UNITY AND FAITH, PEACE AND PROGRESS

FEDERAL REPUBLIC OF NIGERIA

BUDGET '90

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1990 BUDGET ADDRESS BY GENERAL I. B. BABANGIDA, CFR, fss, mni, PRESIDENT, COMMANDER-IN-CHIEF OF THE ARMED FORCES OF THE FEDERAL REPUBLIC OF NIGERIA

AGENDA FOR SUSTAINABLE NATIONAL DEVELOPMENT

Fellow Nigerians,

We have covered some distance in our journey towards the establishment of a new political and economic order. As we press forward and strengthen the basic institutional and policy foundations for the future, we stand on the threshold of a new decade and contemplate the dawn of a new century.

15/5/90

2. For us as a nation, therefore, the year 1990 is of great national political and economic significance. We can begin to fine-tune those basic structures and programmes which we have been putting in place over the past four years. We can move with greater confidence and usher in the new order of our dreams. It marks a turning point in our programmes of political and economic transition.

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3. For the first time in the history of this country, the year, 1990 will witness the establishment of our Grassroots Democratic Two-Party system, on which hinges the rest of our political programme. As you are aware, the decision of the Armed Forces Ruling Council on this matter was predicated on the objective of establishing a clean political arena and providing a turn-around for all Nigerians irrespective of their individual loyalties, geo-political locations and social status.

4. As in the political system, the state of the national economy inherited by this Administration at its inception was riddled with many profound defects. It would have been virtually impossible to put the economy back on a more meaningful and sustainable path of development without first undergoing a painful process of structural adjustment. Now as the 1990s roll in, we are starting to witness positive signals of an enduring turn-around erected on the beneficence of our own resources and the sweat of our own labour.

The painful corrective measures of the past three years have taught us that true economic and social transformation require a high degree of sacrifice, seriousness, creativity and commitment.

Recent Performance of the National Economy

5. Gross domestic product at 1984 constant factor cost increased by 4.0 per cent to ₦85·82 billion in 1989, compared with the 4.1 per cent increase recorded in 1988. The main sources of growth were agriculture, crude petroleum, manufacturing and finance and insurance sectors. However, the marked depreciation of the Naira exchange rate which followed the merger of the Foreign Exchange Market and the Autonomous Market early in the year led to increases in the cost of industrial production and the prices of manufactured goods. Industrial capacity utilisation fell from an average of 40.7 per cent in 1988 to 31 per cent in 1989. The Government will, nevertheless, continue in 1990 to intensify efforts to encourage local sourcing of raw materials.

6. The economy experienced severe inflationary pressures in 1989, especially during the first half of the year. The average rate of inflation for 1989 was 47.5 per cent, compared with 38.8 per cent in 1988. The rate of inflation fell from 51 per cent in the first half of the year to 44 per cent in the second half of the year. The mopping up of excess liquidity in the banking system and improved performance of the agricultural sector, helped to bring down the rate of inflation in the second half of the year. Despite the differential pricing of petrol, transport costs remained high in 1989 because of the abuses which characterised the implementation of the measure coupled with rising cost of vehicles and spare parts.

7. Since the liquidity squeeze in the second quarter of the year, the interest rates ruling in the de-regulated money market, especially the lending rates, have risen substantially, with adverse implications for long-term investment. The spread between deposit and lending rates has also widened, and might tend to discourage savings.

8. Inadequate supply of foreign exchange by the Central Bank to the Foreign Exchange Market in 1989, coupled with the excessive liquidity which fuelled demand pressures in the economy,

led to the observed marked depreciation of the Naira exchange rate in the first half of the year. However, subsequent mopping up of excess liquidity in the financial system helped to stabilize the exchange rate and to narrow the gap between the official and parallel market rates.

9. In addition, the overall balance of payments recorded a surplus of ₦3.469 billion in the first half of 1989 compared with an overall deficit of ₦1.119 billion during the corresponding period of 1988. This resulted from a substantial rise in the value of export.

10. The realised government revenue was significantly higher than what was projected, while total expenditure fell short of projection due mainly to government's determination to control strictly budget deficit. Actual retained revenue of the Federal Government for the first nine months of the year was ₦19.727 billion as against its total expenditure of ₦22.213 billion during the period. This implies an overall deficit of ₦2.486 billion, as against a pro-rata projected budget deficit figure of ₦9.675 billion for the period.

11. The control of deficit financing by Government had moderated a rapid rise in the general price level as well as the depreciation of the exchange rate of the Naira. Strengthening of the activities of the National Directorate of Employment (NDE), the Directorate of Food, Roads, and Rural Infrastructures (DFRRI), the Better Life for Rural Women programme, as well as the emphasis on local sourcing of raw materials, and the enhanced prices of agricultural products stimulated employment activities in the rural areas in 1989. This also contributed to the reversal of rural-urban drift. However, government is still concerned about the rate of urban unemployment. Government will continue to strengthen the activities of those specialised agencies set up to combat these economic and social problems.

The International Setting

12. It is already apparent that the early 1990s will be a period in which several countries of the world will be confronted with great and complex challenges. The nature of these challenges

and the responses to them will be determined by a combination of three forces ; namely, the configuration of the international environment, changing resource prospects and constraints, and the strategic choices and options available to individual countries.

13. For the Third World and most African countries, their economic difficulties are bound to grow in intensity and complexity. The low income groups and the unemployed are going to be confronted with extreme hardships, including hunger, lingering poverty, inadequate provision of medical care, poor housing and environmental conditions, low percentage of school enrolment in the face of inadequate educational facilities, depreciating value of their national currencies, and the absence of well articulated development policies and programmes.

14. These real and potential problems will not only undermine the basic principles of self-reliance and social mobilisation for production, they will also pose serious threats to democratic values, fundamental human rights and social justice.

15. In the late eighties, these conditions were knotty issues which most African governments tried to unravel with little success. Thus they left complex tasks for the 1990s that now require even deeper understanding and commitment on the part, both of the leadership and the followership. The configuration of the international environment in the 1990s will therefore demand properly thought-out programmes of action based on the principle that changes in the environment will require commensurate involvement of the popular masses in the formulation and implementation of policies.

16. Nations of the world are inter-related through international institutions and Organsations which have become a reality in the contemporary international system. No nation is therefore isolated from these bodies. Nigeria belongs to these bodies like all other nat ions of the world. But this does not imply that nations unilaterally surrender their sovereignty to these bodies; nor do they allow themselves to be teleguided from outside. Specific historical

circumstances dictate the nature of this interdependence. In the case of Nigeria, we have opted to develop according to our own pace and in conformity with the exigencies in which we found ourselves. We have made collective sacrifices, accepted harsh realities of the moment on the conviction that the final results would put us on a firmer developmental path.

17. With the realities of the new international environment and the goals set for meeting the challenges, all resources of our nation must be harnessed optimally and utilised rationally. Our strategic choices and options for the 1990s must therefore, be seen in terms of creating a viable environment in which the Nigerian people will be the determining factor. The choices we make must reflect the greatest happiness of the majority of the people and must be premised on achieving a reasonable level of social consensus. And unless the critical sectors of food, agriculture, rural development, education, health infrastructures and application of technological knowledge are seriously addressed, the cumulative beneficial impact of our painful structural adjustment programme may be dissipated even before we traverse the looming complex terrain of the 1990s.

The Planning Framework

18. Our main conception of the nation's development process was indicated early in the life of this Administration. We have always seen the political and economic dimensions as intertwined and predicated on a virile system of grassroot development. Our guiding policy instruments from the centre have been those which are open, flexible, impersonal and yet conducive to public accountability. We have always recognised that our problems of underdevelopment cannot be solved by wishing them away. We have observed that perfect workable models of social organisation do not exist in the modern world ; models that would free us from the heartaches and pains of national economic transformation.

19. We believe in the nurturing of an enabling environment which will assist individuals, groups and communities to achieve their best potential through their own creativity and hardwork.

We believe that government should create and defend opportunities for all citizens to have access for the full development of their own potential. We believe that an efficient and sustainable safety-net should be provided by the State to protect the weak, the unfortunate and the vulnerable groups in society. We believe that the foundation for true development lies in the resources of our land and the energies of our people. It is this set of beliefs which defines our commitment to economic reconstruction, social justice and self-reliance.

20. As we move into the 1990s and at the inception of a new form of national planning, it is necessary for us to reiterate that true national sustainable development involves a radical review of our external dependency. We must switch our engine of growth from trading and government patronage to concrete production of goods and services and the application of knowledge. We must avoid waste and vanity, shed all pretences to affluence, reverse our false life-style, and imbibe the true spirit of structural adjustment. In all these, we must always be vigilant not to be lured into a false sense of economic security, while a few get away with the fruits of our land and the products of our labour.

21. As we start the 1990s, the Nigerian economy still finds itself beset with a number of key structural problems. It remains exposed to major fluctuations in the world economy. Its demands for goods and services are still oriented disproportionately towards imports. These make it difficult both to stabilise the foreign exchange rate and to dampen the domestic rate of inflation. They have also created large fluctuations in government revenues and expenditures. Combined with a high population growth rate, a high degree of urbanisation, continued low rate of capacity utilisation and inadequate maintenance of infrastructures, the social costs of structural adjustment on vulnerable groups remain a matter of policy concern.

22. One fundamental objective of the First National Rolling Plan, 1990-92, is therefore to strengthen the foundation for true national development which the Structural Adjustment Programme has tried to construct over the past three years. The

Plan seeks to address the pressing problems of exchange rate instability, strong inflationary pressures, inadequate gainful employment, sluggish performance of key productive sectors, inter-governmental fiscal imbalances and the menace of anti-social behaviours. In particular, it maintains the focus of our national efforts on agriculture and rural development as well as diversification of the export base.

23. A second major policy thrust is the maintenance of infrastructural facilities in both urban and rural areas to give needed support to the directly productive sectors, but erected increasingly on user charges and cost-recovery principles.

24. The third focus is on the set of measures that can reduce the pains of structural adjustment for vulnerable social groups. Prominent in this connection are expanded programmes in primary health care delivery, urban mass transportation, rehabilitation and improvement of educational facilities, innovative schemes for employment and self-employment of youths, and family planning.

25. The overall plan size for the three-year period is about ₦142 billion, consisting of ₦92 billion (or 65 per cent) for the public sector and ₦50 billion (or 35 per cent) for the private sector. Within the public sector, the Federal Government's own programmes, excluding the investment in oil exploration under joint-venture arrangements, is about ₦32 billion, while the State government have ₦20 billion and the Local government ₦7 billion. In addition, special projects worth about ₦3.5 billion will be executed under the Ecological Fund and the Fund for Mineral Producing Areas.

26. Gross imbalances in resource availability and resource application have, however, emerged among the different levels of government under the present revenue allocation formula. It has become very clear not only that there are more opportunities for revenue mobilisation at the local government level, but also that grassroot development cannot be meaningful unless the local governments accept greater responsibility for functions on the concurrent list under the Constitution. Therefore, as their executing capacities improve, the relative size of local government in the Rolling Plan will be progressively increased.

27. The indicated magnitude assigned to the private sector represents a substantial increase over the share earmarked for the sector under previous development plans. This is not only consistent with important elements in the Structural Adjustment Programme but also in line with the sector's performance in the recent past. Within the sector's overall size, manufacturing, including oil and gas, is expected to account for about 40 per cent, agriculture 30 per cent, transport 20 per cent, and others 10 per cent.

Main Profile of The 1990 Budget

28. Being the first year of the National Rolling Plan, the 1990 Budget is fully informed by the policy thrusts and basic strategies which are already highlighted. In particular, great emphasis will be put in 1990 on the dampening of inflationary pressures, curbing of excessive monetary expansion, streamlining of government revenue-expenditure imbalances, moderation of exchange rate fluctuations, and vigorous implementation of all existing measures designed to boost actual non-oil export receipts.

29. A growth rate of 3.7 per cent has been set for the Gross Domestic Product at 1984 constant factor cost. The agricultural and manufacturing sectors are expected to achieve growth rates of 4.1 per cent and 5.9 per cent respectively over the year. Gross national expenditure at current 1990 prices is projected at ₦324.1 billion and final consumption expenditure at ₦293.8 billion, leaving a balance of ₦30.3 billion as domestic savings. But when compared with a projected gross investment of ₦40.9 billion, there results a resource gap of ₦10.6 billion to be financed from external sources.

Revenue

30. In respect of government revenue, the prospects for 1990 appear only marginally better than our actual experience, in 1989. But those prospects would only become a reality if the world petroleum market remains firm ; if we are able to secure further favourable external debt rescheduling arrangements ; and if the expected foreign capital inflows materialise. For the oil component of the revenue picture, an average production level of 1.611 million barrels per day has been assumed, out of which 300,000 barrels per day are for domestic consumption and 1.291 million barrels per day

for export. Government's share in all these would yield a revenue of ₦38,628 billion. There is, however, an additional estimate of ₦9.029 billion revenue from non-oil sources, making for a total of ₦47.657 billion as Federal collectable revenue.

