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# 1993 BUDGET OF TRANSITION

By Chief E. A. O. Shonekan, CBE  
Head of Government and Chairman of Transitional Council to the  
Joint Session of the National Assembly



Chief E. A. O. Shonekan

The President,  
Mr. Speaker of the House of  
Representatives,  
Distinguished Senators,  
Honourable Members,  
Ladies and Gentlemen.

## INTRODUCTION

**T**oday I present to this Joint Session of the National Assembly the federal Government Budget proposals for the year 1993. I consider this occasion very unique in the history of our dear country. As you will recall, the Transitional Council was inaugurated on 4th January, 1993. The events that led to the emergence of this body are well known to all of us. The Transitional Council is made up of non-partisan civilians, each chosen on his or her own merit to collectively steer the ship of state for the next eight months with the principal responsibility to lay a solid foundation for the political, economic and social future of our beloved country.

2. The uniqueness of this occasion is further underscored by the fact that a non-partisan Executive Arm of government is presenting to an elected National

Assembly a budget with wide ramifications for the Third Republic and the long-run survival of our country. The occasion, therefore, offers a rare opportunity for a sober and objective reflection on the state of our economy. Such an exercise would guide us in laying a sound foundation for growth and development in the rest of this decade and beyond.

3. I am aware that the Honourable members of this Assembly, both individually and collectively, were briefed about the state of the economy just before this august body was convened in December 1992. I consider it appropriate, nevertheless, to refresh your memories and put in proper historical perspective the events that have over time led to the present state of our economy. This would further enable us put in proper focus the various economic policy measures proposed in the 1993 Budget.

4. The emergence of petroleum export in the early 70s as the major source of government revenue and foreign exchange earnings marked a watershed in our post-independence economic history. As it was fashionable in

those days, the government adopted the import-substitution strategy as a vehicle for transforming the country into an industrial economy. Regrettably, the strategy did not work out as planned and in spite of the avowed goal of self-sufficiency in food production, agriculture was also under-funded. The government, however, spent substantial amount of its oil income in developing social and economic infrastructure across the country.

5. The collapse of the world oil in the early 1980s resulted in a significant reduction in government revenue and foreign exchange earnings. The economy was thereby saddled with a huge backlog of uncompleted projects and outstanding debts to contractors. Serious problems of payments and external trade arrears also emerged in the early 80s. Furthermore, the inability to reduce public expenditure in line with

the dwindling revenue gave rise to high levels of budget deficit.

### **ADOPTION OF THE STRUCTURAL ADJUSTMENT PROGRAMME**

In order to prevent a collapse of the economy, the government initially introduced various demand management measures. However, when it became clear that the economic situation did not improve, the Structural Programme (SAP) was adopted in July 1986. It has two inter-related aspects. The first aims at stabilising the economy by ensuring external balance and fiscal viability. The second focuses on the restructuring of the country's production and expenditure pattern. The programme was also designed to redress the fiscal imbalances and structural distortions in the economy with a view to propelling the country towards self-sustainable growth. The programme, specifically had the following objectives:

- (i) to restructure and diversify the productive base of the economy in order to reduce the dependence on the oil sector and on imports;
- (ii) to achieve fiscal balance and ensure balance of payments viability;
- (iii) to lay the basis for a sustainable and non-inflationary growth;
- (iv) to enhance efficiency of public sector operations, as well as lessen the dominance of unproductive investments in the

public sector; and  
(v) intensify the growth potential of the private sector.

7. It is noteworthy that in those heady days, the present military government demonstrated a rare courage in taking hard and unpopular decisions on the economy. Such decisions included the flotation of the Naira exchange rate, the abrogation of import licensing, the abolition of commodity boards, reduction of tariffs on imported machinery, privatisation and/or commercialisation of public enterprises and the rationalisation of the public service.

### **ECONOMIC PERFORMANCE UNDER SAP**

8. Overall, the economy seemed to have responded positively to the structural adjustment measures. This is best illustrated by the overall growth of the economy, improved sectoral performances and reduced pressures in the external sector. What would have happened without the adoption of SAP, could be better imagined than experienced. It is generally believed that the situation would have deteriorated further. Much as its implementation could be improved upon, its adoption has brought about indelible changes in our social and economic landscape. After a slow growth rate of 2.2 per cent in 1986 and actual decline of 0.3 per cent in 1987, the Gross Domestic Prod-

uct (GDP) at the 1984 factor cost registered a growth rate of 7.0 per cent in 1988. Also between 1989 and 1991, an average annual growth rate of 5 per cent was maintained.

9. Agricultural output increased at an average annual rate of 5 per cent between 1986 and 1991. This compares favourably with the average growth rate of about 1.0 per cent between 1980 and 1985. The industrial output also responded positively to the SAP measures. In 1988 and 1989, industrial output index grew by 18.0 and 14.5 per cent respectively. The average annual growth rate between 1987 and 1992 was 8 per cent. The SAP experience also gave birth to the maintenance culture in our country which needs to be sustained.

The external sector witnessed severe pressures prior to the adoption of SAP. There were persistent deficits in the current account balance, accumulation of trade arrears, significant depletion of external reserves as well as a heavy external debt overhang. With the adoption of SAP, the pressures on the external sector eased considerably. Since 1989 until recently, surpluses had been recorded in the balance of payments accounts. There has also been less pressures on external debt because of successful conclusions of debt rescheduling, refinancing and actual deferment of maturing debt

service obligations.

11. In spite of the gains recorded under SAP, certain macro-economic problems had so far defied solutions. These include the continuing depreciation of the Naira rate; the high and volatile interest rate; the depressed activities in the real sectors of the economy and skyrocketing inflation. Other problems causing concern are the burgeoning fiscal deficit coupled with excessive money supply; increasing unemployment, especially of young school leavers and the erosion of the standard of living of most Nigerians.

12. In spite of the recorded performance of SAP in our country so far, it is important to stress the continued relevance of its basic tenets to our social and economic situation now and in the future. SAP as any other social package calls for periodic review and fine-tuning which should not be confused with wholesale rejection. As the society evolves and new realities emerge, it behoves us to adjust such programmes in the appropriate manner. This is now the challenge to the political leadership as far as SAP is concerned and I wish to appeal to the members of the National Assembly to take a close look at this and other programmes to determine which of their components should remain in the enlightened interest of our nation. Any precipitate decision would amount

to a disservice to our nation.

## **REVIEW OF THE 1992 BUDGET**

13. At the beginning of the 1992 fiscal year, the economy was characterised by growing inflationary pressures, instability in the exchange rate of the Naira, huge external debt service payments and deteriorating balance of payments position. These problems were attributable partly to the unfavourable international economic environment, especially the depressed oil market. There was also the problem of domestic policy instability which culminated in large fiscal imbalances financed largely through the banking system with their adverse repercussions on private sector activities.

