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1979 - 80 BUDGET BROADCAST

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*His Excellency Lt-General OLUSEGUN OBASANJO
Head of the Federal Military Government, Commander-in-Chief of the Armed Forces
of the Federal Republic of Nigeria*

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1979-80 BUDGET BROADCAST

By His Excellency Lt. General Olusegun Obasanjo,
Head of the Federal Military Government,
Commander-in-Chief of the Armed Forces,
on Saturday, 31st March, 1979

Fellow Nigerians,

Once again it is time to announce to you all, the highlights of the Budget for the next financial year. But before doing that I think we ought to pause and take a look at the economic and social changes which have occurred in our nation since independence in 1960. I consider this essential because the 1979-80 Budget which is the subject of this broadcast, happens to be the twentieth Budget which we have prepared for ourselves as an independent sovereign nation. After twenty years of budgeting as an independent country and three Development Plans, I think it is right and proper that we should take stock as so to identify what has been achieved and see how far we still have to go. Besides, it is the last budget before the return to civilian rule.

In general, I will like to undertake the review in relation to national performance in five specific problem areas which I consider fundamental. These are :

- (i) the extent of colonial and foreign domination of our economy ;
- (ii) production and productivity ;
- (iii) uneven distribution of income ;
- (iv) unsuitable pattern of consumption ; and
- (v) inflation.

Economic Domination

At independence in 1960, the organised or modern sector of the national economy was almost the exclusive preserve of British Companies and operators. In trading and manufacturing activities, the important names were those of British firms such as United Africa Company, John Holt, G.B. Ollivant, Rowntree Fry and Cadbury, Lever Brothers, Nigerian Breweries, Barclay's, Bank and British Bank of West Africa, to name a few. There were very few non-British companies in the field. However, soon after independence, companies from other foreign countries began to establish in Nigeria to dilute British Colonial dominance while at the same time *increasing* the totality of foreign control of the economy. It is pertinent to point out at this stage that all these companies from whichever countries, were often fully-owned subsidiaries of multinational companies which had their headquarters in Europe, America or Japan where the policies governing their

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operations in Nigeria were discussed, determined and handed down. Needless to say that Nigerian participation was extremely limited, either in the equity capital or the management of these companies. Surely, that state of affairs was incompatible with the independent and sovereign status of the country. In reaction to this, the Indigenisation Policy was articulated and adopted by Government in the Second National Development Plan, 1970-74.

As you are all aware, significant progress has been made in transferring equity ownership to Nigerians under Phases I and II of the Indigenisation Programme. Since 1972, about 500 million shares valued at ₦472.00 million, have been transferred to Nigerians from foreign shareholders. The number of companies affected is 1,858 and their operations cover the entire range of economic activities.

Viewed against the situation as of 1960, we have come a long way in participating in the risk capital of Nigerian commerce and industry. This is an achievement about which the Government and people of this country can be justly proud, but I would like to point out that the main objective of indigenisation is not just the transfer of shares and the earning of dividends. Indeed, the main spring of indigenisation was political. It was designed as a strategy for getting Nigerians themselves to determine their own economic fortune by using equity ownership as a springboard into the Board Room where policies and programmes are discussed and determined, and into management, where they are implemented.

Some companies with the right perception are already implementing this important aspect of the Indigenisation Programme by reflecting in the composition of their Boards, the new equity structure which has emerged after indigenisation. They have also embarked on placing Nigerians in chief executive and management positions. There are others which have been rather slow in this regard. The Federal Military Government has already started to make contacts with such companies at the highest possible level so as to ensure that they too follow suit. It is my hope that the companies concerned will continue to co-operate with us by making the inevitable transition, as painless as possible.

Production and Productivity

With regard to production and productivity in the national economy, significant progress has been made since 1960. At the time of independence, the value of total production as measured by the Gross Domestic Product, was about ₦2.056 billion. This had risen to about ₦5.6 billion in 1970 and is now estimated at about ₦27.3 billion.

Thus, there has been a fourteen-fold increase in total output of the economy over the last two decades. This implies that, on the average, production valued at current prices, has been doubling every five years. Even when allowance is made for inflation, the economic growth which these figures imply remains very impressive indeed.

It should be noted, however, that the recorded increase in production has not been evenly distributed among the various sectors of the economy. With particular reference to agriculture, the growth performance has not been completely satisfactory. Up to the outbreak of the civil war, agriculture was the leading contributor to the Gross Domestic Product as well as the greatest earner of foreign exchange. Non-agricultural production only contributed about 35 per cent of the Gross Domestic Product at that time. However, with the outbreak of the civil war and the emergence of petroleum as a major activity in our national economy, drastic changes occurred in the pattern of production. Although total agricultural production continued to increase, production in other sectors such as Petroleum and manufacturing grew faster with the result that the percentage of agriculture to total production, fell steadily. From about 66 per cent in 1960, it had declined to 23.4 per cent in 1974 and now stands at about 18.4 per cent. Thus, not only was total production growing in the economy, a major transformation also occurred in the composition of output.

Although these changes are inevitable in process of growth and development, in our own particular case, the proportionate decline in agricultural production has been far too rapid. The results have been shortages in food supply which we have had to make good with imports. In order to correct such an unsatisfactory situation, the Federal Military Government declare Agriculture as the first priority in 1975. This change in policy has been followed by increased investment in that sector and more incentives for farmers. The provision of fertilizer with a 75 per cent price subsidy, land clearing schemes by the State Governments, the introduction of minimum guaranteed prices for food items, the establishment of Commodity Boards and the launching of the Operation Feed the Nation Schemes, have all been designed to correct the unsatisfactory pattern of growth which I have already outlined. Although these various measures are only a few years old, it is obvious already that some positive impact has been made especially in the last twelve months when food production increased in all parts of the country. These measures will be intensified and supplemented in the coming year in order to consolidate the progress achieved and give content to our policy of self-reliance. A nation which cannot feed itself cannot be regarded as self-reliant in any meaningful sense.

Uneven Distribution of Income

Hard data on the distribution among persons is not readily available. However, it is obvious that the dominant position of agriculture at the time of independence meant that differences in the incomes earned by individuals were not very glaring. A look at the rural areas even today will show that although incomes are low, they are fairly evenly distributed among the farming population.

With increased investment in Manufacturing and Commerce in the post-independence period, came serious income inequalities of two kinds. First, the incomes earned in the modern sector of Manufacturing and Commerce started to rise faster than those in agriculture. A sample survey of households carried out in both rural and urban areas of the country in 1967, gave average income in agriculture as ₦256 while those engaged in clerical, trading, transportation and other urban-based activities had average incomes of ₦681, ₦483 and ₦1,535 respectively. The attempt of the rural population to take advantage of these higher incomes in urban industries has led inevitably to rural-urban migration and the depopulation and decline of the rural community.

The second type of income inequality is to be found among individuals who may be engaged in the same activity or employment. While it is usual that people with different levels of education, training and experience are paid different incomes, the low level of education and the abundance of cheap labour had meant very low wages in the past for unskilled and semi-skilled workers. In order to improve the standard of living of these categories of workers, Government has introduced low-income housing schemes and has encouraged private sector employers to do the same. Furthermore, in the course of the 1979-80 financial year, a pilot scheme will be introduced for providing really low-cost houses or shelters which will not cost more than ₦5,000 each. If the experiment succeeds, it is the intention of Government to embark on massive construction of such low-cost houses in different parts of the country.

Apart from assistance in kind, Government has offered, since Udoji, small salary increases to those at the lowest level of the wage and salary ladder. Those at higher salary levels were deliberately excluded from the salary increment so as to start the process of reducing the income gap. In the same vein, Government has introduced a very progressive income tax law to narrow the gap between take-home pay of people at different salary levels. A capital transfer tax is being introduced to control and moderate unearned and gratuitous income. There is a long way to go before we can hope to arrive at the type of

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more even distribution which characterises the pay and remuneration system in more advanced industrial societies. Individual productivity in the agricultural, industrial and service sectors of our economy needs to be improved as a determining factor for increased earnings and incomes. A beginning has been made and it should be possible to build progressively on the foundation already laid.

One of the major social maladies of the Nigerian society especially in the last seven years has been conspicuous consumption of non-essential goods by the affluent minority. Before the fiscal and other measures of the last two years were introduced, goods such as champagne, expensive lace materials, big and expensive cars—all became status symbols acquired and consumed without regard to cost either in local currency or in scarce foreign exchange. In general, our consumption pattern and expectations ran ahead of our ability to produce what we sought to consume. Realising that such a state of affairs was a recipe for social chaos and national bankruptcy, the Federal Military Government took steps to stop these undesirable developments by banning imports of consumer luxuries and using other measures to make Nigerians consume as much as possible what Nigeria produces.

The Federal Military Government is satisfied that positive results have been achieved. Now that the era of easy money and conspicuous consumption has been forced to a close, the Supreme Military Council has decided to encourage Nigerians to take advantage of the opportunities now thrown open, by promulgating a Decree which will ensure that any imported good banned by Government remains banned for a minimum period of eight years in the interest of stable development. I hope this will remove the hesitation on the part of investors who have reportedly been holding back investment decisions for fear of fluctuation in policies that may be detrimental to investment.

Inflation

The huge salary and wage increases of 1974 led directly and immediately to a spending spree. With the economy unable to produce all that was required, inflation became inevitable. Before 1966, the average rate of increase in the general price level was about 1.5 per cent per annum. This rose to about 3 per cent during the civil war but came down to the pre-war level of about 1.5 per cent in 1971-72. By 1974 however, inflation as measured by selected urban consumer price indices had risen to 12.6 per cent, rising further to an all-time record level of 34.1 per cent in 1975. In order to ensure that the situation did not deteriorate further, the Federal Military Government set up an Anti-inflation Task Force late in that year. The package of measures subsequently adopted succeeded in reducing the inflation rate to 24 per cent in 1975 and, below 15 per cent in 1978. Although inflation has

been reduced by over 50 per cent in the last three years, the level recorded is still too high, either in the content of our experience before 1974, or in relation to what is required for the healthy development of the national economy.

Undoubtedly prices have fallen further since the beginning of 1979. Efforts will continue to be made during the next financial year, to make further reductions in the rate of inflation through increased production of food and manufactures, and, effective management of excessive demand.

General Economic Situation

During the year that has just ended, the gross Domestic Product or total output of the economy recorded an estimated growth rate of about 5.5 per cent. Though this may be lower than expected, it is a reasonably high growth rate. It would have been much higher but for the adverse developments in the oil sector. The contribution of the petroleum sector to total output during the year, dropped by about 10 per cent. The contribution of the manufacturing sector rose by about 10 per cent during 1978-79. This again is a reasonable performance. But the rise of 10 per cent in the manufacturing sector is not sufficient to offset the overall impact of the decline in the oil sector.

The total contribution of the agricultural sector, including Crops, Livestock, Forestry and Fishing increased from about ₦3.8 billion in 1977-78 to ₦3.94 billion in 1978-79. This implies a rise of 4.2 per cent. Compared with an aggregate growth rate of 5.5 per cent for the economy as a whole, this is a reasonably satisfactory performance. In particular, available information shows that the production of such crops as Cocoa, Groundnut and Palm Kernels increased substantially and that output of food crops responded to the various government measures to boost food production. Good harvests have thus been reported in many areas during the year. Many of the remaining sectors recorded an impressive performance during the year.

