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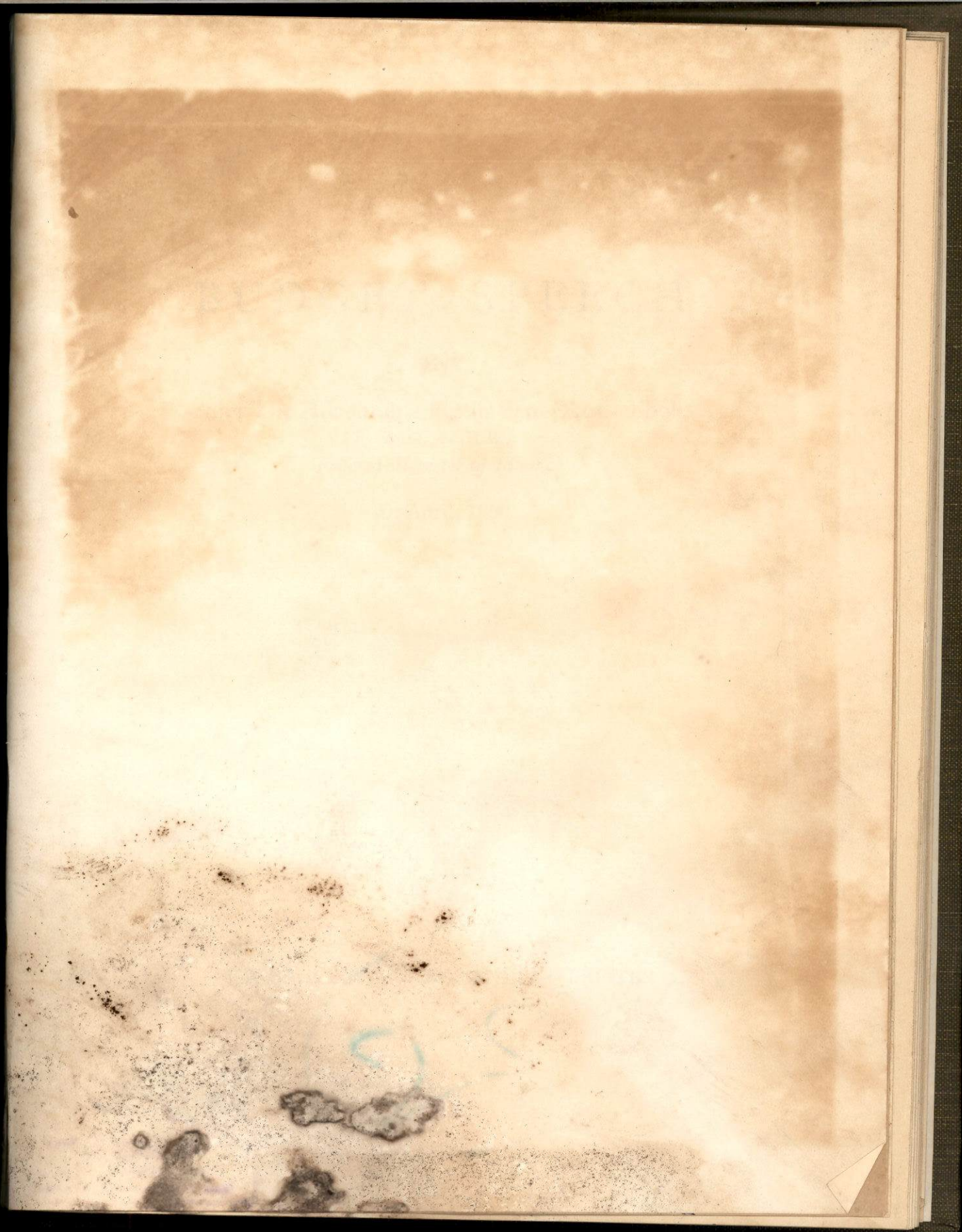
BUDGET SPEECH

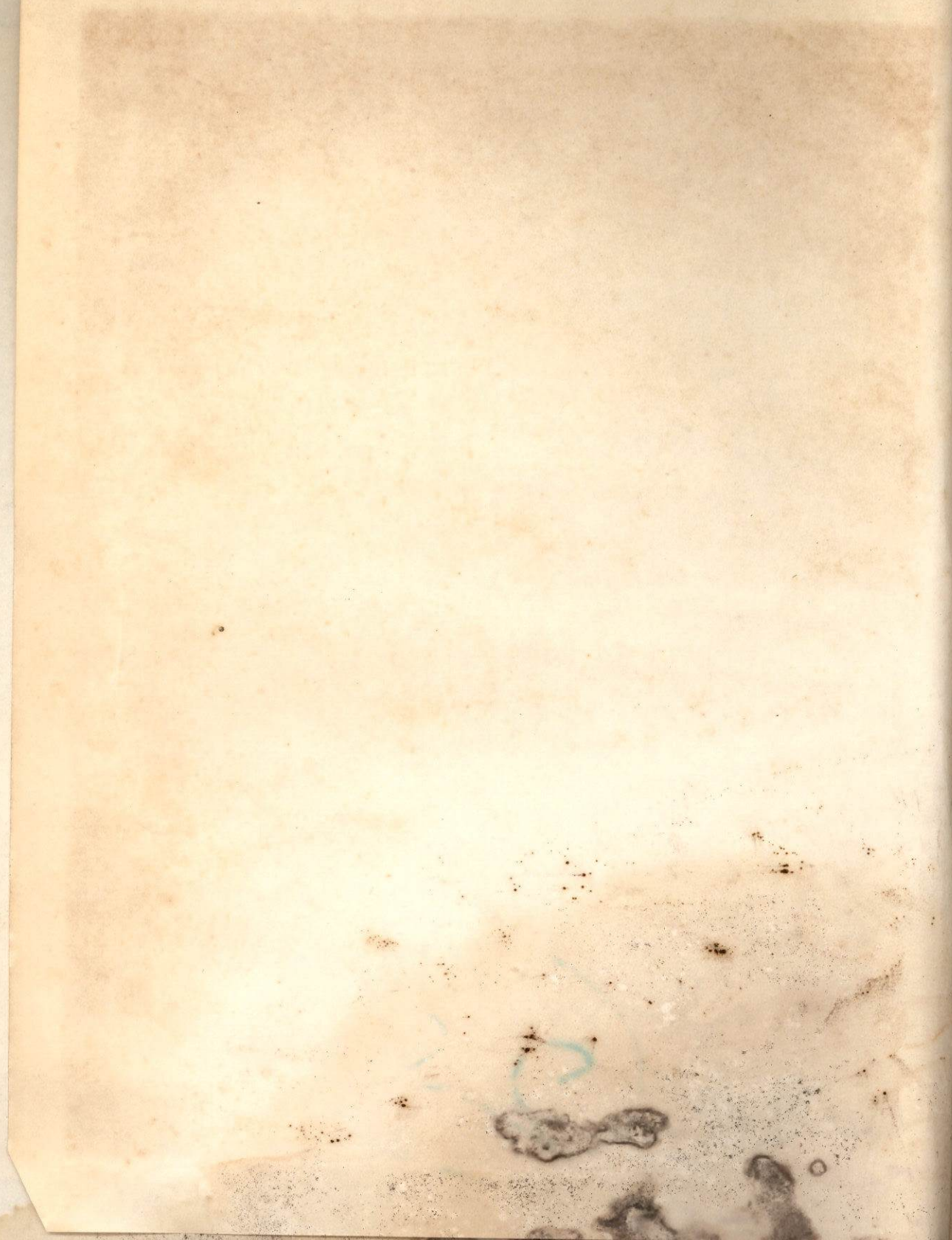
By

Chief The Honourable Festus Sam Okotie-Eboh,
C.M.G., M.H.R.,
Federal Minister of Finance

4th April, 1960

NOT FOR CIRCULATION





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BUDGET SPEECH 1960 BY CHIEF THE HONOURABLE FESTUS SAM
OKOTIE-BOH, C.M.G., M.H.R., FEDERAL MINISTER OF FINANCE

MR SPEAKER, SIR,

I beg to move that—

A Bill entitled "A Bill for an Ordinance to appropriate the sum of forty-six million, six hundred and four thousand, three hundred and sixty pounds to the service of the year ending on the thirty-first day of March, one thousand nine hundred and sixty-one" be read a second time.

As I rise to submit the annual Budget for the consideration of this Honourable House, I wish to say how honoured I am that the Prime Minister should have seen fit to entrust me with this high office for a second term. The duties and responsibilities which attach to my Ministry are indeed heavy. I pray that, in the years ahead, God may grant me the strength and wisdom to discharge them for the betterment of all our people.

The Finance Ministry of a great and growing nation like ours rarely has time to rest. Each day brings its new problems and these in turn demand new solutions. The activities of the Ministry grow in complexity. Gone are the days when Nigeria's Budget Speech was merely a recital of the proposals in the Revenue and Expenditure Estimates—a simple balancing of Government's domestic accounts. To-day, as we stand on the threshold of independent nationhood, we have already taken full command of our own financial fortunes. We have to evolve our own policies for the conduct of our economic and financial affairs. Complex this may be, but for me the reward is to see on all sides evidence of the remarkable growth of the nation's economy. Not only here in Lagos, but also the length and breadth of our mighty Federation, development is proceeding apace. This striking progress is symbolised, to my mind, by the splendid buildings which seem to spring up overnight in our cities. Nigeria is certainly on the march in this second half of the twentieth century.

My two previous Budgets were both given distinctive names. The first came to be known as "THE PEOPLE'S BUDGET"—the very first Federal Budget to be introduced by a Nigerian Minister. The second, which it was my privilege to lay before the House last year, was known as "THE RESPONSIBILITY BUDGET." This year I have called my Budget "THE STABILITY BUDGET." I do so because our great country now enjoys a most stable administration consequent upon the formation of this Coalition Government by the NPC and the NCNC. This stability, which I have no doubt will continue for a very long time, provides the solid foundation upon which we can build a greater nation and thus ensure prosperity for the generations yet unborn.

I wish to take this opportunity of congratulating all the survivors from the last electoral battle and to welcome our new Members. I believe that this Government, in co-operation with a constructive Opposition, will give our great country that much desired unity, guaranteed stability in public and private affairs and respectability in the comity of nations. Stability both in the monetary and political spheres which is so necessary to the attainment of these aims will be the theme of my Budget to-day.

That great and wise historian, Edward Gibbon, spoke of independence as "the first of earthly blessings." This, I feel sure, is a sentiment which all of us in this House share to the full. It is indeed a sentiment which finds echoes far and wide through this vast continent of Africa. I have said that this is a year of destiny for Nigeria. I think it is equally true to say that it is a year of destiny for the whole continent. As Mr Macmillan has rightly said, the wind of change is blowing through Africa. The coming independence of Nigeria is but one very important part of the momentous changes which are afoot. There is no question, Mr Speaker, that the eyes of the world will be focussed upon us in Nigeria this year as we step proudly onto the world's stage as an independent nation. We have a noble part to play. It is our duty to show the world how ready are the people of Africa to accept the responsibilities which accompany this first of earthly blessings.

It is a matter of immense personal joy to me that I should present the Budget which will cover the first six months of Nigeria's independence. My Budget last year was designed to prepare the nation for the coming of Independence. The period for preparation is all but over. Before this House meets next to consider an annual Budget, we shall have won our freedom. Let no one imagine, though, that political freedom by itself will solve our problems, or by itself will make us richer. So that we may be better equipped to face the future it is my chief purpose in this Budget to provide a strong financial structure for independent Nigeria. Therefore, Mr Speaker, in this speech, I will try to take stock of the finances of the Federal Government as they stand to-day on the eve of Independence. I shall also endeavour to describe the plans of the Government for ensuring that our finances are soundly managed in the years ahead. I have often said that economic freedom will be just as important to us as our political freedom. I do not suggest for one moment that in this rapidly shrinking world of to-day we can stand apart from other nations. We are all mutually inter-dependent, but it is true that the stronger our economy, the stronger our political freedom, the stronger our position in the world.

It has been my practice to review each year the events of major importance in the financial and economic sphere. This year, it is difficult to know quite where to begin. So much has happened, both here at home and abroad, during these past twelve months. Perhaps the most significant event of the year was the opening of our Central Bank, with which was coupled the issue of our own national currency. I believe that history was made on the 1st July at the memorable opening ceremony when we were delighted to welcome many distinguished visitors, including my good friend, the Governor of the Bank of England. The opening of the Bank and the issue of a national currency are essential steps on the path to independent nationhood. They enable Nigeria to establish the monetary autonomy which is part and parcel of the workings of an independent modern state.

The House will remember that last year I spoke of the increasingly important role which the Central Bank would play in the financial and monetary affairs of Nigeria. The first objective of the Bank was to ensure the success of the currency conversion. It gives me the greatest satisfaction to report to the House that, for all practical purposes, the conversion of the notes has been completed. It is remarkable, I think, how smoothly the operation has gone. It is a glowing tribute to the good sense of the people of Nigeria, even those in the remotest parts of the country, that they should have accepted the change so readily and with so little fuss.

