



Ministry of Economic Planning and Budget

Office of the Special Adviser (Budget)
State of Osun, Nigeria

Your Ref. No.....
All communications should be addressed
to the Permanent Secretary quoting

Our Ref. No. **EST/1/2022/08**.....

P.M.B. 4335, Osogbo,
State of Osun, Nigeria
Tel:.....

Date **12th July, 2021**.....

CIRCULAR TO:

The Secretary to the State Government,
The Chief of Staff to the Governor,
The Deputy Chief of Staff,
The Head of Service,
Hon. Commissioners & Special Advisers,
Permanent Secretaries and Heads of Non-Ministerial Agencies,
The Vice-Chancellor, Osun State University, Osogbo,
The Chief Medical Director, UNIOSUN Teaching Hospital, Osogbo,
Directors-General, Executive Secretaries and General Managers,
Heads of the State's Tertiary Institutions.

CALL CIRCULAR FOR THE FORMULATION OF YEAR 2022 BUDGET AND SUBMISSION OF REVENUE AND EXPENDITURE PROPOSALS BY MINISTRIES, DEPARTMENTS AND EXTRA-MINISTERIAL AGENCIES OF GOVERNMENT

1.0 INTRODUCTION

1.1 As you are all aware, the processes of the formulation and authorization of the State Annual budget are expected to be concluded before the end of the relevant financial year in order to make such budget operational as early as 1st January of the succeeding year. This is in line with the provision of 1999 Constitution of the Federal Republic of Nigeria (as amended) and International Best Practices.

1.2 It would be recalled that the implementation of year 2021 Budget started on 1st January, 2021, It was approved by the State House of Assembly and assented to by the Governor, Mr. Adegboyega Oyetola, on 22nd December, 2020. The Budget has been

operational for the past six (6) months and it is the 3rd Annual Budget for this administration and the 30th Annual Budget in the existence of Osun State.

1.3 Taking cognizance of all the necessary guidelines and templates contained in this circular, all Ministries, Departments and Extra-Ministerial Agencies, including all Tertiary Institutions in the State and UNIOSUN Teaching Hospital, Osogbo, are requested to prepare and submit their Revenue and Expenditure proposals comprising the following:

- * Internally Generated Revenue;
- * Personnel Cost (staff establishments and emoluments)
- * Other Recurrent Expenditure/Overhead Costs and Consolidated Revenue Fund Charges (CRFC);
- * Capital Receipts (revenue/income tied to specific capital projects); and
- * Capital Expenditure.

2.0 GENERAL ECONOMIC OVERVIEW

2.1 The World economy is experiencing a very strong but uneven recovery, with many emerging market and developing economies facing obstacles to vaccination. The global outlook remains uncertain with major risks around the path of the COVID-19 pandemic and the possibility of financial stress amidst large debt loads (World Economic Outlook 2021). It should therefore be noted that the State of Osun economy cannot be isolated from what is happening in Nigeria, Africa and the rest of the World. It is note-worthy that Nigeria's economy entered a recession in 2020, reversing three years of recovery, due to fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID-19.

2.2 Regrettably, the rise in inflation witnessed by the economy, which was fueled by higher food prices due to constraints in domestic supplies and the pass-through effect of an exchange rate premium, has adversely affected the finance of the Federal Government and all the 36 States of the Federation. Going by the current reduction in the accruable revenue from Federation Accounts and the uncertainty in global economic outlook, there is the need for our State to embrace a realistic budget that is revenue-driven. The implication of the picture painted above is that MDAs budget proposals should nose-dive from the **Medium Term Sector Strategy 2022 -2024**).

3.0 POLICY THRUST AND PRIORITIES

3.1 Governments all over the world have two obligations of providing security and ensure the welfare of the citizens. In line with this constitutional arrangement, the long

term strategic development objective of the State of Osun in its 10year Development Plan, (2019–2028) remains the continuous improvement in the social and economic well being of the people of the State which rest on the four pillars of:

- (i) Economic Development;
- (ii) Infrastructural Development;
- (iii) Human Capital Development; and
- (iv) Environmental Sustainability

Attaining the Four Pillars require the strategic pursuit of policies, programmes and projects directed at:

- * sustainable growth,
- * diversification of the State's economy;
- * sustainable improvement in the basic human development indicators across all the thirteen (13) Sectors for the good people of the State.

It is to be noted that, in the drive to achieve its desired aims and objectives, the State is expected to take proactive, coordinated and well-targeted strategies that would impact greatly on Human–Capital Development. The end result of these would lead to economically productive labour force in the State, both in the short and long run.

3.2 In preparing the year 2022 budget, the competitive needs of the various Sectors should be prioritized and the programmes and projects which would have direct impact on the populace should be appropriately sequenced in line with the Medium Term Sector Strategy (MTSS). In view of this, the main objectives of the 2022 budget are to:

- (i) intensify efforts towards revenue generation through independent revenue mobilization initiatives ;
- (ii) engage in massive investment for sustainable human capital and economic development;
- (iii) embark on massive infrastructural development across the nooks and crannies of the State;
- (iv) ensure job creation through empowerment of youths, artisans, farmers across the State etc;

- (v) improve and promote agricultural related activities with a view to having value chain addition to major agricultural products; and
- (vi) enhance secured and peaceful community growth through the activities of “Amotekun” security network and other security outfits as this will have multiplier effect on attracting investors to the State, due to envisaged friendly and secured business environment.

