The Sovereignty Budget

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BUDGET SPEECH

By Chief The Honourable Festus Sam. Okotie-Eboh

C.M.G. M.P.

Federal Minister of Finance

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THE SOVEREIGNTY BUDGET



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Federal Minister of Finance

6th April, 1961

The Sovereignty Budget

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OPPOSITE: *Chief The Honourable Festus Sam Okotie-Eboh,* C.M.G. M.P. *Federal Minister of Finance*

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MR SPEAKER, SIR,

I have it in command from His Excellency the Governor-General to move that—

A Bill entitled 'A Bill for an Act to appropriate the sum of fifty-two million, nine hundred and four thousand, two hundred and eighty pounds to the service of the year ending on the thirty-first day of March, one thousand nine hundred and sixty-two' be read a second time.

It is my pride and privilege to present the first truly independent budget of the Federation of Nigeria.

The budget debate has always been a most important occasion in our Parliamentary life. I believe that this year it is even more important than ever before. Our rate of progress as an independent nation rests to a large extent upon the skilful management of our economic and financial affairs. The problems which we face are many and complex; they grow no easier as we seek to accelerate and expand the growth of the national economy. So it is my hope that in this debate, we shall all of us address ourselves to our task, conscious of its high importance and conscious of the responsibilities which devolve upon us. We are the founding fathers: the destiny of Nigeria is in our hands: let us hope that future generations will say that we have done our work well.

When I introduced my last budget, the STABILITY BUDGET, we stood on the very brink of Independence. Since then, the glorious first of October has come and gone. We have shed our colonial past and we have stepped into the refreshing dawn of independent nationhood. We have already begun to exert a new and beneficial influence upon the affairs of Africa and of the world. We are proud to be Nigerians and indeed, so we should; for with our considerable human and material resources, we are the veritable giant of Africa. Yet, our influence will count for little unless our economy is strong. It was for this reason that, in my

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Stability Budget last year, I laid before you a comprehensive ten-point plan for the conduct of the nation's economic and financial affairs. It was my intention to provide the essential foundation of stability upon which we could build our economic strength. I believe that in the past year the Federal Government have made notable progress in the provision of this foundation. I feel sure we can now move forward with every prospect of success.

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It is in this confident spirit that I have decided to call my 1961 budget, the SOVEREIGNTY BUDGET. So, Sir, we have advanced, since the financial affairs of the Federation were first entrusted to me, from the People's Budget to one of Responsibility, from that to Stability, and now from Stability to Sovereignty. 'Sovereignty' is defined by the dictionary as: 'supremacy or pre-eminence in respect of excellence or efficacy'. With all modesty, Sir, this is the type of budget I hope to lay before the House to-day on behalf of the Federal Government. A sovereign budget tuned to the needs of our newly-won sovereignty.

Honourable members will know that in the years since the Second World War, the Nigerian Governments have ordered their capital expenditure in a series of development plans. Immediately following the war there was inaugurated a ten-year Plan of Development of Welfare. Then, in 1955, the Federal Government embarked upon a five-year Economic Programme which was later extended by two years. Now we are entering the final year of this Programme. There is no question that to all intents and purposes the full Programme will be completed to schedule. Under it Nigeria has enjoyed a period of economic development unparallelled in her history. The 1955–62 Economic Programme has made a real and lasting contribution to the economic and social betterment of our people. Now, however, it is our duty to look ahead to the future which we believe will prove even more dramatic than the past. As I speak, the work of formulating the development plan for the years 1962–7 is proceeding apace. Its preparation will require vision and imagination. We are grappling with immense problems which can only be met by investment on a massive scale.

The preparation of the plan falls into two main parts. First, we are working in full consultation with Regional Governments through the mechanism of the National Economic Council to produce an overall national framework of planning. It is intended that this framework should set the targets for the various sectors of the national economy and indicate the means of reaching them. Secondly, we will produce within this framework a Federal economic programme: a complete plan of capital investment for 1962–7 broken down into individual projects. It will embrace only those fields of investment for which the Federal Government are responsible but, of course, they are the very ones of greatest importance for the

development of the infra-structure ; and it is upon the building of the infra-structure that the success of all forms of investment will depend.

At this early stage I cannot be precise about what the new Federal development plan will cover. It is, however, possible to give some indication of its likely shape. We believe that the corner-stone of the plan will almost certainly be the Niger Dams project. This in itself will be a project of tremendous size and scope ; the capital investment involved will be of the order of sixty-seven million pounds. This will make it the biggest single project ever undertaken in Nigeria. It is the subject of a final feasibility report which has only recently been completed. The report gives us strong grounds for optimism, and it is our hope that the World Bank will send a full-scale mission to Nigeria in the course of the next two or three months to examine the project in all its aspects. It is by this project that we propose to provide the cheap and plentiful electric power so necessary for the industrialisation of the country. Other benefits of the project will include improvements to the navigation of the Niger, the provision of irrigation for agricultural development and the setting up of a large fishing industry.

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The development of agriculture is fundamental to the progress of the nation. Without a flourishing and expanding agriculture, the growth of industry in Nigeria will be retarded. In support of this, I would like to refer for a moment to the following remarks of Lord Netherthorpe, who visited Nigeria recently with the Federation of British Industries Mission. Speaking of the need for agricultural investment, he said :

> 'No investment by Nigeria herself could yield greater dividends nor contribute more effectively to her economic and industrial development. That is not to say that Nigeria should content herself with a purely agrarian economy. Indeed, the contrary is true, since every increase in the national income and particularly in the level per head increases Nigeria's attractiveness as a potential market for industrial goods.
>
> 'Thus, an expansion in agricultural exports by raising the national income could probably do more in a short time to encourage industrialisation than anything else.'

Of course, the weight of responsibility for the development of agriculture rests with the Regional Governments but in our Federal plan we must invest in projects which will be complementary to developing agricultural industries of the Regions. The development of road and rail communications is one important aspect of this. Indeed, the development of the Federal transport system will inevitably play an important part in the next plan. We are therefore grateful for the report of the Stanford Research Institute on the problems of transport co-ordination in Nigeria.

We believe that, with the guidance given in this report, we shall be able to provide a transport system suited to the rapidly growing needs of an emergent nation. The development of ports, air-fields and telecommunications are other important sectors which must be given their due place in the next programme. Apart from these strictly economic subjects, the Federal Government also have heavy responsibilities in the sphere of the social services. Here I must refer briefly to the Ashby Report on 'Investment in Education'. Obviously the success of our plans for development in the public and private sectors of the economy depends upon the availability of the necessary manpower. Although the provision of finance will undoubtedly present serious problems for us in accomplishing our development plans, I am sure there is some danger of under-estimating the man-power problem. It is for this reason that I welcome what can truly be described as a monumental, indeed epoch-making, report on educational development. The report, which is being closely studied by the Federal as well as the Regional Governments, envisages expenditure of almost astronomical proportions for Nigeria. At the moment, the Governments of the Federation are spending something like twenty million pounds a year on all types of education. The full implementation of the Ashby Report would increase that recurrent expenditure by 1970 to over sixty millions a year. On the capital side, the full Ashby programme would cost something in the region of sixty millions by 1970. Substantial provision for the improvement of Federal medical services will also be necessary.

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The defence of the realm against internal disorder and external threat is the fundamental duty laid upon the Federal Government. We are determined to discharge this duty without fear or favour and to bring confusion to the enemies of the nation. I feel sure, therefore, that all reasonable people will agree that independent Nigeria must make substantial provision in her next development plan for the strengthening of the Police and of the Armed Forces. Powerful and efficient Police, military and naval forces, which are truly Nigerian in character, must be created for the protection of our liberties. There is also no doubt in my mind that we shall have to provide for an air force as well, and I look forward eargerly to the day when our young men sprout their wings.

This, therefore, is a general indication of the probable shape of the next programme. In money terms, the Federal Government have generated a spending capacity under the capital budget of at least forty million pounds a year. This is a rate of expenditure which the Government intend not only to maintain but to increase substantially. I have spoken of the general lines of the expenditure which we envisage in the development plans of the Governments. However, investment in the private sector of the economy will be just as important as expenditure by

Governments. I hope that in framing our five-year plan we shall be able to fix targets, at least in broad terms, for the private sector. I trust that the pace of private investment will be accelerated over the period of the next plan since it is vital for the expansion we all wish to see in our Commerce and Industry. The contribution to be made by agriculture should not be minimised, but industrialisation is bound to figure prominently in our plans. Industry will, of course, provide new avenues of employment for our people, but these can only be exploited to the full if man-power training is properly directed. Industry can do much to solve the problems of unemployment which are met in some of the urban areas of the country, but the extent of industrial expansion will depend ultimately upon the ability of Nigeria to attract foreign capital. I hope the House will bear this in mind when I refer later this morning to the place of foreign investment in our financial policies.

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I should like to emphasize that, in drawing up our plans for 1962-7 we are making full use of the advice of economists, both indigenous and foreign. If I may digress for one moment, the Federal Government have been criticised for a so-called failure to establish some form of economic commission. Although I can remember the Honourable Leader of the Opposition making much of the need for such a commission, I have so far detected no signs of one being established in Western Nigeria. It is, however, the policy and practice of the Federal Government to call upon the best possible economic advice for this vital work of economic planning. Our chief Economic Adviser is not only a man of high academic attainment, but also one who has brought to Nigeria a wealth of practical experience from other countries, including a period of distinguished service with the International Bank. I have no doubt that during his stay in Nigeria he will make this experience freely available to our own officials and this will be to the undoubted benefit of Nigeria.

There is also in the Ministry of Economic Development a team of economists provided by the Ford Foundation. They are being helped in their labours by Nigerian economists and the whole team is making a signal contribution to the preparation of the new development plan. When speaking of economists, I want to emphasize the need for practical as well as for academic attainment. We have our doctors of economics who become teachers in the universities immediately they have qualified. They may be academically brilliant, but that does not necessarily mean that they make good practical economic advisers. Academic knowledge tempered by experience, either in the world of commerce or in Government, is what we need. I want to make it clear to the House that, in my own Ministry, we are not slow to profit by academic economics training. To-day there are serving in my Ministry, no less than six Nigerian officers, all of whom are qualified economists and who, apart from their economics degrees have specialised at some of the best

universities in the world in such subjects as money and banking and the economics of under-developed countries. I say this for the benefit of the House and the public at large, since there is an impression in some quarters that a doctorate in economics without post-graduate experience is an automatic licence to set oneself up as an expert critic of the policies of the Government and to spread oneself in the columns of the national press. For my part, Sir, I value post-graduate experience more highly than a thesis prepared for a doctorate. It is the officers with this practical experience who are proving such a tower of strength in my Ministry.

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As I have said, our planning is moving swiftly ahead. We intend to provide in the Federal Government plan a coherent and cohesive programme of expansion. We insist that this should be carefully balanced with proper regard for the priority to be given to the various sectors of development. In this way, the Federal Government will endeavour to provide the basis for the achievement of the declared aim of national economic policy. This, as I stated in my Budget Speech last year, is 'the achievement and maintenance of the highest possible rate of increase in the standard of living and the creation of the necessary conditions to this end, including public support and awareness of both the potentialities that exist and the sacrifices that will be required.'

As I have indicated, the achievement of this policy objective will require massive investment in the public sector by the Governments of the Federation, and in particular by the Federal Government in view of our responsibility for many of the more expensive sectors. The degree of our success will hinge upon three factors. In the first place there will be the problem of finding the enormous sums of money which will be needed. Secondly, there will be the problem, and a very real one indeed, upon which I have already touched, of securing the necessary manpower. Thirdly, although this does not appear to constitute a serious problem in the contemporary world, we shall have to find sources of supply for the goods and materials to be employed in carrying out the various development projects. I will be concerned primarily with the first of these problems, the assembly of the finance. It would be wrong of me to suggest to the House that there is an easy or quick solution to this. The mobilisation of resources for the financing of the next development plan is the major task confronting me in this office. As I speak to-day, the House will find one theme constantly running through; that is, how Nigeria can most effectively mobilise resources for the next plan. I attach particular importance to the mobilisation of Nigeria's own domestic resources.

While I do not in any way discount the need to look externally for capital, I do want to impress upon Honourable Members that the main effort for raising capital must be that of Nigeria. There is an old saying, 'Heaven helps them who help themselves!' Well, Sir, looking back over our past record, it is perfectly clear to

me that Nigeria has not been slow to help herself. The figures show that of the very large sums of money devoted to the current Federal Economic Programme over eighty per cent has been found from Nigerian resources; or. less than twenty per cent from external loans and grants. This pattern, I might say, is true of the Regional Governments as well as the Federal. This is a magnificent effort of which we should all be justly proud. The facts give the lie to those who argue that we depend too much upon external aid. Sir, in this Government we are realists. We recognise that external aid must have a very important place in our financing programmes. But we also appreciate that it is by our own savings, by the sweat of our own brows, that the major contribution to the progress of the nation must be made. High though our hopes may be of securing finance from overseas for the 1962–7 plan, it has always been abundantly clear to me and my colleagues that the main effort to raise finance must be made by Nigeria and by Nigerians. Like all the less-developed countries, even including India, Nigeria is still some way from what has been termed the take-off point in economic development. It is only when this point has been reached that we shall be able to generate internal resources which will be sufficient in themselves to maintain an acceptable pace of development.

