18. The Sectoral breakdown of 2020 Revised Budget is as follows:

Sectoral Breakdown

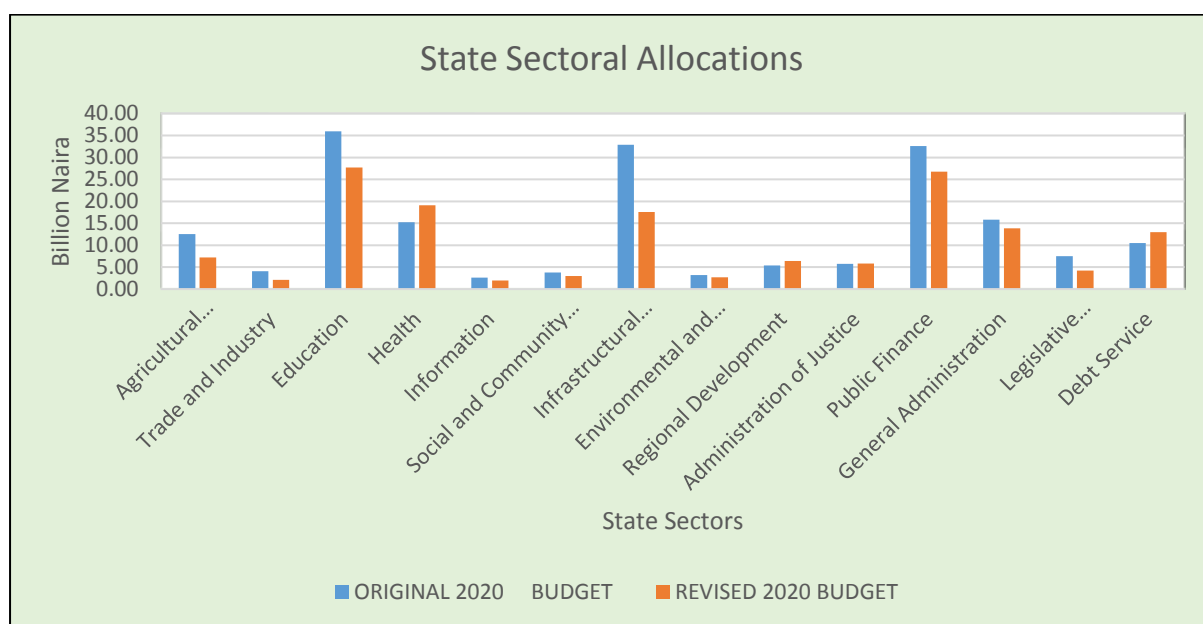
S/N	SECTOR	ORIGINAL 2020 BUDGET N'B	REVISED 2020 BUDGET N'B	VARIANCE	
				N'B	%
1.	Administrative Sector	30.911	20.037	10.874	-35.2
2.	Economic Sector	84.940	66.700	18.24	-21.5
3.	Law and Justice Sector	5.772	5.849	(0.077)	1.3
4.	Regional Sector	5.360	6.378	(1.018)	19.0
5.	Social Sector	60.877	52.473	8.404	-13.8
	TOTAL	187.858	151.438	46.420	-19.4



Sub – Sectoral Breakdown

S/N	SUB-SECTOR	ORIGINAL 2020 BUDGET N'B	REVISED 2020 BUDGET N'B	VARIANCE	
				N'B	%
1.	Agricultural Development	12.567	7.213	5.354	-42.6
2.	Trade and Industry	4.058	2.122	1.936	-47.7
3.	Education	35.931	27.725	8.206	-22.8
4.	Health	15.216	19.068	(3.852)	25.3
5.	Information	2.644	1.971	0.673	-25.5
6.	Social and Community Development	3.804	2.995	0.809	-21.3
7.	Infrastructural Development	32.910	17.604	15.306	-46.5
8.	Environmental and Sewage Management	3.208	2.685	0.523	16.3

