



**2010 BUDGET SPEECH BY**  
**HIS EXCELLENCY, PRESIDENT UMARU MUSA YAR'ADUA, GCFR**  
**AT THE JOINT SESSION OF THE NATIONAL ASSEMBLY, ABUJA**  
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## **PROTOCOL**

### **A FISCAL STIMULUS BUDGET**

**It is with great pleasure that I present the 2010 Federal Budget Proposal to the Joint Session of the National Assembly today. This budget has been prepared against the background of the global economic crisis that started in 2008 and remained through most of 2009 to date. In the current highly globalised world, the decline in global flow of trade has led to reduced economic output with adverse consequences on living standards and job creation, throwing most leading economies into recession. In response, these nations have been addressing the challenges by designing and implementing various measures to mitigate the recession and accelerate economic recovery.**

**This Administration has also implemented strategic measures to address the same challenges. To address the infrastructural and institutional impediments to the business environment and competitiveness of our economy, several key real sector reforms have been implemented.**

**We are establishing special intervention funds to provide credit facilities for commercial farming and support necessary agro-processing linkages to resuscitate industry.**

**A review of tariffs and fiscal incentives is ongoing to enhance productivity in the real sector and facilitate rapid economic growth and a Presidential Task Force has been set up to identify the priority sectors to benefit from these measures.**

**Furthermore, Government is also forging ahead with key public sector financial management reforms with greater emphasis on increasing non-oil revenue through the reform of the Customs Service and the Federal Inland Revenue Service, as well as the audit of independently generated revenue. The rationalisation of recurrent expenditure through cost-saving measures implemented under the 2009 Budget has curbed areas of inefficiency and improved prioritisation of expenditure.**

**In recognition of the imperative of a strong and robust banking sector to accelerate economic recovery, we have taken measures to restore the viability of the banking sector. The establishment of an Asset Management Company is being fast-tracked to assist in restructuring and further improving the balance sheets of our banks and enhancing the flow of credit to the real sector. A Bill to this effect has been forwarded to the National Assembly for an enabling legislation. Focus will remain on strengthening integrated financial sector regulation to enhance the resilience of the sector for a more effective contribution to economic growth.**

#### **RECENT ECONOMIC & OTHER DEVELOPMENTS**

**Notwithstanding the global economic crisis, the Nigerian macroeconomic environment has improved with macroeconomic stability maintained in 2009 due to Government's proactive response to the crisis. As a result, economic growth has remained resilient, with real GDP growth for 2009 estimated to be about 5.86%. Headline inflation has fallen from 15.1% in December 2008 to 10.4% in September, with core inflation falling to 7.4% over the year to September 2009.**

**The government's debt position remains sustainable, with an external debt stock of US\$3.86billion as at the end of October 2009. Indeed, our total public debt is estimated to be less than 10% of our GDP, showing that it is still within acceptable and cautious limits compared to countries in our peer group. Our external reserves position is secure, with reserves increasing from US\$43.19billion in early July to US\$44.095billion at the middle of October 2009. The official and parallel market exchange rates have converged considerably as a result of further liberalisation of the inter-bank market by the Central Bank.**

**In respect of our peace and security agenda, Government has made significant progress in addressing the challenges in the Niger Delta with the amnesty program, and the ongoing reintegration and rehabilitation of former militants. The Administration is accelerating investments in the region, with a special intervention fund of N114 billion being provided under the 2009 Supplementary Appropriation while the Niger Delta Ministry, the NDDC and other government intervention agencies are continuing their work to fast-track development of the region and consolidate the nascent peace.**