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To save is a personal virtue as much as a national one. For nations which are rapidly developing, as is ours, the need to save by individuals and by organizations is imperative. Apart from the vital importance of savings in mobilising resources for our development programmes, they are equally essential for commercial and industrial development. Only by saving can we generate the capital that will enable the country's potential to be realised to the full. It has been, and remains, one of the cardinal objectives of our policy, that suitable media should be available for the channelling of all types of savings; whether they be the poor man's, the wealthy man's or the savings of companies, organizations and institutions.

Let me take first the small man with limited resources and talk about what we are doing for him, and what he can do to help the Government's programme. First, I should mention the National Provident Fund. The Bill for the setting up of this Fund has already been published in the *Gazette* and it will be introduced during this Session by my Honourable Colleague, the Minister of Labour. The setting up of this Fund will ensure an increasing degree of social security for the workers. To the workers' savings through the Fund will be added contributions by the employers. These contributions will be invested and the sum total of the contributions with the accrued interest will be available for the workers in specified circumstances. I do not wish in this speech to dwell on the details of this scheme. which will be fully explained to you by my colleague, the Minister of Labour. What I do wish to do is to emphasize that the savings which will be put into this

Fund will be utilised directly to finance development in Nigeria as a result of investment in local securities. Thus, in participating in this scheme, workers will not only be saving in a way which will bring them benefits in times of difficulty through sickness and so on, or in old age, but they will also be making a direct contribution to the development of the country. Equally, of course, the same applies to the employers' contributions.

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Next, for the small man, there are the ever-widening facilities of the Post Office Savings Bank and the facilities of the commercial banks. Almost all the commercial banks have special facilities for the small saver through their own savings banks. Apart from the network of Post Offices throughout the country, where savings bank facilities are available, there is an ever-increasing number of branches of commercial banks throughout the country. There are now, in fact, some seventy-four branches of commercial banks at which savings bank accounts can be opened. In concert with the Minister of Communications, I am seeking means of encouraging investment in the Post Office Savings Bank. One modest improvement we have introduced to facilitate speedy withdrawals is the new photographic identification system. We are now actively considering other means of popularising the Bank. I know, for example, that my colleague, the Minister of Communications, attaches some importance to the courteous treatment of depositors by the counter staff. Whether the small saver invests in the Post Office Savings Bank or in the savings branches of the commercial banks, he is making a positive contribution to the development of the country and its economy. I trust that all Members of Parliament, of whatever party, will play their part in encouraging savings among their constituents.

In my Budget Speech last year I mentioned that we were hoping to introduce National Savings Certificates or bonds of small denomination and bearing an attractive rate of interest. Various events have delayed progress on this, but a great deal of information has been gathered and arrangements for the introduction of a scheme are now in an advanced stage of preparation. I hope that when the first issues become available they will be widely purchased throughout the country.

So far I have been dealing with the encouragement of saving by private individuals of more limited means. I would like to turn now to a form of saving designed more for institutions than for individual savers. I refer to the internal loan programme of the Federal and Regional Governments. It is our intention to mobilise some nineteen million pounds or more towards the financing of the current development plans of the Governments by a series of development loans. The first was raised in 1959. Lists have recently closed for a second instalment of ten million pounds. This internal loan programme will facilitate the orderly development of a market

within Nigeria for Federal Government securities. Much publicity has already been given to the ten million pounds loan and I do not wish to repeat this morning what has been said already. It has, however, given me great siatsfaction that the loan should have proved so successful. I was happy to announce a few days ago that the whole of the ten million pounds which we were seeking, had been raised. Applications for the loan could be made at branch banks everywhere, so that full details of the subscriptions cannot be available until returns are received from all the up-country banks. Nevertheless, we do know that the whole ten million pounds has been secured and we do have a broad indication of the nature of the subscriptions. Large sums of money were brought back to Nigeria from abroad for investment in the loan by institutional investors, such as the Marketing Boards and Pension Funds. The total subscription by the Marketing Boards alone was three and a half million pounds; while Pension and Provident Funds contributed over one million pounds. Commercial banks and the Post Office Savings Bank subscribed almost one and a quarter million pounds; and I am encouraged by a response of about three hundred thousand pounds from the public, including insurance companies, co-operative societies and small investors. The Central Bank has taken up the balance of the loan as planned, thereby providing for an increase in that part of the backing of the national currency invested in Nigerian securities. I can say with confidence that we have achieved all that we set out to do in this opecation and I should like to take this opportunity of thanking all those who have invested in the loan, as well as the newspapers and radio stations which gave their willing co-operation in publicising the loan. I am also grateful to the banks and their staff for the immense help they have given in handling the applications. It has never been our belief that subscriptions to the internal loans would come entirely, or even to a major extent, from currently available domestic savings. It was our expectation that they would come from three main sources :

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1. The general public, including such institutions as pension and provident funds.
2. The switching of investments previously held in sterling securities, and
3. The extention of the fiduciary element in the currency backing.

I have always envisaged this as an exercise to mobilise resources rather than a public debt operation in the limited sense of the phrase. At the same time I am keenly aware of the need to mobilise domestic savings. I am confident that the outcome of the second development loan has provided a basis on which we may plan future loan policy.

I am glad that prominent among the subscription by the general public, was the contribution by pension and provident funds. What the National Provident Fund

is to the workers, all pensions and provident funds are to salaried employees in the higher grades and in commercial firms and institutions. Generally it is the normal practice for such funds to be built up by contributions from both employee and employer, as in the case of the National Provident Fund. Hitherto the amounts invested in such funds have perforce been invested overseas, owing to the lack of investment opportunities within Nigeria. I am glad that in the recent loan operation, there was some participation by local pension and provident funds. Much more can be done in this direction and I believe that the time has come when it would be reasonable to expect that a substantial proportion of the assets of such funds should be held in local securities. So, in the proposed Income Tax legislation, to which I shall be referring later this morning, provision has been made that, if such funds are to enjoy favoured treatment under the Income Tax laws, as they do at present, it will be a requirement in the case of existing funds which have been approved by the Federal Board of Inland Revenue that their investment income shall only continue to be exempt if by the 1st of April, 1963, one-third of the income is derived from Nigerian securities. The legislation will also provide that no new pension or provident funds shall be approved for income tax exemption unless a minimum of one-half of their investment income is derived from Nigerian securities. These percentages may be varied in the future, but I should emphasize that I do not regard them as maximum limits in any way I hope that the trustees of these funds will endeavour to exceed these percentages by handsome margins and will at the earliest possible opportunity, ensure that their assets in Nigerian securities at least equal their liabilities in Nigeria.

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Another source of subscription for future loans will be the insurance companies. Present evidence supports the general belief that the bulk of the insurance business done in Nigeria is concentrated on accident, fire, theft, and similar policies. This is a form of business which does not generate savings for investment. On the other hand, life assurance does produce such savings. Life assurance business is in its infancy in Nigeria, but it is a growing child, and I confidently look to it as an important source of savings for the future. I understand that my Honourable colleague, the Minister of Commerce and Industry is proposing new insurance legislation. It is my hope that we shall be able to include in the legislation some requirement similar to that for pension and provident funds, so that a reasonable proportion of savings from Nigerian life assurance policies is invested locally.

I am encouraged by the extent to which institutions in Nigeria—and here I am thinking especially of the marketing boards—have been prepared to switch from sterling securities to local securities. Hitherto, for lack of suitable investment outlets in Nigeria, the marketing boards have been forced to invest their reserve

funds in sterling securities. It is obviously much better that their reserves should be invested in Nigerian securities, so that the money can be used to finance Nigerian development rather than, say, United Kingdom gas. One further example of the mobilisation of resources by switching from external to local securities is the Post Office Savings Bank. By a similar arrangement to that of the marketing boards, the Savings Bank is also switching a very substantial proportion of its investments to local securities. Interest rates are of crucial importance in this switching operation. I ask honourable members not to be deceived by suggestions that money invested abroad in two and a half or three per cent securities should not attract a higher rate of interest internally. These suggestions confuse the coupon rate of interest with the yield. A marketing board switching from overseas to Nigerian securities is bound to look for a comparable *yield* and the rates of interest being paid on the Second Development Loan are based on current gross redemption yields for similar-dated British Government stock of the type in which the funds of marketing boards and other Nigerian institutions have hitherto been held.

As I have said, the Central Bank itself has been a very important participant in the second development loan. The taking up of Federal Government stock by the Central Bank is part of the creation of a fiduciary element in the currency backing. I would, however, repeat now what I have stated many times before, that although the provisions of the Central Bank Ordinance allow a fiduciary element amounting to forty per cent of the currency in circulation, it is my intention in order to ensure confidence in the new currency that the direct lending by the Bank to Government shall not exceed twenty per cent during the period of the current economic programme. At this formative stage the other twenty per cent allowed by the law, will be required by the Central Bank for its ordinary day-to-day operations. By this I refer to such operations as the re-discounting of bills, the issue of ways and means advances, the maintenance of clearing advances for the commercial banks, and the holding of Government stock. It is in this way that the Central Bank will play its vital role in the development of the financial and monetary mechanism of Nigeria.

So far I have been talking principally of savings as a means of mobilising capital for Government purposes. There is, however, an equally pressing need for capital for the private sector of our economy. If the economy is to continue to develop on the right lines, there must be a full opportunity for Nigerians to invest in commercial and industrial enterprise. I welcome therefore the excellent progress being made towards the setting up of the Lagos Stock Exchange. As Honourable Members will be aware, legislation governing the position of the Stock Exchange in our financial system will be debated during this current Session. It will, of course, be

some time before a great volume of business is done on the Exchange. Nevertheless, the existence of the machinery will inevitably facilitate further offerings of stocks and shares to the general public. A Stock Exchange is an essential requisite for a fully-fledged money and capital market. By itself it will not generate capital but by providing a ready means of buying and selling stocks and shares, it will encourage this form of investment. I hope that, in this way, Nigerians will become increasingly identified with the industrial development of Nigeria. The Exchange will also, of course, serve as a place where dealings in Nigerian Government stocks can take place. I am very glad that during the past year there have been share issues to the public by the Nigerian Tobacco Company Limited and the John Holt Investment Company Limited. These are only the beginnings, and it is my hope that other companies will make it possible for Nigerians to participate directly in their affairs by taking up local share issue.

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It is our intention to launch a full-scale publicity campaign for the encouragement of savings in Nigeria. The timing of such a campaign must, however, be given careful consideration. It is no use embarking upon a campaign if the facilities for saving do not exist. It has therefore been my policy to provide the machinery before the campaign is opened. The progress which we have made in recent months encourages me in the belief that we are nearing the time when it will be possible for us to make an all-out publicity effort. We intend to employ all possible means of publicity, including the press, radio and television.

So far we have been looking at the problem of finding savings for development in the public and private sectors of the economy. Equally important, in our work to build the financial system of independent Nigeria, is the creation of a money market. This is the market where it is possible for institutions to put to profitable use, funds which are temporarily surplus to their requirements. I want to refer first to the steps we have been taking to achieve a regular and successful issue of Treasury Bills. The introduction of Treasury Bills makes it possible for short-term funds, hitherto invested overseas, to be employed for Nigerian purposes in Nigeria. Surely this is much better than remitting Nigerian money overseas for investment in the London money market. For banks and other local institutions the issue of Nigerian Treasury Bills has the advantage of a saving in bank transfer charges. There are, of course, substantial advantages to Government in Treasury Bill issues. They enable the Government to even out the flow of revenue. They make it possible for us to defer the realisation of overseas investments if market conditions are inopportune, thereby enabling our development expenditures to continue without running down Nigeria's external monetary reserves. In addition, they provide a means of raising money pending the flotation of a formal loan.



Honourable Members will remember that, during the week when I introduced my Budget Speech last year, the first issue of Treasury Bills had been made under the provisions of the Treasury Bills Ordinance, 1959. The Ordinance as it stands to-day requires that Treasury Bills outstanding at any one time shall not exceed ten per cent of the Federal revenues, which for the purpose of the 1960–1 Budget meant that the total issue was limited to about nine million pounds. The first issue of Treasury Bills, which matured after three months, was made in April, 1960. The initial issue was for four million pounds and this was followed in May and June last year of further issues of two million and three million pounds respectively, which brought the total outstanding after the June issue to nine million pounds. Since then the amount outstanding has remained at nine million. The experience of the last nine months has demonstrated the usefulness of this form of investment for short-term funds. During the earlier months of the issue the Central Bank took up modest quantities of Bills itself in order to encourage dealings, but I am glad to be able to say that all such Bills taken up by the Bank were subsequently sold. This is the normal way in which the Central Bank works in order to maintain an orderly market.