By the end of March the Nigerian national currency in circulation was £52 million. This figure includes £7 million of Nigerian shillings. While the conversion of the notes can be quickly achieved, the conversion of the coin cannot be so rapid. In any case, the speed at which we can exchange the coins is largely determined by the rate at which the manufacturers can supply them. So far, the Royal Mint has served us well. It has exceeded its own estimates and I hope that by mid-1962 the whole conversion will have been virtually completed. There is, I admit, some confusion at present between the old threepenny pieces and the new Nigerian shillings, but the Mint is hastening the supply of the new threepenny pieces which are quite different in design. I am very satisfied with the progress in the conversion of the coin, bearing in mind the magnitude of the task—the order on the Royal Mint is for over one thousand million individual coins.

The issue of the new notes and coin is one thing. Maintenance of confidence in the value of the currency is another. I have often said, and I will be repeating it again to-day, that one of our basic objectives of policy in the period ahead must be the preservation of confidence, both internal and external, in the Nigerian currency. Hitherto, the Central Bank, like the West African Currency Board before it, has held one hundred per cent sterling security backing for the currency. It is, however, my intention, in accordance with accepted practice, to arrange for the gradual introduction of a "fiduciary element." Briefly, this means that the Central Bank will invest in Federal Government securities, and these local securities will be employed as backing for the currency—this, I may say, is a valuable contribution to our resources for financing capital expenditure. There are nevertheless limits upon the extent to which the currency can prudently be backed by local securities. During the first five years of its life the Central Bank

is obliged by law to limit the fiduciary element to 40 per cent of the currency in circulation. It would, however, be rash to take up this 40 per cent immediately. Such a precipitate act might well destroy that confidence in the national currency which, as I have said, is so necessary for our economic well-being. So I believe that, for the first three years or so, it will be wise to keep well within the prescribed margin. In the period of the present Economic Programme, which comes to an end in March 1962, it would not at present be my intention to permit the fiduciary element to rise above 20 per cent.

In October the Central Bank took over its functions as banker to the Federal Government. All the Federal Government's banking accounts on Lagos Island have been transferred to the Bank, although, of course, outside Lagos the services of the commercial banks are still required for Government business. The amalgamation of all our main accounts in the one institution has, however, made it possible to keep Government's cash reserves at a lower level than in the past. This makes for a more efficient use of Government funds and, in particular, releases capital for other purposes. Arrangements have also been made whereby the Bank makes temporary advances at reasonable rates of interest to the Federal Government pending the collection of revenue or the raising of public loans. One Regional Government has already opened an account with the Central Bank and I know that the Bank is ready to establish a similar relationship with the other Regional Governments if they so desire. Most of the commercial banks have also opened accounts with the Bank and it is my hope that it will not be long before the stage is set for the introduction of a central clearing house for cheques in Lagos.

The House will have no doubt read in the press of the Treasury Bill issues which we are introducing. In fact, the very first public issue of Bills is being made this week and I have authorised the Central Bank to issue £4 millions of Nigerian Treasury Bills. I should emphasise that Treasury Bills are essentially a means by which Government can raise *short-term* finance. Normally they have a maturity of 91 days—and this in fact will be the case with our Bills. The Bills, which are simply a promise by the Government to pay a certain sum of money at the expiry of 91 days, are purchased by the public at *less* than their face value—this difference represents the discount, or interest element. At the end of the 91 days the holder of the Bills is paid their full face value. It is, nevertheless, one of the features of Treasury Bills that the holder, albeit at a small penalty, has the right to sell them back to the Central Bank at any time during the 91 days when they are valid. This is what is known technically as the provision of "rediscount" facilities. The amount of the Bills outstanding at any one time is strictly controlled by law and properly it is related to the size of our revenues.

The issue of Treasury Bills will enable the Federal Government to even out seasonal variations in the normal flow of revenue. They should also enable us to release for capital expenditure some of the funds now deployed as working capital. Furthermore, they will enable us to finance expenditure in anticipation of the receipt of loan moneys.

These are the immediate advantages to Government. For the country at large they provide one means of hastening the establishment of a local money market. Hitherto, there has been no opportunity for the banks, commercial houses and other institutions to employ within Nigeria funds which are temporarily surplus to their requirements. Because of the lack of facilities in Nigeria it has been necessary for them to remit such funds overseas for investment in London. The issue of Nigerian Treasury Bills should make these remittances unnecessary. Such surplus funds can henceforward be invested locally to the undoubted benefit of the Government and indeed of the whole country. I am confident that an efficient market in short-term money which, until a few years ago seemed a long way off, even possibly something of a dream, is now just around the corner.

I should also mention that, in addition to the public issue of Treasury Bills, the Central Bank has privately taken up £2 million of Bills to reimburse the Federal Government for the cost of the supply of the new Nigerian currency. These Bills will be gradually redeemed from the Central Bank's profits. The value of this operation is that no direct financial burden will fall on the Federal Government in respect of the initial stock of the new currency, the eventual cost of which is estimated to be of the order of £4 million.

The provision of facilities for the deployment of money on a short-term basis forms only one feature of a developing money market. If there is to be a fully operative capital market, there must also be continuing facilities for the purchase and sale of Government stock of various types, as well as shares in industry and commerce. The House will be aware, I am sure, of the success which attended the Federal Government stock issue last May. The response in terms of money was highly satisfactory, the £2 million issue being substantially over-subscribed. It is, however, only fair to make the point that the response came largely from institutional sources ; by this I mean bodies like the commercial banks, the Marketing Boards, the Public Corporations and so on. While this was not altogether unexpected, we must do much more in future to stimulate the interest of the general public in these stock issues. I realise that the private investor is very sensitive on the question of the marketability of the stock he holds. In other words, if circumstances compel him to sell his stock, he wants to be sure that there is a ready means of receiving a fair price for it. My Ministry and the Central Bank are endeavouring to meet this difficulty and the House will be glad to learn that we have already had some success in our efforts to foster the growth of a market in this type of security. Already nearly £1 million of the 1959 development stock has changed hands. The Central Bank has also made arrangements to provide similar market facilities for the small internal loan which was floated several years ago by the Government of Nigeria.

The House will wish to know that the loan which we floated last year was only the first of a series. It is my intention to raise a further internal loan later this year, so as to provide some of the money which is needed so urgently for financing the development of our country. The details of this loan are already being discussed and I hope it will be possible for us to mount a much bigger loan operation than that of last year. It will be called the "Federation of Nigeria Independence Loan" and we hope that it will be possible for the issue to be made about the time of the Independence celebrations. This, I feel sure, will provide a fitting opportunity for all of us to make our contribution to the economic progress of our dear country.

Although there is nothing to prevent the small investor from participating in Government stock issues, in fact he may find the processes somewhat forbidding. I recognise, therefore, that simpler, and possibly more popular, means of investment must be provided for the man in the street. Later in this speech, Sir, I shall tell the House what plans this Government has in mind for the mobilisation of savings, both large and small. Suffice it to say now, Mr Speaker, that the level of domestic savings will be a powerful factor in determining the rate of our economic advance.

If it be argued that there is a shortage of funds for investment by the public, I would point straight away to the fantastic flow of money overseas in the form of football pool stakes : £2 million a year at the very least. This is a serious drain on our resources which can only be deplored. It is, I might add, a problem which is being given most urgent attention by the Federal Government and we are considering detailed proposals for the very early establishment of a Nigerian national football pool. I mention this here merely to show that, in my view, there are large sums of money available locally which could be put to more productive uses.

I have spoken of the steps which we have consciously taken, over the past year, both in my Ministry and the Central Bank, to foster the growth of a capital and money market in Nigeria. Such a market, as I have indicated, deals not only in Government securities and Treasury Bills, but also in the shares of commercial firms. It is just as important for the economic progress of our country that a market in shares should be developed. I am encouraged by recent developments, as a result of which I hope we may shortly witness the establishment of a Lagos Stock Exchange. Within the next twelve months I believe there will be an increasing opportunity for Nigerians to invest in the commercial and industrial future of the country. Quite properly, it is private interests which have taken the initiative in formulating detailed proposals for the foundation of a Lagos Stock Exchange. I am grateful for their enterprise and I would like to pay a public tribute to them for their foresight and wisdom. The Federal Government, for its part, will do what it can to provide suitable conditions under which the

Stock Exchange can grow from strength to strength. I am confident of the success of our Stock Exchange; not only will it stimulate the commercial and industrial development of Nigeria, but also it will provide an established means of achieving marketability for Government stock.

A strong and able Central Bank, which enjoys the full respect of the commercial world and international financial institutions, is fundamental to the smooth running of a developed monetary system. I am sure the House will agree with me that the events of the past year show that we have the beginnings of such a bank in Nigeria. 1959 has been a year of remarkable progress and achievement and I would like to offer my congratulations to the Governor and his staff.

I must now say a little about the commercial banks. The continuing expansion of the banks already established in Nigeria is a heartening indication of the confidence of the financial world in the strength of the Nigerian economy. Equally encouraging is the interest being shown by new banks. During the year three new commercial banks have been licensed in Lagos and I hope that it will not be long before we shall be able to welcome to Nigeria at least one of the great American banks.

It goes without saying that, if the banking habit is to spread, depositors must have complete confidence in the banking system. Regrettably, our bankers' standards have not always been as high as we would wish. I am, therefore, happy to tell the House that during the year it has been possible to establish within my Ministry a small Banking Division. We have been fortunate in securing the services of a highly qualified commercial banker from the United Kingdom to occupy the post of Banking Examiner. He is constantly engaged in examining the books and affairs of our commercial banks. His task, however, is not merely to ensure that the books are in good order and that the provisions of the new Banking Ordinance are being met; it is also to give help and encouragement, especially to the smaller indigenous banks. All of us are anxious to see these local banks flourish. We want to see them grow in an orderly manner on a basis of sound banking practices. I hope that, with the advice of the Banking Division in my Ministry, it will be possible for the local banks to be given this very necessary helping hand.

Before leaving this review of important affairs at home I must refer, even if briefly, to the publication last August of the Economic Survey of Nigeria. This survey was prepared by the Joint Planning Committee as a priority task at the direction of the National Economic Council. Its purpose is to show the present position and outlook of our national economy and to survey developments in the economy since the end of the second world war. I believe that the Committee has done its work well. The survey has been favourably received, both inside and outside Nigeria. It provides for the businessman, the civil servant—indeed for everyone concerned with the development of our country, a remarkable conspectus of the economy. I am glad that it has been possible to paint so encouraging a picture of our rapid economic growth in this important, even historic, survey. As the survey itself says, the figures tell the story of a nation which is progressively living better because it is earning more.

Yet, Sir, the survey is only the start of the planning which is to be done by the National Economic Council. The Council will soon be engaged upon the next stage of determining planning targets for the future so as to ensure that the rate of progress shown by the survey is not only maintained but accelerated. When the Council has made its recommendations upon the targets at which we should aim in the various sectors of our economy, it should be possible for the Governments of the Federation to arrive at a proper apportionment of resources in their development plans. Hitherto, at least as far as the Federal Government is concerned, it has not been possible to relate our capital expenditures to specific planning targets, although overall the Economic Programme is based upon the recommendations of the World Bank. We have nevertheless now reached a point when, if the growth of the economy is to be maximised, our plans must be related to the changing state of the national economy and to specific targets in the various sectors.

I turn now to the external field. During the past year I have been privileged to represent our country at a number of international gatherings and I have also had an opportunity of

meeting the leaders of other less-developed countries who are grappling with the very same problems of economic development which beset us. It was a particular honour, during my visit to the Far East, to meet the Prime Minister of India, Pandit Nehru. He is one of the truly great men in the world to-day and he continues to be a source of inspiration, a shining example, to the peoples of Africa in their struggle for freedom. My only regret is that my stay in India, and also in Pakistan, was so short. Yet, in the few days I was able to spend there, I witnessed for myself the impressive progress which these two great countries are making. Their industrial development is particularly striking and I found it a spur to our efforts here in Nigeria. I am sure there is much we can learn from the experience of countries like India and Pakistan. At the start of this tour I was very warmly received in the Lebanon. I also found an opportunity of visiting Israel. I hope that, as a consequence of my meetings with the senior members of the Governments of these two countries, they have a better understanding of our problems and needs in Nigeria. I hope too that I have shown them how best they can help us in the future.

On my return from the East I travelled to London where I entered into negotiations with United Kingdom Ministers for a loan to the Federation. This, I believe, was one of the most important achievements of the Government last year. Honourable Members will already be aware of the generous response of the United Kingdom Government in these loan talks. I am sure they will remember that we were promised £15 million by the United Kingdom, the first £3 million of which would be made available as an Exchequer Loan and the balance by a £12 million Commonwealth Assistance Loan. The Exchequer Loan is a form of assistance which the United Kingdom Government is able to offer to dependent territories, but upon the attainment of Independence, such assistance can no longer apply. The Commonwealth Assistance Loan, however, is specially tailored for the requirements of the independent countries of the Commonwealth.