Total investment in the economy is estimated to have grown from ₦8,243.2 million in 1977-78 to ₦9,030.6 million in 1978-79 giving a growth rate of nearly 10 per cent. This increase is reflected in all the components, including building and construction, transport equipment, machinery and land improvement. None of these recorded a growth rate of less than 7 per cent. The marginal increase in the structure of investment in building and construction is accounted for by residential buildings which is the result of the priority which the government attaches to housing. Due to developments in the petroleum sector, Federal and indeed State and Local Governments finances, were not as comfortable as in the previous year. For the Federal Government,

there was a substantial decline in revenue from about ₦6.3 billion in 1977-78 to ₦5.2 billion in 1978-79.

With regard to external trade, the situation was not comfortable. While exports fell from ₦7.7 billion in 1977 to ₦6.6 billion in 1978, imports increased from ₦7.1 billion to ₦8.3 billion in those two years. The result, after taking account of services and unrequitted transfers, is a substantially increased current account deficit which has risen from ₦656 million in 1977 to ₦2.3 billion in 1978. When cognisance is taken of the capital account, the overall deficit increased from ₦447 million in 1977 to cover ₦1 billion in 1978. This is reflected in the drastic fall in our external reserves during the period. In the interest of the economy, this situation cannot be allowed to continue. Several measures have already been taken and more will be taken in 1979-80, to improve our external reserves.

Government Activities During the 1978-79 Fiscal Year : Agriculture

During the year that is about to end, the objective of the Federal Military Government to achieve self-sufficiency in food production was vigorously pursued. Special attention was given to the production of staple food such as rice, maize, millet, sorghum and cassava, through the National Accelerated Food Production Scheme. Those efforts, coupled with awareness created by the Operation Feed the Nation Programme, and, favourable weather conditions, have resulted in increased food production. The increases recorded have ranged between 10 and 15 per cent for most crops. In order to sustain this momentum, the Federal Military Government has awarded contracts for the supply of 400,000 tons of assorted types of fertilizers for distribution to farmers during the 1979-80 cropping season.

In pursuance of its policy of assisting the farmers, the Federal Military Government disbursed during the last year, about ₦10 million Naira for clearing 15,000 hectares of land for the use of both large and small scale farmers. And in order to modernise agriculture through the adoption of technology relevant to our situation, the proposal to establish a National Centre for Agricultural Mechanisation was formed up during the year. Efforts will be made during the new fiscal year to get this project off the ground. We are also investing in manufacturing of simple agricultural machines and implements.

The rehabilitation of the major cash crops has also been given attention. Last season 2,300 hectares were planted at Ayip Eku in Cross River State, Ode-Irele in Ondo State and Okomu in Bendel State. Arrangements have now been concluded to bring 1,400 additional hectares under cultivation during the 1979-80 financial year. The initial phases of the cocoa rehabilitation project have been completed

with about 750,000 hectares already planted in Ogun, Ondo, Oyo and Bendel States. Arrangements are on hand for the execution of the third phase of the programme which will cover Imo, Kwara and Cross River States. Cocoa production improved to 206,000 tons as a result of the replanting programme under phases I and II.

Feasibility reports have been completed for the establishment of large-scale agricultural farms of 4,000 hectares in each State of the Federation. Negotiations are now in progress between the National Grains production Company and private business groups interested in joint ventures, for the establishment and operation of these farms purely as commercial undertakings. When fully established, it is expected that the 19 farms will be producing close to 400,000 tons of assorted grains each year.

Irrigation Schemes

The Bakolori Dam in Sokoto State was commissioned in December last year. The main supply canal to the irrigation field now delivers water to the first 1,000 hectares of the land for irrigation. Work is almost completed on an additional 5,000 hectares to be irrigated by conventional gravity system. In the South Chad Irrigation Scheme in Borno State, over 5,000 hectares of land have been prepared for irrigation with water from Lake Chad. Work has already started on Phase II of the Kano River Project which is expected to bring an additional 7,000 hectares of land under irrigation through the East Branch Canal. Particular efforts would be concentrated on the production of wheat from these areas. Once these irrigation projects are completed Nigeria will be able to achieve self-sufficiency in wheat production.

In our continuing fight against desert encroachment in the far North, sixteen nurseries have been established to raise seedlings of suitable trees in support of the tree planting campaigns and shelterbelt schemes. A total of about 2.9 million seedlings of different kinds were raised during the last cropping season. During the same period a total of 708 sq. km of shelterbelts were established.

Rural Development

Since most of our people live in the rural areas, integrated rural development schemes continue to be given high priority by this Administration. Over 2.6 million people in the thirteen Local Government Areas in Funtua, Gombe, Gusau, Ayangbe and Lafia have benefited from the rural development projects in these areas. In the coming year, programme will be extended to Kwara and Niger States, and later to Oyo, Ondo and Ogun States. The next phase of the project will cover the other States.

Livestock

Efforts to improve the quality and quantity of Livestock and livestock products throughout the country received special attention during the period under review. In order to encourage the States development of the livestock industry, two million hectares were acquired during the out-going year. With regard to direct production of livestock, negotiations have been concluded for the establishment of modern ranches in selected areas of the country to reduce and later eliminate meat importation.

While this Administration will continue to give the highest priority to Agriculture, I would like to underline the fact that Government alone cannot undertake the production necessary for feeding this nation. The private sector has a major role to play. It is my hope that practising farmers and new farming entrepreneurs will avail themselves of the many opportunities now available.

TRANSPORTATION**Roads**

Between April 1975 and December 1978, the combined length of roads and bridges under construction by the Federal Government rose from 4,800 kilometres to about 14,500 kilometres. Of these a total road length of about 9,900 kilometres has already been completed. The costs involved amounted to ₦3.9 billion.

Aviation

The new ultra-modern Murtala Muhammed International Airport at Ikeja was opened on 15th March, 1979 while the reconstructed Kano and Maiduguri runways have been completed. Construction work is continuing in Sokoto, Kaduna, Ibadan and Yola airports while the terminal buildings at Port Harcourt and Jos are nearing completion. The signals systems at the airports are increasingly being modernised to ensure safety and meet international standards. To this end, terminal radar systems at Kano, Port Harcourt, Enugu and Kaduna would be commissioned during the 1979-80 financial year.

The Nigerian Airports Authority became fully operational during the year under review and it has continued to make steady progress in the maintenance of airports under its control. The Nigeria Airways plans to increase its participation in cargo operations and set up a subsidiary company for ground handling during the year.

Rail Indian Technical Economic Services Ltd. took over the management of the Nigerian Railway Corporation on 5th January, 1979 while

the Task Force to assist the NRC Board in handling the new Standard Gauge and New Line Extension Programme was also appointed. The fleet of tankers of the National Freight Company Limited is being increased from 300 to 500 to enhance its carrying capacity. The Nautical College for training maritime manpower needs of Nigeria is at the stage of take-off at Oron, Cross River State. Currently, the modalities for converting the Government Coastal Agency into a commercial organisation are being worked out and efforts will be made to complete the transition early in the new financial year. Dredging and hydrographic surveys have been carried out from Warri through Onitsha to Lokoja while preliminary designs for the building of river ports at both Onitsha and Ajaokuta are under discussion.

Berths 17-20 of Apapa Wharf are almost all complete. Phase I of Calabar Port and its dredging have been completed at costs of ₦69.28 million and ₦3.06 million respectively while work is progressing satisfactorily on Warri Port. Eight vessels of the National Shipping Line were launched during the year.

Health

SOCIAL SERVICES

By the end of 1978-79 financial year, the 19 States of the Federation had built 403 Basic Health Units with the grants of ₦34.6 million provided by the Federal Military Government. Steps are being taken to equip them for service in the next financial year. Mobile health service involving about 408 medical doctors was pursued successfully this year and this will be extended next year when 600 doctors will be deployed. The Ministry of Health will intensify its nation-wide immunisation efforts in the next year. To this end, the vaccine production laboratory at Yaba is being re-organised and expanded. During the year also, the 500-bed Teaching Hospital in Maiduguri, the new 320-bed Teaching Hospital near Zaria, the Federal School of Dental Therapy and Technology at Enugu, the Federal Chemistry Laboratory at Oshodi, the Area Chemical Laboratory in Maiduguri and the School of Pharmacy Technicians, the Drug Quality Control Laboratory at Yaba and the Mobolaji Accident Ward at the National Orthopaedic Hospital at Igbobi will all be commissioned. I would like to take this opportunity to thank once again, Sir Mobolaji Bank-Anthony who voluntarily donated half a million naira for the construction of the Accident Ward at Igbobi. This is a shining and refreshing example of public spiritedness which I commend to all Nigerians to emulate in various ways.

During the 1979-80 financial year, the construction of new Teaching Hospitals at Calabar, Enugu, Ilorin, Jos, Sokoto, Port Harcourt as well as a National Eye Centre at Kaduna will be started. It is anticipated that the out-put of Doctors from the Medical Schools will rise from the current 300-400 to about 800 in 1979, and over 1,000 in 1980.

Information

At the beginning of this financial year, the Voice of Nigeria will commence services simultaneously to Southern Africa, West Africa, North Africa and Europe. With the completion of the reorganisation of the Nigerian Television Authority, emphasis has shifted to the production of documentary films. In the course of the out-going year, the Centre for Black and African Arts and Civilisation was established. Similarly, the News Agency of Nigeria formally began to operate on October 1, 1978. In the 1979-80 fiscal year, this new organisation will be given all necessary support to enable it function effectively from all the State Capitals. The Public Enlightenment Centres established by the Federal Military Government in all the States will be handed over to the State Governments to avoid duplication.

EDUCATION

Primary

Since the launching of the UPE Scheme in September 1976, there has been a change in the policy governing the development and implementation of primary education in the country. Following the local government reform recently introduced, primary education has now become a joint responsibility of the Federal, State and Local Governments as well as local communities. This Administration is convinced that only by total commitment at all levels can the scheme become a success. The grant per pupil in primary school given by Federal Military Government is being increased from ₦35 to ₦40 per annum. This amount covers only the teachers' salaries in UPE. Cost of instructional materials, maintenance and administrative overheads will continue to be borne by state and local governments. Capital cost will also continue to be borne by the Federal Military Government.

In recognition of the fact that the early formative years is the most crucial in the overall development of a child's personality. Government has decided to encourage pre-primary education by providing relevant legislation and guidelines. Individuals, private voluntary organisations, and local communities should see it as a social responsibility to establish pre-primary or nursery schools. Employers of labour should also do so for the benefit of their workers families.

Secondary Education

When I announced in 1977, the decision of the Federal Military Government to abolish tuition in Universities and Technical Colleges, I indicated that tuition fees in Secondary Schools would be reviewed in due course. That exercise has now been done and the Supreme Military Council has decided that Secondary Education, will be tuition-free with effect from the beginning of next financial year. I would like to emphasise, for the avoidance of doubt, that boarding fees and cost of books will continue to be borne by the parents, guardians or other sponsors of students in Secondary Schools. The aim of the Federal Military Government in taking this measure is to bring some relief to the parents and guardians of students in our Secondary School system.

Teacher Education

In order to meet the staff needs of the UPE Scheme, and those of the other levels of education, the government will intensify its efforts during the 1979-80 financial year, to increase the production of teachers. The existing enrolment of about 17,700 in Advanced Teachers Colleges for NCE teachers, will be considerably increased. Faculties of Education in the Universities will also be expanded to produce more teachers for secondary schools.

In continuation of its plan to break the bottleneck created by shortage of technical manpower in the execution of the country's development programmes, Government will establish three more Colleges of Technology. When fully operational, each of the Colleges will have an enrolment of about 5,000 students.