31. From that aggregate, ₦45.428 billion will be paid into the Federation Account, and the remaining amount of ₦2.717 billion retained as Federal Government Independent Revenue. Based on the new revenue allocation formula, the Federal Government's share from the Federation Account will be ₦22.714 billion. With its Independent Revenue, it is thus estimated that the Federal Government will realise a total revenue of ₦25.431 billion. State and Local Government shares of the Federation Account will be ₦13.628 billion and ₦6.814 billion respectively. An estimated sum of ₦2.271 billion will also accrue to the Special Funds.

32. It has been a matter of concern to this Administration that oil continues to be the main source of government revenue. It remains a strong plank of our policy to diversify the country's revenue sources and generate more revenue from non-oil activities. Some of the corrective strategies for this include development and encouragement of viable agricultural and Industrial projects, local sourcing of raw materials, and implementation of the second phase of the petro-chemical and liquified natural gas projects.

Expenditure

33. The expenditure estimates are largely influenced by developments during the course of the 1989 fiscal year. The total expenditure outlay is ₦39.763 billion, made up of ₦27.208 billion for Recurrent and ₦12.555 billion for capital. The breakdown of the Recurrent expenditure is as follows ;

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(*a*) Personnel Costs	5.106 billion
(*b*) Overhead Costs	5.230 billion
(*c*) Domestic Loan Interest Payment	5.105 billion
(*d*) External Loan Interest Payment	11.767 billion

34. Highlights of the overhead costs include a provision of ₦800 million for the Primary Education Fund, ₦253 million for the Maintenance of Highways and ₦57.8 million for the Maintenance of public Buildings.

35. The Capital expenditure estimates of ₦12.555 billion are made up of a Treasury component of ₦7.424 billion, expected external loans draw-down of ₦3.5 billion, and amortisation of ₦1.631 billion. In terms of sectoral allocation, greater emphasis has been placed on projects of the following Ministries and Agencies :

(*a*) Agriculture and Natural Resources

(*b*) Water Resources

(*c*) DFRRI and Rural Development

(*d*) Defence and Security

(*e*) Mines, Power and Steel

(*f*) Education

(*g*) Health

(*h*) Mass Transit Programme.

(i) Federal Capital Territory.

Foreign Exchange allocation

36. Our basic policy will continue to emphasise orderly liberalisation and de-regulation of the foreign exchange market under a close monitoring arrangement. We will also seek to implement all existing measures to improve foreign exchange earnings so as to reduce the disproportionate dependence on the oil sector. The total foreign exchange receipts by the country for 1990 are estimated at $7.779 billion ; made up of $6.668 billion as official receipts, and $1.111 billion for the private sector. The oil sector would still account for $5.793 billion, while a sum of $1.996 billion would accrue from non-oil exports, services and external loans. The expected allocation of the $6.668 billion official receipts is as follows:

(*a*) Foreign Exchange for Domestic Use	$4.264 billion
(b) Debt Service	$2.114 billion
(*c*) Accretion to Reserve	$0.300 billion

External Debt Management

37. I am aware that Nigerians are concerned about the heavy debt burden which the country has to bear. While this Administration continues to take necessary measures to minimize the external debt burden, we shall at the same time endeavour to create a congenial atmosphere that would encourage the inflow of new funds on concessional terms. As a result of successful rescheduling undertaken in 1988 and 1989, the amount earmarked for external debt service in 1989 was $2.004 billion. In 1990, the provision for external debt service is $2.114 billion. These are the lowest we could get after the long and tedious rescheduling negotiations. But clearly, even these figures we would consider to be too high and unsustainable.

38. Therefore, in 1990 we will strive to further negotiate debt reduction agreements with the London and Paris Clubs, such that will achieve long-term debt relief compatible with a meaningful national development process over the decade. While we will not repudiate any legitimate debt which we owe, we would not at the same time live for our creditors. We have a responsibility to invest in the orderly development and growth of our own economy. It is important that all the multilateral agencies as well as creditor governments in the industrialised countries acknowledge the courageous effort of Nigeria in regularising its external debts position. We call for their unambiguous support and understanding in finding a lasting solution to international debt problem of the underdeveloped countries, such that we can save resources for investment in our economies and foster the development of our own democratic institutions.

Revenue Designation and Special Funds

39. As a general rule, Government is reluctant to earmark specific revenues for specific expenditure programmes. Fiscal efficiency often demands a comprehensive view of total resource availability and total resource use. But given the peculiar and pressing nature of our transportation infrastructures, Government has decided to experiment from 1990 with the concept of revenue

designation in respect of Highways development and the orderly expansion of Water and Air transportation. The administration of tolls on our highways offers a good beginning for the new experiment. The Accountant-General of the Federation is to take a close and urgent look at the system, and work with the appropriate Ministries and Agencies in installing a collection and disposition structure that is both efficient and free of operational abuse.

Privatisation and Commercialisation

40. The privatisation and Commercialisation programme of this Administration is being implemented satisfactorily. A total of 95.3 million shares with a market capitalisation in excess of ₦142 million were offered for sale to the Nigerian public by the Technical Committee on Privitisation and Commercialisation. These offers attracted over 350,000 shareholders across the country thus dispelling the fears that only the rich few would own the shares of the privatised companies.

41. The shares of thirteen Insurance Companies are either in the process of final sale or have been sold, while some shares acquired in the National Oil and Chemical Marketing Company Limited, African Petroleum Company Limited and Flour Mills of Nigeria Limited have been sold. The total government Investment in the companies sold is ₦7.582 million. On this capital outlay, government has made a total capital gain of ₦123.730 million. Even allowing for inflation, this gain represents a substantial premium on the original capital outlay.

42. The total receipt from these sales which is deposited in an independent interest-bearing account with the Central Bank is ₦131.312 million. All proceeds from the sale of government shares in these enterprises will be transferred to the government at the end of the privatisation exercise by the end of 1990, or by early 1991. At that time, Government expects the Technical Committee on Privatisation and Commercialisation to make suitable recommendations as to the kind of new viable investments into which the accrued funds could be channelled.

POLICY INITIATIVES AND PROGRAMMES HIGHLIGHT

Monetary and Financial Policy

43. The major aims of monetary policy in 1990 are to moderate the rate of inflation, further reduce pressures on the balance of payments, and induce increased domestic savings, investment and employment. The stance of monetary policy will consequently continue to be restrictive. But it will also be compatible with ensuring adequate flow of financial resources to priority sectors of the economy. The expansion in aggregate bank credit, as well as the ceilings on the growth of credit to the public and private sectors will continue to reflect the priority so far given to the directly productive sectors such as agriculture and industry.

44. More than ever before, government will in 1990 introduce measures and incentives to improve the efficiency of the financial system as a means of enhancing its services to the economy. Generally, financial policies will continue to be implemented within the ambit of orderly and monitored de-regulation, which has so far enhanced competition and efficiency within the system. Specifically, the Central Bank will continue as much as possible to place all financial institutions on equal footing not only to enhance its monetary management capability, but also to ensure that all such institutions are given equal opportunity to contribute to national economic growth.

45. Special efforts will be made to monitor more closely the activities of non-bank financial institutions. Those institutions can no longer be ignored in the effective formulations and implementation of the nation's financial policies. Government will also consciously address the undesirable situation of many financial institutions particularly in the commercial and merchant banking category. Furthermore, Government will in the course of the year set up a new Commission to undertake another comprehensive review of the whole financial system, with a view to enhancing the current reform efforts of the Central Bank.

46. It is also noteworthy that banks are becoming more enterprising in seeking deposits, by increasing interest rates payable to depositors. One of the areas which the banks have been reluctant to address in spite of the encouragement of the Central Bank of Nigeria is the issue of payment of interest on current account. Since many of the banks on their own have not responded to the moral suasion of the Central Bank, Government now directs that compliance should be immediate.

Trade Regime

47. The Tariff system put in place since 1988 has worked reasonably well. However, a few anomalies which were unintended became apparent in the course of implementation. These anomalies have been substantially tackled in 1989. It is the intention of government not to go on tinkering with a system that was intended to last for seven years. If, however, glaring cases of contradiction occur these will be corrected during the year by using the machinery of the Tariff Review Board.

Level and Composition of Subsidies

48. One cardinal aim of our economic reform programme is a more efficient and rational use of our scarce resources, especially those irreplaceable endowments of nature. It is in this context that the levels of subsidy on petroleum-derived products and fertilizer have been continually under review. Recently, it became inevitable to unify the pump-head price of petrol. To streamline the prices of all the five major petroleum products in the domestic market as well as ensure their adequate supplies to the consumers, government has gone through an agonising review exercise. While an upward revision of the prices has become unavoidable, care has been taken to still achieve substantial levels of subsidy to the consumer.

49. The comparable levels of subsidy can be summarised as follows in percentages :

Product	1989	1990
Gas	72	45
Petrol	68	69
Kerosene	91	77
Diesel Oil	78	70
Fuel Oil	80	74

It is thus clear that although the absolute price levels would have increased at the pump head and the relative levels of subsidy reduced, Government wishes to emphasise that petroleum products still remain heavily subsidised.

50. It is appreciated, however, that the upward review of the price of kerosene may reverse the trend away from the use of firewood for cooking purposes. As part of government's concern for environmental protection, a definite programme will be embarked upon to increase tree planting activities, which have also become a global concern. Funding for this programme will be attracted from local as well as international sources. When fully developed the programme should be able to generate more than 50,000 jobs.

51. The case for fertilizer is similar and again the comparable level of subsidy can also be summarised as follows in percentages ;

Product	1989	1990
NPK	88	78.8
Urea	75	53.8
SSP	87	76.2

52. The tariff for electricity was recently reviewed. There is ample evidence that the review had protected the small users by and large, and that the heavier burden was passed to the very large consumers. However, as part of the request by the general public for increased participation in such reviews, government has decided to set up in 1990 a broad-based Utilities Tariff Review Commission which will have the responsibiliy for studying all proposals to raise tariff by various public utilitiest. The Commission, which will consist of professional engineers, accountants, representatives of the organised private sector, representatives of the general public, representatives of women societies and the Trade Unions will make recommendations to government on the proposals from such parastatals as NEPA and NITEL.

Incomes Policy

53. The most sensible income policy for any nation going through a period of economic difficulties like ours, is to relate increases in income to productivity. Admittedly, it has not been easy to measure productivity in this country. But promotion of changes in working habits and attitudes can become the first signal to the awareness of the importance of productivity. Government will therefore continue to encourage negotiated wage and salary increases that recognise the importance of productivity.

54. In order to ameliorate further some of the harsh effects of price adjustments, employers and trade unions will continue to be allowed to negotiate. Employers of non-unionised staff will also be allowed to fix modest and sensible wage and salary increases. Salaries fixed by employers for non-unionised staff or wage/salaries agreed through negotiation between Trade Unions and employees will be operative as from the first day of the month following the agreement of the announcement, and only after the approval of the Federal Ministry of Employment, Labour and Productivity is obtained.

55. In recent times, Trade Unions have resorted to the use of ultimatum. All concerned are hereby reminded that the use of ultimatum is irregular and counter-productive. Dialogue will continue to be a watchword of this Administration in industrial relations matters.

Community Banks and People's Bank

56. The adjusted subsidy levels on the domestic prices of petroleum products have been estimated to yield an implied saving of ₦503 million in fiscal 1990. Government has, however, decided that this sum be put back into strengthening its programme of grassroot economic development. Accordingly, the sum of ₦453 million will accrue into a special account with the Central Bank for the purpose of establishing community banks and strengthening the People's Bank. The People's Bank, which was established as a pilot project in a few States in the last quarter, of last year will, with effect from today, operate full scale, nationwide.

57. The community banks will be substantially owned by community development associations, co-operative societies, farmers groups, patriotic unions and trade groups within each zone. In addition, individual members of the community will be encouraged to subscribe to the equity capital of the community banks. The modality for the operations of the proposed community banks and their relationship with the People's Bank will be worked out in the course of the year.

58. A community bank is a commercial bank serving only one community and exploiting to the fullest its advantageous position of local knowledge and trust. Its survival is intimately connected with the development of the community which it serves. By not getting involved in sophisticated banking services like foreign exchange transactions or international commercial papers, corporate finance or equipment leasing, and by minimising its operational costs through high localisation and superior arrangements for loans recovery, it should be able to operate at lower interest rates to its customers. Each community bank, by serving its particular area will also be contributing to the overall development of the banking system and of the economy as a whole. Above all, a national network of such community banks will greatly strengthen the massive programmes of government in rural development.

MASS TRANSIT

59. In an effort to alleviate the difficulties being faced by urban commuters it is gratifying to note that within two years of the inception of the programme all the 21 States and Abuja Mass Transit Agencies have been assisted to take off with a total supply of about 2,000 new vehicles. Ferry services have resumed in many coastal and riverine areas of the country, while urban rail services have also commenced in Metropolitan Lagos and other elected rail traffic corridors. Apart from the expansion in scope of the transport services, the programme has contributed greatly in the stabilisation of fares on many city and intercity routes.

