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2014 FGN Budget of Job Creation And Inclusive Growth – Do The Figures Support The Policy Enunciation?

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Abstract

In this short paper, we reviewed the general theme of the Federal Government of Nigeria (FGN) 2014 Budget vis-à-vis the sectoral allocations to assess if the figures in the budget support the government enunciation as budget of job creation and inclusive growth. A cursory look at the sectoral allocations appears to favour key sectors that would drive the needs of the economy in the areas of human capital development, job creation and economic diversification. However, the higher preference for recurrent expenditure across all sectors reduces the potential impact that government spending would have on achieving these goals in 2014. In other words, despite the opportunities that the low government spending on capital expenditure portents for private sector participation in many sectors in 2014, we are of the opinion that some of the sectoral allocations are dismal and may be counterproductive to the successes of the ongoing transformation agenda of the government. Our analysis therefore, provides some support that the budget may not achieve its targets and we proffered some way forward for government.

Keywords: Job Creation, Economic Growth, Poverty Alleviation, Inclusive Growth

1. Introduction

The Minister of Finance and Coordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala, on the 19th of December, 2013 presented the 2014 Budget termed "The Budget for Job Creation and Inclusive Growth" to the National Assembly. Almost one month later, precisely on 20th of January, 2014, she presented the budget to the public. According to the Minister, the 2014 budget is an attempt to build on the progress of the 2013 budget and consolidate the efforts put into achieving the President's transformation agenda in key sectors of the economy (FGN, 2014). However, the reduced allocation to capital expenditure (24%) relative to the entire budget of N4.643 trillion posits the 2014 budget as a reversal of government position from the previous consumption-oriented period. A cursory look at the budget especially the allocations to the various key sectors shows an apparent disconnect between the objective of the budget and the reality the figures represent.

The 2014 budget has been constructed to reflect the concerns of a deteriorating external sector and the challenges facing the nation in the domestic economic front. The nation's economy lies highly vulnerable to the many imponderables in the international market, oil being the commodity on which the Nigerian economy largely depends. The 2014 budget therefore represents an effort by government to navigate the economy through a narrow path of tight revenue and sticky expenditure profile. Achieving the specified budget targets will require great ingenuity on the path of government and to a large extent an element of luck that the global economic conditions eventually turn out much better than feared.

As in the preceding year, the watch word for the budget is fiscal consolidation, indicating government's resolve to cause a change of direction in its finances. Apparently the unfavorable revenue environment of 2013 did not permit much progress in terms of fiscal restraint, which it had pursued. The high prospects for

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revenue disappointments in the current year have made fiscal retrenchment quite compelling. How to achieve the required fiscal retrenchment and at the same time create jobs for the teeming masses will require great economic ingenuity on the part of the government. The general theme of the 2014 budget is job creation and inclusive growth; however, do the figures in the budget support the lofty enunciation? To answer this question and more, the structure of this review proceeds along the following sequence: Section 2 outlines the key aspects of the 2014 budget and some critical issues that underpin the budget. This is followed in Section 3 by a survey of allocations to the key sectors of the economy and what those allocations portends to government avowed intentions of job creation and inclusive growth. Section 4 summarizes the points and concludes the paper.

2. Key Highlights of the 2014 Budget

The aggregate spending of N4.643 trillion in 2014 represents a 6.9% decline from the N4.9 trillion appropriated in 2013. It is also lower than the 2012 budget figure by 4.4% hence it is the lowest budget in the last three years. The reduction in spending is aptly necessitated by the revenue challenges the country faces from sustained oil production losses and reduced non-oil earnings in recent times (Muo, 2013). These factors have forced a downward review of the revenue assumption and hence, the government spending plan. Using the oil production assumption of 2.35m barrel per day and a consensus oil price benchmark of US$77.5 per barrel, the revenue assumption for this budget may not be conservative enough. This is particularly so in the light of the realities of vandalism and theft of oil and the government's seemingly helplessness, in addition to the global dynamics of oil and gas discoveries especially the ambitious development of shale oil by the United States and China (EIA, 2013; OPEC, 2014).