You will recall that, in order to supplement local efforts, Government had entered into bilateral educational co-operation agreements with the following nine countries, Bulgaria, Canada, France, Italy, Poland, Romania, United Kingdom, United States of America, and Yugoslavia. Over 5,000 Nigerian students have been placed in various technical institutions in these countries. This arrangement is a temporary measure which is being phased out as our own Colleges of Technology and other Technical Institutions take off the ground.

University Education

Admittedly, the Universities like other areas of government activities were hard hit this year by the shortage of funds arising from the significant decline in Government revenues. In the new financial year, more resources will be made available through the National Universities Commission to enable the Universities meet their recurrent

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and capital commitments. Government hopes that with more resources, it would be possible to increase University enrolment significantly from its present level of about 53,000. Government is determined to ensure that research and academic staff development in all the thirteen Universities are pursued with greater vigour.

INFRASTRUCTURE

Telecommunications

Following a comprehensive review exercise of the Telecommunications Programme in November, a special Task Force was set up to undertake the Implementation of the Contingency Programme of Telephone Exchanges in 45 locations in an orderly and co-ordinated manner. The Programme should add some 150,000 subscriber lines to the system by June 1980. In addition, existing transmission facilities are being improved to achieve a stable and reliable trunk service and extension of subscriber trunk dialling facilities to all state capitals. Some state capitals, namely, Yola, Makurdi and Benin were recently provided with new modern switching systems with subscriber trunk dialling facilities while Enugu, Port Harcourt and Calabar will be provided with similar facilities soon. The existing cable system is also being replaced in order to minimise disruptions in telephone services. By July this year noticeable improvement in telecommunications should be evident. The capital outlay of improving our telecommunication system has been heavy. There will therefore be increase in the cost of telecommunication services to the users in the next financial year.

Postal Services

In order to ensure improved postal services, more Post Offices are being opened in different parts of the Federation while the policy on the establishment of Postal Agencies has been liberalised to make it easier for communities to establish them. The provision of mobile post offices is being stepped up and a total of 158,200 private letter boxes were recently installed. In addition, 159,200 private letter boxes would be installed in the new post office building currently under construction.

Nigerian External Telecommunications (NET)

As a result of the operations of the Second antenna system at the Lanlate Satellite Station, in 1976, the number of Satellite circuits have increased from 45 in 1975 to 144 in 1978. The contract for the Second Satellite Station at Kaduna was awarded in February this year while equipment installation to provide full automatic operations is in progress the microwave link between NECOM House and Lanlate has also been expanded from 300 to 600 channels.

Power

The last year witnessed a major set-back in the supply of electric power throughout the country. This was characterised by power rationing as a result of which the supply of electricity for domestic and industrial use became rather irregular. This was due to inadequate supply of water in the Kainji Lake. Our heavy dependence on the Kainji source has now been broken with the commissioning of a number of new power stations during the year, notably, the new gas-fired thermal generating facility at Ogorode near Sapele. Power supply has become more stable since the Sapele Thermal Plant was commissioned late in September last year. Despite this improvement, Government is by no means complacent and the implementation of the Shiroro and Jabbe Hydro-Electric Projects is being pursued with vigour.

The major problem afflicting the power supply system as at present is the lack of adequate distribution network, particularly in the urban areas. To combat this problem, a number of transmission lines were commissioned during the year to strengthen the distribution system. In addition, work will soon start on the transmission lines from Shiroro to Minna, Bida-Abuja as well as that from Aba to Owerri.

In order to encourage NEPA to be more efficient in its various operations and persuade consumers to show discipline in their use of electricity, NEPA will soon start to operate as a quasi-commercial enterprise. At present, while the true cost of providing electricity is 6.82 kobo per kilowatt hour ; the revenue yielded from the current tariff is only 3.78 kobo kilowatt hour, or approximately 52 per cent of the cost of generation and distribution. It is obvious from these facts that some upward adjustment of NEPA's tariff has to take place if Government subsidy of about 48 per cent is to be reduced to a more reasonable level. New tariff rates have therefore been worked out and approved to take effect from 1st July, 1979. I would like to assure you all that these new rates are not prohibitive especially for the domestic consumer as they will continue to include some element of subsidy.

In view of the improvement which has become noticeable since the latter part of last year and the generation and distribution investment now being made, I have no doubt that the country will enjoy more reliable power supply in the new financial year.

New Federal Capital

The construction of the first part of the new Federal Capital will begin during the new financial year and is to proceed at such a pace that a population of about 30,000 could be accommodated there within 3 years. Accordingly, about 8,000 housing units are expected to be

ready by 1982. Supporting infrastructural projects to be initiated during the new fiscal year include the construction of roads and airport, provision of water supply, drainage, sewage and waste disposal, power supply, telecommunications, government office, hospital and schools. The implementation of these projects will enable the Federal Capital Development Authority to accomplish its initial task of providing facilities which would enable the Federal Government to start functioning at Abuja before 1990.

Lagos Storm Water Drainage Scheme

In order to combat the danger of floods at Surulere, Iganmu, Amukoko and Ajegunle areas of Metropolitan Lagos, a contract for storm water drainage scheme for those areas was awarded during the out-going fiscal year, at a cost of ₦14 million. When the scheme is completed in 1980 the areas should be free of flood.

Defence

Substantial progress has been made in the provision of barracks for the Armed Forces. The reduction being made in the strength of the Army is being made up by improved equipment. This is in consonance with our defence policy which puts premium on adequate manpower, training, equipment and combat readiness.

International Economic Relations

Although the ECOWAS is still very young, it has been making steady progress. The meetings of its various organs during the past year had gone a long way towards laying a firm foundation for its continued progress. The meeting of the Authority of Heads of State and Government in April 1978 adopted a Protocol on Non-Aggression aimed at creating a peaceful atmosphere for economic co-operation. It was also decided that for two years beginning from 29th May, 1979, member-states would have to freeze the custom duties on goods originating in the Community. In effect, during the two years beginning from 29th May, 1979, member-states will not impose new Customs duties or increase existing ones on products originating that is at the end of two years of tariff consolidation, member-states would take steps to eliminate gradually, customs duties on intra-Community trade.

Revenue and Expenditure Estimates

I now turn to the Revenue and Expenditure Estimates of the Federal Military Government for the 1979-80 financial year. Total Federally-collected revenue which was estimated at ₦6.8 billion last year is now expected to reach ₦8.8 billion in the next fiscal year. The absolute increase of ₦2 billion represents a percentage growth of

about 29 per cent. Although this is a welcome development, I would like to point out the continued dominance of petroleum in our revenue and foreign exchange earnings. From a share of about 68 per cent last year, it is now projected that petroleum will account for about 75 per cent of total revenues in the coming year. Similarly, of total estimated foreign exchange receipt of ₦8.0 billion petroleum is expected to generate ₦6.0 billion or approximately 75 per cent.

In my last budget broadcast to the nation, I expressed the concern of the Federal Military Government about this state of affairs which sets out in bold relief, our dependence on petroleum and our vulnerability to unfavourable changes in that industry. You will also recall that I made a pledge on behalf of the Federal Military Government that something would be done to reduce our dependence on petroleum over time. In fulfilment of that pledge, the Federal Military Government commissioned investigations which have now identified a number of Manufacturing Industries which are either doing some exportation already on a small scale, or which have the potential to do so in the near future. Foreign markets which can absorb our industrial exports have also been identified. The Federal Military Government has therefore decided to launch in the new financial year, a programme for exporting Nigerian Manufactures on a selected basis to African and other overseas markets. Suitable incentives have been devised to encourage and sustain this export drive. I will like to assure you all that care will be taken to export only those things which are not in short supply here at home.

Statutory Allocations : Revenue Allocations to the State Governments

Following the acceptance by Government of the Report of the Technical Committee on Revenue Allocation, otherwise known as the Aboyade Report, the State Governments are now entitled to share in all revenues accruing to the Federal Military Government. Although the Committee recommended that 60 per cent of all such revenues should go to the Federal Government, 30 per cent to the State Governments and 10 per cent to Local Governments, the Federal Military Government has applied this new formula in a modified form, for sharing revenues for the 1979-80 fiscal year. Consequently, Federally-collected revenues will be shared as follows in the new financial year.

- | | | | | |
|-------|-----------------------|----|----|---------------|
| (i) | Federal Government | .. | .. | ₦6.3 billion |
| (ii) | States Joint Account | .. | .. | ₦2.2 billion |
| (iii) | Local Government Fund | .. | .. | ₦0.3 billion. |

I am glad to be able to point out that these revenue estimates represent improvement on the levels attained in the course of the current financial year. With respect to the State Governments in particular, there is an increase of ₦600 million or about 37.5 per cent in the revenues allocated to them. At the Local Government level, the grant of ₦150 million made available to them in the year about to end, has now risen to ₦300 million which is exactly double what they got in the 1978-79 fiscal year.

Recurrent Expenditures

In consideration of the increasing commitments of the Federal Military Government, it has been decided that the total recurrent expenditures for the new year would be ₦2.9 billion as against ₦2.8 billion for the year just ending. This is a marginal increase of under 5 per cent. With inflation running at above 15 per cent, it means that what the Federal Military Government has now budgetted for recurrent expenses will be about 10 per cent lower in real terms than what was approved last year. Thus, for two years running, the Federal Military Government has not only resisted pressures to increase recurrent expenditures, but has in fact managed to reduce such expenditures in real terms. We believe this is one of the practical ways of demonstrating our commitment to the policy of tightening our belts in order to generate resources for capital development. One of the highlights of the recurrent estimates this year is a reduction of ₦76 million in the recurrent allocation to Defence. This has been made possible by the demobilization of Armed Forces personnel in the last twelve months.

Capital Expenditures

The total requests of all Federal Ministries and Agencies for Capital allocations was ₦13 billion for the 1979-80 financial year. As a result of drastic pruning down of requests in areas considered non-essential or for projects that can be postponed, the allocations on capital account have now been approved by the Federal Military Government at ₦6.6 billion which is about half of what was requested. To finance this programme, Government will generate about ₦3.4 billion as recurrent budget surplus, ₦1 billion from internal loans and ₦1.12 as external loans. Thus, total capital receipts will be ₦5.5 billion as against a total capital programme of ₦6.6 billion. The resulting deficit on capital account is about ₦1.1 billion. The Federal Military Government has therefore decide to reserve capital expenses amounting to this uncovered gap until and unless the revenue position improves or it becomes possible to raise more loans.

As in the past, ten major economic and social sections account for well over 70 per cent of the capital allocations for next year. These are :

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Nigerian National Petroleum Corporation	..	..	..	..	..	..	..
Ministry of Works	..	..	..	..	..	..	..
Defence	..	..	..	..	..	..	..
National Electric Power Authority ..	..	..	..	..	..	..	..
Agriculture	..	..	..	..	..	..	..
Education	..	..	..	..	..	..	..
Communications	..	..	..	..	..	..	..
Industries	..	..	..	..	..	..	..
Transport (mainly Ports Development)	..	..	..	..	..	..	..
Aviation	..	..	..	..	..	..	..

The lion share of the NNPC is to enable it make capital contributions on behalf of Government, to the joint ventures entered into with the oil companies for prospecting for and producing more oil. Moreover, the Corporation is funding major projects such as the national pipeline network, storage depots throughout the country, a Liquefied National Gas Project and a Petrochemical Complex. The Defence allocation of ₦602 million for the 1979-80 financial year, is less than that of last year by ₦104 million. This saving has been achieved because of the progress already made in the construction of barracks accommodation for Armed Forces personnel throughout the country.