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I believe it can safely be said that we have laid the foundation for the growth of a regular market in Bills and indeed this is now operating smoothly. For much of the period applications for Bills from the public have exceeded the supply. These applications have come from the banks, where of course, they represent the combined deposits of innumerable individual accounts, from at least two Regional Governments, from public corporations, from the Post Office Savings Bank, from Co-operatives, and from charitable trusts and other small bodies, including clubs. These persons and institutions have all found this a most useful form of short-term investment: of benefit to themselves and of equal benefit to the State.

The success of the Treasury Bill operations so far, and the potential for expansion, have led me to decide that it would be proper for Government to take greater advantage in the future of this method of borrowing and mobilising resources. It is also my hope that we shall be able to arrange for Regional Governments, when they so desire, to enjoy the benefits of Treasury Bill financing. In fact, some Regional Governments have already expressed a wish to participate in it. Briefly, the idea would be for a part of the proceeds of Federal Treasury Bill issues to be on-lent to Regional Governments. Later in this Session, therefore, the House will be asked to approve legislation which will enable the Federal Government to issue Treasury Bills up to twenty per cent of the estimated Federal revenues for the year. It may not be possible for us to issue Treasury Bills up to the full extent of this limit at all times of the year. Nevertheless, this measure will enable the Governments to

take full advantage of local funds which are temporarily surplus and available for short-term investment. I would emphasize that by doing this we are in fact mobilising the savings of countless individuals. The greater the savings by individuals the more the banks will be able to take advantage of this and other means of investment in the development of the economy.

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A further development of some significance in the establishment of a money market in Nigeria, has been the introduction of commercial Bills of Exchange. I am pleased to report that a firm of merchant bankers have recently opened business in Nigeria. This company has been instrumental in arranging a pilot scheme of bill finance for the Northern Regional Marketing Board. Hitherto marketing boards have financed their crop purchases, either by the use of liquid funds in their possession or by direct overdraft from the commercial banks. In the pilot scheme the company is providing bill finance for cotton lint produced from the Funtua ginnery. The commodity is covered from the time of leaving the ginnery right through to ultimate sale. The amount involved in this pilot scheme is of the order of one million pounds. The merchant bank discounts the bills with the commercial banks either here in Lagos or in London. There are hopes that the merchant bank will be able to extend the pilot scheme to cover other crops. There is also a possibility that certain of the commercial banks will be prepared to enter into arrangements for a further expansion of bill financing. The Central Bank, I might say, has indicated its readiness to offer re-discount facilities in respect of appropriate bills of exchange accepted in Nigeria. In my view, the inauguration of bill finance in Nigeria represents a most striking advance in the financial and monetary machinery of the country. It does moreover contribute to the mobilisation of external assets since it will free the marketing boards of the need to hold such assets as the collateral for their overdrafts. I should add that another function of the merchant bank in Nigeria will be to undertake the issue of stocks and shares and indeed to provide advice on industrial financing matters generally.

In my view, all these developments add up to an impressive chapter of achievement in the development of Nigeria's financial structure. Much remains to be done and Honourable Members may rest assured that I shall press forward as fast as possible. The main hope, however, for the sound development of this financial structure lies not in direct Government action, but in the use to which it is put by the people of the country. Used fully and wisely it will flourish and grow ; it is up to all of us to see that it does not wither. All of us, I repeat, must play our part. There must be a realisation not only in financial circles but in the country at large that if Nigeria is to be tomorrow what we would wish it to be, it will be so by our own efforts and our own restraint to-day. Save therefore and encourage others to save for the future.

Although I have laid much stress on the need to mobil ise the domestic resource of Nigeria, it is an absolutely inescapable fact that if Nigeria is to move ahead with the speed all of us want to see, capital must be imported from overseas. This applies both to public and private investment. However much we can do to apply domestic resources to the development of industry and public services, there is bound to be a gap. One very important way of filling this gap is by loan assistance and other investment from overseas. As far as the Governments are concerned, I have continued my unremitting search for sources of external finance. I have not done this heedless of the terms of the assistance. I have looked for finance of a type suitable to the needs of Nigeria and finance without undesirable strings. I cannot emphasize too strongly that in this search for external finance, I am acting on behalf of all the Governments of the Federation. In this connection the House will wish to note that all three Regional Governments have now asked for sources of external loan assistance.

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After the discussions which I have held over many months with the West German authorities, I am heartened by the latest developments in West Germany which indicate that henceforward Nigeria and other less developed countries will be able to look to Germany for project loans. Applications for this type of assistance for projects in Nigeria have recently been forwarded to the West German authorities, and I have hopes that it may prove to be a valuable source of assistance, not only for completing the current Economic Programme, but more important, for contributing to the resources for the 1962–7 plan. During the year I was able to negotiate a three million pounds loan with the Government of Israel. Of this, one million pounds will be re-lent to the Eastern Regional Government to finance hotel development, while the balance will be spent at Nigeria's discretion. Fifty per cent of the balance will, however, have to be spent on the purchase of Israeli goods and equipment. We have also continued our negotiations with the United States Development Loan Fund. I have strong hopes that we may shortly conclude an agreement with them for loan assistance to the Railway Corporation. Indeed the principle of the loan, which will provide a helpful contribution of approximately one million pounds for the railway section of the current Economic Programme, has already been agreed by the United States authorities.

We shall also be receiving in 1961 further welcome grant assistance from the United States Government. This will be through the agency of the International Co-operation Administration and will amount to almost two and a half million pounds. The assistance will cover projects such as the University of Nigeria at Nsukka, demonstration comprehensive secondary schools in the Western Region, as well as teacher-training projects in the Northern Region and Federal territory

of Lagos. We are grateful for this helping hand from the United States and we look forward to similar assistance in the future. We have, however, noted with pleasure President Kennedy's wish to determine aid programmes on a five-year basis. If this proves possible, it will be of considerable assistance, since orderly planning is impossible on a basis of annually approved programmes.

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I should like to emphasize the role which the Federal Government play in stimulating the flow of grant and loan assistance to all the Regions. This steadily increasing flow is reflected in the new Head 606 of the Capital Estimates. This Head shows all amounts passed on to the Regions; either the proceeds of foreign and local loans or the proceeds of foreign grant assistance. The allocation of loan assistance is, of course, governed by the recommendations of the Loans Advisory Council, where we continue to work in harmony with the Regional Governments and where, I feel sure, we have established a satisfactory apportionment which is fair to all.

The Israeli loan agreement was concluded during the course of a visit I paid to a number of countries in June and July of last year. These included Czechoslovakia, Japan and the United States, in addition to Western Germany and, of course, Israel. In the countries which I visited I found on all sides a greatly increased awareness of the importance of Africa, and in particular, of Nigeria. At the same time, in spite of the efforts which have been made over recent years, I found in many places a woeful ignorance of the potentialities of Nigeria for trade and investment. I hope that the forthcoming Economic Mission to which I must refer now, will remove this ignorance and will reinforce the efforts which I have been making on behalf of the Governments of the Federation, to secure financial assistance from overseas.

Honourable Members will have heard of the Federal Government's intention to send a Nigerian-wide Economic Mission overseas under my leadership. The Mission will be composed of representatives of both the Federal and the Regional Governments. Indeed, it is the splendid support which we have received from Regional Governments that has encouraged us to proceed with the plans for this Mission.

News of the Mission has aroused considerable interest already, both in Nigeria and abroad. The principal aim of the Mission will be to increase the awareness in the world of the economic potential of Nigeria. It is intended that the Mission should lay particular stress upon the unity of the country. This Mission, Mr Speaker, will go overseas in a spirit of 'Unity and Faith'. Unity is reflected in the very composition of the Mission and as it tours the world, the Mission will broadcast a message of faith in the destiny of Nigeria.

I believe, Sir, that in this first year of Independence, it is most appropriate that a Mission from Nigeria should visit the major countries of the world so that their leaders may have an opportunity of meeting with Ministers who represent the Governments of our great country. More specifically, the Mission will look into the possibilities of expanding trade between Nigeria and the countries which are to be visited. I am sure that trade must be given a place of the highest importance in the work of the Mission. It is vital for our prosperity that new markets should be found for our exports; and in any case, Mr Speaker, trade comes before aid. It will also be a principal task of the Mission to explore every possible means of increasing the flow of investment capital from overseas. We need this capital, as I have already said, for the private sector of the economy so as to promote agricultural production and industrial growth. Also we need it in the public sector for financing the development programmes of the Governments. Finally, the Mission will examine the scope of possible technical assistance which the countries being visited can provide, together with the possible extent of help from these countries in money and in manpower for carrying out the massive educational programme envisaged in the Ashby Report.

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Although the final details have not yet been determined, it is intended that the Economic Mission should be mounted in two stages, each of about six weeks' duration. In the first stage, the Mission will visit Czechoslovakia, Poland, the Soviet Union, the Peoples' Republic of China, India, Pakistan, Hong Kong, Japan, the United States, Canada and the United Kingdom. In the second stage the Mission will visit the Netherlands, West Germany, Denmark, Norway, Yugoslavia, Sweden, Switzerland, Italy, Lebanon and Israel. It has been no easy task selecting the countries to be visited. I should explain that the lists which I have given are of those countries which we consider to be of special importance to Nigeria on the basis of existing trade, or the desirability of promoting new export markets, or the possibility of obtaining capital and technical assistance from them.

The Mission will be representative, as I have said, of all the Governments of the Federation. It is also proposed to include in the Mission, representatives of the Nigerian business community. I hope the Mission will set out on the first stage of its work by the end of May. It is the intention of the Government to mount the second stage in August. We are convinced that it is to the advantage of Nigeria to send this Mission overseas at the earliest possible date, always bearing in mind that a Mission of this sort will have little impact unless the preparatory work is thorough. I am happy to tell the House that because of the great importance which the Governments attach to this Mission, we have set up an inter-governmental working party to prepare the detailed plans for its organization. I want to assure

Honourable Members that it is my firm resolve that the Mission should return to Nigeria with truly positive achievements to show for its efforts. This is not a sight-seeing or merely a goodwill tour. It is being planned as a highly business-like operation and I trust that, as a result of the Mission, we shall be able to embark upon the 1962–7 development plan in some confidence as to our external sources of aid.

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It is essential that the work of the Mission should go hand-in-hand with a continuing effort to create a favourable climate in Nigeria for foreign investment. This leads me to say something of the February demonstration in Lagos. I am sure there is no one in Nigeria, whether Nigerian-born or not, who does not deplore the tragic circumstances of Mr Lumumba's death. It was a bitter blow for Africa and indeed the whole world was shocked. There were demonstrations in many countries and Lagos was by no means alone among the cities of the world in displaying its feelings on this occasion. Nevertheless I cannot condone the type of violent demonstration which took place. We are a new country, our many friends overseas look to us to give a lead to Africa, and I believe that we should conduct ourselves with restraint and dignity. I want to assure our friends that the Lagos demonstration does not indicate any deep-rooted animosity towards foreigners. We are a friendly and hospitable people, and I feel sure few countries can match us in the welcome we extend to the strangers in our midst.

Incidents of this sort can have a damaging effect upon the opinion of overseas institutions on the prospects for investment in Nigeria. Let there be no mistake about it, while it remains our policy to mobilise as much as possible the domestic resources of Nigeria, the pace of development will be quickened if we can attract suitable investment from overseas. The Governments of the Federation have published their intentions towards foreign investment. There is no question of the ready welcome we extend when such investment is designed for the progress of Nigeria. I hope therefore that we shall see no more of last February's violence. I can assure the House that the repercussions of violence are widespread, and in the long run will injure the economy of Nigeria. The loose talk which we heard last year about nationalisation and the employment of expatriates was, in its own way, equally injurious. I yield to no one in my desire to see our civil service Nigerianised as quickly as possible. I take pride in the fact that in my own Ministry Nigerians have already occupied such top posts as Chairman of the Board of Inland Revenue, Deputy Chairman Board of Customs and Deputy Accountant-General; while before this Budget debate is over, the Deputy in my own Ministry will be a Nigerian officer. Nevertheless, I believe it is only fair to place on record my appreciation for what our friends from overseas have contributed to our develop-

ment and, moreover, can still contribute. Let us not drive away in bitterness our friends who have the interests of Nigeria close to their hearts.

So far in what I have said this morning about foreign investment, I have been thinking mainly in terms of bilateral financial and other help from individual countries. There is in addition an invaluable source of assistance in the international finance institutions and the agencies of the United Nations. As I begin to touch on the affairs of these bodies, I should like to refer to one of the notable events of 1960: the visit paid to Nigeria by Mr Eugene Black, the President of the World Bank. It was a distinct pleasure for me to welcome him to Nigeria. Mr Black's name is indeed synonymous with that of the World Bank. The Bank has, of course, always taken a great interest in the development of the Nigerian economy. The 1953 International Bank report provided the foundation for the current Economic Programme which has done so much to accelerate the progress of the country. The Regional Finance Ministers and myself held valuable discussions with Mr Black, which I am sure will bear fruit in the future.