14. The policy objectives in 1992 focussed on reducing the inflation rate from 13 per cent in 1991 to 5 per cent in 1992, achieving a budget surplus of N2.0 billion and a real growth rate of 4.5 per cent in the GDP through a prudent mix of fiscal, monetary and exchange rate policies.

15. However, available data indicate some slowdown in economic activities, especially during the first half of 1992. This was due mainly to the sluggish performance of the real sectors of the economy, that is, the agricultural and manufacturing sectors. The rise in consumer prices which began in the second

half of 1991 continued into 1992 with the inflation rate standing at 46.0 per cent at the end of December 1992 as against 13 per cent at the end of 1991. Provisional data indicate a slight improvement in the unemployment situation with the overall rate declining from 4.1 per cent in 1991 to 3.4 per cent in 1992. However, the overall registered unemployment situation is still worrisome, given the deteriorating performance of the real sectors, especially the small and medium-scale enterprises. Young school-leavers remain the most vulnerable group in this respect.

16. The fiscal operations of the federal Government during the year resulted in an estimated budget deficit of N43.8 billion as against the planned surplus of N2.0 billion. This is attributable largely to the huge debt service obligations, expenditure in respect of the Transition Programme and the requirements for the execution of sundry projects. Among such projects are the steel complexes, aluminium smelter, export processing zone, grain silos and the universities. The deficit resulted in the rapid expansion of money supply which as at the end of November increased by 49.2 per cent as against the annual target rate of 24.3 per cent.

17. On the external front, the balance of payments came under severe pressures during the first half of 1992. The overall balance

recorded a deficit of \$370.9 million, compared with a surplus of \$860.6 million in the correspondence period of 1991.

Total external reserves which were buoyant up till 1991 became depressed by the end of 1992 primarily as a result of heavy debt buy-back operation, the need to support the Naira exchange rate and the financing of some key projects.

18. On external debt, we want to recall the agreement concluded with the London Club in February 1992. As a result of this, a sum of \$3.38 billion of eligible debt was bought back at a discount of 60 per cent, while the balance of \$2.1 billion was exchanged for 30-year collateralised US Treasury registered bonds. Overall, the total external debt outstanding as at 31st December, 1992 amounted to \$27.56 billion, compared with a balance of \$33.36 billion as at 31st December, 1991.

19. As a result of the deregulation of the Foreign Exchange market (FEM) in March 1992, the value of the naira depreciated sharply from N10.1 to \$1 to N18.5 to \$1. In the wake of the deregulation, the spread between the official and parallel market exchange rates narrowed from about 80 per cent at the beginning of March 1992 to about 5 per cent at the end of June. However, the gap widened again to about 20 per cent at the end of December 1992 largely as a re-

sult of excess liquidity in the economy.

20. Despite the set-backs encountered in the 1992 fiscal year, some remarkable achievements were recorded in the implementation of key government programmes. The national Agricultural successfully took off in twenty-five states of the Federation. The major objective of the programme is the establishment of 30,000 to 50,000 hectares off farm complexes in each State to enhance rural income and food output. In line with the policy of laying an enduring foundation for industrial development, the Phase I of the Ajaokuta Steel Complex was commissioned. Furthermore the Iron Ore Production Plant at Itakpe and the Itakpe-Ajaokuta rail road were almost completed while work commenced on the construction of the Ajaokuta-Warri rail line. Other areas of key achievements include the completion of the OSO Condensate project and the Liquefied Petroleum gas plant in Kaduna. We also witnessed the movement of the seat of the Federal Government from Lagos to Abuja, and the creation of 1 million additional jobs by the National Directorate of Employment. Substantial progress has also been made in the implementation of the Export Processing Zone at Calabar Phase II of Iwopin Paper Mill and the provision of barracks for the members of the Armed Forces.

## STATE OF THE ECONOMY

21. The characteristic feature of our economy in recent times has been instability in the macroeconomic environment. This is typified by fiscal imbalances, the unending movements of macroeconomic variables away from budgetary targets and the under-performance of the real sectors of the economy. In particular, the slippages in policy implementation had become pronounced since 1991 and we must make some hard choices now to preserve the gains of SAP and restore some good measure of stability to the economy.

22. The lack of fiscal discipline is the bane of our economy. In spite of realised revenue being above budgetary estimates, extra-budgetary expenditure has been rising so fast and resulting in ever bigger deficit. The overall fiscal deficit increased from N12.2 billion (that is, 8.5 per cent of the Gross Domestic Product) in 1988 to N15.3 billion (7.9 per cent of the GDP) in 1989 and N23.5 billion (10.1 per cent of the GDP) in 1990. It further increased to N35.3 billion (12.4 per cent of the GDP) in 1991 and N43.8 billion (9.8 per cent of the GDP) as at the end of December 1992. To say the least, this is a sobering revelation and we must all ensure that the deficit is not only minimised, but eventually eliminated. I have no doubt in my mind that this can be done.

23. The practice of financing

the fiscal deficit through the banking system, especially the Central bank's Ways and Means facility, results in rapid growth of domestic liquidity, which in turn, exert immense pressures on prices interest rates and the exchange rate of the Naira. As an illustration, between 1988 and 1991, an average of 77 per cent of the overall deficit was financed by the CBN, while in 1992, the deficit had been largely financed by the CBN. As a direct consequence, the monetary and credit aggregates have been exceeding prescribed targets in recent years. Between 1988 and 1991, money supply rose by an average of 35.7 per cent a year as against the average annual target of 14.3 per cent. By the end of November 1992, money supply had grown by 49.2 per cent as against 24.3 per cent maximum target for the whole year.

24. The unstable macroeconomic environment has been encouraging distressed borrowing by some financial institutions in order to stay afloat with inter-bank and lending rates rising to unprecedented levels, all to the detriment of new and replacement investment in the economy. Consequently, the growth of domestic output has declined since 1991 while inflationary pressures have persisted. The rate of inflation on a year-on-year basis which was 13 per cent by the end of 1991 had risen to 46.0 per cent by Decem-

ber 1992.

25. Given our high propensity to import and consume, the inflationary financing of deficit has been adversely affecting the external sector as well. Thus, the overall balance of payments position has gradually deteriorated with a depletion of the country's external reserves. The exchange rate of the Naira moved from N10.01 to \$1 early in March to N19.7 to \$1 by end December 1992. Although the exchange value of the Naira was relatively stable for some months after the massive devaluation in March 1992, it has since come under intense pressures again because of speculative activities of market operators. As at the end of December 1992, the gap between the parallel market rate and the official exchange rate of the Naira was about 20 per cent, compared with 5 per cent in early June 1992.

