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McNamara Papers

Vol. 2

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7 17/3/21

TOPICS FOR DISCUSSION

Economic Background and Issues

1. The financial position of Nigeria over the past two years has improved considerably primarily on account of the recent series of oil price increases, though we believe that the fiscal and commercial policies adopted by the Government in 1978 and 1979 would themselves have eased the situation somewhat. On the whole, the Government of Nigeria has responded well to short-term crises, but it has also meant that the issues of long-term development have often had to be pushed aside.

2. Nigeria today stands at a crossroads. The recent oil boom gives the nation another opportunity to avoid past mistakes and direct the economy to a path of sustainable long-term growth. The process of transition to a civilian representative government has demonstrated the resilience, determination, and purposefulness of the people. Democracy also offers a new opportunity for involving people in the decision-making and development process, and thereby improving the prospects of a more broadly based economic progress in future. But inability to exploit these opportunities, and failure, can be expected to have far-reaching implications for the future of Nigeria as a nation. The challenge to the Government is how to exploit its considerable oil wealth to evolve an economic structure that can stand on its own when the oil runs out without abandoning its democratic complexion. Indeed, success in the first is an insurance for the second. The task is obviously not simple, and we foresee the process of economic and political development over the coming years to be one of fits and starts.

3. The long-term development policy issues facing Nigeria are extremely complex, and the solutions for the problems are not clear-cut. The oil income has of course relieved for the time being the foreign exchange constraint and eased the fiscal situation. But the accretion of the oil wealth has also some side-effects which militate against the long-term growth objectives. In the first place, with rapidly accumulating foreign exchange reserves, it is difficult for the nation to appreciate the urgency for preparing the economy for the time when the oil reserves would be exhausted, and there is a danger of exaggerated expectations on the long-term strength of the Nigerian economy. But the government seems acutely aware of the problems and is striving to formulate policies and programs to address them. On a number of issues, it has sought the Bank's help.

4. The main area of concern is the prospects of agricultural and industrial growth. The relatively high rates of domestic inflation combined with a steadily appreciating exchange rate for the Naira consequent to the oil boom, have put domestic agriculture and manufacturing generally at a disadvantage vis-a-vis the foreign produced goods (which became relatively cheaper) and domestic construction, distribution and other

service sectors (which became more lucrative). While the public sector's role in the economy expanded dramatically, the private sector, which dominates in agriculture and in small- and medium-scale industry, remained slack. Thus, although a high rate of investment and GDP growth was maintained during the Third Plan period (1975-80), the performance of agriculture did not show significant improvement. The manufacturing sector continued to experience power and water shortages and transportation difficulties, resulting in inefficiency and rising costs of production. The traditional exports dwindled or, in the case of oil palm and groundnuts, disappeared. Imports, on the other hand, rose rapidly. In short, the economy became increasingly dependent on oil and more vulnerable to the vicissitudes of the oil market.

5. If these trends persist, the growth momentum will be difficult to sustain beyond the mid-1980s. Unless the oil income in real terms continues to rise rapidly -- which seems unlikely -- large balance of payments deficits would reappear within a few years and begin to constrain economic growth. On present knowledge, the oil output is unlikely to rise above the rate reached in recent years (around 2.2 mbd). With domestic oil consumption (currently accounting for 7 percent of output) rising at about 15 percent a year, the exportable surplus has steadily declined. Unless there are major new discoveries, the oil output in the 1990s can be expected to fall.

6. The central policy issue therefore confronting Nigeria is how to stimulate production of agriculture and accelerate industrial development, such that dependence on oil declines gradually, the increase in imports slows down, and new exports are developed to replace the foreign exchange earnings from oil. This in turn depends primarily on its policies on oil output and on foreign exchange reserves. The oil output level appears to have been fixed at 2.15 mbd, more for political as for economic reasons. The projections in the green cover Basic Economic Report indicate that foreign exchange reserves are likely to increase for the next five or so "fat" years and then be drawn down fairly rapidly in the "lean" years that follow. Determining the optimal level of investment is highly complex, involving estimates of such things as future oil price and international interest rates as well as of Nigeria's absorptive capacity. One key point, though, is the need for the Government to avoid political pressure to increase spending faster than domestic constraints will allow. The net result of overspending would not only be waste but higher inflation and the need to apply brakes sooner and harder to investment growth when the oil earnings start to decline.

7. But beyond the decision on the overall level of public expenditure is the far more complex issue of the import-content and sectoral composition of public expenditure, for this would influence the pace and pattern of economic growth, the level and composition of imports, and the shifts in relative prices. In order to stimulate agricultural production and establish a viable industry that would not depend indefinitely on protection or subsidy, the Government needs to develop objective criteria and parameters for judging the soundness of its investment program.

8. In encouraging growth of the productive sectors, the government faces some difficult policy issues. The Bank's dialogue with the goverment and economic and sector work are directed towards these issues. Protection to selected lines of economic activity would be necessary over the coming years in order to mitigate the adverse consequences of the oil boom and to ease the learning process. At the same time, excessive protection of domestic production will encourage the same kind of inefficiency the Bank has seen in numerous other countries. Also, as we have seen in these other countries, changing policies to encourage more efficiency becomes increasingly difficult the more overprotected firms or farmers are. Therefore, the policies adopted over the next five years or so will have a long-run effect on the structure and growth of the productive sectors. The Government has recently expressed increased awareness of this set of problems and in this connection has aksed us to carry out a study of industrial incentives.

9. There are three additional specific areas of concern which have a bearing on future economic development, and which we believe will figure prominently in our dialogue with the Government: (i) increasing emphasis on basic needs and human resource development; (ii) development of skilled manpower; and (iii) encouragement to the private sector.

10. The social indicators -- health, nutrition, and education -- place Nigeria among the low income countries instead of countries with a comparable per capita income. From a growth perspective the low level of human resource development (particularly of education) is a major constraint on efficiency and expansion of output. The sudden oil wealth could not have been expected to transform the wellbeing and human capital of the large majority of the Nigerians within a short period of time. However, the Government should be given credit for taking big strides in the spread of primary education. The rate of primary school enrollment, currently around 60 percent of school-age children, has almost doubled within less than a decade. In many southern parts of the country the goal of universal primary education has already been realized. For future, the Government needs not only to devote high priority in expenditures to the basic needs sectors, but also within those sectors to direct expenditures to the rural and urban poor to improve their health and nutrition standards, and increase their productivity. The Government also needs to ensure that its macro-economic policy would not undo, by reducing the growth in incomes of the poor, what the specific programs are attempting to achieve. Of particular significance would be the continuing emphasis on smallholder agriculture in the Government's strategy to stimulate food crop production in the Fourth Plan (1981-84).

11. The lack of adequate skilled manpower, which is a manifestation of the low level of human resource development, is expected to continue constraining the pace and pattern of economic development over the coming years. In the long run the shortage of skilled manpower can be relieved only through expansion of education and training programs. In the short run, however, critical shortages may be relieved through a greater emphasis on in-service and pre-service training programs, in addition to hiring expatriates.

The manpower problem is an important element in our dialogue with the Government, and is being also addressed in our operations and economic work program.

12. Expansion of agricultural and manufacturing production is synonymous with the growth of the private sector. Private investment during the 1970s remained generally slack, and the available evidence suggests that private investment was attracted to trade, urban property and other speculative, non-productive ventures, rather than agriculture or manufacturing. Many of the uncertainties that affected the private business atmosphere -- transition to a civilian government and implementation of the indigenization decrees of 1972 and 1977 -- have now disappeared, and both foreign and domestic private investment seems now to be reviving. The Government appears committed to encouraging private investment, and is exploring ways for simplifying the procedures for approval of investment applications. The Bank has prepared for the Government a paper outlining the steps to be taken to encourage private investment.

Bank Relations with Nigeria

13. At the Annual Meeting in Manila in 1976, the Nigerian Government prompted by a rapidly deteriorating financial position after the sudden wealth generated by the oil price increase in late 1973, requested a massive increase in Bank lending to a level of $500 million per annum. This followed a prolonged hiatus in Bank relations with Nigeria in 1975/76 and signalled the beginning of a new era of cooperation which received a further impetus through Mr. McNamara's visit in late 1977. Although it was clear that it would take several years to reach such a level, given the lead time required to identify and prepare suitable projects, manpower constraints, administrative bottlenecks, etc., Bank lending expanded rapidly from $62 million in FY 1977 to $388 million expected for FY 1981. Total lending in the 5-year period FY 1977-81 is likely to exceed $1 billion compared to only about $800 million in the preceding 19 years since the first loan was made in 1958.

14. The thrust of Bank lending in the past five years has been in support of agricultural development. More than half the funds provided (56%) benefitted agricultural projects, compared to 36% which helped to finance infrastructure and 8% which went into industrial credit and urban development. Even more significantly, 12 out of the 18 projects financed in the period have been agricultural projects nine of which are in support of smallholder development (ADPs), including 2 statewide schemes in Bauchi and Kano recently approved by the Board.

15. But the Bank's role in assisting Nigeria has been much broader, particularly in the past 1 1/2 years since the civilian government took power. In connection with its efforts to redirect development policies and priorities, the Government has been increasingly utilizing Bank advice and assistance in many critical areas (1) to develop project prototypes which can be replicated, e.g. ADPs, urban, water supply and small-scale industries

projects; (2) to strengthen institutions responsible for planning and implementing investments; and (3) to prepare investment programs.

16. In agriculture the government officially requested, and the Bank provided, assistance last year in the preparation of a national food strategy and associated accelerated agricultural development program, based largely on the proven concept of existing Bank-assisted smallholder agricultural projects (ADPs). The program constitutes the core of the country's five year development plan for agriculture (1981-85). Substantial technical assistance for program implementation is envisaged, including a Bank loan of $47 million scheduled for Board presentation in late June. Institutional and managerial support by the Bank has moreover been requested in the areas of grain marketing, livestock development and agricultural credit which will be provided under the proposed technical assistance scheme. In housing, President Schagari has publicly endorsed the Bank's first urban development project in Bauchi State as a model for genuine low-cost housing to be replicated. The Bank has been asked for assistance in connection with plan formulation, implementation and monitoring which has been and will be provided. In industries, we commissioned a series of studies in the areas of industrial incentives and protection, financial institutions, improving institutional aspects of foreign investment, as well as surveys of the agro-allied and building materials sub-sectors as important inputs into government planning and decision making. Just recently, the government requested assistance for an indepth review of the entire industrial incentives system as well as for the preparation of a masterplan for the cement sub-sector. Among other areas we might in due course receive requests for support in energy planning and in developing a planning, project evaluation and monitoring capability for water supply at the Federal level.

17. As these sectoral examples indicate, our economic and sector work has likewise become increasingly important to the Government. Over the past three years, our policy dialogue with the Government has improved in depth as well as in mutual understanding. One indicator of this is that the economic and sector missions are now generally very welcomed by the Government, compared to a state of cold indifference, even hostility, to economic missions sometime back. Our dialogue with the Government has evolved in different ways: (1) we review our proposed economic and sector work with the Government before finalizing the program; (2) our draft economic reports are extensively discussed at the policy level in Government, including with the President's key economic advisors; (3) we are providing assistance in various areas for studies, e.g. the incentive system, instituting performance budgeting, etc.; (4) our resident economist has been providing day-to-day support to the Federal Ministry of National Planning in the preparation of the Fourth National Development Plan.

18. On the operational side we have instituted a system of lending program implementation reviews with the Government. These are based on periodic status reports on our ongoing and forthcoming operations. These reports are reviewed regularly with the Government by our Resident Mission and regional managers.

19. There is little doubt that relations between the Bank and Nigeria have improved substantially in the past five years, and particularly in the past 18 months under the civilian regime. Most Nigerian officials are very appreciative of the support and cooperation Nigeria has received from the Bank not only by way of a growing volume of lending and number of loans but also in terms of a broad ranging program of technical assistance.

Future Bank Assistance

20. The current 5-year lending program FY1981-85 totals $2.3 billion and can reasonably be expected to reach a level of $2.5 billion for the period FY 1982-86 which would be 2 1/2 times the volume of lending in the last five years (FY 1977-81). While still small on a per capita basis (less than $5 in 1981) it nevertheless represents a significant expansion. This notwithstanding, the Nigerians have been pressing for a more rapid expansion of the Bank's program in general, and for more and faster assistance in agriculture in particular, as well as for more diversified lending.

21. The question of a more rapid expansion of the Bank program, notably in agriculture, has come up on various occasions in the recent past. The Minister of Agriculture raised this point with Mr. McNamara when he called on him last October. We have consistently cautioned the Nigerians that serious manpower and administrative constraints as reflected in the record to date would prove a major obstacle to the Government to accelerate the program beyond what was currently planned which already represents a very ambitious undertaking for Nigeria and for us. We have emphasized, however, that the Bank would respond positively to any reasonable effort on the part of the Government to increase its implementation capacity by resolving some of the key issues standing in its way, and expand the program accordingly.

