

OSUN STATE GOVERNMENT

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

1.0 BUDGETARY PROCESS

1.1 The budgetary process is a cycle which embraces budget idealization or conceptualization, budget formulation or preparation, Budget Authorization, budget implementation (including monitoring and control) and budget evaluation.

1.2 Budget formulation process in the Osun State Public Service:

1.2.1 The Budget formulation process in the Osun State Public Service is usually heralded by a Mid-Year review of the performance of the on-going Budget where the actual performance of each Revenue and Expenditure Heads and Sub-heads are assessed vis-à-vis the projections. The essence of this review is to provide necessary guides in arriving at realistic projections for the succeeding year. After the general review of the performance of the Budget, the following procedures are usually followed in Osun State towards a successful budget formulation:

(i) **Issuance of the Call Circular by the Ministry of Finance and Economic Development:**

The Call Circular which is derived from the Mid-Year review of the Budget is usually issued in July of the relevant Year by the Honourable Commissioner for Finance and Economic Development. The Call Circular normally calls on the Ministries and other Agencies to submit their next Year Advance Proposals and Estimates

on certain approved formats. It normally spells out the guidelines for the formulation of the ensuing Budget and gives a budget ceiling or Control figures for each Agency of Government within which to operate in view of the scarce and limited resources of the State.

(ii) **Consultative Budget Session**

It is to be noted that Government Budget is an aggregation of the needs and demands of the society and expected revenue which must be processed within a given year. In realization of the need to ensure full participation of the people in budget formulation and preparation, the Osun State Government has introduced with effect from this Year the holding of consultative budget session in each of the three Senatorial Districts in the State. During the Session various Interest Groups are allowed to make their contributions to the Budget. The contributions made by the people will thereafter be collated by the Ministry of Finance and Economic Development to serve as inputs into the Budget subject to the available resources of Government. The holding of the session was very successful in each of the Senatorial Districts.

(iii) **Preparation and submission of Advance Proposals:**

In response to the Call Circular, each Agency of Government is expected to prepare its draft estimates and submits it to the Ministry of Finance and Economic Development for scrutiny and initial appraisal.

(iv) **Holding of the Pre-Treasury Board Meetings:**

After the initial appraisal by the Ministry of Finance and Economic Development of the Advance Proposals submitted by the various Agencies of Government and the views from other stakeholders, the meetings of the Pre-Treasury Board during which the proposals of each Agency of Government will be thoroughly examined on a preliminary basis by the technocrats are normally held with the relevant staff of each Agency of Government led by their Career Heads. The meeting which usually lasts about seven days is always presided over by the Permanent Secretary, Ministry of Finance and Economic Development. The Permanent Secretary in-charge of Establishment Office, the Permanent Secretary (Computer Services and Information Technology), the Accountant-General, the Chairman, Internal Revenue Service, Executive Secretary, State Planning Commission and other members of the Pre-Treasury Board while the Director of Budget serves as the Secretary.

- (v) the next stage is the submission of the Draft Estimates of each Ministry/Department to the Ministry of Finance and Economic Development based on the decisions reached at the Pre-Treasury Board meetings.
- (vi) Thereafter, the compilation of the first Draft Budget into a unifying whole and the preparation of the Treasury Board Memorandum to be presented by the Honourable Commissioner for Finance and

Economic Development will be done by the Ministry of Finance and Economic Development.

(vii) **Holding of the Treasury Board Meetings:**

The meeting of the Treasury Board is normally presided over by the Governor of the State. Other Statutory members of the Treasury Board are the Deputy Governor, the Secretary to the State Government, the Chief of Staff to the Governor, the Head of Civil Service, Honourable Commissioner for Finance and Economic Development, the Attorney-General and Commissioner for Justice. Other co-opted members are the Chairman, Fund Allocation Committee of the Osun State House of Assembly, the Special Adviser/Director-General in Charge of Bureau of Public Procurement/Budget Matters, the Special Adviser on Economic Development and other members of the Technical Team of the Treasury Board like the Permanent Secretary (Finance) the Permanent Secretary (Bureau of Establishment and Training), the Permanent Secretary (Computer Services and Information Technology), Chairman of the Internal Revenue Service, Secretary of State Planning Commission. The meeting of the Treasury Board normally lasts about seven(7) days. At this level, the Political Head of each Agency of Government will lead other top political and career functionaries of their Agency to the meeting with a view to defending their budget proposals before the Treasury Board.