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Honourable Members will be pleased in this connection to hear that Nigeria has been admitted into membership of the International Monetary Fund, the International Bank for Reconstruction and Development and the International Finance Corporation. We have paid our initial subscriptions totalling over two million pounds to these organizations. The purpose of the International Monetary Fund is to promote international monetary co-operation and encourage stability by providing resources to meet short-term balance of payments problems and by other means. The International Bank for Reconstruction and Development, otherwise known as the World Bank, has been established to aid the development of productive facilities and resources in member countries. Indeed we benefited from the World Bank even before we became a member of the Bank. The object of the International Finance Corporation is to advance economic development by encouraging the growth of productive private enterprise in member countries, especially in less developed areas. These organisations are agencies of the United Nations and I am quite sure that our relations with them will remain cordial and fruitful. Senior officials of these bodies have recently visited Nigeria and held useful discussions with officials of Federal and Regional Ministries. I hope that this type of informal contact will continue. I have already referred this morning to the World Bank Mission which we hope will shortly visit Nigeria to examine the Niger Dam project. It is naturally our hope that the World Bank will play a prominent part in the financing of the Dam.

It is of more than passing interest that in March the World Bank was able to sell, without its own guarantee, more than one million pounds of maturities in

the ten million pounds Railway loan. These maturities carried an interest rate of five and three eights per cent but institutional investors in Europe have been prepared to buy them at rates of between five and five and one quarter per cent. This represents a marginal saving in the interest charges payable by Nigeria, as well as a useful augmentation of the Bank's lendable resources. But even more important, it illustrates the confidence of overseas financiers in the credit-worthiness of Nigeria.

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Before I leave the field of the international financial organizations I would like to say a few words about the newly-established International Development Association. This Association is an affiliate of the World Bank and its purpose is to promote economic development in less-developed countries by providing finance on terms which are not possible under the World Bank itself. Briefly, the Association will provide loans on lenient terms. The loans may be for economic projects which are not in themselves immediately financially viable and therefore are not bankable with the World Bank. For example, take a project like the Escravos Bar. Although this is a project of undoubted economic merit, it will not of itself, generate directly the money to repay a loan. The first meeting of the Executive Directors of the Association was held on the 14th February. We submitted our application for membership in February and I believe that it will not be long before we become a member of this Association, too. I understand that Nigeria's subscription to this Association will be of the order of one million pounds. The payment of our subscription will be spread over five years. This I must emphasize is a very much smaller contribution than is made by the developed countries. Yet the developed countries do not themselves benefit at all. In the case of Nigeria it will not be unreasonable to expect that she will receive assistance many times more than her contribution.

We are also giving consideration to the early submission of applications to the Association for loan assistance for suitable projects.

Another body which provides a valuable source of assistance is the United Nations Special Fund. I was very pleased to welcome to Lagos recently Mr Paul Hoffman, the distinguished Managing Director of the Fund. The Fund is an organ of the United Nations to which all Members subscribe. Now that Nigeria is a member of the United Nations in her own right, we shall pledge our own contribution to the Special Fund Budget. Our contribution, which will also cover our contribution towards the United Nations Expanded Programme of Technical Assistance, will be of the order of seventy-five thousand pounds in 1961. By comparison with developed countries such as the United States, our contribution is modest. The United States alone pledged over eleven million pounds for 1961 although she

herself will have no assistance from the Expanded Programme or Special Fund.

I also signed with Mr. Hoffman during his visit, an agreement covering future assistance projects in Nigeria. The object of the Special Fund is to help with the cost of surveys of natural resources and of research designed to accelerate economic development. The Fund is also prepared to assist with the development of manpower training facilities. The Fund is concerned with pre-investment; in other words the essential spade work which in itself shows no direct financial return. As Honourable Members know, the Fund has already provided a grant of two hundred and fifty thousand pounds for the survey of the Niger Dams project. In addition the Fund has approved a grant of nearly four hundred thousand pounds for an advanced teacher training college in Lagos. These grants represent valuable assistance towards our development and we are naturally grateful for them. We have other applications before the authorities of the Special Fund, and it is our hope that at least some of these will be approved. Indeed, the latest information available to me indicates that approval may shortly be received from the Special Fund authorities for grants to the Northern Region for the investigation into the Sokoto-Rima valley project and to the Western Region for a survey of fish resources. A grant to the Federal Government for a technical training project is also expected. This is a most useful source of grant assistance. I would like to assure the House that we will lose no opportunity of putting other suitable projects, both Federal and Regional, before the authorities of the Fund.

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The Federal Government is determined to play its full part in all the agencies set up by the United Nations for the peace and well-being of the world. We hope that we shall receive our fair share of the financial and technical resources of these organisations. Nigeria's needs are great and we are capable of absorbing in socially useful and economically viable projects considerable amounts of investment and grants. I only need to mention a few of our needs: higher education, modern agriculture, trunk and feeder roads, inland waterways, power and industry. I have spoken earlier about the efforts which the Governments are making to mobilise domestic resources for the inspiring tasks of economic and social development. However, we cannot accomplish these tasks unaided and the international financial organizations are well placed to offer aid on terms which are acceptable politically and otherwise. May they go from strength to strength and thus be able to devote more and more attention to the needs of this part of the world.

It is a truism that the Nigerian economy cannot be insulated or isolated from the rest of the world. It is by the export of our products to the markets of the world that we earn the foreign exchange so necessary for the growth of our economy. The impact of this upon the domestic scene is important to each and every one of



us. Let us, therefore, see how Nigeria has fared in its international financial and trading relationships during the past year. To do this we look at the country's balance of payments. Last year I was able to say that 1959 had been a better year than 1958. In 1960, however, the provisional figures indicate that there was a substantial increase in the balance of payments deficit. Figures of visible trade indicate that Nigeria's imports were valued at about two hundred and fifteen million pounds, whereas exports and re-exports were valued at one hundred and sixty-five millions. This gives a deficit of fifty million pounds compared with a deficit of sixteen in 1959. There is no doubt that the position has been materially affected by the fall in the proceeds of our groundnut and cocoa exports. Indeed, as regards our trade with the world, one very important feature in 1960 was the fall in the prices of some of our major exports.

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Cocoa, for example, began the year at a world price of two hundred and fifteen pounds per ton, but by the end of the year the price had dropped to one hundred and seventy. In the case of cocoa, a worsening of the price offset a record production of over one hundred and fifty thousand tons. Groundnuts were adversely affected, on the one hand by a fall in the world price and on the other, by a drop in production. In parenthesis I may say that the price prospects for our major exports do give cause for concern and strengthen the resolve of the Government to diversify the economy. Provisional figures show that we imported some thirty-four million pounds more in 1960 than in 1959. Although it is true, as I have pointed out on previous occasions, that the import figures include large amounts in respect of capital goods, there is no question that the import of consumer goods has increased sharply. In very broad terms the imports of consumer goods, both for immediate consumption and as household durables, rose in value by at least twenty-four million pounds, or an increase of almost thirty per cent on the 1959 figures. Heavy imports of cotton and rayon piece goods accounted for a large part of the increase. In fact the indications are that there has been a marked expansion of demand as the standard of living of our people improves and their taste develops for a wider range of consumer goods. Heavy expenditure on imports in connection with the independence celebrations no doubt played its part but I believe that more important was the effect of the salary and wage increases. These increases more than offset the dampening effect of the revenue measures introduced in April 1959 and have generated a burst of expenditure, almost a spending spree, upon imported consumer goods.

The provisional returns also indicate that our overseas assets decreased by about thirty-six million pounds in 1960. Thus, of the trade deficit of fifty million pounds, only fourteen million pounds was covered by the net inflow of private capital and the receipt of long-term loans. This is naturally a situation which must give some

cause for concern, the more so as the deficit was due largely to an increase in spending on consumer goods. The House will realise that the balance of payments reflects the spending decisions of all of us : Governments, institutions, firms and individuals. If we spend with restraint, if we channel our expenditures into productive investment, above all—if we save, the balance of payments should not prove a major headache. A spending spree on consumer goods will, however, be very harmful for the economy. It is, of course, the duty of the Government to ensure that there is no loss of control, and it was for this very reason that in the taxation measures taken last December, some changes were introduced with the specific object of putting a brake on the import of consumer goods. Changes were made, for example, in the taxation of textiles and foodstuffs, both of which featured prominently in the 1960 importation increases. Tariff increases do, of course, provide one of the traditional ways of improving the balance of payments situation.

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The football pool fever has also made its impact upon the country's balance of payments. The extent of remittances to the United Kingdom has given the Government much cause for concern, and this has been a principal factor determining the Government's decision to go ahead with the formation of a Nigerian national football pool. It is our hope that the new pool will be firmly established before the commencement of the next football season and that it will stem the flow of money overseas, thereby tending to ease the balance of payments.

There is every hope that the development of industry within Nigeria, such as the flour and sugar industries, will further ease the position. Yet we must not think, Sir, of this as industry simply to meet local demand. Our resources of man-power and materials are such that I feel sure that, within our lifetime, Nigeria can become the workshop of West Africa. During recent weeks there has been a development in this direction which I gladly welcome. One of our leading shoe manufacturers has begun the export of shoes manufactured in Nigeria. Last November a consignment of six thousand pairs was shipped to Sierra Leone. Even more interesting, an order for thirty thousand pairs has been received from the United Kingdom. Supplies will also be sent in the future to other West African countries including Ghana and the Cameroun Republic. This indeed is progress and it is my sincere hope that in the years to come we shall see further striking development of Nigeria's manufactured exports. We should all be very proud when it is possible for goods to be sent abroad bearing the inscription 'Made in Nigeria.' When this happens it is a means of selling Nigeria as well as selling the commodities themselves.

The growth of the local oil industry is a further help to our balance of payments. The developments in the oil field are most encouraging. The latest figures indicate that exports in 1961 will be nearly double the 1960 production. In time these

figures again will be improved upon. The Port Harcourt area alone should be capable eventually of producing five million tons a year. Until the local refining of oil is established, this will provide a useful addition to our earnings of foreign exchange and, indeed, when the refinery is established, a source of valuable foreign exchange savings.

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I repeat, Sir, our determination to maintain a healthy balance of payments. If the position should deteriorate—although I have no reason to believe that such a deterioration is likely—the Federal Government will not hesitate to take firm steps to keep the situation under control.

In considering Nigeria's external position, we have been greatly concerned at the effect upon us of the formation of rival marketing groups in Europe. Our interest, as I have frequently said, is to develop as wide and as free a market as possible for our exports. We are also anxious to secure reasonable and stable prices for them. However, we do not want privileges; all we seek are equal competitive opportunities with other primary producing countries. We deplore any developments in Europe which narrow our market opportunities.

The Minister of Commerce and Industry and I have been watching with some care the possible ill-effects of the Common External Tariff of the European Economic Community upon Nigeria's extensive trade with the Community. As Members may remember, the Minister visited Brussels towards the end of last year and held fruitful discussions with the Community authorities. I will leave it to him to deal with the details of these complicated problems and negotiations. It is, however, my impression that the six countries which form the Community are growing in strength. Producers such as Nigeria which are not associated with the Community may feel in 1961 for the first time the adverse effects of the Common External Tariff. Much, however, will depend upon the extent to which the African territories which are associated with the Community will be able to take advantage of their opportunity and expand their production immediately.

It is, however, encouraging to detect signs that, owing to increased pressure in GATT and the growing concern of the Six—or 'Outer Six' as I prefer to call them —over the possibility of a split in Africa, their attitude may be less rigid in 1961. It is this which gives me cause to hope that there may be some reduction in the Common External Tariff items which are of concern to Nigeria and other African countries which are not associated with the Community.

I am sure no good can come from exporting to Africa the political and economic divisions which beset Europe. Indeed, the translation of such divisions to Africa could be most harmful. We do not want the countries of Africa to be plunged into similar economic rivalry. Indeed, it is just as much in the interests of the countries

of Europe that they should arrive at some settlement of their economic differences, and I welcome the efforts which I believe are being made in good faith to heal the breach between the Outer Six and the Inner Seven. It is tragic, to my mind, in this narrowing world of to-day, when men are reaching for the stars and planets, that solutions cannot be found for economic problems such as this. I hope, therefore, that these differences can be resolved by a new initiative and that the countries of Africa and Europe can work together for the promotion of international economic growth on the widest possible base.

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I should like to return for a while to matters of domestic concern. In my Budget Speech last year I was very pleased to announce the successful launching of our Central Bank. During the past year the Bank has continued to play an increasingly important part in the financial and monetary affairs of Nigeria. In particular, the Bank has made a valuable contribution to the development of the financial framework which is necessary for independent Nigeria.

The issue of the new national currency is proceeding quickly. The replacement of the old West African Currency Board notes was virtually completed many months ago. During September the new Nigerian threepenny pieces were put into circulation, and the old three-penny coin is being withdrawn as rapidly as possible to overcome the confusion which has existed between it and the new Nigeria shilling. New florins, sixpences and half-pennies will be put into circulation during the current year. It is hoped that by the end of the year, most of the new coins will have been issued. It is also my hope that in time the use of ten- and five-shillings notes will become more widespread. The use of large quantities of coin is costly and I know that it will be the policy of the Bank with my full support, to encourage the greater use of notes for day-to-day business.