26. From the foregoing, it is clear that we have been caught in the deficit trap with extra-budgetary expenditure posing the greatest threat to fiscal viability and macro-economic stability. To extricate ourselves from the labyrinth, we must embrace fiscal discipline as the bedrock of this Transition Budget. The consensus goal of economic policy in our nation today is to lay the foundation for sound economic management in the Third Republic and where to begin is to imbibe the culture of discipline,

transparency and accountability. To restore the integrity of the budgetary process and fiscal sanity, we must henceforth fully appreciate the linkages among deficit finance, money supply, inflation, interest rates and the naira exchange rate. There is also an urgent need to find ways of generating fresh revenue to enable the government cut spending without triggering political dislocations and social disharmony. It might be shortsighted to think that government can reduce spending alone without additional revenue to cushion it. The policy options have narrowed and the choices we confront are hard. At home, the citizens are eager to escape from the clutches of poverty and abroad our creditors are bent on getting paid as and when due. This is the situation the next government will inherit and the least we can do is to clear the way for them by properly articulating the issues involved and offering prescriptions for consideration when they take over.

### **1993-95 MEDIUM-TERM STRATEGY FOR NIGERIA**

27. Having reviewed the economic trends from 1986 when SAP was introduced up till the end of 1992, I wish to intimate the honourable members of the National Assembly about the medium-term strategy being developed for our country. It has become necessary to design a

medium-term strategy to reinforce and complement policies already put in place under SAP.

28. The medium-term strategy will address a broad range of policy reforms-financial, sectoral and structural-over the period 1993-95. The key idea is to formulate a strategy for resolving a range of macroeconomic issues such as inflation, budget and debt burden over the three year period. Reactions so far from the international financial institutions and our creditors have been quite encouraging.

29. The overall objective of the medium-term strategy is the achievement of a satisfactory rate of economic growth and development under stable and conducive macroeconomic environment. The programme is geared towards:

(a) achievement on the average 5.3 per cent real growth of GDP per annum;

(b) reducing annual inflation from 46.0 per cent in December 1992 to 5 per cent by 1995;

(c) reducing fiscal deficit as a percentage of GDP from about 12.4 per cent in 1991 to 3.3 per cent by 1995;

(d) maintaining exchange rate stability; and

(e) achieving a viable external balance.

These are laudable objectives, but their attainment requires a large dose of fiscal discipline and political commitment. In particular, the government should rapidly

reduce the magnitude of fiscal deficit and also disengage from activities that cause distortions in the economy. It is, therefore necessary for the government to abstain from Activities which the private sector is better equipped and more capable of performing efficiently, and there should be clear transparency in the management of public funds, among others. Efforts should also be made to harmonise fiscal and monetary policies to become compatible with these goals. The proposals contained in the 1993 budget which I turn to next have been designed to be in line with the 1993-95 medium term strategy, the details of which I will be spelt out in due course.

## 1993 BUDGET

### *Objectives*

30. The 1993 Budget provides yet another platform to revisit our economic problems. In particular, today's presentation to the National Assembly offers of a unique opportunity to build confidence and a consensus of opinions on basis policy issues confronting our beloved nation.

The proposals contained in the budget have taken cognisance of our efforts in the past seven years. In this connection, the broad objective is to lay a solid foundation for non-inflationary sustained growth and development of our economy. The 1993 Budget seeks to promote transparency and accountability in the

management of public finance. Thus, a comprehensive budgetary framework whereby the sources and uses of all government funds can be easily identify has been adopted. Such funds will be subjected to budgetary monitoring and control and can be traced to specific programmes and projects. With this philosophy underlying the 1993 Budget, we intend to enhance the effectiveness of public sector programmes and activities, while eliminating market distortions by giving a freer reign to the private sector. Efforts will be made towards a robust recovery of the real sectors of the economy. Furthermore, the 1993 Budget seeks to facilitate the entrenchment of fiscal discipline with a view to achieving progress reduction and eventual elimination of fiscal deficit which has become unsustainable in recent years. Overall, this year's budget intends to tackle head-on our numerous economic problems but only within the broad framework of the 1993-95 medium-term strategy.

### *Revenue Estimates*

31. The sources of government revenue can be divided into two major categories: oil and non oil. The 1993 oil revenue is based on a selling price of \$17.50 per barrel and an exchange rate of N20 to \$1. On these assumptions, the oil revenue is estimated at N126,5 billion for the 1993

fiscal year. This converts to about \$6.3 billion or 80.6 per cent of the estimated total revenue in 1993. The oil market assumptions are reasonable in view of market developments in the last one year.

32. The revenue projection for 1993 from the non-oil sources include import and excise duties taxes returns on investments, dividends, penalties and fees, mining rents and repayments of loans. The total non-oil revenue is estimated at N19.7 billion or 19.4 per cent of the total revenue in 1993.

33. Therefore, a total sum of N156.9 billion is estimated as federally collectable revenue in 1993 from the two major revenue sources as analysed above. In comparison with the 1992 approved estimate totalling N101.2 billion, this is remarkable improvement and increase of N55.8 billion or 55.1 per cent. However, the oil sector will account for 80.6 per cent of total revenue in 1993 as against 78.2 per cent in the 1992 approved estimate. The share of non-oil revenue is expected to decline from 21.8 per cent to 19.4 per cent in the 1992 and 1993 approved estimate respectively.

34. Based on the projected revenue assumptions made for the 1993 Budget, the distribution of federally collectable revenue of N156.8 billion, less Federal Government independent revenue of N8.5 billion will be as set

out on the table below.

35. The Stabilisation Account was introduced in 1989 to provide some saving for the rainy days and moderate the level of government expenditure, thereby controlling the rate of growth of money supply. This should help to control the level of aggregate demand to match the available supply and consequently, moderate the rate of inflation and reduce the pressure on the Naira exchange rate and the balance of payments. Hitherto, it has been treated largely as an *ad-hoc* arrangement. The Stabilisation

Account was not designed in the first place to be a source of extra-budgetary allocations. Attempt is being made now to institutionalise the arrangement in the 1993 budget. Accordingly, out of the federally collectable revenue of N156.9 billion, the sum of N28.4 billion will be kept in the Stabilisation Account. N8.5 billion will be retained by the Federal Government as independent revenue and the balance of N120.0 billion will be distributed according to the Revenue Allocation Formula as shown below in Fiscal 1993.