Some strategies will be deployed to bring about improved revenue generation and consequently increased economic activities. The **modus operandi** to achieve these include:

- ✓ Aggressive implementation of Revenue Law in the State;
- ✓ ensuring workable Revenue Generation Plan by MDAs that will ensure blockage of revenue leakages;
- ✓ ensuring Osun Internal Revenue Service (OIRS) is strengthened to have formidable and robust structure that is consistent with the current realities;
- ✓ ensuring that the State works on reliable data architecture with a view to knowing the number of transport operators for the purpose of renewing their vehicle particulars, numbers of okada riders, private schools, artisans etc operating in the State for appropriate levies, among others;
- ✓ ensuring improvement in agricultural extension services such as the provision of farm inputs and improved seedlings to farmers to boost food production and income to farmers; and
- ✓ ensuring repair and rehabilitation of inter and intra State roads which have potentials for boosting economic activities in the State;
- ✓ leveraging on the activities of both local and foreign Partners for the development of the good people of the State.

4.0 MACRO ECONOMIC ASSUMPTIONS AND 2022 FISCAL FRAMEWORK

4.1 Over the years, revenue from the Federation Accounts forms the chunk of income flow to the State which invariably determines the size of the Budget. Other macro economic variables include: National Inflation, National Real Gross Domestic Product (GDP) Oil Production Benchmark, Oil Price Benchmark, Exchange Rate, Mineral Ratio etc.

4.2 In view of the foregoing, year 2022 Fiscal Framework has adopted assumptions, using macroeconomic indicators as contained in the 2022–2024 Osun State Medium Term Expenditure Framework (MTEF) as follows:

INDICATORS	2021	2022
National Inflation (%)	11.95%	13.00%
National Real GDP Growth (%)	2.00%	2.5%
Oil Production Benchmark b/d "000,000"	1.8 (MBPD)	1.88(MBPD)
Oil Price Benchmark (&) p/b	\$40/Pound	\$57.00
Exchange Rate NGN: USD	379	410
Mineral Ratio	27%	27%

Source: State of Osun EFU – FSP – BPS 2022 - 2024

The figures presented above represent a prudent macro economic framework from which Osun State Medium Term Fiscal Framework (MTEF) is drawn.

5.0 GUIDELINES ON PREPARATION AND SUBMISSION OF 2022 ESTIMATES

5.1 RESOURCES EXPECTATIONS

5.1.1 The Ministry of Economic Planning, Budget & Development has developed the 2022–2024 MTEF and forwarded same to the House of Assembly for approval in line with Fiscal Responsibility Law, 2012. The 2022–2024 MTEF provided a comprehensive and robust revenue and expenditure projection over the period and during the 2022 financial year in particular. The picture generally requires MDAs to manage expenditures by not being overzealous and build their castle in the air. Consequently, when MDAs are preparing their Estimates, strategic consideration must be given to the source of revenue to fund the expenditures, and taking cognizance of the fact that only projects/programmes that will have direct impact on the populace will be given priority consideration in 2022.

5.2 EXPENDITURE

5.2.1 PERSONNEL COST

As far as staff establishments are concerned, the proposal for 2022 should reflect the approved Establishments in the 2021 Estimates. The Ministry of Human Resources and Capacity Building will issue its own circular for further explanation on the Personnel Budget for year 2022.

5.2.2 OTHER RECURRENT EXPENDITURE (OVER HEAD COST & CRFC)

Going by the current economic reality, noticeable trends and fiscal space contained in the 2022–2024 MTEF, it would be necessary to ensure that budget provisions for 'Other Recurrent Expenditure' and Consolidated Revenue Fund Charges (CRFC) are in tune with the prevailing situation on ground, taking cognizance of constrained revenue flows envisaged in 2022. A more controlled expenditure with regards to the other recurrent

expenditure components of the budget, comprising overhead and capital, need to be given serious consideration. Arising from the foregoing, and in line with the 2022–2024 MTEF projections, submission by all Ministries, Departments and Agencies (MDAs) for other Recurrent Expenditure (Overhead Cost) should be reduced to manageable size. Expenditure proposals across various budget lines would be critically reviewed during the bilateral discussions to ensure that all critical operational areas that improve service delivery are adequately catered for. The summary of this is to ensure that sufficient and much more realistic budgetary provisions are made for optimal performance and effective service delivery.

