

3-1997

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Recommended Citation

Abacha, S. (1997). Budget of economic growth and development. CBN Bullion, 21(1), 3-12.

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BUDGET OF ECONOMIC GROWTH AND DEVELOPMENT:

By

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Fellow Nigerians,

1. In 1995, I presented a "Budget of Renewal" which fundamentally sought to free the economy from the constraints that had for long inhibited progress. It was a budget of hope characterized by incentives and guided deregulation. There was a national consensus that the Budget established the foundation for a new experiment in economic nation-building. This was the first step in a well conceived, articulated and coordinated programme of National Economic Transformation.

2. The success of the 1995 experiment motivated the second step, which was to steadfastly fine tune and consolidate the considerable gains of the 1995 Budget. The 1996 Budget was, therefore, essentially a Budget of Consolidation, designed to continue on a higher plane, our efforts to lay a solid substructure for an efficient market economy.

3. Thus, for two consecutive years we have operated budgets with a reasonable degree of consistency in policies and sense of direction. This measure of success has placed our economy on the path of recovery and has brought about appreciable socio-political stability in our country. I congratulate our

country men and women for their support towards the achievement of these major objectives.

REVIEW OF THE 1996 BUDGET

4. I am pleased to state that 1996 witnessed continued progress in the economy. Most economic fundamentals moved in the desired direction. Macro-economic stability was deepened and strengthened. The estimated growth rate of the economy was 3.25% compared to 2.2% and 1.3% achieved in 1995 and 1994 respectively. The rate of industrial capacity utilisation was 32.5% compared to 29.3% in 1995. Inflation, which a few years ago had risen to an alarming level was brought under firm control in 1996. It declined steadily from 72.8% in December 1995 to about 28% in December 1996. It is noteworthy in this regard to recall that I had stated in the 1996 budget that the level of inflation at the end of 1996 should be contained between 20% and 30%.

5. On the revenue front, the performance in 1996 was most encouraging. Total revenue accrued to the Federation Account was

N179 billion, amounting to an increase of 12% in relation to the budgeted amount of N153 billion. The non-oil revenue increased from N81 billion in 1995 to N108 billion in 1996 representing an increase of 33.3% over the actual receipts. 6. In 1996, the Federal Government recorded a fiscal surplus amounting to N37 billion or 1.45% of GDP. This is no mean achievement, considering that in 1995, a modest surplus of only 1 billion or 0.06% of GDP was accomplished, while there was, in fact, a huge deficit of N81 billion in 1994. The surplus recorded will be re-channelled into the productive sectors of the economy in order to improve the social and economic conditions of our people, particularly in the rural areas.

7. Interest rate which was pegged at 21% in 1996 fell to 19% during the third quarter. This strong positive signal encouraged government to deregulate the rate of interest. The interest rate which is now market determined is

expected to boost investments.

8. The exchange rate, on the other hand, remained stable throughout 1996 at about N80 to US\$1.

9. Considerable progress was made in 1996 in enhancing the investment climate by restrictive legislations and substituting them with friendly policy measures. Besides, policies and strategies were introduced by Government to sanitize the economy and promote increased transparency and accountability. The Failed Banks Decree and the Customs Reforms underline Government's resolute determination to instill discipline and rectitude in the conduct of affairs at both the national and the sub-national levels.

10. In the external sector, the external debt overhang remains worrisome. However, as a result of adroit debt management, for the first time in over a decade, and without fresh debt rescheduling, this Government has succeeded in reversing the trend of rising external debt stock. In 1966, the external debt stock declined to US\$28.060 billion, from US\$32.585 billion in 1995. However, we shall not rest on our oars until the debt stock is reduced to sustainable proportions.

11. I should also point out that in 1996, aggregate accretion to our External Reserves amounted to US\$2.673 billion. Nigeria's External Reserve is now estimated at US\$4.086 billion.

12. With regard to the standard of living generally, and unemployment in particular, the situation is not yet cheery in spite of marginal improvements. It must be emphasized though, that the full impact of the various policies and programmes of the 1996 budget are yet to be manifest, in view of the inevitable lags that usually characterize such effects. When the policies have had adequate time to mature, their beneficial impact on

living standards generally would become more apparent.

