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Congruence Analysis

MTEF 2013-2015 *and the* Transformation Agenda 2011-2015

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CONGRUENCE ANALYSIS BETWEEN MTEF (2013-2015) AND THE TRANSFORMATION AGENDA (2011-2015)

1.0. INTRODUCTION

The federal budget of Nigeria otherwise called the Appropriation Act reflects government commitment to sectors of the economy and details expected revenue and expenditure for particular years. Furthermore the budget derives from the Medium Term Expenditure Framework (MTEF) as stipulated in the Fiscal Responsibility Act 2007 and MTEFs are guided for each administration by the development blueprint it adopts. The extant overarching national development plan is encapsulated in the National Vision 20:2020 (NV20: 2020) but the administration of President Goodluck E. Jonathan has cut a portion of the plan for focus during the years 2011-2015 and consequently developed a subset of the NV20:2020 termed Transformation Agenda (TA).

MTEF 2013-2015 is ideally a derivative of the TA and actually the last that will be designed based on the present TA and therefore of critical importance since it provides the last expenditure framework to cater for all outstanding targets of the TA. It is against this background that it is imperative to review the proposed MTEF 2013-2015 against the targets of the TA and where necessary observe gaps and make suggestions/recommendations for ensuring that the Framework meets its expected function.

Three specific aims guide this analysis:

i. To critically but constructively analyze the proposed MTEF 2013-2015 against the intendments in the TA and NV20:2020 and establish the level of congruence or otherwise between the documents;
ii. To draw attention of stakeholders to any existing discrepancies/none and make necessary recommendations for closing the gaps; and
iii. To use the analysis and recommendations to enrich government efforts on the MTEF, Transformation Agenda and the 2013 budget process through media advocacy.

To guide the analysis, two key broad questions are set beginning with:

i. Is the MTEF in line with the TA and NV20:2020 and/or are there gaps (in which specific areas are they discordant)?
ii. Is the expenditure framework in the proposed MTEF 2013-2015 capable of delivering the sector targets in the TA?

The discourse is segmented into four sections. The first is on Meaning and Significance of MTEF and features of the proposed MTEF 2013-2015; the second is Overview of NV20 2020 and the Transformation Agenda and drawing special attention to gaps in sectors which need to be addressed before 2015 when the MTEF and TA end; the third is on congruence analysis of MTEF 2013-2015 and the Transformation Agenda; while the last outlines the observations, recommendations and conclusions.

2.0. MEANING AND SIGNIFICANCE OF MTEF AND FEATURES OF THE PROPOSED MTEF 2013-2015

The Fiscal Responsibility Act 2007 provides in section 11 (3) that *'the medium-term expenditure framework shall contain:*

a. A Macro-Economic Framework setting out the macroeconomic projections, for the next three financial years, the underlying assumptions for those projections and an evaluation and analysis of the macroeconomic projections for the preceding three financial years;

b. A Fiscal Strategy Paper setting out: i. The Federal Government's medium term financial objectives, ii. The policies of the Federal Government for the medium term relating to taxation, recurrent (non-debt) expenditure, debt expenditure, capital expenditure, borrowings and other liabilities, lending and investment, iii. The strategic economic, social and developmental priorities of the Federal Government for the next three financial years, iv. An explanation of how the financial objectives, strategic, economic, social and developmental priorities and fiscal measures set out pursuant to sub-paragraph (i), (ii) and (iii) of the paragraph relating to the economic objectives set out in section 16 of the constitution.

c. An expenditure and revenue framework setting out: i. Estimates of aggregate revenues for the Federation for each financial years, based on the predetermined Commodity Reference Price adopted and tax revenue projection, ii. Aggregate expenditure projection for the Federation for each financial year in the next three financial years, iii. Aggregate tax expenditure floor for the Federation for each financial year in the next three financial years…'

While the above is a bridged excerpt from the Act, the meaning and significance of the MTEF can be deduced from it. Thus the MTEF is a statutory[1] budget related document that articulates

[1] Provided for in the Laws of the Federation

government revenue and expenditure plan as well as the fiscal policy objectives of the FGN for the next 3 years. It includes the macroeconomic framework with analyses of key trends in the national economy and provides insight into future policy direction. In line with the Fiscal Responsibility Act 2007, President Goodluck Ebele Jonathan (GEJ) presented the MTEF 2013-2015 to the National Assembly on September 18, 2012.

The significance of the MTEF as a key component of annual budget documentation is that it ensures that the annual budgets lie within a medium term framework and is consistent with government overall economic plan. Furthermore it guides the FGN to exercise discipline in its fiscal management. Therefore, the MTEF 2013-2015 is to guide budget preparations in 2013, 2014 and 2015 and those should all lie within the Framework, be consistent/congruent with the Transformation Agenda as well ensure that wastages in the economy are reduced through fiscal discipline in budget implementation.