It is clear from the foregoing that although revenue earnings have improved to some extent, the recurrent and capital commitments of Government have increased even more. It follows therefore, that in the new financial year, we will all have to continue to tighten our belts either as Government or individuals, in order to live within our means. The difficulties which Government Contractors and Consultants have experienced in the last year have been considerable. Within the resources projected, efforts will be made by Government at Federal, State and Local levels, to meet existing financial obligations before new commitments are contemplated.

A new item of expenditure in this year's estimates is the subvention to the Local Government Pension Fund which is being established by law as a means of making conditions of service in the Local Governments comparable to what obtains in the Federal and State Government Services. The creation of this new Institution is a reflection, both, of the abiding interest of the Federal Military Government in the effective operation of the Local Government Authorities and, of the importance which we as an Administration, attach to the services which Local Governments are offering at the grass roots. With the introduction of the new Pension Scheme, it is my hope that more and more competent and dedicated Nigerians will make their careers in the service of the Local Government.

Fiscal Policy

In order to consolidate the achievements made in the out-going financial year, only slight changes will be made in the existing fiscal policy measures during the coming year. In general, Import duties have been adjusted to give greater protection to domestic industries while at the same time, discouraging both outright importation of competing substitutes and local assembly with minimal value added. The details of the various tariff changes will be announced by the Commissioner for Finance in his usual annual briefing on the Budget.

However, in order to conserve foreign exchange and encourage local production, the following goods have been banned.

- (i) Artificial Flowers or Fruits ;
- (ii) Fireworks ;
- (iii) Footwear Uppers ; and
- (iv) Tooth Paste.

For the same reason, 25 additional commodities have now been added to the list of those requiring import licences. Examples of such goods include blankets, asbestos roofing sheets, cosmetics and perfumeries, trailers, sugar, complete sewing machines, wheat, rice, butter, cheese and frozen beef. I would like to assure the nation with particular reference to the food items, that substantial quantities of these commodities have already been imported by relevant government agencies as an insurance against shortage and hardship. The objective of these restrictions is to encourage Nigerian producers who in the last two years experienced some difficulty in disposing of their production.

Credit Guidelines

Although the rate of inflation has come down to about 15 per cent the Federal Military Government is determined to consolidate the gains made in this regard and has therefore decided that the permissible increase in total bank credit should be kept at the 1978-79 level of 30 per cent. As in the past, smaller banks will be allowed to increase their total credit by a maximum of 40 per cent. With regard to the allocation of credit among various sectors, the share of manufacturing will be increased from 32 per cent to 33 per cent while a new sector, agro-allied industries, which had hitherto been lumped together with manufacturing, will now have a separate share of 3 per cent. The total share of manufacturing including agro-allied industries, will thus increase from 33 per cent to 36 per cent in support of our new programme for export promotion, credit for exports have been

transferred from the less preferred sector to the preferred sector while the allocations for imports have been reduced from 8 per cent to 5 per cent.

In general, the light financial policy of the current year will be continued although the banks are being given some leeway through a 50 per cent reduction in their cash reserve requirements and the phasing out of the stabilisation security. However, compulsory advance deposits in respect of Letters of Credit will continue to be made by the commercial banks to the Central Bank.

Foreign Exchange Allocation

As in the outgoing year, foreign exchange allocations will be geared to the importation of capital and intermediate goods and other goods and services that are crucial to the development of the national economy. One area where there will be a major change in the new financial year is in respect of foreign exchange allocation for the education of Nigerian children in elementary and secondary schools in foreign countries. At this stage of our national development, it is considered unjustified both on financial and cultural grounds, to continue to make scarce foreign exchange available for this purpose. This Administration is convinced that the best place to educate children of tender age is their own country and within their own cultural environment. I believe that it is unfair to such children to be banished, so to speak, to foreign countries and cultures at their formative stage when they are still very impressionable and may not be able to discriminate in deciding what to accept or reject in the alien values to which they are exposed. Therefore, with effect from the beginning of the new financial year, foreign exchange remittances will not be permitted for paying school fees of children in primary and secondary schools in overseas institutions. For the avoidance of doubt, I wish to point out that technical and university education will not be affected by this new policy.

Incomes Guidelines

In consonance with our desire to consolidate the gains derived from the economic measures announced last March and reinforced in October, the Federal Military Government has decided to continue the income guidelines now in force with only slight modifications. Government is aware of the difficulties which workers have had to grapple with as a result of the virtual freezing of wages for two years. While the sacrifice made by all is appreciated, it is however not considered that it is in the interest of the workers themselves for

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Government to grant big salary and wages awards at this time. I am sure you all still remember vividly, the inflation and the unhappiness which followed the Udoji Awards of 1974-75.

As far as senior employees on G.L. 07 and above are concerned, there will be no salary increase. In fact, after considering the report of the Panel on Motor Vehicle Advances and Basic Allowance, Government has decided to transfer to commercial banks, the responsibility for the granting of motor vehicle loans, under terms and conditions already negotiated. Furthermore, motor basic allowance has been abolished. It is thus clear that not only will senior officers in the Public and Private Sectors not receive any salary increase, the abolition of Motor Basic Allowance will reduce their take-home pay. In order to reduce the hardship which this will impose on them, half of the basic allowance they used to receive will be added to their salary on a once-and-for-all basis.

I would like to take this opportunity to express publicly on behalf of the Federal Military Government and on my own behalf, appreciation for the sacrifices made in the last few years by public officers who have borne the brunt of the various reform measures introduced by this Administration. We are encouraged and impressed by the attitude of these public officers who have demonstrated understanding of the difficulties which the nation has been passing through and who have continued to serve loyally and with enthusiasm, despite curtailments in their conditions of service.

Dividends

In the next financial year, the basis for dividend payment will be changed from equity shares to after-tax profit. The new guideline on dividend payment now states that no company should declare or pay dividends in excess of 50 per cent of its after-tax profit. There will be no changes in the level or structure of interests during the new financial year.

General Measures

As I have indicated on a number of occasions in the past, this Administration is committed to the creation of a decent, responsible and humane society in our land. During the last financial year, there was ample evidence that some elements of our population were not alive to their responsibilities in meeting their obligations to others. It was clear, for example, that payments for services rendered to such individuals by public and private institutions were far in arrears.

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In inter-personal financial dealings, similar behaviour was in evidence. In order to discourage this anti-social trend in behaviour which inevitably generates distrust in our society and, as a means of combating the rising wave of dishonesty and fraud at the level of the individual, the Supreme Military Council has promulgated a Bankruptcy Decree which is designed to ensure that creditors are paid what is due to them after the due process of law. The new Decree stipulates that a creditor can take steps in a court of law to get his debtor declared bankrupt if the latter has failed to settle a judgment debt. The minimum qualifying amount for such declaration is two thousand Naira. Once a man is declared a bankrupt under the Decree, he shall suffer certain disabilities which will include disqualification from election to public office and for admission to the practice of any profession except as an employee. These disabilities will terminate after five years or as soon as the debt owed is discharged, whichever is the sooner.

Fellow Nigerians, another malady which this Administration has observed is the tendency among the youths to regard the material successes of their parents as reasons for not wanting to make any effort to improve themselves and earn their own living. I believe that every individual should work for his or her livelihood because that is what self-respect dictates. Moreover, in the process of working for a living, the individual inevitably makes some contribution to the growth and development of the society. The noticeable trend among children and youths in our educational institutions and elsewhere of believing that they should have no ambition and relying on their parents wealth to see them through life, has come to this Administration as a rude shock. Furthermore, the acquisition of personal wealth and fortune by the affluent minority in the last few years calls, in my view, for some measure of control in order to avoid future disaffection and social explosion. Self-interest is undeniably part of human nature, but so is envy.

In consideration of these and other factors, the Supreme Military Council has promulgated another Decree known as Capital Transfer Tax Decree whose main objective is to impose a tax on capital assets transferred as gifts by one citizen to another. While the first ₦100,000 of such gift will be free of tax, the next ₦150,000 will henceforth attract 10 per cent tax while gifts or asset transfers of ₦2 million Naira and above will attract 60 per cent. I will like to emphasise that his tax applies to transfers between living people as well as assets that pass at death. In order to discourage evasion, the Decree contains adequate provisions which will make the payment of the transfer tax a condition precedent for the registration of transferred property or the issue of letters of administration or the granting of probate. This new measure will, in

due course, have the additional effect of providing one more source for financing the economic and social programme of the nation.

Some time ago, the Federal Military Government set up a Panel to look into gambling and all its social, cultural and economic ramifications. The Report of that Panel has now been submitted and considered by the Supreme Military Council. It is recognised that gambling, especially the casino and pools betting, can generate some revenue for Government, but Government is convinced that these two forms of gambling should be banned because of their undesirable social impact on the community and the fact that the repatriation of the proceeds of casino type of gambling leads to a net outflow of foreign exchange from the country.

Savings

As a nation in a hurry to develop, it is important to realise at all times that what we are able to save is what we can invest to produce more income in the future. It is, of course, a truism that what is consumed is not saved and what is not saved cannot be invested. I am, therefore, making a special appeal to you all, to make efforts now and in the future, to curb your spending on consumption items and save a little more for the rainy day. I am sure, most of you have experienced some belt-tightening in the last year, and that alone ought to be an object lesson on the need for and wisdom to, put something by, just in case.

There is a bad trend which crept into our national body politic in the fifties but was heightened during the disturbances and civil war of 1964-70. I have observed and received reports over the past few years that when events occurred or issues were being discussed which were regarded as unfavourable to some parts of the country. Nigerians living in those parts of the country felt or were made to feel insecure. Almost instinctively and as a first resort they prepared themselves for a return to their States of origin. Some Nigerians amongst whom they have lived have not always behaved as good, hospitable Africans who give equal security and protection to themselves and their guests. Rather, the indication and reports have been that people have intimidated and threatened other Nigerians in their midst on such occasions instead of discussing issues logically and reasonably until they are resolved. Resorts to threats, intimidation, blackmail and rumours are signs of immaturity and lack of confidence in the logic or validity of one's point of view or stand. I hasten to say that Nigerians, no matter where they live, who indulge either in the practice of packing from their States of residence to return to their States of origin at the first public discussion of controversial national issues or who are in

the practice of substituting abuse and intimidation for reasoned arguments, are doing incalculable damage to the security, unity, stability and progress of this nation.

One great lesson which I believe all Nigerians should have learnt from the events culminating in the civil war and from the outcome of the war itself is that Nigeria belongs to all Nigerians and every Nigerian group needs every other Nigerian group for a secure, progressive and contented life. No individuals or groups of individuals, can be islands unto themselves and no State or group of States within Nigeria can be isolated from the rest of the country and still enjoy the security, stature and prosperity which the whole of Nigeria now enjoys and will continue to enjoy. It is short-sightedness and lack of patriotism therefore, for any individual or group of individuals to embark on intimidation and incitement of one section against the other on any issue no matter the intensity of their feelings on such issues. Our security and prosperity as nation will be enhanced by the ability of any Nigerian to live in any part of Nigeria without let or hinderance and without fear or doubt about his security no matter what sectional or national issues become the subjects of public discussion. It is wrong, improper and unethical to say the least for a Nigerian professing to be interested in the unity of Nigeria to declare another Nigerian unacceptable in one part of Nigeria just because that other Nigerian happens to have been born elsewhere in the Federation.

I therefore call on all Nigerians to make wherever they live if not a home, at least a second home : and nobody packs away from his home at the first sign of controversy. Those who indulge in incitement, intimidation, blackmail, rumours and threats against fellow Nigerians should also desist from such criminal acts in their own interest and that of the nation.