- (viii) After the Treasury Board meetings, the preparation of the second draft budget is effected by the Ministry of Finance and Economic Development following the decisions reached at the Treasury Board meetings.
- (ix) This is followed by the compilation of the Treasury Board decisions and conclusions by the Ministry of Finance and Economic Development.
- (x) Submission of the 2nd Draft Budget including the Treasury Board decisions to the Cabinet for consideration and approval.
- (xi) Subject to any amendments that might have been effected at the level of the Cabinet, the preparation of the 3rd Draft Budget and Budget Speech to be delivered by the Governor to the Legislature are normally prepared by the Ministry of Finance and Economic Development.

1.4 **Budget Authorization** :

1.4.1 After the State Executive Council might have considered and approved the draft Budget for any particular year, the Governor will present the Appropriation Bill before the State House of Assembly. In the course of the consideration of the Budget, the Political Head of each Agency of Government supported by the top career functionaries will appear before the House of Assembly to defend their draft Budget. At this level, the House of Assembly, in its corporate wisdom, has the power to increase or reduce allocations to any Ministry.

1.5 After the authorization of the Budget and the signing into Law by His Excellency, the Governor, the Honourable Commissioner for Finance and Economic Development will hold a Press Conference where the highlights of the Budget are presented to the Press and the public at large. After the analysis of the Budget, the Ministry of Finance and Economic Development issues a circular letter embodying the guidelines on the implementation of the Budget to the various State Government Agencies.

1.6 Budget Implementation

1.6.1 After the analysis of the budget by the Honourable Commissioner for Finance and Economic Development, the implementation of the Budget commences in earnest.

1.7 Strict Budget Discipline

1.7.1 The most unique thing about budget implementation in the Osun State Public Service is that budget discipline is always observed. There is no chance for extra budgetary spendings.

1.8 Balanced Budget

1.8.1 Since the inception of Prince Olagunsoye Oyinlola, the State Government has always operated balance budget.

1.9 Budget Implementation Committee

1.9.1 There is a Budget Implementation Committee in place under the Chairmanship of the Honourable Commissioner for Finance and Economic Development. Other members of the Committee are the Permanent Secretary, Ministry of Finance and Economic Development, the Permanent Secretary,

Bureau of Computer Services and Information Technology, the Chairman, Internal Revenue Service, Secretary, Osun State Planning Commission while the Director of Budget serves as the Secretary. The Committee meets quarterly to review the performance of the Budget using the quarterly progress report on the implementation of the Budget prepared by the Ministry of Finance and Economic Development. After the review, the views of the Budget Implementation Committee on the performance of the Budget are usually packaged in form of an Executive Council Memorandum for the consideration and approval of the Cabinet. After the Executive Council might have considered the memorandum, the quarterly report on the performance of the Budget are usually made available to each Agency of Government to note its performance.

1.10 Debt Management Office

1.10.1 The Osun State Government established its own Debt Management Office (DMO) in July, 2005, as a unit within the Ministry of Finance and Economic Development. The Osun State House of Assembly at its vote and proceedings in December, 2006 legally approved the establishment of Debt Management Unit. The unit is moderately staffed with qualified personnel. It is also well equipped with set of computers, both desk stops and laptops. Plans are already in the pipeline to upgrade the unit into a full fledged Department in 2011 fiscal year.

