FEDERATION OF NIGERIA

BUDGET SPEECH

by

His Excellency

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THE UNION BUDGET

The following is the full text of the budget speech broadcast last night by the Head of the Federal Military Government and Supreme Commander of the Armed Forces, Major-General J. T. U. Aguiyi-Ironsi

Fellow Nigerians

You have probably gathered from the Press or heard from the radio recently that I was meeting the four Military Governors to consider the 1966-67 Recurrent Budget for the whole of the Federation.

This exercise has only just been completed and I believe that the occasion offers me a unique opportunity to explain the basis of the fiscal and economic measures as reflected in these Budgets as well as make a brief review of the nation's economic activities for the financial year which is just ending.

Historical

Before going into substantial issues concerning Budget proposals I must first explain to you the significance of the meeting of the Federal Executive Council which was attended by all the Military Governors recently in Lagos.

The historical significance is that for the first time since the formation of Regional blocs our fiscal, economic and industrial proposals are being considered and directed by one central authority.

The Decree which extended the Executive Authority of the Federal Republic of Nigeria to all matters was published on the 4th of March, 1966.

This morning I signed a Decree for the enlargement of the Federal Executive Council to include the four Military Governors.

One Government

I did this for two reasons : first, to enable me obtain the benefit of the advice of the Military Governors on matters coming before the Federal Executive Council before decisions are reached upon them ; secondly, to underline the fact that there is now only one Government of Nigeria although there are at present five separate and distinct Civil Services responsible for carrying out that Government's decisions.

I attach the greatest significance to this change.

The enlarged Federal Executive Council has therefore been reconstituted into the Central Executive Council.

I have no doubt that the vast majority of Nigerians are with us in our determination to work for the eradication of those features of our public life that wrecked our first attempt at democratic Government.

One of them, undoubtedly, was divisive regionalism resulting from the nature of our original Constitution.

I am convinced that the bulk of our people want a united Nigeria and that they want in future one Government for Nigeria and not a multitude of Governments.

They want one Government whose units of legislative or administrative devolution would, on the one hand, be nearer to the people than the old Region was, and, on the other, be of such a size most likely to satisfy local needs but of such limited powers as not to constitute a danger to the unity of Nigeria.

This is the aim of the Supreme Military Council, this is the frame of reference within which all our measures of national reconstruction—political, economic and administrative—must be formulated.

One Nigeria

This is the common guide line for all the Study Groups that have been appointed or may be appointed in future to advise and assist me in the achievement of our great national objective of creating one Nigeria.

The newly reconstituted Central Council has already met to consider and approve the budgets submitted by the Military Governors as a first step towards the evolution of a unified budget for the whole country.

The Central Executive Council will now ensure that the Government of Nigeria will be run from one central point.

Although the Executive Committees in the Provinces will remain and continue functioning, important issues relating to such subjects as education, agriculture, industry and health which call for decision at the national level will now be examined by the Central Executive Council.

My Government attaches the greatest importance to the question of examining educational, health, industrial and agricultural issues from a national point.

We believe there is a need to provide adequate and uniform educational system, from primary level, upwards to all the sons and daughters of this country.

We believe also that there is a need to develop a vigorous diversified and expansionist agricultural policy which will provide adequate food to all at a reasonable price.

We must reduce the risks involved in the excessive dependence on any particular cash crop in any one geographical area.

The need to establish efficient and vigorous industries, and eliminate unhealthy regional competition, is self-evident.

The provision of more health facilities to rural and urban areas, regardless of regional boundaries, or indeed of any boundary, is equally obvious.

These four major areas of operation will form part of the major preoccupations of my Government in the coming financial year.

The Supreme Military Council will continue to deal with the maintenance of law and order, defence and security of the State as well as appointments of members of the Judiciary on the recommendation of the Judicial Advisory Committee.

Talents

I wish once more to emphasize that the new nation that we are creating will have a place for all citizens commensurate with their talents.