### FEDERAL GOVERNMENT ACCOUNT, 1993

|   | (N billion) |
|---|-------------|
| (a) Federation Account                          | 148.4       |
| (b) Stabilisation Account                       | 28.4        |
| (c) Distribution of (a)-(b)                     | 120.0       |
| (d) Federal government share of                 |             |
| Federation Account (48.5 per cent)              | 58.2        |
| State Governments' share -24.0 per cent         | 28.2        |
| Local Governments' share -24.0 per cent         | 24.0        |
| Special Funds -7.5 per cent                     | 9.0         |
| (e) Independent Revenues                        | 8.5         |
| (f) Transfer from Federal Government            |             |
| Share of Stabilisation Account                  | 13.8        |
| (g) Recoveries from the State Government        |             |
| Share of 1993 Stabilisation Account             | 3.0         |
| <b>TOTAL RETAINED OF THE FEDERAL GOVERNMENT</b> |             |
|   | <b>83.5</b> |
| (h) Expenditure                                 |             |
| (i) Recurrent                                   | 35.1        |
| (ii) Capital                                    | 18.6        |
| SUB-TOTAL                                       | 53.7        |
| (i) Debt  |             |
| (i) Internal                                    | 17.9        |
| (ii) External                                   | 40.5        |
| SUB-TOTAL                                       | 58.4        |
| (j) TOTAL EXPENDITURE                           | 112.1       |
| (k) Surplus/Deficit                             | 28.6        |



36. The Federal Government's share of the distribution from the Federal Account is N58.2 billion and when added to the independent revenue of N8.5 billion its total retained revenue is N66.7 billion. This excludes the Federal Government's share of the 1993 Stabilisation Account which is about N13.8 billion. If account is taken to this, the available revenue to the Federal Government is estimated at N80.5 billion for 1993 fiscal year. When this is added to the N3.0 billion recovery from State Governments' share of the 1993 Stabilisation Account, the grand total of the Federal Government's revenue in 1993 will be N83.5 billion.

37. One of the major lessons from the fiscal operations of the Federal Government in recent years is the lack of effective fiscal co-ordination. There is an urgent need for reinforcement of fiscal discipline and restraint through the centralisation of funds disbursements and effective fiscal co-ordination. A comprehensive budgetary system is being adopted in the 1993 fiscal year and an attempt is being made to fund all government projects year and an attempt is being made to fund all government projects within the available resources. These include those projects and programmes usually to extra-budgetary allocations. Non-priority projects will be

downgraded and would not be subject of extra-budgetary applications during the 1993 fiscal year.

## RECURRENT EXPENDITURE

Following the Budget Call Circular and discussions between the Budget Office and the various Ministries, the estimate of recurrent expenditure is N335.1 billion for the 1993 fiscal year which is to be distributed as follows:

- (a) Personnel Costs - N13.7 billion
- (b) Overhead Costs - N19.1 billion
- (c) Other Transfers - N2.3 billion

## CAPITAL EXPENDITURE

38. The 1993 Capital Expenditure Estimates of the Federal Government is based on the framework for the 1993-95 Rolling Plan. It will be recalled that at the time of the preparation of the 1992 Budget, the exchange rate which was based on a conversion rate of \$1 to N9.5 depreciated to about one-half in real times. Although government earned additional revenue, this development introduced serious distortions in project implementation and as such, necessitated a review of the targets set for 1992. In spite of this problem, attempts were made with success to keep within the Approved capital Budget. Additional funding where granted was, however, met from the Stabilisation Account.

39. In designing the 1992 Capital

Budget, great emphasis was placed on the rehabilitation of existing and vital assets, and completion or near-completion of certain on-going projects which are vital to economic growth and sustainable development of both the industrial and agricultural sectors of the economy. Emphasis was also placed on projects with potential for accelerating growth and development of the national economy, human capital, employment and social justice.

40. In response to the Budget Circular, the total requests from Federal Ministries/Agencies amounted to N186 billion. At the end of the Budget sessions a projected 1993 Treasury component of N23 billion was arrived at. However, in view of subsequent downward review of revenue projections a total capital expenditure of not more than N8.6 billion could be accommodated. Even then, when compared with the 1992 allocation of N11.97 billion, this translates to a nominal increase of N6.63 billion or 55 per cent over 1992 provisions.

41. The total federal expenditure excluding debt services is estimated at N52.7 billion for 1993 fiscal year made up N35.1 billion for recurrent expenditure and N18.6 billion for capital expenditure.

## DEBT MANAGEMENT

### 42 (i) INTERNAL

The problem of debt management has continued to pose serious challenges to both Budget formulation, and implementation in our country. The debt service here is in two categories namely the debt owed to local contractors and loans by way of debt instruments. The debt owed to local contractors arose from the inability of the Ministries/Agencies to settle bills for work done as and when they fell due. Others arose from making down-payments without additional funds to meet contractual obligations. The exact amount of debt owed to local contractors has not yet been determined. A committee will soon be set up in the Ministry of Finance to compile total outstanding payments due to the local contractors. However, a sum of N1.0 billion is set aside to liquidate part of the debts owed to local contractors in 1993.

43. The internal loans by way of debt instruments arose from the need to liquidate the Ways and Means (overdraft facility extended to the Federal Government by the central Bank of Nigeria) at the end of each fiscal year. With little or no foreign capital inflow in the last few years, the government programmes. As a result, the total internal loans by way of debt instruments stood at N116.2 billion at the end of the 1991 fiscal year. It is composed of

Treasury Bills (N57.8 billion), Treasury Certificate (N34.2 billion), Treasury Bonds (N20.0 billion) and Development Loan Stock (4.2 billion). The total internal loans by way of debt instruments will rise from N116.2 billion at the end of 1992 when the Ways and Means of N42 billion for 1992 fiscal year is liquidated. The interest rate structure is already deregulated and the rates on debt instruments must be made to be sufficiently attractive to the non-bank public to reduce the reliance on high-powered money which can easily trigger-off the rate of inflation. It is difficult to predict precisely the amount which will be required to service internal loans by way of debt instrument in 1993, especially in view of the proposed deregulation of government securities. A sum of N16.9 billion has been set aside for this any-way.

### 44. (ii) EXTERNAL

The external debt stood at \$27.56 billion by the end of December 1992. Out of this amount, the sum of \$4.5 billion is owed to multilateral institutions including the World Banks and the African Development Bank. A total of \$4.6 billion will be required to meet interest payment of \$2.2 billion and capital repayment of \$2.4 billion during the 1993 fiscal year. This amounts to 58.2 per cent of estimated official foreign ex-

change receipt of \$7.9 billion in 1992. Certainly, the economy cannot afford to bear the burden of such a high-level of debt service. The provision for external debt service is limited to \$2.4 billion (N48.0 billion) in the 1993 Budget, in line with the current policy of limiting total external debt service to a maximum of 30 per cent of export earnings. Even then, government will only provide N40.5 billion because of revenue constraint, leaving a shortfall of N7.5 billion. It implies that Nigeria has to intensify discussions with its creditors with a view to obtaining substantial debt and debt service reduction in 1993. As a pre-requisite for this, arrangements will be concluded early in the year to finalise the medium-term economic programme with the appropriate international organisations to enable us approach our creditors for the much-needed debt reduction and not just rescheduling, to allow the economy to resume sustainable growth soon. Nevertheless, the total provisions for both internal and external debt service payments is N58.4 billion in the 1993 Budget.

