



# **BUDGET AND ECONOMIC PLANNING DIRECTORATE**

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

Date: 7<sup>th</sup> September, 2016

5<sup>th</sup> Zul-Hajj, 1437 A.H

«Address\_1»,  
«Agencies»,  
«Address\_2»,  
«Address\_3»

## **RE: CALL CIRCULAR FOR THE SUBMISSION OF REVENUE & EXPENDITURE PROPOSALS FOR 2017 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 2017 Fiscal Year (FY). In particular, these would include the following (as applicable to each Agency):

- Recurrent Internally Generated Revenues;
- Personnel Costs (staff establishments, basic salary and regular and irregular allowances );
- Overhead Costs;
- Capital Receipts [revenues / incomes tied to specific capital projects]; and
- Capital Expenditure

2. Accordingly, the Circular will also provide:

- Some background information on the 2017 – 2019 Planning & Budget Cycle including the Policy Objectives and Priorities that would guide articulation of budget proposals;
- Other important guidelines that would ensure that budget proposals are comprehensive, realistic and in tune with medium-term policy objectives and priorities of the State Government;
- Ministries, Departments and Agencies with the preliminary budget ceilings that set the upper limit of expenditure proposal for the 2017 FY. For MDAs involved in the preparation of Medium-term Sector Plans, this would also include the resources envelop earlier issued in the MTSS / MTSF Call Circular for information.

### **2017 – 2019 MTEF and the 2017 Budget**

3. The 2017 – 2019 Planning and Budget Cycle started with the production of a Medium Term Expenditure Framework [MTEF] which provides the context for preparing both the MTSS for the corresponding MTEF period and 2017 budget proposals. Primarily, the purpose of preparing the MTEF includes having a medium-term outlook in preparing the annual budget as well as to provide a solid foundation for realistic budget estimates in which resource allocation is strategically guided by medium and long-term policy objectives and development priorities of the State. It is worthy of note that, on its part, the MTEF was developed based on an Economic and Fiscal Update (EFU) and a Fiscal Strategy Paper both of which examine recent economic and fiscal trends and provide justifications for the medium-term projections for major revenue and expenditure aggregates leading to sectoral resource allocation in accordance with policy priorities. In the light of this, Accounting Office should note that the Sector Envelops that were provided in

the earlier MTSS Call Circular and the budget ceilings to be provided now, were the product of an objective and systematic process of resource projection and allocation informed by latest data on economic and fiscal trends from the global to national levels and extant government policy objectives and priorities. As you are aware, medium term plans such as the MTSS, serve as a bridge between the State Development Policy Document (the CDF) and the annual budget. Consequently, it is necessary that agencies involved in the preparation of medium term plans are conscious of maintaining consistency between the 2017 – 2019 plans and their 2017 budget proposals.

#### **Policy Objectives and Priorities in the 2017 FY**

4. As hinted above, with respect to the planning and budgeting process, the overarching objective is always to ensure that, as much as possible, the annual budget is comprehensive, realistic, policy-based and outcome-oriented. This is largely achieved through the MTEF process which is strongly supported by the EFU and the FSP. The MTEF process was also informed by Budget Policy Statements [BPS] which outlines the policy objectives and priorities that informed resource allocation. Even though the final draft of CDF II is yet to be published, the BPS were derived from it which serves as the overarching development policy document of the State Government. As reflected in the document, the policy thrust over the medium term is:

*“pursuit of policies that promote inclusive and sustainable economic growth, improvement of basic human development indicators, socioeconomic empowerment as well as ensuring appropriate integration of Sustainable Development Goals (SDGs) into sectoral programmes. Accordingly, a key priority of the budget over the medium term would be promoting rapid growth of the real sectors of the state’s economy notably agriculture and value-adding business enterprises both of which are critical in jobs & wealth creation and poverty reduction”*

5. Specific priority objectives to be pursued include:

- i. Diversification of the State’s economy through agriculture to achieve food security, job creation, and poverty reduction;
- ii. Improvement in the Business Environment and Investment Climate for the development of Micro, Small and Medium Scale Enterprises through private investments including the provision of business development support services;
- iii. Provision of robust and functional physical infrastructure including roads & transportation, power and Information & Communication Technology (ICT)];
- iv. Pursuit of targeted youths and women empowerment and other poverty reduction programmes in a gender conscious and socially inclusive matter.;
- v. Continuous improvement in access to - and quality of - public services particularly in the human development services sectors;
- vi. Sustaining on-going governance reforms particularly in the area of Policy and Strategy; Public Expenditure and Financial Management and Public Service Management.

