



## BUDGET AND ECONOMIC PLANNING DIRECTORATE

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Our Reference: DOB/BGT/S/101//

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17<sup>th</sup> Dhul-Hajj, 1437 A.H

«Address\_1»,

«Address\_2»,

«Address\_3»,

«Agencies»

### RE: CALL CIRCULAR FOR THE SUBMISSION OF REVENUE & EXPENDITURE PROPOSALS FOR 2018 FISCAL YEAR

#### Introduction

1. The purpose of this circular is to provide Government Agencies with some of the key requirements and guidelines for the preparation and submission of proposals for revenue and expenditure estimates in respect of 2018 Fiscal Year (FY). In particular, these would include Recurrent Revenue and Capital Receipts; Personnel Costs; Overhead Costs; and Capital Expenditure, as applicable to each agency.

2. Accordingly, the Circular will provide highlights of 2018 – 2020 Medium Term Expenditure Framework (MTEF) and other guidelines required in the preparation and submission of the proposals for all the applicable budget components. As usual, the objective is to ensure that budget proposals are comprehensive, realistic and in tune with medium-term policy objectives and priorities of the State Government. In addition, MDAs would also be provided with the budget ceilings based on which expenditure proposals would be developed. For MDAs involved in the preparation of Medium-term Sector Plans, this would also include the resources envelop earlier issued in the MTSS / MTEP Call Circular for information.

#### B. 2018 – 2020 MTEF and the 2018 Budget

3. As you are aware, the context within which both the annual budgets and medium-term sector plans are prepared, is largely provided by the MTEF with the annual budget being a by-product of the medium term plans. Accordingly, the 2018 – 2020 MTEF was developed and endorsed by the Government following which an earlier circular was issued to all sectors involved. While providing medium-term outlook of the revenue and expenditure projections, the MTEF serves as the basis for sector resources envelops and MDA budget ceilings for the development of Medium Term Sector Plans and Annual Budgets respectively. The MTEF is a product of several macroeconomic and fiscal assumptions informed by a realistic appraisal of recent economic and fiscal trends. Among other considerations, the allocations across sectors and at MDAs levels were informed by the budget policy statements derived from the socioeconomic development objectives and priorities of the State as reflected in the CDF. The whole essence is to ensure that resources are realistically projected and strategically allocated. This also helps to ensure that the planning and budget process are pursued to deliver both the medium and long-term development objectives of the State within a sustainable fiscal framework.

4. As earlier communicated to sectors, the 2018 -2020 MTEF Projections indicated that total non-discretionary revenues that would accrues to the consolidated revenue funds of the state during the 2018 FY is only about ₦85.75 billion. That is to say, other than loans, grants and other incomes that are tied to specific expenditure items, this is the total amount that would be available for the financing of all the various expenditure components of the budget (including provisions for stabilization and contingency funds).

#### Policy Objectives and Priorities in the 2018 FY

5. Even though the Nigerian economy is officially out of recession, fiscal constraints would continue to pose significant challenges relative to the enormity of Government's commitments to the attainment of its development objectives. While the MTEF process is instilling realism in the budget and planning processes, ensuring strategic prioritization in resource allocation remains critical.

To ensure that the budget is outcome-oriented, its conception must be aligned with the overall state development objectives. That means resources allocation to the various expenditure components should be consistent with the sectoral policy objectives and priorities of the State Government as encapsulated in the recently published Second Edition of the State Comprehensive Development Framework (CDF II). In essence therefore, the 2018 Budget would be an extension of its predecessor which was largely focused on economic growth and diversification, moving towards self-sufficiency and improved service delivery particularly in the human development sectors. Accordingly, a key priority of the budget over the medium term remains to be stimulating rapid growth of the real sectors of the state's economy notably agriculture and value-adding business enterprises, continued government support to initiatives that promote inclusive and sustainable economic empowerment especially in areas that facilitates the attainment of the Sustainable Development Goals (SDGs).

6. In this respect, a number of the existing policy priority being pursued would continue to inform the 2018 budget including among others:

- i. Diversification of the State's economy anchored on the ongoing agricultural transformation;
- ii. Continued provision of critical infrastructure that supports economic growth including roads & transportation and power supply;
- iii. Continued support for youths and women empowerment initiatives;
- iv. Improved access to quality public services and maintenance of public utilities;
- v. Sustaining ongoing reforms around public service and public finance management to continuously reposition the service for optimal performance.