60. The successes recorded so far will be further consolidated and improved during this fiscal year. To achieve this objectives, government is committed to further expansion and funding of the

Mass Transit Programme to cope with the increasing demand for its services, especially in the Lagos Metropolis and other major urban centres. It will actively seek to complement the efforts of private operators.

61. In order to sustain the existing bus fleet and supporting facilities, some of the most viable State Transit Agencies will be encouraged during the year to establish commercialised workshop centres to service both public and private transit vehicles. At this juncture I wish to emphasise that while government would continue to support the State Mass Transit agencies, the principle of Cost recovery must now be progressively ensured in the delivery of services. This is necessary if the programme is to be sustained to meet the increasing demand of commuters.

62. Over and above the normal provision made in the regular budget for the mass transit programme, government has decided to give the balance of ₦50 million accruable from the implicit petroleum subsidy saving as special allocation for further relieving traffic pressures in our major urban centres.

63. The tariff exemption granted in 1989 on the importation of commercial vehicles will henceforth no longer have general application. The spirit of that relief for ameliorating pressures on the mass transit programme will however remain preserved in fiscal 1990 by exempting from tariff chassis, completely knocked down sets and spare parts for commercial vehicles imported only by established motor vehicle assemblers and manufacturers in Nigeria. The extension does not apply to any fully-built vehicle including cars. Meanwhile, Government is watching very closely various forms of abuse in the importation of used motor vehicles ; and will soon design appropriate counter measures and sanctions.

Employment Generation

64. Government will consolidate the gains of the National Directorate of Employment (NDE) which were recorded in the past three years. However, the NDE will critically evaluate the

of its strategies for implementing its four core programmes in order to achieve greater cost-effectiveness. The objective is to identify areas where savings in expenditure can be made without impairing the employment generation drive of the Directorate.

65. It is clear from the experience of the last two years that a re-appraisal of certain aspects of the implementation guidelines for some of the programmes is necessary. As an illustration, experimental schemes will be put in place in order to establish whether a higher level of cost-effectiveness will be attained through a combination of manual and mechanised land clearing as against wholly mechanised land clearing. Furthermore, intensive efforts are underway to strengthen the credit recovery mechanisms for the job creation loan schemes, in order to ensure that recycling of the funds provided for entrepreneurship development can commence in the shortest possible time. It should be stressed at this juncture that government will ensure that all loans taken under the job creation schemes are repaid by the beneficiaries.

66. In the course of the year all the programmes and schemes currently being implemented by the NDE will be re-assessed with a view to determining the areas that will henceforth receive greater emphasis.

Food and Agriculture

67. Food and agricultural programming in 1990 is aimed at bringing down the rate of increase in food prices and facilitating economic access to available food supplies at reasonable prices. Programmes will focus on the accelerated production of those food staples that constitute the food diet of low income and middle income Nigerians. Emphasis will also be placed on improvements in storage, processing and marketing of food staples to reduce post-harvest losses and increase marketed supplies. Institutional arrangements for managing Nigerian Food, Agriculture and Water Resources will be streamlined to achieve sharper programme focus and accountability. The fundamental objective continues to be the replacement of low-productivity agriculture with a structured high-productivity agriculture in order to reduce the high cost of food and fibre production.

68. There are three areas for programme strengthening in food and agriculture in 1990. First, while consolidating the gains from the rural road programme, DFRRI will henceforth accord topmost priority to those areas producing the country's main staple food items to ensure consistency and maximum complementarity between food programming and rural road programming. DFRRI's road programme priorities will henceforth reflect national food and agriculture priorities so that DFRRI's infrastructural development efforts translate directly into national food self-reliance and food self-sufficiency.

69. Second, National Commodity Programmes will be launched for the accelerated domestic production, processing and distribution of basic foodstuffs and fibre. These will include Accelerated Production Programmes respectively for cassava, maize, rice, wheat, yam, sorghum, soyabean, livestock and fish. To ensure programme and cost effectiveness, National Commodity Trials Programmes will support the Accelerated Production Programmes with adaptive research trials using the existing network of Universities, Research Institutes, Agricultural Development Projects and other State agencies.

70. On input procurement and distribution, necessary machinery will now be set in motion for transforming the procurement and distribution of fertilizers from the public to the private sector in keeping with previous government pronouncements. Other programmes to be implemented within the re-organized ministerial set-up would include on-farm medium and small-scale storage facilities, small-scale irrigation facilities, on-farm adaptive research trials and withdrawal of government at State levels from direct involvement in agricultural production and distribution.

71. The crux of the fertilizer question is adequate supply to meet, at the proper time and place, the ever increasing demands by small-scale farmers across the country. While planning for withdrawal from fertilizer procurement and distribution, government will for now continue with the present policy of subsidy and of importation to complement local production. In order to improve access to fertilizer supply, NAFCON will

establish fertilizer depots in different zones of the country in the course of the 1990 fiscal year. Meanwhile Government will increasingly involve the Farmers supply companies, organised farmers and community development associations in fertilizer distribution in the hope that by the early 1990s the involvement of State governments in the process will be phased out.

Trade and Industry

72. One of the most significant achievements of the economy in 1989 is the positive balance of trade recorded. This is clearly an indication that the policy of gradual movement toward self-reliance is yielding good dividend. Not only is there an increase in the recorded volume of non-oil export, the total foreign exchange in importing goods is decreasing steadily. However, the biggest foreign exchange spender remains the manufacturing sector. The response of the sector to the present inward-looking economic policy of government is encouraging ; but the pace needs to be quickened. Only a quicker pace and an abiding interest in vigorously increasing the value-added to our manufactured products could assist the country's export-drive, and thereby raise the average capacity utilisation of our factories. This is the challenge for our manufacturers in 1990. One more challenge for the manufacturing sector is the need to encourage small-scale manufacturers through forward and backward linkages.

73. It is equally significant to note that the importation of food has reduced drastically over the last three years. With a little more commitment and persistence from every citizen, our dream of self sufficiency in food production and agricultural raw material are realisable within the next few years.

74. The new impetus in Trade in the last two years has been the export drive for our raw agricultural produce. The next stage is set for the encouragement of the local processing of these materials to semi-finished or finished products. Trade and industrial policies towards this end will unfold in 1990. Added to this is the awareness that tourism has a significant part to play in promoting trade and in earning foreign exchange. Consequently, the Ministry of Trade has been renamed Ministry of Trade and Tourism.

75. Policy direction on gas in the 1990s is aimed at increasing its potential not only as a foreign exchange earner, but also as an alternative source of energy and a catalyst to enhanced industrial productivity. Agip, Elf and Shell have been incorporated as NNPC partners in the Bonny liquified natural gas export project. Furthermore, with natural gas as a cheap, clean and available source of fuel, industries can reduce fuel cost substantially. While commissioning the Egbin gas project, I made it clear that no industry within 50 kilometres of the Escravos to Lagos Gas Pipeline (ELP) route will have any reason not to switch to gas for its fuel, and that entrepreneurs planning new industries now have a ready supply of regular, clean, viable and competitive energy source from the ELP system.

76. To enhance industrial productivity in the 1990s, this Administration will establish small and large scale plants to manufacture chemicals using natural gas as feedstock ; commercialise the Natural Gas Liquids (NGL) both for export and local markets ; set up gas utility companies for effective gas distribution to industrial and residential consumers ; and instal Compressed Natural Gas (CNG) plants, conversion workshops and filling stations to commercialise the use of CNG as automative fuel. With the introduction of locally-designed natural-gas driven cars as a pilot scheme, the country is poised to exploit the full potentialities of its rich oil and natural gas resources.

IMPLEMENTATION EFFECTIVENESS

77. In order to minimise distortion and to ensure successful implementation of the plan and strict compliance with budgetary provisions, government has decided to further strengthen the monitoring office of the Ministry of Planning and Budget. To enable it discharge this important function successfully, it would be given adequate logistical support and authority with which to enforce discipline in budget and plan implementation.

78. In addition, a plan Implementation Co-ordination Committee will be established at every level of government to ensure attainment of the required level of plan discipline, co-ordination and control. The Committee which will closely monitor the implementation of plan projects and act as a clearing house for proposals to effect plan variations will comprise the Minister or Commissioner responsible for Planning and Budget as Chairman, and representatives of relevant Ministries and Departments. These Committees will be established before the end of the first quarter of 1990. Furthermore, the offices of Planning and Budget are to be brought together under one umbrella at all levels of government to ensure that the capital budget is kept strictly in consonance with the plan and that it derives its orientations from it.

79. The procedure for strict budget implementation would be anchored on the desire and need for fiscal discipline and the need to match planned expenditure with projected revenues. Accordingly, during the year Ministries and Departments will limit their expenditure to what has been approved in the budget in order to curb the growth of budget deficit.

80. In 1989, a measure of success was achieved in our effort at instilling budgetary discipline compared to that of 1988. Government is determined to effect further improvement this year. Consequently, individual officers will now bear personal responsibility for ensuring that government policy is fully implemented not only in accordance with the stated objectives but also as provided for in the approved budget.

81. Whatever public policy options are selected, implementation success depends very much on leadership and management style. I have had cause to remark in the past that weaknesses in our national management capacity are a major factor in the recorded mixed performance of our economic reform programmes. The desire for economic recovery, social justice and self-reliance will only be sustained through hard work, loyalty, accountability, public understanding and social consensus. To promote these values, therefore, we need first, to upgrade and realign our national management capacity. Second, we must continue to set our clear objectives and priorities.

82. The task of effective and sustained mobilisation of our people remains a serious challenge. What is called for is a sense of loyalty, love, patriotism and nationalism. Equally important is the need for leadership by example, which this Administration demands from all individuals in positions of authority. It is a fact that no nation can achieve greatness without a committed leadership that is willing to serve. We intend to continue, as we move into the next phase of the life of this Administration to provide an inspiring leadership ; a leadership that will facilitate the current efforts in mobilising the populace towards the realisation of our national dreams.

83. Amidst our fluid international environment, we must garner enough national self-confidence to adapt to, and cope with the dramatic changes constantly taking place. We must demonstrate a strong national will not only to survive but to determine as far as possible on what terms we shall relate to the changing world around us.

84. It is the belief of the Armed Forces Ruling Council that we can only develop the self-confidence to face this fluid international environment through sustained capacity building, and particularly through a thorough knowledge and understanding of the dynamics of those processes of global change. One of our greatest handicaps is technical expertise to handle complex problems of social change. This Administration is committed to building the capacity of this nation to cope with the enormous tasks ahead.

85. It is also pertinent to note that capacity building can only be effected in the context of a culture of positive attitudes. Candidly, excessive cynicism is detrimental to the process of any nation's development. It is important to develop an analytic attitude which seeks to answer questions such as Why and How certain things happen.

86. The excessive cynicism which we often exhibit in this country can only dampen developmental efforts. We must develop a new culture of positive attitudes, find new areas of co-operation and search for new ways of solving our problems collectively. We

cannot expect some other people to solve our problems for us. Only through a culture of positive attitudes, can we prevent ourselves from being swamped by problems, and rise atop of such problems, with a sense of pride and achievement.

87. As a mark of general amnesty and in order to decongest our prisons and obviate the need to keep suspects almost interminably without trial or even longer than their sentences might have been on conviction, this Administration has decided to release the following categories of prisoners convicted by the ordinary courts.

These are :

(I) Those who have served three-quarters of their sentences.

(II) Those jailed for minor offences whose sentences do not exceed one year ;

(III) Lifers and detainees who have served not less than ten years.

88. With regard to those awaiting trial, all those who have been held in Police or Prison Custody for more than a year are to be released provided the offences for which they have been arrested are not related to Drugs, Economic Sabotage, Armed Robbery, Murder, and Man-slaughter.

CONCLUSION

89. Fellow Nigerians, the Armed Forces Ruling Council salutes your courage in these hard times. Government appreciates the contributions of all Nigerians as we make sacrifices today in order to build a better tomorrow. This budget is aimed at consolidating and sustaining our national development.We have been careful to ensure that we do not reverse our gains of the past three years. At the same time, we have been very conscious of our responsibility to the average citizen—that sacrifices should be made within tolerable limits, and that the current sacrifices should be distributed relativele evenly in the society, while minimizing appreciably the level of hardships.

90. Dear Countrymen and Countrywomen, let us not expect miracles from anywhere. Our destiny is in our own hands. We are substantialy the architects of our future. I believe that, with dedication and commitment Nigeria can perform as well as any nation in the world. The challenges of the future are on our laps today. I therefore appeal to all Nigerians to mobilize all their efforts towards meeting these challenges TODAY, if we are to have a FUTURE for our children.

Thank you. I wish you and the Federal Republic of Nigeria a happy and properous 1990.