This £15 million is not for the Federal Government alone. It is loan assistance available for the Federation as a whole. The Regional Governments have embarked upon development plans no whit less ambitious than those of the Federal Government, so that they too must look externally for loan assistance. In order that the competing needs of the Federal and Regional Governments may be properly examined and a reasonable apportionment of loan moneys agreed, we have the Loans Advisory Council. This Council, on which all the Finance Ministers sit, meets from time to time to review the capital needs of the Governments and to recommend to Governments how best to apportion loan moneys becoming available, both from outside Nigeria and within. When the Council met last August it agreed that the Exchequer Loan of £3 million, which will shortly become available, should be allocated to the Northern and—Eastern Regional Governments—£2 million to the North and £1 million to the East. The Commonwealth Assistance Loan, as I have indicated, will not become available until Nigeria has attained Independence. No decision has yet been taken as to how precisely this particular loan money will be apportioned, but once again it will be left to the Loans Advisory Council to review the situation and to make its recommendations. I would like to say how glad I am that the Governments have been able to work together with such harmony in the Loans Advisory Council. So far, the deliberations of the Council have been most successful and I do not think that any Government has come away from the Council completely unsatisfied. Admittedly, no Government has been able to secure all it wants—who does in this world? On the other hand, I do not think that any Government feels that the apportionment has been other than fair to all.

Apart from the invaluable loan assistance from the United Kingdom there are two other items of external assistance which I would like to mention at this point. First of all, the House will, I am sure, wish to join with me in expressing our gratitude to the United States Government for the 800,000 dollars loan which has been provided for the Ports Authority by the Development Loan Fund. This is welcome assistance for what I am glad to say is one of our most flourishing public utilities. The willingness of the Development Loan Fund authorities to provide this loan is a heartening indication of the confidence they repose in the management and credit-worthiness of the Ports Authority and I think it is true to say that a flourishing Ports organisation is an indicator of a flourishing economy.

The second item is not a loan but a grant. Honourable Members may have noticed reference last year to the establishment by the United Nations of a Special Fund. This Fund,

to which all member states contribute, is intended to assist the financing of resource surveys, research establishments and training institutes. It is not a fund from which grants for development works or the maintenance of Government services are made. The preliminary stages in ascertaining the possibility of large projects are, however, often very expensive and in this field the facilities which the Special Fund offers are most welcome. It only makes grants of a substantial size and is, therefore, naturally concerned only with major projects. It was indeed fortunate that Nigeria was one of the first countries in a position to take advantage of the Special Fund facilities. We were able to put the Niger Dam investigations to the Fund authorities as a possible project for assistance and we were successful in obtaining from the Fund a very big slice of its initial allocations. To be precise a grant of 700,000 dollars has been approved for Nigeria to meet a part of the costs of the surveys now being carried out on the River Niger. The House will have heard from time to time of the hopes we have for harnessing the vast energy potential of our mighty River Niger. The project we envisage, which in principle commands the support of all the Governments of the Federation, should not only provide electric power in the quantity and at the price necessary for rapid industrial growth, but also bring other benefits in the navigational and agricultural spheres. It is the biggest single project we have ever yet investigated in Nigeria. It is not a project we can rush. Careful investigation is essential before we can begin construction. We are, therefore, grateful for the assistance from the Special Fund which will enable us to press forward with the surveys.

In the autumn I was able to join the other Commonwealth Finance Ministers at the first Ministerial meeting of the Commonwealth Economic Consultative Council. I think Honourable Members will remember that it was agreed at the memorable Commonwealth Economic Conference held at Montreal in 1958 that consultation on economic matters between members of the Commonwealth should be placed on a more formal basis. It is with this object that the Commonwealth Economic Consultative Council has been formed. Last year the meeting was deliberately held immediately before the annual meetings of the international finance institutions so that Commonwealth Finance Ministers could review in advance economic trends in the world and discuss freely and frankly their problems and policies. Personally, I was very satisfied with the outcome of the London meeting which, I feel sure, did much to strengthen our economic ties with our brothers in the Commonwealth. I was especially grateful for the opportunity of harmonising our views in the Commonwealth family on the implications of the European Common Market arrangements.

From London I went to Washington for the annual meetings of the International Monetary Fund, the International Bank and the International Finance Corporation. Of course, Nigeria is not yet a full member of these institutions, nor can she be until she attains Independence. Nevertheless, Nigeria was invited to attend and I was privileged to participate in the proceedings. At the Washington meetings we were concerned with world economic problems in the broadest context. At the International Monetary Fund meeting, all delegations spoke at great length and with much sincerity about the dangers of inflation and what should be done to combat it. In a broadcast on my return from Washington I spoke to the nation about the dangers of inflation here in Nigeria. I expressed my firm conviction that if we are to raise the real standard of living of our people we must achieve monetary stability. For this we require increased productivity, price restraint and indeed sacrifices all the way round. It is only in this way that we can preserve the value of our economy, so that one shilling will continue to buy one shilling's worth of goods and, for as long as I am Minister of Finance, I am determined to take all possible action to uphold the value of the nation's currency.

Although my quest for sources of external aid has been disappointing in some respects—a point to which I shall refer later, at Washington there was one hopeful sign of a new realisation in the developed countries of the real needs of the less developed for assistance in spite of the world-wide shortage of capital. I refer to the proposals for establishing an International Development Association which were considered at the Washington meetings. I understand that the proposed Articles of the new Association will be considered in September of this year and thereafter subscriptions will become due and the Association's work begin. The International Bank itself only makes loans for specific projects and only to the extent that such projects involve the purchase of goods overseas. The Bank also expects that the projects in

which it invests will be fully viable in financial terms. By contrast, this new institution will open up the possibility of international assistance becoming available for general development programmes. It is also probable that loans from the Association will not be confined to external costs. The bulk of the subscriptions to the Association will have to come from the developed countries, but since all countries, including recipients, will be members, subscription will be called for from us in Nigeria. I have great hopes that this Association will prove a most useful means of assistance to the Governments of Nigeria whose tasks lie so often in the field of general development rather than self-financing schemes.

We have already submitted our application for membership of the international finance institutions. I hope that, before the year is out, Nigeria will have taken her rightful place as a full member of them. Legislation to provide for Nigerian membership is required and it is my intention to present the necessary Bills to the House at its next meeting.

During my visit to Washington I was able to meet the President of the World Bank, Mr Eugene Black. In our discussions I spoke of the immense task which confronts Nigeria in mobilising finance for the Niger Dam project. I explained the importance which we attach to this imaginative project and I am encouraged by his promise to send a technical mission from Washington to Nigeria once our own technical enquiries in Nigeria are complete. The House will, I know, welcome the news that Mr Black himself hopes to visit Nigeria for the first time in the very near future. I can assure him that he will be very welcome and I am convinced that he will be impressed by the many signs of vigorous development which he will see around him.

From Washington I returned to Europe where I continued my unremitting search for new sources of external capital. Generally speaking, we are looking for long-term loan money which can be used to finance basic economic projects and we want assistance with the minimum of strings attached to it. Following upon my successful loan negotiations with Her Majesty's Government, I have been making strenuous efforts to obtain loan capital from other friendly countries in the West. My efforts have been directed in particular to the United States, France and Western Germany; and the two last-named were included in my European journey. In fact, as a result of this journey, a number of interesting proposals are being considered, but I must warn the House that the negotiations which accompany such efforts to obtain loan capital are inevitably arduous and often very protracted. At times even, they do not lead to concrete results. Nevertheless, the attempt must be made and I want to assure the House that I am always prepared to give careful consideration to any reasonable proposition which comes

forward. What the House must appreciate is that Nigeria is only one of many under-developed countries in the world which are seeking external assistance. Although there is a willingness on the part of the Western democracies to provide assistance for the less-developed areas of the world, there is nonetheless a limit to their resources. Capital is in relatively short supply and Nigeria must join with many other countries in the competition for that capital.

I think it will be appropriate for me, at this stage, to repeat the assurances which the Federal Government has frequently given in the past that foreign loans are welcome in Nigeria when their terms and conditions are reasonable. It is the earnest intention of this Government that foreign capital should be as safe here as in any other country of the world. I believe the loans legislation which is contemplated at this Budget meeting, particularly that in connection with the issue of Promissory Notes, is an indication of the anxiety of the Government to give the overseas investor reasonable safeguards.

I want now, Mr Speaker, to say something about the conditions upon which foreign funds are often made available to the less-developed countries at the present time. It has been my experience, both on my recent tours overseas and in discussions here in Nigeria, that in general the industrial countries favour the provision of short-term finance tied, in most cases, to the provision of their own industrial exports. On the whole, they are reluctant to provide any finance at all, either long-term or short-term, for expenditure on local goods and services.

Such assistance from the industrial countries is inevitably of limited usefulness in Nigeria. It is especially unattractive to a Government like ours which is committed to the provision of what is commonly known as the infra-structure; that is, the basic economic services such as highways, ports, airfields, educational facilities, telecommunications and so on, which provide the foundation without which industry cannot flourish. Such basic services are generally not quick revenue earners. Their value to the community and to the country in general is felt over a considerable period of years. They are not, therefore, by their nature, susceptible of short-term financing. There is the further point that the basic development with which the Federal Government is concerned involves a high degree of expenditure on local materials and services. In other words, much of the assistance available to-day is more suitable for the industrialist than for Government. It is the industrialist who will wish to purchase substantial quantities of machinery which will pay off loan charges in a fairly short period. However, I must make it clear that in this respect Her Majesty's Government in the United Kingdom does take a more enlightened and liberal view of these matters. This is reflected in the £3 million Exchequer Loan which we are receiving and which can be spent as we wish, either on imports or on local goods and services. Admittedly, the Commonwealth Assistance Loan will be tied to the purchase of United Kingdom exports, but the conditions are such that this can be done without any distortion of our development programmes and in such a way that we can reserve our local resources for local costs. Indeed, by applying the loan to private imports of capital goods, it should be possible for us to use the loan proceeds on local goods and services.

While on this subject I cannot refrain from expressing my keen disappointment at the change of policy of the United States Development Loan Fund when, towards the end of last year, it was decided that, except in exceptional circumstances, loans could only be made on the basis of their being tied to United States exports. I think the House will appreciate that under a condition of this sort it becomes very difficult for the Government to decide the extent to which it can take advantage of such offers, particularly if it means that Nigeria cannot obtain the goods she needs in the cheapest available market. It is also quite illogical for countries which express a belief in the wisdom of multilateral systems of trade and payments to tie capital exports in a way that is a complete negation of a declared multilateral policy. We in Nigeria, I believe, have shown by our actions that we are prepared to pursue liberal multilateral policies in our international trade. We look to other countries for them to reciprocate. The proposals for the International Development Association, to which I have already referred this morning, are in fact a welcome indication of a change of heart and of a readiness of the industrial countries to meet the urgent needs of countries like Nigeria. Let us hope these liberal ideas prevail.

The second Session of the United Nations Economic Commission for Africa was held this year in Morocco. Unfortunately, I was unable to attend for more than the first few days of the meeting, but there was a strong Nigerian delegation, representative of all the Governments of the Federation, which was led after I had left by my Honourable colleague, the Minister of Economic Development. As the House will know, the Commission was established over a year ago with the object of co-ordinating action for the economic development of Africa. At this Second Session the Commission examined two documents of major importance. They were an Economic Survey of Africa since 1950 and a memorandum on the impact of the European Common Market on African trade. The Survey is an impressive work. It provides a comprehensive view of developments in the African economy over the past decade. It enables those of us concerned with economic planning to take stock of the situation and to put our own affairs and problems into their right perspective. I think the broad conclusions drawn in the Survey will find acceptance on all sides. They emphasise the need for the injection of capital to accelerate the modernisation of African economies, they emphasise the need for trained manpower. I shall have more to say later about the European Common Market and the view taken of these arrangements by the Economic Commission.

It is my hope that, by focussing the attention of the United Nations, and indeed the world at large, on the need for co-ordinating action to hasten the development of African economies, the Economic Commission will play an ever-growing part in improving the lot of the common man throughout Africa. The Commission has an ambitious programme of work before it. I am anxious to see that this programme is designed to tackle specific problems of urgency and

to get something done. There is always a danger that organisations of this type will become mere paper factories or talking shops. Politics inevitably enter their deliberations, but we must endeavour to encourage the Commission to work at economics rather than play at politics. Nigeria, shortly to emerge as the largest independent African state, must make a full contribution to the activities of the Commission. I am sure that, apart from what benefits we ourselves can derive from the Commission, we can also contribute from our own wide experience in economic development.