22. In an effort to help Nigeria to overcome some of the serious manpower and administrative problems in the agricultural sector, a major technical assistance project has been prepared. A Bank loan of $47 million for this project is scheduled for Board presentation in late June. This is by no means enough, however. The shortage of skilled manpower in all parts of the economy and at all levels has probably become the single most serious impediment to more rapid development and growth. The modest efforts so far made by the Government in manpower planning and development hardly measure up to the magnitude of the problem. Key government officials have therefore readily acknowledged that Nigeria needs help in confronting this problem, and we will give priority to providing assistance in this area.

23. Notwithstanding its key importance, the manpower problem is by no means the only one frustrating faster expansion of Bank lending. Since our lending is closely associated with changes in overall economic or sectoral policies and institutional improvements, there have been, and will be inevitable delays in Government decisions on critical issues and thus in the pace at which we can process projects. A case in point is the issue of efficient fertilizer procurement and distribution which held up for

several months the large statewide projects in Bauchi and Kano States (because of the dismal experience with fertilizer procurement and distribution in the past, the Bank had insisted on the establishment of a commercially operated and expertly managed company which was finally approved by the Federal Government last March after considerable delay). Another illustration is the issue of interest rates and credit structure which by now has impeded processing of the Third Cocoa Project by almost a year. Among the issues which may well affect processing of future projects are subsidy and pricing policies (particularly fertilizer subsidies), incentives and protection policies in industries, development of a rational energy policy, tariff policies in the water and power sectors, etc. The Government is well aware of our position in respect of many of these and other issues, and while there is frequently no disagreement over policy or institutional issues as such, decisions and actions are often subject to protracted delays.

24. A third important factor is Nigeria's cumbersome and time consuming bureaucratic procedure for processing and approving Bank projects. Government approval of loan documents following negotiations takes on the average 4-6 months and there is hardly a loan which has become effective in less than six months; some have taken up to a year. The problems and inordinate delays are mainly due to procedural and legal requirements compounded by the two-tier Federal-State system, poor communications, and again as a reflection of the general manpower situation, serious staffing and personnel constraints at Federal and State levels. Key officials in Government particularly in the Federal Ministry of Finance, are aware of the situation and trying to cope as best as they can with a very difficult situation. But without an improved staff situation and streamlining of procedures and practices there is little hope that loans can be processed faster than at present.

25. In cautioning the Nigerians about realistic possibilities for increased Bank assistance we have also made the point that, despite the Bank's intention to expand its lending and technical assistance significantly, our financial and staff constraints and the other factors mentioned earlier, would preclude us from expanding such assistance beyond certain limits. This fact is not always fully appreciated by the Government. For this reason, in particular, it is important for the Government to recognize that we can be far more useful to Nigeria if we concentrate our efforts in a few areas where our presence is essential and where we have a comparative advantage (e.g. agriculture, urban development, small-scale industries, water supply, health) instead of dispersing ourselves over everything. While there is broad agreement with the government on priority sectors and areas for Bank assistance, it is a point to be reinforced in view of frequent requests we receive from Federal and State authorities for assistance in very diverse fields.

26. Under the Bank's current lending policy, we are limiting Bank lending to the financing of the foreign exchange cost of projects in Nigeria. In the case of some large projects (power, Bauchi and Kano ADPs) we have financed less than the full foreign exchange cost. Since the principal objective of

loans is to improve project and sector performance through a meaningful presence in Bank-assisted projects rather than the need for a substantial transfer of resources as long as present economic conditions prevail, we may continue to apply this policy in selected cases in future as well.

27. In respect of the Bank's lending terms there is likely to be a change later this year. With a per capita income of US$670 (1979), Nigeria has so far been eligible for loans with a 20 year maturity, including a grace period of five years. The growth of the economy, domestic inflation, and a generally appreciating Naira combined to raise the per capita income close to $800 in 1980. Since Nigeria was already very close to the cut-off per capita income of $680 for the Bank's lending terms, it is likely that for FY1982 Nigeria would exceed the cut-off level for 1980, and therefore only be eligible for loans with 17 years maturity and 4 years grace period.

Bank Group Support From Nigeria

28. Bank borrowing in Nigeria has been substantial. Both the Federal Government and the Central Bank have shown continued interest in investing in the Bank's two-year bonds. Total purchases by Nigeria of these bonds to date have amounted to $310.7 million of which $103.8 million are outstanding. Nigeria subscribed $50.0 million to the September 15, 1980 issue and $20.0 million to the March 15, 1981 issue. Last year it also purchased a total of SWF 40.0 million of the two SWF 200 million issues of 4% SWiss France notes due in April and October 1984. In March of 1981, the Central Bank agreed to two further Bank borrowings of SWF 200 million ($100.68 million equivalent) and DF1.100 million ($41.9 million equivalent), both with 5 years maturities.

29. With the $240 million private placement of 8% by the Bank in December 1974 (which matures between 1980 and 1990), borrowings in Nigeria have totalled nearly $725 million compared with close to $1.7 billion of Bank and IDA commitment to Nigeria. In the last 12 months alone net borrowings by the Bank have amounted to over $180 million as against $442.5 million in Bank commitments and about $60 million in disbursements.

30. In addition to its continued support of Bank borrowing, Nigeria has given strong support to IDA replenishment, capital increase, and the Bank's proposal for an energy affiliate. On several occasions, the Federal Government has publicly underscored the great importance which Nigeria attaches to its role in the World Bank.

Points for Discussion

31. Against the above background, Mr. McNamara may wish to touch upon the following points in his meeting with President Shagari (and possibly with the Vice-President):

(1) Express satisfaction about the expanding Bank program in Nigeria, not only in terms of increased lending but also in terms of broad-ranging technical assistance, and economic and sector work, In this connection Mr. McNamara should emphasize that the Bank continues to regard Nigeria as a developing country in need of substantial development assistance. He may caution, however, against too high expectations about the increase in Bank lending in view of financial constraints beyond the Bank's control. One way to overcome the financial limitations to some extent is co-financing and, as had been emphasized on a number of occasions in meetings with Nigerian officials, the Bank welcomes any feasible opportunity for program or project co-financing with official and private sources of finance in Nigeria. Co-financing allows the Bank to reinforce the technical assistance element in its cooperation with the country, and is therefore of direct benefit to both the country and the Bank;

(2) Emphasize that despite the Bank's intention to expand its lending and technical assistance significantly, we need to ensure that we are not taking no more than we can handle. For this reason it is necessary for the Bank to concentrate its assistance in priority areas such as agriculture, urban development, small scale industries, water supply, health, etc. Assistance in manpower planning and development would receive top priority;

(3) Express appreciation for Nigeria's support of the Bank Group, not only in terms of substantial Bank borrowing but also in respect of IDA replenishment and capital increase. Mr. McNamara may wish to emphasize that the Nigerian contributions are particularly welcome at this time when the Bank is facing financial constraints of its own because of the capital increase, IDA replenishment, China membership, and energy affiliate issues. In this context, Mr. McNamara may wish to express hope that Nigeria would use its considerable influence in various international forums and institutions for strong support of the Bank's need for substantially increased financial resources;

(4) Similarly, Mr. McNamara might acknowledge Nigeria's interest in and support for the proposed energy affiliate. In this connection, he may wish to elaborate on the role he sees for the World Bank in energy development, and at the same time urge the government to speed-up development of a rational energy policy for Nigeria for which the Bank would be prepared to provide assistance if necessary;

(5) Commend the government for the general thrust of its economic policies and moving cautiously in the face of rising oil earnings and domestic political pressure. The government should be encouraged to proceed prudently--in conformity with the Guidelines to the Fourth National Development Plan--undertaking new investment ventures; there is need for developing objective criteria for evaluating public investments and for achieving a balance between directly productive and infrastructure investments. Mr. McNamara may express satisfaction on the earnestness with which the government is pursuing the goals of the "green revolution", although specific programs still need to be developed. The government must also strive to establish a viable industrial structure rather than one that would require indefinite protection or subsidies.

(6) Express concern that the past high rate of economic growth may not be sustained in future unless non-oil sources of public revenue and foreign exchange earnings are developed. A failure to bring about the required structural adjustment will make alleviation of poverty extremely difficult. In this context, Mr. McNamara may want to enquire about the President's vision of Nigeria's development in the next twenty years, when the oil reserves are expected to be largely depleted.

(7) Show appreciation of the complex macro-economic policy issues the government faces ahead, particularly in the area of making domestic commodity production competitive. It should be stressed that the Bank has itself to learn before being able to offer advice, and it is only through close cooperation with the government that we could together evolve practical solutions to the problems. Mr. McNamara may wish to refer to the need for the government to address several key policy issues, such as subsidy and pricing policies, particularly the exchange rate and interest rate issues.

(8) Commend the government for emphasizing basic needs and manpower development in the Fourth Plan, and for its recent measures to encourage private investment. Progress in these areas as in prudent decisions on the volume and balance of public investment would be critical for reaching the path of sustainable long-term growth and for spreading widely the growth benefits.

32. In addition to the foregoing points, Mr. McNamara may add the following ones in his discussion with the Minister of Finance:

(1) Acknowledge the fact that serious staffing and personnel constraints make it exceedingly difficult for Federal and State governments to handle a growing volume of Bank operations. This is particularly true for the Federal Ministry of Finance, and while the Ministry should be complemented for its efforts in recruiting additional staff, more personnel was needed to cope with increased requirements.

(2) To the extent that the Minister presses for a more rapid expansion of the Bank program it would also be worthwhile stressing that the program is expanding rapidly but could have expanded even faster if it were not for substantial delays in government decisions on critical issues, time consuming procedures for processing and approval of Bank projects, compounded by the two-tier Federal-State system. Improvements in these areas would be necessary for accelerating the program.

(3) Alert the Government to a possible change in lending terms in FY82 as a result of rising per capita income.

WAIA
May 8, 1981

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

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7.17/3/20

TO: Mr. Robert McNamara
(through Mr. Ernest Stern)

DATE: May 14, 1981

FROM: Bilsel Alisbah, Acting Regional Vice President, WANVP

SUBJECT: NIGERIA - Fertilizer Consumption and its Cost Implementation

1. This note elaborates further on the issue of fertilizer subsidies referred to in the briefing paper we provided you with for your forthcoming discussions in Nigeria.

2. Over the past several years, our expanding agricultural program in Nigeria has involved us more and more in the complex issue of fertilizer supply and pricing. Concern has increased within the Bank over fertilizer availability and the high level of subsidies. There has been progress in the procurement and distribution of fertilizer: the Government is establishing a national fertilizer marketing company and is expected to ask for Bank assistance under the Agricultural Technical Assistance Project, to reorganize and streamline fertilizer procurement and distribution to the states. In addition, in the new statewide ADPs input supply companies with proper management and accounts are being set up.

3. Projections of fertilizer consumption prepared in May 1980 for the Food Production Plan show demand for fertilizer rising from 524,000 tons in 1981 to nearly 1.3 million tons by 1985. Ninety-five percent of this demand will be met from imports. Eighty percent of this demand, we estimate, will be generated by the five northern states where Bank-assisted ADPs are on-going or will be initiated. On the basis of the Bank's latest projections, the estimated cost, in 1981 prices, of these quantities, delivered to state capitals, would rise from about N110 million in 1981 to about N343 million in 1985.

4. At the current subsidized price (averaging N2 per bag) and fertilizer subsidy policy (FGN paying 50 percent of the cost to the state capital, and state governments paying the rest less the sales price to the farmer), this results in a total fertilizer subsidy cost in constant terms, from 1981 to 1985, of about N1.1 billion, shared roughly equally by the Federal Government and the states. Even with a reduction in subsidy to 40 percent by 1984, which was proposed by the Food Plan team, the overall subsidy would amount to nearly N575 million over the five-year period.

5. Where fertilizer is available because of good distribution arrangements (generally in Bank-assisted ADPs), demand is high, resulting in large documented yield and production increases. But, while the subsidized price may have helped establish fertilizer demand, northern Nigerian farmers have shown themselves to be willing and able to pay black market prices to satisfy their fertilizer needs. Sometimes, these prices are close to what the full, unsubsidized cost would be.

6. In the south, fertilizer uptake to date has been limited. Distribution arrangements are less adequate, and technical packages of varieties which are fertilizer-responsive are not widely available. Thus, there may be justification for retaining fertilizer subsidies in some parts of Nigeria to support efforts to introduce the new technologies which imply a higher overall fertilizer uptake.

7. Our work on fertilizer has yielded some results - viz., action on the fertilizer marketing company which we see as most critical for the time being. It has also opened discussion over whether the substantial transfers of oil revenues to the rural sector might not be better achieved by reducing fertilizer subsidies and channelling the savings into other agricultural subsidy schemes - for example small-scale irrigation development, tree crops, and other on-farm capital investments - where the impact of these expenditures may have a greater long-term impact on food production. Senior officials of the Federal Ministry of Agriculture are aware of the need to reduce fertilizer subsidies, and we believe that informal staff-level discussion has begun. A smooth-running fertilizer marketing company will, we feel, flesh out more details of the very sensitive fertilizer distribution and subsidy question. The data that emerge should help clarify the implications, and the options available to Government, as a basis for further discussion with us.