STATEMENT ON NATIONAL ROLLING PLAN 1990-92 AND THE 1990 BUDGET

ALHAJI ABUBAKAR ALHAJI
Honourable Minister of Budget and Planning

PRESS BRIEFING BY THE MINISTER OF BUDGET AND PLANNING, ALHAJI ABUBAKAR ALHAJI, ON THE NATIONAL ROLLING PLAN (1990-92) AND THE 1990 BUDGET

Honourable Ministers,
Your Excellencies,
Distinguished Members of the Press,
Ladies and Gentlemen.

This year marks the beginning of a new decade and with it I welcome all of you to an innovation in our planning system and the format for this year's Press Briefing. As Mr President announced yesterday, this Administration has abandoned the erstwhile system of fixed five year Development Plans and adopted in its stead, two types of national plans, namely the Perspective Plan which will span over a period of 15-20 years and the Rolling Plan which will cover three years at a time, subject to review every year to evaluate our performance and ascertain whether the economy is on course.

2. In view of its comprehensive nature, it requires a lot of information and data to prepare the Perspective Plan. We have put in place the machinery for securing necessary data and information which could facilitate this effort. As soon as these sources give us the required information, the process of firming up the Perspective Plan will start. Furthermore, in an effort to improve on the statistical system, the National Data Bank is undertaking a major survey of the statistical base as from January 1990. In this regard, I call on all Nigerians to give timely and accurate information to the Data Bank and the Federal Office of Statistics whenever necessary. Unless we do this, we will continue to have gaps in our data which make it difficult to plan and monitor the performance of the economy.

FIRST NATIONAL ROLLING PLAN (1990-92)

3. The economic crisis that has faced the nation since 1983 has revealed that fixed five year plans were not the best suited to cope with the attendant problems of economic management

and adjustment under conditions characterised by numerous uncertainties, fairly rapid changes as well as pressing issues that called for urgent solutions. It was in reaction to these realities that the present Administration declared an Economic Emergency in 1985 followed by the adoption of the Structural Adjustment Programme for the period July 1986-88. During this period, although the Fourth Plan continued to provide a reference point for programme formulation as most of the programmes in it spilled over massively beyond its terminal date, greater reliance had to be placed on fiscal and monetary policy instruments to cope with the emergent situation. With the foundation and sense of direction now given to the economy under the Structural Adjustment Programme and the relative stability that has emerged, Nigeria can only aim at the consolidation of the positive achievements of the programme and face realistically the challenges of economic expansion in the 1990s. It is therefore my great pleasure to herald the coming of this Economic Consolidation and Expansion Programme (ECEP).

Objectives, Priorities and Strategy

4. A core objective of the National Rolling Plan (1990-92) is the consolidation of the achievements made so far in the implementation of the Structural Adjustment Programme. An equally important objective is to deal with the pressing problems of inflation, unemployment, the sluggish performance of the productive sectors, particularly manufacturing, and the inadequate availability of foreign exchange to service the economy at a much higher level of overall capacity utilisation due to the external debt burden and the slow growth of non-oil exports. Other socio-economic problems addressed include the high growth rate of population, low levels of productivity, threats to the environment, and the menace of anti-social behaviours such as armed robbery and drug abuse. Unless these are successfully resolved, the performance of the economy in the 1990s may be seriously impaired.

5. The highest priority of the Plan is accorded to the agricultural sector in line with the objective of self-sufficiency in the production of food and agro-allied raw materials. In this regard emphasis will continue to be placed on the peasant farmer who will be assisted in every way possible to increase his productivity, as

well as preserve and market his products. The operations of the Agricultural Development Programmes (ADPs), the River Basin Development Authorities (RBDAs), State Ministries of Agriculture, the Directorate of Food, Roads and Rural Infrastructures (DFRRI) and agricultural finance institutions are aimed at achieving this goal, without discriminating against large scale farming.

6. Among the other priorities of the Plan are the following :

(*i*) the provision of infrastructural facilities in both urban and rural areas with a view to giving adequate support to the productive sectors and enhancing private sector participation in the various facets of the economy ;

(*ii*) giving priority to key programmes that would benefit the segments of the society that have been more adversely affected by the economic down-turn and the efforts to revive it ;

(*iii*) streamlining public expenditures to give priority to the completion of critical on-going viable projects ;

(*iv*) pursuance of employment stimulating policies and programmes to give greater opportunities to the increasing number of unemployed school leavers and retrenched workers.

7. The Plan's strategy is to rely on market forces for achieving allocation and distribution efficiency. State intervention will continue to de-emphasise bureaucratic controls and make greater use of fiscal and monetary policy instruments to correct noticeable malfunctioning of the market in the light of given national objectives. In addition, public investment will be directed at priority areas where they can serve the greatest public good and compliment the efforts of the private sector in meeting the needs of the society.

Macro-Economic Framework

8. The Gross Domestic Product (GDP) at 1984 constant prices is projected to achieve a compound annual growth rate of 4.5 per cent during the plan period. This compares very favourably with the growth rates of 0.09 per cent and 3.4 per cent achieved by the economy between 1981 and 1986 and between 1987 and 1989 respectively. The expected major sources of growth are agriculture 4.5 per cent, manufacturing 8.1 per cent, transport 5.9 per cent, wholesale and retail trade 4.4 per cent and finance and insurance 6 per cent.

These growth rates are expected to move the economy closer to the twin objective of restructuring it in favour of the productive sectors and gradually reducing its dependence on the crude petroleum sector. With the emphasis given to science and technology and the fabrication of spare parts and light capital goods, the level of reliance of the economy on import will also decrease over time.

9. The macro-projections reveal a saving-investment gap of about ₦28 billion over the period and a balance of payments gap of about the same size due mainly to debt service obligation. Efforts will be made to close this gap through pursuit of more substantial debt relief. With the achievements made over the past three years to stabilise the economy and adjust our economic structure to make it more responsive to private investment, we expect a significant improvement in the level of resource transfers from Nigerians living abroad, the international community and foreign private investment.

10. The 4.4 per cent growth target for the economy compared with a population growth rate of 3.4 per cent represents the minimum that we need in order to improve the living standards of our people and move us out of continuous belt-tightening in the 1990s. This is the challenge that Nigeria as a nation faces, and we must all contribute our quota towards achieving the nation's desired goal.

PLAN SIZE

11. The Plan size of about ₦144.2 billion is distributed as follows :

BREAK DOWN OF THE INVESTMENT PROGRAMME OF THE ROLLING PLAN

	₦'Billion	Percentage Distribution
Federal Government (Treasury Component)	22.9	15.9
External Loans (Project tied) ..	10.5	7.2
Sub-Total	33.4	23.1
Oil Investment (Joint Ventures)	20.6	14.3
Ecological and Mineral Producing Area Funds	3.5	2.4
Parastatals	9.4	6.5
Sub-Total	33.5	23.2
State Governments	20.4	14.1
Local Government Areas	6.9	4.8
Sub-Total	27.3	18.9
Total Public Sector	94.2	65.3
Private Sector	50.0	34.7
Grand Total	144.2	100.0

PROGRAMME PRIORITIES

12. In line with the thrust of the Structural Adjustment Programme, the allocation of treasury resources has been concentrated on agriculture and rural development, provision of infrastructure particularly roads, water and power supply, mass transportation, primary health care delivery and the implementation of the 6-3-3-4 education system. The details of the Plan sectoral allocation (Government Treasury Component only) are high-lighted as follows:

ALL GOVERNMENTS

	₦'Billion	Percentage Share
(i) Economic Sector		
(*a*) Agriculture and Rural Development	9.239	19.84
(*b*) Manufacturing	1.995	4.28
(*c*) Transport	5.886	12.63
(*d*) Others	3.490	7.49
Sub-Total	20.610	44.24

(ii) Social Sector		
(a) Education	4.448	9.55
(b) Health	2.728	5.86
(c) Others	2.167	4.65
Sub-Total	9.343	20.06
(iii) Regional and Environmental Development		
(a) Water Supply	3.786	8.13
(b) Urban and Regional Planning	1.137	2.44
(c) Others	4.150	8.91
Sub-Total	9.073	19.48
(iv) Administration		
(a) Defence and Security	2.294	4.93
(b) General Administration	5.261	11.30
Sub-Total	7.555	16.22
Grand Total	46.581	100.00

13. The Federal Programme allocates about 28 per cent of resources to agriculture and rural development, in addition to 40 per cent of expected loan draw-down, followed by Defence and Security 12.4 per cent, Transport 12.3 per cent, General Administration 11 per cent, Manufacturing 5.2 per cent and Education 4.3 per cent. States' programmes give top priority to Agriculture and Rural Development 16 per cent, Education 14 per cent, Water Supply 14 per cent and Transport 14 per cent while the Local Government programmes give top-most priority to General Administration 19 per cent, Transport 13.8 per cent, Water Supply 11.6 per cent and Education 10 per cent. It is to be stressed that the distribution

reflects what the economy needs in order to achieve more meaningful development. The allocation to manufacturing is relatively low because as from this year, there will be no further direct subvention to parastatals through their supervisory ministries. Parastatals earmarked for Privatisation/Commercialisation will have to rigorously justify their needs to their Boards, the Ministry of Finance Incorporated and the Technical Committee on Privatisation and Commercialisation before funds are released to them. Only very few selected parastatals will continue to receive subventions by way of well-defined subsidisation schemes.

MINISTERIAL AND DEPARTMENTAL ALLOCATIONS

14. The Ministerial and Departmental allocations are as follows :

	Ministry/Department	*Plan Allocation* (₦, *Million*)	*Percentage Distribution*
1.	Agriculture and Natural Resources	1286.718	6.967
2.	D.F.R.R.I.	936.000	5.068
3.	Fertilizer Procurement[1]	3000.000	16.244
	Sub-Total	5222.718	28.279
4.	Communication	202.000	1.094
5.	Education (Total)	802.000	4.343
	(i) Education	363.000	1.966
	(ii) N.U.C.	285.000	1.543
	(iii) Nat. Board for Technical Education	120.000	0.650
	(iv) Nat. Comm. for College of Education	34.000	0.184
6.	Defence	1500.000	8.122
7.	Finance and Economic Development	565.000	3.168
	(i) Finance	85.000	0.460
	(ii) (N.E.R. FUND)	130.000	0.812
	(iii) Ext. Obligation	350.000	1.895

8. External Affairs	170.000	0.920
9. Federal Capital Territory		
(i) Statutory Allocation	1950.000	10.559
(ii) F.C.T.	600.000	3.249
(iii) F.C.D.A.	0.000	—
10. Health (Population)	1350.000	7.310
11. Manufacturing[2]	640.000	3.465
(i) Industries	430.000	2.328
12. Information	223.000	1.207
13. Internal Affairs	360.000	1.949
14. Justice	90.000	0.487
15. Judiciary	105.320	0.570
16. Mines, Power and Steel[3]	1042.570	5.645
17. Science and Technology	190.000	1.029
18. Social Dev. Youth and Sports	155.500	0.842
19. Trade and Tourism	64.500	0.349
20. Employment, Labour and Productivity	275.100	1.490
21. Transport[4]	524.600	2.841
22. Aviation[5]	190.000	1.029
23. Mass Transit	450.000	2.437
24. Presidency	390.000	2.112
25. Statutory Commissions	400.000	2.166
26. Police (Inc. Crime Prevention)	420.000	2.285
27. Works and Housing	1695.620	9.181
28. Petroleum (Inc. N.N.P.C.)	373.360	2.022
29. Federal Audit	15.000	0.081

Foot Notes

Allocation includes amounts earmarked for Capital restructuring under the Privitisation/Commercialisation Programmes as follows :

	₦
(1) =	100.00 million
(2) =	200.00 million
(3) =	200.00 million
(4) =	200.00 million
(5) =	50.00 million
Total :	750.00 million

15. Among the major public sector projects and programmes to be executed in the various sectors are the following :

Agriculture.—Programmes of the ADPs in all the States of the Federation ; the Accelerated Food Production Programme embracing rice, wheat, maize, soya beans, sorghum, cassava, yam, potato and groundnuts ; Rehabilitation Programmes for cocoa, rubber and oil palm ; Completion of on-going irrigation projects of the River Basin Development Authorities ; and Fertilizer Procurement and Distribution.

Manufacturing Sector.—Joint Venture Projects of NNPC including LNG Plant, Petro-chemical Phase II, and Oso Condensate Project, pursuit of the Ajaokuta Steel Project Phase I as currently streamlined ; provision of working capital and a captive power plant for the Delta Steel to enable it increase its rate of capacity utilisation ; provision of a foundry for the Nigeria Machine Tools Project, Oshogbo ; and the development of the Industrial Development Centres in all the States of the Federation.

Transport Sector.—Completion of Kaduna-Kano and Warri-Benin Dual Carriage ways ; strengthening of the Integrated Mass Transit Programme ; rehabilitation of major highways, sea ports and airports ; and improvement in the services of the Nigerian Railway Corporation.