6. Inherent in the ongoing governance reforms, is the continued deployment of the principles of efficiency, effectiveness and economy in financial management and public service delivery. Consequently, even as revenue projections for the 2017 indicated an extension of the austerity measures that characterised the 2016 fiscal year, Government Agencies must continue to be more creative and prudent in improving spending efficiency as to achieve more budgetary outputs with less resources – increasing operational efficiency thus becomes a top priority. Also as part of budget process reforms, Agencies are enjoined to ensure collaboration, consultation and participation in the process beyond sector agencies to involve other stakeholders including Civil Society and Non-Governmental Organizations that are active in the sectors.

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

7. Based on the 2017 – 2019 MTEF, preliminary medium term revenue and expenditure projections were derived. While providing aggregate resources projections, indicative sector envelopes and MDA Budget Ceilings were also derived there-from. Following Government's endorsement of these, the Budget Ceilings would be issued in this Circular to guide MDAS in the articulation of their expenditure proposals so 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. Indeed, this is very essential considering the fact that the scenario depicted by the 2017 – 2019 MTEF is that of continued fiscal challenge, at least into the 2017 FY. The scenario also suggests the need to combine the principles of zero-based with that of performance-based budgeting to ensure cost justification and inclusion of only those expenditure items that optimally contribute to the attainment of set policy objectives and targets. While it is normal to prioritise ongoing activities taking into account the extent of existing commitments, it is still essential that resource allocation considers the strategic importance of projects and programmes towards the attainment of pre-determined policy objectives and targets. Necessarily, the process would involve trade-offs and prioritization among projects and programs to ensure that the final proposed budget not only fits government policies and priorities, but also perfectly fits with given resource constraints as defined by sector envelopes and budget ceilings. This would also ensure that the budgets remain focused, output-outcome oriented with high premium placed on strategic resource allocation. Other specific guidelines in the preparation of revenue and expenditure proposals are as follows:

- a) **Recurrent Revenue and Capital Receipts** – Projections for discretionary funds contained in the MTEF was largely based on an objective assessed the macroeconomic environment and recent fiscal trends. However, with regards to Internally Generated Revenues [IGR] and some of the Capital Receipts components, performance is largely determine by the internal efficiency of the revenue collecting agencies, emerging policy initiatives with implications on revenue generation and how proactive are the agencies when it comes to revenue matters. Presently, there is an ongoing initiative to establish taxpayers database by the State Board of Internal Revenue in addition to others aimed at harmonization and review of existing tax rates, fees and charges across all MDAs. All these should be considered in making IGR proposals for 2017 FY. As usual, revenue proposals should be very realistic - neither under-estimating nor over-estimating. Also proposals for capital receipts in forms of loans and grants should clearly indicate source, purpose and evidence of draw-down expectations in 2017 Fiscal Year;
- b) **Personnel Costs** – Personnel Cost proposals should strictly be based on actual staff in the payroll as of the month of August 2016. 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 by all MDAs. Nonetheless, proposals should fully reflect staff promotions and advancements to be done in 2017. 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. Comprehensive information should also be provided in the same template for cases of transfer of service or staff to be affected by the policy of pooling system to be effective in 2017.
- c) **Overhead Costs** – As earlier mentioned, revenue projections for 2017 indicates a scenario of persisting fiscal challenges which is happening at a time when more of Government resources are required to be channeled towards capital investments. Consequently, in consideration of dwindling revenue fortunes and based on actual trend and performance in 2016, an across-the-board cuts was applied across all MDAs. It is thus important to emphasize on the necessity for Government Agencies to be more innovative in improving the efficiency of spending. Therefore, to bring about the much needed operational efficiency, Accounting Officers are enjoined to ensure that overhead cost ceilings are allocated among the various expenditure items that produce maximum outputs and improved service delivery. Notwithstanding the implementation the Treasury Single Account, there are still Parastatals that are allowed to fund their overheads entirely from their IGR. Even though a minimum IGR projection is produced for such Agencies, this could be revised to make it more realistic and consistent with the overhead cost proposals. It is worthy note that one of the objectives of the State Fiscal Policy is to gradually graduate more and more Parastatals to become self-financing as per as overhead cost is concern.