The consolidated expenditure summary indicates that a total of N1.100 trillion is allocated to capital expenditure in 2014, representing 23.7% of the total aggregate spending in 2014. It also represents a decline of 30.9% and 17.8% from N1.591 trillion (32% of total appropriation) and N1.339 trillion (27.6% of total appropriation) in 2013 and 2012 respectively (FGN, 2013 and 2012).

On the other hand, a total amount of N2.430 trillion is allocated to recurrent (non-debt) expenditure, an increase of 0.6% from 2013 appropriation. It also accounts for 52.4% of total budget compared to 48.4% in 2013. The remaining amount is allocated to debt service payment and statutory transfers in the amount of N712.0 billion and N399.68 billion respectively. The debt service and statutory transfers' figures represent increases of 20.5% and 3.0% respectively compared to 2013. In other words, total recurrent expenditure is to increase by 4.3% in 2014, accounting for 76.3% of total spending. Key highlight of the budget is shown in table 2.1 below.

Table 2.1 – Key Highlights of the 2014 Budget vis-à-vis 2013 Budget

Fiscal Items	2014 Budget	2013 as amended
Oil production (million barrels per day)	2.38	2.53
Budget price per barrel (US$)	77.50	79.00
Exchange Rate (N/US$)	160.00	160.00
Economic Growth Rate (%)	6.75%	6.50%
Total Federally Collectible Revenue (N'billion)	10,519.27	11,339.78
Gross Oil Revenue (N'billion)	6,814.43	7,734.15
Gross Non-Oil Revenue (N'billion)	3,288.58	3,307.46
Total Federal Government Expenditure (N'billion)	4,642.960	4,987.96
Share of capital as % of total expenditure (%)	24%	31.9%
Share of recurrent as % of total expenditure (%)	76%	68.1%

Source: FGN 2014 Budget

2012 Budget Highlights

Fiscal Items	N 'billion	Change over 2011
Federally collectible revenue	9,405	
Federal Government Aggregate Expenditure	4,749	+6.0%
Total Federal Government Revenue	3,614	+9.0%
Non-debt Recurrent Expenditure	2,472	-0.4%
Capital Expenditure	1,320	+15%
Fiscal Deficit	1.11	+20.1
Debt Service Provisions	560	+3.2%
Statutory Transfers	398	+102.9%
Security Vote	921.91	31.9%
Crude Oil Production Benchmark	2.48 mbd	+0.18 mbd
Crude Oil Price Benchmark	$70/barrel	+$5
Benchmark Exchange Rate	N155/$	+N5
GDP Growth Rate	7.2%	+0.2%
Inflation Rate	9.5%	
Share of Recurrent Expenditure	72%	+2.4%
Share of Capital Expenditure	28%	+2.0%
Fiscal Deficit as % of GDP	2.77%	-0.19%

Source: FGN Budget 2012 and 2011

Critical Issues that Underpin the FGN 2014 Budget

Some of the critical issues that underpin the budget and which deserve analytical spotlight include:

High Expectations vis-à-vis Cutting Cost of Governance

It is obvious that despite compelling economic circumstances, reducing cost in government operations is not going to be that easy. Government's decision and actions are usually subject to a lot of compromises that must be made to attain a social balance (Uzor, 2013). The attempted removal of the oil subsidy and full deregulation of the downstream oil sector in 2012 and the general industrial strikes that followed that policy move are clear demonstrations that government cannot attain the fiscal targets required by economic imperatives without a great deal of political and social disharmony (Okewulonu, 2012). The high cost structure of government emerged gradually over the years and cannot easily be reversed suddenly. What the 2014 budget has done, which is what an annual budget can do, is to merely scratch the structural problem on the surface. Hence, despite government's disposition towards fiscal consolidation, budget numbers are not saying much about fiscal restraint. Aggregate expenditure of the federal government is projected at N4.643 trillion for fiscal year 2104. This represents a moderate increase of 6.0% - which is lower than the anticipated inflation rate of 9.5% for the year. Government revenue is projected to grow slightly ahead of expenditure at 9.0% to N3.644 billion. The budget will therefore run on a fiscal deficit but the amount of the deficit is expected to drop by 20.1% to N1.110 billion in 2014. Non-debt recurrent expenditure, the main trouble spot in government finances, is expected to decline marginally at 0.4% to N2,472 billion in 2014 (FGN, 2014). The figure represents a decline of 2.4% as a proportion of aggregate expenditure from 74.4% in 2012 to 72% in 2013. Savings to be generated by this move will generally be channeled into the capital spending budget, which has been raised from 26% of total budget in 2013 to 28% in 2014 (FGN, 2014).