45. Given the revenue projection, planned recurrent and capital expenditure, as well as debt service, the fiscal operations of the Federal Government for 1993 fiscal year can be summarised as follows:

|  | N             |
|--|---------------|
| (a) Retained Revenue of the Federal Government | 83.5 billion  |
| (b) Programmed Expenditure                     | 53.7 billion  |
| (c) Debt Service                               | 58.4 billion  |
| (d) Total Outlay                               | 112.1 billion |
| (e) Budget Surplus/Deficit                     | 28.6 billion  |

The deficit of N28.6 billion in 1993 as a proportion of the gross domestic product is projected to be about 5.6 per cent. This compares favourably with 12.4 per cent in 1991 and 9.8 per cent in 1992. The deficit will be financed through domestic borrowing from bank and non-bank institutions, as well as the proceeds of the balance of payments support loans which may become available during the course of the year. Let me stress that we are resorting to domestic borrowing this year because there is yet no other alternative. This is

a highly inflationary way of financing deficit which we must seek to avoid before the medium term programme runs out.

#### FOREIGN EXCHANGE BUDGET

46. The foreign exchange receipts for fiscal year 1993 are estimated at \$9.7 billion, out of which the official receipt will amount to \$7.9 billion while the balance of \$1.8 billion will accrue to the private sector, the programmed allocations of the expected inflow of foreign exchange from official sources in 1993 are as follows:

|                                       |                      |
|---------------------------------------|----------------------|
| (a) Foreign Exchange for Domestic Use | \$4.7 billion        |
| (b) external Debt Service             | \$2.4 billion        |
| (c) Accretion to External Reserve     | \$0.8 billion        |
|                                       | <u>\$7.9 billion</u> |

### EXTERNAL SECTOR DEVELOPMENTS

#### STRUCTURE OF DEBTS

47. There was a significant decline in our country's external debt stock from \$33.36 billion at the end of December 1991 to \$27.56 billion at the end of 1992. This underscores the efficacy of the debt management strategy adopted in recent years. Of the total debt outstanding at the end of 1992, \$4.52 billion was owed

to multilateral institutions such as the World Bank and \$16.45 billion was owed to bilateral official creditors in the Paris Club. The amount owed to holders of promissory notes stood at \$3.24 billion at the end of 1992 compared with \$4.48 billion at the end of December 1991. The debt owed to members of the London Club of commercial with \$5.99 billion at the end of 1991. The reduction in this category of debt stock was accounted for largely

by a debt buy-back operation in the amount of \$3.38 billion and the issuance of 30-year collateralised par bonds also in the amount of \$2.1 billion, both of which resulted from the February 1992 debt restructuring arrangement with the London Club group of creditors. The deal with the London Club resulted in savings of about \$560 million per annum in interest payments. Other contributory factors to the reduction included a combination of debt conversion, other debt cancellations, and repayment of capital as and when they fell due.

48. The Debt Conversion Programme was put in place in July 1988 to complement government's debt management strategy aimed at, among others, reducing the debt stock and the debt service burden. Through the programme, the country had redeemed \$765.46 million of its debt as at the end of 1992. More importantly, government received a discount of \$360.54 million or 47.1 per cent on the amount of debt cancelled. In addition, government realised \$11.21 million and another N9.76 million as transactions commission from the conversions effected up to the end of 1992.

**STRUCTURE OF NIGERIA'S EXTERNAL DEBT**

|                       | December<br>31, 1992<br>\$m | December<br>31, 1992<br>\$m |
|-----------------------|-----------------------------|-----------------------------|
| Paris Club            | 16,454.70                   | 17,792.834                  |
| London Club           | 2,120.00                    | 5,988.537                   |
| Multilateral Agencies | 4,518.00                    | 3,649.974                   |
| Promissory Notes      | 3,246.00                    | 4,478.880                   |
| Others                | 1,226.11                    | 1,454.264                   |
| Total Debt Stock      | 27,564.81                   | 33,364.489                  |

**EXTERNAL RESERVES**

49. From 1989 to 1991, government embarked on a deliberate policy of building up its reserves. Reserves which had hitherto been depleted needed to be reconstituted to provide enough cushion for the rainy day, to restore creditor confidence in the country's capacity to meet its external payments obligations and also to ensure stability of the naira exchange rate. This objective was substantially achieved as indicated by the level of reserves which stood at \$3.78 billion at the end of December 1991. However, in view of government's concern about the stock of debt and the need to implement the debt and debt service reduction agreements with the London Club, recourse was made to the use of reserves to effect the buy-back operation. Similarly, the concern about the instability of the Naira exchange rate informed Government's decision in the context of the March 1992 exchange rate action, to meet all the demand for foreign

exchange at the weekly foreign exchange auctions, as a result of which the \$3.2 billion budgeted for the market in 1992 was exceeded by nearly \$1 billion. Reflecting these developments, the level of external reserves fell dramatically at the end of December 1992. However, in the course of 1993 government will use its best endeavours to reconstitute its reserves again to what it considers a healthy level.

**FISCAL POLICY MEASURES**

50. The stance of fiscal policy was originally planned to be moderately restrictive in the last fiscal year. The approved budget for 1992 was designed to be balanced with even an overall budget surplus of N2.0 billion. However, for sundry reasons, the budgeted surplus could not be realised. Instead, the fiscal operations of the government resulted in a deficit of about N43.8 billion in 1992, underlining an unsustainable level of fiscal expansion.

51. The Transitional Council

plans to ensure greater fiscal discipline during our short tenure. We shall endeavour to restore credibility and integrity to the budgetary process. This is to be reflected through greater fiscal co-ordination, proper management of the stabilisation account, as well as a total clamp down on extra-budgetary releases. Therefore, let the code this year be *fiscal restraint*. In addition, we shall strive for effective co-ordination of fiscal monetary and foreign exchange policies. Our plan is to reduce the budget deficit to a sustainable level, especially during the medium term programme. The details of course will be outlined in the Finance Secretary's briefing in the next few days. It is, however important to point out that the next few days. It is, however important to point out that the deficit problem may remain with us for a long time to come unless we take some hard decisions to tackle our debt problem. Similarly, it is imperative for us to explore further avenues to increase government revenue to cushion the adverse repercussions of drastically cutting expenditure.

