BUDGET SPEECH

by

The Hon. E. Emole, Minister of Finance

Eastern Nigeria

at the

Second Session of the

Fifth Eastern House of Assembly

on Friday 30 March 1962

BUDGET SPEECH

Mr Speaker,

I rise to move that a Bill entitled "A Bill for a Law to appropriate the sum of eighteen million three hundred and three thousand nine hundred and ninety pounds to the service of the year ending on the 31st day of March, nineteen hundred and sixty-three, to authorise expenditure of fifteen million three hundred and nineteen thousand six hundred and thirty pounds out of the Capital Development Fund and for related purposes" be now read a second time.

This is not the first time that I have had the duty and the honour of presenting the annual budget for the consideration of this honourable House. I did so in 1957 when my respected colleague and predecessor in office was on leave. But now, I accept with humility the confidence reposed in me by the Honourable Premier when he recommended to His Excellency that I should carry this onerous responsibility at a time when our dear Region is to make giant strides forwards. Let none of us make any mistake. The way ahead is not going to be easy. At many points in our progress to a self-sustaining economy, we shall have to take stock, to scrap the desirable in favour of the essential, and to sacrifice a project that may be outwardly exhilarating for one more pedestrian but more fundamentally important. It will not only fall to the Government to make these decisions. It is the very essence and nature of democracy that decisions should ultimately stem from the people. We, on the Government bench, shall therefore need the support of every member of this honourable House. And none will need it more than myself, the Minister of Finance. I am sure, indeed, that I can count on the corporate wisdom and co-operation of this honourable House to aid me in my task. With the Legislature behind me, I know I have the people too. The honourable Members of the Opposition may disagree with the Government party on matters of detail but I know that we are all united in the desire to see Eastern Nigeria march into the future as an equal partner in this great Federation which cannot but play an ever increasing part in the affairs of the African Continent and of the world.

In the 1961–62 Estimates, we budgeted for recurrent revenue of £17,753,050 to produce an estimated surplus of £100,950. When the position was reviewed during the meeting of the House last December I said that there was at that time no reason to suppose that actual revenue would exceed the estimate as it did the year before. Since then, however, the picture has changed to such an extent that I can now expect to receive this year £792,000 more than the original estimate. The main reasons for this improvement are the higher receipts expected from Motor Vehicle Licences as a result of the increase in fees on 1st January, 1962 and increases in our share of royalties from oil and from the Distributable Pool.

In the current year just over £9.3 million had been collected in the seven months up to the end of October, 1961. My revised revenue estimate, therefore, implies a collection of £9.2 million in the remaining five months. Collection is always proportionately greater towards the end of the financial year and I have every reason to believe that the year's accounts will show that this target has been achieved.

1961–62 authorised Expenditure has, of course, also increased over my original estimate. The total increase has been £812,720, made up of a further £540,690 in the Supplementary Estimates passed last December, £191,680 issued through the medium of Special Warrants, and the balance in the Second Supplementary Estimates recently passed by this House. The total authorised expenditure for the year therefore now stands at £18,464,820.

It will be three or four months before the actual expenditure figures are available. So far as can be foreseen, however, and judging from returns, expenditure for the year is unlikely to exceed £18,000,000. In other words, the probable out-turn for the year will have been over-estimated by £464,000. Over-estimation to this extent is, in the light of previous experience, a very considerable improvement.

In view of the increase in revenue to which I have referred earlier and the probable under-expenditure for the year, we should expect a surplus of £540,000. I must however reiterate that these figures are not final, and it is by no means impossible that the surplus will be greater.

The Consolidated Revenue Fund on the 1st of April, 1961 stood at £6,267,850. This is an increase of a million pounds over the balance forecast when the Budget was presented last year. Honourable Members will remember the proposal to transfer during 1961–62 £2 million from the Consolidated Revenue Fund to the Capital Development Fund to strengthen the financial backing for our Development Programme. This transfer, together with the probable out-turn in the current year, will reduce the balance in the Consolidated Revenue Fund on the 1st of April, 1962 to £4,800,000—still a most satisfactory figure and one that will, as I shall show later, enable us to make a further substantial transfer to capital account.