It is time, Mr Speaker, for me to say something on a subject which has given us much cause for concern over the past year—namely, the European Common Market. No one questions the need of a country like Nigeria for capital from overseas, but we need trade as well as aid. Our economy, as the House knows, is based on the production of a wide range of raw materials. It is vital for our economic well-being that we should enjoy ready access to the markets of the industrialised countries for our exports of those materials. I am sure the House will appreciate why the Government should be so concerned about the likely impact of the Common Market arrangements upon our external trade, for in 1958 nearly one-third of our exports went to the countries which form the European Economic Community. Rightly, we fear that we may have to face increasing discrimination in these important continental markets. It is, therefore, the intention of the Federal Government to press home at every possible opportunity our case on what we regard as the objectionable features in the Common Market arrangements. It is probably in connection with the General Agreement on Tariffs and Trade where we can achieve the most effective results, but that does not preclude us from making our point of view known in other appropriate bodies. It was evident, for example, at the recent meeting of the Economic Commission for Africa that Nigeria is not alone in fearing the possible adverse consequences of the Common Market arrangements in Europe. In truth, our fears are shared by all the independent African states. The rapid implementation of the provisions of the Treaty of Rome was viewed with the utmost concern by most of the delegations at Tangier and, as a result of a resolution tabled by the independent African states, the Economic Commission will be undertaking a study of the effects of economic groupings in Europe upon African economies. Later this year an *ad hoc* committee of representatives of Members and Associated Members of the Commission will meet to examine this study.

Negotiations over the past year with the countries of the European Economic Community have produced little by way of positive result. There are, however, encouraging developments in recent weeks which give me reason to believe that some solution to this most important international trade problem may not be far distant. In the first place, we have seen the establishment of the European Free Trade Association—what is popularly known as the “outer seven”. This Association, formed by the Governments of the United Kingdom, Austria, Denmark, Norway, Portugal, Sweden and Switzerland, was set up towards the end of last year. Its broad aims are declared to be the promotion of economic expansion throughout the world and it is hoped that the Association will be able to make a positive contribution to the harmonious development of world trade. As far as Nigeria is concerned, it is expected that the Free Trade Association will bring direct benefits in so much as there should be increased demand for raw materials arising from greater prosperity and trade within the free trade area.

The establishment of the Free Trade Association is, as I have indicated, a welcome development. Even more welcome, I feel, is the initiative recently taken by the United States Government in the sphere of European economic affairs. Last December, Mr Douglas Dillon, the United States Under-Secretary of State, visited Europe and held discussions with European Governments on a number of outstanding political and economic problems. One particular matter which he is known to have discussed was the emergence of the European Economic Community and the European Free Trade Association. Mr Dillon's visit has set in motion consultations between European Governments and the United States Government which I believe can only work for an improvement in international trade policies. At a meeting of Heads of States and Governments held last December, a communique was issued in which the Heads of States and Governments stated their view that the time had come for the industrialised countries of Western Europe to devote their energies in increased measure to new and

important tasks of co-operative endeavour with the object of furthering the development of the less-developed countries and pursuing trade policies directed to the sound use of economic resources and the maintenance of harmonious international relations. They felt that these co-operative principles should govern the discussions on commercial problems arising from the existence of European economic regional organisations. In other words, the initiative of the United States Government should bring the Governments forming the Common Market and those forming the Free Trade area into friendly discussion and I would hope that, as a result, the trading position of Nigeria in her important continental markets will be safeguarded and indeed improved.

Before concluding this review of important events overseas, I would like, Sir, to mention the balance of payments position of Nigeria. I am glad to be able to say that the position in 1959 was substantially better than that for 1958 which I discussed in my Budget Statement last year. In 1959 both import and export figures showed substantial increases over the comparable figures for 1958. Imports rose by around £12 million, while the value of exports increased by no less than £27 million. Taking export figures first, the very substantial increase was due primarily to the general recovery of international trade and world commodity prices. Adequacy of world demand is a vital factor controlling the value of Nigerian export produce. The average price of cotton lint exports during 1959 were lower because of particularly depressed market conditions during the early part of the year, but both demand and prices improved considerably during the latter part of 1959. The demand for palm kernels has been particularly good and groundnut, edible palm oil and cotton seed prices were also higher. Rubber prices have also been buoyant. The most outstanding export performance in 1959, however, was in respect of cocoa. Although the average price of cocoa was somewhat lower than in 1958, especially towards the end of the year, exports rose from 88,000 tons in 1958 to 143,000 tons in 1959. As a result, the value of cocoa exports as a percentage of total exports rose from just over 17% in 1958 to nearly 24% in 1959.

Provisional figures for imports in 1959 indicate that they were approximately £12 million higher than in 1958. As I emphasised in my speech last year, the visible trade figures include very substantial amounts in respect of imports of capital goods. The indications are that the revenue measures introduced last April tended to stabilise the imports of consumer goods, although food imports during 1959 showed a substantial increase over 1958. I am not too concerned about this since, to some extent, such increases are the natural results of improved standards of living. The percentage of industrial machinery imported as a proportion of total imports was quite as high in 1959 as in 1958. The deficit on visible trade, therefore, in 1959 was around £15 million as against a deficit of £31 million in the previous year. Various invisible transactions will probably have increased the deficit to around £24 million. However, receipts of private and official capital have been substantial and the preliminary figures indicate that Nigerian-owned sterling assets rose in the year by about £3 million. In the previous year they had fallen by nearly £30 million. Thus it can fairly be said that the overall balance of payments position of the country remained sound during the past year and was certainly better than I had anticipated when I made my last Budget Speech.

As for the future, I hesitate to paint too rosy a picture. While it is likely that the cocoa crop will be yet another record, prices have recently been falling in response to greater supplies. The increased value of groundnuts will be offset by a smaller crop than last year. International trade and world commodity prices should remain at satisfactory levels, but I doubt if we shall see quite such favourable conditions as we have had in the past year. Fortunately, while the adequacy of world demand is perhaps the most vital factor controlling the value of Nigerian export produce it is relevant that we have not been losing our traditional markets. On the contrary, a feature of recent years has been the development of new markets to absorb the increased exports. This, however, does not in itself create extra demand. New markets are acquired at the expense of competitors, and this may lead to price-cutting by sellers who are left with surplus supplies. Attention has also been fixed in the past year on the likelihood of keener competition to our exports by the United States of America. This is due to two

developments. First, as a by-product of the hog industry, the United States is producing large quantities of lard which is surplus to domestic requirements. By the use of newly-developed techniques the surplus lard is being shipped to the United Kingdom and this can be used in the manufacture of margarine, cakes and biscuits in direct substitution for vegetable oil. Second, the increased poultry production in the United States has brought about increased production of soya bean meal as chicken food. Soya bean oil, which is produced at the same time, is largely surplus to domestic requirements. Under present conditions these two factors have a direct relevance for Nigeria. Extra soya bean oil exports are a depressing influence on the market value of other oils and oil seeds in general. We are watching this situation very carefully and appropriate representations have been made to the various authorities concerned.

Temporary competition from one area to another is to be expected from time to time and underlines Nigeria's interest in a completely multilateral system of trade and payments which will enable Nigeria to buy her imports from the cheapest markets and sell her exports wherever the best prices can be obtained for them, without having to strike a balance with individual countries. Our own balance of payments being satisfactory, and the sterling areas position as a whole having continued to improve steadily, it has been possible for us to act in concert with the United Kingdom and other sterling area countries in removing import controls. Import restrictions on trade with the dollar area have now been almost completely removed and thus our market is freer than at any time during the past twenty years.

Turning again to domestic matters, we shall have to watch very carefully the import position, since it would be most unfortunate if recent salary increases led to too great an increase in imports, and we shall not hesitate to take appropriate counter-measures if this situation should develop. Also, I must mention that, although our Nigerian sterling assets as a whole appear to have risen very slightly during 1959, it does not follow that there were no significant changes in the make-up of the overall figure. Marketing Board assets have increased substantially, but on the other hand the free assets at the disposal of Governments of the Federation fell as a result, of course, of expenditure on development programmes. Despite this, Nigeria's overall reserve position remains extremely healthy.

I have now reviewed the major events in the financial and economic sphere, both at home and abroad, during the past twelve months, together with some of the important problems with which we have to grapple to-day. I would like now to look at our financial and economic policy for the future. Since my reappointment to office I have felt it necessary to carry out a thoroughgoing appraisal of the financial and economic policy of the Federal Government.

It was Edmund Burke who said long ago, "You can never plan the future by the past". Personally, I am inclined to doubt whether this is entirely true. Nevertheless, in preparing this plan for the conduct of Independent Nigeria's financial and economic affairs, I have endeavoured to free myself from our colonial past. I have begun from first principles and asked myself what policy should we pursue as we move into the glittering dawn of Nigeria's freedom. I regard it as a matter of the highest importance that, at the outset of its term of office, the new Federal Government should be absolutely clear in its mind as to what financial and economic policies it will pursue.

I believe that our policies should be formally based upon the fundamental objective of national economic policy as accepted by the National Economic Council. These objectives were stated to be—and here I quote—

"the achievement and maintenance of the highest possible rate of increase in the standard of living and the creation of the necessary conditions to this end, including public support and awareness of both the potentialities that exist and the sacrifices that will be required".

I reaffirm that the financial and economic policies of the Federal Government will be directed towards attaining these objectives. The further expansion of the economy envisaged in these objectives will demand a carefully planned and co-ordinated overall economic programme, designed to bring about the maximum development of our abundant natural and

human resources. The execution of the programme will demand monetary stability, a high level of domestic and foreign investment, an adequate supply of trained personnel and of technical and managerial skills. It will also require—and this I regard as being of the highest importance—sound and stable government supported by an efficient administration and the full co-operation, support and enthusiasm of all our people.

It is our intention that an improved standard of living should be reflected in more and better food and clothes, improved housing conditions and more of the amenities of life for all people of Nigeria. These needs cannot, however, be secured merely by providing people with higher wages and increasing the amount of money they have to spend. Without an increase in the output of goods and services to meet the greater demand brought about by higher wages, prices will certainly rise. When this happens, any increase in wages can be more than offset by higher prices. This can lead quickly to inflation which undermines the value of the currency and seriously affects the stability of the whole economy. If any doubts should arise either here in Nigeria or overseas about the stability of the currency, the whole process of encouraging savings and investment in Nigeria will be prejudiced. It also means that our hopes of attracting overseas investment would be seriously in danger.

With these considerations in mind, therefore, I have framed what may be called a ten point plan for the financial and economic policies of independent Nigeria. Let me go straight to these ten points. They are as follows:—

- One*—to main confidence in the value of the Nigerian currency and to maintain reasonable stability in wages and prices ;
- Two*—to continue to expand the basic infrastructure upon which all economic development depends ;
- Three*—to give every support to increased agricultural production ;
- Four*—to continue to encourage the growth of industry and the further development of Nigeria's mineral resources ;
- Five*—to promote the training of Nigerian manpower especially in professional, technical and managerial skills ;
- Six*—to ensure that development works are undertaken in accordance with their priority and importance to Nigeria and that there is proper co-ordination between all the Governments of the Federation in this field ;
- Seven*—to make effective arrangements for the provision of the funds required to finance development in Nigeria, both by mobilising domestic resources and by attracting capital from overseas.
- Eight*—to continue to develop the social amenities increasingly required in accordance with the ability of the economy to sustain them ;
- Nine*—to ensure that Nigeria plays her full part in the international institutions and organisations designed to promote development and freer and wider international trade ;
- Ten*—to ensure that Nigeria plays her full part, both as a donor and a recipient, in international technical assistance programmes.

Inevitably my ten points have had to range somewhat beyond matters of immediate concern to me in my portfolio. In the case of such matters as agriculture and mineral resources, I do not think it will be appropriate for me to say much, if anything at all, in this speech this morning. My colleagues on the Government bench will, of course, be dealing with them during this Budget Meeting. I would, however, like to elaborate upon those points in the plan which are of direct concern to me.

The first point, Mr Speaker, deals with the problem of monetary stability. Maintenance of confidence in the national currency is essential for sustained economic growth and for an orderly and effective increase in the standard of living. The Federal Government recognises

that in an expanding economy such as that of Nigeria there is a natural tendency for an upward movement in prices—a movement accompanied by increases in production. Naturally, in such circumstances one expects to see the workers enjoy their fair share in the increasing wealth of the country. In order that the position may be kept under constant review, the Federal Government will maintain comprehensive statistics related to the general standard of living so that the movements of prices and their reasonableness can be judged.

It cannot be emphasised too strongly that a general and automatic rise in wages without an accompanying rise in the output of goods and services can only have most serious consequences for Nigeria as a nation. Unless this problem can be faced, capital urgently needed for economic development will be channelled into meeting increased wages bills and a general rise in price levels will reduce the value of our currency as surely as night follows day. This is a matter of concern to every man and woman in Nigeria to-day. Increased productivity benefits Nigeria as a nation and each one of us as individuals. There must be incentives to encourage both a rise in the output of goods and the efficiency of labour in production as well as deterrents against slackness and inefficiency. Where the Federal Government can usefully intervene or assist, it will do so. As the House will be aware, the Federal Government itself intends to accompany the recent increases in salaries and wages of its staff by stern measures of economy in various directions and other measures designed to increase efficiency. I shall be saying more about these measures when I review the Government Budget for 1960-61.