52. To ensure the credibility of the budgetary process, enhance efficiency of its implementation and promote fiscal co-ordination, two committees will be set up soon. The first will be a Budget Monitoring Committee to be composed of finance experts. This committee will meet peri-

odically to review budget performance against set targets and articulated objectives. The second will be an Inter-departmental Committee of government officials to study and make recommendations within six weeks on how best to entrench fiscal co-ordination and transparency in the management of public finance in our country.

53. In the course of 1992, several far-reaching were taken particularly those affecting the remuneration of workers. These included the general relief package aimed at minimising the general effect of the Structural Adjustment Programme. The relief package includes:

(a) negotiated salary structure of the Universities, Colleges of Education, Polytechnics, Teaching Hospitals and research Institutions;

(b) 45 per cent Interim Salary Increase;

(c) Increase in the allowance paid to workers;

(d) Increase in pensions and gratuities; and

(e) Increase in leave grant from 5 per cent of Annual basic salary to 10 per cent.

Other measures adopted during the 1992 year included training and retraining programmes, research and development to speed up the process of industrialisation including job creation activities, promotion of non-oil exports and the development of rural infrastructure.

54. With respect of the Customs and Excise schedules, the tariff concessions granted by the government in the wake of the forex market reform of 1992 as indicated in tariff Decree Numbers 13 and 25, which ought to have expired by the end of December 1992 have now been extended to December 1993. This is in realisation of the fact that the lead time between the time at which concessions were granted and the time at which the consumers began to benefit is fairly long and since we are committed to reducing the sufferings of our people, government has decided to retain the tariff relief measures for the entire 1993 fiscal year. In Addition, excise duty is hereby abolished, except on tobacco and alcohol. Furthermore, with effect from the 1993 fiscal year, annual income under N5.000 will no longer be subject to tax while the highest marginal rate has been reduced from 45 per cent to 35 per cent. Tariff reviews have also been made for a number of industries where there are glaring anomalies. It is hoped that this would go a long way in enhancing the competitiveness of the affected industries.

55. However, a Modified value Added Tax (MVAT) which will replace the existing sales tax in its entirety is to be introduced around the middle of the 1993 fiscal year. The MVAT is to cover 15 groups of taxable goods and

23 services and will attract a rate of 5 per cent for taxable goods and services. A unit will be established in the Ministry of Finance in 1993 to administer the tax. The unit will be responsible for the collection and disbursement of the MVAT. The proceeds of the tax will largely accrue to the State Governments. A sharing formula is being worked out. More information on the MVAT will be available at the budget briefing by the Secretary of Finance in the next few days.

56. Priority will continue to be accorded to non-oil export promotion during the 1993-fiscal year. To this end, the Exporting Processing Zone (EPZ) in Calabar is to be commissioned during the year. The ECOWAS trade Liberalisation Scheme has been expanded to include a number of industrial products from designated companies operating in member-states of the community. The duty free concessions provided under this scheme are intended to stimulate the growth of official trade within the ECOWAS sub-region.

## **MONETARY AND CREDIT POLICIES**

57. In our effort to further de-regulate the financial sector of the economy, the Federal Government in 1992 re-emphasised its intention to shift from the use of direct controls to the use of indirect market-oriented approach to monetary and credit

policy as soon as the economic environment was conducive. Some of the serious problems which were identified to be major constraints to the adoption of the new policy have been addressed. Although there are still unresolved issues, it is clear in the light of experience, that it is neither realistic nor practicable to completely resolve all identified constraints before the shift to indirect control is affected. Thus, during the fourth quarter of 1992, in pursuit of the new monetary policy framework, the ceilings imposed on individual bank's credit growth were removed for banks which met some specified performance criteria set by the Central Bank of Nigeria to ensure the emergence of a sound financial system. In 1993, monetary management will be based on the broad framework of the new market-oriented indirect approach. The selective removal of ceilings on credit growth to the private sector for banks that are judged to be healthy shall remain in force. The main instruments of monetary policy are intended to the Open Market Operations (OMO) augmented by Cash reserve Requirements, Liquidity Ratio and the Discount Rate. However, there will be continued judicious use of stabilisation securities as a fall-back position. This will however, be discontinued as soon as the conditions permit. The authorities will also employ moral suasion to moder-

ate undue discretion of some operations in the money market. 58. The stance of monetary policy in 1993 will be restrictive, designed largely to ensure stability of the key macro-economic variables and prevent deviations from prescribed targets. To this end, the objects of monetary and credit policies in 1993 will include:

(i) reduction of inflationary pressures in the economy ;

(ii) reduction of pressures on the balance of payments in order to boost external reserves and stabilise the exchange rate of the Naira; and

(iii) support for government efforts at solving the problems of low productivity, depressed capacity utilisation and output.

However, the success of the new monetary policy in restraining pressures on the price level and the external sector will depend on the extent to which monetary and fiscal policies are harmonised. In order for the Open Market Operations to achieve the desired impact of regulating growth of aggregate bank credit, there is a need to shift the financing of the budget deficit by the central bank of Nigeria to the non-bank institutions. The Central Bank will introduce measures to promote private dealings in government securities in order to enhance private investment in these instruments and thus reduce its own holdings. Public

enlightenment campaigns will be embarked upon by the Central Bank of Nigeria to emphasise the risk-free and the high-yield characteristics of government securities under a deregulated market structure. To this end, competitive prices of government securities of government securities under a deregulated market source will soon begin in earnest.

### **APPROPRIATE PRICING OF PETROLEUM PRODUCTS**

59. One recurring and controversial issue of public policy since the early eighties concerns the pricing of petroleum products in our economy. To the outside world it has become a single most important test of will, while the majority of our citizenry, rightly or wrongly, believe that adjustment of the present petroleum price structure would make life more difficult for them. To the leadership of our nation, this poses a big dilemma. Nonetheless, we can not shy away from resolving this fundamental issue in the best interest of our beleaguered economy. Refusing to take the decision now would merely increase the price of that decision in the future and defeat the declared desire to lay a solid foundation for accelerated growth and development in the future. 60. It has been estimated that the total cost of the subsidy on petrol now is about N63 billion. At the same time, the biggest threat to economic stability and

growth in our country now is deficit spending which was estimated at N43.8 billion last year alone. Government revenue has been rising much less than the rise in expenditure and we all know that cutting spending too drastically can be socially destabilising in our multi-ethnic and multi-national society. In these circumstances then, should we not seek to reduce the subsidy in order to increase government revenue and thereby macro economic management much easier for the Third Republic civilian government.