Countrymen and women, I will like at this juncture to share with you some points which I impressed on the Presidential candidates when I briefed them on the budget and the economy earlier today. We have received reports on, and we are closely following activities of political parties and leaders, their lieutenants and supporters. It is sad to note that there are those who believe they must either win the elections at all costs or else, they will cause chaos in the country. Rather than redouble their efforts on positive and constructive actions and sell their programmes to the electorate and, ultimately, submit to the verdict and the wishes of the people, some political groups have embarked on the compilation of reports on imaginary designs for rigging the elections.

All this in an attempt to provide a basis and support for their evil intentions and Plans in the event of failing to win the elections. Others are known to be making overtures to outside interests while we have reports on others who are planning that they either win or there will be no Nigeria.

Let me assure the people of this country once again that we, as an Administration, are not interested in any individual or political party as our successor. We are interested only in a system that ensures free, fair and unhindered elections and a system that respects the verdict and the wishes of the people. No political party or individual has any moral right to force his leadership in any form whatsoever on the people who may have collectively through their verdict at the polls fail to endorse his leadership and/or his programme.

And let me once again reaffirm to all Nigerians that this Administration will do its utmost to ensure fair, free and unhindered elections. We will ensure strict compliance with the law. We will also ensure that the collective verdict and the wishes of the people of this country are respected and not trampled upon. This commitment is total and unremitting. I will therefore call on those who have embarked on the dangerous and suicidal path of preparing fake and imaginary reports on election rigging or who are threatening to end the corporate existence of Nigeria in the event of failure, to desist forthwith from self-immolation. Any political party members, activists, supporters or canvassers who are contemplating creating trouble before, during and after the elections, will have nobody to blame but themselves. And with or without such people, Nigeria will continue to exist and prosper.

For the past two and a half years the Federal Electoral Commission has been hard at work in preparation for the five popular elections and two possible run-offs that are coming up this year. After taking into account the state of the Commissions preparedness and all other very relevant factors connected with the election, the Supreme Military Council has decided in accordance with section 16 of Electoral Decree No. 73 of 1977, to notify the Federal Electoral Commission to conduct the forthcoming elections, between July and September, 1979. The Electoral Commission will fix the date of each election and inform the nation.

All candidates should work hard to sell their programmes and themselves to the electorates. But they should not see or take the election as a matter of life and death. Any candidate or party who succeeds in the elections should see it as it should be seen : a heavy responsibility

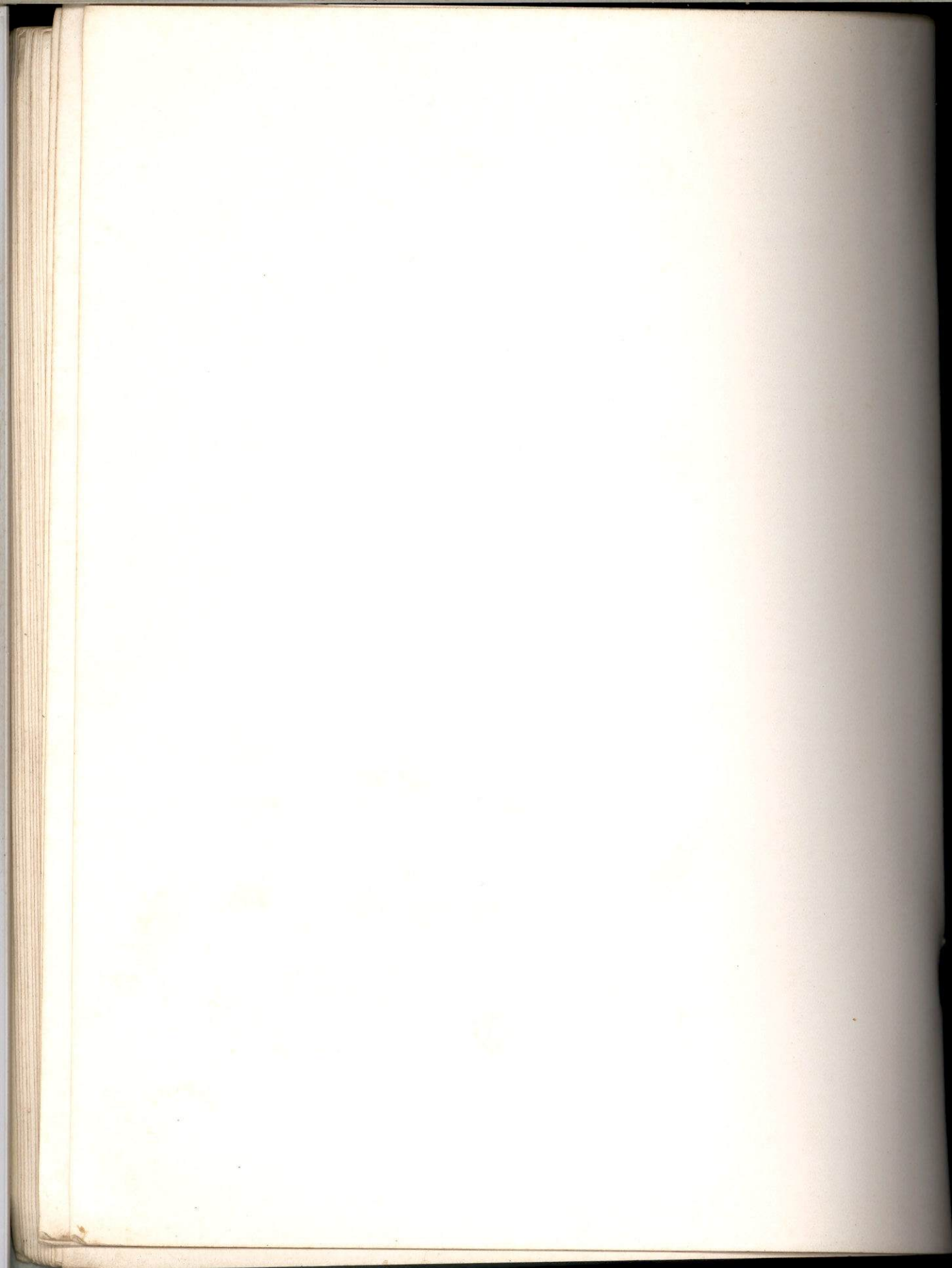
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and a call to service without discrimination or bitterness. And those who may not succeed this time, should feel satisfied that they have had a good competition, accept the verdict of the people, freely and fairly given, co-operate with those who succeed and prepare for another time. Let us have good winners and good losers.

I wish you all happy and peaceful elections and all the political parties, success in their endeavours.

Thank you all, and Good Night.

PRESS STATEMENT
by
COMMISSIONER FOR FINANCE



STATEMENT ON THE 1979-80 BUDGET

**By Major-General J. J. Oluleye
Federal Commissioner for Finance**

Ladies and Gentlemen,

I welcome you to this meeting which has been convened to enable me to elaborate on the important measures just announced by the Head of the Federal Military Government and Commander-in-Chief of the Armed Forces in his 1979-80 Budget Speech.

2. It was clear from his broadcast that the economy has, by and large, responded positively so far to the measures announced last year, and that most economic indicators are showing favourable trends. I have particularly in mind here the global problem of inflation, which in our own case we have been able to bring under control, as reflected in the downward trend of the prices of our major food items and some consumer goods. I fully realise that the present relatively happy climate could not have been achieved without some sacrifice in various sectors of the economy, and by the public at large. However, in order to consolidate the achievements so far recorded and steer the economy as a whole in the right direction, a number of measures have been adopted in the light of the experience gained in administering the measures introduced last year.

Fiscal Measures

3. The overriding consideration in this year's fiscal measures is the concurrent need to save foreign exchange by placing on import licence some of those goods that can be locally produced in adequate, or near adequate quantities, and to promote local employment. These measures are designed to further encourage the mobilisation of local resources to increase production in both industry and agriculture. The tariff rates have been carefully fixed to ensure that while locally produced goods are protected from cheap competing imports, the raw materials needed by local industries shall be admitted into the country at rates that would ensure moderate prices for the finished products so as to contain the pressures of inflation. The highlights of the measures are as follows :—

Agriculture

4. You will recall that last year, in order to encourage foreign investment in agriculture, government approved the re-scheduling of Agricultural Production and Processing from Schedule II to Schedule

III of the Nigerian Enterprises Promotion Decree. In addition to this, Capital Allowances of 10 per cent was allowed to companies engaged in agricultural production in respect of their expenditure on plant and equipment. Such companies could also carry forward their losses from year to year without the limitation which is normally placed for pioneer projects. In my view, these incentives should facilitate greater investment in agriculture. It is unfortunate that the response to these concessions has not been very encouraging. Government must however persist in promoting our agriculture and, to this end, additional concessions have been approved in the 1979-80 fiscal year.

5. (a) *Machinery for Irrigation*.—In many parts of the Federation, tremendous potential exists for raising agricultural production through irrigation. Already, machinery and equipment imported for use in agriculture can be imported duty-free by Approved Users. This dispensation has now been carried further to include irrigation machinery. I must however emphasize that this concession can only be enjoyed by Approved Users directly engaged in agriculture.

6. (b) *Fresh Fish and Shrimps (Live or Dead)*.—Fish caught and landed in Nigeria, by Nigerian-owned vessels registered in Nigeria and flying the Nigerian flag, shall no longer be treated as imports subject to duty payment and remittance of foreign exchange. Instead they will be landed and cleared free of duty ; by the same token, there will be no foreign exchange implications, except with regard to remittances for the purchase of the vessels.

7. When caught and landed by foreign vessels *chartered* by Nigerian companies, a 2k per kg. duty will be payable, while the charter fee for such vessels shall, for foreign exchange purposes, be deemed to be not more than 60 per cent of the value of the landed fish. Fish landed by any other type of vessel shall attract 4k per kg. import duty. This arrangement is designed to encourage the development of an active local fishing industry.

Manufacturing Industry

8. This year the Federal Military Government has carried still further its policy of encouraging local manufacturing through fiscal and physical protection. To this effect, a number of tariff measures have been approved, and these are to be found in the extraordinary *Gazette* dated 1st April, 1979. Some of the changes are as follows :

9.—(i) *Local Assembly of Refrigerators*.—The time has come to encourage a greater incorporation of locally manufactured parts in the assembly of imported components of foreign goods. A good start has been made by some assemblers of refrigerators, and to underscore

Government's desire that local parts should gradually replace the imported ones, it has been decided that C.K.D. (completely knocked down) refrigerator components shall now be imported at 20 per cent duty (instead of 5 per cent), but that raw materials needed for the actual local manufacturing of the parts should be admitted at 5 per cent duty. If some factories can endeavour to manufacture most of their parts, so should others ; but a company that insists on assembly when adequate incentives for manufacturing exist should now do so at some cost. The duty differential will make it more attractive to manufacture the parts in Nigeria, and, correspondingly, less lucrative to import all components from abroad.

(ii) *Plastic Pipes*.—The import duty has been increased from 20 per cent to $33\frac{1}{3}$ per cent to protect local manufacturers.

(iii) *Tubes and Pipes of Cast Iron or Steel*.—The protective import duty has been raised from $33\frac{1}{3}$ per cent to 40 per cent.

(iv) *Flat Galvanized Iron Sheets*.—To protect local manufacturers of corrugated, galvanized roofing sheets, and to encourage more corrugators to integrate backward into the production of corrugated galvanized iron sheets, the duty on flat sheets has been raised from 10 per cent to 20 per cent.

(v) *Fabricated Steel/Aluminium Structures*.—The protective duty of 25 per cent has been found inadequate and has been raised to 30 per cent.