5.2.3 CAPITAL DEVELOPMENT EXPENDITURE

In the course of developing the 2022–2024 Medium Term Sector Strategy (MTSS), proper project costing and ranking were done using global best practice. In view of this, proposed Capital Expenditure for 2022 Fiscal Year is to be in line with the crafted MTSS (2022-2024). It is our belief at the Ministry of Economic Planning, Budget & Development that the Programmes and Projects to be admissible in the year 2022 Estimates had passed through Sectorial level, where such Programmes and Projects have been subjected to scrutiny of strategic prioritization in selection and resources allocation by taking cognizance of the revenue expenditure projections in the Medium Term Expenditure Framework (2022-2024). The reality of the economy of the State and the Country at large has mandated that the Ministry will only admit Programmes and Projects that are ongoing, nearing completion, the ones that have direct positive impacts on the people of the State and top priority of Mr. Governor into the year 2022 Budget.

5.2.4 LOANS/GRANTS FUNDED PROGRAMMES

It is very important to stress that Chief Executives of the various MDAs, especially in those MDAs where their projects are of topmost priority to the present administration, seek the concurrence of the Governor before allocation of resources to such projects. This is crucial, as the Governor is the one with the mandate of the people of Osun. Going by the fact that the global economy is facing serious challenge as a result of the ongoing COVID–19 pandemic with its concomitant effects in years to come, MDAs are enjoined to continue to leverage on existing loans and seek for more aids and grant to compliment their regular projects and programmes directly funded from the central treasury. It is on record that some MDAs have not been providing adequate information on these Development Partners' assistance to the Ministry of Economic Planning , Budget & Development contrary to the existing policy that the Ministry should be carried along on all Development Partners'

assistance. Consequent upon the foregoing, all MDAs are required to resubmit the details of projects and programmes envisaged to be funded from loans and grants during the 2022 financial year.

6.0 STAKEHOLDERS CONSULTATIONS IN THE BUDGET PROCESS

6.1 In line with Fiscal Sustainability Plan, State Fiscal, Transparent, Accountability and Sustainability (SFTAS) Programme for results and international best practices which stipulate inclusiveness in the budget process. Political Heads and Accounting Officers of MDAs are implored to ensure sector-wide consultations and stakeholders participation/involvement in the budget preparation process to harvest their inputs into the Budget proposals.

6.2 Noting all the guidelines contained in this circular, MDAs are therefore, requested to prepare and submit their 2022 draft Estimates based on the templates attached to this circular.

7.0 BILATERAL DISCUSSIONS

7.1 In consonance with the State Budget Manual, it is planned that Bilateral Discussions on the 2022 budget proposal would be conducted during the period of **17th to 25th August 2021**. As usual, the Bilateral Discussion would provide opportunity to jointly review proposals submitted by MDAs with a view to ensuring that they comply with the guidelines provided in the circular. Accounting Officers should also ensure that the proposals are submitted within the stipulated deadline as this would give the Budget Committee ample opportunity for proper scrutiny and consideration of their reviewed draft Budgets.

7.2 Copies of 2022 draft Estimates in landscape form on legal paper and on Microsoft excel package are to be submitted in both **hard and soft copies not later than Friday 30th July, 2021** as follows:

- (i) **Thirty (30) copies** to be submitted to the **Director of Budget, Ministry of Economic Planning, Budget & Development;**
- (ii) **Five (05) copies** to be submitted to the **Permanent Secretary, Ministry of Human Resources and Capacity Building.**

7.2.1 Copies of the following documents are to be submitted along with the 2022 draft Budget:

- (a) actual revenue collected on monthly basis, Head by head and subhead by subhead from January–June, 2021;
- (b) monthly actual Personnel Cost from January–July, 2021;

- (c) monthly actual expenditure from January–July, 2021 in respect of Other Recurrent Expenditure, Overhead & CRFC (where applicable); and
- (d) actual capital expenditure, month by month, from January–July, 2021

7.2.2 In order to do away with avoidable technical bottlenecks that are usually associated with the submission/acceptance of draft Estimates at the ICT Unit of this Ministry, all MDAs are requested to **clear soft copies of their 2022 draft budget with the Computer Unit before producing any copy for submission. The personnel components of the draft budget must also be cleared with the Ministry of Human Resources & Capacity**

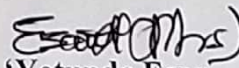
Building. The Capital Expenditure must as well be cleared with the Economic Planning Department of the Ministry of Economic Planning, Budget & Development before inserting such into the Budget. All MDAs should constantly relate with the Ministry of Economic Planning, Budget & Development to clear any area of doubt until the draft Budget is taken to the State House of Assembly.

8.0 CONCLUSION

8.1 All Political Heads and Accounting Officers of MDAs, including Tertiary Institutions, are requested to note that the Bilateral Committee meeting will hold as usual to consider the nitty-gritty of their draft budgets. Consequently, you are enjoined to ensure thoroughness and transparency in the budget preparation efforts in order to achieve the desired result. MDAs/Sectors are to be led to the Bilateral discussion by their Political Heads and Accounting Officers.

8.2 Finally, taking cognizance of the importance of budget formulation, all hands should be on deck and it should be accorded the deserved attention with a view to ensuring its success. Therefore, Political office holders and Accounting Officers are enjoying to give this Circular the urgency and important consideration it deserves.

8.3 I thank you all.


Yetunde Esan,
Coordinating Director.