Education Sector.—Rehabilitation of primary schools and provision of institutional materials ; procurement and installation of workshops and laboratory equipments in Junior and Senior Secondary Schools under the 6-3-3-4 scheme ; computer literacy programme in selected federal and state secondary schools ; and completion of on-going projects in existing Federal Government Colleges, Technical Colleges, Polytechnics, Colleges of Education and Universities.

Health Sector.—Consolidation and expansion of the Primary Health Care System in all the states of the Federation ; completion of on-going projects and rehabilitation of equipments in existing Teaching Hospitals and Orthopaedic Hospitals of Ibadan, Zaria, Enugu, Benin, Kano, Ile-Ife, Calabar, Ilorin, Jos and Maiduguri ;

prevention and control of communicable and non-communicable diseases, including malaria, guineaworm, tuberculosis and AIDS ; development of centres of Medical Excellence at the University Teaching Hospitals at Ibadan, Zaria, Enugu and Maiduguri ; intensification of the anti-guineaworm programme and assistance towards the implementation of traditional medicine.

16. The Plan borrowing programme earmarks the highest amount of external loans to agriculture, followed by water supply and infrastructure. The loans for projects such as Oso Condensate, LNG, NAFCON II and the Petro-Chemicals Phase II will be better captured when the plan is rolled over to 1991.

17. The private sector is expected to invest ₦50 billion, that is 35.3 per cent of the total plan size during the period. This allocation is in line with the direction of the Structural Adjustment Programme which seeks to carve out a more substantial role for the private sector. In assigning this magnitude to the sector, account was taken of oil sector investment estimated at about ₦15 billion as well as expected investment in agriculture, building and construction, transport, education and health. With the debt conversion scheme, the favourable environment now created for private investment and the various special financing facilities that have been put in place, the ₦50 billion earmarked for the private sector should be easily realised.

Financing the Plan

18. The projected Federal Government deficit for the Plan is about ₦51 billion, made up of a projected recurrent deficit of about ₦18 billion and the entire capital programme of about ₦33.7 billion. The State Governments are expected to balance their budgets while the Local Governments are to generate reasonable surpluses in view of the enhanced 15 per cent revenue allocation. Certain responsibilities now shouldered by the Federal and State Governments will therefore be shifted to the Local Governments as their manpower and executive capacities improve. Areas that lend themselves to substantial transfers include primary education, waste disposal, street lighting, primary health care and potable water supply.

19. In order to stem inflation and pressures associated with deficit financing, the Federal deficit will be closed through approaches to our creditors for more substantial debt relief, inflow of funds from our foreign development partners, and ensuring that the revenue-collecting agencies perform effectively. Moreover, the Government will float bonds of long maturities to finance part of its capital programmes instead of relying solely on Central Bank advances and short-term instruments such as the treasury bills and certificates. The modalities for achieving these goals are already being designed.

20. In order to stay within a tolerable limit of deficit financing, strict prioritisation of public sector programmes will continue to be enforced. In view of the reliance of the Federal programme on deficit financing, the programme size has been pegged at the minimum level with emphasis on the most critical areas. On the whole about ₦15 billion will be raised from internal sources, ₦9.4 billion from project loans and about ₦7 billion from technical assistance grants and concessionary finance. It is expected that a portion of the gap may also be filled through more internally generated revenues, including enhanced earnings from oil beyond the average projected for the Plan period.

21. In order to facilitate the implementation of the Public Sector Programme, the Plan has placed emphasis on critical on-going projects. This category of projects will have to be completed within the Plan period before new projects are admitted into the plan in order to ensure that the number of abandoned projects is reduced during the political transition period.

Private Sector Programme

22. As stated earlier in this briefing, the private sector is expected to invest about ₦50 billion out of the total ₦144.2 billion projected for the entire economy over the Rolling Plan period. This projected investment level is based largely on the performance of the Sector in the recent past, as well as the current level of mobilisation and the various policy measures which are geared towards the enhancement of private sector performance. The industrial sector including oil and gas is expected to account for about 40 per cent of total Private Sector investment, followed by

Agriculture (30 per cent) and Transport (20 per cent) Finance and social services sectors are expected to account for the remaining 10 per cent. Some of the key areas which are expected to receive emphasis are as follows :

Agricultural Sector

(*a*) all aspects of direct agricultural production ;

(*b*) investment in storage facilities, processing and marketing of agricultural produce ;

(*c*) participation in agricultural input supply and distribution ;

(*d*) agricultural mechanization, including the provision of land clearing and land preparation services ;

(*e*) support activities including research and funding of research activities.

Manufacturing Sector

(*a*) investment in agro-based manufacturing projects including food preparations, fruit drinks, cereal milling, feed mills and vegetable oil processing ;

(*b*) investment in chemical and petro-chemical based manufacturing projects ;

(*c*) investment in foundries and engineering based industries to produce spare parts ;

(*d*) investment in Research and Development and promoting the efforts of the research institutes, particularly in the area of adaptive research and commercialisation of local inventions.

Transport Sector

(*a*) procurement of passenger buses and motor spare parts to complement the Urban Mass Transit Programme ;

(*b*) investment in road haulage and shipping ;

(*c*) investment in private airlines.

23. The Government will enter into continuous dialogue with the organised private sector including labour to achieve industrial harmony and needed stability for the economy. Consultations will be held with targetted groups to work out programmes and modalities that will enable set goals to be achieved. For some of the

industrial groups, the aim of policy would be to make them become self-reliant with regard to their foreign exchange needs and not compete with others for limited foreign exchange from our oil exports.

Plan Implementation and Control

24. In order to ensure that the Plan and the annual budget are closely linked, all governments are expected to bring their planning and budgetting functions under one umbrella in line with what now obtains at the Federal level. Furthermore, all governments are expected to establish Plan Co-ordination Committees and give top priority to plan monitoring in order to ensure that the rules and procedures for amending the Plan are adhered to and that achievements and problems of plan implementation are closely monitored and resolved. The Committee, which will be the clearing house for proposals to effect plan variations and consider progress reports, will comprise the Chief Executive or the Minister/Commissioner for Budget and Planning, as Chairman and representatives of relevant Ministries and Departments. These Committees should be established before the end of the first quarter of 1990.

25. This Plan marks the dawn of a new decade of hope to all Nigerians. As a novelty, its framework is still fresh and therefore stands to benefit from your critical observations. It is hoped that the Plan, which will be in two Volumes, will be out in the book stores before the end of the first quarter of 1990.

1990 BUDGET

Performance of the Economy in 1989

26. As already highlighted in Mr President's Budget Speech, the main sources of the 4.0 per cent growth in the Gross Domestic Product (GDP) at 1984 constant factor cost in 1989 were agriculture, crude petroleum, manufacturing as well as finance and insurance sectors. The details of the performance of the various sectors are as follows :

Agriculture

27. The contribution of agriculture to the GDP increased from ₦25.2 billion in 1988 to ₦26.4 billion in 1989, representing an increase of 4.58 per cent. Among the factors responsible for this growth were favourable weather conditions, consolidation and streamlining of the activities of the Directorate of Food, Roads and Rural Infrastructure (DFRRI), River Basin Development Authorities (RBDAs), Agricultural Development Projects (ADPs) as well as the activities of those Agencies connected with Agricultural Credit Guarantee Scheme and Better Life for Rural Women Programme.

Manufacturing

28. The modest growth rate of 4.92 per cent recorded by value added in the manufacturing sector from ₦8.1 billion to ₦8.5 billion between 1988 and 1989 was partly due to the limited supply of foreign exchange to the market which led to reduced industrial capacity utilisation. Capacity utilisation in the sector between January and June, 1989 was 31 per cent which was 6 and 9 per cent below the levels attained in the first and second halves of 1988 respectively. However, it is encouraging to note that 40 per cent capacity utilisation was attained in the textile, wearing apparel, leather products, plastics, rubber, pulp and paper products sub-sectors which rely more on local raw materials. In contrast, 15 per cent capacity utilisation was recorded in such activities as Basic Metal, Iron and Steel and Fabricated Metal products which are heavily dependent on imported inputs. The experience of the manufacturing sector underscores once more the need to step-up efforts at developing necessary capability for local sourcing of raw materials. This will necessitate accelerated development of indigenous engineering capability to improve the quality of some of the available local raw materials as well as to fabricate necessary machines and spare parts given the foreign exchange constraints.

Crude Petroleum

29. The enhanced performance of the oil sector was influenced by the OPEC decision to raise its production ceiling from 18.5 million barrels per day in 1988 to 19.5 and 22 million barrels per

day during the third and fourth quarters of 1989 respectively. As a result of this, Nigeria's quota was increased from 1.355 million barrels per day to 1.428 and 1.611 million barrels per day during the third and fourth quarters of 1989 respectively.

Finance and Insurance

30. The real value added in the finance and insurance sector grew at 6.88 per cent in 1989 compared with 9.4 per cent in 1988. This was largely due to the very tight monetary policies that were put in place during the second half of the year which led to a lull in the activities of the sector. The check on monetary expansion became inevitable so as to minimise the fast rising price level which was at its peak in the first half of the year.

Domestic Prices

31. The economy also experienced severe inflationary pressures in 1989, especially during the first half of the year. The rate of inflation for 1989 was 47.5 per cent compared to 38.3 per cent in 1988. However, the rate for the first half of 1989 averaged 51 per cent compared to 44 per cent during the second half of the year. Measures pursued by the government to mop up excess liquidity in the banking system helped to stabilise the foreign exchange value of the Naira and bring down the rate of inflation especially in the second half of 1989. These measures included :

(*a*) the abolition of foreign assets guarantees or domiciliary accounts deposits as collateral for naira loans emanating from the bank and non-bank financial institutions in May 1989. In addition, the commercial and merchant banks were prevented from using their overdraft facilities with the Central Bank of Nigeria to purchase foreign exchange winnings at Foreign Exchange Market (IFEM) ;

(*b*) the upward review of the Minimum Rediscount Rate (MRR) from 12.75 to 13.25 per cent in order to moderate pressures and encourage domestic savings ; demand

(*c*) the rising of the statutory minimum liquidity ratio from 27.8 to 30 per cent for commercial banks and from 20 to 22.5

per cent for merchant banks. In addition, the ratio of capital funds to total loan and advances was adjusted from 1 : 12 to 1 : 10 ; and

(*d*) withdrawal of deposits from Commercial and Merchant banks by Government Parastatals and Agencies.

FISCAL MEASURES

32. The Harmonised Commodity Description and Coding System which provided for a life span of seven (7) years for the Customs and Excise tariff will be sustained by the Government so that investors can take a long-term horizon in their corporate planning programme without fear of frequent changes in the fiscal policies. Accordingly, Government has decided to retain the Customs and Excise Tariff Structure introduced in 1988 and only amendments involving glaring anomalies will be entertained by the Tariff Review Board. Such few changes that have been made in the Customs and Excise Tariff in 1990 and their rationale are stated hereunder :

(*a*) It has been found that large quantity of the following commodities some of which are sub-standard, are being dumped in the Nigerian Market. In order to arrest this trend and to provide protection for the local industries, the Government decided to increase import duty on these commodities :

(*i*) *Starch.*—Import duty on all forms of starch (including dextrins and modified starches) have been increased from 35 per cent to 200 per cent.

(*ii*) *R.20 Battery.*—The import duty on R.20 battery has been increased from 70 per cent to 200 per cent.

(*iii*) *Fluorescent Tubes, GLS Bulbs.*—Government has approved that the import duty on Fluorescent Tubes and GLS bulbs be increased to 200 per cent with effect from 1st January 1990 ; and

(*iv*) *Glass Shells.*—Import duty on glass shells has been increased from 40 per cent to 200 per cent as from 1st January 1991.

(*b*) EXPORT OF PRIMARY COMMODITIES IN SEMI-PROCESSED AND PROCESSED FORM

Government has come to the conclusion that export of primary commodities in their semi-processed and processed form is more economically advantageous than the current practice of exporting them in their crude form. This decision is informed by the need to encourage local processors of primary commodities and to provide more employment opportunities in agro-processing activities and guarantee enhanced earnings for our export commodities. Government has accordingly decided as follows :

(*i*) *Cocoa.*—That only export of cocoa processed into cocoa-butter, cocoa-cake, cocoa-powder and cocoa-liquor will be allowed as from January 1991 when the export of cocoa beans will cease ;

(*ii*) *Palm Kernel.*—That only the export of palm-kernel oil, palm kernel cake and other derivatives of palm-kernel will be allowed for export as from January 1991 when the export of raw palm-kernel will stop ;

(*iii*) *Hides and Skin.*—That the export of raw hides and skin be prohibited as from January 1990 to enable local tanneries, currently starved of hides and skin, to obtain sufficient raw hides and skin for processing. This policy will guarantee adequate supply of processed hides and skin to the down-stream leather goods and shoe industries which are currently suffering from lack of adequate supply of these inputs.

(*c*) REMOVAL FROM IMPORT PROHIBITION

Polypropylene Primary backing material has been removed from the Import Prohibition List to assist local carpet manufacturers who are currently denied this commodity which is not being produced in Nigeria at present. Government has also removed fibre rope product (H.S. Code 56.07) from the import prohibition list.

