

# Too many imponderables in 2010 budget

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The Federal budget 2010 is not only an annual financial statement that contains estimated incomes and expenditures on programmes and projects but also is an important fiscal instrument of national economic management and development. However, too many imponderables in the federal budget raise a question mark about its viability and success in achieving the objectives laid down in the budget.

Out of the total budgetary outlay of N 4.6 trillion, an insufficient outlay of N1.8 trillion for capital expenditure forming 32% and another N 2.1 trillion constituting nearly 50% for the recurrent expenditure for salaries and other non-development expenditure have been earmarked. The budget has been predicated on the imponderables such as 1) crude oil price at 67 dollars per barrel 2) crude oil production of 2.350 mbpd. 3) Inflation rate at 11.2 per cent 4) GDP at 5.4 % and 5) exchange rate of

N150 per dollar.

In the context of volatile crude oil prices, if the prices fall below 67 \$ per barrel, revenue projection would be a failure leading to reduced allocation towards capital expenditure. Resurgence of Niger Delta militant activities might forestall crude oil production at 2.350 mbpd leading to further cut in capital expenditure only. Though the government has claimed an excess allocation of N832 billion for capital expenditure above the 2009 Appropriation Act, in reality; it is not so. An analysis of the last 10 years budget allocation for the capital expenditure revealed the same trend of allocation at around 30% of the budget outlay.

Recurrent expenditure cannot be slashed as it might invite adverse criticism from the bureaucrats who indulge in corruption and quite corruption impeding the progress and well being of the average Nigerians. Quite corruption is the failure of public servants to deliver goods and services paid for by the government and this has become a subtle destroyer of the economic system. As against the World Bank's recommendation, down sizing

the government machinery has not been effected which has resulted in excess recurrent expenditure.

The Federal government has admitted that over N3trillion collected by Ministries, Departments, and Agencies in the last five years, landed in private pockets as they were not remitted to the Federal Account as provided for in the 1999 Constitution. Similarly, only N11 million out of N548 billion generated by the Nigerian Ports Authority was remitted to the treasury. No attention has been paid by the authorities to get back the funds from the private hands. Accountability, transparency and efficiency is lacking among the bureaucrats and the policy makers who are responsible for the loss of revenue and the above administrative bottlenecks are the results of prolonged military dictatorship and insensitive political leadership. The Assembly speaker has disclosed that monitoring by the Assembly has led to the recovery of the N450 from the 2007 budget and N300 billion unspent funds from the 2008 budget. Manipulation of unspent funds by the administrators and politicians is also

responsible for the poor execution and maintenance of projects.

Moreover, the budget deficit of N1.5 trillion is expected to be financed through external and internal borrowing; the deficit of which is estimated at 5% of GDP, is not consistent with Fiscal Responsibility Act as well as Medium Term Expenditure Framework, 2010-2012. As a result of increased debt servicing from N289 billion in 2009 to N497 billion in 2010, less borrowed amount would be available for development purpose. Appropriation Bill 2010 provides a negligible 3.7% outlay to the agricultural sector and this represents a whopping drop from the previous allocation of over 8% to agriculture in 2009.

In a democratic country, participation of people is essential for the success of any programme paving the way for participatory process and citizen driven economic development which will result in less leakage of the budgetary outlay. In addition to participatory process, transparency and accountability would ensure full utilization of outlay.

The budget 2010 has been passed

by the National Assembly only in March wasting three months from January to March. The budget should have been passed before December every year giving the executive full 12 months for its successful implementation. A viable state should fund the budget as far as possible from the internally generated revenue system. But the budget 2010 gets nearly 80% of its outlay from the sale of crude oil resource which will be exhausted in the near future. Therefore, the remedy lies in the diversification of the economy and mopping up of revenue resources through taxes.

Hence, it is concluded that too many imponderables in 2010 budget would not only thwart the attempts of successful implementation of budget but also would impede the pace of the planning progress of the country.



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