Conclusion and Recommendation

8. As indicated above, the fertilizer subsidy issue is politically sensitive and complex. Even though the subsidy is sizable in absolute terms, relative to total government revenue (Federal and State) it is likely to be only about one percent even by 1985. Furthermore, to the extent that some subsidization may be justified in parts of Nigeria, in a complex Federal democratic system it will be extremely difficult for the Government to charge differential prices. Nor will decisions on the subsidy issue be rendered easy by the fact that with the Shagari Government approaching mid-term, the next election does not look too far away.

9. Nevertheless, it would be helpful to our continuing dialogue on this subject if you were to make the following points to the Ministers of Finance and Agriculture and possibly to the President:

a) Welcome the Government decision to place the procurement of fertilizers in the hands of a commercially oriented and properly staffed company.

b) Inquire about the timetable for setting up the new company.

c) Express concern over the present magnitude of the fertilizer subsidy which will place an increasing burden on the Federal Budget as fertilizer consumption grows.

This has to be seen against the background of diminishing oil earnings in the long term as well as the Government's recent decision to transfer a larger proportion of budgetary resources to the States. 1/

d) In light of the above, welcome the proposal contained in the Food Plan to start reducing the subsidy and inquire about the Government's position on the subsidy issue.

1/ Under the new revenue allocation formula, the Federal Government's share in total revenue is 55 percent compared to 77 percent on average under the old formula.

Cleared with and cc: Messrs. Van Gigch, Grimshaw, Cadario, Reitter, Struben

cc: Messrs. El Darwish, Earwaker, Fennell, Saadat

cc: Mr. Lafourcade

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7 17/3/19

POLITICAL SITUATION IN NIGERIA

Despite the pressures generated by a new multi party presidential system and newly created institutions operating in a complex federation, the Federal Government coalition of the northern (Hausa-Fulani) dominated National Party of Nigeria, (NPN) and the eastern (Igbo) dominated Nigerian Peoples Party, (NPP) still rests intact. Strains on the coalition resulting from the formulation of a new revenue allocation formula have recently begun to show however. The differences are largely of a state versus federal nature, rather than fundamental differences in NPN-NPP ideology. The coalition is not yet seriously threatened by this issue but the coalition is not a dynamic one. Despite the regional make-up of the party blocs, the Federal Government continues to give emphasis to broad geographical and tribal representation in all government bodies. The revenue allocation which reduced the federal share from over 70% to 55% and gives 30% to the states is an indication that the government recognizes the importance of stilling state demands.

With the exception of the western (Yoruba) dominated Unity Party of Nigeria (UPN), the opposition to the Federal Government is anything but cohesive. The Peoples Redemption Party (PRP) Governors of Kaduna and Kano States have severe problems both within their national party and within their states. Representing a radical wing, they have been expelled from the national party and denounced by the party's national leader, Alhaji Aminu Kano, who appears to tacitly support the Federal Government. In Kaduna State, Governor Musa is hamstrung with still no cabinet after 18 months in office due to a legislature dominated by the NPN. In Kano State, the Governor has had to contend with recent religiously inspired riots and civil disturbances causing hundreds of deaths and requiring military intervention. A federal investigation into the cause of the Kano riots was recently completed.

The Kano riots combined with the Libyan intervention in Chad, have heightened the Federal Government's sensitivities to problems of external and internal security. The Nigerian Government has been amongst the most vocal in expressing its concern, both within the OAU and internationally, at the presence of Libyan forces in Chad and her proposed merger with Libya. There is increasing uneasiness about the free movement of ECOWAS citizens in and out of Nigeria, and there have been a number of suggestions that "aliens" are at the root of Nigeria's internal security problems. The 1981 Budget Estimates provide a substantial increase for police, customs and immigration expenditures. This is also a result of the perception that crime is increasing, particularly in Nigeria's urban areas.

Labor relations have generally been well managed, despite the occasional strike by public servants and state corporation employees. The amalgamated Nigerian Labor Congress (NLC), though suffering from some weaknesses due to its broad base, has maintained a steady dialogue with the Federal Government. To some extent this has been due to the federal government's decision on assuming power from the military, to lift the wage freeze and allow free collective bargaining. At the same time, to provide relief from inflation, the federal government has been encouraging employers to provide supplemental benefits such as medical facilities, transportation allowances, subsidized meals etc., in addition to the new ₦100/month minimum wage law. Student unrest has been minimal and largely confined to issues directly affecting their personal and academic conditions on campus.

The Federal Government's ability to maintain this present state of relative stability both politically and socially, will depend very much on (a) how well it is able to keep rising prices in check, particularly food prices in the urban areas; (b) its ability to improve the efficiency with which basic services are provided by the public sector; and (c) its ability to counteract the feeling that corruption, tribalism/regionalism, particularly at the higher levels in the public and private sectors, are getting out of hand. Earlier concern that bills would be unacceptably delayed by the legislative process seems to be unjustified. The quick processing of the Revenue Allocation Bill is encouraging. The need to show some results on the ground has sometimes led to hurried investments. For the moment the Federal Government's performance appears to be succeeding, largely because of the general perception that President Shagari's low-key 'responsible' leadership is what the country needs if its democratic system is to survive.

The visitor to Nigeria should discount his initial impression of widespread dissension and petty bickering which he may get from reading the newspapers.

WAIDA
May 6, 1981

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NIGERIA

Lending Program 1981-85
(US$ Million)

	FY81	
	Bauchi State ADP	132.0
	Kano State ADP	142.0
	Anambra Water Supply and Sanitation	67.0
	Agricultural Technical Assistance	47.0
		388.0
	FY82	
	Sokoto State ADP	148.0
	Power VI	100.0
	Urban Development II (Imo)	36.0
	Small and Medium Scale Industries	40.0
	Cocoa III	117.0
		441.0
	FY83	
S	Mambilla ADP	35.0
S	Kano Water Supply	115.0
	Imo ADP	120.0
	DFC IV	100.0
	Health	60.0
		430.0
	FY84	
S	Borno State ADP	136.0
S	Gari Irrigation	50.0
	Roads VII	110.0
	Urban Development III (Ogun)	70.0
	Borno Water Supply	100.0
		466.0
	FY85	
S	Agricultural Credit	120.0
S	Anambra State ADP	120.0
S	Cross River State ADP	85.0
	Education IV	100.0
	Food and Nutrition	50.0
	Water Supply V	100.0
		575.0
	TOTAL	2,300.0

Reserve Projects

FY82

Cross River Oil Palm	34.0
Kaduna State ADP	145.0

FY83

Fertilizer	100.0
State Roads	40.0

FY84

Cement	100.0
Power VII	150.0

FY85

Energy (Exploration Development)	50.0
Forestry II	60.0

WAIA
May 5, 1981

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NIGERIA

STATEMENT OF LOANS/CREDITS
(in millions of US dollars)

(as of February 28, 1981)

Loan/ Credit Number	Project	Interest Rate (%)	Payment Dates	Maturities	Approval Date	Agreement Date	Effective Date	Closing Date	Principal	Cancel-lations	Disbursed	Principal Repaid	Undis-bursed
(CR) 72-UNI	First Education	3/4	F/A 01	75 - 14	29 Dec 64	01 Mar 65	10 May 66	31 Dec 77	20.0	0	21.39	1.28	0
(CR) 73-UNI	Northern Road	3/4	F/A 15	75 - 14	29 Dec 64	01 Mar 65	31 Aug 65	31 Dec 70	15.5	.20	18.46	1.11	0
193-UNI	Nigerian Railway	5-3/8	A/O 01	62 - 78	30 Apr 58	02 May 58	03 Jul 58	31 Dec 61	28.0	0	28.0	28.0	0
326-UNI	Apapa Wharf	5-1/2	F/A 01	67 - 83	27 Nov 62	10 Dec 62	18 Feb 63	31 Mar 68	13.5	0	13.50	10.61	0
372-UNI	Transmission	5-1/2	M/S 01	66 - 83	04 Feb 64	12 Mar 64	10 Aug 64	31 Aug 67	30.0	0	30.0	23.37	0
383-UNI	Kainji Multipurpose	5-1/2	F/A 15	69 - 99	16 Jun 64	07 Jul 64	18 Jan 65	31 Mar 69	82.0	0	82.0	17.78	0
426-UNI	Apapa Road	5-1/2	J/J 15	71 - 90	23 Sep 65	26 Sep 65	23 Feb 66	01 Apr 74	17.5	.22	17.28	6.78	0
427-UNI	Western Road	5-1/2	J/J 15	71 - 90	23 Sep 65	26 Sep 65	29 Mar 66	31 Mar 75	14.5	2.47	12.03	3.50	0
572-UNI	Kainji Supplementary	6-1/2	F/A 15	71 - 99	12 Nov 68	27 Nov 68	14 Feb 69	31 Dec 71	14.5	.03	14.47	2.54	0
588-UNI	First NIDB	6-1/2	J/J 01	72 - 83	11 Feb 69	05 May 69	29 May 69	31 Dec 72	6.00	.32	5.68	5.61	0
643-UNI	Highway Rehabilitation	7	J/D 15	72 - 84	07 Oct 69	06 Nov 69	31 Jul 70	01 Jul 74	10.6	0	10.60	6.17	0
654-UNI	Transport Rehabilitation	7	M/N 15	74 - 84	26 May 70	26 Jun 70	18 Sep 70	30 Mar 75	25.0	.62	24.38	14.01	0
705-UNI	Second NIDB	7	J/J 01	73 - 82	21 Jul 70	28 Aug 70	25 Feb 71	31 Oct 75	10.0	3.82	6.18	6.04	0
732-UNI	Rehabilitation Program	7-1/4	F/A 15	76 - 91	20 Apr 71	23 Apr 71	21 Jun 71	31 Dec 72	80.0	0	80.0	17.92	0
764-UNI	Western State of Nigeria Cocoa	7-1/4	F/A 15	77 - 91	04 May 71	23 Jun 71	05 Nov 71	31 Jan 79	7.20	0	7.20	1.39	0
814-UNI	Second Education	7-1/4	F/A 15	82 - 97	28 Mar 72	18 Apr 72	28 Nov 72	31 Dec 79	17.3	0	17.3	0	0
847-UNI	Fourth Power	7-1/4	J/D 01	77 - 97	29 Jun 72	30 Jun 72	26 Jun 73	30 Jun 80	76.0	0	76.0	6.82	0
922-UNI	Second Lagos Ports	7-1/4	J/J 15	78 - 98	03 Jul 73	01 Aug 73	29 Oct 73	30 Sep 80	55.0	0	55.0	3.40	0
				All 16 loans and 2 credits above fully disbursed									
838-UNI	Fifth Highway	7-1/4	F/A 15	77 - 97	11 Apr 72	26 Jun 72	20 Feb 73	31 Mar 81	26.3	0	20.08	2.75	6.22
929-UNI	Third Education	7-1/4	F/A 15	83 - 98	21 Jun 73	16 Aug 73	14 Jan 75	31 Dec 82	54.0	0	14.63	0	39.37
1045-UNI	Second Cocoa	7-1/4	F/A 15	79 - 94	20 Jun 74	11 Oct 74	15 Oct 75	30 Sep 81	20.0	0	17.06	1.61	2.94
1091-UNI	Livestock Development	8	J/J 01	81 - 94	19 Dec 74	20 Mar 75	19 Jul 76	01 Jul 81	21.0	0	8.75	.42	12.25
1092-UNI	Funtua Agricultural Development	8	J/J 15	80 - 94	19 Dec 74	20 Mar 75	05 Jan 76	01 Jul 82	29.0	0	28.31	1.62	.69
1099-UNI	Gusau Agricultural Development	8	J/J 15	80 - 94	19 Dec 74	04 Apr 75	05 Jan 76	01 Jul 82	19.0	0	18.59	1.06	.41
1103-UNI	Rice Development	8	J/J 15	80 - 94	19 Dec 74	25 Apr 75	01 Oct 76	31 Dec 82	17.5	0	11.25	.97	6.25
1164-UNI	Gombe Agricultural Development	8	J/J 15	80 - 94	19 Dec 74	29 Sep 75	29 Nov 76	01 Jul 82	21.0	0	20.24	1.17	.76
1183-UNI	Mid-Western State Oil Palm/Bendel	8-1/2	J/J 01	80 - 95	17 Jun 75	31 Dec 75	14 Oct 77	31 Dec 84	29.5	0	8.60	1.07	20.90
1191-UNI	East-Central State Oil Palm/Imo	8-1/2	J/J 01	80 - 95	17 Jun 75	12 Feb 76	06 Apr 77	31 Dec 84	19.0	0	4.18	.69	14.82
1192-UNI	Western State Oil Palm/Ondo	8-1/2	J/J 01	80 - 95	17 Jun 75	22 Sep 76	13 Feb 78	31 Dec 84	17.0	0	5.24	.62	11.76
1454-UNI	Lafia Agricultural Development	8.2	F/A 01	82 - 97	09 Jun 77	28 Jun 77	03 Mar 78	31 Dec 83	27.0	0	14.20	0	12.80
1455-UNI	Ayangba Agricultural Development	8.2	F/A 01	82 - 97	09 Jun 77	28 Jun 77	03 Mar 78	31 Dec 83	35.0	0	16.85	0	18.15
1591-UNI	Nucleus Estate Smallholder Oil Palm/ -Rivers State	7-1/2	J/J 01	84 - 98	06 Jun 78	24 Jul 78	06 Jul 79	31 Dec 85	30.0	0	4.91	0	25.09
1597-UNI	Third NIDB	7-1/2	A/O 01	81 - 95	15 Jun 78	24 Jul 78	24 Oct 78	31 Dec 84	60.0	0	11.24	0	48.76
1667-UNI	Bida Agricultural Development	7	F/A 01	84 - 99	20 Mar 79	17 Sep 79	25 Apr 80	30 Jun 85	23.0	0	2.04	0	20.96
1668-UNI	Ilorin Agricultural Development	7	J/D 15	84 - 98	20 Mar 79	17 Sep 79	25 Apr 80	30 Jun 85	27.0	0	3.89	0	23.11
1679-UNI	Forestry Plantation	7	J/D 15	84 - 98	27 Mar 79	29 Oct 79	30 Jun 80	30 Jun 85	31.0	0	.74	0	30.26
1711-UNI	Kaduna Water Supply	7.90	A/O 15	84 - 99	31 May 79	16 Jul 79	22 Jul 80	31 Dec 85	92.0	0	.58	0	91.42
1719-UNI	Agric. & Rural Mgmt. Training Inst.	7.90	J/J 15	85 - 99	05 Jun 79	16 Jul 79	31 Mar 81	31 Dec 85	9.0	0	0	0	0
1766-UNI	Lagos Power Distribution	7.95	F/A 01	85 - 00	13 Nov 79	19 Feb 80	22 Jul 80	30 Jun 84	100.0	0	0	0	0
1767-UNI	Urban Development	7.95	F/A 01	85 - 00	13 Nov 79	19 Feb 80	12 Aug 80	30 Jun 83	17.8	0	0	0	0
1838-UNI	Oyo North Agricultural Development 1/	8-1/4	F/A 01	85 - 00	29 Apr 80	25 Aug 80	31 Mar 81	30 Sep 85	28.0	0	0	0	0
1854-UNI	Ekiti-Akoko Agricultural Development 1/	8-1/4	F/A 01	86 - 00	27 May 80	15 Dec 80	16 Mar 81	30 Sep 85	32.5	0	0	0	0
[illegible]83-UNI	Sixth Highway	8-1/4	F/A 01	86 - 00	24 Jun 80	25 Aug 80	11 Dec 80	31 Mar 85	108.0	0	0	0	0