I cannot say too strongly that changes in Government salaries and wages must not be taken as a signal for automatic increases in the private sector, much less for a *corresponding* increase in prices. It is reasonable to expect that a general increase in salaries and wages will be followed by a partial increase in prices to reflect increased labour and production costs. However, the impact of higher costs will weigh differently not only as between imported and domestic goods, but also as between the various categories of domestic goods and services. In no case, however, can there possibly be any justification for an increase in prices corresponding directly to the increase in salaries and wages. I wish to assure the House that the Government intends to keep the level of prices and profits under constant review and the Government will not hesitate to take corrective action whenever the situation demands it. Inflation may appear under many guises, but the appropriate remedy to counter its evils will be employed wherever the precise nature of its symptoms become apparent. The difficulties of effective price control in our circumstances here are known to be well-nigh insuperable, but I do not even rule out this possibility in appropriate cases. Other remedies at the disposal of the Government include measures of monetary and credit control to damp down demand and, in certain circumstances, fiscal and budgetary measures. In short, I think it is fair to say that monetary stability forms the very key stone of my ten point plan.

Of necessity, a very large part of expenditure under the current Federal Economic Programme has been devoted to the building up of such basic services as highways, bridges, railways, harbours, navigational facilities, telecommunications, electric power, education and reclamation projects to make more land available in Lagos for industrial and residential purposes. These are all services essential to the continued and orderly expansion of our national economy. The Federal Government intends to continue to devote a substantial part of its resources to their further development. I leave it, however, to my colleagues to expand upon the Government's intentions with regard to economic development. It is they who can tell the House of our plans for harnessing new and cheaper sources of power, for increasing our agricultural output, for encouraging industrial development, for stimulating the mining industry and for expanding educational services.

I must, however, make some brief reference to the fiscal incentives which we provide for industrial development. While resources are scarce and must be applied above all else to the provision of the basic economic services without which industry cannot in any case flourish, the Federal Government can rarely invest directly in industrial development. Industrial development is a field in which we must look primarily for private capital. The Federal Government

will, however, continue to assist industrial development in appropriate cases by the measures of financial relief for which adequate provision already exists in our legislation. I refer to the pioneer industry treatment which is possible under our Industrial Development (Income Tax Relief) Ordinance and also to the relief from import duties which is permitted under the Industrial Development (Import Duties Relief) Ordinance—in both cases the Federal Government bears the full cost. These are two sensible ways of helping industry and I know they have already provided ample encouragement for the establishment of new industry in Nigeria. There is one further important means by which we intend to encourage industry—that is by the use of the tariff for the protection of infant industry in suitable cases. These, then, are the fiscal measures which the Federal Government will continue to apply in the years ahead to stimulate industrial growth.

It is a prerequisite that development projects should be undertaken in accordance with a proper programme of priorities. This is the intention of point six of my plan. In view of the limitations upon our resources, both available to us at the moment and likely to be available in the future, it will be the constant aim of the Government to ensure that resources are spent only on really worthwhile projects of high priority and offering real benefit to the country. The projects we wish to promote particularly are those which will lead to the expansion of the economy and enable it to support increased social and welfare services. It is, therefore, essential that there should be no over-lapping of projects or unbalanced development as between the various Governments of our Federation. There are already in existence bodies in which it is possible for the Governments of the Federation to discuss the co-ordination of their plans for economic development and their mutual economic and financial problems. I am thinking particularly of the National Economic Council and its subordinate body, the Joint Planning Committee. There is also, as far as purely financial matters are concerned, the Loans Advisory Council. The House has already heard from me this morning that, at the direction of the National Economic Council, a detailed review is being undertaken of the present development programmes of all the Governments and of their plans for future development so that an overall co-ordinated programme can be prepared; a programme too which can be contemplated within the limit of the resources likely to be available. We are also embarking on a specialised study of our present and future requirements for all forms of transport so that Government may plan for the proper co-ordination of transport throughout the Federation. This Government wishes to lend its strongest support to the work of the National Economic Council and the Loans Advisory Council. I know it will at all times work to secure the effective co-ordination of economic development between all the Governments of the Federation by these and every other means. So that our economic planning may be based on the soundest possible advice, it is the intention of the Federal Government to engage the services as soon as may be of an economist of major international repute, and to strengthen the Economic Studies section of the Ministry of Economic Development. This, I am sure, is a proposal which will be welcomed on all sides of the House.

My seventh point is one on which I must speak at some length, for it is vital to the success of our plan. Unavoidably, economic development on the scale necessary in Nigeria is an extremely costly process. It will only be possible to meet the country's innumerable needs if there is a substantial increase in the rate of annual net investment. The greater share of the cost of development must be shouldered by Nigeria herself. To ensure the continued growth of the national economy it is essential not merely to encourage the savings habit within Nigeria, but also to channel these savings into development whether in the public or private sector.

With this in mind, the Federal Government will continue to set aside a portion of its current revenues and the whole of its annual budget surpluses to finance capital development, but these "compulsory" savings are totally inadequate to meet our needs, even in the limited field of the Federal Government's own capital expenditure. The savings habit is by no means common in Nigeria as yet. I intend to launch a national savings drive which will be aimed at encouraging savings by all sections of the community. Practically everyone in Nigeria can afford to save something, if only in small amounts. Money deposited with a savings bank is safe from theft. Savings help a person to meet unforeseen expenditures or to purchase some particular item he may want. Above all, savings are in the interests of Nigeria as a whole.

If local savings are to be fully mobilised, there must be facilities and opportunities for those who have only a few shillings to save, as well as for those who count their investments in hundreds or thousands of pounds ; for those who have money available for only a short time as well as for those who wish to save for a long period ; for those who wish to invest in industry or commerce and for those who wish to lend to Government.

In promoting this national savings drive, the Government will have seven principal objectives. They are :—

- One*—to popularise savings, especially by the small man, in the Post Office Savings Bank, commercial banks and co-operative societies ;
- Two*—to encourage the growth of savings through the medium of endowment and life assurance schemes where generous tax concessions are already available ;
- Three*—to formulate detailed proposals to attract savings by the issue of national savings bonds of small denomination and bearing an attractive rate of interest ;
- Four*—to encourage the public issue of shares not only by indigenous companies, but also by the increasing number of foreign companies who are now seeking Nigerian capital participation ;
- Five*—to continue at regular intervals to float Development Loans following upon the successful loan issued in May 1959. It is, as I have said, the intention that the next issue should be made at approximately the date of Independence. The proceeds of these loans will continue to be used to finance the capital expenditure programmes of both the Federal and Regional Governments ;
- Six*—to consult with the appropriate Staff Associations about the possibility of initiating a scheme for the saving by each worker of at least half the amount of his increase in pay resulting from the Mbanefo award ;
- Seven*—constantly to keep the progress of the savings drive under review and to experiment with other means of promoting savings where these appear likely to achieve the desired results.

In addition to this plan for national savings, the Federal Government is considering a report on the feasibility of establishing a National Provident Fund to which contributions will be made, both by workers and employers. As at present envisaged, this Fund will provide benefits for the worker for old age, widowhood, maternity and prolonged sickness. By this means, the worker and his or her employer would put away savings against times of the worker's need. At the same time, however, the funds made available could be channelled to promote the country's economic growth, while earning interest to augment the future benefits. Such a Fund could be the first step towards the introduction of a social security scheme, but I must emphasise that progress in this direction must inevitably be slow until the national economy is able to support the immense financial burden involved.

So far, one of the biggest obstacles to the channelling of savings into the development of the economy has been the almost complete lack of a market for dealing in company shares and the extremely narrow market in Government securities. If we are to encourage investment in shares and Government securities, facilities must be available whereby holders can dispose of their investments at will or in time of need. In my review of the important events of the past year, I have already referred to the encouraging developments we have witnessed. We have been anxious to see some form of dealing in shares take place as soon as possible, even though the market may be small at the outset. In fact, as I have told the House, I hope a Stock Exchange will be established in Lagos within the next few months. I think I should make it clear that normally this is a field for private enterprise. Government's part is really one of encouragement. In this connection, I would like to inform the House that an examination of existing legislation is being undertaken so as to remove legal and other difficulties which may serve as a deterrent to the free exchange of shares and securities. I have spoken already this morning, too, of the steps we have taken in the past twelve months to encourage the creation of a capital and money market in Nigeria. Here, I am thinking particularly of the issue of Treasury Bills which we have begun this week.

So much for the problem of mobilising domestic resources. I must turn now to the other aspect of this vital matter of securing the necessary capital for our development, in other words the extent to which we can obtain resources from overseas ; for it goes without saying that, however much we can save ourselves within Nigeria, for some time to come we must inevitably look outside Nigeria for a large part of our capital needs. It will be a cardinal aim of this Government's policy to maintain in Nigeria a climate conducive to the attraction of foreign capital whether in the public or the private sector. I would, therefore, like to make on behalf of the Federal Government an unreserved and solemn reaffirmation of our endorsement of the Statement on Opportunities for Overseas Investment in the Federation of Nigeria to which all Governments subscribed in July 1958. The importance which the Federal Government attaches to sound and stable government, to monetary stability and to the maintenance of the overall creditworthiness of Nigeria cannot be repeated too often. I have spoken this morning of the efforts we have made in recent months to secure capital from abroad for the completion of our current development programmes. What I would like to make clear is that, while we accept the need to look abroad for aid, we are not prepared to take aid from any source, come what may. Aid with unacceptable political strings is not the type of aid which we are seeking. There is a further consideration affecting overseas borrowing. Borrowing imposes an added burden upon Nigeria's balance of payments position as well as upon the Government revenues, in order to service the debt. The Federal Government intends to ensure that all sums borrowed are employed to the best advantage so as to enable the economy to support the added burden without unduly impairing our overall creditworthiness. This factor is especially relevant in connection with short and medium term borrowing to finance capital works which are unlikely to show an immediate return for the expenditure. We intend to keep a very close watch indeed on the level of this type of borrowing.

The Federal Government will continue as in the past to budget for a surplus of current revenues over current expenditures in order to provide funds for capital expenditure and to provide a margin with which to service further borrowing. Rising recurrent costs, less favourable terms of trade, constitutional changes and changes in the revenue allocation arrangements all combine to make it less easy to budget for large surpluses than hitherto. Nevertheless, the Federal Government is determined to set aside the maximum sum in current revenue each year for capital development.

The current income from our investments is falling rapidly as the investments are realised to finance capital expenditure. The Central Bank is only at the beginning of its life and it cannot hope to contribute large amounts to our revenues by way of profits for some years to come and the grants we formerly received from the United Kingdom for defence expenditure cease altogether this year. On the other hand, recurrent expenditure is continually increasing. Quite apart from the cost of the recent increases in salaries and wages, the new hospitals and schools which are built must be staffed, the new highways maintained, new defence and security commitments must be met, new loans serviced and proper provision made for Nigeria's representation overseas. The present picture, therefore, is one of rapidly increased recurrent expenditure which is not for the moment matched by commensurate increases in current revenues.

It is for this reason that the Federal Government has already taken steps to introduce a series of far-reaching economies in recurrent expenditures designed to achieve the maximum savings consistent with the efficient administration of the various services of Government. I propose to deal with these measures when I review the 1960-61 Federal Budget. I have spoken at some length about the seventh point in our financial and economic plan. It is, however, one of the greatest significance. Upon it hinges the whole prospect for the development of our economy in the years ahead. Effective mobilisation of resources is fundamental to the success or otherwise of our development.

I come now to point nine in which we look at Nigeria's international position. I think it may be fairly said that the basic aim of our Government in relation to overseas trade will be to secure for Nigerians a larger and increasing share of the world's expanding trade. In doing

so, our policy will be to promote multilateral trade over as wide an area as possible, rather than enter into trade arrangements with particular countries on a bilateral basis. Multilateral trade will enable Nigeria, as I have said, to sell her goods in the best available market and use the proceeds to purchase her imports from the cheapest source.

Nigeria's balance of payments position will continue to depend in the foreseeable future very largely upon the volume of exports of primary products and on the prices we receive for them. It will be the policy of the Government to seek by all possible means, both to increase the volume of and to diversify exports and to work for the international stabilisation of commodity prices at levels acceptable to producer and consumer alike. In the case of imports, the aim will be to continue the progressive dismantling of the few remaining discriminatory controls except where these are imposed for strategic reasons.

It is the firm intention of this Government that Nigeria should remain within the sterling area inside which framework our objective will be the complete convertibility of the Nigerian pound.

The Government will continue to uphold the principles of the General Agreement on Tariffs and Trade as offering the best opportunities for a steady and orderly expansion of world trade. As I have said this morning, in reviewing the events of the past year, we are still apprehensive about the possible effects on our export earnings of the economic associations which have developed in Europe over the past two years. We do, however, welcome the initiatives taken at the end of 1959 to which I have referred and we hope that, as a result, our trading position will not only be secured but improved.