High Expenditure Content in the Budget

With as much as 72% of the expenditure still consisting of recurrent items, it can be expected that the problem of translating economic growth into sustainable development will remain with the 2014 budget. The Finance Minister's view, as expressed in the high points of her budget presentation however does not agree with this expectation. This budget, she said, "will translate the development plans of government into concrete actions". Speaking further, she promised that "the budget will deliver the dividends of democracy to the people and will turn the nation's possibilities into reality" (FGN, 2014). It is obvious that the bold posture of the government and the grand theme accorded to the 2014 budget engenders more confidence than the budget figures itself. We shall expatiate this point later.

Over-Bloated Government Structure

There are high expectations from the 2014 budget because this may be the President's last budget before the 2015 general election and therefore, the president has more compelling reasons to deliver his electoral promises to the people. There is more interest in the outcomes of government plans and policies than the 'what' and the 'how' of their accomplishments. Yet the budget has to be structured to reflect the realities of the global economy. That seems to leave both the people and the government at the crossroads. From the view point of Nigerians, the President came into government as a messiah that would lead the people to the Promised Land after many years of past disappointments. The much expectation reflects little or no more capacity for the people to bear further economic hardship. While the people cannot wait to see government policies and actions improve their living conditions, government is presently struggling to come up with structures to lift the nation out of poverty. Despite the President's good intentions, the economy still does not have the strong capacity to translate the high hopes and promises expressed in the budget into practical results (Okoye, 2014).

Since the return to civil rule in 1999, the administrative structure of government has been reshaped around the influx of huge oil revenue. In 1999, when oil price hovered around $16 per barrel, Nigeria incurred a fiscal deficit of N285.1 billion. In that year, capital spending vote represented 52.5% of total federal government expenditure. In 2010, when average crude oil production rose from 1.82mbd in 2009 to 2.13 mbd, the price of Nigeria's reference crude rose by 22.6% to $80.81 and export volume grew by an average of 30.7% in the year, fiscal deficits grew to an all time high of N1,105.4 billion. Capital spending vote dropped to 35.9% of total expenditure. While the 2011 budget was termed one of fiscal consolidation, it contained even a higher fiscal deficit provision of N1.39 trillion and capital vote dropped further to 23.8% (Uzor, 2013). The structure of government that President Goodluck Jonathan inherited is exactly the problem and there are no pretenses that he is going to change this structure over night. Despite compelling economic rationality to do so, the needed radical pruning of the government machinery is a political decision. The truth is that the President cannot single handedly pull down the unsustainable administrative structure in place. According to Uzor (2013) if the President is to do exactly what economic reasoning dictate, not less than one-half of government workforce will be sent home and a good chunk of the arms and extensions of government will have to be amputated. Many government agencies have been established by various enabling laws that must be repealed before the executive can act.

To this end, the 2014 budget is in reality articulated to meander through the problem of an over-bloated government. This is indeed the problem that is preventing government from translating economic growth into sustainable development (Onyekpere, 2014).

Over-Bloated Expenditure Profile

There are rising concerns over government expenditure profile and the economic imperative for government to trim down. Salary cuts of 25% have happened but government continues to limp along with an excessive expenditure overload. The President has repeatedly in his previous budgets assures Nigerians that government is conscious of the need to control the cost of governance, yet his pruning saw seems to be blunt so far. The Central Bank expects that imminent revenue shocks will compel government to face the reality of shading weight in 2014 but the budget is not structured to make that happen. The 2.4% scraping of non-debt recurrent expenditure is not expected to bring about the hoped fiscal retrenchment in 2014. Again, government is well known for excessive bursting of budget numbers, particularly on spending targets and borrowing ceilings. The President has rightly identified some viable avenues for cutting recurrent expenditure, which are reducing waste, inefficiency, corruption and duplication in government. If the avenues have been thoroughly screened in 2014, the level of recurrent spending would have dropped by much more than he has in the budget.