The Central Bank continues to maintain a high level of external reserves as backing for the currency. I am pleased to report to the House that both overseas and within Nigeria, there is ample evidence of the fullest confidence in the value of our currency. I need hardly say that the maintenance of this confidence remains a principal plank in the financial policy of the Federal Government. The amount of the Nigerian currency issued reached a new peak in January when it amounted to seventy-seven and a quarter million pounds. This was in addition to nine and three-quarters of a million pounds of the old Currency Board coin still in circulation. As I mentioned last year, a small fiduciary element was introduced when the Bank took up two million pounds of Federal Government Treasury Bills to reimburse the Government for the cost incurred up to March 1960 of supplying the new currency. It is expected that the proportion of internal assets held as backing for the currency will increase over the year, reflecting in part the day-to-day operations of the

Central Bank in the money market which is now being built up, but also in part, an amount of additional lending to Government. The 1961 Development Loan has indeed enabled the Bank, as I have already mentioned this morning, to take up local securities to the extent of over three million pounds. This provides a helpful contribution for the financing of our current development programme. It is, however my intention to employ this device with prudence. We are using a very new currency and I am sure it is sensible for us to advance slowly rather than precipitously. I emphasize, Mr Speaker, that it is my intention fully to observe the existing statutory requirements on the maintenance of external assets and to maintain them at levels which will continue to inspire confidence in our currency both at home and abroad.

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The Central Bank has continued to maintain a close contact with the commercial banks operating in Nigeria. Most of these banks are already banking with the Central Bank. I am happy that, under the Chairmanship of the Governor, representatives of our banks meet together from time to time to consider matters of mutual interest. I am also happy to report to the House that the commercial banks continued to grow during 1960. Their assets rose in the year by nineteen *per cent* to a new high level of one hundred and nineteen million pounds. It is in this period that we have seen two important overseas banks establish themselves in Nigeria. These and other developments indicate not only a growth but a broadening of the country's banking system. I am pleased to note that the Central Bank is making steady progress in consultation with the commercial banks over the possibility of establishing a clearing house in Lagos. I understand that arrangements are well advanced; indeed it is hoped that this year a clearing house will be established, dealing with the settlement of cheques drawn on banks in the immediate Lagos area.

We have seen, since October 1959 when it was introduced, the value of the Banking Ordinance as an instrument for strengthening and promoting the development of the banking system. My Banking Examiner continues to carry out regular and thorough examinations of the affairs of the licensed banks. It is, however, his task not only to examine but also to provide help and guidance where possible. I regret that it was necessary during the year for the Government to withdraw the licence of one of the indigenous banks. I assure the House that this was done only after the fullest and most sympathetic consideration of all the circumstances, but, Mr Speaker, we have a duty to the Nigerian public. It is important for the development of the economy that the banking habit should grow. It will, however, only grow on the basis of soundly-managed and soundly-financed banking. The requirements of the Banking Ordinance are not designed to be onerous or irksome; they incorporate the principles which long experience elsewhere has shown are

essential for the proper conduct of banking business. If the principles are not observed, in the end the bank will go bankrupt and the depositor will suffer. It is one of the objects of our financial and economic policies to encourage the growth of the banking habit. There is still a tendency for savings to be retained in the form of cash, but I hope we will be able to overcome this in our nation-wide campaign for mobilising resources.

The 'Sovereignty' Budget

I wish to turn, Mr Speaker, to the consideration of the Government estimates of revenue and expenditure. It is necessary, first, to examine the results for the financial year which has just ended. I budgeted last year for an excess of ordinary revenue over recurrent expenditure of approximately four million pounds. I am glad to report to the House that this estimate has proved conservative. In fact, I hope the final accounts for 1960–1 will show an excess of over six and a quarter million pounds ; in other words, two and a quarter million pounds better than my forecast. This, if I may say so, is an entirely successful outcome to the financial year. It is encouraging that we have been able to maintain this position in spite of the very heavy expenditure pressures to which the Government has been subjected.

In looking at the figures for 1960–1, the House will wish to know that the increase of nearly five million pounds in ordinary revenue has come largely from the increased import and excise duties which were imposed last December. In addition, however, there was a considerable increase in demand for dutiable imported goods in the second half of the financial year. Increases have also come in the revenue from individual's income tax and Posts and Telegraphs. On the other hand, the substantial increases in revenue have been offset by the increased level of recurrent expenditure. So far, expenditure of nearly forty-nine million pounds has been authorised for 1960–1, but owing to unfilled posts and savings in other directions, I do not expect final expenditure to exceed forty-eight millions. This compares with an original estimate of nearly forty-six.

Over and above the excess of ordinary revenue over recurrent expenditure which, as I have said, should be about six and a quarter million pounds, there are also very substantial items of special revenue which are being transferred to the Development Fund to finance capital expenditure. I estimated originally that the special revenues for 1960–1 would amount to nearly four million pounds ; in fact, they will amount to over eleven million pounds. This very welcome and substantial increase is due to the receipt of almost six millions as Nigeria's share of the surplus reserves of the West African Currency Board. With the exception of seven hundred thousand pounds of special revenue relating to the financing of the new Nigerian currency, the whole of the proceeds of special revenue will go to swell the Development Fund. These large transfers are of tremendous importance in helping us to sustain the rate of capital

expenditure necessary for the accomplishment of our economic planning objectives.

So much, then, for the outcome of 1960–1, which I say with pride has proved very much more successful than we had reason to hope when I introduced the budget last year. In addressing ourselves to the task of preparing the Federal budget for 1961–2, the Federal Government have had in the forefront of their minds, the need to contain the growth of recurrent expenditure so as to make the *maximum* contribution from revenue to finance capital expenditure. In my Budget Speech last year, I spoke of the economy measure being introduced by the Government. There is no question that these have borne fruit and have greatly assisted in the task of restraining the level of recurrent expenditure. In the preparation of the 1961–2 Budget, we have complemented the economy effort with the imposition of severe ceilings upon recurrent expenditure.

The 'Sovereignty' Budget

I estimate that the total revenue accruing to the Federal Government in 1961–2 will be approximately one hundred and six million pounds. Of this, over forty-three and a half million will be allocated to the Regions; the greater part under the scheme of revenue allocation, but some part as a result of the decision to pass on to Regions a share of new revenue items such as the excise duty on mineral waters. After the allocation of revenues to the Regions, I am left with about sixty-two million pounds for the retained revenues of the Federal Government. Of this amount three million pounds relate to special revenues which cannot appropriately be used for the financing of recurrent expenditure, thus leaving a balance of fifty-nine million of ordinary revenues to finance the recurrent budget. Of this sum I propose that we should spend in 1961–2, fifty-two and three-quarter million pounds, leaving an excess of ordinary revenue over recurrent expenditure of six and a quarter million pounds. This excess is reflected in the Estimates by, first of all, the estimated budget surplus of rather less than nine hundred thousand pounds; by the figure of two and a half million pounds for the minimum contribution to the Development Fund; and thirdly by a further three million pounds shown as an additional contribution from ordinary revenues. Moreover, all the special revenues with one exception will be transferred to the Development Fund. Once again we are planning for a maximum contribution from revenue to the financing of the Economic Programme. The House will recognise that this is in full conformity with the ten-point plan for the management of the finances of Nigeria which I laid before the House last year. The figures which I have given are a positive indication of the strength of the finances of the Federal Government. We in this Government are immensely proud that in spite of all the difficulties we have been able to budget for such a healthy balance. It is an impressive achievement which will confound our critics who see nothing good in others except themselves.

Revenues in 1961–2 are expected to show a marked increase upon those for 1960–1. Looking at gross revenues for a moment, the increase is almost ten million pounds. Indeed, as far as the Federal Government are concerned, the increase in Federal-retained revenues is almost eight and a half million pounds. There is a large increase under Customs and Excise revenue; import duties alone are up by nearly nine million pounds. The taxation measures taken by the Federal Government last December are largely responsible for this. These increases were estimated to yield an additional six million pounds in a full year. They are reflected in the sub-heads for duties on diesel oil, beer, wines and spirits, soap and general imports. In addition to the increases stemming from the taxation measures, there is also a substantial advance in revenue brought about by rising consumption as the economy expands and the standard of living of our people improves. The House will wish to know that the Estimates, as presented, allow for the reduction in purchasing power following upon the lowering of the cocoa producer price in Western Nigeria. I think it is obvious to all Members that a fall in the price of this magnitude is bound to have repercussions on the personal spending of cocoa farmers. It is impossible to make any precise assessment of how much the Custom and Excise revenues will be affected by this, but I have thought it prudent to scale down the revenue estimates by a half million pounds on this account.

The 'Sovereignty' Budget

One notable feature of the revenue estimates is that the appropriations to the Regions of Federal revenue are virtually unchanged from 1960–1, although total revenues show a large increase. This is due to an expected decline of some two and a quarter million pounds in the revenue from export duties. Cocoa alone accounts for nearly two million pounds of this. As the House knows, export duties are distributed in full to Regional Governments and these figures illustrate the vulnerability of Regional revenues which depend so much upon export duties.

Other large increases in revenue will be found under Mining. Now that oil has been proved to exist in Nigeria in commercial quantities, it is the policy of the Federal Government to insist upon the payment of substantial premiums before new concessions are granted to oil companies over potentially valuable areas. It is expected that several concessions will be granted early in the new financial year, and this explains why we are expecting very large sums of revenue to accrue from this source. The expansion of the oil industry is also reflected in the greater revenue expected from rents on mineral oil licences and leases, and in the royalty on oil itself. I am also encouraged by the satisfactory increase expected in Post and Telegraph's revenue in 1961–2. We are budgeting for an increase of three-quarters of a million pounds, about a third of which will be from postal services and the rest from telephones. I have on occasions been critical of slow rate of growth in

this source of revenue which has been lagging behind the fast-increasing rate of expenditure on the service. Although I would not suggest that we have solved the problem, at least in this budget I think I can say with confidence that some progress is being made in narrowing the gap between Posts and Telegraphs revenues and expenditures.

The 'Sovereignty' Budget

So much then for the revenue side of the 1961–2 budget. I would like now to deal with the important aspects of the expenditure proposals for next year. As I have already said, we plan to spend approximately fifty-two and three-quarter million pounds, an increase of seven million above the approved estimate for 1960–1, and almost five million more than the revised estimate for 1960–1. Although it has been my object to limit the advance of current expenditures, I fear that in many directions some increase has been inevitable. I am, however, satisfied that all the expenditure proposals put before the House in these Estimates have only survived after the most searching scrutiny in my Ministry. The need to conserve current revenues for the financing of development is a paramount consideration, and I am always watchful of proposals for increases in the ordinary expenditure of Government.

Probably the most significant single feature in the expenditure estimates is the increase under the Consolidated Revenue Fund charges for pensions and public debt. Under the pensions item an additional three hundred thousand pounds will be required for increases in statutory pensions arising from the Mbanefo salary award. A further one hundred and eighty thousand pounds will meet the increase in the number of retiring officers who commute a part of their pension. The House will also realise that the premature retirement of many of our expatriate officers will bring about a spurt in expenditure on pensions. In the public debt section of the Consolidated Revenue Fund charges, there will be an increase of almost two and a half million pounds. This excludes a special payment of five hundred and fifty thousand pounds in retirement of special Treasury Bills used for financing the costs of the new currency. These increases in public debt charges are offset to some extent by receipts from the Regions and the statutory corporations, since some of the loans are being on lent. Nevertheless, the substantial increase in public debt charges reflects the first real burden on our recurrent budget of the cost of servicing the loans, both internal and external, which the Federation have raised. This is a burden which is bound to increase sharply over the next few years. It is, however, a burden which must be shouldered if we are to maximise the use of available internal and foreign resources to generate the development programmes of the Governments of the Federation.

The expenditure estimates show a big increase in the provision for the Nigeria Police. The actual increase is over three hundred and fifty thousand pounds. Most of this is required for carrying out the second phase of the three-year programme of police expansion which was begun last year. This programme is to meet the needs of large areas of Nigeria which at present are poorly served with police services. In addition to the police, the armed forces also take up a large part of the increased expenditure. The Army and the Navy between them account for an increase of about four hundred thousand pounds. An increase of nearly four hundred and fifty thousand pounds is provided under Ministry of Communications. This increase, which will be more than offset by increasing revenue, is to provide for the cost of additional posts and telegraphs services required to bring into productive use various installations which have been provided under the Federal Economic Programme. The social services also take up a substantial part of the increase in Federal expenditure. Education alone accounts for an increase of four hundred and fifty thousand pounds. More than half of this increase is for the University College, Ibadan, and for the Nigerian College of Arts, Science and Technology. The subventions for these two institutions have had to be substantially increased, largely because of the Mbanefo salary award. Of the remainder of the increase under Education, the greater part is required for the increasing commitment of Government for educational grants-in-aid. In the case of the health services, I have budgeted for an increase of nearly seven hundred thousand pounds. A large item in this increase is the high level of the assistance we give to the University College Hospital. There are, however, two new items of major significance in the health budget. They are the provision for the new children's hospital in Massey Street, and also for the magnificent new Mainland Hospital which, it is hoped, will open its doors before the end of the financial year. These, Mr Speaker, are the items of major importance making up the increase in our recurrent expenditure. They demonstrate the efforts which the Federal Government are making to meet the growing needs of the people.