1/ Not yet effective

THE STATUS OF BANK GROUP OPERATIONS IN NIGERIA

A. STATEMENT OF BANK GROUP OPERATIONS IN NIGERIA
(as of February 28, 1981)

Loan or Credit Number	Year	Borrower	Purpose	US$ million Amount (less cancellations) Bank	IDA	Undisbursed
Sixteen loans and two credits fully disbursed				479.6	35.3	
838	1972	Nigeria	Roads	26.3		6.2
929	1973	Nigeria	Education	54.0		39.4
1045	1974	Nigeria	Cocoa Dev.	20.0		2.9
1091	1975	Nigeria	Livestock	21.0		12.3
1092	1975	Nigeria	Agric. Dev. Funtua	29.0		0.7
1099	1975	Nigeria	Agric. Dev. Gusau	19.0		0.4
1103	1975	Nigeria	Rice Dev.	17.5		6.3
1164	1975	Nigeria	Agric. Dev. Gombe	21.0		0.8
1183	1975	Nigeria	M.W. State Oil Palm	29.5		20.9
1191	1976	Nigeria	E.C. State Oil Palm	19.0		14.8
1192	1976	Nigeria	W. State Oil Palm	17.0		11.8
1454	1977	Nigeria	Agric. Dev. Lafia	27.0		12.8
1455	1977	Nigeria	Agric. Dev. Ayangba	35.0		18.2
1591	1978	Nigeria	Nuc.Est. Smallholder Oil	30.0		25.1
1597	1978	NIDB	Industrial Dev.	60.0		48.8
1667	1979	Nigeria	Agric. Dev. Bida	23.0		21.0
1668	1979	Nigeria	Agric. Dev. Ilorin	27.0		23.1
1679	1979	Nigeria	Forestry	31.0		30.3
1711	1979	Nigeria	Water Supply - Kaduna	92.0		91.4
1719	1979	Nigeria	Agric. & Rural Mgmt. Inst.	9.0		9.0
1766	1980	NEPA	Power - Lagos	100.0		100.0
1767	1980	Nigeria	Urban Dev. - Bauchi	17.8		17.8
*1838	1980	Nigeria	Agric. Dev. - Oyo-North	28.0		28.0
*1854	1980	Nigeria	Agric. Dev. - Ekiti-Akoko	32.5		32.5
1883	1980	Nigeria	Roads	108.0		108.0
		Total		1,373.2	35.3	682.5
		Of which has been repaid		167.9	2.6	
		Total outstanding		1,205.3	32.7	
		Amount sold	16.8			
		Of which has been repaid	16.8	0.0		
		**Total now held by Bank & IDA		1,205.3	32.7	
		Total undisbursed				682.5

B. STATEMENT OF IFC INVESTMENTS
(as of February 28, 1981)

Fiscal Year		Type of Business	Amount in US$ Million Loan	Equity	Total
1964, 1967, 1970	Arewa Textiles Ltd.	Textile Mfg.	1.0	0.6	1.6
1964	Nigeria Industrial Development Bank Ltd.	Dev. Fin. Co.		1.4	1.4
1973	Funtua Cottonseed Crushing Ltd.	Veg. Oil Crushing	1.6		1.6
1973	Nigerian Aluminum Extrusion Ltd.	Aluminum Processing	1.0	0.3	1.3
1974	Lafiagi Sugar Estates	Sugar		0.1	0.1
1980	NTM	Textiles	6.2	0.7	6.9
1981	Ikeja Hotel	Tourism	7.6	2.3	9.9
	Total Gross Commitments		17.4	5.4	22.8
	Less cancellations		0.4		0.4
	Less sold and repaid		2.2	1.6	3.8
	Total Commitments now held by IFC		14.8	3.8	18.6
	Undisbursed		9.9	2.3	12.2

* Not yet effective
** Prior to exchange rate adjustments

BREAKDOWN OF LOANS/CREDITS TO NIGERIA BY SECTOR

(as of May 7, 1981)
(US$ millions)

Loan/ Credit Number	Project	Principal	(1) Transp.	(2) Power	(3) Water Sup.	(4) Agric.	(5) Industry	(6) Education	(7) Urban	(8) Post War Rehabilit.
(CR)72-UNI	First Education	20.0						20.0		
(CR)73-UNI	Northern Road	15.3*	15.3*							
193-UNI	Nigerian Railway	28.0	28.0							
326-UNI	Apapa Wharf	13.5	13.5							
372-UNI	Transmission (power)	30.0		30.0						
383-UNI	Kainji Multipurpose	82.0		82.0						
426-UNI	Apapa Road	17.28		17.28						
572-UNI	Kainji Supplementary	14.47*		14.47*						
588-UNI	First NIDB	5.68*					5.68*			
640-UNI	Highway Rehabilitation	10.6	10.6							
694-UNI	Transport Rehabilitation	24.38*	24.38*							
705-UNI	Second NIDB	6.18*					6.18*			
732-UNI	Rehabilitation Program	80.0								80.0
764-UNI	Western State of Nigeria Cocoa	7.20				7.20				
427-UNI	Western Road	12.03*	12.03*							
814-UNI	Second Education	17.3						17.3		
838-UNI	Fifth Highway	26.3	26.3							
847-UNI	Fourth Power	76.0		76.0						
922-UNI	Second Lagos Ports	55.0	55.0							
929-UNI	Third Education	54.0						54.0		
1045-UNI	Second Cocoa	20.0				20.0				
1091-UNI	Livestock Development	21.0				21.0				
1092-UNI	Funtua Agric. Development	29.0				29.0				
1099-UNI	Gusau Agric. Development	19.0				19.0				
1103-UNI	Rice Development	17.5				17.5				
1164-UNI	Gombe Agric. Development	21.0				21.0				
1183-UNI	Mid-Western State Oil Palm/Bendel	29.5				29.5				
1191-UNI	East-Central State Oil Palm/Imo	19.0				19.0				
1192-UNI	Western State Oil Palm/ Ondo	17.0				17.0				
1454-UNI	Lafia Agric. Development	27.0				27.0				
1455-UNI	Ayangba Agric.Dev.	35.0				35.0				
1591-UNI	Nucleus Estate Smallholder Oil Palm/Rivers State	30.0				30.0				
1597-UNI	Third NIDB	60.0					60.0			
1667-UNI	Bida Agric. Development	23.0				23.0				
1668-UNI	Ilorin Agricultural Development	27.0				27.0				
1679-UNI	Forestry Industrial Plant.	31.0				31.0				
1711-UNI	Kaduna Water Supply	92.0			92.0					
1719-UNI	Agric. & Rural Mgmt. Training Inst.	9.0				9.0				
1766-UNI	Lagos Power Distribution	100.0		100.0						
1767-UNI	Urban Development	17.8							17.8	
1838-UNI	Oyo-North ADP	28.0				28.0				
1854-UNI	Ekiti-Akoko ADP	32.5				32.5				
1883-UNI	Roads 6	108.0	108.0							
1981-UNI	Bauchi ADP	132.0				132.0				
1982-UNI	Kano ADP	142.0				142.0				
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Total	1,682.5	310.39	302.47	92.0	716.7	71.86	91.3	17.8	80.0
	% of total:	(100%)	(18%)	(18%)	(5%)	(43%)	(4%)	(5%)	(1%)	(5%)
			704.86(42%) (1+2+3)			788.56(47%) (4+5)		109.1(6%) (6+7)		80.0(5%)

* Net of cancellations

NIGERIA

STATEMENT OF LOANS/CREDITS BY FISCAL YEAR
(US$ millions)

FY	FY Total	Project	Ln./Cr. Number	Infra-structure 1/	Agriculture	Other 2/
58	28.0	Nigerial Railway	193-UNI	28.0	-	-
59 -.62	0	-	-	-	-	-
63	13.5	Apapa Wharf	326-UNI	13.5	-	-
64	112.0	Transmission	372-UNI	30.0	-	-
		Kainji Multipurpose	383-UNI	82.0	-	-
65	35.3*	First Education (Cr.)	72-UNI	-	-	20.0
		Northern Road (Cr.)	73-UNI	15.3*	-	-
66	29.3*	Apapa Road	426-UNI	17.28*	-	-
		Western Road	427-UNI	12.03*	-	-
67	0	-	-	-	-	-
68	0	-	-	-	-	-
69	20.2*	Kainji Supplementary	572-UNI	14.47*	-	-
		NIDB I	588-UNI	-	-	5.68*
70	34.98*	Highway Rehabilitation	640-UNI	10.6*	-	-
		Transport. Rehabilitation	694-UNI	24.38*	-	-
71	93.38*	NIDB II	705-UNI	-	-	6.18*
		Rehabilitation Pgm.	732-UNI	-	-	80.0
		Cocoa I	764-UNI	-	7.2	-
72	119.6	Second Education	814-UNI	-	-	17.3
		Fifth Highway	838-UNI	26.3	-	-
		Fourth Power	847-UNI	76.0	-	-
73	54.0	Third Education	929-UNI	-	-	54.0
74	75.0	Lagos Ports	922-UNI	55.0	-	-
		Cocoa II	1045-UNI	-	20.0	-
75	173.0	Funtua ADP	1092-UNI	-	29.0	-
		Gusau ADP	1099-UNI	-	19.0	-
		Gombe ADP	1164-UNI	-	21.0	-
		Oil Palm I (Bendel)	1183-UNI	-	29.5	-
		Oil Palm II (Imo)	1191-UNI	-	19.0	-
		Oil Palm III (Ondo)	1192-UNI	-	17.0	-
		Rice Development	1103-UNI	-	17.5	-
		Livestock Development	1091-UNI	-	21.0	-
76	0	-		-	-	-
77	62.0	Lafia ADP	1454-UNI	-	27.0	-
		Ayangba ADP	1455-UNI	-	35.0	-

FY	FY Total	Project	Ln./Cr. Number	Infra-structure 1/	Agriculture	Other 2/
78	90.0	Oil Palm (Rivers)	1591-UNI	-	30.0	-
		NIDB III	1597-UNI	-	-	60.0
79	182.0	Bida ADP	1667-UNI	-	23.0	-
		Ilorin ADP	1668-UNI	-	27.0	-
		ARMTI	1719-UNI	-	9.0	-
		Forestry Plantation	1679-UNI	-	31.0	-
		Kaduna Water Supply	1711-UNI	92.0	-	-
80	286.3	Ekiti-Akoko ADP	1854-UNI	-	32.5	-
		Oyo-North ADP	1838-UNI	-	28.0	-
		Power V (Lagos)	1766-UNI	100.0	-	-
		Urban I	1767-UNI	-	-	17.8
		Sixth Highway	1883-UNI	108.0	-	-
81	388.0	Bauchi ADP	1981-UNI	-	132.0	-
		Kano ADP	1982-UNI	-	142.0	-
		Anambra Water Supply 5/	-	67.0	-	-
		Agric. Technical Asst. 5/	-	-	47.0	-
		Total FY58-FY81: 3/	1,796.6 (100%)	771.9 (43%)	763.7 7/ (42.5%)	261.0 (14.5%)
		Total FY58-FY74:	615.3 (100%)	404.9 (66%)	27.2 (4%)	183.2 (30%)
		Total FY75-FY80: 4/	793.3 (100%)	300.0 (38%)	415.5 (52%)	77.8 (10%)
		Total FY76-FY81: 6/	1,008.3 (100%)	367.0 (36%)	563.5 (56%)	77.8 (8%)

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* Net of cancellations.