In the light of the gloomy picture of the global economy for the current year, government revenue projection appears rather too optimistic. Considering the cyclicality of crude oil price in the international market, this year looks more like a downtime. The $77.5 per barrel oil price benchmark for the 2014 budget is quite optimistic. If the high volatility in the international oil market that made crude oil price swing from $147 to $38 per barrel in 2008 is fully appreciated, then the margin of less than $30 below the current price is too close for comfort. Fiscal retrenchment happening in the advanced countries and the downside risk arising from Euro zone credit crisis will appear to have more serious implications for crude oil price than the 2014 budget seems to recognize.

High Recurrent Expenditure Profile vis-à-vis Fiscal Deficits

The dominant size of recurrent expenditure leaves no cushion in the budget to keep the capital spending on course in the event of revenue shortfall (Muo, 2014). Another element of risk in the budget is that it is yet going to run on a large deficit than has been the feature of government finances for several years now. Fiscal deficit remains high at N1.11 trillion, which still has a good chance of being exceeded. There is potential that government is likely to come under pressure to burst its fiscal targets. New borrowing at the significantly increased interest rates will compound the fiscal problems of government. A major concern is the fiscal paradox in Nigeria – that is fiscal deficits has been rising as government revenue grows. As in most of the past years since the oil market rally began in 1999, government revenue is making new peaks, providing a rare opportunity to accumulate large budget surpluses. That is clearly not the target of the government in 2014. What the President is promising are manageable deficits and sustainable debt-GDP ratio of no more than 30%. A major challenge facing the 2014 budget is that the fiscal consolidation plan of the 2013 budget was not realized. The unrealized plan of action for 2013 has not provided the much needed concrete platform upon which to consolidate in 2014. As part of government's strategy to cut recurrent expenditure, the President set up an expenditure review committee and promised to implement its report to the letter. However, it is evident in the 2014 budget that the task of cutting expenditure in governance has not been accomplished. In his 2012 budget address the President said "*in this respect, I have received the preliminary report of the taskforce which I set up for the purpose and we shall implement relevant recommendations*" (FGN, 2013). It will appear more effective if the committee had been given a definite target as to the proportion of the government expenditure that must be cut. To make its job of cutting expenditure meaningful, the committee needs to have been empowered to recommend measures to restructure the entire government machinery to attain a lean structure of administration (Uzor, 2013). As long as government wears the present administration toga, the expenditure review committee is not likely to make any major headway. Perhaps the assignment needs to be transferred to the economic management team (headed by the Minister of Finance) that appears to have a superior mandate. If the President is to succeed in transforming the economy as promised, he first needs to transform the structure of governance. The administrative structure needed to optimize government expenditure and permit new economic capacity building is yet to be accomplished.

Imperative of Balancing Monetary and Fiscal Policies

There is need to balance monetary and fiscal policies to attain the targets enunciated in the 2014 budget. Because fiscal consolidation did not happen in 2013, monetary policy had to be excessively used to compensate for the missed fiscal targets. If fiscal restraint fails to happen in 2014, it can be expected that the excessive reliance on monetary policy will happen all over again. This will hurt business activities further in the private sector. First, the single digit inflation rate will be unsustainable if at all attainable without fiscal restraint. And the Central Bank, which is keen to keep interest rate above inflation rate, is not likely to compromise its stance on maintaining positive real interest rates. In 2013 fiscal year, businesses generally worked for banks in terms of how much they paid as interest charges relative to what was left as profit for shareholders. At the current level of interest rates with CBN Monetary Policy Rate set at 12 percent (CBN, 2014), survival of many companies will be difficult in 2014. The prospects for a further hike in interest rates are better not imagined for the productive sectors, which underscores the critical need to achieve fiscal restraint in the current year. The move towards fiscal retrenchment is important to end the sole dependence on monetary policy for economic adjustment. Less inflationary spending by government will enable the

Central Bank navigate monetary policy towards stimulating investment and domestic output rather than solely fighting inflation. If the objective is realized, it is expected to create stability in the financial markets in 2014. Interest rates may fluctuate less violently, as liquidity mop ups will no longer need to be frequent. This will expectedly usher in a more stable investment climate and permit a balance to be attained in both equity and debt markets.