My estimate of revenue for the coming year is £19,292,830; this is £1,539,780 greater than that for 1961–62 and £2,713,600 greater than 1960–61; the House will, I am sure, note with gratification this most satisfactory revenue growth. Of this total estimate Eastern Nigeria's statutory share of Federal Revenue is expected to be £11,686,370 and the remaining £7,606,460 is revenue from Regional Sources. The corresponding figures in 1961–62 were £10,830,650 and £6,922,400. There are, therefore, as the Honourable Members can see, revenue increases in both sectors, of 8 per cent. and 9 per cent. respectively.

The improvement in respect of statutory revenue from the Federal Government, amounting to £855,720, is largely due to substantial increases in oil rents and royalties which have in turn led to an increase in our share of the Distributable Pool.

On the other hand the estimates for Export and Import Duties in general are substantially lower than for 1961–62. One reason for the lower revenue from Import Duties is the not inconsiderable loss arising from the flagrant smuggling of dutiable goods, such as cigarettes and liquor. I should like to use this opportunity, therefore, to appeal to Members of this honourable House and to the public in general to show a greater spirit of patriotism by refraining from purchasing manifestly smuggled goods, thus assisting the Customs Authorities in their fight. This reprehensible occupation, which is eating heavily into our sources of revenue, should be stamped out altogether. The State can do much to eradicate the smuggling canker but the ordinary man can do more. It is only necessary to set your face against buying goods of doubtful origin to remove once and for all the incentive for this traffic.

It is interesting to note that the estimate of £11,686,370 as our share of the revenues of the Federal Government amounts to just over 60 per cent. of our total estimate; this is only a very slight decrease as compared with the 61 per cent. for 1961–62. To this extent, therefore, we are still dependent upon Federal revenue measures and our fiscal manoeuvrability is restricted. The principles of revenue allocation within the Federation are, in accordance with the provisions of the Raisman Report, due for review at any time within the next two years; it is our earnest hope that our share of this revenue will increase by an appreciable extent.

Our revenue from Regional Sources will in the coming year amount to £7,606,460: that is, £684,000 greater than in the current financial year. There is an over-all increase in all the Heads of Revenue and it is of particular importance to our Development Plan that all sources of Government revenue should continue to show annual growth.

Mention has already been made of the Motor Vehicle Licence fee increases and I do not intend, during this Budget Session, to submit any proposals for further revenue measures. We have, in my view, already called for substantial sacrifices from the man in the street by various austerity measures. This is not to say that further sacrifices may not be called for in future years. We may be forced to supplement the fiscal measures that the Federal Government will be almost bound to take, if we are to build for posterity, for our children and our children's children.

As I have said earlier, I am not now asking this House to approve new revenue measures. Our rates of income tax will remain the same. In this connection, I should say that all Governments in Nigeria have made as their goal the achievement, so far as possible, of uniformity in the tax burden. This, while involving give and take between the Regions, is highly desirable in the interests of the mobility of labour and the elimination of undesirable and unhealthy rivalries.

The Income Tax Management Act came into force on the 1st of April last year. It had been hoped to replace our present Finance Law at the last Budget meeting by a new one reflecting this Federal measure. In the event this proved impossible, but our new Bill will be presented before this House adjourns. I shall, of course, make the Second Reading of that Bill the occasion for explaining it fully to the House. At this point it is only necessary for me to repeat that I am not now proposing to alter the tax schedules.

I wish to refer briefly to the practical problems of income taxation. We are second to none in Africa in the progress we have made in building up a modern and equitable income tax system. Other Governments both inside and outside Nigeria have sought to benefit by our experience. Year by year we become more expert and so increase our harvest. If we are to continue to do so, I must have the goodwill and assistance of everyone. I hope therefore that all responsible citizens will do their utmost to induce in everyone a state of mind that treats tax evasion as a heinous sin. Do I need to remind Honourable Members that we should all render unto Caesar the things which are Caesar's ?