1/ Includes transportation, power, water supply, and ports.

2/ Includes education, urban, industry, and post-war rehabilitation.

3/ 41 loans and 2 IDA credits.

_ 22 loans (19 loans for agriculture since 1971).

5/ Scheduled for Board presentation in June, 1981.

6/ 26 loans

7/ 21 loans for agriculture since 1971

WA1DA
May 7, 1981

NIGERIA

STATUS OF DISBURSEMENTS
(in millions of US dollars)

As of February 28, 1981

Loan/ Credit Number	Project	Closing Date	Loan/ Credit Amount	Disbursed	Undisbursed	Cumulative to FY77	Actual FY78	Actual FY79	Actual FY80	Proposed FY81	Proposed FY82	Proposed FY83	Proposed FY84 & beyond
	16 loans fully disbursed		479.61 1/	479.61 1/									
	3 credits fully disbursed		33.3 1/	39.85 2/									
838-UNI	Fifth Highway	30 Jun 77 (Orig.) 31 Mar 81 (Rev.)	26.3	20.08	6.22	12.5	0	3.02	4.56	6.22	-	-	-
929-UNI	Third Education	31 Dec 79 (Orig.) 31 Dec 82 (Rev.)	54.0	14.63	39.37	0	0	6.49	5.87	11.64	24.0	6.0	-
1043-UNI	Second Cocoa	30 Sep 81 (Orig.)	20.0	17.06	2.94	0	10.8	3.0	1.1	5.1	-	-	-
1091-UNI	Livestock Development	1 Jul 81 (Orig.)	21.0	8.75	12.25	1.5	1.8	.71	2.18	6.81	5.6	2.4	-
1092-UNI	Funtua Agricultural Development	1 Jul 82 (Orig.)	29.0	28.31	.69	13.0	8.5	4.39	2.19	.92	-	-	-
1099-UNI	Gusau Agricultural Development	1 Jul 82 (Orig.)	19.0	18.59	.41	11.9	4.2	.75	1.11	1.04	-	-	-
1103-UNI	Rice Development	31 Dec 82 (Rev.))	17.5	11.25	6.25	0	3.9	3.09	2.72	7.79	-	-	-
1164-UNI	Gombe Agricultural Development	1 Jul 82 (Orig.)	21.0	20.24	1.17	6.9	5.3	3.51	4.01	1.28	-	-	-
1183-UNI	Mid-Western State Oil Palm/Bendel	31 Dec 84 (Orig.)	29.5	8.60	20.90	0	.8	2.18	3.26	13.26	7.1	1.9	1.0
1191-UNI	East-Central State Oil Palm/Imo	31 Dec 84 (Orig.)	19.0	4.18	14.82	0	1.4	1.46	1.32	4.12	4.5	4.4	1.8
1192-UNI	Western State Oil Palm/Ondo	31 Dec 84 (Orig.)	17.0	5.24	11.76	0	1.0	2.17	.55	4.28	4.0	3.0	2.0
1454-UNI	Lafia Agricultural Development	31 Dec 83 (Orig.)	27.0	14.20	12.80	0	0.4	2.98	4.81	8.41	4.1	6.3	-
1455-UNI	Ayangba Agricultural Development	31 Dec 83 (Orig.)	35.0	16.85	18.15	0	0.7	3.6	7.0	7.7	8.0	8.0	-
1591-UNI	Nucleus Estate Smallholder Oil Palm -Rivers State	31 Dec 85 (Orig.)	30.0	4.91	25.09	0	0	0	3.71	4.79	7.5	7.5	6.5
1597-UNI	Third NIDB	31 Dec 84 (Orig.)	60.0	11.24	48.76	0	0	0	1.15	8.85	10.0	25.0	15.0
1667-UNI	Bida Agricultural Development	30 Jun 85 (Orig.)	23.0	2.04	20.96	0	0	0	0	8.5	5.6	4.2	4.7
1668-UNI	Ilorin Agricultural Development	30 Jun 85 (Orig.)	27.0	3.89	23.11	0	0	0	0	12.9	4.9	4.6	4.6
1679-UNI	Forestry Industrial Plantation	30 Jun 85 (Orig.)	31.0	.74	30.26	0	0	0	0	14.2	7.2	6.5	3.1
1711-UNI	Kaduna Water Supply	31 Dec 85 (Orig.)	92.0	.58	91.42	0	0	0	0	26.2	30.3	23.1	12.4
1719-UNI	Agric. & Rural Mgmt. Training Inst.	31 Dec 84 (Orig.)	9.0	0	-	0	0	0	0	4.0	1.8	1.4	1.8
1766-UNI	Lagos Power Distribution	30 Jun 84 (Orig.)	100.0	0	-	0	0	0	0	27.5	31.5	28.5	12.5
1767-UNI	Urban Development I	30 Jun 83 (Orig.)	17.8	0	-	0	0	0	0	4.3	8.9	4.6	-
*1838-UNI	Oyo North Agricultural Development	30 Sep 85 (Orig.)	28.0	0	-	0	0	0	0	8.3	6.2	4.0	9.5
*1854-UNI	Ekiti-Akoko Agricultural Development	30 Sep 85 (Orig.)	32.5	0	-	0	0	0	0	9.5	4.7	5.0	13.3
1883-UNI	Sixth Highway	31 Mar 85 (Orig.)	108.0	0	-	0	0	0	0	1.2	41.3	36.4	29.1
		TOTAL:	1,408.51	730.82									

* Not yet effective

1/ excluding cancellations.

2/ including exchange adjustment

NIGERIA

Loan/Credit Disbursement Summary

(US$ million)

FY	Loans Approved during FY	Total Outstanding Beginning FY	Total FY Disbursement	% Total Disbursement
FY77	62.0	338.89	60.56	17.87
FY78	90.0	340.22	51.96	15.27
FY79	182.0	377.64	60.36	15.98
FY80	286.3	499.27	54.92	11.00
* FY81	274.0	728.18	46.68	6.41

* As of February 28, 1981

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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

717/3/16

TO: Memorandum for the Record

DATE: October 29, 1980

FROM: Peter Reitter, Division Chief, WAIA

SUBJECT: NIGERIA - Meeting of Mr. McNamara with the Nigerian Delegation to the Annual Meeting on October 1, 1980 at 2:30 p.m.

1. The Nigerian delegation consisted of Professor S. M. Essang, Minister of Finance; Mr. Abubakar Alhaji, Permanent Secretary, Federal Ministry of Finance; Mr. G. P. O. Chikelu, Permanent Secretary, Federal Ministry of National Planning; Mr. O. O. Vincent, Governor, Central Bank of Nigeria; Mr. R. O. Mowoe, Deputy Secretary, Federal Ministry of Finance; and was accompanied by Mr. Y. S. Abdulai, Executive Director. Messrs. Stern, Knox, Alisbah, Lafourcade and Reitter participated from the Bank.

2. In his opening remarks, the Minister expressed the gratitude of the Nigerian Government for the leading role the Bank had assumed under Mr. McNamara's presidency as a development institution and for the contribution the Bank had made to assisting Nigeria in its development efforts. The Minister underscored the fact that Mr. McNamara was leaving the Bank at a critical stage and that it was very difficult for any successor to follow the same path in the years to come when the problems of the developing world were expected to get progressively worse.

3. In thanking the Minister, Mr. McNamara acknowledged that he too was not overly optimistic about the prospects of the developing countries to cope with ever widening resource gaps which most of them had no way of covering. It was clear that conventional aid as well as market sources were not sufficient to match requirements, and both the IMF and the Bank simply had to find new sources. Unless the Bank managed to finance the necessary expansion of its lending, the developing countries were the ones to suffer, a situation which could not be allowed to develop.

4. In stressing the need for the developing countries to rally to the support of the Bank in securing financing for an expanded lending program, including greatly increased lending for energy development, Mr. McNamara said that there were several ways in which Nigeria could use its influence: through the African Executive Directors, in the Group of 24 and within OPEC. Strong support of the Bank in the Group of 24 of which Nigeria was the chairman was particularly important. In this connection Mr. McNamara referred to the rather cool support which the proposed energy facility had received in the Group of 24 which in turn had negatively influenced the discussion of the proposal in the Development Committee. With respect to OPEC, Mr. McNamara said he very much counted on Nigeria's influence within OPEC to bring about an increased resource flow to help finance the necessary expansion of energy production. The Minister pledged his full support.

5. Turning to Nigeria, the Minister pointed out that the Government was under pressure to accelerate economic development in the country. In order to take full advantage of Bank assistance it was necessary to speed up project processing as much as possible. He admitted that there were some bottlenecks on the Nigerian side which had to be overcome. The Government's priorities were fully in line with those of the Bank with agriculture, health and education receiving prime attention. Equally important was an appropriate regional balance of Bank-assisted projects.

6. Mr. McNamara endorsed the need for a regionally balanced program, particularly in agriculture. He emphasized that the Bank was as anxious as the Government to push ahead with the program as fast as possible. There was need, however, to overcome a number of bottlenecks. To facilitate the monitoring of progress, the Bank and the Government had agreed to undertake quarterly program reviews which would help the Government to measure its own performance in this regard.

7. The Minister acknowledged Mr. McNamara's remarks and the meeting adjourned at 2:50 p.m.

cc: Mr. McNamara's office (2)
Mr. Stern, SVPOP
Mr. Knox, WANVP
Mr. Alisbah, WA 1
Mr. El Darwish, WAP
Mr. de Azcarate, WANVP
Mr. Lafourcade, EXC
Mr. Sonmez, WA1 (o/r)

PReitter:js/pa.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

717/3/15

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. Ernest Stern)

DATE: October 21, 1980

FROM: A. David Knox, Vice President, WAN

SUBJECT: NIGERIA - Follow-up Meeting on Bank Agricultural Program

1. In your meeting with the Nigerian Minister of Agriculture, Alhaji Gusau, and other officials on October 7, 1980, the delegation raised three issues:

(a) Firstly, and most importantly, acceleration of Bank lending for Agricultural Development Projects (ADP) so as to ensure that ADPs would be extended to all 19 states of the Federation within a three-year period instead of five years;

(b) Extension of Bank assistance in the livestock sub-sector to a second project following the apparent success of the first one; and

(c) Bank support for programs in fisheries development which the Government was in the process of formulating.

2. In the course of the meeting, it was agreed that these matters would be further reviewed at the Regional level with the Permanent Secretary of Agriculture, Alhaji Liman, and his associates and that we would report back to you on the outcome of these talks which took place on October 8, 1980, chaired by Mr. Alisbah. The Permanent Secretary and his delegation called on me subsequently for a short wrap-up meeting.

3. On the first issue, the discussion centered initially on the principal factors impeding rapid processing of projects in the pipeline as well as on the problems affecting the implementation of on-going projects. We cautioned the Nigerians that serious manpower and administrative constraints as reflected in the record to date made it unlikely that the ADP program could be accelerated beyond what was being currently planned by way of Bank operations in the next five years. Accepting the fact that the Government was under political pressure to show tangible results of its development efforts in the next three years, particularly in agriculture, the Bank had proposed the Accelerated Development Areas (ADA) concept, which was basically a less intensive form of ADP and which would be implemented without Bank support except for technical assistance.

4. The Permanent Secretary freely acknowledged the constraints and problems we had pointed out but emphasized that the Government was committed to push ahead as fast as possible with ADPs in all states and needed the Bank's help to achieve its goals. This did not mean that the Government had abandoned the ADA program which it considered essential, but simply wished to reduce the ADA phase to a minimum.

5. The constructive and frank exchange of views with the Permanent Secretary clarified a number of points but did little to dispell our concern that manpower and other constraints will prove a major obstacle to the Government to do much more than is currently planned which already represents a very ambitious undertaking for Nigeria and for us. We agreed, nevertheless, that the Bank would respond positively to any reasonable effort on the part of the Government to increase its implementation capacity by resolving some of the key issues currently standing in its way, and expand the program accordingly, notwithstanding the fact that we may have manpower constraints at our end which would have to be resolved if and when the need arises. We believe that the best way for us to help will be through a large technical assistance project, now being appraised, that we believe will help the Nigerians to overcome at least some of their administrative and managerial problems. The Permanent Secretary seemed comfortable with the fact that the onus is on the Government that it can move even faster than contemplated. In this context we agreed on some of the concrete problems that need to be resolved expeditiously to demonstrate that the Government means business.