It will have a place, for instance, for all the talents in the existing Civil Services, so that no officer of competence anywhere need fear a diminution of opportunity for the fullest exercise of his ability, qualification and experience.

In the same way, the Nigeria that we are creating will enlarge not reduce, the opportunities for the Nigerian businessman or industrialist.

I will, of course, encourage and protect any backward area to participate fully with the more advanced area.

The preparation of this year's budgets has to be seen against the background of the passing year's economic activities.

Generally throughout 1965, the nation maintained the high rate of investment, in both the private and public sector, attained in 1964 when the gross domestic product at 1957 prices increased by 5 per cent per annum.

Exports

Although the average world price of Nigeria's major exports declined in 1964-65 crop season, domestic producer prices were slightly above the level of the preceding crop season, resulting in an increase of aggregate farm income of 13.3 per cent.

The mining sector of the economy recorded the most notable gain, chief of all petroleum which recorded average daily rate of crude oil production of 271.8 thousand barrels—126 per cent more than in 1964.

Expansion continued in industry—mostly in textile, cement, plastic goods, tobacco products, rubber goods, pharmaceutical, footwear, glass, beer, soft drinks, etc., and it is estimated that net value added to the manufacturing sector has increased by more than 100 per cent over the last three years.

The most spectacular development in 1965 was the recorded improvement in our balance of payment situation.

With a higher level of exports than in 1964, and a substantial inflow of private foreign investments, it is estimated that our balance of payments surplus for the year would be about £11.4 million, a situation which had not occurred within the last ten years.

One of the contributing factors in our balance of payments position is the improved trade situation.

Imports and exports (including re-exports) during 1965 were estimated at £275.6 million and £268.4 million respectively compared with £254.3 million and £214.6 million in 1964.

The large trade deficit of almost £40 million in 1964 was thus reduced to an estimated £7.5 million in 1965.

The reduction in the rate of growth of imports in 1965 is attributable to the impact of monetary and fiscal measures taken in 1964 and 1965 to restrain demand for foreign consumer goods and the expansion of import substitutes.

One of the principal factors which influenced Government policy in the consideration of 1966-67 Budgets proposal is the need to preserve and improve our foreign exchange assets.

It is estimated that repayment of official external liabilities in 1966 would have gone up by £11 million over the previous year's estimates.

It is also estimated that payments overseas by oil companies, will accelerate, thus widening the deficit on the Service Account.

This prospect points to a need for Nigeria's acquisition of a higher level of reserve than that at the end of 1965 in the coming year.

In our Budgets proposals, we have therefore taken action designed to conserve our foreign exchange.

These include duties levied on luxury dresses sewn abroad.

Instead of banning the importation of certain foodstuffs which are readily obtainable in Nigeria, we have raised duties on them.

Similarly, duties have been increased on the import of certain goods like wollen wears.

Ostentatious expenditure on woven fabric and silk has to be paid for by those who can afford it.

Tariff

In the same way we have raised a higher duty on certain fairly expensive cars which have hitherto escaped the net.

By far the greater measures in our fiscal and tariff proposals were designed to reduce the cost of living of the lower income group.

The lowering of prices are expected in matches, cement, flour, textile, footwear and many other items now fully protected either following reduction in tariff rate or through the importation of competitive products.

We have raised the tariff rate on certain imported products in favour of Nigerian firms enjoying Government's protection and fiscal concessions.

When the industries concerned have achieved a measure of efficiency, we except them to pass on the benefits to consumers.

We have taken certain measures to protect or relieve pressure on certain industries, such as paints, cigarettes, glass, printed woven fabrics, electronics, motor vehicles assembly and asbestos.

The large decrease in the tariff rate of fishmeals is expected to be passed on to farmers.

Reforms

Besides various tariff changes, the Government has introduced a number of administrative reforms in the existing Income Tax Act, Entertainment Tax Law, and Import Duty Relief and Income Tax Relief Acts.