13. To attain economic growth and development, it is necessary to squarely face the problems of the so-called oil economy syndrome and excessive dependence on oil. Agricultural production must be enhanced while we strengthen our industrial base. The capacity of our Private Sector to participate actively in the economy must be strengthened. We must encourage the emergence of a vibrant middle class; control rural-urban migration; and improve the efficiency of our public utilities. We must also address effectively the problem of general resource constraints. Now that we have achieved a reasonable level of macro-economic stability, the stage is set for us to take the next logical and third step in our strategy for national economic transformation by concentrating on the attainment of sustainable growth and development. Accordingly, the 1997 Budget is a Budget of Economic Growth and Development.

THE NATIONAL ROLLING PLAN 1997-99

14. The major policy thrust of the 1997-99 National Rolling Plan is to continue to build on the posture of fiscal discipline and monetary restraint of the previous two fiscal years, in order to sustain the attained macro-economic stability. In addition, the Rolling Plan will address the problems of inflation, ailing government industries, low capacity utilisation and unemployment. Emphasis will continue to be given to projects which would improve the productive capacity of the economy, rural and social development and poverty alleviation.

15. The focal point of the Plan will, among other things, be the rehabilitation and provision of

economic and social infrastructures, agricultural development programmes, the establishment of employment-oriented agricultural programmes for Youths, the completion of on-going irrigation projects of the River Basin Authorities and the maintenance of existing dams, as well as an enhanced involvement of the private sector in the resuscitation of ailing government industries.

THE FOCUS AND POLICY THRUST OF THE 1997 BUDGET

16. The main thrust and objectives of the 1996 Budget would be continued in 1997 to ensure essential continuity. However, the basic theme is sustainable economic growth and development in which the private sector is expected to play a prominent role. A major target of Government's economic policy in 1997 is the stimulation of private investments both domestic and foreign, so that the gains of 1996 are translated into continued expansion of production, economic growth and national development. To ensure sustainable growth and development, emphasis must be shifted to the development of the rural areas where the majority of the populace reside.

17. Accordingly, the objectives of the 1997 Budget are as follows:

- a. stimulation of growth and development of the Nigerian economy;
- b. intensified Rural Development;
- c. enhancement of Agricultural productivity and Food self-sufficiency;
- d. attainment of price stability and continued reduction in the rate of inflation;
- e. job creation and employment opportunities;
- f. accomplishment of balance of payments equilibrium;

- g. sustenance of exchange rate stability;
- h. improvement of the external value of the Naira;
- i. ensuring fiscal balance and curtailment of extra-budgetary spending and the maintenance of general fiscal discipline;
- j. continuation of realistic and appropriate monetary and credit policy stance;
- k. coordination of fiscal and monetary policies to ensure macro-economic stability;
- l. intensive revenue collection drive;
- m. stimulation of the growth and development of the private sector;
- n. encouragement of private investments, including foreign direct and portfolio investments;
- o. commercialization and privatisation of public enterprises to enhance productivity efficiency and competition;
- p. promotion of the development of relevant technological capabilities in various sectors of the economy;
- q. intensified export promotions;
- r. fiscal transparency, comprehensiveness in the conceptualization, formulation and implementation of the budget.

REVENUE PROJECTION

18. Between January and November 1996, the average selling price of crude oil was US\$19.6 per barrel. However, in view of the usual vagaries of the international oil market, the price of US\$17 per barrel has been adopted for the 1997 budget. The projected revenue from oil sources in 1997 is N243 billion. This is an increase of N29 billion or 13.5% over the 1996 approved estimate

of N214 billion. Non-oil revenue is projected at N161 billion. This also is an increase of N35 billion or 27.8% over the 1996 approved estimate. The Federal Government net revenue for 1997 is therefore estimated at N404 billion. This represents an increase of N64 billion or 18.8% over the approved estimate of N340 billion in 1996.

EXPENDITURE ESTIMATE

19. The greatest emphasis will, in 1997, be placed on development of the principal growth-inducing sectors of the economy and to consolidate the achievements recorded in 1996. In preparing the capital budget, only such expenditures that would induce growth and development have been treated as capital. Items such as motor vehicles, furniture etc., have been treated as special expenditure and depicted as such in the budget. In 1996, Capital Expenditure amounted to N48 billion while Recurrent Expenditure stood at N77 billion. For 1997, aggregate Capital Expenditure amounts to N89 billion of which main capital accounts for N83 billion while Special Capital Expenditure is N6 billion. Grand total Recurrent Expenditure amounts to N99 billion. Provisions have been made in the Recurrent Expenditure for Transition Programme activities and increases in personnel cost. Besides, the sum of N12 billion has been provided for servicing domestic debts and N3 billion reserved for settlement of debts to local contractors. With respect to external debt service, a provision of US\$2 billion, has been made, as was the case in 1996.