In accepting Nigeria's international responsibilities as a free and independent sovereign nation, it is this Government's intention to join the various International Finance Institutions and I have explained to the House already this morning the steps which have been taken so far.

Finally, there is point ten. Independence will open new possibilities for both offering and obtaining technical assistance from existing and new sources. Most generous help has already been offered by the United Kingdom Government in this field and I understand that the scale of United Nations assistance may well increase. The Federal Government proposes to conclude basic agreements covering technical assistance schemes with the Governments of the United Kingdom, the United States, Canada and also with the United Nations on or before Independence. It is also the intention of the Government to establish harmonious relationships with the various agencies and, in general, to make the maximum possible use of the facilities which have, or will be, offered and ourselves to offer such facilities as are in our power.

So I come to the end of my exposition of this ten point plan for the economic and financial welfare of independent Nigeria. Let me say that, while it will be the objective of the Federal Government to establish to the maximum degree possible those conditions which are most conducive to a sound and expanding economy and to a real increase in the people's standard of living, the actual results which will be achieved must depend largely on the people of Nigeria themselves. It will depend upon the efforts they themselves are prepared to make, both individually and collectively, in the interest of the development and progress of independent Nigeria. The Government, therefore, looks to every Nigerian to lend his enthusiastic support to its financial and economic objectives in this historic Independence Year and in the great era which will follow.

It is against the background of this statement of financial and economic objectives that I would like the House to consider the Federal Government Budget for 1960-61. As I describe for the House the important features of my Budget, I hope the House will recognise the extent to which these objectives have been reflected in it. However, before I embark on the 1960-61 proposals themselves, it is necessary to get them into perspective by looking briefly at the results of the financial year which has just ended. The Approved Estimates

for 1959-60 envisaged a budget surplus of nearly £4 million. This took into account the Federal Government's share of the revenue from the tax measures which I imposed last year. It also allowed for an initial contribution from ordinary revenue to the Development Fund of £2½ million, with a further contribution of special revenue totalling £1½ million. In other words, a budget surplus of nearly £4 million, after a total contribution to development of £4 million. In the event, according to the latest Estimates at my disposal, we shall achieve a budget surplus of about £300,000 after making a total contribution to the Development Fund of over £6½ million. The revised contribution to the Development Fund is made up of some £4 million contribution from special revenue with a contribution from ordinary revenue of £2½ million. The increase in special revenue arises from the receipt of interest-free loans from the United Kingdom for the Special List B Scheme and from a sum of £2 million which has become available for the financing of the new currency by a special issue of Treasury Bills to the Central Bank.

The House will see from the figures which I have quoted that the final surplus for the year is less than was anticipated. This is due on the expenditure side to the heavy bill for supplementary expenditure which has had to be met during the year. Apart from inescapable increases in the level of recurrent expenditure on Federal services, we have also had to absorb a major salaries and wages review. In fact, during the year we have had to find supplementary provision of almost £4 million and, of this, nearly £1½ million related to the salary and wages award. As for revenue, setting aside the special revenue items, it will be seen that ordinary revenue is much as I estimated last year; indeed, possibly a little smaller. Although some increase is expected from income and company taxes, the customs and excise revenue is working out fairly close to estimate with, I should say, one exception. The exception is in the case of revenue from tobacco duties.

In view of certain statements which have been made lately about the tobacco revenues, I am sure the House will forgive me if I dwell for a moment on this point. The House will remember that when I made my budget last year I imposed a heavier rate of duty upon tobacco, including locally manufactured cigarettes. It was my hope that, by this measure, there would be an increase of some £2 million in our receipts from this important source of revenue. Unfortunately, these hopes did not materialise. I must be frank with the House and say that there was undoubtedly some consumer resistance to the higher rate of duty. It was established beyond all doubt that the substantial market in this country is for a cigarette selling at one penny per stick. Consumers were not prepared to stay with the brand to which they were accustomed and this manifested itself in a decline in the smoking of the Bicycle cigarette. What in fact has happened has been that the cigarette smoker who formerly smoked the 1d Bicycle now prefers to smoke the 1d Galleon. A further important factor has been that the increase in duties has unfortunately provided a greater incentive for the smuggler and there has been a heavy increase in smuggling of cigarettes. It is estimated that, within the past twelve months, cigarettes on which duty of over £1 million should have been paid have been flooding into Nigeria, particularly from the East. The effect of all this is that, instead of producing the *additional* revenue for which we all hoped, the 1959 increases have left the tobacco revenues much as they were before. In other words, in 1959-60 we will collect from tobacco duties a sum not greatly in excess of what was collected in 1958-59. It is, however, untrue to suggest that there has been a fall in revenue; the truth is that an expected increase in revenue has not been achieved. All of this arises from the special problems and complexities of the local cigarette industry in Nigeria. While we have not secured the additional revenue for which we hoped and we must now rely upon expanding consumption as a means of increasing revenue from this source, I can say frankly to the House that this has been a valuable experience for us in the Ministry of Finance and we shall be better equipped to meet these difficulties in the future, should the need arise.

I have spoken of the 1959-60 account producing a residual surplus of £300,000 after contributions to the Development Fund of £6½ million. These, I hope, are conservative figures. For one reason and another it will not greatly surprise me if the actual surplus proves

larger than this figure of £300,000 when all the figures have been assembled in a few months' time. In short, I hope that it will be possible to transfer to the Development Fund a sum of the order of £8½ million including the £4 million special revenue and the £2½ million already contributed. This would, I think, be a highly satisfactory out-turn to a year in which we have had to face increases in expenditure which have outrun the growth of ordinary revenue. However, there is an over-riding need to provide resources for the Federal Economic Programme and, in present circumstances, I think I can say that no out-turn, however good, is good enough. Much of our hopes for the successful implementation of the current Economic Programme, and for the Programme to follow, rest upon the amount which we can provide from our budget surpluses. Now, when we see expenditures rising so rapidly and revenues not for the moment growing so fast, it is vital that we should direct our budget in a way that resources are employed as sparingly as possible. It is this consideration, Mr Speaker, which has dominated my preparation of the Budget for 1960-61.

The total revenue accruing to the Federal Government in 1960-61 will be, in round figures, £95,200,000. Of this, £42,200,000 or over 44 per cent, will pass to the Regions through the revenue allocation system. £53 million will be retained by the Federal Government. Of this, it is proposed that £6.3 million should be devoted to capital expenditure by transfer to the Development Fund. Thus, for the Recurrent Budget, the Federal Government will have at its disposal £46.67 million, of which it is proposed to spend £45.72 million on recurrent services of the Federation, leaving a surplus of £950,000.

At this stage of the Appropriation Bill debate I do not wish to involve myself in the details of the Recurrent Estimates. I will, however, point to a few significant features, both on the side of revenue and of expenditure, and also describe some of the major influences at work in the construction of this Budget.

First, however, there is a matter of some importance in the presentation of the Estimates to which I must refer. As Honourable Members will be aware, the Trust Territory of the Cameroons will be separated from Nigeria on the 1st October, 1960 in accordance with the decisions of the United Nations Trusteeship Council. Although the precise arrangements for separation have not yet been determined, the opportunity has been taken in these Estimates to show separately those units of the Federal Government operating in the Southern and Northern Cameroons. For convenience, a full year's expenditure has been shown. Federal revenues attributable to the Trust territory are also included on a full year basis. In the case of the Southern Cameroons the revenues which are allocated to the territory under the revenue allocation system have been shown separately in the normal way—again on a full year basis. There is of course no separate revenue allocation for the Northern Cameroons which, for the time being, continues to be administered as an integral part of the Northern Region and not, like the Southern Cameroons, as a separate financial unit. As I have said, purely for convenience we have shown expenditure and revenue on the basis of a full twelve months. The House will, however, wish to know that separation will not of itself materially affect the overall budget position of the Federal Government, since the reduction in Federal revenue consequent upon separation will be more than offset by a corresponding reduction in Federal expenditure in the two territories.

Honourable Members will also be aware that in recent years substantial sums of money have been voted by the Federal House for expenditure on development works in the Trust Territory. In the case of the Southern Cameroons the expenditure has been very high, proportionately much higher *per capita* than in any Region of Nigeria. I believe that in our treatment of the Southern Cameroons we have been more than generous. Not only have we sunk large sums of money in capital works, but in the difficult years before the Raisman Report was implemented, we wrote off advances of almost £440,000 made by us to support the Southern Cameroons local budget. The utterances of political leaders in the territory make it painfully obvious to me how little the efforts of the Federal Government have been appreciated. For all the goodwill we have shown to the territory, often we receive nothing but contumely and abuse.

In all the circumstances, bearing in mind the possibility that the Southern Cameroons will no longer form part of the Federation and also the equally important fact that the Federal Government itself is short of resources for development works within Nigeria, it has been necessary for the Federal Government to call a halt to capital expenditure in the Southern Cameroons. As from the 1st April, 1960 all capital expenditure on Federal works in the Southern Cameroons will be a charge on the Estimates of the Southern Cameroons. If Federal staff are used for any of these works, the Southern Cameroons Government will pay normal agency charges to the Federation. Indeed, in the case of the Victoria-Bamenda road the Southern Cameroons has been meeting all capital expenditure since December. I do not think that our decision in this matter can be considered harsh. As I have said, over the years we have acted in a generous spirit, but there are limits to generosity and I am convinced the House will endorse what we have done.

Returning to the Federal budget, Sir, the ordinary retained revenue of the Federation—that is after taking out any items of special revenue—totals some £49 million, which represents an increase of £4 million, over the revised estimate of recurrent revenue for 1959-60. Although the House will be principally concerned with the Federal Government's share of customs and excise revenue, I think it will be helpful if I say something generally about the prospects for these revenues as a whole in 1960-61. General import revenue is expected to rise by £1½ million and I expect a further £400,000 from import and excise duties on beer, wines and spirits. Over and above this there should be £900,000 extra from motor spirit and diesel oil revenue and even £400,000 from tobacco revenues. These increases do not reflect the recent changes in duty and are an indication, I suggest, of the inherent strength of our economy and its continuing growth. Export duties remain buoyant. It will be seen that we hope for only £800,000 less this year than the revised estimate for the extremely good year which has just closed. The House should, however, note that export duties are allocated 100 *per cent* to the Regions; the Federal Government does not secure one penny piece from them. I emphasise this because lately, Sir, in a newspaper Editorial it was suggested that the Federal Government should not be in any financial difficulty because it was receiving 50 per cent of the buoyant export duties on cocoa. I fear, Sir, that the distinguished editor was, at least on this occasion, behind the times for he was talking of the old system of revenue allocation which ended a year ago under which, I agree, the Federal Government *used* to receive 50 per cent of export duties. Revenue from mining shows a welcome increase. It is up by well over £3½ million and, of this £2½ million relates to the *premia* which we expect to receive from the oil companies for Mineral Oil Licences on what is known as the Continental shelf and certain areas surrendered by Shell-BP. Of course, this revenue is divided between the Federal and the Regional Governments and is not available entirely for the Federal Government. The revenue from mineral oil royalties, too, shows substantial increases due to the encouraging results of the appraisal drilling. The quantity of oil exported will show a sizeable increase as soon as oil pipe lines are completed from certain of the wells. Members, I am sure, will have read with keen interest of the discovery of oil at Ughelli in the Delta Province of the Mid-West. Drilling in this area started more than five years ago and this, the sixth well drilled in Western Nigeria, is the first to strike oil in appreciable quantities. This is encouraging development. It is part of the bright future which I see for our country. I know that the oil companies themselves, heartened by the recent discoveries, are giving most serious consideration to the possibility of constructing an oil refinery in this country. This is development which I am sure everyone on all sides of this Honourable House will applaud.

A further factor helping towards the expected increase in mining revenue is the welcome relaxation in the tin restriction scheme. Tin mining is one of our older industries, and we were all concerned when it fell upon bad times. We are glad that it has been possible to relax the severe restrictions which were imposed on our production, and it is also encouraging to detect a recovery in the market for our columbite.

I must, I fear, invite the attention of the House to the failure of Posts and Telegraphs revenue to reach the levels forecast in 1957. Massive investment has been made in Posts and Telegraphs services. It was hoped that this would have produced enough revenue by now to

cover the recurrent costs of the services. In fact, we seem to be as far as ever from balancing the account. I know my Honourable colleague, the Minister of Communications, is most concerned at the situation and no doubt Members will have read in the press of the internal enquiry which he has ordered.