9.	Regional Development	5.360	6.378	(1.018)	19.0
10.	Administration of Justice	5.772	5.849	(0.077)	1.3
11.	Public Finance	32.569	26.760	5.809	-17.8
12.	General Administration	15.805	13.851	1.954	-12.4
13.	Legislative Administration	7.506	4.215	3.291	-43.8
14.	Debt Service	10.508	13.000	(2.492)	23.7
	TOTAL	187.858	151.438	46.420	-19.4



(A) Key project in year 2020 Revised Appropriation Law

- i. CBN Support Facility;
- ii. Improved health care delivery system through contributory Health-Insurance Scheme (CHIS), free health care and People Living With Disabilities (PLWDs);
- iii. Zero pothole through Public Work Department of the Ministry of Works and Infrastructure;
- iv. Construction of Coastal Road from Araromi in Ilaje to Lekki in Lagos;

- v. Clean Ondo Initiatives (Open Defecation Free Ondo Agenda);
- vi. Various Agricultural Projects to affect about 500,000 Farmers (CACCS, LIFE-ND, AADS).

(B) Some Covid-19 Response Projects in the Revised Budget

19. Gentlemen of the Press, the main focus of the revised Budget is to review the impact of Covid-19 Pandemic on the economy and start off a new trajectory of growth. To this end, a total of ₦25.004 billion representing 16.5% of the Budget is targeted and directed at Covid-19 response affirmative action. Some of the major Covid-19 intervention actions include:

- i. Special Intervention in Agriculture to address effect of Covid-19;
- ii. Livestock productivity and Resilience Support (L-PRESS) to Youth engagement in Livestock production. A strategy against impact of Covid-19;
- iii. Ondo State Covid-19 Action Response and Economic Stimulus (Food Security and Sustainable livelihood through FADAMA;
- iv. Infectious Disease Hospital, Akure, Ikare, Ondo and Odigbo;
- v. Emergency preparedness and Disease Surveillance/Inter-Ministerial Committee on Covid-19;
- vi. Maintenance, Renovation, Furnishing of Hospital and other Health Facilities;

- vii. Construction of new Hospital Complex at UNIMED Teaching Hospital Akure and UNIMED Teaching Hospital Ondo to create Specialist Clinic, General outpatient Clinic, Accident and Emergency Department;
- viii. Community and Social Development Project Ondo State Covid-19 Action Response and Economic stimulus (Provision of Basic Infrastructure and Social Services;
- ix. **Cash Transfer:** Ondo State Covid-19 Action Response and Economic stimulus (Increase Cash Transfer to the Vulnerable);

CONCLUSION

20. The relevance of a Budget in any economy cannot be over-emphasised. As you all know that Budget does not only function as a mechanism for resources mobilisation and allocation, it also serves as a tool for economic management. This is because the Budget document gets the direction for the entire economy, determines who gets what and when, as well as provides funds to implement new initiatives/policies. Therefore, this administration will ensure that programmes and initiatives contain herein are implemented before the year runs out.

21. Gentlemen of the press, the success or otherwise of the Revised 2020 Budget lies with all stakeholders in the polity including you men of

the pen profession. Revenue must be generated to sustain the laudable programmes in the Revised Budget. Therefore, I wish to use this medium to enjoin all residents of the State to pay their taxes and rates as required by law. All relevant Stakeholders in the State should also be committed to play their roles diligently and faithfully in the herculean task. This is the needed drive and impetus for government to continue to provide good services to our people.

22. Finally, for the State to achieve maximal mileage with the 2020 Revised Fiscal document in the face of this pandemic. We must all play our parts. I therefore, enjoin all stakeholders to acquaint themselves with the programmes and project contained therein, this our clarion call!

23. Thank you for your time, as I welcome your comments and questions.

24. God bless you, God bless Ondo State and God bless our dear Country Nigeria.