6. The discussion on a possible second livestock project established in the first instance that we are less sanguine than the Government about the success of the first one. The only area in which the project had been moderately successful is smallholder fattening whereas it has so far not met expectations in private and State ranch development. The project also has never attempted to address the Fulani problem. Because of the experience with the first project and particularly in view of the serious institutional and technical problems encountered, we think that the best way to assist livestock development is to integrate it within ADP projects. The forthcoming Sardauna ADP in Gongola State to be appraised later this year in fact centers around livestock development. After a lengthy discussion of the pros and cons of the ADP approach versus a free standing livestock project we agreed on the need to undertake an in-depth study of the livestock sub-sector (taking into account the experiences gained so far from the first project and other activities going on in Nigeria) before any further decisions are taken. We agreed to assist the Government in preparing terms of reference and in selecting suitable consultants. We also agreed that the study would get under way early in the new year, be completed by May/June, and would be financed by study funds under one of our existing ADP loans.

7. Finally, on the question of Bank assistance in the fisheries sector, the Permanent Secretary explained that the Government had two types of projects in mind: (a) fishing terminals along the coast, complete with infrastructure and fish processing facilities, and (b) support to small fishermen, both off-shore and in-land, in form of integrated projects similar to ADPs. Several studies had already been or were in the process of being undertaken. While cautioning the Nigerians that the Bank has limited expertise in this field and that several projects we had supported

had met with limited success, we agreed that we would review all pertinent studies and available information before deciding on what role, if any, the Bank might play in this sector.

8. The Nigerian delegation expressed satisfaction with the discussions and seemed genuinely satisfied with the outcome. From our point the discussions were also satisfactory because we made some further progress towards resolving critical issues which are hampering the implementation of ongoing projects or delaying the processing of some forthcoming projects.

cc. Messrs. Alisbah, El Darwish, Van Gigch, Grimshaw
Mr. Earwaker, Mr. Struben o/r, Ms. Hagen, Mr. Fennell

PReitter:js

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Kind

7173/14

TO: Files

DATE: October 20, 1980

FROM: Margaret Hagen, Loan Officer, WA1DA

SUBJECT: NIGERIA: Regional Meeting with Nigerian Delegation to Annual Meetings on September 30, 1980

1. Mr. Knox opened the meeting1/ by welcoming the Nigerian delegation and introduced himself as the new Regional Vice President. In the following Mr. Alisbah suggested several topics concerning Bank operations in Nigeria which the Bank hoped to pursue during the course of the Annual Meeting. These included the short and medium term lending program; the issues of fertilizer procurement and interest rates in connection with the proposed statewide ADPs and the Cocoa III project, respectively; the status of the Kaduna ADP; the proposed economic and sector work program for the next year; and the need for improved debt reporting by Nigeria.

2. Alhaji Abubakar Alhaji clarified that the list of priority projects sent to the Bank last July should be considered a flexible planning instrument. As such it was subject to additions and changes. For example, among additional priorities were several urban projects that did not appear on the original list.

3. On the issue of fertilizer procurement the Nigerian delegation confirmed that the Federal Government had decided that a fertilizer company would be established. Details including timing and staffing, however, would need to be discussed with Alhaji Liman, Permanent Secretary, FMA, the following week.

4. The Bank expressed concern over the delay in processing the Cocoa III project due to the unresolved issue of interest rates to be charged the final beneficiaries. The Nigerian delegation pointed out that a 12 percent rate implied by the Bank could not be officially endorsed by the government. As a possible solution it suggested the subsidizing of interest rates. The Bank agreed to consider this and alternative proposals.

5. State and federal financing was raised by Mr. Alisbah as an area were recent improvements had been realized. This matter required attention to ensure the successful implementation of projects. Alhaji Abubakar reiterated the Federal Government plans to maintain the current formula of providing 25 percent of total projects costs for agricultural projects.

1/ For list of participants see attachment.

6. The date for completion of conditions for effectiveness of the ARMTI loan expired on September 30, 1980. The Bank expressed concern over continued delays in getting the conditions fulfilled, particularly the approval and signing of the management contract with the selected consultant firm. The Nigerian delegation informed the meeting that the contract had now been approved by FMF thereby permitting the signing of the consultant contract to proceed. In order to allow for completion of this last condition, Mr. Alisbah said the Bank would seek a further extension of the date.

7. The Nigerian delegation enquired about the possibility of sector lending for water supply and expressed concern over delays experienced in getting projects underway. Bank staff explained that the technical assistance component for FMWR included in the Anambra State Water Supply Project would enable Federal authorities to begin project planning and preparation of feasibility studies for specific projects. The implementation of these projects would pave the way for eventual sector lending.

8. Another subject raised by Alhaji Abubakar was local cost financing. Bank staff indicated Nigeria's financial position disqualified it from consideration for this type of financing.

9. Chief Falegan of the FMB requested technical assistance for strengthening staff in preparation of urban development projects. His suggestion was positively received and subsequently agreed upon in separate meetings.

10. Mr. Ajala, FMF Legal Advisor, raised two further points: the use of expatriate consultants and the payment of commitment fees before loan effectiveness. Bank staff reported on successes achieved to date in joint ventures of Nigeria and foreign firms to work together as consultants on Bank projects, and our interest in continuing and promoting this trend. The Bank's policy on commitment fees was a standard provision and was not subject to modification.

cc: Messrs. Knox, Alisbah, van Gigch, Bouhaouala, Grimshaw, Madavo, Awunyo, Zuckerman, WA1DA Staff

Cl. & cc: Mr. Reitter.

MHagen:pm

List of Attandants
at
Regional Meeting with Nigerian Delegation
to
Annual Meetings
on
September 30, 1980

Federal Republic of Nigeria

Alhaji Abubakar Alhaji	- Permanent Secretary, Finance
Mr. G. P. Chikelu	- Permanent Secretary, National Planning
Mr. Ola Vincent	- Governor, Central Bank of Nigeria
Mr. H. Zayyad	- Managing Director, NNDC
Mr. J. B. Ajala	- Legal Adviser
Mr. E. O. Etim	- Chief Accountant
Dr. S. Omobomi	- Chief Planning Officer
Mr. C. O. Adeyemi	- Senior Economist
Chief Falegan	- Managing Director, FMB

Bank

Mr. Y. S. Abdulai	- Executive Director
Mr. A. David Knox	- Regional Vice President
Mr. B. Alisbah	- Director, WA1DR
Mr. W. Thalwitz	- Director, WAP
Mr. P. Reitter	- Division Chief, WACP1
Mr. R. Grimshaw	- Division Chief, WAPA
Mr. F. Earwaker	- Senior Loan Officer, WACP1
Mr. W. Struben	- Senior Loan Officer, WACP1
Mr. P. Zuckerman	- Senior Economist, WAPID
Ms. M. Hagen	- Loan Officer

5

717/3/13

THE AGRICULTURAL SECTOR

Agriculture continues to play an important role in the Nigerian economy despite the prominence of the petroleum sector. Approximately 60 percent of Nigeria's population is dependent upon agriculture for its principal source of employment and income. Value-added by agriculture accounts for almost one-quarter of GDP, and almost 40 percent if petroleum production is excluded. However, production has fluctuated significantly from year to year, and there was hardly any real growth of value added during the period 1970-78. At the same time, food prices rose precipitously as demand outstripped supply. Yet, this sector must continue to play a key role in the economy both as an employer and as the source of food for the rapidly growing urban population.

Agricultural production is almost entirely in the hands of smallholders, with the typical unit being a family farm of 2-4 hectares. Little use is made of modern inputs, such as fertilizer and improved seeds, or of mechanized techniques. As a result, yields are very low, and in some cases have even declined because of deteriorating soil fertility. The incidence of rural poverty is high, and in some areas, malnutrition is a serious problem. Although there is some cultivation of cash crops--oil palm, cocoa and other trees in the south and groundnuts and cotton in the north--almost every farm family grows some of its food requirements. Only a relatively small proportion of these food crops enters commercial trade for shipment to other areas, mainly to the urban centers and other food deficit areas of the south.

Rapid development in the non-agricultural sectors and rising standards of education, both of which contrast sharply with the poor returns to labor and drudgery of traditional agriculture, have encouraged the drift of young people away from rural areas. In the long run, a prosperous agricultural sector capable of reducing this drift can be achieved only through the application of advanced farming techniques that would provide significant increases in income per man-day.

Country Policies and Performance

Successive governments have emphasized the need to improve performance in the agricultural sector. In the Third Five-Year Development Plan (1975-80), US$4.8 billion was earmarked for agriculture. Although the Plan's target growth rate for agriculture was set at 5 percent per annum, the estimated actual rate did not exceed 1 percent. Annual imports of food rose from about US$300 million in 1974 to about US$1,500 million in 1978, and agricultural exports declined steadily. If this trend were to continue, it could result in a food deficit in 1990 of 11 million tons (cereal equivalent), or about 40 percent of demand.

The disappointing performance of the agricultural sector can be attributed in large part to previous policies which placed strong emphasis on isolated large-scale irrigation and government-run, intensively mechanized production schemes with generally very disappointing production results. At the same time, little was done to develop essential support services aimed at the farming community as a whole. Despite the declared intentions in the Plan, smallholders, who produce 90 percent of total agricultural output, were not the principal focus of the agricultural strategy. The few government-sponsored programs for the development of smallholder agriculture have suffered from poor management, a shortage of funds, or from being stretched too thinly in order to cover all states. Against this background, Bank-supported agricultural development projects (ADPs) have succeeded in achieving significant advances in smallholder agriculture. As a consequence, the Federal Government is now seeking to base its medium-term sector program upon the ADP model.

Upon assuming office in October 1979, the new Government announced that it would give high priority to agriculture with the objective of eliminating Nigeria's dependence upon food imports by the mid-1980s. To recommend a plan of action for achieving this objective, the Government established a food strategies commission in which the Bank was invited to participate. A final report entitled "The Green Revolution: A Food Production Plan for Nigeria" was published in May 1980, and the principal recommendations were accepted by the Government.

The Food Production Plan (FPP) acknowledged that the target of eliminating Nigeria's dependence upon food imports by 1985 was probably over-ambitious. It recommended the adoption of a 4 percent annual growth target as the maximum that could be applied realistically to the agricultural sector. It was particularly noteworthy that, in weighing the alternative strategies of large-scale mechanization against a discerning support for smallholder agriculture, the FPP came down squarely in favor of the latter. To supplement the program of Bank-supported ADPs, the FPP proposed the immediate implementation of a concurrent smallholder program for the residual areas not yet covered by ADPs. The nation-wide program would contain most key elements of the ADP concept, but in a less intensive package and with lower managerial demands. The program was endorsed by the Government in early-1981, and the Bank has been asked to provide technical assistance. An agricultural technical assistance project has been appraised, and is expected to be submitted to the Executive Directors for approval before the end of this fiscal year.

Development Constraints

One of the principal constraints to the development of the sector is the lack of effective agricultural support services. The transport of produce is hampered by a lack of feeder roads. Many farmers have to travel long distances to obtain fertilizers and other basic farm inputs which, in many cases, are supplied only irregularly. Consequently, even with the prevailing high levels of subsidies on farm inputs, farm production has not increased significantly, and has actually declined in some areas. Extension services are generally deficient, and the new technologies that are available are not reaching farmers in remote rural areas. A greater effort is also required, particularly by the agricultural research institutions, to improve the analysis of farming innovations, and adapt them to the diverse socio-ecological conditions of Nigeria.

Shortcomings in the efficiency of commercial support services to agriculture have also constrained growth. Agricultural supply services remain almost entirely in the hands of the public sector, which neither has the experience nor the administrative capability to provide those services. Given the size of Nigeria's massive development program, the Government should divest itself progressively of responsibilities for marketing farm inputs because this function can be handled more efficiently by private enterprise. In this respect, it is encouraging that the FPP favors preparing the way for greater participation of the private sector in agricultural supply services.

The Government's policy of maintaining a relatively fixed exchange rate during a period of domestic inflation has adversely affected the price competitiveness of some domestic farm produce compared to imported foodstuffs, and the policy of subsidizing farm inputs has not succeeded in compensating fully for this handicap. In an effort to protect domestic producers from an influx of imported farm products, the Government has placed quantitative restrictions and even outright bans on the import of some commodities. The strategic objective has been to admit imports only to the extent that domestic production falls short of demand. However, this is a difficult policy to administer in practice, and it has not been able to prevent cross substitution by consumers between traditional indigenous foods such as cassava and yam on the one hand and imported foods such as wheat on the other. The FPP recommends that the Government make greater use of import duties to establish an appropriate structure of price signals, an approach that should prove more effective than the prohibition of specific commodity imports.