20. Until recently, our expenditure pattern was tilted heavily towards recurrent and debt service while the limited proportion was devoted to capital development. Such an expenditure pattern was clearly

worrisome. However, I am happy to state that in the last two years, that negative trend has been reversed. In 1995, total Recurrent expenditure accounted for 54% while 45% was spent on Capital. In 1996, total Recurrent expenditure accounted for 46.95% while 29.27% was spent on Capital. These figures did not include the provision made for items such as fertilizer, domestic debt and local contractors.

21. In 1997, our expenditure pattern shows that 48.77% will be committed to Recurrent expenditure, while the sum of 89 billion or 43.84% will be committed to Capital Expenditure. The surplus recorded in 1996 will be used to augment our capital budget for 1997.

STATES AND LOCAL GOVERNMENT FINANCES

22. The performance of State Governments and Local Government Councils in terms of revenue receipts in 1996 was encouraging. New States and Local Government Councils were created during the year bringing the number of States to 36 and the number of Local Government Councils to 776. While estimated Federation Account Revenue for 1996 was N153 billion, the amount actually disbursed was N179 billion. With regard to the Value Added Tax, realized revenue of N292 billion substantially exceeded the budget estimate of N22 billion. The existing revenue allocation formula was retained, although the indices were adjusted. Thus a total of N87 billion of the Federation Account revenue went to the Federal Government; N43.3 billion went to States, including the Federal Capital Territory (FCT) and N36 billion went to the Local Government Councils, including the Area Councils of the FCT. The

OMPADEC received N3.042 billion.

23. The estimated Federation Account revenue for 1997 is N189 billion, while the estimate for VAT is N35 billion. The Federal Government will receive N92 billion (48.5%); States (excluding FCT and the States' share of the 1% mineral derivation) will receive N45 billion (24%) and Local Government Councils will receive N37 billion (20%). The sum of N15 billion (7.5%) will be allocated to Special Funds. With regard to VAT, the respective shares are N12.25 billion (35%) for the Federal Government; N14 billion (40%) for States; and N8.7 billion (25%) for Local Government Councils, including the FCT Area Councils.

24. It is observed that, in 1996, State Governments and Local Government Councils made some efforts at internal revenue generation and thus achieved some positive results. However, there is still more room for improvement. State Governments and Local Government Councils must, therefore redouble their internal revenue generation efforts in 1997.

FISCAL POLICY

25. The 1996 fiscal policy was designed, above all, to put in place well conceived incentives aimed at stimulating domestic production. The 1997 fiscal policy not only reinforces the 1996 policy but also provides further incentives to boost investments in certain preferred sectors of oil and gas and attracting foreign investments into the country generally.

TAX ADMINISTRATION

26. The efforts of Government in the recent years to improve, strengthen and modernize tax administration at all levels, including the enhanced welfare package which started at the Federal level in

1995, will continue in 1997.

MULTIPLICITY OF TAXES AND LEVIES

27. The issue of multiplicity of taxes has continued unabated, in spite of the work done by the Committee set up by the Federal Government in 1996 to look into the multiplicity of taxes by States and Local Governments. Multiplicity of taxes, among other things, hinders the free flow of goods and services among States and Local Government Areas and discourages individuals and companies from meeting their legitimate tax levies. It has also contributed to inflation and high cost of goods in the country. Consequently, the Joint Tax Board is hereby directed to publish the list of all approved taxes and levies which can be legitimately collected by each tier of Government. No State or Local Government shall collect taxes outside the published list. At the same time, Government expects that all organizations and companies should regularly pay their taxes as at and when due.

28. To enhance rural economic development and agricultural production, additional tax incentives have been granted. The details thereof will be released accordingly.

VALUE ADDED TAX (VAT)

29. The VAT has continued to perform very impressively as a worthy fiscal innovation of this Administration. In order to further enhance the prospects of VAT in the years ahead, a nation-wide VAT enumeration of all taxable transactions, and the opening of more VAT offices shall be undertaken in 1997. Moreover, in order to encourage investment in certain preferred sectors of the economy, the supply of some goods are to be exempted from VAT.