**The 2010 Budget Proposal was therefore prepared against the backdrop of this improving economic environment.**

#### **REVIEW OF IMPLEMENTATION OF THE 2009 BUDGET**

**Implementation of the 2009 Budget has been challenging with revenue from both oil and non-oil sources falling well below projections. On a positive note, oil prices recovered during the course of the year from a low of US\$37/barrel recorded in December 2008 to the present level of about US\$79/barrel. However, oil production in our country suffered numerous disruptions during the first half of 2009. Non-oil revenue receipts were affected by the global economic downturn which impacted on the domestic business environment. Consequently, both oil and non-oil revenues were about 17% and 21%, respectively, below budgeted levels as at the end of the third quarter.**

**On the expenditure side, while budgetary allocations have been promptly released to the MDAs, actual utilisation has been below expectation. In response, this Administration has taken certain steps to ensure that MDAs diligently implement the budget as passed by the National Assembly.**

**The Administration devotes a cabinet meeting monthly to assess budget execution by MDAs. The procurement process has been greatly simplified with higher ministerial approval thresholds and procurement procedures decentralized to the MDAs. The Federal Ministry of Finance also produces and publishes quarterly budget implementation reports to track the progress of key projects.**

**As a result of these measures, significant improvement in the level of capital utilisation from about 20% in the first quarter to about 50% as at the end of October has been recorded. Key MDAs have also advanced the achievement of the Seven-Point Agenda. For instance, the Ministry of Power currently has achieved a generation capacity of 5,000MW which should improve to 6,000MW by the end of 2009. The recent Niger Delta peace initiative is facilitating enhanced gas supply to power stations across the country while the on-going installation of several substations and transformers will boost the evacuation of electricity to domestic and commercial consumers. Similarly, agriculture continues to improve and drive non-oil growth, with 5% more land under cultivation being achieved and food production increasing. Human capital is being enhanced by accelerating investments in qualitative education and healthcare.**

**We have made progress in enhancing our critical infrastructure by our on- going programme of road networks upgrade and rehabilitation, railway modernization and the dredging of the River Niger.**

## **THE MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF) & THE 2010 BUDGET**

**In compliance with the *Fiscal Responsibility Act of 2007*, the estimates of revenue and expenditure expressed in the 2010 Budget have been based on the 2010-2012 MTEF, which sets out the Federal Government's fiscal policies over the medium-term and connects policies to our priorities under the Seven-Point Agenda and the Vision 20:2020. However, based on consultations with the National Assembly, the National Economic Council and other key stakeholders, the underlying assumptions and parameters have been adjusted where appropriate, to reflect current realities and policy considerations. As such, the 2010 Budget is largely based on this revised fiscal framework.**

## **THE 2010 APPROPRIATION AS A FISCAL STIMULUS BUDGET: *PHILOSOPHY***

**The 2010 Budget is the principal policy instrument to transform our solemn promises to the Nigerian people embedded in this Administration's Seven-Point Agenda and Nigeria Vision 20:2020 into tangible and enduring realities. We remain committed to transforming the socio-economic fortunes of our people by implementing a strategic plan for stimulating economic growth and launching the nation onto a trajectory of sustained development that will propel Nigeria to the top twenty economies in the world by the year 2020.**

**Accordingly, our medium-term priority is focused on fully implementing the Seven-Point Agenda. We will enhance our power infrastructure to deliver 10,000MW by the end of 2011. We shall complement our roads and aviation networks with serviceable rail and marine infrastructure to deliver a truly intermodal and modern transportation system. These critical infrastructure interventions, by the government and PPP arrangements underpinned by the *Electric Power Sector Reform (EPSR) Act 2005*, the *Infrastructure Concession Regulatory Commission (ICRC) Act* and other relevant enactments, will also create new construction, engineering and other jobs.**

**Economic diversification will be emphasised by the development of our agro-allied processing, manufacturing, telecommunications and other non-oil sectors to achieve a broader base for employment generation and wealth creation. The Nigerian people remain the focus of our efforts, hence our commitment to sustaining investments in health and education to develop our human capital base. The capacity of our law-enforcement and security agencies will continue to be upgraded and we shall take all necessary steps to preserve our national security and sovereignty. Finally, we shall continue our multifaceted and holistic approach to addressing the situation in the Niger Delta: ensuring security, but also focusing on developing infrastructure, grass-roots empowerment, and the preservation and restoration of the environment.**