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Apart from increases there are a number of interesting features in the presentation of the recurrent estimates for 1961–2. A new head of expenditure entitled State House has taken the place of the former heads for Governor-General and office of the Governor-General. Revenue Head 12, which deals with miscellaneous items of revenue, has been revised so as to segregate recurrent items of revenue from those which are of a temporary or once-for-all nature. The latter I prefer to regard as special revenue since they cannot be relied upon to finance recurrent expenditure. I propose that the whole of the proceeds of such special revenues will, as in former years, be transferred to the Development Fund. I have also included in the expen-

diture estimates an entirely new head of expenditure to cover non-statutory appropriations of revenue. This will provide for the payment to the Regional Governments of their share of such revenues as income tax, excise duties on mineral waters and soap, and the export duty on animals, birds and reptiles, which do not pass to the Regions by virtue of constitutional provision. A further point of interest in the presentation of the estimates is the arrangement now made for the advance of money to staff for the purchase of bicycles. Hitherto this has been done from the Personal Advances Fund, but we have found the accounting procedures excessively cumbersome, especially in view of the fact that each individual advance is for a relatively small sum of money. With the approval of the Director of Federal Audit, these advances will be charged in future to a vote under each Ministry's Head of Estimates, and the repayments by staff will be credited direct to revenue. Apart from the considerable accounting economies which I believe this change of procedure will bring about, it will also enable me to release money now tied up in the Personal Advances Fund to finance capital expenditure.

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One final point about presentation. Although the results of the plebiscite in the Northern and Southern Cameroons are known, it has been assumed that the present arrangements for the administration of these two territories will continue for the time being. Once, however, the results have been considered by the General Assembly of the United Nations, appropriate arrangements will no doubt be made for the changing status of the territories. In the meantime, so as to avoid anticipating the final outcome of these matters, the provision made for the Northern and Southern Cameroons in the 1960–1 estimates has been repeated in the draft 1961–2 estimates without change. All the votes, however, have been marked as reserved. Changes in recurrent expenditure which may prove necessary can be effected during the course of the year by means of virement, and no funds will be released except where the Federal Government is to continue to provide the service concerned. The financial implications of the probable union of the Southern Cameroons with the republic of Cameroun are being studied. The agency services at present provided by the Federal Government and covered by agency fees paid by the Southern Cameroons will no doubt be terminated eventually. As a result, the Federal Government may have to meet some additional expenditure, particularly in respect of Federal staff returning to Nigeria from the Cameroons. The effect, however, upon the Federation's finances will be marginal and need give no cause for concern. I am also examining the further question of Federal assets in the territory of the Southern Cameroons. Consideration must be given not only to the assets of Government itself, including the Federal investment in the Cameroons Development Corporation, but also to the assets of corporations such as the Electricity Corporation.

I feel sure, Mr Speaker, the House will agree that in the recurrent estimates we have provided a sound—indeed, if I may say so, sovereign—plan for the management of the public services of the Federation in the financial year just beginning. Legitimate needs have been met. Proper economy has been observed. A healthy surplus position is maintained so that there will be no falling-off in our revenue contributions to the Development Fund.

The 'Sovereignty' Budget

Let us move now from the recurrent to the capital budget. We are, as I have said, in the final stages of the 1955–62 Economic Programme. Nonetheless, although we are now heavily engaged in preparing the next five-year plan, it has been necessary for the Federal Government to review the balance of the old Programme. As Honourable Members know, the review of the Programme is a continuing exercise which must be carried out, however much our minds may be concentrated upon the important tasks of planning for the next five years. When we last reviewed resources a few weeks ago, we found that total resources for the period 1960–2, the final two years of the Programme, had increased to a figure of almost sixty-nine million pounds. A big factor in this increase was a sum of nearly five million pounds estimated to accrue to the Development Fund from the taxation measures taken by the Government last December. The contribution from internal borrowing will also be somewhat greater than the estimate I made last year. The currency circulation has expanded beyond our expectation, and this will partly explain why we should be able to envisage a slightly greater issue of local securities. About one and a half million pounds extra will be raised for development in this way. An additional million will also be available from the proceeds of Treasury Bills. When these bills were first introduced a year ago, we were embarking upon new and unexplored territory. It was natural for me to be cautious and I thought it prudent to count upon only one million pounds as the hard core of Treasury Bill finance which could be used to finance capital expenditure. Now, however, in the light of experience, I am satisfied that this can be raised with safety to two million pounds; a very welcome contribution to our capital resources. In addition, there are the strong hopes which I have mentioned of securing a loan of three million dollars from the United States Development Loan Fund for railway development. This will eliminate the need for part of the amount which we have set aside for a loan to the Railway Corporation.

Although there has been this encouraging increase in resources, which has indeed closed the former gap between resources and expenditure, it has at the same time been necessary for the Government to review its expenditure proposals. A number of urgent and inescapable projects have had to be considered for inclusion in the programme. First, we have decided that the Federal Government must go

ahead promptly with plans for an external broadcasting service. It seems to us to be very necessary that the voice of independent Nigeria should be heard far and wide throughout the world. We have also decided to launch a Federal television service. These two projects between them will require new capital expenditure of a little more than one million pounds. Four hundred thousand pounds is required for the establishment of a Federal Printing Company. One of the major tasks of this company will be to publish daily and weekly newspapers and other periodicals. We believe that in the present state of the Press in Nigeria, there is a grave danger that the public will continue to be ill-informed on matters of great moment to the nation. We have no intention that these newspapers and periodicals should be mere sycophantic government broadsheets. Instead, it is our wish that they should afford an opportunity for the public to compare and contrast intelligently views about current affairs and policies.

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One hundred thousand pounds is necessary for the establishment of the National Provident Fund to which I have already referred this morning. This expenditure is by way of priming the pump. It will be possible with this relatively small investment to establish the Provident Fund on a sound basis. I should like to emphasize that, once the Fund has been established with this initial contribution it will be entirely self-financing, so that no further calls will be made upon the Federal Exchequer. We have also decided to provide in the Programme an additional one quarter of a million pounds for telecommunications development. As the economy grows there is a consequential demand for improved telecommunication facilities; this is indeed an essential feature of the infra-structure which the Federal Government have to provide. A further half-million pounds approximately has been allocated for Lagos town planning. Five hundred and forty-six thousand pounds has been re-allocated to the Nigerian Ports Authority to enable it to proceed with essential development projects, including the construction of new warehouses at Apapa and Port Harcourt. The House will also be glad to know that we are now providing some three hundred thousand pounds for the construction of a maximum security prison to replace the present Broad Street prison. I am sure honourable Members will agree with me that this is an improvement which we have needed for a very long time. An additional nine hundred thousand pounds is being made available for ports and inland water-ways development, including an additional four hundred thousand pounds for the continuation of the Escravos Bar project. An additional three quarters of a million pounds each is required for the Army and Police, so that they may continue to play their part effectively in the maintenance of law and order in Nigeria and, indeed, in the defence of our freedom. Other large capital payments for which we must provide include eight hundred and fifty thousand pounds for the national

Harvesting cocoa in Niger



population census, nearly six hundred thousand pounds to meet the balance of the cost of the Independence celebrations and about two hundred thousand pounds to cover additional and inescapable liabilities for lump sum compensation. Members will find these all reflected in the separate volume of capital estimates for 1961–62. The Minister of Economic Development will also be laying before the House a progress report on the Economic Programme as a whole.

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The net effect of these adjustments to the Programme will be to produce an estimated gap between resources and expenditure of about eight and a half million pounds. When assessing what size of gap we can tolerate between planned expenditure and available resources, several factors have to be taken into account. In the first place, it is certain that there will be some under-expenditure. Money which we expected to spend by March 1962 will not, in fact, be spent until later. This spill-over naturally reduces the gap. Secondly, there is the very distinct possibility of further assistance from overseas. On the one hand, as I have mentioned, I have some hope of securing loan assistance from the International Development Association. There is also the very real possibility of loan assistance from the West German Government. Provided assistance from these and other sources is used to finance projects already included in the Economic Programme, it will be a further means of scaling down the gap. Thirdly, is the fact that we shall be able to finance some part of our capital expenditure from the proceeds of Treasury Bills on a temporary basis pending the raising of more permanent resources. This is a device which could be usefully employed should we run into any difficulties in financing the programme in the last few months of the planning period. Finally, it is true that in the last resort the Federal Government could call upon the five million pounds reserve fund or increase the fiduciary element in the currency backing. The chances of our having to pursue this extreme course of action are more than remote. It does, however, give me the confidence to say that the present gap of eight and a half million pounds is one which can be safely tolerated. I am also certain that in this revision of the current programme we have not encroached upon the orderly planning which is so necessary for the 1962–67 plan. This plan, as I have suggested, must be devised in the light of an overall assessment of priorities in every sector of the economy. Our aim is to produce a far-seeing plan which will build upon the foundation so successfully laid by the current Economic Programme.

In the past it has been the custom for me at this point to reveal to the House such taxation measures as are necessary for the successful accomplishment of the Government's budgetary plans for the coming financial year. This is a part of my speech for which I know Honourable Members wait with some interest, indeed possibly some concern. Let me assure the House forthwith that in this Budget Speech I have no

major shocks to administer. I must, however, say something of the measures which were taken by the Federal Government last December.

The 'Sovereignty' Budget

It has been traditional for tax changes to be introduced immediately before the budget meeting of the House of Representatives. On this occasion, however, we found it desirable to break with tradition. In former years, the world of commerce has been beset in January and February by much uncertainty and speculation about the contents of the budget. The Government decided that this year it would avoid the embarrassments of this regular timetable. Obviously it was to the advantage of the Governments to receive the additional revenue at the earliest possible moment, but I also felt it was of some importance that the timing of the measures should come as a real surprise. There was, of course, the additional point that in our Federal system the Regional Governments depend to a great extent upon the revenue allocated to them from the Federal Exchequer. By taking action in December, I was able to put the Regional Governments, all of whom were in urgent need of additional revenue, in a position where they could plan their budgets in full knowledge of how much money would be allocated to them in 1961–2.

I hope it will have emerged from what I have had to say already today, why it was so necessary to introduce these changes. In the first place, all the Governments of the Federation have pressing needs for additional revenue. This is not so much to finance their ordinary budgets; rather it is to provide resources to finance development. The theme of my budget today has been the mobilisation of Nigerian resources for the development of Nigeria as a sovereign nation. Although there is much we can do by local loans and national savings campaigns to attract voluntary savings, there comes a point, whether we like it or not, when resources must be increased through taxation. This is a form of compulsory saving which no responsible Government can ignore.

This then was a major cause of the measures we took. But also the Governments are all resolved to encourage the growth of local industry. This indeed was a fundamental point in the economic and financial policy which I presented to the House last year. Newly-established industries in Nigeria are bound to be faced with keen competition from overseas. It is often very right and proper to provide these infant local industries with a degree of protection, at least until they are strong enough to stand on their own feet.

The increases in taxation were also necessary in part, to damp down the demand for imported goods. I have spoken today about the country's balance of payments position. The provisional figures which I have mentioned show that there was a large increase in the visible trade deficit in 1960. One factor bringing about this Increase was a stepping up of the level of imports of consumer goods. It is my hope

that by the measures we took last December, we will have applied the brake, at least to some extent, on the import of consumer goods.

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There has been some criticism of the introduction of protective duties on flour and sugar. This criticism, to my knowledge, has not centred so much on the principle involved but on the timing of the imposition of the protective duty. As the House knows, we found it necessary to impose a duty of three farthings per pound on flour and two pence per pound on sugar. I agree that it will be a little time before local industries manufacturing these products are established in the Federation, even though plans for their establishment are well advanced. There are, however, a number of arguments which I would like to put to the House on this question of the timing which we decided to adopt. In the first place, it is inevitable and eminently reasonable that when the Government are considering the imposition of protective duties, there should be prior discussion with industry, although such prior discussion would never be contemplated over changes being made for purely revenue purposes. Industrialists about to invest in Nigeria do indeed raise the question of protective duties with Government. They produce the facts and figures upon which it is possible for Government to determine whether protection is needed and, if so, what its level should be. In the case of the flour and sugar industries, it was necessary that there should be fairly wide discussion, not only with the industrialists concerned but also with Regional Governments which had a great concern in both projects. Inevitably a point was reached when many people were aware that the Federal Government, in principle at least, was ready to impose a protective duty. I was anxious that this foreknowledge should not be made the occasion for private speculation or profit. I therefore decided that it was essential to impose the duties at an unexpected time, thereby making impossible any personal gain by the people in the know. I have put this argument at some length because I know there has been considerable public misunderstanding of the position, but there are other arguments for the timing of the introduction of the protective measures. By actually imposing the new taxes it was possible to give the industrialists investing in the flour and sugar projects, a really concrete assurance of Government's intention to protect them. Then again, if we had delayed until the local industry was about to start, there would have been an immediate lift in the price of the imported product. This might well have given the local industry a bad start. Because of the way we have handled the introduction of the protective duty, the new local product, when it is available, will come on to the market at a lower price, and the success of the local industry should be all the greater for this. There is finally the point that the revenue accruing from the introduction of the protective measures provides a most valuable contribution for the development of the Federation. We do not intend

to squander the proceeds of the protective duties on ordinary current expenditure; the budget is so planned that the additional revenue accruing from them will be credited to the Development Fund for capital expenditure.