PORTS AND CUSTOMS REFORMS

30. In the 1996 Budget, Government announced new reforms designed to streamline operations at the Nigerian ports. I am pleased to state that the reforms are progressing satisfactorily. As at December 31, 1996, the total duty collected was N55 billion representing, an increase of N16 billion over the amount collected in 1995. This was, in spite of the fact that, between February and May 1996, there was disruption at the ports due to mis-perception of Government policy. Although a few bottlenecks remain in the clearance of goods at the ports, steps are being taken to eliminate them. It is expected that with the improved method of assessment of import duties, the amount of duty that will be collected in 1997 will be greatly improved.

31. Adjustments are being made to some Tariff Rates, Excise Control, Import Prohibition List, and Import Duty Rebate to fine tune our tariff policy.

EXPORT POLICY

32. The core of this Administration's export policy remains the pro-active promotion and stimulation of non-oil exports designed simultaneously to increase foreign exchange receipts from the sector and reduce Nigeria's overall dependence on crude oil. Measures taken so far in this connection have produced favourable results as most of the bottlenecks in the processing of export transactions have been removed. In 1997, additional measures are being put in place to reinforce previous ones. It is my hope and expectation that 1997 will witness a major leap forward in the attainment of considerably enhanced non-oil export receipts.

MONETARY AND CREDIT POLICY

33. As usual, the monetary policy in 1997 is designed to complement fiscal policy in maintaining macro-economic stability, strengthening the external sector and the Naira exchange rate and stimulating economic growth and development.

EXCHANGE RATE POLICY

34. It has been noted that the fiscal and monetary measures introduced by this Administration has led to financial and economic discipline in the system. The recent stability of the Naira in the foreign exchange market is a testimony to this very important development. This makes it necessary for us to ensure that the exchange rate regime is maintained at a sustainable level. The ultimate objective is not only to maintain the stability of the Naira but also price stability generally. Government will therefore, continue its policy of guided deregulation; and in respect of the exchange rate regime. Government would maintain the current system with the ultimate aim of a subsequent merger.

INCREASE IN MINIMUM PAID-UP CAPITAL REQUIREMENT OF BANKS

35. The minimum paid-up capital requirements of Banks of N40 million which were last fixed in mid-1991 are no longer sustainable. In view of the exchange rate and inflation rate developments, the erosion of the capital funds of Banks by non-performing credits, and the need to conform with the minimum capital requirement at international standards, the minimum paid-up capital of both Commercial and Merchant Banks is hereby increased to a uniform level of N500 million. Existing banks shall meet the requirements over a period of two

years expiring on 31st December, 1998. For the avoidance of doubt, banks which fail to meet the requirements shall have their licenses revoked; while new banks shall comply fully with the new condition before they are licensed. These are some of the measures introduced to check the distress recently witnessed in the banking system.

OIL COMPANIES TO SELL THEIR FOREIGN EXCHANGE TO CENTRAL BANK OF NIGERIA (CBN)

36. The policy which makes it obligatory for oil companies to sell all foreign exchange being repatriated to Nigeria to the CBN at the current autonomous rate shall continue in 1997.

TRANSFER OF RETAIL BANKING BUSINESS TO COMMERCIAL BANKS

37. During the 1997 budget year, the Central Bank of Nigeria shall cease to operate all commercial banking business. However, for reasons of safety and security, and in view of the fact that CBN is the fiscal agent of government, CBN will continue to maintain all accounts which relate to revenue collection as well as the main accounts of the Government. To ensure orderliness, the transfer of the accounts will be phased over a period of six months, namely from 1st January to 30th June, 1997. It is expected that by 30th June, 1997, all customers would have opened accounts with the selected banks. These customers include Federal Ministries, Parastatals, extra-Ministerial Departments, State Ministries and Parastatals and all Local Governments.

38. Government has selected certain banks to perform banking operations on behalf of all such customers. The list of approved

Banks which the Federal Ministry of Finance shall publish from time to time, shall be reviewed and updated periodically, to reflect each bank's financial health. However, no Ministry or Parastatal, whether at Federal or State level, shall transact business with any banking institution other than those approved by Government. To ensure proper implementation of this policy, banks will be designated for the various Government agencies and appropriate guidelines will be issued accordingly.

COMMERCIALIZATION AND PRIVATIZATION

39. The anticipated improvements in living standards in 1997 can only be realized with growth through investments. In view of the relative dearth of investment resources in the country, it is imperative that every step be taken to improve resource mobilization and resource utilisation.