### ***PURPOSE & THRUST***

**The purpose of the 2010 Budget is to accelerate economic recovery through targeted fiscal interventions intended to further stimulate the economy and support private sector growth. Capital expenditure has been rationalised and prioritised to avoid spreading resources too thinly across too many initiatives.**

**Accordingly, the 2010 Budget provides about 90% of MDAs' capital expenditure to 5 key priority sectors, namely Critical Infrastructure; Human Capital Development; Land Reform and Food Security; Physical Security, Law and Order; and the Niger Delta. Priority has also been given to key initiatives that would further bridge critical infrastructural gaps to reduce the cost of doing business in Nigeria. Besides providing alternative routes for the transportation of goods and services across the nation, investment in upgrading our railway networks and dredging marine waterways – notably the dredging of the Lower River Niger - will create gainful employment and increase disposable income. Many of our road projects and maintenance works which utilise direct labour and have been designed to create a significant number of semi-skilled and skilled jobs. Our external trade policy will ensure that we balance our commitments under the ECOWAS Common External Tariff (CET) with the need to support the real sector.**

**As earlier indicated, a Presidential Task Force on Tariffs and Fiscal Incentives will shortly develop a framework to implement a new tariff and incentive regime that will be supportive of the productive sector.**

## ***MACROECONOMIC ASSUMPTIONS***

**The 2010 Budget is predicated on the following assumptions reflecting the outlook for the fiscal year. These include: Oil production of 2.088mb/d; Benchmark oil price of US\$57/barrel; Joint Venture cash calls of US\$5billion; average exchange rate of N150 to the US dollar; Target GDP growth rate of 6.1%; and Target inflation rate of 11.2%.**

## ***PROJECTED REVENUE & EXPENDITURE***

**Following from these assumptions and the operation of the revenue sharing formula, total Revenue for the Federal Government Budget is forecast at N2.517 trillion. There is a deliberate expansion in budgeted expenditure over that of previous fiscal years to counter the effect of the credit crunch on the economy as well as to reduce the infrastructure gap. Accordingly, the aggregate expenditure for 2010 is N4.079trillion, comprising N180.28billion for Statutory Transfers, N517.07billion for Debt Service, N2.011 trillion for Recurrent (Non-Debt) Expenditure and N1.370 trillion for Capital Expenditure. This represents a 31.5% expansion over the N3.102trillion appropriated in 2009.**

**The detailed revenue and expenditures are contained in the Appropriation Bill. Upon the passage of the Bill, the Honourable Minister of Finance will provide the breakdown of the approved budget to the general public.**

**CONCLUSION: A CALL FOR COURAGE, COMMITMENT & CONSIDERATION**

**Mr. Senate President, Mr. Speaker, Distinguished Senators, Honourable Members of the House of Representatives, our nation faces trying times as we grapple with formidable challenges. However, I am confident that we possess the virtues of courage, commitment and consideration to overcome every adversity. Our present challenges are indicative of the obstacles that will arise, from time to time, on our journey towards national transformation. These challenges however represent mere hurdles and cannot be justification to abandon what we consider a worthwhile journey of regeneration.**

**In closing, I wish to note, with thanks, the contribution and cooperation of the National Assembly in our collective undertaking in budget preparation, monitoring and implementation.**

**The Legislature has been an invaluable partner in this work, and I am deeply appreciative of the patriotism, courage, commitment and consideration that the Distinguished and Honourable Members have shown since the beginning of this Administration. I thank you, in advance, for an expeditious passage of this budget, and anticipate more fruitful collaboration between the Legislature and the Executive, as we strive to join the top twenty leading economies in the world, and, in so doing, guarantee better living standards and a brighter future for all Nigerians.**

**May God bless the Federal Republic of Nigeria. Thank you.**