61. Other readily identifiable advantages of the proposed adjustment of petroleum products are the following: disciplined consumption of petroleum products; reduced smuggling across the border as the excessive profit made now goes down; reduced corruption in the handling of products domestically and incentive for more efficiency and profitability in the commercialised NNPC. When an account is fully taken of the opportunity cost of the petrol subsidy, it becomes clear that the present Price-structure is unsustainable and inimical to becomes clear that the present price-structure is unsustainable and inimical to the long run interest of our economy. We would therefore, be doing our economy and future governments good if we muster the required political will to resolve this issue now.

62. As a concerned government, however, we should work for consensus of opinions on this patently controversial issue before taking the desired action. Put simply, there is a need for us to convince ourselves first of the advantages and more importantly, of a judicious use and efficient management of subsidy this removed. This is the sure way to mobilise widespread public support, consensus and understanding of this knotty problem.

63. The oft-mentioned public's concern is that government will not spend the revenue generated from subsidy reduction judiciously and in their best interest. To bridge this gap in public trust and confidence, a blue-ribbon committee of eminent Nigerians with proven track-records could be set up to administer revenue advised from education of petrol subsidy. Fortunately, this country has an ample supply of such high-calibre citizens. Representatives of organised groups such as high-Calibre citizens. Representatives of organised group such as NLC, Human Rights Group. Women Organisations and Professional Bodies must be included in the proposed Committee. The subsidy removal should be phased over a number of years and the committee of eminent Nigerians will be allowed to work out neat and convenient modalities for this purpose.

## **SOCIO- ECONOMIC SITUATION**

64. Distinguished Senators and Honourable members of the House, government has been feeling increasingly concerned about the declining standard of education in our institutions of learning at all levels. In the determined effort to redress this unacceptable situation, the government offered a life-line to the universities during the 1992 fiscal year. The administration not only raised salaries and allowances of university teachers and other categories of employees, but also committed itself to improved funding, all in the bid to halt the increasing trend of brain drain in our universities and reverse the decline of standards in our tertiary institutions.

65. Let me reiterate that the government remains committed to the agreement reached between it and the representatives of Academic staff of universities. Individual universities would be encouraged to keep faith with the agreement so as to give a fresh lease of life to the universities.

66. It is instructive to note that although the establishment of universities is on the concurrent list, given the enormous cost of running universities, state governments that are planning to establish their own universities are strongly advised to think twice before plunging into it. The government intends to continue



with the policy of giving priority to science-based courses in admission during the 1993 fiscal year. In the same vein, the present administration remains committed to improving the quality of education at other levels. It is the desire of the government to improve curriculum content, upgrade materials and enhance teachers' development in both primary and secondary schools. Our overall policy thrust is to expand our investment in human capital in the realisation that this is the most critical resource for national development.

67. The government has noted with dismay the crisis that paralysed the public primary and secondary school sectors in the country in recent months. While there will always be differences of opinion on policy issues, it behoves us all to consider the interest of school children as paramount. Teachers too ought to show a better appreciation of the state of affairs in the country. Our commitment to quality and excellence in the school system from the primary to tertiary institutions firm and as I have indicated earlier, we intend to continue in this direction within the limit of available resources. It should however, be noted that the government alone cannot provide adequate resources for funding quality education. The cost of education under our present circumstances should be jointly shared between the gov-

ernment and the people.

68. In healthcare delivery, the government intends to focus attention on equipping existing hospitals and rehabilitating infrastructure. Emphasis will also be on local production of vaccines while the policy on essential drugs will continue in the 1993 fiscal year. The designated centres of excellence will continue to receive adequate attention of the government. The National Health Policy which assigns responsibility for primary, secondary and tertiary healthcare for Local, States and the Federal Government respectively, will be vigorously pursued during the 1993 fiscal year.

69. programmes of disease control in collaboration with international agencies will continue to receive generous support from the government. The government will also examine the modalities of a National Health Insurance scheme during the 1993 fiscal year. The overall goal being to fashion out a cost effective method that will be accessible to the generality of Nigerians.

70. In agriculture, the Federal government intends to continue with existing policies during the 1993 fiscal year. Plans are, however, in the pipeline for the government to disengage completely from the procurement and distribution of fertilizer. In view of the malpractices that have marred the existing fertilizer procurement policy in recent

years, government is convinced that complete deregulation of the business is not likely to have any adverse effects on the small-scale farm holding units which remain the centrepiece of our agricultural policy. The details will be spelt out in due course.

71. Let me say that the government feels strongly concerned about the escalating food prices in the country and is determined to arrest this situation. Government is, however, convinced that the ultimate solution is to step up our efforts at producing more food in the country. On its own part, government will continue to support the National Agricultural Land Development Authority (NALDA) with generous allocations as a way of boosting food production in Nigeria. NALDA took off in the last fiscal year and has shown promising prospects so far. It is our hope that it will continue to forge ahead in the onerous task of helping to guarantee food security for our people.

72. In the 1993 fiscal year, the government intends to continue to focus on the development of rural infrastructure such as feeder road, rural water supplies, rural electrification, etc as a way of enhancing increased productive activities in our rural areas. Accordingly, the Directorate of Food, Road and Rural Infrastructure (DFRRI) which will be merged with the Ministry of Agriculture, Water Resources and



Rural Development will continue to enjoy generous government backing. Additionally, universities of agriculture And other research institutes will be encouraged to step up the transfer of their research results to small holder farming units. Government will also emphasise the breeding of high yielding and disease resistant seedlings of our staple food crops during the fiscal year.

73. Government wishes to note with satisfaction the performance of the Technical Committee on Privatisation and Commercialisation (TCPC) in the execution of its assignment since 1988. Government will in the future look into the possibility or either partially or fully privatising some of those public enterprises that have only been commercialised under the existing enabling decree.

74. In line with the pledge of the Transitional Council to reduce the suffering of the masses, the transportation sector is to receive increased attention in the 1993 fiscal year. The relief measures granted in the wake of the forex reform of 1992 which were earlier slated to cease at the end of 1992 have now been extended to the end of 1993. Additionally, local vehicle assemblers are to continue to enjoy duty free importation of CKD components, while the government is considering setting up a revolving credit to assist private transporters to purchase vehicles. The modalities

will of course be spelt out in details in due course.

## **MANUFACTURING SECTOR**

75. The manufacturing sector remains a vital sector in our efforts at ensuring sustained economic growth and development in our country. The sector has in the last few years been groaning under the yoke of problems including high cost of funds, high Naira cost of forex, depressed demand and low capacity utilisation. Let me say that government is not unconcerned with these problems. Some of the measures in the 1993 budget are designed to mitigate them and put the sector in proper shape to play a pivotal role in the development process. Apart from the review of tariffs and the abolition of excise duties, as well as the reduction in the highest marginal tax rate, together with the increase in tax free income which should boost demand, the Transitional Council will also seriously look into ways by which government can create an environment which will not only make the manufacturing sector to be users of foreign exchange but also, position it to generate its own forex in the near future.

