
2014-2016 MEDIUM TERM EXPENDITURE FRAMEWORK AND FISCAL STRATEGY PAPER

Supporting Growth and Employment Generation

1.1 Introduction

The Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provide the basis for annual budget planning. They consist of a macroeconomic framework that indicates fiscal targets and estimates revenues and expenditure, including government financial obligations in the medium term. The documents also set out the underlying assumptions for these projections, provide an evaluation and analysis of the previous budget and present an overview of consolidated debt and potential fiscal risks.

The MTEF and FSP produce a number of important outcomes including the macroeconomic outlook; fiscal balance; and other key indicators. They fulfil a requirement of Section 11 of the Fiscal Responsibility Act (FRA) 2007 which stipulates that the Minister of Finance shall prepare the MTEF and FSP and get them approved by the Federal Executive Council and National Assembly.

2. Macroeconomic Framework

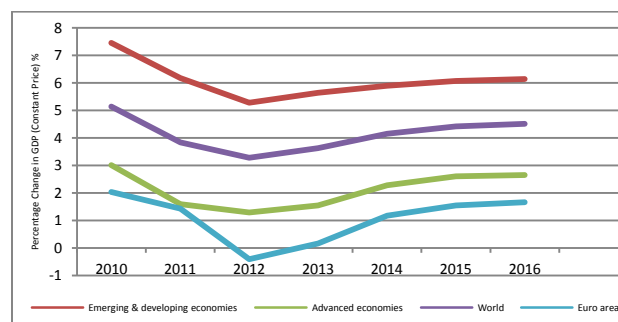
2.1 An Overview of the Global Economy

Global economic recovery is slow, though certain countries such as US and Japan may be on the mend. Nevertheless, the recovery in these countries remains fragile. Growth in the US is forecast to average only 1.7% in 2013. A supportive financial market environment and the

turnaround in the housing market have helped to improve the finances of households and should promote increased consumption growth in 2013. However, despite the slight improvement, risks remain for the US economy.

Similarly, the near-term outlook for the Euro area has been revised downwards, even though progress in national adjustment and a more robust Euro-wide policy response to the euro area crisis has reduced risks and improved financial conditions for the peripheral economies. Growth is expected to contract by 0.6% due to the lag in the transmission of lower sovereign spreads and enhanced banking sector liquidity to the private sector, as well as continuing high uncertainty about when the crisis would be resolved despite the progress that has been witnessed in recent times.

Figure 2.1a: Global Growth Rates and Selected Countries' Growth Rates



Source: WEO – IMF