Under the existing Income Tax Act, it is possible for a man earning an income of £740 per annum or more not to pay any tax at all.

Generally we have directed our efforts to rectifying the anomalies in the existing legislation.

Personal allowance has been reduced by £100 and children allowance (including additional allowance in respect of school fees) have been reduced from a maximum of £1,000 to £600. A Decree will be passed to introduce capital gains tax at a rate of 20 per cent, with effect from the 1st of April, 1966.

Entertainment tax has been extended to night club and casino receipts.

Capital Allowance and Initial Allowance under 1st and 2nd Tables of the Fifth Schedule to the Income Tax Management Act and 1st and 2nd Tables of the Third Schedule.

Taxation

Appropriate Acts will be revised to allow the Nigerian dividends paid out of any fund of capital profits to be taxed ; to make it clear that taxation of profits derived by a pioneer company from non-pioneer activities during the Company's tax relief period is taxable ; to allow for deduction of only expenses which are wholly, exclusively and necessarily incurred for the purposes of the trade ; to redefine "Industrial Building or Structure" and "Pioneer" Industry and generally to introduce reforms which will streamline as well as gear up our tax administration.

It is not a secret that although the standard of living has risen within the Federal Territory for the past years, we have collected less and less tax from year to year.

The purpose of these reforms is to catch up with the vast majority of tax evaders.

Defaulters

Provision will be made to deal very severely with the defaulting tax-payer, to permit his goods to be auctioned by the Board of Inland Revenue. The task facing the Military Government, which led to these tariff and income tax policies, was indeed enormous.

We have had to raise a total revenue of nearly £216 million for the Governments in the Federation compared to nearly £187 million for the previous year, in order to meet our commitments.

More specifically for the Federal Government, against the background of our determination to reduce our recurrent expenditure as well as raise additional revenue of about £15 million for development between now and the end of the Plan Period, we have budgeted for a total revenue of £187 million.

The immediate task of the Federal Government was to meet additional expenditure of about £26 million, out of which £11 million is additional commitment in respect of debts servicing and £15 million as grants to Provincial Governments.

These additional provisions have not taken into account the normal expansion schemes in the coming year.

For the Federal Government to have attempted to obtain the additional revenue required by tax and fiscal measures alone was clearly undesirable especially since these measures were designed to reduce the burden on the working men and women.

One of these measures was to keep the transport cost constant throughout the Federation so as not to increase the prices of locally produced foodstuffs.

Expenditure

We have, I think, solved our difficulties in the Centre by pruning down drastically Government recurrent expenditure.

It is true that about a sum of £750,000 was saved from what is generally termed "political expenditure" but this was clearly inadequate for our purpose.

Inroad had to be made into the basis of previous Federal Government expenditure.

At the end of the exercise it was possible to allow a total increase of only 3½ per cent over last year's for a greater expansion in services.

This compares favourably to an increase of nearly ten per cent last year over the year before.

To have kept to the same rate of growth would have put expenditure for 1966-67 to £4 million above the present estimates.

The declared war against unnecessary public expenditure is an essential and effective instrument in our economic and fiscal policy and this war will go on for the whole life of my Government.

I should remind the public service therefore, that while the general public are being called upon to bear extra tax burden, Accounting Officers have responsibility to keep very strictly within the limit of funds appropriated under their charge.

No over-expenditure or Supplementary Estimates will be permitted in the coming year.

Within the next fortnight, the Central Executive Council will be considering the Capital Estimates for 1966-67.

The Recurrent Budget proposals already include a transfer by the Regional Governments of £21 million to the Development Fund for financing capital expenditure.

My Government attaches great importance to the need to provide budget surpluses for financing our Six-Year Development Plan.

We cannot depend on foreign assistance alone for our development effort.

Unless each and everyone of us takes part in the development of the country no matter how sophisticated our plans are, they are bound to fail.

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