(vi) *Recorded Tapes (excluding Master Tapes)*.—Partly to discourage unnecessarily large imports, and partly to bring the rate of duty in line with that on grammophone records, it has been raised from 20 per cent to 50k each each or $66\frac{2}{3}$ per cent.

(vii) *Refuse Disposal Vehicles*.—The former duty of 15 per cent has been reduced to 5 per cent for Approved Users to encourage environmental sanitation.

(viii) *Mobile Clinics*.—To help in health care, these will now attract 5 per cent duty, as against the previous 15 per cent, when imported by recognized hospitals and clinics.

Excise Duty

10. Most local industries now enjoy generous tariff incentive as well as protection through import restriction and prohibition. This naturally reduces the revenue accruable to Government. In order to recoup some of the lost revenue so as to be financially strong to channel resources to sectors that are in crying need, a number of locally produced goods will now attract a nominal excise duty of 5 per cent. These include Sound Recorders, Reproducers and Record Players, Kerosene Cookers, Gas Cookers, Clocks and Watches, Socks and Stockings, Mattresses and Pillows, Glassware, and Calendars and Greeting Cards.

Import Prohibition

11. In order to conserve our foreign exchange and encourage local production, the following goods have been banned in addition to those currently under the Import Prohibition Order :—

- (i) Artificial Flowers or Fruits or Parts thereof
- (ii) Fireworks
- (iii) Footwear uppers
- (iv) Tooth paste.

Import Licence

12. To protect local industries and conserve foreign exchange, and in order to maintain some flexibility to supplement local production where this is inadequate to satisfy local demand, particularly in respect of basic items, the following items have been placed under import licence:—

- (i) Plastic Pipes (39.02D and 39.07M).
- (ii) Polythylene and Regenerated Cellulose Film (Chapter 39).
- (iii) Blankets (62.01).
- (iv) Asbestos Roofing Sheets (68.12B).
- (v) Tubes and Pipes of Cast Iron or Steel (not exceeding 8 cm. in diameter) (73.17C and 73.18C).
- (vi) Corrugated Galvanized Roofing Sheets (73.13A).
- (vii) Primary Cells and Batteries (1.5 volts) size "D" "UMI" "R. 20" and all batteries of physical size similar to U2 size "D".
- (viii) Paper Napkins, Paper Serviettes and similar Tissue Paper (48.21).
- (ix) Cosmetics and Perfumery (33.06).
- (x) Sewing Thread (55.05A and 55.06A).
- (xi) Trailers (87.14B).
- (xii) Sugar (Cube and Granulated (17.01).
- (xiii) Sewing Machines (84.41).
- (xiv) Jute Fibre and similar Vegetable Fibre (57.03 and 57.04).
- (xv) Wheat and Meslin (mixed wheat and rye) (10.01).
- (xvi) Rye (10.02).
- (xvii) Barley (10.03).

- (xviii) Oats (10.04).
- (xix) Rice (10.06).
- (xx) Buchwheat, millet, canary seed, grain sorghum and other cereals (10.07).
- (xxi) Cereal Flours (11.01).
- (xxii) Butter (04.03).
- (xxiii) Cheese (04.04).
- (xxiv) Footwear soles and heels.
- (xxv) Frozen Beef.

Open General Licence

13. Various photographic items were placed under Import Licence last year, the aim being partly to conserve foreign exchange and partly to encourage local developing and printing of films. To facilitate this, the Federal Military Government has now removed from import licence chemicals needed for such developing and printing.

Export Licence

14. Hides and Skins—In order to discourage indiscriminate export to the detriment of the development of the local tanning industry, these items have been placed under export licence so as to ensure that only hides and skins surplus to the requirements of the tanning industry can be exported to generate foreign exchange.

Government Contractors and Restricted Goods

15. It has been observed that contractors executing Government projects often import restricted items in preference to local goods, and without first obtaining an import licence or other forms of authorisation. While it is appreciated that some goods may need to be imported either because of their special characteristics or because local supply is inadequate, contractors should henceforth first ensure that local supplies are exhausted before resorting to importation. Licences shall be given only after confirmation has been obtained from local manufacturers to the effect that they would be unable to supply.

Quality, Quantity and Price of Local Goods

16. As a positive response to the network of incentives granted to industry, local manufacturers are enjoined to ensure that some of these incentives are passed on to the final consumer through better quality goods produced in abundance at fair prices. Intensified industrialisation would be meaningless unless the ultimate consumer, who is by and large the intended ultimate beneficiary of these concessions, reaps some of the benefits now monopolised by some manufacturers and their various tiers of distributors.

Export Promotion

17. In his Budget Speech last year, the Head of the Federal Military Government announced that the Federal Military Government would take steps to reduce Nigeria's dependence on oil for financing essential services as well as its national development programmes. One of the steps taken so far to realise this objective is the evolution of a new export promotion strategy. In the new fiscal year, due cognisance will be given to the development and exploitation of our export potentials. To this end, government has identified a number of industries which can be encouraged through fiscal and other measures to export their products. Details on implementation of these measures are now being worked out and will be announced in due course.

Protection and Encouragement of Local Industries through Long Term Import Controls

18. Government has for some time been conscious of the need to improve the prospects for investment in this country through the granting of long-term protection to local industries. We have in the past tended to offer protection to these industries through fiscal rather than physical measures and in most cases these could be the subject of annual reviews. This has not proved to be a sufficiently stable atmosphere for investment. Government has therefore decided to promulgate a decree against imports which would offer protection, for at least 8 years, to selected industries. Such industries will however be required to submit as a matter of policy a comprehensive programme for the production of some of their components and raw materials in Nigeria. A scheme is also being worked out for industrial concerns to contribute to a Central Fund to be set up for investment in the development of raw materials locally through well programmed research.

Taxation

19. Last year, the Federal Military Government set up a Task Force on Tax Administration to review the sources of Tax Revenue and the structure of Tax Administration in Nigeria. The Task Force has since submitted an interim report. Government had considered the report and those recommendations of the report which it accepted and which came into force with effect from 1st April, 1979 are contained in a separate annex to my Statement.

Dividends

20. From 1st April, 1979 the new guideline on dividend payment now requires that no company should declare or pay dividends in excess of 50 per cent of its after tax profit in that current financial year. In effect, *all* companies cannot pay dividends from retained earnings nor calculate their profit by adding any accumulated profit or transfer from reserve.

The purpose of government action is to encourage efficiency in all the sectors of the economy and to pay dividend based on the true performance of the company.

Abolition of Car Basic Allowance

21. From 1st April, 1979, FMG has abolished payment of car basic allowance to employees in both public and private sectors. However, slight salary adjustments have been approved to minimize financial hardship on the staff earning the allowance. Henceforth, motor vehicle advances will only be made through bank loans and not by employers.

Monetary and Banking Measures

22. Monetary and banking measures for the 1978-79 fiscal year were to maintain general economic stability through the control of domestic money supply and judicious resource allocation to the productive sectors. They were also aimed at containing inflation and maintaining a healthy balance of payments. Results so far show a positive trend, but the problems are by no means over. Against the background of tight liquidity position in the banking system and combined pressures on government finances and the balance of payment the following additional policy measures have been taken for the 1979-80 fiscal year.

23. *Credit Guidelines.*—Some of the existing guidelines currently in force have been slightly amended, and a few new ones introduced. In respect of commercial bank loans and advances, the share of Manufacturing has been increased from 32 per cent to 33 per cent and a new sub-sector called Agro-Allied which had hitherto been lumped with Manufacturing, will now have a share of 3 per cent. The total share of Manufacturing would thus increase from 32 per cent to 36 per cent ; the share of Construction is reduced from 10 per cent to 9 per cent but this will not affect the share of loans for residential buildings.

24. As for Merchant Banks, the share of their loans and advances to Agriculture increases from 4 to 5 per cent, while the new Agro-Allied sub-sector will have a share of 4 per cent. In order to improve on the allocation of loans and advances to Agriculture and Agro-Allied ventures, all banks are now required to open Agricultural Departments in their establishments to be staffed with qualified Agricultural and Credit experts.

25. Allocation to Exports has been transferred from the less preferred to the preferred sector. Correspondingly, allocation to Imports has been reduced from 8 per cent to 5 per cent and from 11 per cent to 8 per cent for commercial banks and merchant banks respectively. To underscore the present Administration's priorities, the shortfall as at 31st March, 1979 in the prescribed share of the bank's loans and

advances to Agriculture and Residential Construction shall be transferred to the Nigerian Agricultural and Co-operative Bank Ltd., and the Federal Mortgage Bank respectively. The mechanics for operating these deposits to achieve Government's objective are being worked out. The schedules of the revised sectorial allocation for credit facilities will be made available.

26. *Liquidity Squeeze.*—The existing tight liquidity of the banks has been relaxed in order to achieve the objectives of the credit guidelines. The cash reserve requirements of banks are reduced by 50 per cent while stabilization securities are to be phased out. However compulsory advance deposits in respect of letter of credit will continue to be made by the banks to the Central Bank.

27. *Loans to Indigenous Enterprises.*—In pursuance of Government's declared intention to assure credit to small scale enterprises, the existing credit ceiling of 60 per cent to indigenous enterprises has been raised to 70 per cent, out of which at least 10 per cent shall be reserved exclusively for small scale enterprises wholly owned by Nigerians. Distribution of credit among them shall be based on annual business turnover, as follows :

Up to ₦25,000	..	..	..	1%
Over ₦25,000-₦50,000	..	..	..	1.5%
Over ₦50,000- ₦100,000	..	..	..	2%
Over ₦100,000-₦200,000	..	..	..	2.5%
Over ₦200,000-₦500,000	..	..	..	3.5%

Compulsory Advance Deposits for Cement Imports

28. In addition to the existing requirement in this respect, 50 per cent cash deposit before letters of credit are established for cement imports will now be required in respect of orders which will be delivered after the six months of the 1979-80 fiscal year.

Balance of Payment and Foreign Exchange Budget

29. As in the 1977-78 financial year, actual disbursements have so far exceeded budgeted foreign exchange expenditure in the outgoing year. The proportional budget for the first nine months of 1978-79 was overspent by approximately 30 per cent. However, actual over-disbursement by the end of the fiscal year is likely to be lower due to measures taken during the year the impact of which began to materialize in the last quarter of the fiscal year.

30. In the light of the foregoing analysis, and our practical experience in administering the exchange control measures last year, it has become evident that a number of loopholes still remain in the

system, and that these are being unduly exploited to the detriment of our foreign reserves. Accordingly, the following additional exchange control measures have been approved by Government.

Management and Technical Services Fees, Royalties, etc.

31. A maximum of 3 per cent of net profit after tax is now fixed for remittances under Management and Technical Services Agreements in place of 3 per cent gross profit hitherto allowed. Additionally, Management Agreements as opposed to Consultancy Agreements will no longer be entertained from existing well-established companies. Such companies should institute specific training programmes for their staff, and engage the necessary staff where specialised services are required. Existing Agreements will however be allowed to run through to their expiry dates.

Consultancy Fees

32. Considering the alarming number of consultancy agreements executed so far, it has been decided that the proportion of consultancy fees remittable abroad to foreign associates be reduced from the present maximum of 50 per cent to 30 per cent. Additionally, ability to perform locally without undue dependence on foreigners outside Nigeria would be one of the major criteria for the award of contracts to professionals and consultants by both the public and the private sectors.

Local Overdraft Facilities

33. Henceforth, Government will ensure that, as far as possible, companies enjoying local overdraft facilities are not at the same time remitting their earnings overseas before such facilities are cleared.

Director's Fees

34. Large increases in these fees have become noticeable since the restriction on dividends. The maximum fee which a non-resident director of a Nigerian company can be paid from Nigeria has now been fixed at ₦4,000 per annum.