So much then for the revenue picture as I see it for 1960-61. Looking now at Federal expenditure for 1960-61, the House will note from the Estimates that ordinary recurrent expenditure shows an increase of £6.74 million over the 1959-60 Approved Estimates. If one compared 1960-61 budgeted expenditure with the revised 1959-60 the increase is £3 million. I do not propose to discuss the finer details of this increase. The Memorandum on the Estimates shows clearly its broad components. The first and obvious item accounting for the increase is the Mbanefo salary and wages award. This is estimated to cost something of the order of £3 million in 1960-61. The next most important increase is in respect of our defence services. Here I use the word defence in its widest sense and include the Nigeria Police. I do not believe that anyone will quarrel with the need to preserve the security and integrity of the realm as we move forward to Independence. The preservation of internal law and order is the first essential of responsible Government, but even that is incomplete unless the state is able to defend its system of government and way of life against any external threats which may develop. Proposals have, therefore, been prepared by the Defence and Police Councils for modernising our defence forces and for improving and expanding police services. These proposals account for an increase of over £1½ million in our recurrent expenditure. A further significant increase in expenditure is the additional sum of £900,000 required for the Ministry of Communications and, of this, nearly all is required for the Posts and Telegraphs Division. This large expenditure on Posts and Telegraphs arises as a natural consequence of the heavy capital investment which we have made in recent years in Posts and Telegraphs services and I have already expressed the concern which we feel at the failure of Posts and Telegraphs revenues to match this increasing expenditure. It is, however, my earnest hope that, as a result of the enquiry now in progress, the situation will be improved.

The Estimates for 1960-61 produce a not unsatisfactory excess of ordinary revenue over recurrent expenditure amounting to nearly £3½ million. It is proposed that £2½ million of this excess, together with special contributions amounting to over £3.8 million, should be paid to the Development Fund, leaving a net budget surplus of £950,000. This is encouraging, especially when one bears in mind the stresses and strains imposed upon the Federal Government by the present trends in revenue and expenditure. As I have said, it is the policy of the Federal Government to budget each year for a substantial excess of recurrent revenue over recurrent expenditure so that adequate contributions may be made to development. I must tell the House that, had it not been for the economy measures which are reflected in the Estimates before the House, nothing like this size of surplus would have been possible.

It may be, Sir, that the House and the public at large will form the impression from the figures which I have placed before them so far to-day that the finances of the Federal Government are extremely buoyant and that there has been too much fuss and alarm lately about the need for stringent economy measures. I want to dispel any ideas of that sort. The Estimates which I have presented to the House reflect the very considerable savings which we intend to secure by the application of various economy measures. Had it not been possible to find these savings, the contribution to development would have been substantially reduced. More than that, the House should also be aware that, with the exception of the services for the preservation of law and order and the defence of our national frontiers, expenditure upon all other services has been severely limited. The proposals submitted to me by Ministries for additional recurrent expenditure in 1960-61 amounted in all to something like £7½ million excluding the cost of the Mbanefo award. I have cut these proposals ruthlessly. Had I not done so, it would have been impossible for me to have presented the House to-day with as satisfactory Budget surplus as that now shown.

Someone once said that, "Economy is going without something you do want in case you should, some day, want something you probably won't want". This, I may say, Sir, is precisely the *opposite* of what we intend by our economy campaign. We are endeavouring

to trim the inessentials to provide for our essential development requirements. There is, of course, a constant need for economy in the spending of public money, but as I hope I have shown, our present expenditure commitments have made it imperative for us to undertake a special, comprehensive and critical review of the present level of Federal Government recurrent expenditure. I am confident myself that there is plenty of scope for pruning expenditure without in any way detracting from the standard of services provided by the Federal Government.

There has been some criticism of our economy proposals, especially from the staff associations which are naturally jealous of their members' privileges. What I should like to make clear is that, as far as staff are concerned, we are seeking to eliminate wasteful expenditure which is no longer related to contemporary conditions. Many of the present conditions applicable to our staff are over-generous to the extreme in the conditions of to-day, however appropriate they may have been in the old colonial days. I should emphasise that none of the measures which we are introducing will affect in any way the cost of living of the officer. In the first place, we are carrying out a review of the present level of Federal Establishments. There is an unfortunate tendency for Government organisations to multiply themselves, regardless of the amount of work to be done. This is what has come to be known popularly as Parkinson's Law and I have detected its symptoms in our Federal Ministries. We expect this review to produce substantial savings and I have reflected them by a single-line deduction throughout the personal emoluments heads of the Estimates. Secondly, we are going to reduce our expenditure upon a number of staff facilities. It seems to me quite unnecessary that all our officers should travel first-class on the international air services. In the world of commerce, where the Board of Directors must answer to their shareholders, it is usual even for senior officers to travel tourist. In Government we must have a care for our shareholders, the tax payers, and for that reason we are proposing to introduce tourist air travel for almost all our staff. We are also reviewing a number of other privileges; local leave provisions, allowances for leave transport, outfit allowances and so on. These savings in allowances have been reflected in the Estimates by a 5 per cent cut in all expenditure on local transport and travelling, while in the case of air passages I have shown the effect of the introduction of tourist air travel by a very much smaller increase in the relevant vote than would otherwise have been the case. These are all matters which fall primarily to my Honourable Colleague, the Minister of Pensions, and I have no doubt he will be only too willing to expand on what I have said at a later stage in our debate.

In the field of day-to-day expenditure, many other economies are being considered. We are endeavouring to reduce the number of telephones in use by Government; we are hoping to effect economy in the expenditure on the maintenance of our offices; we plan to run the prison service on a more economic basis and to ensure that prison labour pays for a greater proportion of its keep; we are seeking to substitute external technical assistance for expenditure contained in our Estimates on the provision of technical staff and technical equipment. These are some aspects of a general tightening-up which is being pursued by all branches of the Federal Government.

It is also important to ensure that Government's resources are fully mobilised and are not employed wastefully. Here, I have in mind the large sums of Federal Government money which are committed to the financing of stocks in our several large unallocated stores. Anything which can be done to release capital tied up in these stores will be of great help. A saving in the number of staff employed in running them will also be welcome. We have, therefore, begun an examination of this problem and it is the Government's intention that the Ministries concerned should keep the matter under constant review.

There is also a very large sum of Federal Government funds, over £1 million, tied up in advances to officers for the purchase of motor vehicles. This again I consider to be a wasteful, and indeed unjustified, use of Government resources, especially now that there are private enterprise companies prepared to finance such advances. For that reason, I have proposed that the financing of Government motor vehicle advances should be transferred to these firms. There is nothing wrong in this; it is sheer common sense. By shedding this business we can

effect the gradual release of this £1 million which will make a valuable contribution to our resources for development. We will also free ourselves of the burden of accounting associated with motor advances. Admittedly we propose to compensate the officer for the additional interest charges by a small increase in motor allowances but it should be noted that, at the present rate of interest, Government is losing heavily on its advances scheme—it is receiving 3 per cent from its officers on money which it is having to borrow at twice this rate. I have been asked, "Why go to these finance houses, rather than to the Central Bank or the commercial banks?" Well, Sir, the resources of the Central Bank are already being utilised to the full for the financing of our development programmes, and commercial banks are not normally interested in these medium-term vehicle advances. In any case, by employing the hire purchase firms, we are tapping *new* resources and at the same time developing additional credit facilities. I also wish to say categorically that no Minister in this Government has any interest whatsoever in these firms. The hire purchase finance companies are public companies and it is open to any member of the public to check on who does in fact have an interest in them.

One further way in which we can free capital for our Economic Programme is by disposing of the Federal Government's shareholding in a number of companies. I think Members of the House will be aware that, in order to prime the pump, the Federal Government has invested in several enterprises in recent years. This is necessary when adequate capital is not forthcoming from other sources. However, when the enterprise is on its feet, surely that is the time when the Federal Government should dispose of its shareholding to the public. We have already begun this in a small way by the sale last year of some 185,000 shares in the Nigerian Cement Company. I am sure that we should progressively dispose of much of our shareholding to indigenous interests, as soon as the market can absorb it. I am thinking particularly of our shareholding in such companies as the Nigerian Cement Company, the Nigerian Housing Development Society and possibly Nigeria Hotels. My colleagues and I propose therefore to keep under constant review the possibility of selling these shareholdings whenever the time and conditions are ripe.

So far in this review of economy measures I have concentrated on the spending side but we must not lose sight of the equally important question of increasing revenue. In this Budget I have not felt it appropriate, Mr Speaker, to propose general taxation measures. I will, in a moment, refer to a number of specific measures which have already been announced. We are also reviewing the level of fees and other charges for Government services, many of which have stayed unchanged for many years and are no longer related to present money values. These, however, do not constitute general tax increases; and indeed in present circumstances, I consider such increases would be unwise. What is of great concern to me is that, even at present rates of taxation, the Federal Government should be collecting much more revenue than it actually is collecting. It is, therefore, my belief that before we begin to talk of general increases in taxation, we should take all possible steps to improve our present collection of revenue.

In this connection, the House will recall that I have often found it necessary to refer to the heavy incidence of smuggling in this country. More than once I have promised that vigorous action would be taken against this evil practice and I am sure Honourable Members will wish to hear an account of what has been achieved so far and what action is contemplated for the future.

For the past two months special customs patrols have been operating mainly in the Calabar and Oron areas and along the Lagos-Onitsha road. These patrols have received most valuable support from the Navy, Army and Police and some large seizures of brandy, cigarettes and tobacco have been made. Other customs and police patrols operating in the Western Region have made good seizures of cigarettes. At a market in the Southern Cameroons a combined operation by the Army, Police and Customs resulted in the seizure of drugs and explosives and in the arrest of nine persons on charges of smuggling and being in possession of illicit drugs. Yet, Mr Speaker, in spite of these successes and the undoubted deterrent effect which they have, the organised smuggling of high duty goods continues and much more remains to be done.

Early last month I visited the North myself to examine the problem on the spot and see what must be done to tighten our revenue control. If a satisfactory pattern of control can be evolved for the Northern frontier I consider that, with suitable modifications, it can be applied successfully elsewhere. It is of course, a problem of the first magnitude which faces us. Nigeria's frontiers are extended and varied, stretching from the creeks and forest of the West to the dry and flat area of the North and to the mountainous, often thickly forested, districts of the Northern and Southern Cameroons. The coast is mainly low lying and is crossed by a network of creeks. The land frontier can be traversed at many points on foot or by canoe, camel or donkey. Motor traffic can enter by one of a dozen all-season or dry-season roads.

My visit to the North has confirmed my view that the siting of existing customs control posts leaves much to be desired. Many routes are not covered at all. Until quite recently, for example, the only customs stations in the North were Kano and Maiduguri, and these dealt principally with transit trade and air traffic. Both Kano and Maiduguri are, of course, at some distance from the frontier and, at the moment, revenue control of traffic crossing to and from the neighbouring territories is largely ineffective. These two Northern stations merely provide facilities for those merchants and passengers who are either sufficiently honest, or to whose advantage it is, to avail themselves of them.

In considering measures for the reorganisation of our customs control, I have taken full account of the flourishing traditional trade which passes between the people of Nigeria and their kinsfolk in neighbouring countries. This traditional trade has its roots deep in the past and, on balance, I am sure it is of advantage to Nigeria. I do not seek to interfere with this trade more than is absolutely necessary, but inevitably in view of the need to protect the revenues of our Federation, some limitations will have to be imposed. It will be necessary to confine this trade to the villages and markets adjoining the frontier and to prevent the passage further inland of goods on which the proper customs duties have not been paid.

After giving the closest personal attention to these problems, I am satisfied that the first priority is for a frontier customs post on each motorable route into Nigeria. Some posts already exist, mainly in the West and East. Two new posts have been erected at Jibiya and Kongolam in the North. Four others are now contemplated along the Northern frontier. I hope by the establishment of these posts to provide control of bonded goods in transit with less reliance on French certificates of landing; more certainty of effective prosecution when goods are picked up by mobile patrols or when Nigerian produce is smuggled by road into French Niger; and better facilities for the traveller so that he can complete customs and immigration formalities and comply with the law at the actual point of entry into, or departure from Nigeria. In addition three posts along our frontier with the Southern Cameroons are already being set up to stem the flow into Nigeria of goods smuggled from the Cameroon Republic.

My next proposal is that, in addition to the static frontier stations, patrols should operate inland from selected centres. These patrols will be required to carry out effective anti-smuggling sweeps so that smuggled goods which have managed to evade the frontier posts may be detected and seized. To be of value these patrols must be strong and mobile. They must have their own means of direct communication with each other and with their headquarters.

It is the view of the Government that at present our national frontiers are too open. We consider that after Independence our armed forces must exercise vigilance at all times by constant patrol along these frontiers, ready to deal with any attempt at armed attack on our country or the infiltration of agents of a foreign power. I propose to take advantage of this and to enlist the aid of the Army, the Navy and the Police, and all the services at their command, in assisting us to combat the menace of smuggling. While they are engaged in their prime function of ensuring security, they will be able to co-operate closely with the Preventive Service, thereby strengthening our defences against the smugglers.

One particular problem which concerns me is the steady flow of smuggled goods, particularly brandy, from the island of Fernando Po. Last year I visited the capital, Santa Isabel, and held discussions with the Spanish authorities. The results of those discussions are being examined and it is my hope that it will not be long before we can effect a marked reduction in this heavy trade in contraband between the island and Nigeria. In the meantime we are grateful to the Navy for the effort it has been making, and continues to make, in the narrow waters which separate us from Fernando Po.