d) **Capital Expenditure** – Government Agencies involved in the preparation of medium term sector plans are to derive their Capital Budget Proposals from their MTSS or MTSF as the case may be. Accordingly, for these Agencies, the expenditure ceiling provided herein corresponds to the earlier issued Sector Envelops which is to be shared among concerned Sector Agencies. Nonetheless, for all agencies that have Capital Expenditure ceilings, allocation to projects and programmes should be prioritized in line with the overall policy objectives of the State Government. While agencies are enjoined to prioritise completion of ongoing projects and programme, this should not be automatic. Combining the principles of ZBB and PPB would help determine the continued relevance of ongoing initiatives, provide cost justification and ensure that only projects and programmes that optimally contribute to the short and medium term policy objectives are fully funded. As much as possible, other than rehabilitation of existing structures, minor capital expenditures and acquisition of assets of not-so-significant value, there should be no proposals for any major new projects – unless supported by Government policy directives. As usual, Capital Expenditure ceilings exclude loans/grants financed projects but includes their counterpart-funding (where applicable). Proposals for such projects should be limited to the amount already guaranteed for draw-down during the 2017 FY. Evidence will be required in this regards to ensure that the loans and/or grants have already been firmly secured;

8. The budget ceilings for various expenditure components in respect of your Organization are given below. 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 and objectives. Adjustments to the ceilings involving shift of resources from Capital to Recurrent is not allowed.

BUDGET CEILINGS INFORMATION		
Name of Agency	«Agencies»	Remarks
Internally Generated Revenue	«Revenue_Remarks_»	
Personnel Cost (Staff Establishments)	«Personnel_Cost_Staff_Establishments_»	«Personnel_Cost_Remarks»
Overhead Cost	=N= «Overhead_Cost_Ceilings_»	«Overhead_Cost_Remarks»
Capital Receipts	Where Applicable	«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. Civil Society and Non-Governmental Organizations and other Development Partners whose sphere of interest relates to your sectors should be engaged into making constructive contributions and inputs in the budget process. While providing opportunities for critical inputs from a variety of stakeholders both within and outside the public sector, this also ensures the articulation of responsive public expenditure programmes and promotes comprehensiveness of the budget.

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 2017 Budget Proposals using the formats listed below attached to this circular.

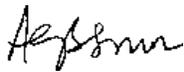
- Form 1 Baseline Data Format (For some selected Agencies)
- Form 2 Details of Personnel Cost by Grade Levels and title of Posts
- Form 3 Summary of Proposed Establishments by Posts and Grade Levels (as per August 2016 Payroll)
- Form 4 Personnel Costs Summary (Basic Salary, Regular and Non-regular Allowances)
- 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 Discussion:**

11. Bilateral Discussions on the 2017 Budget Proposals are scheduled to commence on Monday 26<sup>th</sup> September 2016. As usual, the bilateral discussions serve as an effective interactive sessions between the Directorate and MDAs to ensure that the proposals are comprehensive and reflect the priorities of the government. The discussions also expand and deepen collaboration and coordination between sector MDAs in the attainment of sectoral policy objectives and targets. Accounting Officers should thus ensure appearance for budget bilateral discussions on the slated dates and times as the budget calendar has no provision for supplementary discussions. Attached to this Circular is the 2017 Budget Bilateral Discussion Timetable which shows that «Agencies» will appear for the discussions on «Bilateral\_Discussion\_Date». There would also be a high-level sessions on draft budget to be chaired by His Excellency, the Executive Governor. This is expected to commence towards the end of October 2016. In accordance with the approved budget calendar, it is planned that the 2017 Appropriation Bill would be presented to the State Legislature in November.

12. Finally, while emphasizing on the imperatives of adhering to the guidelines and the issued Budget Ceilings, «Agencies» is expected to submitted its budget proposals to the Budget and Economic Planning Directorate in triplicate not less than three days to the date slated for the Bilateral Discussion, which is «Bilateral\_Discussion\_Date»«Bilateral\_Discussion\_Date»

13. Please, accept my best regards



Adamu Muhd Garun Gabas, OON

[Permanent Secretary]

For: Honourable Commissioner for Finance & Economic Planning