(*d*) IMPORT DUTY INCREASES

(*i*) *Automotive Filter.*—Import duty on automotive filter has been increased from 10 per cent to 25 per cent.

(*ii*) *Toothbrush*.—Import duty on toothbrush has been increased from 35 per cent to 70 per cent.

(*iii*) *Hinges, Staples, Paper Clips and other Pins*.—Import duties on these products have been increased as follows :

(*a*) hinges from 30 per cent to 50 per cent

(*b*) staples from 20 per cent to 40 per cent

(*c*) paper clips from 20 per cent to 40 per cent

(*d*) office pins from 20 per cent to 40 per cent

(*iv*) *Wheel Barrows*.—Import duty on wheel barrows has been increased from 15 per cent to 50, 50, 65, 70.

(*v*) *PVC Granules*.—Import duty on PVC granules has been increased from 25 per cent to 35 per cent.

(*vi*) *Ink and Pigment*.—Import duty on ink and pigment has been increased from 20 per cent to 30 per cent.

(*vii*) *Jewellery*.—Import duty on jewellery has been increased from 100 per cent to 200 per cent.

(*viii*) *Motorcycle and Bicycle chains*.—Import duty on motorcycle and bicycle chains has been increased from 20 per cent to 30 per cent under a separate tarriff sub-head in H.S. Code 73.15.

(*ix*) *Bicycle Frames*.—Import duty on bicycle frames has been increased from 30 per cent to 50 per cent.

(*x*) *Cold Rolled Tubes* (73.03).—Import duty on cold rolled tubes has been increased from 20 per cent to 40 per cent.

(*xi*) *Aluminium Fin Stock*.—Import duty on aluminium fin stock has been increased from 20 per cent to 35 per cent.

(*e*) Import Duty Reductions

(*i*) *Tin Plate*.—Import duty on tin plates (H.S. Codes 7212.21 and 7212.60) has been reduced from 20 per cent to 15, 15, 20, 20.

(*ii*) *Sugar*.—Import duty on sugar has been reduced from 50 per cent to 40 per cent.

(*iii*) *Paper Making Machinery*.—Import duty on paper making machinery has been reduced from 30 per cent to 10 per cent.

(*iv*) *Machine Tools*.—Import duty on machine tools of H.S. Codes 84.58, 84.59, 84.60, 84.61, 8463.20 and 84.55 has been reduced from 20 per cent to 10, 10, 15, 15.

(*v*) *Machine Sleeves*.—Import duty on machine sleeves is now 10 per cent in a separate tariff sub-head created under 8409.91.

(*vi*) *Tissue Paper in Jumbo Rolls*.—Import duty on tissue paper in jumbo rolls has been reduced from 20 per cent to 10 per cent. A separate sub-head in H.S. Code 48.03 has been created for this purpose.

(*vii*) *Carbonising Base Paper*.—Import duties on these two items have been reduced from 20 per cent to 15 per cent.

(*viii*) *Pulp*.—Import duty on pulp has been reduced from 20 per cent to 10 per cent.

(*ix*) *Wood in the Rough*.—Import duty on wood in the rough has been reduced from 10 per cent to 5 per cent.

(*x*) *Spare Parts for Ships*.—Import duty on spare parts for ships of heading 89.08 has been reduced from 10 per cent to 5 per cent under a separate sub-head.

(*xi*) *Live Animals*.—The 30 per cent import duty on sheep, goat and cattle has been removed.

(*f*) Excise Duty

The excise duty of 5 per cent on biscuits has been removed so as to encourage the biscuit manufacturers to use more of the local wheat flour. It should also be noted that products related to biscuits (such as bread, cake, meat-pie and dough-nut) are not excisable.

(*g*) Exemption from Import Duty

Government has observed with concern, that the exemption from import duty provided under Schedule II of the Customs and Excise Decree No. 1 of 1988 has been subjected to abuse by some importers. Government has accordingly decided to remove the following items from the schedule of exemption from import duty :

(i) Technical Assistance Importation ;

(ii) Importation by Voluntary and Religious Organisations;

(iii) Food-stuff ordinarily consumed by Africans and produced in a territory adjoining to Nigeria.

(h) Drugs and Medicaments

Government has also decided that drugs, medicaments, specialised hospital and surgical equipment imported directly by the Governments of the Federation shall be exempted from import duty. All other imports made by Government Agencies through private companies except those approved on or before December 31, 1989 shall henceforth attract appropriate import duty.

(i) Exemption From Import Duty on Government Contracts

Some Government Agencies have continued to include Customs Duty Exemption clauses in their contracts with private companies despite Government decision to the contrary since 1988. This practice has led to considerable loss of revenue to the Government. It has accordingly been decided that Government contracts shall no longer be entitled to exemption from import duty other than those items listed in Schedule II of the Tariff Decree No. 1 of 1988 and those approved on or before 31st December, 1989. The Tariff Decree is being amended accordingly.

Fertilizer Procurement and Distribution

33. The policy of procurement and distribution of fertilizer to farmers at the current level of subsidy will be continued in 1990. In this connection, Government will give necessary impetus to the local fertilizer producing companies to enable them increase their production to a level not below 500,000 tonnes in 1990. Government

will therefore supplement this local production by importation of 400,000 tonnes of fertilizer made up as follows :

(a) NPK 15—15—15	190,000 metric tonnes
(b) NPK 12—12—17 + 2 mgo-	30,000 metric tonnes
(c) NPK 20—20—10	10,000 metric tonnes
(d) NPK 20—20—0	10,000 metric tonnes
(e) CAN	80,000 metric tonnes
(f) SSP	60,000 metric tonnes
(g) MOP	20,000 metric tonnes

Foreign exchange will be made available administratively for fertilizer procurement to ensure that it arrives in time for the planting season. In addition, the existing 5 per cent import duty on fertilizer has also been removed as a further means of reducing unit cost of fertilizer. The modality for implementing Government policy on fertilizer procurement and distribution is being worked out by the appropriate Government Agencies.

ECOWAS Trade Liberalisation

34. Government has decided to adopt the ECOWAS trade liberalisation scheme approved by the Authority of the Economic Community of West African States (ECOWAS) subject to the amendment made at their meeting of 6th June, 1989. This Scheme provides that 25 per cent annual reduction of import duty shall be made by member States for 25 products originating from member States of the community until a zero per cent is reached at the end of the fourth year of the operation of the Scheme.

Review of Tax Policy and Amendment to Tax Laws

35. The overall tax policy in 1990 is designed to further reduce the tax burden on individuals and corporate bodies, provide more incentives for productive activities, improve the collection machinery and sanctions against tax evasion or malpractices. In furtherance of this policy the following changes have been approved by the Government :

(*i*) *Minimum Tax of Individuals.*—The minimum tax which was 1 per cent will henceforth be 0.5 per cent of total income. An individual who earns not more than ₦3,000 per annum will no longer file a return of income for any year of assessment.

(*ii*) *Personal Allowance.*—Each individual tax-payer will now be entitled to personal allowance of ₦2,000 plus 15 per cent of earned income in contrast to ₦1,000 plus 12.5 per cent of earned income previously applicable.

(*iii*) *Remuneration and Fringe Benefits in the Private Sector.*—Remuneration for employment and other fringe benefits of senior staff and executives in the private sector will be treated by the Federal Board of Inland Revenue within the context of agreement reached with the Federal Ministry of Employment, Labour and Productivity and the Productivity, Prices and Income Board.

(*iv*) *Interest on Deposit Accounts of Non-resident.*—Interest accruing on deposit accounts of a non-resident, corporate or unicorporate, will be tax exempt provided the deposits are made by transfer of funds to Nigeria on or after 1st January, 1990 and the depositor does not become non-resident after making the deposit while in Nigeria. Similarly, interest on foreign currency domiciliary accounts will be tax exempt.

(*v*) *Income from Abroad.*—Under the existing Laws, except in the case of investment, income of an individual is taxable when brought into Nigeria. Henceforth the discrimination between the taxation of investment income and other incomes derived from abroad is removed. All incomes from abroad without exception, of an individual will be tax exempt only when brought into Nigeria through authorised channels.

(*vi*) *Tax Clearance Certificate (TCCs)*

(*a*) In order to facilitate the procurement of TCCs, the Federal Board of Inland Revenue and the Joint Tax Board will appoint Area Ombudsmen to deal expeditiously with complaints while final recourse will be made to the Chairman, Federal Board of Inland Revenue.

(*b*) In addition to penalties for offences under the tax laws, any person or company who obtains tax clearance certificate through misrepresentation, forgery or falsification will be liable on conviction to a fine equal to twice the tax he avoids or imprisonment for three years or both.

(*vii*) *Investigative Powers of Tax Authorities.*—The investigative powers of Revenue Authorities will be strengthened by law so that tax investigations of individuals as well as corporate bodies can be conducted more effectively to combat tax evasion.

(*viii*) *Employment Income and the Resident Test.*—The 183-day-test to make the gains or remuneration from employment subject to tax will from 1990 be reckoned on a 12-month-period commencing in a calender year and ending either within the calender year concerned or the following year. The test will no longer be limited to a stay for 183 days in a year of assessment.

(*ix*) *Tax Identification Number.*—Henceforth, every company will be required to display its incorporation number which will serve as its identification number on all transactions and correspondences. However, in the case of returns and correspondences with Revenue Authorities, they should display both the tax reference number and their identification number.

(*x*) *Capital Allowances*

(*a*) Tax restriction of allowance to 75 per cent of total profits in the case of companies engaged in manufacturing has been repealed.

(*b*) There will be an investment allowance of 10 per cent on qualifying expenditure incurred on new production machinery. The allowance is deductible from profits only in the year of expenditure.

(*xi*) *Collection of Tax at Source*

(*a*) With effect from 1st January, 1990 interest will be charged at current bank rate on amount due to Revenue Authorities from withholding tax deductions where the companies making the deduction fail to account promptly to the Revenue Authorities for the amount deducted.

(b) The withholding tax deductions effective from 1985 on payments by companies to any person for all types of contracts, building and construction activities, commissions, professional and technical services have been formally extended to all payments within or outside Nigeria by oil companies to any person, resident or non-resident.

(xii) *Pre-operation levy and Minimum Tax payable by Companies*

(a) Henceforth, the pre-operation levy will be payable for the purpose of obtaining tax clearance certificates as follows :

(i) First year ₦500

(ii) In every subsequent year ₦400 before tax clearance certificate is issued.

(b) Every company which has commenced business and having no total profits or total profits which produce tax payable less than the minimum tax will be taxed as prescribed below :

(i) If the turnover is ₦500,000 and below and the company has been in business for more than 4 years, the tax shall be 0.5 per cent of gross profits or 0.5 per cent of net assets or 0.5 per cent of acquired net asset or 0.25 per cent of paid-up capital or 0.25 per cent of turnover, of the company for the year, which ever is the highest ;

(ii) If the turnover is higher than ₦500,000 the minimum tax will be whatever is payable on a turnover of ₦500,000 and any excess over ₦500,000 will be taxed in addition at 50 per cent of the rate first used ;

(iii) The minimum tax is not applicable to a company during the first four years of its commencement of business ;

(iv) It is also not applicable to agricultural trade or business as defined in section 9 (8) of Companies Income Tax Act 1979 or any company with at least 25 per cent imported equity capital ;

(v) The minimum tax will however apply to partnership and self-employed person but at a rate of 0.5 per cent of the total income.

New Prices of Petroleum Products

36. You are by now aware that owing to the massive abuse which attended the two-tier pricing of petroleum, the Federal Government has decided to abolish the system and unify the pump price of petrol at 60k per litre. The additional revenue of ₦503 million will be used in financing projects in the social sector that will benefit mostly the low income rural dwellers of this country. As you have heard in Mr President's broadcast to the Nation on the 1990 Budget, ₦453 million of this amount has been allocated for the establishment of Community Banks and strengthening the People's Bank while ₦50 million has been allocated to Mass Transit to further relieve traffic pressures in our major urban centres. Also, consequent upon the price unification, it has become necessary to adjust the prices of other petroleum products in order to maintain price relativity, as follows :

Products	*Old Price*	*New Price*
LPG (N/T)	40k	80k
PMS (K/L)	42/60k	60k
DPK (K/L)	15k	40k
AGO (K/L)	35k	50k
Fuel Oil (K/L)	30k	40k

May I point out that in spite of this price adjustment, there is still a substantial element of subsidy in the new prices ; the subsidy now ranges from 45 per cent on LPG to 75 per cent on Fuel Oil.