40. In view of the problem of management and efficiency of some key public enterprises, Government has, in the last few years, considered the desirability or otherwise of the commercialization and privatization of these bodies. During the year 1997 the groundwork already started will continue and a wide range of consultations will be undertaken. Government's interest in the process is to ensure effective and efficient management of these enterprises while the Nation gets maximum benefit in terms of services and resources. The various options open to Government will be closely examined by a high-powered Committee before any privatization exercise is embarked upon.

41. However, Government will continue with the policy of Commercialization of public enterprises and will encourage efficient management of these

bodies. In the entire process, Government will take the Organized Private Sector into confidence and will enter into meaningful dialogue with interested foreign partners with whom we can cooperate for the enhancement of our objectives.

INVESTMENTS, LIBERALIZATION AND COMPETITION

42. The 1997 Budget includes various measures to further liberalise the economy and encourage investment and competition. Government is ready to enter into investment protection agreements with foreign governments or private organizations wishing to invest in Nigeria. Government is ready to discuss additional incentives with prospective investors for the mutual benefit of both parties. The laws inhibiting competition in all sectors of the economy will be abrogated in 1997.

AGRICULTURE

43. The central importance of Agriculture to our national well-being cannot be over-emphasized. About 70% of Nigerians earn their living from agriculture. This Administration has always accorded top priority to the enhancement of agricultural productivity and production. In 1997, Government will invest in agriculture to promote food self-sufficiency and increase farm incomes. Government will continue to assist both small and large scale farmers in various ways; for instance, through agricultural land development and preparations by National Agricultural Land Development Authority (NALDA). Hitherto, Government has provided fertilizer subsidy to meet agricultural production. Unfortunately, the fertilizer subsidy did not often reach the targeted farmers for whom the subsidy was primarily designed. It is a reality that there is no country in

the world in which agriculture is not subsidized in one form or the other. Nigeria cannot therefore afford not to subsidize agriculture. The best form of subsidy is, however, that which gets to the farmer for whom it is meant. Items that will be made more easily available to farmers are farm implements, chemicals, improved seedlings, and extension services. Production of economic tree crops will also be encouraged. With effect from 1997, Government will work out more effective and efficient mechanism that would provide subsidy and incentive to farmers.

PETROLEUM TRUST FUND (PTF)

44. During the 1996 fiscal year, the Petroleum Trust Fund (PTF) massively commenced operations nation-wide within its approved mandate. These include: road rehabilitation, supply of essential drugs and rehabilitation of urban water supply system. It is gratifying to note that, in accordance with my directive in 1996 Budget Address, the PTF has embarked on the rehabilitation of 12,500 km of inter-city federal highways and urban roads spread nationwide. In the health sector, I am also happy to note that drugs have been delivered to all the States of the Federation

45. The second phase of this programme has already commenced in earnest. Complementing the Family Support Programme (FSP) in the area of the National Programme on Immunization (NPI), the PTF has donated vehicles to facilitate the distribution of vaccines. As regards water supply, the PTF has supplemented counterpart funding for the water supply projects in some States of the Federation. The PTF has also signed the funding agreement for the National Water Rehabilitation Scheme. These are commendable achievements.

46. For the 1997 fiscal year, the PTF has been directed to vigorously pursue projects in Agricultural, Educational and Health Sectors. Within that framework, all Federal Institutions and selected State Government Institutions, from primary to tertiary levels, shall be rehabilitated. Textbooks and educational consumables shall be procured and supplied to all schools at affordable prices.

47. To boost food supply in the country, the PTF shall undertake nation-wide, rehabilitation of farm power machinery. Projects relating to Strategic Irrigation and Strategic Grains Reserve Silos shall be undertaken. Livestock production facilities shall be rehabilitated and the national fisheries sub-sector masterplan study shall be completed. Various agricultural inputs shall also be made available at affordable prices to farmers, while urban water supply schemes shall be further pursued. The PTF shall assist in providing infrastructural facilities for the hosting of the 7th All Africa Trade Fair scheduled for March 1997 at the Kaduna International Trade Fair Complex. The PTF shall collaborate with NITEL and NEPA to facilitate linking all Local Government Headquarters to the National Grid.

FAMILY ECONOMIC ADVANCEMENT PROGRAMME (FEAP)

48. Nigeria is blessed with abundant natural and agricultural resources which are prevalent in the rural areas where the majority of the population reside. The natural resources remain largely untapped. The only source of livelihood is subsistence farming. However, about 40% of the food produced are wasted due to lack of post-harvest processing and conservation, and inaccessibility of our rural communities to the market

There is therefore large drift of the younger and able-bodied men and women to urban areas in search of better living standards.