Perhaps, a review of the 2014 budget vis-à-vis allocation to various sectors will help put the argument into proper perspective.

3. Review of Key Sectoral Allocations in the Budget

Allocation to Agriculture

The public investment in agriculture and the structure of such investments is expected to highlight first, the commitment of the government to the pursuit of economic diversification need and secondly, the need to consolidate on the progress of the Agricultural Transformation Agenda (ATA) of the government. The sector's importance as the largest employer of labour in the country as well as its capacity to employ more if the ATA succeeds indicates that it remains sacrosanct to the objective of this year's budget for growth inclusiveness and job creation. The dynamics and structure of the public spending on the sector in 2014 however do not seem to reflect this position of the agricultural sector within the objective of the budget.

For some reasons, the total allocation to the sector declined by 20.06% to N66.64 billion in 2014 compared to N83.37 billion in 2013. However, while recurrent expenditure is to decline by only 3.2% during the period, capital expenditure is projected to fall by 30.82%. Even more worrisome is the large decline in the allocation to Research and Development (R&D), which in our opinion should be at the forefront of Agriculture ministry's programme, from N2.71 billion in 2013 to mere N700m in the 2014 budget. Further divergence of the sector's budget to the main ministry and the departments and agencies of the ministry highlight a similar trend. Capital allocation to the agricultural agencies, most of which are research and learning institutions, declined to 22.8% of total budgeted allocation of N30.52 billion in 2014 (FGN, 2014). As the main ministry which controls the largest share of the sector's capital allocation with a budget of N28.2 billion (N39.54 billion in 2013), only N13.15 billion, representing 32% of the total ministry's budget is for core capital expenditure.

Perhaps the reduced government size in the sector, which the reduced spending indicates, would expand the opportunities for the private sector to drive the ATA programme to beneficial new fronts in 2014. Having successfully created the various platforms to reach farmers with commercialized inputs and subsidies, in addition to the deployment of a process to fix agricultural finance, the next phases of fixing the markets and agro-processing could be driven through private sector initiatives. In other words, enhanced private sector participation on the back of the ministry's policy support is expected to open up significant opportunities in the sector in 2014. It is however arguable that given the value and structure of the allocation to the Agricultural sector in this budget, and barring expanded opportunities for the private sector to leverage off recent progress made on the ATA, the contribution of the 2014 budget to economic diversification and job creation could be stunted when compared to previous years. Allocation to Agriculture in the budget does not reflect support for ATA progress.

Allocation to Education

Perhaps to accommodate the recent agitations of the Academic Staff Union of Universities (ASUU), the total allocation to the education sector advanced by 12.8% to N493.46 billion in 2014 compared to N437.48 in 2013. As a result, the percentage share of education in the entire appropriated figure for 2014 increased to 10.6% from the 8.8% in 2013. It is however notable that the share of capital expenditure to the sector reduced from 16% in 2013 to 10% in 2014 as personnel expenditure alone accounts for 85.32% of the total allocation to the sector in 2014.

Although we understand that the sector is largely human capital driven, the alarming infrastructural deficit in schools, the dismal Research and Development (R&D) capacities and the recent increase in the number of tertiary institutions, the meager allocation to educational capital projects is arguably counterproductive to the transformation agenda in 2014. This is despite the fact that the 10.6% allocation to education is less than the UNESCO's recommendation that 26% of the budget should be allocated to the sector. Allocation to Education in 2014 budget is still less than UNESCO's Recommendation.

Allocation to Trade and Investment

Allocation to the Trade and Investment Ministry is to decline by 28% in the 2014 budget to N15.06 billion while its capital-to-recurrent expenditure ratio is at 14.7:85.3. The allocation and its structure appear appropriate considering that the ministry and its agencies are largely involved in policy making and promotional activities. In addition, the allocation of the larger proportion of the decline in financing to the sector to the main ministry indicates responsive budgeting. That of course shows the preference given to the key agencies like the Standards Organization of Nigeria, Centre for Automobile Design and Development, National Automative Council, Nigerian Export Promotion Council, Industrial Training Fund, etc. as the instruments at the centre of the ministry's role in the transformation agenda.