While the elected representatives of the people help to build up an overwhelming weight of favourable public opinion, I shall do all that is possible to improve the tax collecting machine so that the public-spirited citizen may pay his dues easily and without trouble. In this connection, there are now Revenue Inspectors in twenty-one out of the twenty-nine Divisions of the Region. I hope by vigorous recruitment and careful training to complete the plan of placing at least one of these officers in every Division during the course of the coming year. I need hardly remind Honourable Members that the way of the tax gatherer is not always easy. During the past year no less than six of our young men have left this service for fields more congenial to them. This was a severe setback and a waste of both time and money. Despite these checks, Eastern Nigeria can be proud of the progress made and Honourable Members can rest assured that no effort will be spared to improve upon it.

Let me turn now to the Recurrent Budget. As Honourable Members will observe, it provides for appropriated and statutory expenditure totalling £19,188,780 which is £1,536,680 more than the current year's Approved estimate. This will leave us with a surplus on current account of £104,050. This is most satisfactory in view of the not inconsiderable increase as compared with last year which is due mainly to the additional recurrent cost of £1,067,820 generated by our 1962–68 Development Plan. In addition to this, slight increases have been allowed where they are directly revenue-earning. It has also been necessary to provide for existing commitments arising from the old Development Plan.

The attention of Honourable Members has been drawn several times in the past to the alarming rate at which our recurrent expenditure has grown from year to year. Some rise is inevitable:

increments must be paid, while a steady increase in the cost of goods and services has been a feature of all the years since the War. But the reason has mainly been the rising cost of Primary Education and other social services. It is now clear that, if we are to finance our Development Plan and meet existing recurrent commitments, expansion in this sector must be severely restricted. It was to this end that the modifications announced during the December, 1961 Meeting were made. In addition to these measures, it is proposed to impose further cuts in Government spending and to embark upon stringent financial measures directed towards the mobilisation of our resources.

In order that Honourable Members may appreciate the magnitude of the task facing us in the next planning period, I must point out that, if all the recommendations of the Ashby Commission are included, the 1962–68 Development Plan entails total recurrent expenditure of no less than £33 million. Those Ashby recommendations that have not been provided for separately in the Plan alone account for nearly £18 million of this sum. We are, as you are no doubt aware, expected to finance from our own resources the whole of the recurrent costs of the Plan in addition to finding approximately 50 per cent. of the capital cost of £75 million. I must confess that I see no prospect of our achieving this target if we are to finance the huge recurrent costs of the majority of the Ashby proposals from our own resources. We might, indeed, come near to doing this but only at the expense of crippling our capital programme and thereby putting back the day when Nigeria can hope to become self-sustaining. Invest in education we must, but other investment is at present even more important if this aim is to be realised. The more we spend on recurrent expenditure, the less we can contribute to the Capital Development Fund. We hope to attract on the average pound for pound help in financing our capital programme. We certainly cannot expect more. So, a reduction in our own capital contribution would in turn lead to our attracting less assistance from outside the Region. In other words, every increase we accept in recurrent costs probably reduces the resources available for the capital programme by twice as much.

I will say now and I shall say again, we can embark upon the implementation of the bulk of the Ashby proposals only if we can find very generous assistance from outside Eastern Nigeria.

Under the 1958–62 Development Programme, which ends this year, the Government provided approximately £20.7 million for capital expenditure. The Programme concentrated on providing the basic services, such as communications, education, health, water supply and roads, which constitute the necessary infra-structure for future accelerated economic growth. In addition the Eastern Nigeria Marketing Board provided outside the Programme £2 million for the University of Nigeria and £400,000 for the Eastern Nigeria Development Corporation.