49. To address this unfortunate situation, Government has therefore conceptualized a Family Economic Advancement Programme (FEAP) to harness all the potentials in local areas with a view to establishing viable cottage industries and other projects that will ensure the much desired economic empowerment of the local populace. The machinery and equipment which will be put to use must be fabricated locally using indigenous technology. Indeed the Ministries of Science and Technology, and Agriculture have independently fabricated simple and inexpensive equipments that could be installed at affordable cost for cottage industry in the local areas. As part of this policy, Government has already undertaken a survey of agricultural products and raw material availability at all Local Governments in the Federation. The cottage industries will be set up at ward level in all the local government areas as dictated by the comparative advantage of each area.

50. Since the programme is to be executed at the Local Government Area, the State and Local Governments shall fully participate in the implementation. Federal Government will only act as facilitator and provide funding through revolving loans to be made to the recipients through commercial banks, Peoples Bank and Community Banks. Participating Commercial Banks shall be given generous tax incentives as part of fiscal policy. Suitable training programmes have been articulated by the Ministries of Agriculture, Industry and Science and Technology. The National Directorate of Employment shall also conduct

training. Besides, the manufacturers of equipment will pay periodic visits to maintain equipment and provide on-the-spot assistance to local industrialist. In this regard, the sum of N4.3 billion has been provided in the 1997 Budget.

(i) CENTRAL BANK AND BANKS AND OTHER FINANCIAL INSTITUTIONS DECREE

51. The Central Bank of Nigeria (CBN) Decree No. 24 of 1991 and the Banks and Other Financial Institutions Decree (BOFID) No. 25 of 1991 are hereby amended with effect from 1st January, 1997. The amendments have taken into account the need to sanitize the banking institution in Nigeria and to make the operation of the Central Bank of Nigeria more efficient and effective. To arrive at these amendments, Government took careful note of the recommendations of the Panel appointed in 1994 to examine the functions and operations of the CBN and other observed lapses which had for long undermined the regulatory authority of the CBN. Under the new arrangement, the Government's supervision of the CBN has been strengthened through the Federal Ministry of Finance and a new Board with a part-time Chairman. Moreover, the various channels of communication shall be streamlined to ensure accountability and transparency in the operation of the CBN.

52. With effect from 1st January, 1997, the Central Bank of Nigeria shall effectively assume the leadership of all the banking institutions in the financial system. In that regard, the CBN shall have responsibility for controlling and supervising all Commercial, Merchant, Peoples' and Community Banks, Finance Houses, Discount Houses, Mortgage

Institutions and Bureau de Change. Similarly, all development banks shall be regulated by the CBN.

(ii) NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC) DECREE

53. The NDIC Decree is amended with effect from January 1, 1997, to make the NDIC independent of the CBN. Where the NDIC recommends to the CBN to revoke the license of a Bank, and no response is received within 30 days from the date of the recommendation, the NDIC may apply for the revocation of the license of the bank concerned in addition to putting such bank into liquidation.

(iii) NATIONAL INSURANCE COMMISSION DECREE

54. Both the Insurance Decree and the Decree on National Insurance Commission come into effect on 1st January, 1997. The National Insurance Commission (NAICOM) shall be the supervisory body for all insurance companies which are to make returns directly to that Commission. The Securities and Exchange Commission (SEC) shall continue to be the regulatory body for brokerage firms and the Nigerian Stock Exchange.

55. With effect from January 1, 1997, a new Agency known as the Financial Services Coordinating Committee (FSCC) shall be formed to comprise the Chief Executives of the following:

- (a) Federal Ministry of Finance
- (b) Central Bank of Nigeria
- (c) Nigeria Deposit Insurance Corporation
- (d) Securities and Exchange Commission
- (e) National Insurance Commission

56. This Committee shall be chaired by the Minister of Finance and funding shall be provided by the

Federal Ministry of Finance. The Committee shall meet quarterly or more frequently as occasion may demand to deliberate on the problems of coordinating the supervision and regulation of the financial service industry.

DENOMINATION OF CONTRACTS

57. Hitherto, some contracts entered into in Nigeria had been denominated in both Naira and foreign currencies in respect of on-shore and off-shore expenditures. In view of the stability of the Naira, with effect from January 1, 1997, all contracts entered into in Nigeria shall be denominated only in Naira.