Control of the smuggling which takes place from ships in port is hampered by the many canoes and other small craft which tie up alongside the ocean-going vessels. A system of licensing small craft is already in being and I consider that in future the issue of these licences must be rigidly restricted to those who have a genuine and legitimate business alongside.

The next step in enforcing the law against smuggling must be the expeditious prosecution of our customs cases in court. I consider that when the measures I have outlined become fully operative, there will be a great increase in the work of prosecuting cases of smuggling. We shall no longer be able to rely on the good offices of Regional Crown Counsel in conducting prosecutions. This is a difficulty I intend to overcome by directing the Legal Advisers to my own Ministry and to the Board of Customs and Excise to undertake these prosecutions, assisted where necessary by private legal practitioners.

So, in this way, with a reorganised Preventive Service and the establishment of the proposed new customs stations, with the institution of strong mobile patrols assisted by the Army, Police and Navy and with the expeditious prosecution of smugglers, I am satisfied that organised smuggling can be hit so hard that it will cease to be a profitable undertaking.

It is also my intention to ensure that the Board of Inland Revenue does all within its power to combat the evasion of income tax—an evil as obnoxious as that of smuggling. Heavy penalties are imposed by the law in the case of false claims and tax evasion, but I am confident that by its new exertions the Board will bring more persons to feel the weight of the law. I am pleased to inform the House that the Scrutineer Committees which I established in the Income Tax Administration Ordinance, 1958, have settled down well to their new tasks. They provide valuable information to the Board for the purpose of making realistic assessments upon companies, individual traders and other tax payers. I believe that, as time goes by, particularly in Lagos, these new bodies will become increasingly helpful to the Federal Board of Inland Revenue. I have other proposals for improving our collection of income tax. In the new financial year, for example, those companies and pensioners at present handled by the Overseas Territories Income Tax Office in London on an agency basis will be transferred to the Lagos District Office. Then again, we are introducing in Lagos on a limited scale at first a Pay-As-You-Earn scheme for the payment of income tax.

These, then, are some of the measures which I hope will vastly improve our collection of tax; they will provide additional revenue without any change whatsoever in rates of tax. Nevertheless, as I have said, I have found it necessary to make some changes in our rates, but not, I repeat, any general increases. There has already been full publicity for the increases which we have introduced. Some, the House will have observed, are intended to tax luxuries—here I am thinking of the new but long overdue excise duty on mineral waters, the imposition of duty on the perfumery industry, outboard motors and film strip projectors, and the increase in the betting duties on Lagos race meetings. Others are intended as a means of providing protection and fiscal incentives for local industry, while a few are merely to remove anomalies in our tariff. This, the House will realise, is in full conformity with the statement of financial and economic policy which I have made this morning. It will be seen that in particular we are providing protection for new metal industries which are growing up in Nigeria. This is part of our programme to create conditions suitable for development of heavy industry in Nigeria. I hope that these tax changes will provide additional revenue for the Federal Government of approximately £470,000 and I envisage that in addition some £180,000 of the extra revenue will go to the Regions. This is over and above the estimated revenue shown in the Estimates and will provide a further helpful contribution for our resources and, in turn, for financing the Economic Programme.

The Federal Economic Programme is entering its final stages. It is scheduled for completion in March 1962, so that only two years remain. It has been our practice to review the Programme each year and this year has been no exception. A development plan can never be fixed for all time. Needs and conditions change and make rigid planning impossible. While the broad theme of a development plan, based as ours is on the recommendations of the International Bank Mission, stays unchanged, there must of necessity be flexibility in its detailed application.

As always in reviewing the Programme, we have looked first at our resources. I estimate that in the period from the 1st April, 1959 to the 31st March, 1962 a sum of about £85½ million will be available for financing capital expenditure. Of this amount, £30 million represents the actual balance in the Development Fund on the 1st April, 1959. £13 million represents the contributions which we expect to make from revenue to the financing of the Programme. I have laid great stress this morning on the need for these contributions from current income and it does no harm for me to repeat it again now. £13 million is satisfactory enough, but I would not regard that as being in any way a final objective. Then there is £21 million approximately which will be the Federal Government share of borrowing totalling some £34 million, £15 million from the United Kingdom Government and £19 million we hope to raise locally between now and March 1962. The balance of £13 million will go to the Regions. The £15 million United Kingdom loan is guaranteed. The internal borrowing depends upon the success which we achieve with our loan programme. I believe that we have set out targets high, although if we meet with co-operation on all sides I do not regard our target of £19 million between now and March 1962 as anything other than reasonable.

In raising these large sums we shall be seeking the full co-operation of the institutions—in particular, Sir, I must mention the Marketing Boards. They have large sums of money invested overseas and it is my hope that they will be prepared to dis-invest at least some part of their overseas holdings and take up local securities. This is vital for the successful mobilisation of resources to finance the development plans not only of the Federal Government but also of the Regional Governments. I cannot help mentioning that the size of the Marketing Boards overseas investments is often a cause of embarrassment to me when I seek external assistance. Overseas financial authorities are inclined to argue that the existence of these investments does not suggest that Nigeria has any real need for external help. So, Sir, I appeal to the Marketing Boards and indeed other institutions, including the trustees of Provident Funds, to show their faith in Nigeria by investing locally in Nigeria. This is a plea which I would hope will strike a patriotic chord in the hearts of all Nigerians.

There is one further item in our resources which I must mention; that is a sum of £5 million which has become available as a result of the Federal Government's decision to de-fund the Widows' and Orphans' Pension Scheme. I think Honourable Members may recall that several years ago a large capital sum was set aside so that this Scheme might be funded and the Federal Government relieved of any further obligations. For one reason and another the hopes which were placed in funding have not been realised and we have decided that the only practicable course is to de-fund the Scheme and place it on a normal revenue and expenditure basis. In other words, contributions from officers under the Scheme go to revenue, while pensions payments are charged to expenditure. As a result of this, £5 million set aside for funding has been released and has reverted to the normal use of the Federal Government. This, I can assure the House, is a most welcome addition to our resources. I have singled out, Sir, the most important items in the sum of £85½ million. The balance is made up of loan moneys from the International Bank for railway development, the proceeds of the special Treasury Bill issue which will finance the cost of the national currency and a number of other items, details of which will be available to the House in the fourth progress report on the Economic Programme. It represents a full-scale mobilisation of all possible resources for financing the programme.

As I have said, a development plan must be flexible. New needs are constantly arising and the Federal Government this year has had to carry out a painstaking review of a number of new and important projects put forward for consideration, in addition to a review of

existing projects. Some of the new needs which have arisen are absolutely inescapable, while many others are well-nigh unavoidable. The total demand for new projects was, however, far in excess of what could be reasonably accepted by the Federal Government in relation to the sum of £85½ million available to finance capital expenditure. So, in reviewing the Programme the Federal Government has been forced to defer or reduce some existing projects to make room for new.

I would like to mention some of the new projects which we have now been able to include in the Programme. First of all, we have had to provide £3½ million for the balance of the cost of the new national currency, although this will be covered, as I have said, by the special issue of Treasury Bills. Defence needs are of paramount importance at the present time and in the Capital Estimates we have now provided for a further £2 million to be split between the Military Forces and the Nigeria Police for their re-organisation and expansion. We have also had to set aside in the Programme a further £2 million for loans to the Railway Corporation. The need for this arises from the present financial difficulties of the Corporation. It had been hoped that large sums would be available from railway surpluses to contribute towards the railway development plan. In fact, these surpluses are not materialising and for the railway development plan to be successfully completed additional funds must be made available by the Federal Government. I should remind the House that the International Bank is contributing a loan of £10 million towards this plan. It is, however, essential that the objects of the loan from the World Bank should not be frustrated. Although there may be room for some minor scaling down of the Railway Development Programme, in general it must be carried to completion, otherwise we stand in danger of jeopardising our loan arrangements with the World Bank.

These, Sir, are the major additions to the Programme. A number of other important additions have been made, including £300,000 for much-needed improvements to the General Hospital in Lagos, £600,000 for the development of the Inland Waterways Department and the further development of the port of Koko. Finally, I should mention that, as an earnest of our desire to improve the lot of the common man, we have set aside £550,000 for a further low-cost workers' housing scheme. This scheme we hope will operate not only in Lagos, but also in other towns of the Federation. Apart from these projects for which we have now made provision in the Programme, it is also our intention to prosecute with as much speed as possible the project for the construction of a second mainland bridge in Lagos and also for the further reclamation and development of Victoria Island. It is my hope that it will be feasible to make special arrangements for the financing of these two projects which are so important for the orderly development of our capital into a beautiful, well-planned city of which we can be justly proud.

As a consequence of the important changes which have been made in the Programme, it now amounts in the period 1st April, 1959 to the 31st March, 1962 to a total of £102¼ million. This is a Programme which I consider to be well within our executive capacity. The rate of spending under the Economic Programme has risen steeply in recent years. We are now spending at the rate of at least £35 million a year and simple arithmetic will show that on this basis, by March, 1962, we are bound to have brought almost all our present Programme to completion. There is no question in my mind that the Programme before the House is a realistic one; it is one easily within our grasp.

Executive capacity is no longer the problem. It is the financing of the Programme which is going to give us the headaches from now on. I have said that in the final three year period of the plan we shall have resources of £85½ million but that against this we are committed to expenditure in the three years of £102¼ million. In other words, there is a gap of £16¾ million between the money likely to be available and the expenditure likely to be incurred. This, I believe, is as large a gap as we can tolerate but we must be bold in our planning and I am sure that we shall be able to narrow the gap significantly by further borrowing, improved revenue

contributions and the release of Federal Government resources at present tied up in unproductive uses ; there is also the certainty of a small margin of under-expenditure. — Nevertheless, I do appreciate that the gap that now exists is as big a one as we can safely tolerate. And I could not countenance the existence of a gap any larger than we could in the last resort honour. We must also have a mind for the needs which will arise in the next planning period. As I have said this morning, we hope that the key stone of our next development plan will be the harnessing of our broad and mighty River Niger. This will make a tremendous call upon the resources of the Federation and, for that reason, we do not wish to have too large a commitment spilling over into the next period. In all, I am satisfied that our latest review has placed the Economic Programme on a realistic and sound basis. I am sure that the Programme as now revised will make a positive contribution to the modernisation of our economy.

I have now come almost to the end of my speech. I have laid before this Honourable House the Government's proposals fully and, I hope, frankly. I do not think that I have kept anything back from the House. I think that I may say, with that illustrious Chancellor of the Exchequer, Mr Gladstone, "These are the proposals of the Government. They may be approved or they may be condemned, but I have at least this full and undoubting confidence, that it will on all hands be admitted that we have not sought to evade the difficulties of our position ; that we have not concealed those difficulties either from ourselves or from others ; that we have not attempted to counteract them by narrow or flimsy expedients ; . . . that we have endeavoured, in the plans we have now submitted to you, to make the path of our successors in future years not more arduous but more easy"

As we draw closer to the glorious 1st October, my thoughts are particularly with our children who will grow up in the sparkling air of Independence. It is my earnest hope that, by the policies the Statesmen of Nigeria pursue to-day, we shall build for them a happy and brave new Nigeria of which all can be proud. I pray that when we have passed from the active scene and our children recall the early years of our Independence, they will say with the poet—

"Bliss was it in that dawn to be alive,
But to be young was very heaven !"

I cannot conclude my speech to-day, Mr Speaker, without some reference to the place of Nigeria in West Africa and indeed her place in Africa as a whole. There is, I agree, an obvious need for the strengthening of economic and cultural bonds between the independent countries of Africa. The Economic Commission was in fact established for this very reason.

We in Nigeria look forward to enjoying a friendly association with our neighbours in the herculean tasks which confront our continent as we endeavour to raise the standard of living of our people. We recognise the imperative need of our times in Africa—unity and common action for the liberation of our continent from the economic and political thralldom of the past.

We do, however, deplore any suggestion that any one country should stand in a dominating position over the rest. Anyone in West Africa who deludes himself that Nigeria will accept his leadership unless by the processes of democratic will, lives in a fool's paradise. Let there be unity, but let it be unity on a basis of equality and of free choice. We shall not stand aloof from matters affecting the destiny of Africa. The wind of change blows across Nigeria as much as across any other part of Africa. We do not, however, seek to antagonise any country. We wish to live with the countries of Africa and with the whole world in peace and brotherhood. We realise our importance in Africa and by the Grace of God we hope to justify this by the leadership we show in the years following upon our Independence. I trust that the Stability Budget which I have presented to-day will help towards the realisation of this.

All those who live in Nigeria have good reason to thank God for sparing our lives to participate in the emergence of this new nation. It is incumbent upon everyone to play their part according as their abilities allow and opportunities warrant. Nigeria belongs to all

Nigerians. Let us, therefore, build a society free from oppression, victimisation, discrimination free from want and poverty ; and free from the fears of disease. In such a free and happy country the words of Sir Walter Scott come readily to my mind.

"Breathes there the man, with soul so dead,
Who never to himself hath said,
This is my own, my native land !"

Mr Speaker, Sir, I beg to move.