After a comprehensive review of the MTEF 2013-2015, the following are its major highlights:

2.1. Previous Years Economic Performance and Growth rates:

The Framework identified the economic crises in the Euro Zone as opportunity for developing countries including Nigeria to lead global economic growth. It recognized that for 2011 economic growth in Sub Saharan Africa was robust contingent upon developments in large developing markets with growth rates of 4-6% for most African economies with a lot of positive impact on Nigeria's economy through channels such as oil market, investment flows and remittances. The Framework under review discussed the performance of 2011budget and the GDP growth in that year by 7.2% and that though the 2012 budget is still on course, GDP growth in first and second quarters stood at 6.17% and 6.37% respectively. The downfall is accounted for by rising global uncertainty and impact of consequent lower demand from Organisation for Economic Cooperation and Development (OECD) countries. Nothing was said whatsoever about GDP growth rates for 2013-2015

2.2. Oil Production, Price Benchmark and Revenue:

MTEF 2013-2015 pegged the average production levels for crude oil at 2.5 million barrels per day (mbpd) for 2013; 2.61 mbpd for 2014; and 2.65mbpd for 2015; and for the framework period, the price per barrel is pegged at $75.00

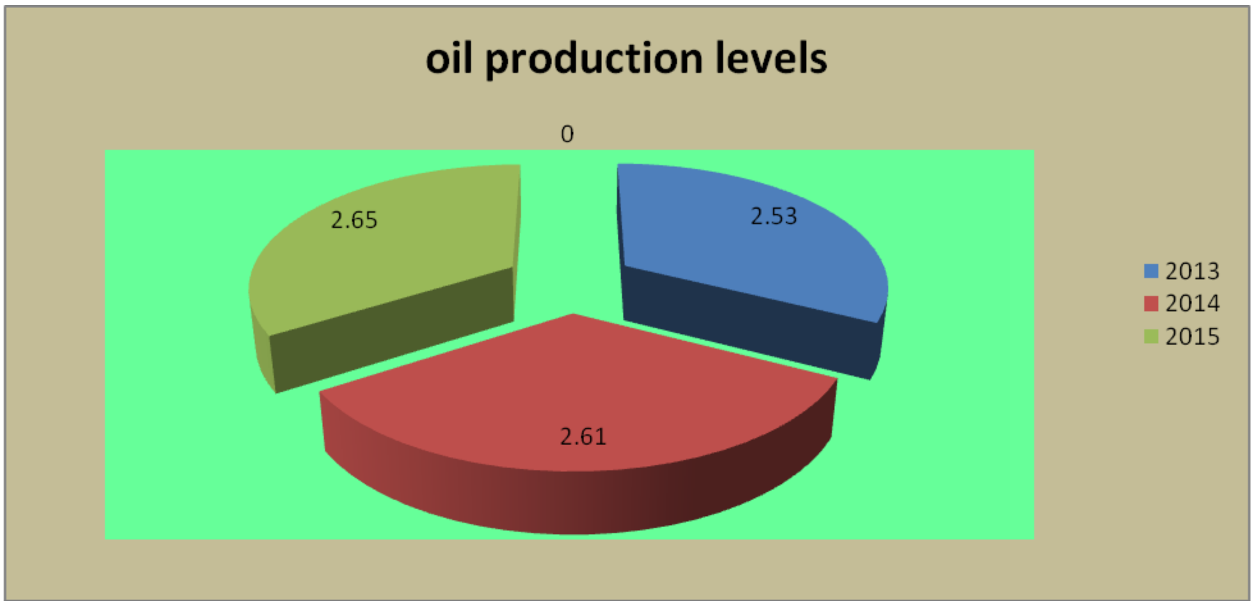

Chart 1: Oil production levels

As allowed within the Act, NASS has reacted to the MTEF rejecting some of its assumptions such as the oil price benchmark which the Executive pegs at $75 per barrel and the lower chamber of the Legislature thinks $80 per barrel would be more realistic. The Executive argues that the price benchmark is underpinned by the model of 10 and 5 years moving averages with some adjustments but the Joint House Committee on Finance, Legislative Budget and Research, National Planning and Economic Development and Loans, Aids and Debt, which scrutinised the MTEF insists that the latter benchmark is more ideal and realistic than the Executive's former because it would remove pressure on the exchange rate, reduce domestic borrowing and inflationary rates[2]. The MTEF 2013-2015 as proposed by the Executive had said the $75 benchmark is to reduce pro-cyclicality and delink public expenditure from oil price volatility and that where revenue in excess of the benchmark is generated, the difference will be set aside in the usual Excess Crude

[2] 'House, Executives Set to Fight over $80 Benchmark' ThisDay Newspapers Monday 15 October 2012; page 1

Account/Sovereign Wealth Fund. But despite the arguments, the Fiscal Responsibility Act in Section 11 (2) gives the National Assembly a superior say: '*The framework so laid shall be considered for approval with such modifications, if any, as the National Assembly finds appropriate by a resolution of each House of the National Assembly*'. Based on this, this analysis will go ahead to assume that the price of $80 per barrel may eventually be adopted.