Education : Elementary and Secondary

35. At this stage of Nigeria's development, it is considered that the foreign exchange outflow for elementary and secondary education abroad is financially and culturally unjustified. Henceforth, foreign exchange remittances will not be permitted for these levels of education except in cases of medically certified handicapped children whose educational facilities are not available locally, children left behind by *bona fide* Nigerians working for Government abroad, and other very special cases that may be authorized by my Ministry.

Airfreight Charges

36. Public and private sector enterprises that are in the habit of unnecessarily air freighting to Nigeria supplies which can be quite conveniently carried by sea, are given a three-month notice within which to re-arrange their supplies by sea, in view of the expansion in our port facilities.

Guidelines on the Repatriation of the Proceeds of Sale of Shares

37. Now that many foreign Companies have complied with the Nigerian Enterprises Promotion Decree 1977, Government has considered the question of sale of shares transferred to Nigerians. It is Government's wish that in view of the potentials of the Nigerian economy, as much as possible of the proceeds of sale should be re-invested in the Economy. However, Government appreciates that some companies for one reason or the other may wish to repatriate the proceeds of the sale of their investment.

38. Accordingly, the following guidelines have been approved by the Government for such repatriation :—

- (i) Repatriation will be on instalmental basis ;
- (ii) The rate of repatriation shall be as follows :
 - (a) amounts not exceeding ₦300,000 shall on approval be transferred once ;
 - (b) the excess over ₦300,000 shall be transferred at the rate of ₦300,000 every six months ;
- (iii) To qualify for repatriation as above, applications should be supported by documentary evidence of Approved Status or evidence of Capital importation ;
- (iv) On reinvesting in Nigeria, enterprises already enjoying Approved Status will have Approved Status also conferred on their new investment ;
- (v) All enterprises that cannot produce evidence of Approved Status would, on reinvesting not less than 50 per cent of the proceeds of the sale of their shares in new enterprises in the Nigerian economy, qualify for transfer of dividends for both their old and new investment, thus rationalising their position.

39. By the decision in paragraph 36 (v) above, Government has removed the distinction that has so far existed between sterling and non-sterling area investments made in Nigeria before the Exchange Control Act, 1962, thus demonstrating in practical terms its policy of parity of treatment for all investments of whatever origin and its desire

to improve the investment climate for those enterprises affected by indigenisation in order to facilitate the reinvestment of proceeds due to the foreign shareholders of the enterprises.

State and Local Government Finances

40. Out of the federally-collected revenue of about ₦6.8 billion in the 1978-79 financial year, a total sum of about ₦2.8 billion—about a third—was passed on to the States as statutory and non-statutory appropriations and Capital grants. In spite of this favourable proportion relative to the allocation of functions between the States and the Federal Military Government, however, the States still found themselves in a financial indebtedness arising from contractual obligations.

41. A number of measures have been adopted in order to widen the sources of State Government's revenue. For example, as already explained, the report of the Task Force on Tax Administration set up by the Federal Military Government has been accepted and passed on to the States for speedy implementation, and it is hoped that the implementation of the approved measures would yield substantial additional revenue for the States.

42. In view of its revenue implication for the States, the Federal Government has withdrawn the tax concession on Capital Allowance on loans on owner-occupier property up to the value of ₦100,000. The concession on interest on loan for developing such property will, however, be retained.

43. The Federal Government will retain ₦6.271 billion from the total estimated federally-collected revenue in 1979-80. A total sum of ₦2.234 billion will be passed on to the States Joint Account to be distributed among the 19 States, while the sum of ₦300 million will be passed on to the Local Governments as statutory allocation. In addition to these statutory allocations, because the Federal Government still attaches high priority to the U.P.E. Programme, a Capital grant of ₦99 million in respect of U.P.E., for both Primary School classrooms and Teacher Training Programmes, will be made to the State Governments. This would include the sum of ₦38 million set aside for some lapsed Authorities to Incur Expenditure in 1977-78 in respect of U.P.E. projects in that year. To meet the increasing cost of running the U.P.E. scheme, a Recurrent grant of ₦548,186,800.00 will be made to the States in 1979-80, making a total of ₦609,140,228.00 for U.P.E. (Primary and Teacher Training), which will be passed on to the States.

44. In addition to these statutory and non-statutory allocations to the States, the sum of ₦600 million in Development Loan Stocks shall also be raised for on-lending to them in 1979-80.

Financial Details of the Budget

45. Of the estimated gross revenue of ₦8.805 billion to be collected by the Federal Military Government in 1979-80, the federally retained revenue will be of the order of ₦6.271 billion—a slight improvement on the retained revenue of ₦5.8 billion for 1978-79. Recurrent Expenditure at ₦2.9 billion (the figure for 1978-79 was ₦2.8 billion), once again demonstrates our determination to exercise a strict control on disbursements in spite of the added costs arising from a return to civil administration.

46. The highlights of the Recurrent Budget include a provision for tuition-free secondary school education and a contribution of ₦5 million to the Local Government Pension Scheme. Other major ones are :

APPROVED 1979-80 RECURRENT EXPENDITURE

<i>Ministries/Departments</i>	<i>Allocation</i> <i>₦</i>
State House/Dodan Barracks	1,358,730
Cabinet Office	38,052,680
Police	197,845,540
Police Force Service Commission ..	146,390
Agriculture and Rural Development ..	34,347,200
Federal Audit	3,445,840
Civil Aviation	28,326,650
Communications	831,010
Defence	520,000,000
Economic Development	27,638,750
Education	326,076,020
Establishments	20,442,570
External Affairs	37,007,030
Finance	70,398,490
Health	97,176,930
Industries	6,750,850
Information	76,241,850
Internal Affairs	50,811,380
Judicial	4,857,640
Justice	4,314,950
Labour	63,349,110
Mines and Power	7,548,400
National Science and Technology Development Agency	33,032,000

APPROVED 1979-80 RECURRENT EXPENDITURE—*continued*

<i>Ministries/Departments</i>	<i>Allocation</i>
	N
Public Complaints Commission	2,330,420
Federal Public Service Commission	3,157,950
Trade	11,883,080
Transport	14,508,940
Works and Housing	105,625,590
Federal Electoral Commission	26,324,090
National Assembly	8,717,230
Contingencies	30,295,220
Non-Statutory Appropriation	4,950,000
U.P.E.	548,186,800
Grants to States for Secondary Education ..	40,000,000
Public Debt Charges	358,279,210
Consolidated Revenue Fund Charges ..	95,741,460
TOTAL	<u><u>N 2,900,000,000</u></u>

47. As a result of continued resource constraint, the Capital Budget for 1979-80 has been fixed at N6.61 billion in the light of national economic objectives and priorities, to be financed as follows :—

Recurrent Revenue Surplus	N3.4 billion
Internal Loan	N1.00 billion
External Project Loans	N1.12 billion
Total, Capital Receipts	<u>N5.52 billion</u>
Resource Shortfall or Gap	N1.09 billion
TOTAL, CAPITAL BUDGET	<u><u>N6.61 billion</u></u>

The resource gap of N1.09 billion shall be reserved until Government's liquidity position improves.

48. The highlights of sectoral allocations are as follows :—

SUMMARY OF 1979-80 CAPITAL EXPENDITURE

						N
Agriculture	..	..	..	..	..	183,463,000
Livestock..	..	..	..	..	..	17,762,000
Forestry ..	..	..	..	..	..	15,698,000
Fisheries ..	..	..	..	..	..	2,750,000
Mining and Quarrying ..	..	..	..	..	..	726,200,000
Manufacturing and Craft	..	..	..	..	..	1,365,565,000
Power	..	..	..	..	..	540,000,000
Commerce and Finance	..	..	..	..	..	38,835,000
Land Transport System	..	..	..	..	..	962,254,000
Water Transport System	..	..	..	..	..	159,292,000
Air Transport System ..	..	..	..	..	..	122,767,000
Communications	..	..	..	..	..	320,530,000
Education	..	..	..	..	..	391,130,000
Health	..	..	..	..	..	80,213,000
Information	..	..	..	..	..	17,540,000
Labour	..	..	..	..	..	2,068,000
Social Development, Youth and Sports	..	..	..	..	..	4,766,000
Water Resources	..	..	..	..	..	359,555,000
Environment	..	..	..	..	..	6,320,000
Housing	..	..	..	..	..	84,196,000
Town and Country Planning	..	..	..	..	..	13,827,000
Co-operatives and Supply	..	..	..	..	..	1,700,000
Prisons	..	..	..	..	..	13,650,000
Police	..	..	..	..	..	28,780,000
Defence	..	..	..	..	..	602,000,000
General Administration	..	..	..	..	..	373,839,000
External Financial Obligations..	..	..	..	..	..	175,300,000
TOTAL, FEDERAL CAPITAL EXPENDITURE						<u><u>N6,610,000,000</u></u>

New Revenue Allocation System

49. Arising from the Report of the Technical Committee on Revenue Allocation, federally-collected revenue shall now be shared as follows by the three tiers of Government :—

Federal Government	..	..	..	60%
States Joint Account	..	..	..	30%
Local Government Fund	..	..	..	10%

The critical criteria for allocation of funds among the States from States Joint Account as well as the weighting assigned to each criterion are as follows :—

<i>Criteria</i>	<i>Weights</i>
1. Equality of access to Development opportunities ..	0.27
2. National Minimum Standards for National Integration	0.28
3. Absorptive Capacity	0.20
4. Independent Revenue and Minimum Tax Efforts	0.12
5. Fiscal Efficiency	0.13
	1.00

50. The Federal Military Government is aware of the possible disruptive effects on the balance of the finances of individual States which the new formula could engender and because of this it has been decided to implement it in stages. For purposes of the 1979-80 financial year, therefore, the formula shall apply to incremental revenue over and above the 1978-79 figure. This increment, which is estimated at N1.99 billion, shall be shared as follows :—

	N
Federal Government	1.243 billion
States Joint Account	0.597 billion
Local Government Fund	0.150 billion

51. Recognising the fact that the Local Governments are unlikely to be fully mobilised in 1979-80 to fully assume all their additional responsibilities, such as U.P.E., Basic Health Service Scheme, etc. it has been decided that, for the purpose of the 1979-80 Budget, the total allocation to the Local Governments Fund shall not exceed N300 million.

52. The totality of Revenue that will accrue to each tier of Government from the federally collected revenue of ₦8.805 billion in 1979-80 shall thus be as follows :—

<i>Level of Government</i>	<i>1978-79 Receipt (₦billion)</i>	<i>Incremental Change in 1979-80 (₦ billion)</i>	<i>Total Receipt in 1979-80 (₦ billion)</i>
Federal Government ..	5.028	1.243	6.271
States Joint Account ..	1.637	0.597	2.234
Local Government Fund	0.150	0.150	0.300

Community Tax

53. The Federal Military Government has also decided to lift the ceiling imposed on the rate of community tax to allow the State Governments free hand to adjust the rates to meet their respective needs and suit the peculiar conditions.

54. Ladies and gentlemen, I must stress, as the Head of the Federal Military Government has himself stressed on a number of occasions, that the era when oil revenues would continue to meet most of our expenditure is gone, and although the performance of the petroleum sector this year is likely to be better than it was last year, government financial resources remain inadequate when viewed against our existing commitments and future resource requirements. It is therefore necessary that henceforth we should continue to widen our revenue base in order to enable us to generate, as much as possible internally, the resources that are necessary for our development. Every sector of the economy and every citizen of this country has a role to play in this task because there is no doubt that in the final analysis, no matter what resources may be available to us as a nation, there can be no substitute for hard work, sacrifice and discipline if we are to realise our objective of sustained and balanced economic development.