Government policies for the subsidization of farm inputs have not always worked to the advantage of the farmers and, in the case of fertilizers, have served to remove the incentive for private sector participation in the distribution system, thereby creating problems of availability. The Bank has consistently urged for a lower level of subsidy in the interest of efficiency and equality, and also the FPP recommends a lower level of subsidization. While the Federal Government agrees with the principle of reducing subsidies, for political reasons it is likely to adopt a cautious approach to the gradual phasing out of input subsidies

From the point of view of availability at the farm gate, however, procedures for the timely international procurement of fertilizer and for the financing of the subsidy may be even more important than the level of subsidy itself. The prevailing institutional arrangements for the procurement of fertilizer have proved unsatisfactory. To overcome these problems, the Government is now in the process of establishing a commercially-operated public company for the procurement of fertilizer.

Bank Role and Sector Lending Strategy

Agriculture forms the core of the Bank's lending to Nigeria: since 1974, nineteen loans for agriculture totalling US$443 million have been approved, and loans to this sector constitute almost half of the proposed lending program for FY 1981-85. The central objective of Bank involvement in the sector has been to increase food production and thereby raise the incomes of rural dwellers, who are amongst the poorest in Nigeria. To this end, a major effort has been made to develop the abilities of agencies at all levels of government to prepare and implement agricultural projects. The Bank also supports the Federal Government's effort to decentralize agricultural development and to build up the role of the recently created Local Government Councils (LGCs). Yet another instrument that may further the general objective of Bank lending is to increase the extent to which agricultural services are provided by private commercial institutions, or at least on a self-financing basis by government institutions. The Bank has sought to encourage the adoption by Government of policies on input subsidies, interest rates, and producer pricing that are conducive to attaining the sector's development goals.

Bank-supported projects in this sector fall into three broad groups. There have been eight loans for the development of specific crops, forestry, and livestock. One loan has been made for the establishment of an agricultural management training institute. The third group consists of nine projects for the comprehensive agricultural development of target areas, The first three ADPs--Funtua, Gusau, and Gombe--are nearing completion. They have demonstrated the effectiveness of an integrated services package in increasing farm output and farmers' incomes.

Conclusion

It is a measure of the success of these Bank-supported projects that the Federal Government is basing its Green Revolution upon a program of support for smallholder farming structured along broadly similar lines to the approach adopted by the ADPs. It is encouraging also that the recommendations of the FPP on many sector issues are designed to rationalize government policies and to provide an adequate framework of incentives. In brief, there is evidence of a growing awareness that financial resources alone will not solve the problems of the agricultural sector unless they can be deployed within the framework of an appropriately structured set of policies. Bank strategy in the medium term future will be to assist the Government transform this growing awareness into firm action, and we expect to process two to three agricultural projects each year. We have already negotiated loans for the proposed state-wide ADPs in Bauchi and Kano, and expect to shortly negotiate a loan for a state-wide ADP in Sokoto. We also expect to invite the Nigerians for negotiations on agricultural technical assistance and third cocoa projects before the end of this fiscal year.

717/3/12

THE POWER SECTOR

The Overall Energy Context

Nigeria, the major energy exporting country in Africa south of the Sahara, is well endowed with a broad range of energy resources among which petroleum and natural gas figure most prominently. Proven reserves of petroleum amount to 2.8 billion tons and this would suffice to maintain production at its present daily level of 2.2 million barrels for a period of 20 years or so. Associated with the production of petroleum, some 20 billion cubic meters of gas are produced each year. Plans to harness this associated gas have been slow to materialize so that by 1978 only 8 percent was utilized and the rest flared. However, the Government, with Bank assistance, has been evaluating proposals for piping associated gas to the Lagos area where it would be used for power generation and other industrial purposes. A pipeline project of this nature would utilize about thirty percent of the gas now being flared. Plans are also under way for a number of projects based upon the large reserves of non-associated gas that are estimated at 3 billion tons of fuel oil equivalent (t.o.e.). Amongst these plans, the production of LNG is particularly important and a first project of this kind is already in an advanced stage of preparation.

In addition to petroleum and natural gas, Nigeria has other fossil fuel resources in the form of coal. Known recoverable reserves are estimated at 230 million tons of bituminous coal and 24 million tons of lignite. It is thought that there may be a further several hundred million tons of undiscovered resources but their presence still has to be established. Coal production now averages some 200,000 tons per annum and a recent expansion of mining capacity raises the prospect that production may rise once again to the peak of almost 1 million tons that was attained in 1958 when both NEPA and and rail transport were important consumers of coal. Other less conventional hydrocarbon resources such as tar sands and gas hydrates are known to exist but they have been little explored and their production potential is uncertain.

Nigeria's endowment of hydraulic resources, on the other hand, have been well defined and although on a per-capita basis they appear to be slightly below the world average they are nevertheless significant. As of 1980, the potential economically feasible instalable capacity was estimated at 4,500 MW of hydro-power compared with only 760 MW presently utilized and a further 1,140 MW to be commissioned by 1984.

As a basis for the systematic development of these diverse sources of energy the Federal Government commissioned a study to evaluate the overall energy situation in Nigeria and to identify policy options. This study, which is to provide a framework for the design of energy policies within the context of a Fourth Development Plan, was completed in draft by March 1980. Although the study falls short of providing a comprehensive assessment of alternative energy sources, it nevertheless provides a valuable overview of the situation by assembling a wealth of diverse data concerning known resources and by pointing out the extremely promising prospects for solar energy -- a source that had previously received scant attention.

In September 1979, a move was made to establish a framework for comprehensive energy planning with the creation of an Energy Commission to coordinate national energy policies. A change of government took place shortly therearter and the Commission has been slow to assume its responsibilities. Nevertheless, the incoming administration demonstrated its interest in comprehensive energy planning by appointing a special energy advisor to the President. The office of energy advisor provides, for the first time, a link between the activities of numerous public agencies such as NEPA, the Nigerian National Petroleum Corporation and the Nigerian Coal Corporation that have traditionally functioned in an independent fashion, each with its own limited operational and sectoral focus. In discussions with the advisor on energy affairs, the Bank has proposed a second stage expansion of the energy study undertaken in 1979/80, giving more detailed attention to the utilization of natural gas, the supply of energy from non-commercial sources, and the development of a planning capability for the energy sector as a whole. It is anticipated that specific proposals to this effect will be presented by the Nigerian authorities at negotiations for a sixth power project and that Bank finance for a second stage energy study may be provided as part of the proposed loan.

The Power Sector

Electric power accounted for 12 percent of total energy consumption in Nigeria (estimated at upwards of 15 million t.o.e. in 1978) and about 22 percent of commercial energy consumption. Most of the public electricity supply is generated and distributed by NEPA, although a small proportion is provided by the States either from their own generating facilities or by way of purchasing power from NEPA. Private power generation for both industrial and residential use has grown significantly, particularly during 1977-78 when the public supply was prone to frequent interruptions.

NEPA, a semi-autonomous public corporation operating under the overall responsibility of the Federal Commissioner of Mines and Power, was established in 1972 by a merger of the former Electricity Corporation of Nigeria (ECN) and the Niger Dams Authority (NDA). The major policy orientation of NEPA's activities is controlled by a Board of Directors consisting of three appointees of the Ministry of Mines and Power, five senior officials of related Federal Ministries and the General Manager of NEPA. Responsibility for day-to-day operations lies with the General Manager himself along with six Assistant General Managers in charge of engineering, operations, distribution, commercial activities, finance and administration respectively.

The organizational structure of NEPA seems appropriate to the scale and dispersion of its operations. The construction and operation of major generation and transmission projects is administered directly from headquarters in Lagos where all senior management functions are concentrated. By way of contrast, the planning, design and construction of distribution systems of less than 33 KV are handled at the local level by 20 district offices each of which has its own district manager and complement of engineers, commercial staff and accountants. District offices are also responsible for metering, billing and other customer related activities.

Acting as a link between headquarters staff and the districts, there are four regional offices -- one serving the Lagos metropolitan area and one each for the northern, eastern and western regions. Assigned to the regional offices are specialized technical staff that are made available to supplement the skills of district level staff as needed.

The facilities of NEPA: present and planned

The generating capacity at present available to NEPA amounts to some 1,600 MW. Almost half of this capacity comes from the 760 MW hydro plant at Kainji -- by far the largest single facility in Nigeria. Steam and gas turbines at five thermal stations account for a further 830 MW. The small remainder of available capacity relates to a number of minor diesel stations. Generating plants are connected to the main load centers through 3,440 circuit-km of 330 kv transmission lines feeding into 3,800 circuit-km of 132 kv transmission lines through 8 main step-down stations. Some 60 sub-stations link this principal transmission system with the distribution network.

Although available capacity is sufficient to meet peak demand, there have been power shortages from time to time. In the three years prior to 1980, a deficit of hydro-energy was caused by adverse hydrological conditions affecting the flow of the Niger River into the Kainji Reservoir. A recurrence of such exceptional hydrological conditions is unlikely and would probably not result in overall power shortages because additional thermal capacity has since been installed. However, technical problems with the transmission and distribution systems are a continuing cause of unscheduled interruptions in supply.

Recently, NEPA has been concerned both to increase its generating capacity in anticipation of demand which is rising at the very rapid rate of 20 percent a year, and also to strengthen its system of transmission and distribution. A number of new generation plants are being built including a thermal plant at Igbin in the Lagos metropolitan area with an installed capacity of 200 MW for the first stage rising to as much as 1,200 MW by 1985. Transmission facilities linking the Igbin station to the national transmission grid would be provided under the proposed project. NEPA has already embarked upon a program of distribution expansion in Lagos with a view to overcoming supply constraints in the metropolitan area -- a major growth pole for industry in Nigeria. The Bank extended financial support for this undertaking within the context of a fifth power project (Loan 1766-UNI). To complement investment in distribution for Lagos, we expect to negotiate shortly a project to expand distribution facilities in 23 other cities and towns throughout Nigeria, thereby contributing to a balanced dispersion of economic growth.

The works currently under construction form part of an ambitious but carefully prepared ten-year development program for the period 1977-1986. A recent revision of that program provides for a further net expansion of installed capacity amounting to some 4,000 MW by 1986. The project basis has already been developed for 3,400 MW of additional capacity but project specific proposals have yet to be identified for a further 600 MW.

In 1979 a detailed feasibility study was completed for a hydro-project to be located at Lokoja just south of the Niger-Benue River confluence which could provide an initial 1,000 MW of capacity and an ultimate capacity of 1,800 MW. However, the government has rejected the proposal because of the large resettlement problem that would arise with the displacement of an estimated 270,000 people by flooding.

Several options confront NEPA in selecting an alternative project to substitute for Lokoja. The choice lies between other hydro projects and/or more thermal projects which, in turn, may be based upon gas, oil, coal or refinery residuals. At present there is little in the way of comparative cost analysis that can serve as a frame of reference to identify the preferred option. Yet a firm decision must be made within the next year or so if a further incremental 600 MW of capacity is to be on stream by 1986. This underscores the urgent need to undertake a more thorough study of the energy sector with a view to defining priorities on the basis of comparative cost data.

Bank role

Since 1964 the Bank has made five loans for power development in Nigeria, amounting to a total of $316.8 million. The first of these loans (372-UNI) was made to the ECN in 1964 for transmission and distribution facilities in Lagos, Ibadan and Port Harcourt. The project was completed in time and within the appraised cost estimates. A second loan (383-UNI) was made to NDA also in 1964 to assist in financing the construction of a hydro-electric scheme at Kainji. This project was subject to substantial cost overruns which reflected, in part, an underestimation at the time of appraisal of both the volume of civil works and the cost of equipment. Another contributary cause of the cost of overruns, however, was the disruption in scheduling which resulted from civil war. A supplementary loan (572-UNI) was provided in 1968 to help cover the additional foreign exchange cost, thereby enabling the project to be completed in 1970 -- only one year behind schedule. Since the merger of ECN and NDA, two loans have been made to NEPA. The first (Loan 847-UNI of 1972) was to assist in financing the installation of additional generating capacity at Kainji together with a second transmission line to Lagos. The project was completed two years behind schedule due, in part, to delays in the delivery of equipment because of port congestion in Lagos. The delay in project execution resulted in cost overruns of some 40 percent. In 1979 another loan was made to NEPA (1766-UNI) in support of distribution expansion in the Lagos metropolitan area.

An association with the power sector over seventeen years has enabled the Bank to contribute significantly to planning, operational efficiency and institutional development. With the objective of encouraging the optimal deployment of scarce managerial and technical resources, the Bank encouraged the unification of all power sector functions under the umbrella of a single federal agency. With the establishment of NEPA in 1972 both the Bank and the Government were able to focus their institution building efforts in a more concentrated manner. Subsequently, Bank assistance also made possible the preparation of a first nationwide integrated power development program and, in 1979, when the prospect was raised that some of NEPA's responsibilities may be delegated to state governments, the Bank once again counseled successfully in favor of a unified structure.

In recent years the managerial and organizational resources of NEPA have been taxed to their utmost by an exceptionally strong growth in the demand for power that has averaged 20 percent a year. Demand is projected to continue growing at a similar pace during the next several years and the problems inherent in satisfying this demand are likely to persist. At the root of these problems is a severe shortage of skilled manpower. The Bank has assisted NEPA to ameliorate this constraint by helping to finance the establishment of a major training program. The proposed project would further strengthen this effort. In addition, following upon discussions with the Bank on ways to supplement its manpower resources, NEPA contracted outside services to perform such routine tasks as the repair of vehicles and standard equipment.