From the figures provided by the amended MTEF it can be deduced that oil revenue will be as follows:

Year	Number of days	Barrels per day (million)	Price per day ($) at $80 per barrel	Price per day (N) (N160=$)	Total oil revenue (N)
2013	365	2.51	200, 800,000	32,128,000,000	11,726,720,000,000
2014	365	2.61	208, 800,000	33,408,000,000	12,193,920,000,000
2015	365	2.65	212, 000,000	33, 920,000,000	12,380,800,000,000

Table 1: Projected Oil revenue 2013 – 2015

The MTEF also informed that measures are being put in place to plug oil theft which is currently at 150,000mpbd – 80,000mbpd by about 100,000mbpd leaving the nation with oil theft profile of 50,000mbpd maximum in the years 2013-2015.

2.3. Non-oil Revenue for 2013-2015

Description	2013 N'bn	2014 N'bn	2015 N'bn
Customs Duties & Excise	792.949	954.246	1,076.628
Company Income Tax	992.038	1,134.416	1,233.993
Value Added Tax	945.277	1,171.851	1,357.943
Education Tax	118.157	121.748	125.827
FGN Independent Revenue	446.781	486.438	498.039
Total	**3,295.20**	**3,868.70**	**4,292.43**

Table 2: Non oil revenue projections for 2013 - 20

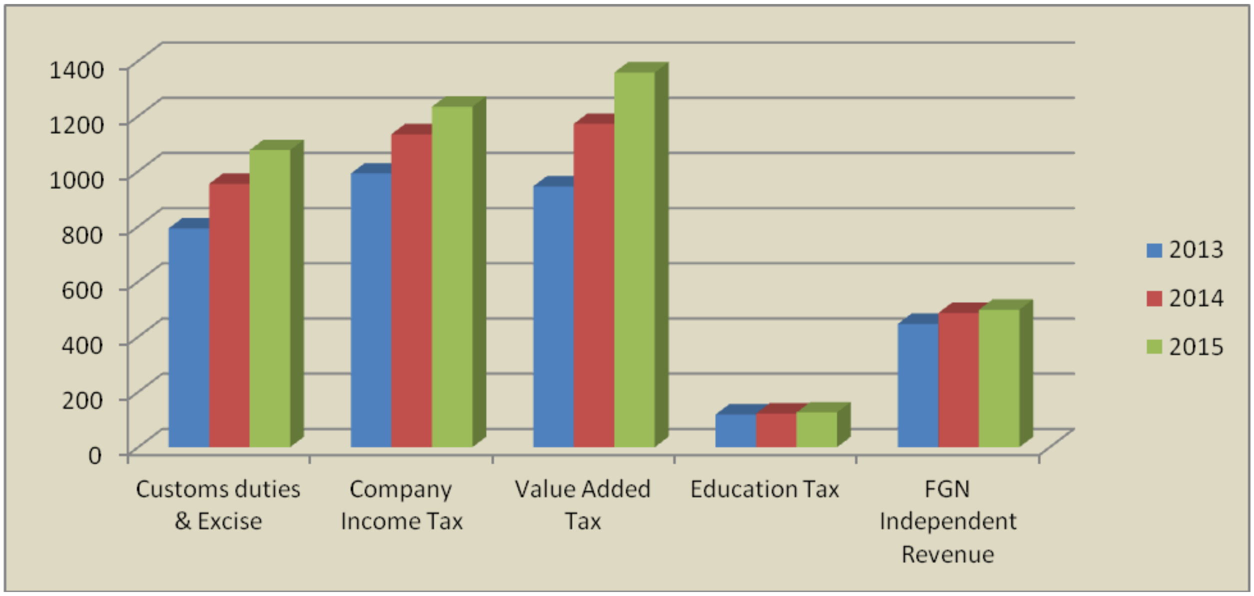

Chart 2: Non Oil revenue 2013 – 2015 (in pillars)

From the table 2[3] above, the various sources and projected revenue figures for non-oil sectors can be seen for the 3 year period. Without belabouring the data, it is important to note that adding the figures with those projected for the oil sector, the approximate revenue base for the years amount to 15,021,920,000,000 in 2013; 16,062,620,000,000 in 2014; and 16,673,230,000,000 in 2015. The MTEF promises to strengthen efforts to plug revenue leakages in the non-oil sectors as well.

2.4. Sectoral Composition of GDP

The MTEF 2013-2015 highlighted the expected contribution of the various sectors of the economy to the GDP by years (%). The table 3 below shows the projections:

Sector	2013	2014	2015
Agriculture	38.4	38.4	38.4
Solid mineral	0.6	0.6	0.6
Crude petroleum and Natural gas	29.1	29.1	29.1
Manufacturing	3.0	3.0	3.0
Telecommunications and post	8.0	8.0	8.0

[3] Source from an earlier Review of the MTEF 2013-2015 by Centre for Social Justice

Finance and insurance	3.5	3.5	3.5
Wholesale and retail trade	13.9	13.9	13.9
Building and construction	1.2	1.2	1.2
Others	2.3	2.3	2.3

Table 3: Clear projections on the GDP by sector

2.5. Recurrent Vs Capital Expenditure

The MTEF 2013-2015 provides that recurrent expenditure will continue its decreasing trend from 71.47% in 2012 to 68.7% in 2013 while the capital expenditure as aggregates will increase from 28.53% in 2012 to 31.3% in 2013. The forecast for years 2014 and 2015 are not available.