76. The present administration is committed to the creation of an appropriate environment to attract local and foreign investors. To this end, government is to host an economic summit in Abuja very soon. The summit will

serve as a forum to articulate and reach a consensus on a broad range of policy issues as well as chart an appropriate strategy for sustained economic growth and development of our country. The summit will have participants drawn from the public and private sectors, the academia and the international community. It is also expected to identify what can be done to enhance the inflow of foreign capital into our country.

Additionally, government intends to continue to grant fiscal incentives including tax holidays to investors as a way of improving our investment climate. Existing priority projects which can strengthen the performance of the manufacturing sector will be pursued with renewed vigour during the 1993 fiscal year.

## **LAW AND ORDER**

77. The government feels strongly concerned about the increasing threat to life and property in many parts of the country. It is common knowledge that no investor – whether local or foreign – would be willing to invest in any economy where there is insecurity of life and property. The Transitional Council will try to promote the maintenance of law and order during its tenure. Efforts would be made to strengthen the police, provide materials and equip them adequately. This should enable them discharge their onerous duty efficiently. I should

also emphasise that the maintenance of law and order is the responsibility of everybody.

## INDUSTRIAL RELATIONS

78. Government is seriously worried about the chaotic industrial relations scene that we witnessed in the country during the 1992 fiscal year. It is a cause for concern that at a time of economic down-turn as we have in the country today, valuable man-hours are being lost to industrial disputes. While the government is not unmindful of the welfare of its employees, I wish to specially appeal to employees in the public sector – both states and local – that the principle of a uniform wage structure in the public sector has gone with the deregulation policy of the government. The ability of employers to pay should now constitute the decisive factor in collective bargaining. The point, however, remains that a peaceful industrial relations scene is a major requirement for economic recovery. Government intends to work for this during this fiscal year.

## ADMINISTRATIVE REFORM

79. In the continuing effort to improve efficiency in the public sector, the government recently created the Ministry of State and Local Government Affairs. The ministry is charged with the responsibility of monitoring the activities of State and Local

Governments and in particular, improve executive capacity in the local government areas. With the increased revenue allocated to the third tier of government, the need for close monitoring of their activities cannot be over-stressed so as to ensure that the funds allocated to them are spent as expected. The same is also true of State governments.

80. State governments are advised to disengage from deficit budgeting and comply with existing regulations requiring them to balance their budgets. It should also be noted that the Federal Government will only guarantee external loans to State governments for self-liquidating projects.

81. As part of administrative reform, the machinery would soon be set in motion to undertake the reform of the civil service. The reform which will be a follow up to the previous exercises is designed to boost the morale of public sector employees and enhance their efficiency and overall management capability. Furthermore, the Directorate of Social Mobilisation (MAMSER) will be merged with the Ministry of Information in due course. Given the similarity in the operations of the two arms of government, government is now convinced that merging them would create some benefits for the country. It is for this same reason that the Directorate of Food, Road and Rural Infrastructure (DFRRI) is to be merged

with the Ministry of Agriculture, Water Resources and Rural Development. The modalities for the mergers are being worked out.

## CORRUPTION

82. Let me also say that we can no longer ignore the issue of corruption which is now widely believed to be quite endemic in our country. It is a matter of concern to the government, and I believe it should be to the citizens of this country as well that people abroad now believe that it is virtually impossible to undertake any form of transaction successfully in Nigeria without bribery. This should not be so. Government is specially concerned with increasing cases of white collar corruption including advance fee fraud-code-named '419', bank thefts, insider dealing, product counterfeiting and other infringements on trademarks, etc. Government is now resolved to do everything possible to stem this ugly development. The new approach of the government will not only emphasise stiff penalties for offenders, but also adequate rewards for hardwork and honesty. You will all agree with me that there is a serious need for a credible system of reward and penalty in our country today. Government is seriously thinking about establishing a Serious Fraud Office (SFO) to take responsibility for conducting investigations and trials of white collar offend-

ers.

## POLITICAL DEVELOPMENT

83. The Transitional Council wishes to reaffirm its commitment to the main objective of the military administration to forge and strengthen the basic institutional and policy foundations necessary for the political superstructure that we desire. In this regard, therefore, what happened on the political scene in 1992 have been of great national significance and worthy of note. The elections of the State Governors, members of State Legislative Houses, and the National Assembly were all conducted through open ballot system, which in my view, went very smoothly. Unfortunately, the last phase of the transitions programme which was supposed to test the adequacy of the strategies developed from the experience gained in the previous elections turned out to be disastrous. This is why we are here today. The presidential primaries had to be cancelled because of the malpractices that characterised their conduct. We are all living witnesses to the chronology of events which gave birth to the Transitional Council.

84. The defunct Armed Forces Ruling Council revisited the Political Transition Programme and approved an

entirely new programme hinging on adequate arrangements for free and fair Presidential Election leading to the final disengagement of the Armed Forces from Nigerian Politics.

85. The executives of the two political parties had to be dissolved and Caretaker Committees appointed in their place. Registration of party members has now been completed, while the National Electoral Commission has already commenced screening of presidential aspirants. The presidential election will be held in June 1993.

86. It is important to appreciate the commitment of the Transitional Council to support the process of establishing a stable democratic order through the installation of a government that will be acceptable to all Nigerians and that will also command the respect of the international community. This as you know is, however, a collective responsibility of all Nigerians.

## CONCLUSION

87. Let me conclude my address today to this august body by expressing my deep conviction that the Transitional Council constitutes the bridge of hope between the present military government and the next civilian administration. Since no single government can solve all the

problems of a country during its own tenure, it behoves us all to understand our differences and work together now for the good of the country. I have a strong faith in the promise of Nigeria and together we can build a future of our dream. Our goal in the Transitional Council is for a credible budget, both at home and abroad. To restore the integrity of the budgetary process, we must control deficit finance, streamline expenditure with realistic income profile and ensure that budget becomes again an effective instrument of control in our country. I have no doubt that the distinguished members of the National Assembly share our Council's desire that this year's budget must seek to lay a solid foundation for the future by boldly addressing and seeking to correct major distortions in the economic structure. Lack of a national consensus on key policy issues is the root cause of the under-performance of our economy in spite of our copious endowment and it is only by taking bold decisions now that we can improve the future management of the economy. To this end, the members of our Council are willing to co-operate with the National Assembly to chart a broad strategy for enduring solutions.