UNIFORM NATIONAL SALARY SCALE

58. The adoption of a uniform salary scale nationwide at public levels has caused serious problems for many States which cannot fulfil the ensuing contractual obligations. Since earnings, resource availability and cost of living differ widely among States, a uniform salary scale for all States is unrealistic. Consequently, with immediate effect, each State of the Federation shall establish its own salary structure on the basis, inter-alia, of its capacity to pay. However, the National Wages and Salaries Commission will provide the minimum wage payable to workers under the new arrangement.

PENSION HARMONIZATION

59. Government has noted with deep sympathy the plight of our pensioners whose take home pay has dwindled owing to some recent measures. Government is aware of wide disparity between the pensions of officers who retired before 1st January, 1991 and those after. In order to demonstrate that the labours of our pensioners should not be in vain, this disparity is

hereby removed. Therefore, with effect from 1st January, 1997, the pension of Officers who retired before 1st January, 1991, is hereby harmonized with the pension of those Officers who retired thereafter. To take care of the necessary harmonization, adequate funds have been provided in the current budget. Furthermore, greater attention will be paid to the administration of the pension fund in order to control the spate of fraud and eliminate allied difficulties being experienced.

EXTERNAL DEBT PROFILE

60. As at December 31, 1996, Nigeria's aggregate external debt stock amounted to US\$28.060 billion. A year earlier, the debt stock stood at US\$32.584 billion. This reduction was due to effective debt management.

61. During 1996, an appraisal of the projects financed with International Capital Market (ICM) loans was conducted with a view to determining whether the country obtained commensurate value from the borrowing; this produced remarkable results. Field visits to the 145 projects with total ICM loans amounting to US\$13.151 billion, revealed that 18 projects with total loan amount of US\$.836 billion were never executed. The proceeds of the external loans obtained for their execution were drawn in all cases. These projects are classified as "failed". The failed loans are being serviced by government. Another 44 projects with loan amounts of US\$4.811 billion and classified as "distressed" were either not commissioned or were commissioned and then closed down shortly after. The potential economic and social benefits of these projects cannot be achieved with further injection of funds. The third category classified as "successful" comprised 83 projects

with an amount of US\$7.503 billion, were surviving and operating at some capacity during the appraisal.

62. Some of the failed projects had been the subject of public enquiries in the past, especially between 1994 and 1995. Government will ensure that all those involved with the failed projects are brought before the Failed Contracts Tribunal with a view to assuring Nigerians that such acts would be punished whenever discovered.

63. The project categorized as distressed or successful would be further appraised in 1997 with a view to taking all reasonable measures to revive those that could still be revived. Furthermore, Government has undertaken to continue all projects formerly funded by external bodies such as the European Union but now abandoned at various stages of completion.

64. Despite this our external debt profile demonstrates a situation that will remain unsustainable unless the nation obtains concessional debt relief from our external creditors. This underlines the urgent need for the Medium Term Economic Strategy (MTES) to be finalized and negotiated with the International Monetary Fund and the World Bank. The successful negotiation of the MTES is a condition precedent to an approach to the Paris Club for concessional debt relief.

65. During 1997, therefore, the major focus of Nigeria's relationship with the IMF and the World Bank would be accelerated and intensive negotiation and finalization of the MTES.

DOMESTIC DEBT

66. During 1996, verification of the debt by Government and its agencies to local contractors revealed that the genuine debts

owed to local contractors amounted to approximately 8 billion Naira. After disbursing the 5 billion Naira provided in the 1996 Budget, there was an outstanding balance of 3 billion Naira for which a provision has been made in 1997 Budget. Government will ensure that all outstanding debts are paid.

FEDERAL AND STATE GOVERNMENT INDEBTEDNESS TO BANKS

67. The total indebtedness of Federal and State Governments to banks in Nigeria amounted to N7.692 billion Naira including interest element of N4.290 billion. These debts arose mainly from guarantees by Federal and State Governments for transactions executed by States-owned companies, parastatals and individuals with the respective banks. The Federal Government has negotiated with all the banks through the Nigeria Deposit Insurance Corporation (NDIC) and has agreed to pay off the principal amount due as a once and for all settlement of the entire indebtedness. However, verification and reconciliation of these amounts will be undertaken before payments are made. Further details on the 1997 Budget will be provided by the Minister of Finance and the Governor of the Central Bank of Nigeria in their Press briefing