2.6. Diversifying the Economy and priority focus

MTEF 2013-2015 provides that the economy will be diversified to shift excessive emphasis from oil to other sectors such as agriculture, land & housing, manufacturing, power, transport and security. It promises to create more business friendly environment for the informal sectors which will be formalized as a way of boosting their contribution to the GDP. Similarly, the focus of the period shall be on power, agriculture, water resources, health, education, works, transport, aviation, FCT, and Niger Delta. It plans to increase investments in the focal areas to reduce infrastructural gaps and thereby energise the economy to create employment and ensure inclusive growth. Further to promote the involvement of the private sector in building a more prosperous economy, the government intends to strengthen fiscal consolidation by scaling back its spending and creating a conducive environment for private sector led growth.

2.7. Fiscal Discipline Issues

The MTEF under review pledges that overhead votes in the budget will continue to reduce for example from N266bn in 2012 to N230bn in 2013 and among other measures will rationalize the large number of agencies based on the recommendations of the Oronsaye Committee.

Secondly, to introduce Government Integrated Financial Management information System (GIFMIS) to make budget preparation and execution more efficient and transparent as well as thirdly, reduce corruption and inefficiency in allocation of resources.

Fourthly, MTEF 2013-2015 adopts some elements of zero-base budgeting in allocation of 2013 capital budget resource to accord priority for early completion of projects with higher economic returns with no new capital projects to be undertaken in 2013 but closer attention to be paid on on-going projects with high internal rate of return and those already nearing completion.

Finally, the MTEF will adopt measures to manage the nation's debt profile with a gradual reduction in the growth of domestic debt stock. A Sinking Fund will be established to be used for repaying Nigeria's maturing debt obligations ad curb its rising domestic profile. Meanwhile, the MTEF reports that Nigeria is within accepted threshold and at a low level of distress and more efforts will be made to maintain the debt sustainability profile and even improve on it.

2.8. Missing Issues

From the definition of MTEF**,** some macroeconomic issues were expected to be discussed in detail in the document but the MTEF 2013-2015 either did not mention them or did not discuss them elaborately enough to permit for a comprehensive and informed understanding of their relations and linkage to the economy for the period 2013-2015. Some of the issues omitted include growth targets, interest rates, accretion to excess crude account, external reserves and contingent liabilities and quasi fiscal activities of government.

3.0. OVERVIEW OF NV20 2020 AND THE TRANSFORMATION AGENDA

The vision statement of NV20 2020 states that '*by 2020, Nigeria will have a large, strong, diversified, sustainable, and competitive economy that effectively harnesses the talents and energies of its people and responsibly exploits its natural endowments to guarantee a high standard of living and quality of life to its citizens*'. The Vision recognizes four dimensions: social, economic, institutional, and environmental for clarity of focus but given the limitation of this work's subject on the MTEF, this work will look more closely on the economic dimension which relates most directly with it and even within that will identify and discuss selected strategies.

The NV20:2020 envisions that by 2020 Nigeria will be among the 20 top economies in the world with a minimum GDP of $900 billion (N 144 trillion[4]) and a per capita income of at least $4000 (N640,000) per annum. Putting these in lay terms, the economic activities within the country will produce goods and services worth N144 trillion in the year 2020 (barely 8 years from now-2012) and that the average earning power of each Nigerian will be N640, 000 yearly. One remarkable aspiration of the NV20:2020 is that for the period 2009-2020 'the Nigerian economy must grow at an average of 13.8%...' driven by the agricultural and industrial sectors in the medium term and in the long term transit to a service-based economy.

Key strategies put forward by the Vision for achieving these targets include: (1) correcting the weaknesses in revenue allocation; (2) intensifying the war against corruption; (3) entrenchment of merit as a fundamental principle and core value; (4) fostering private sector-powered non-oil to build the foundation for economic diversification; (5) expansion of investment in critical infrastructure; (6) investing in human capacity development to enhance national competitiveness; (7) addressing subsisting threats to national security; and (8) deepening reforms in the social sector and extending reforms to sub-national levels. It identifies implementation, monitoring and evaluation as central to every identified strategy.

The relation between the NV20:2020 and the Transformation Agenda has been established in the introductory part as Set and subset. A look at the Transformation Agenda 2011-2015 reveals that it assumes a baseline GDP growth rate of 11.7% per annum and that this will translate to real and nominal GDP of about N428.6billion and N73.2trillion by the end of 2015 and when juxtaposed by the broader Vision, there is concord except for the light difference in the GDP growth benchmark set by the NV20:2020 (13.8%) and the assumption of the TA (11.7%). The TA expects the growth in the economy to be 'driven largely by oil and gas, solid minerals, agriculture, ICT equipment and soft-wares, telecommunications, wholesale and retail trade, tourism and entertainment, manufacturing, and building and construction sectors'. It also envisages a total investment (for example budget expenditures) of N40.75 trillion in nominal terms from public (60%) and private

[44] At N160 to a $

(40%) sectors. The public sector component is further subdivided into federal government (N12.86 trillion) state governments (N11.59trillion) and local governments (N11.59trillion).