I think that suggestions have also been made that the taxation measures were not sufficiently discriminatory. In other words, the rich were not hit as hard as they should have been. I am sure any fair-minded person examining the details of the changes will agree that particular emphasis was laid upon the need to raise more revenue from luxuries and semi-luxuries. By and large, the increases were imposed upon goods consumed by the better-off sections of the community. No one could reasonably maintain that beer, wine and spirits, imported meat and butter, coffee and even imported flour constitute indispensable or significant items in the family budgets of the low income groups which form the bulk of our population. Yams and gari, local meat, vegetables and butter, home-brewed beer and our invigorating palm-wine, home-woven cloth; these and many more products which are consumed on a wide scale by the working classes did not feature at all in the taxation measures.

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Nevertheless it is only fair to point out that there are limits to the amount of revenue we can secure by the taxation of luxuries and semi-luxuries. Some imported goods are widely consumed by people of all classes. Textiles provide one example of this. If, therefore, we are going to produce a significant increase in the contributions from revenue for the development of our country, we cannot ignore goods of this sort which are imported in bulk for the use and consumption of the man in the street. May I say, Sir, that it is no part of our policy to shield the rich. It is our intention to spread the burden fairly, calling upon all sections of the population to make their sacrifice for the advancement of Nigeria.

We would be deluding ourselves, Mr Speaker, if we thought that we could mobilise the resources of this country without personal sacrifice. Some sections of the Press have made great play with arguments about my going abroad to beg for loans. Why, they say, do we not find the money from within Nigeria ? Sir, I repeat that my principal theme today is the mobilisation of Nigeria's own resources. But this mobilisation will have little effect unless all classes of the community are prepared to accept the burden of the sacrifice to which I have referred. There is one aspect of this to which I must refer. There will be no sacrifice if measures of the sort we took last December are made the immediate occasion for increases in wages and salaries that are unrelated to increases in production. Such increases could only serve to nullify the effect of the tax measures. A small section of salary and wage earners might derive some benefit, but even if they did, it would be at the expense of the rest of the community. The farmers and fishermen who constitute the bulk of our population would not benefit at all.

It is also important when taxation measures are introduced that firms and shop-keepers should not increase their prices unreasonably. At the time the measures were introduced, I had much to say about this. I made it perfectly clear that I would deplore any attempt to make the tax measures the signal for a general increase in prices. I believe that by and large, firms and individuals have co-operated with the Government over this. However, the Federal Government intend to continue to maintain a watchful eye on prices. We will not hesitate to take any appropriate measure to deal with profiteering.

As I have said, there are no taxation shocks in this budget. The House will, however, be aware of one revenue measure which we have taken in the past few days. I refer to stamp duties where, in concert with the Regional Governments, we have raised, with certain exceptions, the rates of duty by fifty per cent with effect from the 1st April, 1961. The increase has long been overdue. The old rates were first introduced in 1939 and have stayed unchanged since then. All Governments have been convinced in principle of the need for a revision for some time but it is only lately we have been able to agree on the best means of implementing the change. I calculate that the increase will bring the Federal Government an additional revenue of one hundred thousand pounds over the two hundred and forty thousand pounds provided in the Estimates.

During this meeting of Parliament we shall be considering some major legislation governing the future of income taxation in Nigeria. At last, and indeed for the very first time in the thirty-two years history of income tax in Nigeria, the assessment of non-Africans residing outside Lagos will pass from the sphere of the Federal Board of Inland Revenue to the tax authority of the Region where the tax-payer resides. This will bring to an end the old system whereby the income tax of indigenous tax-payers resident in the Regions was levied by the Regional authorities, whereas the income tax payable by non-Africans remained in the jurisdiction of the Federal authorities. In short, Mr Speaker, the old system perpetuated a form of discrimination between the taxation of Africans and non-Africans. For many years dissatisfaction has been expressed with this system but no-one was ready to grasp the nettle and produce a solution. However, examination of the problem was hastened by the report of the Raisman Fiscal Commission. The Commission recommended very strongly that Regions should assume the basic jurisdiction over the personal income tax of non-Africans. In arriving at this recommendation the Commission expressed their certainty that the system of personal income tax should not rest on any discrimination between Africans and non-Africans. They were also anxious to avoid creating in the Federation any harassing problems of double taxation.

The recommendations of the Fiscal Commission have been carefully examined by all the Governments of the Federation over a long period. The upshot is the Income Tax Management Bill which I shall be introducing in the course of this budget meeting of the House. An object of the Bill is to ensure as much uniformity as possible between the income tax measures of the various tax authorities in the Federation and to save individual tax-payers from being approached by one tax authority after another as can happen at present. The Management Bill defines what can be regarded as income for taxation purposes. It provides that the whole of an individual's income, wherever it is derived, will be assessed to tax, only by the Government within whose jurisdiction the tax-payer is permanently resident on the first of April. It provides for the *separate* assessment of a man and his wife. It also provides, as I have said, for non-Nigerians to be treated on exactly the same basis as Nigerians. Within the framework of the Management Bill, each Government will be free to impose its own rates of tax, personal reliefs and so on, to suit its own particular needs.

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In the Personal Income Tax (Lagos) Bill, which will also be introduced at this meeting of Parliament, the Federal Government will provide for the method of assessment, the personal reliefs and the tax rates applicable to residents in Lagos. I emphasize the words 'in Lagos' since all that follows in my speech about income tax rates and reliefs is of concern only to those individuals henceforward subject to assessment by the Federal Board of Inland Revenue. My remarks do *not* concern the rates of personal income tax payable by non-Nigerians and Nigerians in the Regions.

The first important change is the introduction of an income rate which will be imposed on *all* tax-payers resident in Lagos. In the case of tax-payers with incomes in excess of three hundred pounds a year, the rate will be *additional* to their income tax. In the case of tax-payers whose annual incomes do not exceed three hundred pounds, however, the income rate is the only income tax demand which will be made of them. Taxpayers with incomes not exceeding three hundred pounds form a numerous class in Lagos. In the past they have paid tax at rates ranging from six shillings on incomes of up to twenty-four pounds, to three pounds fifteen shillings on two hundred pounds, and seven pounds ten shillings on three hundred pounds. I propose that we should introduce entirely new rates, starting with ten shillings on incomes not exceeding one hundred pounds. For incomes exceeding one hundred pounds but not exceeding two hundred pounds, the rate will be one pound. For incomes exceeding two hundred pounds but not exceeding two hundred and three pounds a year, the rate will be one pound plus half of the amount by which the income exceeds two hundred pounds. For incomes exceeding two

hundred and three pounds, the rate will be three pounds. So, in almost every case, there will be a considerable *reduction* in the tax payable by the lowest income groups in Lagos, although every citizen will contribute something in proportion to his means by way of taxation. I would add that my aim is eventually to transfer the administration and collection of the income rate to the Lagos Town Council. This will relieve the Federal Board of Inland Revenue of the unremunerative work of trying to make a close assessment of the income tax of this large group.

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Turning to the personal reliefs, I propose that single men, single women and married women with incomes in their own right, should enjoy a personal relief of three hundred pounds. For a married man with a wife maintained by him, I propose that the relief should be four hundred pounds. These new rates will terminate the unreasonable discrimination between men and women which has existed in our income tax laws. Henceforward, the modern Nigerian woman, like her counterpart in other countries of the world, will make her contribution to the progress and prosperity of the nation on a basis of equality. Hitherto, the personal relief for children has been forty pounds per child up to a maximum of four children. It is proposed to increase this amount to sixty pounds and to allow relief for the children maintained by a tax-payer, whether or not they are his own, provided they are genuinely maintained by him. The maximum of relief for up to four children remains unchanged. In the past, we have also allowed additional relief of up to two hundred and ten pounds for expenditure incurred on maintaining or educating a child outside Nigeria. I propose to amend this to provide relief of up to one hundred and ninety pounds but this will only be allowed to the extent that expenditure is incurred in excess of the sixty pounds basic relief, and when the expenditure is incurred on education and not merely on maintenance. The relief will be allowed whether the expenses are incurred inside or outside Nigeria. By these changes in the reliefs for children, I hope that, apart from checking abuses of the old scheme of reliefs, I have placed them upon a proper Nigerian basis, entirely suited to the Nigerian way of life. One final point about the reliefs. I have left the present relief for dependent relatives unchanged, except that relief may now be claimed where a dependent's own income is as high as three hundred pounds a year in place of the present one hundred and fifty limit.

I move now to the rates of tax which we intend to apply. In the framing of suitable rates for the residents of Lagos, four considerations have been ever-present in my mind:

One, there should be no overall loss of revenue as a result of any changes in the reliefs or in the tax rates themselves;

two, there should be no violent increase or decrease in the amount of tax pay-

able by any one tax-payer;

three, there should be no outright exemption from tax of any income-earner, however low his income; but rather he should, as a citizen of this great country, learn to contribute his proportionate share to the nation's income; and

four, the system of taxation of the 'under-three-hundreds' under the present practice of close assessment should not be as grossly uneconomical as it is at present. I have, indeed, already spoken of the introduction of the income rate which will meet this and the preceding consideration.

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On the basis of these considerations, or statement of principles as they could be termed, the Government have decided to introduce the following rates of income tax in Lagos:

First £400 at 1*s*–0*d* in the £
Next £200 at 2*s*–0*d* in the £
Next £200 at 2*s*–6*d* in the £
Next £200 at 3*s*–6*d* in the £
Next £800 at 4*s*–6*d* in the £
Next £1000 at 6*s*–0*d* in the £
Next £1000 at 7*s*–6*d* in the £
Next £1000 at 9*s*–3*d* in the £
Next £5200 at 11*s*–6*d* in the £
Every £ over £10,000: 15*s*–0*d*.

In addition, as I have already explained, each person taxed at these rates will also be liable to the income rate of three pounds.

The actual amount of tax payable by an individual depends, of course, not only upon the tax rate but also upon the personal reliefs. Thus, although the first impression from the figures which I have given might be that there will be a substantial increase in an individual's tax liability, because the rates appear higher, in fact this is not the case. Let me, as briefly as possible, summarise the effect of the new rates upon the various main categories of tax-payer. All those with incomes of less than three hundred pounds a year will, in almost every case, pay less tax than at present. This should provide a very welcome relief for the poorer sections of the community.

Let me refer now to those with incomes above three hundred pounds a year. Single men will pay somewhat less than under the old rates of tax. This is because they will now enjoy a personal relief of three hundred pounds, whereas hitherto they have had none at all. Single women, although they will pay the same as single men, will pay more than they did in the past. This is because they have enjoyed

an indefensible privilege of a total exemption for the first two hundred pounds of their income which the single man did not receive. Married men without children will pay less under the new scheme if their income does not exceed one thousand two hundred and fifty pounds a year. They will pay more or less the same if their income is between that figure and four thousand seven hundred pounds and slightly more than at present if their income is above four thousand seven hundred pounds a year. Married men with one or two children will pay more or less the same up to four thousand seven hundred pounds a year; beyond that figure they will pay slightly more. Married men with three or four children will pay slightly less right down the scale.

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The overall picture, therefore, is that with the solitary exception of the single woman, who in future will be treated on exactly the same basis as a single man, the liability of the very lowest income groups will be substantially reduced; that of the lower groups will be slightly reduced; whilst the wealthier tax-payers will, in general, pay slightly more unless they have large families. This, I am confident, is an equitable distribution of the tax burden. I do not know what changes, if any, are being made to the tax rates in the East and West—the North is on a system which does not lend itself to comparison with the others. However, a comparison of our present and proposed rates of tax with those of the East and West shows that in the case of the lower income groups the Federal tax is markedly lower than that of the West, although it is very significantly higher in the higher income groups. Again I feel that this reflects a more equitable spreading of the tax burden. Throughout the income range the Eastern tax rates are substantially higher than either those of the Federal or the Western Region. I do not anticipate that the proposed changes will result in any material change in the total revenue which will accrue to the Federal Government from income tax.

Taxation of limited liability companies throughout Nigeria remains the responsibility of the Federal Government in accordance with the recommendation of the Raisman Commission. In view, however, of the changes being made in our income tax legislation we have thought it desirable to draw up a new Bill for the taxation of companies which will dovetail into the provisions of the Income Tax Management Bill. In this way we shall be able to discard completely the old Income Tax Ordinance which dates from 1943. I shall, of course, be speaking in much greater detail about the new Companies' Profits Tax Bill when the Bill itself is presented. All I need say at the moment is that I believe that the proposed new legislation will provide an efficient and effective instrument for the taxation of companies and that it will be entirely suitable to present-day circumstances. No change is proposed, I should add, in the rate of taxation applicable to companies.