55. Thank you ladies and gentlemen for patiently listening to me. I will now give you the opportunity to raise questions that you may have either on the Budget Speech of the Head of State or on my Statement.

**Government Decisions on Changes in Taxation
Proposed by the Task Force on Tax Administration**

1. Last year, the Federal Government set up a Task Force on Tax Administration which has since submitted an interim report. After deliberating on the report, Government took the following decisions as they affect taxation generally.

2. The various tax Laws of the country with their numerous amendments are to be codified.

3. Where a partnership is registered in more than one territory, the State of registration should supply the state of residence of the partners with particulars of the registration, accounts and income of partners for tax purposes.

4.—(a) All the State Tax Laws are to be unified under one single personal income tax law which will be applicable throughout the country. This is to ensure uniformity in personal income tax law and practice.

(b) The uniformity will also ensure that notices of assessment are sent out at the same time throughout the country and this will be so prescribed in the law.

5. In order to remove some difficulties of identification of taxable persons :

(a) All Local Government Authorities should device ways of numbering streets and houses within their areas.

(b) Registration of all business names and business premises must be renewed annually with a token fee. Furthermore, registration of business names will be decentralised.

(c) Registration of professionals in private practice must henceforth be notified by the appropriate Registries to the relevant tax authorities where the professionals are resident.

(d) The registration of births and deaths are now mandatory; States Ministries of Health, Local Government Areas are required to organise this immediately.

(e) The proviso in section 28 (3) of ITMA 1961 limiting information from banks to interest is being amended to enable Tax Authorities obtain any information regarding income, etc. of any taxpayer from anybody, including all banks and bank managers, and failure to respond to such request for information will constitute an offence with appropriate penalties.

(f) The presentation of Tax Clearance Certificate covering the preceding three years will be a prerequisite for any business transaction with government. This will be extended gradually to deserving transactions with the private sector. In this connection, the following are the various circumstances and transactions for which such tax clearance certificate will be demanded :

1. From non-government applicants (e.g. loans for small business, etc.) for government loan.
 2. From persons registering and licensing vehicles (only on first registration).
 3. From persons applying for gun licence.
 4. From applicants requiring exchange control permission to remit funds.
 5. From persons applying for Certificate of Occupancy.
 6. From tenderers for government contract.
 7. From traders requiring trading licence.
 8. From applicants for Property transfer documents.
 9. From applicants for approval of building plans.
 10. From electoral candidates.
 11. From applicants for plots.
 12. From applicants for imports/export licences.
 13. From applicants for Buying Agents licences.
 14. From applicants for pools or gaming licences (as and when applicable).
 15. From applicants for registration as contractors by government.
 16. Application for distributorship.
 17. Application for Approved Users Certificate.
6. All Government Agencies of functionaries should from now on notify the tax authorities of financial transactions with taxable persons.
7. Tax Authorities will soon prescribe the necessary records to be kept compulsorily by businessmen and women who do not keep complete accounting records. The Institute of Chartered Accountants in liaison with the Federal Board of Inland Revenue will work out the machinery for up-dating the new system of record keeping.

8. Businessmen, tradesmen who keep no satisfactory records of their businesses will now pay a standardised rate of tax for each year of assessment to be determined by relevant tax authorities. This will cover, market women, road-side mechanics, petty traders with or without known or specific business or residential addresses.

9. A 10 per cent tax relief on rents paid will be allowed to tenants who declare and disclose the correct amount of rent they pay to their landlords or landlord's representatives. Such disclosures shall however, have to be substantiated to the satisfaction of the tax authorities concerned before such relief is granted. The production of a rent book or rent receipt may not be conclusive evidence of true rent paid.

10. The Foreign Exchange Departments of the Central Bank and Federal Ministry of Finance will now provide to the tax authorities returns of foreign exchange approvals for remittances abroad in respect of individuals. Such returns shall be rendered at regular intervals to appropriate tax authorities.

11. Professionals in private practice will henceforth be assessed at least on an assumed minimum net income of their counterparts in the public sector in terms of post-qualification experience. Professionals who are evidently earning more than their counterparts in the public sector, that is more than the assumed minimum, will be assessed on such increased income accordingly.

12. To expedite the trial of tax cases, Revenue Courts are to be established in all states.

13.—(a) Tax Authorities have been directed to ensure that notices of assessment reach all taxable persons between 1st May and 30th September of each year of assessment, failing which any person who fails to receive a notice should demand for same from the relevant tax authority.

(b) Direct assessment taxpayers will now be allowed to make payments in advance or instalmentally as the case may be.

(c) It will henceforth be a punishable offence for any taxable person not to pay his tax by 1st February of any year of assessment.

(d) Policemen will now assist tax authorities in the enforcement of tax laws and in the preservation of peace, law and order in tax offices.

14. The present system of regarding both the Company and the shareholder as one and the same person for tax purposes is abolished. Henceforth :

(a) Tax will be imposed on companies at 45 per cent, while dividends paid to shareholders will attract a withholding rate of 12.5 per cent.

(b) Companies paying dividends should ensure that the tax withheld is paid over to the tax authorities of the States in which the shareholders are respectively resident. Tax on the profits must have been paid before dividends are paid out in accordance with present practice.

(c) In the case of non-resident shareholders, the tax withheld by the paying companies will be remitted to the Federal Board of Inland Revenue as final settlement of the shareholders tax liability to the Federal Government of Nigeria.

15. A central information centre or data bank for internal revenue services will be established. All information affecting taxable persons will be sent to this data bank. The bank will further disseminate such information received to the relevant state or Federal Tax Authority. It is expected that this will enhance flow of information.

16. More tax offices will be opened to facilitate the delivery of mails to taxpayers.

17. A commercial rate of interest will henceforth be imposed on the sum of the tax liability outstanding plus 10 per cent penalty. Thereafter, a criminal sanction will be imposed on any company for failure to pay the tax due after two years.

18. In order to combat tax evasion by property holding companies,

(a) only expenses directly attributable to the sustenance and maintenance of the properties should be allowed as a deduction in the ascertainment of rental income ;

(b) Director's remuneration allowable for tax purposes will be limited for such companies to ₦3,000.00 per annum with a maximum of two directors ;

(c) Extraneous expenses normally found in the accounts of such companies will henceforth be disallowed in arriving at rental income.

19. Companies paying rents to other companies or individuals are now to deduct from such rents a withholding tax of 12.5 per cent of gross rent and pay over the amount deducted to the appropriate tax authorities :

(a) in the case of companies to the Federal Board of Inland Revenue Office in the state in which the company receiving the rent is located ;

(b) in the case of individuals to the state in which the individual receiving the rent is resident.

In both cases the rent received will be grossed up to form part of the aggregate income of the recipient for tax purposes and tax already deducted will be allowable as credit against the total tax due on the aggregate income including such rents.

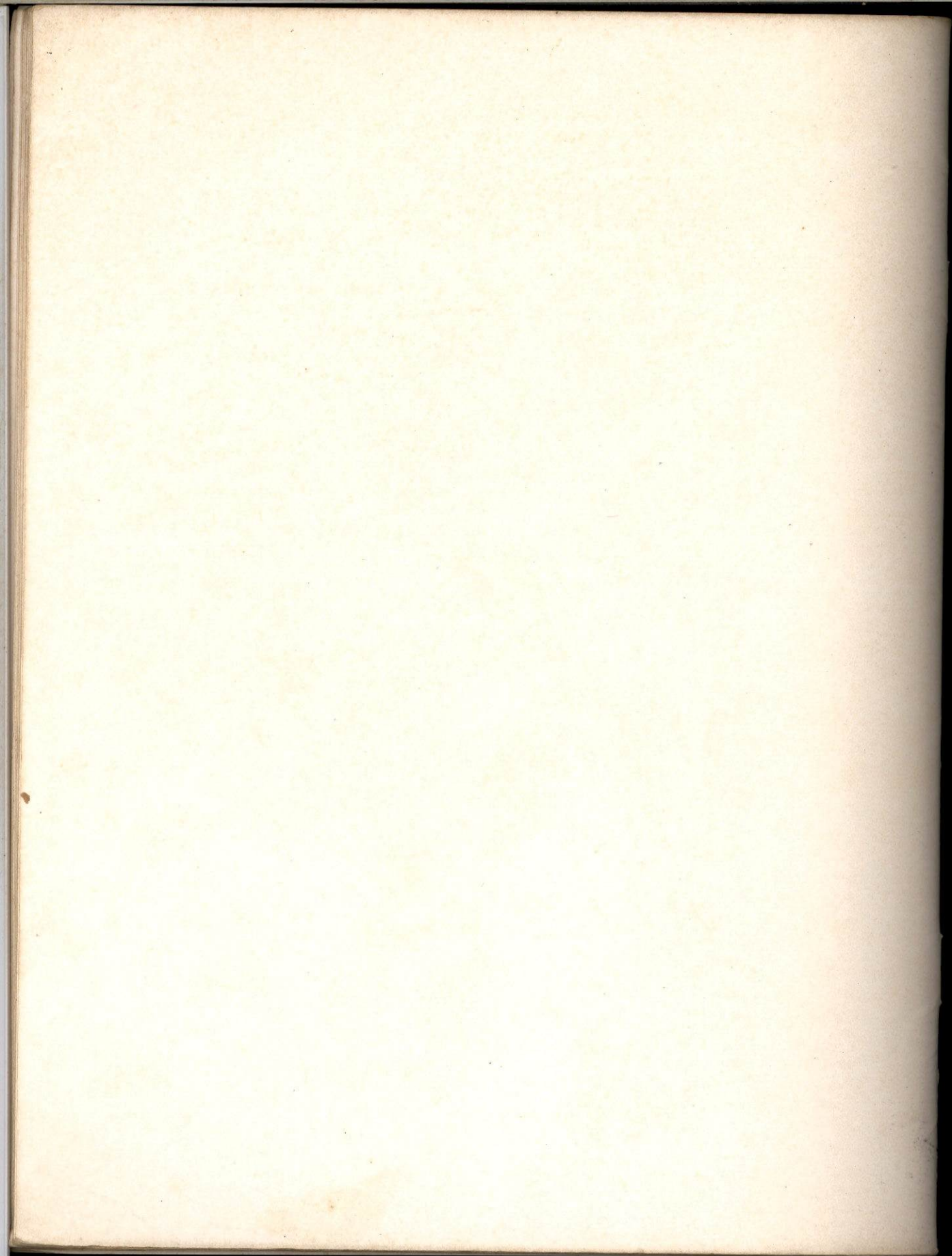
20. Management fees, technical assistance fees, will now be taxed gross at standard company tax rate and any agreement purporting to exempt such fees from Nigerian tax shall be regarded as null and void.

21. To avert the indiscriminate grant of tax exemption and reliefs to business transactions and contractors by government agencies, all Government Agencies will henceforth clear with Federal Ministry of Finance all proposals for such tax exemptions and reliefs and any such exemptions or reliefs purported to have been granted in any agreement without prior approval of the Federal Ministry of Finance shall be null and void.

22. The exemption of the first ₦6,000.00 of every Nigerian company's total profits from tax as provided for in section 33 of the Companies Income Tax Act is now withdrawn.

23. Section 21 of the Companies Income Tax Act is to be amended to render taxable any excess life assurance premium transferred to the profit and loss Account by Life Assurance Companies.

Federal Ministry of Finance,
Ikoyi, Lagos.
1st April, 1979.



FGP 512/579/20,000 (OL 2843)