37. The performance of the Federally Collectable Revenue was satisfactory in 1989 due to the relative stability of the oil price in the international market. As announced by Mr President in his Budget Address, the 1990 crude oil estimates were based on OPEC production quota of 1.611 million barrels per day (mbd), a selling price of $16 per barrel, an exchange rate of ₦7 to one US dollar ; a domestic consumption of 300,000 barrels per day and an export volume of 1.291 mbd. A total of ₦47.657 billion is estimated to accrue as Federally Collectable Revenue in 1990. It is projected that out of this amount, ₦38.627 billion will be realised from oil sources as compared with estimated amount of ₦22.521 billion in 1989, representing 81 per cent of the total estimated revenue for the 1990 financial year.

38. Non-oil sources are expected to yield ₦9.029 billion representing 19 per cent of the total estimated revenue, as against ₦6.893 billion (or 25.4 per cent) in 1989. The contribution of Customs and Excise to non-oil revenue in 1990 is estimated to account for ₦5.621 billion which is ₦1.829 billion or 48 per cent higher than the corresponding projection of ₦3.792 billion for 1989. The estimated revenue from Company Income Tax in 1990 will be ₦1.050 billion as against the estimates of ₦950 million in 1989.

39. Out of the total Federally Collectable Revenue of ₦47.657 billion, ₦2.717 billion is projected to accrue from the Federal Government Independent sources. This portion of revenue will therefore be retained by the Federal Government and the balance of ₦45.428 billion will be credited to the Federation Account. Applying the new Revenue Allocation Formula, the Federal Government's share of 50 per cent of the Federation Account in 1990 is estimated to be ₦22.714 billion ; and with its retained revenue of ₦2.717 billion from its Independent sources, the total Federal Government Revenue is estimated to be ₦25.431 billion. The States' and the Local Governments' share of the Federation Account will be ₦13.628 billion and ₦6.814 billion representing 30 per cent and 15 per cent respectively. An estimated amount of ₦2.271 billion (5 per cent) has been earmarked as Special Funds for specific projects. In 1990, efforts will be intensified to attract

additional revenue from other non-oil sources ; these include Passport fee, which will go up from ₦100 to ₦200, as well as fees for services being rendered by Government agencies, e.g. Police escorts, Deposit on Tenders, registration of Business names, etc.

Recurrent Expenditure

40. The total estimated Recurrent Expenditure for 1990 Fiscal Year is ₦27.208 billion. This is made up of ₦5.106 billion as Personnel Costs, ₦5.23 billion as Overhead Costs and ₦16.872 billion for debt servicing. Of the estimated amount for debt servicing the sum of ₦11.767 billion is for Interest Payments on Foreign Loans, while the sum of ₦5.105 billion is for Interest Payments on Domestic Loans. Provision of ₦744,932,460 and ₦5,126,070 have been made for Pensions and Gratuities and the Salaries of Judges and Commissioners respectively who are normally paid from the Consolidated Revenue Fund Charges. These amount have been added to Personnel Costs in order to give a clear picture of Personnel Costs. The sum of ₦253,900,000 has been allocated for the maintenance of Federal Highways, while the sum of ₦800,000,000 has been provided as Federal Government assistance for the Primary Education Scheme.

41. The details of the 1990 Recurrent Budget allocations, compared with those of 1989, are as follows :

APPROVED 1989 AND 1990 RECURRENT EXPENDITURE

Ministry/Department	*Allocation* 1989 ₦	*Allocation* 1990 ₦
Presidency : Office of the Secretary to Federal Military Government	369,864,650	495,385,180
Presidency : General Staff Headquarters	140,795,720	92,387,320
Presidency : Police	644,025,930	1,094,865,570
Presidency : Police Affairs Office	10,126,420	16,329,040
*Ministry of Agriculture and Natural Resources	88,139,600	208,101,880

Ministry/Department	*Allocation* 1989 ₦	*Allocation* 1990 ₦
Ministry of Budget and Planning	293,265,780	291,432,490
Office of Auditor-General of the Federation	10,714,660	14,920,490
Judiciary	28,740,100	35,010,400
National Industrial Court ..	861,630	1,634,580
Ministry of Communications ..	101,023,990	135,718,960
Ministry of Defence	1,122,208,580	1,410,493,300
National Population Commission	10,423,640	47,437,290
Ministry of Education	1,082,479,030	1,126,664,140
Federal Capital Territory ..	22,606,630	29,090,750
Ministry of External Affairs ..	464,309,900	586,210,340
Ministry of Finance and Economic Development	37,568,300	89,361,770
Ministry of Health	359,658,700	401,136,010
Ministry of Industries	41,617,990	51,937,750
*Ministry of Information ..	184,342,290	227,060,350
Ministry of Internal Affairs ..	415,267,870	615,734,670
Advisory Judicial Committee ..	375,980	720,680
Ministry of Justice	18,462,710	21,757,860
Ministry of Employment, Labour and Productivity	139,150,690	148,210,120
Ministry of Mines, Power and Steel	19,652,040	33,521,610
Ministry of Science and Technology	125,107,000	141,679,800
*Ministry of Youths and Sports	198,958,480	239,959,780
Public Complaints Commission	10,623,050	19,234,710
Civil Service Commission ..	43,882,670	63,359,240
Ministry of Trade and Tourism	37,008,420	53,113,840
Ministry of Transport	28,315,590	43,760,080
Ministry of Petroleum Resources	59,913,170	73,064,530
Ministry of Works and Housing	449,625,050	684,279,140

	1989 ₦	1990 ₦
Ministry of Aviation	41,085,030	52,910,000
Ministry of Culture and Social Welfare	—	10 *e*
Ministry of Water Resources	—	10 *e*
Consolidated Revenue Fund Charges (excluding debt servicing)	705,188,960	750,058,530
Consolidated Revenue Fund Charges : Debt Servicing ..	13,030,000,000	16,872,000,000
National Electoral Commission	40,000,000	64,040,660
Contigencies	100,000,000	100,000,000
National Universities Commission	575,000,000	655,145,040
National Board for Technical Education	77,654,540	91,123,710
National Revenue Mobilisation, Allocation and Fiscal Commission	2,000,000	3,679,720
National Commission for Colleges of Education ..	—	89,739,000
Office of Accountant-General of the Federation	24,673,480	36,145,460
Total	21,234,718,890	27,208,415,790

*The allocations made to these Ministries in 1990 will also cater for the two newly created Ministries.

CAPITAL EXPENDITURE

42. The total estimated Capital Expenditure for 1990 is ₦12.555 billion. It reflects an increase of 35 per cent over the 1989 Capital Budget. The increase in the 1990 Capital Expenditure is meant to sustain and improve upon the achievements of the Structural Adjustment Programme, improvement in agricultural output, job creation, provision of basic infrastructural facilities,

completion of on-going core projects and enhancement of social services. Also, emphasis will be placed on, the maximisation of the usage of external loans by increased financial provisions for counterpart funding to enhance loan drawdown and project implementation. The following is a breakdown of the Sectoral Allocation :

	1989 ₦	1990 ₦
*Agriculture	389,300,000	458,549,000
D.F.R.R.I.	300,000,000	300,000,000
Fertilizer Procurement	1,010,000,000	1,000,000,000
Oil and Gas	200,000,000	130,676,000
Mining and Quarrying	50,752,840	84,600,000
Manufacturing and Craft ..	129,000,000	239,712,000
Steel	150,000,000	274,540,000
Commerce	20,895,600	22,575,000
Power	64,913,120	98,499,000
Telecommunications/Postal ..	96,107,700	64,700,000
Federal Highways	335,109,000	346,000,000
Rail	103,000,000	100,860,000
Water Transport	47,000,000	52,984,000
Air Transport	49,550,000	162,780,000
Mass Transit	50,000,000	150,000,000
Education	221,888,000	331,746,000
Health	126,000,000	257,000,000
*Information	52,500,000	80,816,000
Labour (Employment) ..	68,138,175	126,134,000
*Social Development, Youth and Sports	17,608,800	123,465,000
Housing (including Public Building, Electrical and Mechanical) ..	85,072,000	163,386,000
Environment (including Civil Engineering)	23,750,000	33,250,000
Urban and Regional Planning Surveys, etc.	53,537,000	70,855,000
Federal Capital Territory ..	250,000,000	360,000,000
Defence	740,000,000	818,200,000
Police and Police Affairs ..	44,422,658	101,650,000
Crime Prevention	40,000,000	50,000,000

Special Service	30,000,000	40,075,000
Internal Affairs	85,802,860	143,100,000
Fire Service	20,000,000	20,000,000
Science and Technology ..	44,470,000	87,600,000
Presidency	202,866,003	256,058,000
Federal Audit	1,910,000	3,430,000
Finance	144,058,390	177,520,000
Judiciary	11,317,600	44,713,000
Justice	27,546,000	39,963,000
External Affairs	51,500,000	86,500,000
Statutory Commissions	109,870,000	179,087,165
Public Debt Charge		
(*i*) Internal	—	—
(*ii*) External	1,200,000,000	1,631,000,000
(*iii*) Outstanding Liabilities	100,000,000	260,000,000
Minor Adjustment	61,114,254	83,550,000
External Loans		
(Expected Draw-down)	2,500,000,000	3,500,000,000
Special Project Fund ..	488,000,000	
	9,797,000,000	12,555,573,165

*The allocations made to these Ministries in 1990 will also cater for the two newly created Ministries.

STATE FINANCES

43. You will recall that in August 1989, Mr President had approved a new revenue allocation formula which would be effective from January 1990. The projected revenue to be credited to the Federation Account for 1990 fiscal year is ₦45.428 billion. In accordance with the new revenue allocation formula, the Federal Governments' share of 50 per cent will be ₦22.714 billion, State Governments' 30 per cent of ₦13.628 billion while the Local Governments' share will be 15 per cent or ₦6.814 billion. A sum of ₦2.271 billion or 5 per cent of the Federation Account will accrue to the Special Funds. A balance of ₦170.01 million is projected to be carried forward for the whole of the year as surplus.

44. In view of the enhanced revenue receipts in 1989 and the prospects in 1990, Government has decided not to float Development Loan Stocks for on-lending to States. However, State

Governments will continue to be encouraged to patronise the domestic capital market for specific projects. Furthermore, with improved revenue position and the fact that States' internal debts have been rescheduled for the past two years, appropriate action will be taken to reduce the debt burden of States through reconciliation with savings in the Stabilization Fund.

LOCAL GOVERNMENT

45. All the Local Government Councils, both old and new, will continue to recieve their enhanced statutory allocation from the Federation Account through direct disbursement. With the increased revenue accruing to Local Governments, it is expected that they will accordingly assume greater responsibility in the implementation of development projects especially rural development projects.

ESTABLISHMENT OF BANKS

46. A remarkable progress in the banking sector has been made since this Administration came into power in 1985. At that time there were only 45 banks in the country but in 1989, the number of banks rose to 89 representing 97.8 per cent increase. Similarly, bank branches rose from 1,323 in 1985 to 1,833 in 1989, which is an increase of 38.5 per cent.

47. More applications for the establishment of new banks are still being received and processed for approval, although this is at a declining rate presumably because of the increase in the equity capital required for their establishment and the opportunity cost of investing such money in the banking industry instead of elswhere in the economy.

RURAL BANKING SCHEME

48. At the end of June 1989, under the Rural Banking Programme, commercial banks have established 646 branches in the rural areas. In 1990, the Central Bank of Nigeria will review the performance of commercial banks in meeting the targets of bank branches that were allocated to them and launch the 4th phase of the Rural Banking Programme. In addition, the Central Bank will consider the introduction of Community/Unit banks as an integral part of the 4th Programme.

49. The Community/Unit bank is characterised by operation in a single banking office without branches or affiates. The main feature of the Community/Unit bank is that it is closely tied the economic fortunes of the community where it is located. This linkage encourages the Community/Unit bank to carry, along with it, the community it serves. Thus, each Community/Unit bank by serving its particular area, contributes to the overall development of the banking system and the economy.

THE PEOPLE'S BANK

50. The Government in 1989 established the People's Bank as a means of providing credit to low income persons who cannot produce collaterals required by the conventional banks for loans. The programme has enjoyed wide public support and acclaim since its introduction. Therefore in 1990, the Government has provided ₦40 million for the operation of the People's Bank so that it can expand the scope of its activities for the benefit of a larger populace.

ESTABLISHMENT OF BUREAU DE CHANGE

51. As you are already aware, this administration introduced the new scheme of Bureau De Change in Nigeria last year. The approval for the establishment of this type of financial institution which essentially transacts business in foreign exchange, is one of the innovations introduced to further strengthen economic activities in a de-regulated economic system enshrined in the Economic Recovery Programme. So far a total of one hundred and thirty-nine (139) applications have been approved. Of the number, fifty (50) have been licensed and many of these have started business operations in some commercial centres of the country. The activities of the Bureau have led to the narrowing of the gap between the official and parallel exchange rate. It is expected that the activities of the bureau will be expanded to the major commercial centres in the country which will eventually lead to the disappearance of the parallel market.

REVIEW OF THE FINANCIAL SYSTEM

52. The last comprehensive review of the Nigerian financial system was carried out in 1976. Since then a number of significant developments in the economy have taken place and there is need

to review and update the instruments for tackling the attendant problems in the financial system. To that end, the Government has decided to commission a new study of the Financial System in 1990.