#### **Budget Ceilings and Revenue & Expenditure Guidelines:**

7. Based on the 2018 – 2020 MTEF which provided the aggregate resources projections for revenue and expenditure, the preliminary sector envelopes and MDA Budget Ceilings were produced and endorsed by the Government. While the sector envelopes have already been issued in our previous communication to the MTSS / MTEP Sectors, this circular would now issue budget ceilings derived from the MTEF to guide MDAs in the articulation of their expenditure proposals. As usual, this is to ensure that resources allocation among various expenditure heads is also internally prioritised and guided by the strategic importance of each budget line (recurrent or capital) and its contribution to the attainment of intended budgetary outputs and outcomes. Furthermore, while resources allocation should take into account the extent of existing commitments particularly with regards to capital projects, it would be also necessary to consider the contribution of each budget line towards the attainment of set policy objectives and targets. Indeed, this is what determines the strategic importance of each budget items. Other specific guidelines in the preparation of revenue and expenditure proposals are as follows:

- a) **Recurrent Revenue and Capital Receipts** – Recurrent revenue proposals (particularly IGR) must be down-to-earth. In other words, revenue proposals should be very realistic - neither under-estimating ones potentials nor being unnecessary over-ambitious. The effectiveness of ongoing policy reforms towards improving IGR should come to bear in the proposals such as efforts to tap into newly identified revenue sources, leakage blockage, establishment of tax-payer database and the establishment of the Treasury Single Account. Revenue generating Agencies should note the challenges of appropriating any extra-budgetary revenue during budget implementation including the provision of the rules on utilization of such revenues without appropriation, It is thus necessary to identify all revenues sources and reflect them in the revenue proposals. Also Agencies expecting drawn downs in 2018 for from existing or new sources of capital receipts (grants and loans) should exhaustively capture all these in the appropriate formats clearly indicating source, purpose and evidence of draw-down expectations in 2018 FY;
- b) **Personnel Costs** – Personnel Cost proposals should strictly be based on actual staff in the payroll as of the month of August 2017. Thus, in terms of total establishment positions, the number of staff in the agency as of the month of August should be considered as the ceiling for all MDAs. Nonetheless, proposals should fully reflect staff promotions and advancements to be done in 2018. Where agencies have clearance to recruit new staff or for transfer of services which are not yet effected, these should be presented separately with evidence indicating the number of staff and distribution by cadres, salary structure and grade-levels. The “remarks” column in the Budget Ceiling Box below would indicate whether agencies are required to submit proposals for new recruitments. Where such is the case, this is to be submitted separately on the appropriate template clearly indicating the cadre, posts and grade level and schedules to be performed or justification for the recruitment;
- c) **Overhead Costs** – In line with the earlier counsel, overhead cost proposals should be very realistic with more resources earmarked on budget-line items that makes the greatest contribution towards improving performance of the agency and

public service delivery. Conscious efforts must be put to improve spending efficiency and prudence while completely eliminating wastages. Redundant budget line items always comes with “10t” provisions should be identified and done away with.

d) **Capital Expenditure** – As usual, Government Agencies involved in the preparation of medium term sector plans are to derive their Capital Budget Proposals from MTSS or MTEP as the case may be. Accordingly, for these Agencies, the expenditure ceiling provided herein corresponds to those earlier issued Sector Envelops which is to be shared among Sector Agencies. There is no emphasising the fact that, Capital Expenditure allocation to projects and programmes should be prioritized in line with the overall sectoral policy objectives and priorities. Even as priority is given to ongoing projects and other existing capital commitments, the continued relevance of ongoing initiatives must also be a consideration. Also, other than rehabilitation of existing structures and acquisition of complementary capital equipments necessary for the functionality of other assets or provision of certain essential services, there should be no proposals for any major new projects – unless supported by Government policy directives. Capital Expenditure ceilings exclude loans/grants financed projects but include their counterpart-funding (where applicable). Proposals for such projects should be limited to the amount already guaranteed for draw-down during the 2018 FY. As earlier stated, evidence of expected drawn for loans and/or grants expected to accrue in 2018 should be provided.