However, the reduction in the entire budget of the ministry at a period when the government is pushing for some import substitution strategies – most recently, the Automative Industrial Development Plan meant to revamp local assembly of cars – could hamper the ministry and its agencies' capacity to effectively drive some of these policies through. Allocation to Trade and Investment in 2014 budget also declined despite the consideration of some import substitution strategies by the government.

Allocation to Youth Development

Total allocation to Youth Development declined by 7% to N80.884 billion in 2014 compared to N87.405 in 2013. It is however worrisome that 92% of the total budget for Youth Development is allocated to the National Youth Service Corps (NYSC) suggesting that there is little or nothing else the ministry does or is expected to do in 2014 other than managing the NYSC programme. It is important to note that spending less on the development of youths relative to the prior year in a country whose demographic structure indicates that youths have the largest percentage and where most social vices are perpetuated by them is not a development engendering drive. 92% of Youth Development's Allocation in 2014 budget goes to NYSC leaving the ministry with a paltry 8% for other youth development activities.

Allocation to Works

The allocation to the Ministry of Works and its agencies in the 2014 budget declined by 33% to N128.647 billion from N191.251 billion in the 2013 budget. As a proportion of the total budget, the allocation to the sector represents only 2.8% of total budget. In addition, the proportion of capital expenditure to the sector also declined to 77.8% in the reduced 2014 budget compared to 86% in 2013.

Perhaps the increasing commitment to deploy private sector investment in infrastructure development, especially in road construction by bringing back the toll gates, may explain the reduced aggregate allocation to the ministry and in particular its capital expenditure. This however offers significant opportunities for private sector players to participate in the sector starting from 2014. It is noteworthy however that for a country suffering under the weight of grossly inadequate road infrastructure, it is expected that the government would have budgeted more for same in 2014. Reduction in the allocation to the Ministry of Works when many Federal Roads are in dire needs of attention is to say the least unthinkable.

Allocation to Science & Technology

A significant decrease in the budget allocation to the Ministry of Science and Technology by 20% to N30.847 billion in 2014 compared to N38.673 billion in 2013 was proposed. In addition, and in line with the general budget frame, 78% of the ministry's budget is for recurrent expenditure, leaving only 22% to capital projects which are expected to be largely research and development focused. It is hard to understand how the economy will be positioning for global competitiveness with only 0.7% of total spending devoted to such a critical development sector as science and technology in 2014.

In addition to reducing the country's capacity to be forerunners in technological advancement, considering the low capacities at the universities, and the reduced spending on science and technology by the government, this scenario encourages positioning the country as a global technology dumpsite where the country only consume without any marginal gain even for the advancement of local goods. Allocating just 0.7% of the budget to Science and Technology may generally undermine the achievement of the Transformation Agenda of the government.

Allocation to Other Sectors

Across the health, communication and technology, transportation, etc, sectors the combination of under budgeting and unwholesome allocation in favour of recurrent spending is obvious. It is also difficult to see a strong connection of the budgeted figures, across most ministries to the conspicuous yearning of the economy in relation to diversification, employment growth, low inflation, domestic productivity and poverty alleviation. More importantly, the extent to which a budget in which 48% of total allocations are meant for salaries and emoluments to less than 10% of the total population of the country can promote inclusive growth is highly debatable. Despite the revenue challenges facing the nation, it is clear that we can do better as a Nation. The situation in other sectors is not different suggesting that the impact of the 2014 budget on the economy could be weak generally.

4. Conclusion and Recommendation

Given the foregoing analysis, we proffer the following recommendations, which if implemented would increase the impact possibility of the budget for inclusive growth and job creation going forward:

Greater investment in critical infrastructure

The Nigerian economy is estimated to require about US$2.9 trillion (N15 trillion per annum) in infrastructural investment spent over the next 3 decades in order to meet the international benchmark of 70% value of infrastructure as a percentage of GDP. In this regard, the level of capital spending and the retrogression suggested in the 2014 budget represent a concern on the commitment of the government to meet the infrastructural needs of the economy.