Monetary and Credit Policy for 1990

53. The monetary and credit policy in 1990 will continue to be restrictive but compatible with ensuring that adequate credit is made available especially to the priority sectors. Specifically, the objectives of monetary and credit policy in 1990 are :

(*i*) moderation of inflation rate ;

(*ii*) reducing pressures on the balance of payments and stabilising the exchange rate of the Naira, encouraging increased financial savings, investments and promoting employment opportunities.

54. In keeping with the objectives mentioned above the following monetary and credit policy targets for 1990 as compared with those for 1989 are as approved :

	1990	1989
(*i*) Growth in Money Supply (M_1)	13.0	14.65
(*ii*) Growth in Aggregate bank credit	13.5	9.5
(*iii*) Growth in credit to Government	10.9	8.3
(*iv*) Growth in credit to private sector	15.8	10.7

In order to improve the efficacy of credit ceilings, the Central Bank of Nigeria, shall as from 1990, target banks' total credit to the private sector. Consequently, the ceiling on commercial and merchant banks' credit, including the banks investment and net inter-bank float, will grow by not more than 12.5 per cent during the 1990 fiscal year.

Sectoral Allocation of Credit

55. Consistent with the policy of inducing adequate growth in the non-oil sector in 1990, priority will continue to be given to agriculture and industry in the allocation of bank credit. Thus, the sectoral percentage distribution of commercial and merchant

banks' credit to these sectors in 1990 will remain at their 1989 levels. Similarly the specified grace periods on agricultural loans in 1989 will continue to be observed in 1990 as follows :

(*a*) for small-scale peasant farmers, growing staples and seasonal cash crops such as grains, cotton and groundnut, the grace period shall be one year ;

(*b*) for loans to farmers of cash crops with relatively long gestation period such as oil-palm, rubber and cocoa plantation, the grace period shall be four years ;

(*c*) for medium and large-scale mechanised farming involving large capital outlay, the grace period shall be five years ; and

(*d*) for ranching, the grace period shall be seven years ;

56. Hitherto, the merchant banks have been excluded from the observance of cash reserve requirements. In recognition of the fact that the reserve requirement is a credit control measure, it is now considered necessary to bring merchant banks under this regulation since they are credit institutions whose operations contribute to total liquidity in the economy. To this end, a cash reserve requirement of 5 per cent of total demand deposit liabilities will apply to all the merchant banks with effect from 1st January, 1990.

Interest Rate Policy

57. In 1989, a number of worrisome developments were observed in the structure of interest rates. These included the mis-alignment of the various interest rates, especially the widening gap between deposit and lending rates. In order to rectify these and set a standard that would continue to be in line with the de-regulatory stance of the Structural Adjustment Programme and at the same time stimulate investment and savings, the following directives of the CBN of 10th November, 1989, to the banks on the spread of their interest rates will continue to apply in 1990 :

(*i*) the interest rate spread between commercial banks' savings deposit rate and prime rate for each bank should be kept at a maximum of 7½ percentage points ;

(*ii*) the margin between the prime and the highest lending rates for each bank should be a maximum of 4 percentage points ;

(*iii*) the inter-bank rates should be fixed at below the prime rates. This inter-bank rate should be at least 1 percentage point below the prime rate for each lending bank. However, a borrower may choose to start repayment before the stipulated grace period expires.

LOANS TO RURAL BORROWERS

58. Since 1987, minimum lending by rural branches to finance economic activities based in those rural areas has been raised to 45 per cent of deposits mobilised by such rural branches. Given the need to accelerate the development of rural areas, Government has decided that the ratio of rural lending to deposit mobilised in those areas be raised to 50 per cent as from January 1990.

LOANS TO SMALL-SCALE ENTERPRISES

59. Similarly, for purposes of sustained promotion of small-scale enterprises, it has been decided that the existing minimum of 16 per cent of commercial banks' total credit outstanding allocated to small-scale enterprises, excluding activities in general commerce, be raised to 20 per cent as from 1st January, 1990.

RESERVE REQUIREMENTS

60. The minimum liquidity ratio requirement for commercial and merchant banks of 30.0 and 22.5 per cent, respectively will be retained in 1990. Similarly, the existing cash reserve requirements of commercial banks will be retained in 1990 as follows :

Class	*Total Deposit Liabilities*	*Ratio of Cash Deposit to Demand Deposit Liabilities Percentage*
A.	₦1 billion or more	9.0
B.	₦500 million or more but less than ₦1 billion	8.0
C.	₦100 million or more but less than ₦500 million	7.0
D.	Less than ₦100 million	6.0

DEBT CONVERSION PROGRAMME

61. During the second half of 1988, the Debt Conversion Programme was adopted as a debt management instrument aimed at alleviating the country's debt service burden, attracting and stimulating employment in industries with significant reliance on local supply of input. The response to the programme has been positive and encouraging in helping to achieve these objectives. Since its inception, 10 auctions have been held involving redemption of promissory notes worth US $309.6 million were redeemed at an average discount of 48 per cent. This indicates that the nation has saved US $148.6 million from its external debt obligation.

FOREIGN EXCHANGE AND BALANCE OF PAYMENT

62. In 1990 fiscal year the total anticipated foreign exchange inflow through the public and private sectors of the economy is US $7.789 billion. This consists of a sum of US $6.678 billion from official sources and US $1.111 billion from private sources representing 84.6 per cent and 15.4 per cent respectively. The bulk of the foreign exchange from official sources will be derived from export of crude oil. As usual, the anticipated foreign exchange inflow from non-oil export of goods and services will be retained by the private sector. The total official foreign exchange budgetary allocations for 1990 are therefore as follows :

	(Billion)
(*a*) Foreign Exchange for Domestic Use . .	US $4.264
(*b*) Debt Service . .	US $2.114
(*c*) Accretion to Reserve . . .	US $0.300

In the period January–September 1989, the total foreign exchange inflow from official sources amounted to US $5.143 billion while total disbursements stood at US $4.325 billion thus indicating a surplus of US $817.7 million or 15 per cent. At the end of September 1989, total external reserves amounted to US $1.407 billion.

63. Ladies and Gentlemen, I am confident that with the co-operation of all concerned the foregoing measures will have moderating effects on food prices, transport cost and house rents.

EXTERNAL DEBT MANAGEMENT

Debt Stock

64. Nigeria's external financial indebtedness stood at US $29,120.4 million as at 30th September, 1989, as against US $26,052.3 million for the corresponding date in 1988. This is made up of Long/Medium-term loans of US $18,652.5 million and short-term debts of US $10,467.9 million. Of the US $18,652.5 million Long/Medium-term loans, US $4,337.8 million is owed by the State Governments, US $13,885.2 million is attributable to Federal Government, while the sum of US $429.5 million is owed by the Private Sector.

65. The main factors responsible for the increase in debt stock include the draw-downs on active loans with undrawn balances as well as drawings on new commitments, and rescheduled principal Maturities/Capitalised interest arising from recent debt restructuring. Sixteen Loan agreements with a total commitment of US $2,977.44 million have been signed for the execution of various projects since 1988. Draw-down on these new loans as well as existing loans since 1988 amounts to US $1,048.37 million.

External Debt Rescheduling

66. An agreement was signed on March 22, 1989 with the Steering Committee of the London Club on the rescheduling of medium-term debts, Letters of Credit and Payable debts. The Agreement became effective on June 7, 1989 after Nigeria had met substantially the requirement that all outstanding interest arrears amounting to US $180.7 million be paid. A total of US $5,556.3 million has so far been rescheduled with the London Club in Medium-term debts, Letters of Credit and Payable debt including US $4.4 billion originally rescheduled in November 1987. The 1988-89 rescheduling agreement with the London Club was achieved with more favourable terms, resulting in lower interest rate and longer repayment period of 20 years.

67. Following discussions with the Paris Club for rescheduling maturities falling due in 1988-89 and beyond as well as the previously rescheduled amounts, the Agreed Minutes with the Paris Club was signed on March 13, 1989. It is estimated that about

US $11 billion of debt owed to the Paris Club Creditor Countries will be rescheduled. As required by the Agreed Minutes, bilateral agreements are being signed with individual creditor countries.

Debt Servicing

68. As in 1989 efforts will be made to keep the debt service within the 30 per cent of the export earnings. Consequently the Government will endeavour to secure a more favourable debt service relief in form of enhanced rescheduling terms and debt cancellation. It is gratifying that our external creditors are becoming increasingly responsive to the need for such debt relief so as to enable us meet the social cost of our economic recovery programme.

Borrowing Programme for 1990

69. As in the previous year, emphasis on external borrowing will be for funds on concessionary terms. The efforts of Government will be geared towards raising soft loans from multilateral institutions such as the World Bank, African Development Bank and the European Investment Bank. The States are discouraged from external borrowing except in cases where it is absolutely necessary. In such cases the terms should be reasonable and amount should have been approved by the Federal Government.

DUTY DRAWBACK SCHEME

70. The procedure for processing the Duty Drawback Scheme has in 1989 been further simplified. The information required to be provided by exporters in the application form has been reduced to the barest minimum. Only one application form will henceforth be completed and submitted to the Secretariat of the Duty Drawback Committee in Abuja or Lagos or at any of the Zonal Offices of the Nigerian Export Promotion Council in Kano and Port Harcourt.

71. The limited achievement attained under this scheme in 1989 was due largely to the failure of exporters to provide concrete evidence of repatriation of foreign exchange. It is expected that manufacturers of exportable commodities will take advantage of the various nation-wide enlightenment campaigns on the operations of the Duty Drawback scheme and get more acquainted with the simplified procedure for claiming refund under the scheme.

72. In 1990 Government intends to proceed to the next stage of the Duty Drawback Scheme by providing import duty rebate to importers for which adequate budgetary provision has been made. This is aimed at further promoting the export of manufactured non-oil products with a view to enhancing our foreign exchange receipt from this source.

Industrial Development Co-ordinating Committee

73. The Industrial Development Co-ordinating Committee (IDCC) made up of seven Ministers was inaugurated by Mr President in January 1989 as a one-stop agency to facilitate the granting of various approvals for the setting up of new enterprises by both foreign and indigenous investors. The approvals include Business Permit, Expatriate Quota, Approved Status, Pioneer Status, Technical Service Agreement (fees) and other incentives to industrial development. It is noteworthy that before setting up the Committee, these approvals used to be given by different arms of Government and the resultant delays constituted disincentives to investment.

74. Since its inception, the Committee has held seven meetings to deliberate on the various applications submitted to it. Out of 167 applications, 36 companies were granted Business Permits while 23 other companies got 41 Expatriate Quota positions. The Committee also approved 13 out of 32 applications for Pioneer Status. It considered 16 "Approved Status" applications out of which it approved 3. It dealt with four Technical fee Agreements but deferred decision for want of adequate information. The 36 companies that were granted Business Permit had investment potential of about ₦1,114 million and employment prospects of about 16,000. The 12 companies which were granted Pioneer Status and had commenced operations have a total capital investment of about ₦1 billion and have about 7,000 employees. The total anticipated foreign capital inflow through the Approved Status so far is about ₦22.3 million.

Export Credit Guarantee and Insurance Scheme

75. Preparatory work on the establishment of the Nigerian Export Credit Guarantee and Insurance Corporation (NEXIM) has been concluded and it is expected that the NEXIM will become

fully operational in 1990. It will be charged with the responsibility of managing the Export Credit Guarantee and Insurance Scheme which is designed to provide incentives for non-oil exports and help our revenue diversification objectives. The Scheme is presently being managed by the Central Bank of Nigeria and some of the facilities that are currently available for export promotion included :

(*a*) *Rediscounting and Refinancing Facility*.—The Rediscounting and Refinancing Facility has been in operation since 1987 and it is aimed at encouraging banks to extend credit facilities to exporters.

(*b*) *Foreign Input Facility* (*FIF*).—The Foreign Input Facility is geared towards providing access to foreign exchange to export-oriented industries which require some foreign inputs in the production of export goods. The FIF took off in May 1989 with funds provided by the African Development Bank (ADB) under the Bank's Export Stimulation Loan to Nigeria.

Conclusion

76. Fellow Patriots, distinguished ladies and gentlemen, before I end this presentation, may I put on record this Administration's appreciation of the co-operation and support of all Nigerians in the task of returning the nation's economy to a path of steady growth. The road to sustained economic recovery is tortuous and demands realistic consumption pattern, endurance and patience. With the innovative and dynamic policies introduced in the 1990 Budget and backed by the Government's economic diplomacy aimed at achieving debt relief and favourable investment climate, the economy is surely on the path to accelerated recovery. Nevertheless, the co-operation of all Nigerians is a necessary condition for the realisation of the desired goal. I am optimistic that this Administration can count on your continued co-operation to ensure that the 1990 Budget carries us nearer to the attainment of sustainable economic recovery and growth.

Thank you for your attention. I wish you a very Happy New Year.