The 1962–68 Development Plan calls for the expenditure of not far short of £110 million, of which £75 million is on capital and £34 million on recurrent account. The Plan lays emphasis on the productive sector of the economy, and has, therefore, as its priorities, the development of agriculture, of the manufacturing and processing industries, and of technical training. As the Plan has already been presented to this House, Honourable Members would not wish me to go over the same ground again.

I will, however, very briefly, describe the Capital Expenditure Estimates for 1962–63 to show how the Plan will start to take shape. Agriculture with Industrial and Commercial Development account for 41 per cent. of our proposed expenditure, each having been allocated a little over £3 million. Buildings and roads will cost around £2 million each. It is hoped to maintain steady progress in the provision of urban and rural water supplies which will consume nearly £2¼ million. In this connection, I must remind this Honourable House that it is not possible to continue subsidising indefinitely many of these installations. At present, the Government pays for half of the cost of operating rural undertakings. If full advantage is taken of its good fortune in having clean and easily available water, the community's productivity cannot but increase. This good fortune must be paid for.

£1¼ million is spread over the whole range of Government activities under the Head entitled "Development General". This includes the development of Crown Land, equipment for technical education and craft training, and the expansion of our radio and television services, to name but a few items. The only other large Head provides almost £2 million for Loans, of which the biggest single item will be £1½ million for the Housing Corporation to enable it to start work in Port Harcourt.

You will all be asking yourselves where the money is to come from. This I will try to explain. During the next six years we must assume that there will be increased Federal taxation which will give us more from the Distributable Pool. This increase may not, however, amount to more than one half of our required recurrent resources, and we must therefore obtain an equal amount by restricting non-development expenditure including, and especially, Primary Grants-in-Aid. There must indeed be a sense of wisdom, thrift and austerity in all Government expenditure. To this end, beginning from the 1st of April, there will be a cut of 10 per cent. in the salaries of all Legislators and a similar cut in the salaries of all unofficial Chairmen and members of statutory Boards and Corporations established by this Government. Other austerity measures are under active considerations. It has also been decided that some measure of austerity must be extended to civil servants. In consequence, no Nigerian officer will in future receive Children's Separate Domicile Allowance. I am completely confident that this sacrifice will be willingly accepted in the interest of our development. These measures along with others under consideration will yield during the Plan period about £1.2 million. Furthermore, economic charges will be imposed as soon as possible for health, water and other services rendered by the Government. It is hoped that our total recurrent revenue from all these sources during the six years will amount to £27 million.

Provided therefore that we are not to shoulder the burden of implementing more than a very small part of the Ashby recommendations, we should, after meeting the other recurrent costs of the Plan, have some £8.4 million available for contribution to the Capital Development Fund, to which may be added £1.75 million, our share of further premia on oil leases. It is estimated that, during the Plan period, the Marketing Board should be able to contribute £14.1 million from its reserves and earnings, of which £5.1 million will be available in the first year and thereafter an average of £1.8 million annually. The Eastern Nigeria Development Corporation's plantation earnings should contribute £2 million later in the period and a further £2 million should accrue from the sale of Government shares in those industries that have become sufficiently viable to attract public investment. To these healthy future prospects must, of course, be added the opening balance of £3 million in the Capital Development Fund and £2 million which will be contributed from the reserves in the Consolidated Revenue Fund; if it should prove possible to transfer responsibility for Motor Car Advances to non-Government financial interests, this transfer from the Consolidated Revenue Fund will increase by a further million pounds.

The total receipts into the Capital Development Fund should, in view of these projections, be approximately £35 million over the planning period, as against projected capital expenditure (excluding, once again, most of the Ashby recommendations) of about £71 million. Allowing for inevitable under-expenditure, and accepting that our forecasts are accurate, it will be plain that our Plan can be financed provided we receive pound for pound assistance on the capital side.

We are, however, left with the problem of securing from outside Eastern Nigeria this remaining half of the capital cost of the Plan. The problem is not alone that of attracting the capital. We are already imposing the maximum possible strain upon our recurrent resources and cannot afford heavy debt-servicing charges; consequently, we look to all our friends overseas to give us aid that will be generous not only in size, but also in terms of interest and repayment. And we look to all our compatriots to show their patriotism by subscribing to the utmost to the loans of various types that will be initiated by the Federal Government.