1.11 Managing the State Debt

1.11.1 Prior to the establishment of the Debt Management Office in 2005, the State Government set up a Contract/Debt Review Committee under the Chairmanship of the Secretary to the State Government. The Ministry of Finance and Economic

Development served as the Secretariat of the Committee. The Committee was merely saddled with the management of local debts. At that time, the State's external debts were being managed by the External Finance Department of the Ministry of Finance and Economic Development. However, with its establishment the management of both the local and external debts were transferred to the Debt Management Office. In March, 2008, the Debt Management Committee was inaugurated in the State under the Chairmanship of His Excellency the Governor. Other members are: The Deputy Governor, Honourable Commissioner for Finance and Economic Development, the Attorney-General and Commissioner for Justice, the Special Adviser, Budget and Due Process, Permanent Secretary, Ministry of Finance and Economic Development, the Permanent Secretary, Bureau of Computer Services and Information Technology, the Accountant-General, the Executive Assistant (Economic Development), the Director, Debt Management Office, Ministry of Finance and Economic Development.

1.12 Debt Profile

1.12.1 The State Government in collaboration with the Debt Management Office, Abuja carried out debt data reconstruction exercise in June 2010. Through the exercise, the State Government now has up to date data of its local and external debts.

1.13 **RELATIONSHIP BETWEEN THE STATE AND LOCAL GOVERNMENT IN THE AREA OF PROJECT FUNDING**

1.13.1 The Local Government Councils are known to be products of the creation of the State Government. In other words, they are regarded as fragmented

entities within the geographic area of the State, though existing individually as separate levels of government. They have joint services and relate with the State government in the following areas:

1.14 JOINT ACCOUNT ALLOCATION COMMITTEE

1.14.1 Membership of the Joint Account Allocation Committee (JAAC) are drawn from both the State and the Local Governments. His Excellency, the Executive Governor of the State is the Chairman of the Committee. Other members include: the Deputy Governor, Honourable Commissioner for Local Government, Chieftaincy Affairs and Community Development, representative of the Revenue Mobilization, Allocation and Fiscal Commission, Chairman, Local Government Service Commission, Special Adviser on Local Government Matters, Permanent Secretary, Ministry of Local Government, Chairmen of all the Local Government Councils in the State, Accountant-General of the State, Chairman, Internal Revenue Service and the Director of Local Governments in the State.

1.15 The Committee is responsible for the distribution of the total revenue accruing to the Joint Account of the Local Governments, on a monthly basis. The revenues include the Statutory Revenue Allocation Federation Account, Value Added Tax (VAT) and 10% Internally Generated Revenue due to the Local Governments in the State.

1.16 JOINT SERVICES:

1.16.1 These are services being jointly funded by the State and the Local Governments. The Services include the EU-Water Supply and Sanitation Initiative Projects, Mini-Water Scheme Projects in the State, Osun State University Funding,

Songhai Farming Initiative, Bursary Awards to students of Higher Institutions in the State, Home-Grown School Feeding and Health Programme, among others. Apart from the Home-Grown School Feeding and Health Programme that has the funding contributions shared in the ratio of 60:40 between the Local Governments and the State, other projects have their funding based on the share of functions and designated activities between the State and the Local Governments. In spite of its tight finances, the State Government has been providing soft loans on request to the Local Governments for the funding of their mandatory commitments. The State and Local Governments jointly contribute to the funding of the micro credit activities of the Osun State Micro Agency. Each Local Government contributes 1.25% of its monthly statutory allocation to the Trust Fund of the Agency. In addition, the State and Local Governments jointly contribute to the funding of the payment of the Primary Schools gratuities on monthly basis. While the State Government contributes 7½% of the existing workforce monthly salaries, the Local Governments contribute 15%. The payment of the monthly pensions of the retirees of the Local Government Service is not entirely shouldered by the Local Governments. The State Government also contributes 7½ per cent of the existing work force salary to the Local Government Staff Pension Board on monthly basis.