The key policies planned for 2011-2015 in the TA include; greater harmony between fiscal and monetary policies (the former set by the national government such as tax rates to regulate spending while the latter is done by the central bank such as exchange rating and controlling money supply); pursuit of sound macroeconomic policies including fiscal prudence, appropriate monetary policies and measures to contain inflation at single digit; review of the budget process to clarify roles between Executive and Legislature and ensure that the annual budget is passed within the first month of the year; review of the revenue allocation formula to achieve a more balanced fiscal federalism and promote programme implementation at all levels of governance; and institutionalizing development planning at all levels, ensuring that annual budgets take a cue from development plans, reduce the high incidence of abandoned projects.

One vital aspect of the TA is the provision on public expenditure management and given the subject of this analysis -MTEF which discusses such issues, there is need to look through at the provisions of the TA. '…*government will entrench a culture of accountability by beginning to sanction and prosecute officers that breach established financial management rules and regulations. The monetization policy will also be strictly enforced. Other short-term policy measures include: (i) Limiting total recurrent spending as a percentage of GDP to 6 per cent from the current 8.5 per cent in the first instance, while total capital expenditure as a percentage of GDP should rise from 4 to 6.5 per cent in 2011 and rising significantly thereafter. (ii) Aligning recurrent expenditure with non-oil revenue and devoting a substantial proportion of oil revenue to capital expenditure. In the medium-term, government will (i) show enough political will to tackle the problem of transparency and accountability in the oil industry, especially the JVC and production share arrangement head-on, by reviewing the policy processes over the past 25 years, (ii) adopt a whole-life approach to budgeting for assets that will incorporate the cost of operation and maintenance of the asset during the technical lifetime of the asset and (iii) engage early in budget preparation processes in order to reduce the current inefficiency in resources utilization arising from the current practice of protracted delay in budgeting and approval process…*'

The TA considers some sectors as potential growth drivers for the period of 2011-2015 including agriculture, water resources, solid minerals, manufacturing, oil and gas, trade and commerce and culture and tourism and a set of challenges such as low level of private sector investment and inadequate funding was identified as constraints of the sectors performances. Some other development area/sectors-power, transportation, housing, Information and communication technology and Niger Delta- were also cited as points of infrastructural deficit and addressing the deficits are important for national development.

4.0. CONGRUENCE ANALYSIS BETWEEN MTEF (2013-2015) AND TRANSFORMATION AGENDA/NV20 2020

Firstly is the issue of growth rates for 2013-2015 which the MTEF document was silent on though provided for 2011 (7.2%) and Q1 (6.17%) and Q2 (6.37%) of 2012 but the NV20 2020 sets at 13.8% average for the years 2009-2020 and the TA puts at 11.7% average for the years 2011-2015. While one wonders the possible reasons for leaving out such key issue in the MTEF 2013-2015, we are constrained to doubt how the GDP growth rate for 2013-2015 will reach the target of 11.7% as set in the TA from the growth levels in 2012.

The reasons adduced for the GDP growth rate fall from 7.2% for 2011 to 6.37% in Q2 of 2012- global uncertainty and lower demand from OECD countries- are still facing the nation and therefore growth rate of 11.7% for 2013-2015 set by the Transformation Agenda may not be feasible leading to non-realisation of GDP of N73.2trillion envisaged by the TA at the end of 2015. But noting that Nigerian economy is presently largely oil-based and its expected contribution to GDP for the period 2013-2015 is 29.1% against other potentially vibrant sectors such as manufacturing (3%) and given this scenario and the threats on oil revenue arising from the international oil market uncertainties, it is imperative that the economy diversification programme be pursued vigorously so that Nigeria can tap the fuller potentials of other sectors hitherto not fully exploited.

Secondly, the revenue projections for 2013-2015 at N15.0trillion for 2013, N16.1trillion for 2014, and N16.7trillion in 2015 when summed up (N47.8trillion) exceeds N40.75 trillion that the TA marks out for investment by about N7trillion suggesting that if the country realises the projected revenue it would be having surplus budgets for the periods. But given that the revenue projections whose realisations are dependent on very many other factors such as effectiveness of government's plans to curb crude oil theft, actual price of crude oil per barrel in the international market against the $80 benchmark, cooperation and responsibility of individual and corporate citizens fulfilling their tax obligations, etc there is need to be cautious with revenue expectations but in all, the MTEF seems slightly incongruent with the TA on this front as shown by TA projections[5] on oil production levels and price benchmarks shown below:

Table 4**: Macroeconomic Assumptions for 2011-2015**

ITEM	2011	2012	2013	2014	2015
Crude Oil Production (mbd)	**2.4**	**2.5**	**2.5**	**2.5**	**2.5**
Crude oil Price (US$)	**65**	**65**	**65**	**65**	**65**
Real GDP Growth Rate (per cent)	**8.5**	**11.0**	**11.0**	**13.0**	**15.0**
CPI Inflation Rate (per cent)	**10.0**	**9.5**	**9.0**	**9.0**	**9.0**
Nominal Exchange Rate	**154.4**	**156.7**	**159.5**	**157.0**	**154.0**
Population Growth Rate (per cent)	**3.2**	**3.0**	**2.8**	**2.8**	**2.8**
Growth in Non-Oil Exports (per cent)	**29.5**	**30.5**	**31.0**	**31.5**	**32.0**
External Debt (per cent Growth Rate)	**3.5**	**3.2**	**3.0**	**3.0**	**3.0**
Monetary Policy Rate (MPR)(per cent)	**6.5**	**6.5**	**6.5**	**6.5**	**6.5**
Fiscal Deficit (per cent of GDP)	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**

Source: *National Planning Commission published in the TA*

But this incongruence arises to support the earlier argument about projections and reality. Without joining issues with the arguments for and against the Executive's proposed benchmark of $75 per barrel, one can only ask the two arms of government to stop the unnecessary war of wits and hope for the best from the crude oil market. After all, there is a mechanism for managing excess revenue when they occur.

Thirdly in terms of sectoral contribution to GDP, the MTEF 2013-2015 assigns percentages to sectors as follows: agriculture (38.4); solid mineral (0.6); crude petroleum and natural gas (29.1); manufacturing (3.0); telecommunications and post (8.0); finance and insurance (3.5); Wholesale and retail trade (13.9); building and construction (1.2) and others (2.3). Going through the TA[6], one finds non-congruence with this parameter as shown below:

[5] Page 33 of the Transformation Agenda
[6] Page 35 of the Transformation Agenda

Table 5: Projected Structure of GDP for 2011-2015 (%)

	2010	2011	2012	2013	2014	2015	2011-2015
Agriculture	40.9	39.6	37.9	36.3	34.3	31.8	36.0
Building, Construction & Real Estate	3.7	4.1	4.5	4.9	5.4	5.9	5.0
Oil & Gas	15.8	15.0	14.0	13.1	12.1	10.9	13.0
Health	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Finance & Insurance	3.6	3.6	3.7	3.8	3.9	4.0	3.8
Manufacturing	4.2	4.2	4.7	5.3	6.2	7.9	5.7
Mining & Quarrying	16.1	15.5	14.6	13.8	12.8	11.6	13.7
Other Services	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Public Administration	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Telecommunication & Postal Services	4.6	5.6	6.8	8.2	9.7	11.6	8.4
Transportation	2.7	2.8	2.9	3.1	3.5	3.9	3.2
Utilities	3.2	3.3	3.4	3.6	3.7	3.8	3.6
Wholesale & Retail Trade	18.7	18.9	18.7	18.5	17.9	17.0	18.2
GDP	100	100	100	100	100	100	100.0
Non-oil	84.2	85.0	85.8	86.9	87.9	89.1	87.0

(Source: National Planning Commission and reproduced in TA)

The shocker with this issue in the MTEF 2013-2015 is that it aggregates the years with averages when it ought to provide yearly projections since the FR Act 2007 is particular about detailed assumptions as provided in the TA. Again, the MTEF in using averages, employs figures quite different from the TA figures and the differences are significant considering that for a N15.0trillion economy for example, 1 per cent (N150billion) is huge. So when the MTEF pegs Agriculture's contribution to GDP at 38% and the TA fixes it at 36%, then the impact of such discrepancy can be imagined.

If indeed the MTEF is a subset of the TA, then it is expedient that though the factors determining these are dynamic, there should be some closeness between them since both documents are projections anyway. For such discrepancy to exist, it is either the factor forecast guiding the setting of the TA projections is wrong or that of the MTEF is. Those planning the national economy need to be more skilful with econometric tools to avoid misleading projections. The second untrue assumption in the MTEF is that sectoral contributions will remain same for the years. If this was true, then there is no motivation for hard-work on the economy that all Nigerians need to put it. The Nigerian Senate shares this position as well[7].

[7] Senate Faults 2013-15 Spending Plan; Guardian Wednesday October 17 2012; page 1

The fourth point of analysis concerns recurrent and capital expenditure allocation patterns over the period 2013-2015 as provided for by the documents under comparison. A non-cursory look at the MTEF 2013-2015 and the NV20 2020 and the sub-setting TA reveals that all of them are in concord that over the period 2009-2020, recurrent expenditure as a percentage of the GDP decreases while the capital expenditure component increases. One of the strategies of the NV20:2020 is to correct weaknesses in revenue allocation by reducing recurrent spending and increasing capital spending. The Transformation Agenda seeks to realign recurrent expenditure with non-oil revenue while devoting a substantial proportion of oil revenue to capital expenditure. Their congruence with the MTEF 2013-2015 is established by the provisions of the document which is highlighted on page 6 of this work. However, the MTEF 2013-2015 shows only the expenditure/capital budget ratio for 2013 and it can only be hoped that 2014 and 2015 allocation will tow the same pattern.