POLITICAL PROGRAMME OF TRANSITION

68. Fellow Nigerians, during the year under review, some major decisions were taken in relation to the political programme of transition. All the transition institutions discharged their duties in accordance with the laws establishing them. In the first quarter of the year, Local Government elections on non-party basis were held and the turn-out of voters was

exceptionally encouraging. Full political activities commenced during the year with the formation of political associations and the registration of five political parties by the National Electoral Commission of Nigeria (NECON). 69. The Committee on the Creation of States, Local Governments and Boundary Adjustments submitted its report and after a thorough scrutiny of the said report, six States and 183 Local Governments were created. The National Electoral Commission of Nigeria (NECON), in consultation with political parties, has now re-scheduled the Local Government elections on party basis for the First Quarter of 1997. 70. As I stated in my National Day Broadcast of 1st October, 1996, Government would ensure that the various organs responsible for the transition activities work in accordance with the rules and procedures establishing them bearing in mind the imperatives of fairness and justice in all their actions. I hereby renew my appeal to our politicians to ensure an orderly and mature conduct of partisan politics and to avoid the pitfalls of the past. Our politicians must inculcate a high degree of tolerance and respect for each other's point of view.

FOREIGN POLICY

71. Throughout the year, 1996, we maintained friendly bi-lateral relations with all Nations of the World, particularly those that have stood in solidarity with us in our task of economic and socio-political transformation.

72. It should be clear to all that the course we have chosen is that of a long term sustainable growth and development which will continue to strengthen our relationship. We have chosen the course that is best for our country and for our people. Our economic reforms and political

programme of transition are tailored to satisfy our National interest. It is my hope that our friends will continue to support our effort towards entrenching lasting peace and stability in our country. 73. What has been achieved in this country in the last two years was due to political transformation. Nigeria is better prepared now than ever before to establish and strengthen economic relations with friendly Nations of the World. We assure all those who are already working in partnership with us of our support and cooperation. We shall continue to discharge our duty to all the International Organizations to which we belong. Nothing shall deter us from this noble responsibility.

74. In our sub-region, we shall remain actively engaged in the effort to find a lasting solution to the Liberian crisis. We note with satisfaction that within the Revised Abuja Peace Agreement signed in August, 1996, the search for peace in Liberia has entered a crucial stage, while the prospects for the lasting peace are brighter today than before. We commend the courage and gallantry of the ECOMOG troops and believe that enormous financial and material assistance we have so far made to this course is in the best interest of peace and stability in our sub-region. We also appreciate the human and material assistance so far given by the international community towards the same cause. We appreciate the progress made by all parties in Liberia in the search for peace and call on them to rededicate themselves by adhering faithfully to the peace agreement. 75. Nigeria remains committed to the promotion of economic development and integration in the ECOWAS sub-region and to the ideals of the African Economic Community. During my tenure as

the current Chairman of ECOWAS, we shall lend our full support to the active pursuit and realization of the objectives of the Community. We note the contributions which similar sub-regional economic groupings in other parts of our continent are making to the growth and development of their respective sub-regions. It is our belief that the collective efforts of the various sub-regional groupings will provide appropriate building blocks for the emergence of a viable African Economic Community.

THE WAY FORWARD

76. Fellow Nigerians, as you are very well aware the gains that we have recorded so far did not come about without sacrifice and commitments. Every individual has a role to play in this task of nation-building as no one else can do this for us. We must put into proper use our well endowed resources, talent and expertise to face these crucial

challenges of our times. Having realized the problems that have been with us for more than three decades now, we have no option but to find the appropriate solutions out of our initiative and commitment.

77. The key to our success is hardwork, productivity, and sense of patriotism. Having come that far, no problem will be insurmountable. I call on all Nigerians especially our young men and women, farmers, traders and the business class in general to take up the opportunities being created through the various reform measures to build our Nation. To our great team, the Golden Eagles and our sports-men and women, the memory of your victory in Atlanta and other international competitions will forever remain a source of pride and inspiration for the present and future generations of Nigerians. I congratulate you once more and our entire Nation is

behind you in all your future outings.

78. Government views with grave concern the wave of violence and terrorism in our cities in recent times. Let me assure all Nigerians that every effort is being made to check such crimes and all those involved will be brought to book. I call on all Nigerians to be extra-vigilant and support Government in its efforts to protect the lives and properties of the citizens of our great Nation.

79. Within the framework of the Vision 2010, our great Nation will move into the Twenty First Century, a united and strong Nation having greater impact and role to play in international affairs. Let us all stand firm in support of our national interest, global peace and justice.

80. We shall continue to pray to Almighty God/Allah for His continuous guidance, blessing and protection.

81. Thank you and may God bless Nigeria.