I think that I have shown conclusively that we cannot alone finance the recurrent costs of implementing most of the Ashby proposals. I can only express the hope that a generous outside agency will recognise that the rapid improvement of our educational system is of sufficient importance, not only to Eastern Nigeria or even to the Federation, but to the civilised world as a whole, to justify special arrangements for providing, over a long term, the recurrent assistance that we so clearly and urgently need.

As regards the rest of the Plan, Honourable Members must realise that most assistance from overseas is likely to be tied to specific projects, and in particular to those that will show a rapid and concentrated pay-off. Although the Government is, of course, convinced as to the soundness and urgency of all the projects in the Plan, many of them, and in particular those concerning the agricultural sector of the economy, are not attractive to overseas investors. To the extent that we cannot obtain overseas aid we must therefore rely upon the ability of the Federal Government to raise local loans and to assist us from these and other sources under its control. It is only when we have been able to assess the availability of external assistance from these overseas and Federal sources that we shall be in a position to estimate accurately the extent to which the whole Plan can be financed.

So far as the coming year is concerned, and allowing for under-expenditure as the Plan gains momentum, we could finance the whole of our projected expenditure from our own resources. It would, however, be unwise to do so since, not only would we incur a loss in selling our investments before maturity, but, and more importantly, we would have spent in the first year of the Plan a disproportionate amount of our internal resources. This in turn would mean that for the later years of the planning period we should be forced to place undue reliance upon external aid and, if it were not forthcoming on the required scale, should find ourselves unable to complete projects already started, some of which might be of the highest priority. For this reason, we shall deliberately curb our desire to advance rapidly on all fronts by holding back on the less vital projects and on those most likely to attract overseas aid.

The flow of money and our executive capacity are both problems that have to be overcome if our Plan is to succeed. I should be failing in my duty if I did not point out another problem that our very success might create. I refer to the inflation which can be caused by a greatly increased level of capital investment. If unchecked, inflation can create a crisis in our external payments position and distort our internal economy. These are ever present dangers which the Governments of Nigeria, by close co-operation, hope to avoid. This is why a plan, balanced both as to content and as to execution and phasing, is essential. At times, it may prove tempting to bring forward and increase expenditure in one sector at the expense of another merely because the finance is available and the executive capacity can be created. This temptation must be resisted. If considerable inflation were to hit Nigeria, then the purchasing power of the public would have to be reduced. This could possibly mean increased taxation over and above the increases already foreshadowed for the implementation of the Plan.

Nevertheless, to be forewarned of a danger is to be forearmed. I have confidence in the innate commonsense and wisdom of the majority of our people. I am confident, too, that all will set out boldly and with resolution to the new frontiers of prosperity, peace and happiness that beckon us, and that, stinting no effort and refusing no sacrifice, all will work with a will so that Nigeria may be great, and Nigerians may enjoy happy, fruitful and rewarding lives.

Before I bring this speech to a close, I wish to pay tribute to my staff. The preparation of the annual estimates is a long and difficult task which requires application, attention to detail and many hours of work. I am sure that all in this House will agree with me that their labours have not been in vain, and will join with me in hoping that the Ministry will be equally successful in securing the financial aid we so sorely need. I should also like to thank the Government Printer and his staff for having once again lived up to the level of printing excellence and endeavour that we have all been led to expect as a matter of course.

Mr Speaker, for years past, the theme of the Budget has been development. For years to come, the theme will be the same. The horizon will continually recede as we advance towards it and there will be difficulties and dangers, setbacks and frustrations, on the way. But, to the extent that we can command the future, we shall succeed. I therefore herald the future with the "NEW FRONTIERS" budget. May it commend itself to the House.

Mr Speaker, I beg to move.

PRINTED BY
THE GOVERNMENT PRINTER
ENUGU

Price : One Shilling