In addition, the ongoing Transformation Agenda, which is a medium term economic transformation programme of the current government, requires a significant boost in the current year to sustain the progress on power privatization. Key ministries such as Works, Agriculture, Trade and Investment, Communication Technology among others should get a very significant allocation to capital and development programmes in the yearly budgets to keep the agenda on the current positive track. Human capital development drive can only be achieved through huge investment in capital projects in ministries such as Education, Health, ICT and Women and Youth Affairs. The current composition of this budget falls far from this expectation.

A credible reason for the lopsided allocation to recurrent expenditure, which is reflected in the overly large allocation to personnel spending, is the increased agitation for better welfare for workers and the subsequent industrial actions that have forced the hands of government to meet these demands. At N2.234 trillion in the 2014 budget, personnel expenditure, accounts for 48.1% of the total budget and is unprecedentedly higher than the capital budget of 23.7% of the total budget. Government must reverse this trend if the nation is to witness the much touted inclusive growth, job creation and poverty alleviation.

Aggressive Pursuit of Agricultural Transformation

One key element in government's transformation strategy is a fresh initiative on agriculture. The President speaks of total transformation of agriculture, moving it from traditional farming to modern business, offering new opportunities to both small and large scale enterprises. The objectives are highly desirable – to ensure food security, boost the non-oil export basket and roll out new jobs. This avowed initiative on agriculture is quite fascinating. Agriculture is the main economic activity in which Nigeria holds a comparative advantage. This is where the nation should be and the President does well to beam the light on the sector that needs a new action plan with a great sense of urgency. Supportive fiscal policies and interest rate subsidy is also coming to suppliers of seeds and for fertilizers. However, the key strategy that will truly transform traditional farming is yet to be unfolded. Agriculture needs grant capacity building that will open up new opportunities in various areas in the sector. Abundant availability of arable land and the large percentage of the population engaged in agriculture provide a great opportunity to impact on the lives of the largest number of Nigerians through the initiative on agriculture. As a modern business, agriculture has the advantages of cheap labour, very low import content and therefore high profit margin. Only banking comes anywhere close to agriculture in terms of profit margins, which is again explained by the low import content of products. With continuing dependence on crude technology, the food output to population ratio is bound to continue to decline. The nation may therefore be heading for a major food crisis, which warrants a major government intervention in the agricultural sector. It is important for government to appreciate that transforming agriculture is a long term project and a number of supportive policies will have to be put in place to sustain progress. It needs to be appreciated as well that challenges that confront the sector transcends beyond tariffs, machinery and equipment importation and subsidized bank credit. A workable initiative on agriculture needs to be developed based on the facts on ground about Nigeria's agricultural practices. About 70% of the population works on subsistence farming, accounting for up to 80% of annual output. Crops cultivation represents about 85% of their activity, farm yields are low and storage facilities are inadequate. Farming technology is crude; research solutions are unavailable, access to finance is severely restricted and improved seeds are scarcely available. More than 72% of the 98.3 million ha of land is suitable for cultivation but only about one-half of that is presently being farmed. Government needs to invest more funds into agriculture to unlock the potentials in the sector.

Capacity Building

There is need for a comprehensive framework to build capacity in the country to support the government budget enunciation of inclusive growth and job creation. Part of the strategies to achieve this is change in the monetary stance of government. The present monetary objective of fighting inflation should be changed to stimulating production in the private sector. In other words, government should stop spending so much on current consumption and begins to spend on building long term production capacity. The 2014 budget figures clearly show the revenue-expenditure problem of government. Inclusive of debt servicing, recurrent expenditure represents about 75% of total federal government revenue. If you add statutory transfers, non-development spending and other sundry expenses will approximate 85% of total revenue. Can we expect 15% capital expenditure to create jobs for the many idle hands in 2014? This is doubtful because the expenditure structure at the federal level shapes the spending structure in the rest of the economy. Paying bills and servicing debts is what everyone sector seems to have been doing for some years now. The same applies to the private sector where the survival game has taken hold since the economic meltdown in 2008. Government has no better option than to invest more in capital expenditure to build capacity that will create jobs and bolster the economy.

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