The fifth issue relates to diversification of the economy and it is another area where congruence exists between MTEF 2013-2015 and both NV20:2020 and the TA. All the documents plan to have a robust economy by 2015 driven largely by oil and gas but with increasing complementarity from solid minerals, agriculture, ICT equipment and soft-wares, telecommunications, wholesale and retail trade, tourism and entertainment, manufacturing, and building and construction sectors. But bringing back the earlier arguments for a conscious departure in practice from an oil monolithic economy, it is noteworthy that Nigeria governments have in the past budget speeches spoken eloquently about the issue of diversifying the economy but always paid lip service to it shown eventually by budget allocation for non-oil sectors development. The MTEF 2013-2015 presents a veritable tool while the MTEF 2013-2015 based budgets serve as opportunity to develop other sectors such as manufacturing and agriculture. If adequate budgetary resources are allocated to these non-oil sectors and efficiently and completely utilized, economy diversification would be very much underway in real and nominal terms.

The last issue but by no means the least or exhausting is that of fiscal discipline measures which all the documents being compared agree are imperative if the goal of the economic transformation of Nigeria is to be achieved. The NV20 2020 and the TA provide for greater harmony between fiscal and monetary policies, fiscal prudence, inflation control, early budget passage, fiscal federalism, reduction of incidence of abandoned capital projects and finally war against corruption and the MTEF 2013-2015 declares government commitment to plug revenue leakages, reduce oil theft, reduce overhead expenditures, rationalize government MDAs as recommended by Oronsaye Committee, zero budgeting for new capital projects and reduce corruption.

While the congruence between them is noted and applauded there are very few indicators developed by the documents to measure success on them. However, going through the issues, they are easily tracked by a vigilant stakeholder but taking the issue of reducing corruption as case, one is bound to halt between two opinions in terms of trusting or losing confidence in government rhetoric on issues. For example recent corruption cases in the country including fuel subsidy corruption, pension scams, oil theft, 16 million US Dollar power probe discoveries, among many others and the fact that some of those indicted still walk tall and free in the society serve as a clear encouragement to others to indulge in corruption. If government is serious about dealing with corruption it should take determinate action against the offenders in the cases cited.

The other issue raised about the MTEF 2013-2015 as presented by the Executive which is not necessarily congruence with TA analysis issue is the fact that the MTEF as presented lacked essential elements of activities of government within the Framework period necessary for its comprehensive understanding and assessment. It is the informed view of this analysis that without these elements, any economic projections as stipulated in an MTEF is at best half-truths. The big question is what is an expenditure framework without GDP growth rate targets, interest rates, accretion to excess crude account, external reserves and contingent liabilities and quasi fiscal activities of government? Ideally these elements give the MTEF document is plausibility and usefulness and therefore to the extent that the MTEF 2013-2015 lacks these elements, it is no more than an econo-political wish list of a clueless government. However, given that governance is a reflective art, this administration can still come up with the missing details as an addendum and make up for the lapse.

5.0. OBSERVATIONS AND RECOMMENDATIONS

5.1. *Missing of Essential Elements*

Some essential elements that would aid fuller understanding and assessment of MTEF 2013-2015 and economic performance envisaged for the period were missed out in the MTEF 2013-2015 document. The consequence of this lapse is evident in stakeholders' disagreements in what ordinarily such details would have clarified and made easier to resolve. An example is the worrisome issue of differentia in price projections for oil prices by the executive and legislature resulting in seeming non standardisation and different assumptions being made by government arms and capable of delaying the 2013 budget process and affecting the realisation of the targets of the TA

Recommendation: the executive should go ahead and provide the elements as an addendum and analysts and stakeholders will be able to really assess the MTEF and budgets that are based on it. Furthermore both arms should not engage in any war of wits which may delay the passage of the 2013 budget and thus stall the economy and but take a closer look at the parameters that are adduced by both arms and find common grounds in the interest of the nation.

5.2. *Oil theft and Implications on MTEF*

For the country to lose 50,000mbpd is worrisome even though it is positive development based on the earlier theft profile. The loss of that volume of crude oil implies huge economic loss to the nation. Given that the MTEF promises government's efforts to reduce the theft profile is commendable but why would the level of oil theft be condoned at 50,000mbpd for 3 years. Why would the nation not reduce from 50,000 mbpd to 35,000mbpd in 2014 and totally eradicate the phenomenon by 2015? Maintaining the same oil theft profile for 3 years does not smack of a nation as serious. Furthermore, that oil theft occurs must be resulting from laxity of a system and with greater commitment can be totally plugged.

Recommendation: government must double its efforts in curbing oil theft by giving marching orders to agencies concerned (for example Nigerian Navy and Nigerian Civil Defence Corps) to reduce the profile to sustainable levels and for eventual eradication. This will increase the nation's chances of achieving the targets of the TA in target time.