One innovation which we are introducing is a pay-as-you-earn scheme of tax collection. This will affect the vast majority of employed persons in Lagos. I emphasize that this will be a Federal scheme restricted to those persons resident in Lagos who pay personal income tax to the Federal Board of Inland Revenue. It is my hope that, provided Parliament approves the necessary legislation, we will commence the P.A.Y.E. scheme at an early date in the new financial year. One of the main advantages of P.A.Y.E. is that it relieves workers of the strain on their personal finances when income tax has to be deducted in two instalments. I am sure all persons subject to personal income tax will welcome this easier method of settling their income tax obligations. Of course, the scheme has its attractions for Government as well, in so far as it will ensure a steady and even flow of revenue from this class of income tax-payers. One other important point regarding P.A.Y.E. is that it will involve a fundamental change in the basis of assessment of employed persons. Hitherto, subject to certain exceptions necessary to cater for abnormal cases, the basis of assessment has been the income of the preceding year. Under P.A.Y.E. we assess the income of the current year and members will find this reflected in the legislation which they will be considering at this meeting of Parliament.

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Following upon the recommendations of a Committee which visited London on my behalf last year, the Board of Inland Revenue have now taken over from the official representative in London, the assessment of all companies, partnerships and pensioners. This, I feel sure, is a wise move. It is, indeed, the only proper course of action now that we have achieved our Independence.

I am still much concerned at the evidence that the unscrupulous continue their efforts to evade the payment of income tax. I would like to mention to the House an example of the type of case I have in mind. In this instance, Mr Speaker, we have an expatriate company which has been operating in Nigeria since 1952. To the world outside this company, though not a large one, appears reasonably prosperous. It is engaged in a luxury trade and its goods are costlier than in other companies. It is a house of high fashion in one of the main streets of Lagos, where only the rich would have the means to buy its goods. Yet, to my surprise when I called for a report on the tax position of this company, I found that from 1952 up to and including the 1960–1 year of assessment, the company had paid less than £1000 in income tax. That is an average of only £125 a year. I might add that for five of these years, the company had shown losses and no tax at all was paid. Mr Speaker, this seems to me to be highly suspicious. I can hardly credit that a company of this type can be in such a parlous condition. Surely, Sir, if any company is unable, after a reasonable period, to make taxable profits, the answer is for it

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to wind up its affairs and leave Nigeria. I feel very strongly on this subject. Tax evasion in any form is utterly contemptible. Firms which manipulate their cccounts to the detriment of the revenue are doing themselves and Nigeria grave disservice. More than that, they are cheating the many other companies which prosecute their business honestly and sincerely.

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Of course, we welcome investment in Nigeria, but we do not welcome investors who do not play fair with our tax authorities. For our part, we reduced income tax to eight shillings in the pound two years ago, because we wanted to encourage the growth of commercial and industrial activity in the Federation. This makes it very surprising to me that we should find companies with a record such as the one I have just mentioned to the House. I am also distressed to find that several companies utterly failed to submit any accounts at all for the purpose of assessment, thus making it necessary for the Board of Inland Revenue to impose arbitrary assessments. There have indeed, Mr Speaker, been some bad cases where companies have not produced accounts to the Board of Inland Revenue for as much as three years running. Evasion of income tax is just as menacing to our economy as the evil of smuggling. It is my intention that the Board of Inland Revenue should attack this problem with all the forces at their disposal. Where necessary we shall amend our laws ; already we are setting up an efficient investigating branch in the Inland Revenue. Recruitment of competent and experienced investigating officers has not, however, proved easy, but I have taken steps personally to look for staff under the various technical assistance schemes on offer to Nigeria. I am hopeful of securing staff from Israel and also possibly, Australia. With this assistance it is my intention that we should create within the Board of Inland Revenue a nucleus of an effective investigation branch. I hope the House will not consider that I have been too harsh in my remarks about companies operating in Nigeria. I know that there are many honourable exceptions to what I have said, but make no mistake of it, there are the transpressors and it is my earnest resolve to bring the full weight of the law to bear upon them and in those cases where companies fail to produce accounts, the Board of Inland Revenue will step up the rate of arbitrary assessment.

The House will remember that it has been necessary for me to refer each year to the serious effect of smuggling upon our country's revenues. I have already spoken today about the problems of mobilising the resources of Nigeria for the tremendous tasks which lie ahead of us. The increase of revenue is one very important aspect of this, and it is of the utmost concern to me and my colleagues that our revenues should suffer so greatly because of widespread smuggling. I am informed, for example, that about forty-five million smuggled cigarettes are being sold each month in Nigeria. This represents about one-sixth of the total cigarettes sold in

the country. If dutied cigarettes were sold in place of these smuggled cigarettes, the gain to the revenues of the Federation would be at least two million pounds a year.

Now, in my last Budget Speech I promised that the Government would take all possible measures to fight this evil. I am pleased to report that, in the financial year now ending, our efforts have met with considerable success. We have been greatly helped by the Navy, the Army and the Police. Their services have provided an invaluable complement of the preventive work of the Board of Customs and Excise. By far the greatest quantity of contraband was seized by naval vessels on which Customs officers are serving, but they are perhaps better placed than others to make spectacular captures. I want to put on record this morning my deep appreciation for the splendid work done by the officers and men of all these services.

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To give some actual figures, about one thousand four hundred seizures have been made over the past twelve months. In this same period some eight and a half million cigarettes, seventeen thousand pounds weight of tobacco and over four thousand gallons of spirits have been seized. These seizures represent revenue of something of the order of one hundred thousand pounds. Over and above these amounts, I am certain that at least as much was destroyed in the course of capture. A damaging blow has been dealt to the smuggling fraternity, but I realise that more must be done before the profit has been taken out of the large-scale smuggling on our borders. The Board of Customs and Excise are, therefore, planning preventive patrols and a closer liaison between the services engaged in fighting the smugglers. In particular, arrangements are in full swing for the complete re-organisation of the preventive service into a truly effective counter-smuggling body. In 1960 we opened a number of new customs patrol and border stations and more are planned for this year. The pattern we are seeking to establish is that of a closely interlocked network of customs and police stations, many of which will be in direct radio contact with each other. In this way, we hope to achieve a ready exchange of information which will provide the basis for successful combined operations.

This important task of ensuring that the revenues are collected does not end with the prevention of the smuggling of goods across our frontiers. There are other more subtle methods of smuggling which we must combat. For this reason, every officer of the Board of Customs working in the Long Room and Transit Shed is engaged in the vital task of meticulously checking documents and goods to ensure that they have been properly declared, and are not covered by false or fraudulent invoices. However well this work is done by our officers, it is always possible for a few forged documents to escape detection. This is where the investi-

gation branch of the Board of Customs and Excise comes into play. The vigilance of this branch has brought to light many frauds, and I am glad to report that their investigations have undoubtedly improved the situation. The unscrupulous importer realises now that the chances of a forged document going undetected are very much less than in former years. There has, in fact, been a marked decrease in fake invoices during the past year.

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I would like to mention one or two examples of the way in which importers try to evade the payment of their just dues. The most common type of fraud is where a completely forged invoice is submitted to support Customs documents. At one stage, such forgeries had become so much a matter of routine that the constant reduction of figures on invoices without regard to sense, showed articles three feet in length being imported in twelve-inch cartons. Another form of swindling involves not only the Board of Customs but also suppliers in other countries. I am thinking of the case where a person set himself up as a banker or accepting house and ordered fantastic quantities of goods from foreign suppliers by means of worthless drafts and bills of exchange prepared by himself. Having ordered the goods against these forged documents, he saw no reason why he should pay the full customs duty, so he forged invoices in exactly the same way as the bank documents. There was also a so-called clearing house styled the "British Indent House Ltd". The offices of this institution were, in fact, the bedroom of the perpetrator of the fraud. I am glad to say that in this particular case, prompt action by the Board of Customs and Excise prevented any loss of revenue. I should mention that the scope for this type of fraud will be considerably reduced by the legislation announced in the Gracious Speech from the Throne for the control of the activities of discount companies.

A variation of the forged invoice theme is the case where an importer gains possession of another importer's copy of a customs entry on which duty has been paid. He alters the body of this document to correspond with the marks and numbers of his own consignment of goods and uses it to obtain delivery of the goods without payment of duty.

These are just a few examples of the type of smuggling activity which the Board of Customs have detected by their constant vigilance. The House will be glad to know that the perpetrators of this type of fraud have been severely punished by the Courts. There is no question of the ingenuity of some of these unscrupulous persons and I recognise the need for a strong preventive service and an equally strong investigation branch. In my view, no quarter can be given to these people for they have shown themselves to be thoroughly bad citizens of Nigeria. They are doing great harm to the economic welfare of the country and must be pursued with the full severity of the law.

I feel that there is still far too much complacency in Nigeria about smuggling. Too many people in all walks of life in our country are prepared, if not to encourage, at least to condone it. They dabble in this illicit trade by purchasing goods which they know full well can only be smuggled, in view of their low price. I therefore ask all Honourable Members to make a conscious effort to spread a new mode of thinking about the problem of smuggling. There is so much which we can do through the Board of Customs. We can employ the Army, the Navy and the Police in patrols and combined operations, but the ultimate success of our efforts is bound to turn upon the willingness of the Nigerian public to give their full co-operation.

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Our preventive work is handicapped by a serious shortage of information, and I hope that the people of this country will come to regard it as their duty as good citizens to bring to the authorities information on smuggling activities. Give us the facts and we will take prompt and effective action. We shall pay for truthful information.

Mr Speaker, Sir, it has been said of Alexander Hamilton, who was so prominent in the evolution of the American economy at the time of George Washington, that "his distinction among finance ministers rests upon more than fiscal competence, for his Treasury measures were but instruments in an imaginative national programme''. I trust, Sir, that in the budget which I have laid before you today, I have mapped out an equally imaginative programme. It is my belief that in this Sovereign Budget, following in the wake of my Stability Budget, the Federal Government have provided a bold, yet realistic, set of proposals for the economic progress of the nation. In particular, Sir, I commend the Recurrent Estimates, 1961–2, as presented to Parliament, together with this Appropriation Bill, for the favourable consideration of the House.

At this point, Mr Speaker, I would like to pay a brief but heartfelt tribute to the staff of my Ministry, who have been engaged for so many weeks upon the preparation of this Budget. I am greatly indebted to them for their excellent work, and it is a matter of personal regret to me that some of them will have left Nigeria before the 1962 Budget Meeting. My thanks also go to the Government Printer and his staff for their unflagging efforts, without which it would be impossible for this Budget Meeting to go so smoothly.

Mr Speaker, Sir, before closing this speech, I want to say a little about the possibility of achieving some form of union among the countries of Africa. It has been said that this must of necessity begin with political union. It has also been suggested that any loose confederation based upon purely economic co-operation, would result in deceptive and needless procrastination.

In the fast shrinking world of today, it is obviously good sense for us to work

for co-operation among the countries of Africa rather than to exaggerate their differences. I am just as anxious as the next man to see a harmonious relationship created between the countries of West Africa and their neighbours. I recognise the dangers which lurk in the Balkanisation of Africa, but there are problems involved which we must face fairly and squarely. I do not believe that we can achieve any sort of union overnight. I believe that a cautious approach will pay dividends in the long run. It seems to me that the proper thing is to begin by developing economic relations. Let us work for greater trade among the countries of Africa. Let us develop forms of economic assistance and co-operation. Let us do this where possible under the aegis of such organizations as the Economic Commission for Africa. Then, Sir, when we have established satisfactory economic relations, we shall be able to talk about the possibility of some form of political union. Such a union must, however, be on the basis of equality among the States concerned. It must not be on the basis of domination by any one country. Leadership will, no doubt, be necessary, but I want it to be leadership that is voluntarily accepted.

Much is said these days about the projection of the African personality. I must confess I am sometimes in doubt as to what precisely is meant by this. Certainly as one looks about the world today, I find it hard to believe that it is one single African personality which is being projected. It seems to me as if the personality of particular countries is being projected: for instance, the Ghana personality, the Guinea personality, the Casablanca personality and so forth. For my part, Mr Speaker, I am firmly of the belief that Nigeria can contribute much of value to the affairs of the world. It is our task in this House and outside, to project the Nigerian personality both in the political and in the economic field. It was written many centuries ago that, "There is always something new from Africa". I am convinced, Sir, that Nigeria has something new and wonderful to offer. In this Federation we have fashioned a unique example of "Unity and Faith". It is an example which I feel sure can shape the destiny of Africa. So, Sir, with a profound sense of how much depends upon all of us in Nigeria, may I say with Longfellow:

"Thou, too, sail on, O Ship of State!
Sail on, O Union, strong and great!
Humanity with all its fears,
With all the hopes of future years,
Is hanging breathless on thy fate!"

Mr Speaker, Sir, I beg to move.