8. The budget ceilings for various expenditure components in respect of your Agency are given below. As usual, where so desired, Agencies are permitted to shift resources from recurrent to capital expenditure to give room for additional capital investments for either completion of ongoing projects or the attainment of specific policy targets. Adjustments to the ceilings involving shift of resources from Capital to Recurrent is highly discouraged unless geared towards specific service delivery areas.

BUDGET CEILINGS INFORMATION		
Name of Agency	«Address_2»	
Internally Generated Revenue	«Revenue_Remarks_»	
Personnel Cost (Staff Establishments)	«Personnel_Cost_Staff_Establishments_»	«Personnel_Cost_Remarks»
Overhead Cost	«Overhead_Cost_Ceilings_»	«Overhead_Cost_Remarks»
Capital Receipts	«Capital_Receipts_Remarks»	
Capital Expenditure	«Capital_Expenditure_Ceilings_»	«Capital_Expenditure_Remarks»
Sector Envelops	«Sector_Envelop_as_provided_in_MTSS_Circu»	

**Consultations in the Budget Process**

9. As usual, in line with the standards of best practice, Government Agencies are enjoined to ensure sector-wide consultations and stakeholder participation / involvement in the budget preparation process so as to make the budget responsive to the yearnings and aspirations of the citizens, Civil Society and Non-Governmental Organizations and other Development Partners whose sphere of operation relates to your sectors should be engaged as to obtain inputs in the budget process .

10. Bearing in mind all the guidelines contained in this circular and the expenditure ceilings provided above, MDAs are hereby requested to prepare and submit their 2018 Budget Proposals based on the template provided as listed below attached to this circular.

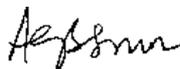
- Form 1 Baseline Data Format (For some selected Agencies)
- Form 2 Details of Personnel Cost by Grade Levels and title of Posts
- Form 3 Summary of Proposed Establishments by Posts and Grade Levels (as per August 2017 Payroll)
- Form 4 Personnel Costs Summary (Basic Salary, Regular and Non-regular Allowances)
- Form 5 New Proposals on Personnel Recruitment and/or Transfer of Service indicating Posts and Grade Levels & justification;
- Form 6 Overhead Cost Proposals;
- Form 7 Revenue (Including Capital Receipts Proposals);
- Form 8 Ongoing Capital Projects and Programmes (including Special Expenditure Proposals);

### **Bilateral Discussions**

11. Bilateral Discussions on the 2018 Budget Proposals are scheduled to commence on **Monday 25<sup>th</sup> September 2017**. This forum provides opportunities for effective interactions between the Directorate and MDAs where budget proposals are reviewed to ensure adherence to the guidelines, their comprehensiveness and alignment with state priorities. The discussions also provides opportunities to discuss cross-cutting issues across sectoral MDAs in the interest moving forward with inter-sectoral collaboration and coordination which is necessary in the attainment of sectoral policy objectives. Accounting Officers should thus, ensure appearance for budget bilateral discussions on the slated dates and times as the budget calendar makes no provision for spill-overs beyond the budget discussions end-date. Attached to this Circular is the 2018 Budget Bilateral Discussion Timetable indicating the date and time for all agencies as well as the budget discussions group. There would also be a high-level sessions on draft budget to be chaired by His Excellency, the Executive Governor. In accordance with the timelines, this is expected to commence towards the end of October 2017 so that presentation to the State Economic Planning Board and the State Executive Council would be done in good time to allow for the presentation of the 2018 Appropriation Bill to the State Legislature early in November.

12. Once again, let me emphasize on strict adherence to the guidelines issued in this circular particularly the budget ceilings and those guiding revenue and expenditure proposals. **Budget proposals should be submitted to the Directorate in triplicate of hard copies and soft copy on flash drives, at least three days to the date slated for the Bilateral Discussion with your Agency as per the attached time-table.**

13. Please, accept my best regards



Adamu Muhd Garun Gabas, OON  
[Permanent Secretary]

For: Honourable Commissioner for Finance & Economic Planning