5.3. *The Sectoral Composition of GDP*:

The sectoral composition of GDP for the 3 years is the same in the MTEF 2013-2015 and this cannot be true. This may have been because the MTEF 2013-2015 did a combined average of the figures for three years but this is a wrong approach especially as the annual disaggregation of this major issue of the MTEF needs to be shown for a useful analysis of the document. Given that result of every public and private sector intervention in the economy is measured by its addition to and geared towards increasing the GDP, keeping their projected contributions at the same level is tantamount to saying that all programmatic efforts, investments and interventions including reforms will not yield any additional dividends by 2014 and 2015. Furthermore, The MTEF 2013-2015 assigns non-congruent percentages of GDP growth of sectors with TA and indeed seemingly harmless differences could upset the economy. The economy planners should get the parameters right and avoid conflicting and misleading projections.

Recommendation: the MTEF in being redone as already advised earlier should contain the annual figures for each year as also done in the TA. Such detailed disaggregation not only makes analysis, monitoring and evaluation easier but also encourages both public and private sector players in the economy that the efforts in improving the economy is yielding desired results thus motivating them to increase their commitment.

5.4. *Attention on Economic Drivers and Diversification*:

The MTEF 2013-2015 provides for diversifying the economy from a monolithic oil one to include extra focus on agriculture, land and housing, manufacturing, power, transport and security. This development is welcome and there is a large degree of congruence between the provisions of MTEF 2013-2015 with TA in terms of focus on drivers of economic growth including oil and gas, solid minerals, agriculture, ICT equipment and soft-wares, telecommunications, wholesale and retail trade, tourism and entertainment, manufacturing, and building and construction sectors.

Recommendation: it is recommendable that Government matches action with words as it is notable that previous plans had paid such lip emphasis on economy diversification and in practice did nothing to match policy statements with action. In practice, government should pay equal attention to other sectors of the economy such as agriculture and manufacturing as presently paid to oil and one way to demonstrate this is through budget allocations. To this end, Agriculture and other sectors hitherto neglected should receive increased budget resources in the years ahead to position them as drivers of the economy in line with the TA.

5.5. *Meeting up the GDP Growth Rate*:

That the TA though in partial disagreement with NV20:2020 about average GDP growth rates over the years agree substantially that a GDP growth rate of 6.37% which is that of Q2 of 2012 (that for 2013-2015 is missing) cannot lead the nation to the nominal GDP of about N73.2trillion by the end of 2015.

Recommendation: investment in other sectors of the economy such as power, agriculture and manufacturing should be intensified as planned to ensure that the nation hits a GDP growth rate of 11.7% by 2015.

5.6. *The need to Re-invest Oil Surpluses*:

The revenue projections in the MTEF 2013-2015 leave us with budget surpluses for the 3 years; but considering the factors that determine eventual actual revenue are dynamic, there is need for caution. However, the revenue projections are incongruent with TA projections understandably due to different crude oil productions and prices between the TA and MTEF 2013-2015.

Recommendation: the Surpluses so recorded should be efficiently re-invested into critical sectors that will lead to the desired GDP growth

5.7. *Fiscal Discipline*:

The introduction of fiscal discipline measures such as reducing government's overhead expenses by implementing the Oronsanye Report; the introduction of GIFMIS; reducing inefficiency and corruption in public finance management; zero base budgeting of capital budget in 2013; reduction in the domestic debt profile are ideally effective measure to instil discipline in the management of the country's finances and congruent with the TA; but that they require political will and strong determination to carry through.

Recommendation: government should consider the social and economic impact of these policies and when fully clear about potential gains, challenges with mitigation strategies should go ahead to implement them.

Conclusions

MTEF 2013-2015 is congruent with the Transformation Agenda targets in some areas and incongruent in some others. Those areas of congruence include diversifying the economy and making key non-oil sectors focal to GDP growth and instilling fiscal discipline measures in public expenditure measurement as well as downward restructuring of the ratio of recurrent to capital expenditure as percentages of the GDP. The areas of incongruence are in the forecast of GDP growth and sectoral contributions to it as well as oil production and price benchmarks.

Though the areas of incongruence are more dynamic and vagarious, the gap created between them would have been better explained by some elements missed out in the MTEF 2013-2015 by the economy planners. However, the economy growth rate seems not to be able to meet the targets set for the 2015 end time of the TA except Nigeria strictly and urgently applies the measures outlined in the MTEF and TA for fiscal prudence.

Even then, a lot will depend on international crude oil price dynamics and others but most critical is the departure from sound policy rhetoric to practicalizing well thought policies especially in diversifying the economy to place special focus of sectors that have been practically neglected to the peril of the nation. If this is done and the sectors contribute optimally to the GDP growth rate anticipated for 2015 then the efforts would have been well worth it.

But given that sectoral contributions to GDP growth and other vital elements were not properly worked out and presented in the MTEF 2013-2015, basing budgets for 2013, 2014 and 2015 on it may be very un-progressive and to get it right, government should clarify the elements and add them to the first presentation. This will make the MTEF and budgets relating to it easy and less acrimonious to understand, analyse, implement, monitor and evaluate for overall impacts.

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