The Bank has long recognized the central importance to NEPA of a strong and independent financial structure and Bank involvement in the power sector has been instrumental in securing the adoption of an eight percent rate of return on revalued assets as NEPA's explicit medium-term financial goal. Tariffs were raised by 30 percent in 1977 and a further 50 percent in 1979, thereby contributing significantly to the attainment of financial targets.

The financial, organizational and staffing problems with which NEPA must cope are deep-seated and will not yield easily to short-term solutions. It is only by a continuous association with NEPA over the long-term that the Bank can provide effective support for the development of sound sector policies and appropriate institutional changes designed to resolve sector problems. The policy issues that we propose to address in continuing to lend for power are commonplace amongst power companies the world over, but particularly difficult to resolve in the Nigerian context where a 20 percent annual growth in electricity consumption places exceptional demands upon NEPA over and above those normally encountered elsewhere. Overall sector planning will continue to be a focus of attention in the dialogue between the Bank and NEPA. Staff training and cost recovery will also continue to figure prominently in the dialogue.

717/3/11

THE TRANSPORT SECTOR

Two major events shaped the development of Nigeria's transport system in the 1970s: the end of the civil war in 1969 and the economic expansion following the increase in oil prices in 1973/74. During the period 1970-74, transport development was focussed upon reconstruction of roads and bridges damaged during the civil war. By 1974, Nigeria was ill-equipped to meet the multifold growth in demand for transport services resulting from the country's economic expansion; there were monumental traffic jams in the country's major towns, the railway system had declined to a point that even for bulk commodities road transport had become the preferred mode, and port congestion had reached a level unequalled anywhere in the world. To alleviate these serious transport problems, the Third National Development Plan (1975-80) included a major transport development program, amounting to about one-fourth of total public investment; of the proposed transport investment, roads accounted for 74 percent, railways for 10 percent, air transport for 8 percent, ports for 6 percent, and other elements of water transport for 2 percent. The program's heavy emphasis on roads reflected the dramatic increase in the road subsector's absolute and relative importance. In 1970, about 77 percent of goods was transported by road, 22 percent by rail, and 1 percent by water. By 1978, road transport accounted for more than 90 percent of total haulage to and from the ports.

Transport System

Highways. The highway system comprises three categories of roads classified by function and jurisdictional responsibility:

(i) federal roads linking the federal and state capitals and other large centers and providing links with neighboring countries;

(ii) state roads linking large towns with federal roads and providing access from rural areas to the larger towns; and

(iii) local government roads providing access to primarily rural areas.

Some 17,000 km of the federal trunk road system of 29,000 km are paved. Most of these roads have been improved to adequate geometric standards, but the pavements are generally weak and in need of strengthening to carry the heavy and increasing traffic. The remaining federal road network consists of gravel or earth roads. Without regular maintenance, they have seriously deteriorated, some to the extent that they are open only in the dry season. Most of the 26,000 km of state roads are unpaved. Again because of inadequate maintenance, many are in poor condition. The local government road system totals about 43,000 km, consisting mostly of earth tracks. Construction of federal and state roads is planned and supervised by the federal and state ministries of works, assisted by consultants and carried out by private contractors. Maintenance is undertaken by state ministries of works, acting as agents for the Federal Ministry of Works (FMW) on federal roads, but is poorly organized and executed, partly due to the critical shortage of trained manpower at all levels. The Federal Government has therefore decided to have the maintenance of its major roads carried out by contract. Very few of the local government councils (LGCs) have yet the capacity to build and maintain the roads under their jurisdiction.

The road system has had to cope with increasingly heavy traffic, both in volume and weight. The fleet is estimated to have increased at an average annual rate of 33 percent (39 percent for passenger cars and 26 percent for trucks) over the period 1973-78, to about 550,000 vehicles (60 percent passenger cars and 40 percent commercial vehicles) in 1978. Traffic growth has ranged between an estimated 15 to 35 percent yearly over the same period. Traffic volumes on the federal road network vary widely, from over 30,000 vehicles per day in the Lagos-Ibadan corridor to under 500 vehicles per day on many of the trunk roads. The road system has also been adversely affected by heavy vehicles with axle loads up to twice the maximum authorized. Weighbridges are now being acquired and installed. As they come into use, highway authorities will have an important tool to enforce traffic regulations. The Government has agreed to prepare revised axle- and vehicle load regulations by December 31, 1982.

Road accidents present a serious problem; Nigeria's accident rate in relation to population and road use is abnormally high compared with other developing countries. Concern about road safety has increased in recent years, and some special measures have been introduced, including the establishment of highway patrols operated by the Nigeria Police, mobile traffic courts, and a Road Safety Corps in Lagos.

Railways. The rail system consists of about 3,500 km of single track. The system is being managed and operated by the Nigerian Railway Corporation (NRC). It reached its maximum performance in 1963/64 when it carried about 3 million tons of freight and 11 million passengers. The system suffered disruption at the time of the civil war, and has since then continued in a state of severe malfunction; by 1974/75, traffic had dropped to about 1 million tons of freight and 4 million passengers. In an effort to overhaul the system, the Government, in 1978, contracted Rail India Technical and Economic Services to set up an effective railway management system and to operate NRC for a three-year period. There has already been a measurable improvement in the availability of locomotives and rolling stock, and a consequent upturn in the number of passengers and volume of goods carried.

Waterways. After the completion of some major expansion schemes, the port system now provides a total of 59 berths, a quay length of about 12,000 meters, and a large number of anchorages. The system is being managed and operated by the Nigerian Ports Authority (NPA). Cargo handled has almost tripled over the period 1971-78, from about 6 million tons in 1971 to 16 million tons in 1978. Lagos accounts for about 75-80 percent of total traffic, Port Harcourt for about 15 percent, and the other ports together for about 5-10 percent. Crude oil is handled at specialized tanker terminals.

Nigeria's navigable waterways consist of the Niger-Benue river system, the Cross River, and an extensive network of creeks along the coast. Traffic peaked in the early 1960s when over 300,000 tons of cargo were moved annually by commercially operated river fleets. However, traffic was seriously disrupted by the civil war, and had dropped to about 23,000 tons by 1970. Protracted drought in recent years and competition from road transport has limited the chances of reviving water transport, which now accounts for less than 1 percent of total transport. A master plan for river development and water management was completed in 1977, and dredging and hydrographic surveys necessary for the development of two river ports on the Niger have also been completed.

Airways. Nigeria has about 46 civil airports and strips open to public use. The system is being managed and operated by the Nigerian Airports Authority. Demand for passenger air travel multiplied during the period 1970-78, but remained fairly constant for air freight. In 1978, domestic air transport accounted for 534 million passenger-km, 0.26 million ton-km of freight, and 0.35 million ton-km of mail. Transport is being handled by Nigeria Airways, which offers scheduled service between Lagos and 12 state capitals. It also provides international service. In view of continuing management problems, the Government, in 1979, contracted KLM to manage and operate Nigeria Airways for a two-year period.

Pipelines. Until 1970, the pipeline network operated by private oil companies consisted of about 500 km of crude oil and about 85 km of natural gas pipelines between producing areas, export terminals, and domestic refineries. The Government is now developing a 3,000 km pipeline network connecting the three national refineries with about 20 major regional storage and distribution centers.

Transport Planning and Development

Under the Third National Development Plan, the transport sector objectives were to provide infrastructural support for the development of agriculture, commerce, and industry and to assist the economic and political integration of the country. The actual performance of the transport sector has fallen short of physical Plan targets, mainly because of financial constraints after 1977 and, even more so, because of the severe shortage of qualified and experienced staff. Although the transport development program was conceived without taking adequate account of these constraints, its execution has reflected a pragmatic approach, with most of the expenditures, particularly for roads and ports, directed at eliminating major bottlenecks in the transport system. This has, however, encouraged an investment attitude oriented more towards rapid achievement of physical targets than to a careful economic assessment of resource use. This approach is understandable as a short-term expedient, but has led to spiralling construction costs and, in some instances, creation of excess capacity. As the more urgent projects aimed at alleviating obvious deficiencies are completed, and investment choices become more complex, detailed planning and coordination of transport investments will become increasingly important to achieve optimum use of available resources and balanced growth of the transport sector. Recently, the Federal Government has been paying more attention to these requirements. This trend is expected to continue under the forthcoming Fourth National Development Plan, which is expected to emphasize consolidation, including the preservation and maintenance of the existing transport infrastructure.

The responsibility for transport planning and administration is quite fragmented at both federal and state levels, and the sector has been experiencing inter and intra modal coordination problems. The Federal Government is aware of the need to improve transport planning and coordination. In 1977, it established the National Transport Coordinating Commission as a functional unit of the Federal Ministry of Transport, with all relevant ministries and agencies as members. The Commission now has an authorized staff of 34 professionals. Its functions include coordinating transport sector investments, preparing and monitoring the transport investment program, formulating policies for the regulation, development, and operation of the transport industry, and improving the information base for transport planning and coordination. It is still in its formative stage, but is expected to play an increasingly important role. The Commission recently started preparations for a national transport survey, in which it will be assisted by local universities.

Bank Role and Development Strategy

36. Between 1958 and 1973, the Bank approved eight loans and one credit totalling about US$202 million, and two technical assistance grants totalling US$365,000, for transport development in Nigeria. The first loan (Loan 193-UNI), in 1958, assisted NRC to improve and expand its railway system. The second and ninth loans (Loans 320 and 922-UNI), in 1962 and 1973, were made to NPA to improve and expand the port of Lagos.

The other five loans and one credit, totalling about US$106 million, assisted in constructing and reconstructing roads. In 1965, the Bank approved a credit (Credit 73-UNI) and two loans (Loans 426 and 427-UNI) for the Northern Roads, Apapa Road (Lagos), and Western Road Projects, respectively. Subsequently, it approved two rehabilitation loans--for Highway Rehabilitation (Loan 640-UNI) in 1969 and for Transport Rehabilitation (Loan 694-UNI) in 1970--and a US$26.3 million loan for a Fifth Highway Project (Loan 838-UNI) in 1972. Only the last of these projects is still ongoing. It was the only project to include a sizeable technical assistance component aimed at institutional improvements. Its civil works components, comprising the construction and reconstruction of about 160 km of roads in the former Western State and reconstruction of eight damaged bridges, was completed in 1975, but a large part of the loan remained undisbursed, largely on account of administrative problems related to the subdivision of Western State into three successor states in 1976. About US$6.2 million was still undisbursed as at December 31, 1980, but a substantial amount is expected to be disbursed against expenditures for the training of maintenance technicians and preparatory work for the currently proposed project. Any amounts undisbursed as at the current closing date of the loan, March 31, 1981, will be cancelled.

OED Project Performance Audit Reports have been prepared for the Apapa Road, Western Road, and Highway and Transport Rehabilitation projects (reports no. 1229, 1639, 1410, and 2092, respectively). The relevant recommendations have been taken into account in designing the proposed project, including detailed study of existing traffic on the project roads and factors likely to affect traffic growth and need for the training of road maintenance technicians. The Western Road audit report, dated June 23, 1977, also reflects upon the disagreement between FMW and the Bank in 1972/73 on appropriate standards of layout and phasing of the Lagos-Ibadan expressway. In the event, the higher standards of layout used by FMW served to accommodate the unexpected phenomenal growth of traffic since 1973/74.

The Federal Government approached the Bank for renewed assistance to the road sector in late-1977, and the relationship between FMW and the Bank has improved considerably since then. This resulted in agreement on a Sixth Highway Project, for which a loan of US$108 million was approved by the Executive Directors on June 24, 1980. The project consists of strengthening about 520 km of federal roads, and carrying out economic and engineering studies of the Calabar-Ikom road (135 km) and a survey to establish improvement priorities for the federal trunk road network. The renewed cooperation came as the result of a serious interest on the part of FMW in reducing the cost of highway construction; a resumption of road maintenance personnel; and a start in controlling vehicle axle loads. FMW officials also started to accept economic criteria in project evaluation, in particular in ranking investment priorities and selecting engineering designs, which was also reflected in FMW's request to include in the project a major study to build up a data base on which the further restoration of the federal trunk road system could be planned in the most economical way. These developments were and are auspicious beginnings in coping with the major problems constraining the orderly development of the highway sector in which much remains to be done: (i) the federal highway administration needs to be restructured to provide for effective management of the federal road development rpogram; (ii) the federal road network is still inadequate, both in coverage and in conditions; (iii) the state road network is virtually non-existent; (iv) the maintenance infrastructure to cope with an extended network carrying increasingly heavier traffic is embryonic; (v) there is an acute shortage of trained technical manpower; and (vi) the planning capacity is only a fraction of what is required to deal with the volume of work currently underway.

Although no road projects were financed between 1973 and 1980, Bank cooperation with Nigeria in the road sector was maintained within the context of a number of agricultural development projects. These contained substantial programs for feeder road construction and rehabilitation. Construction has been undertaken by road units operated by separate agricultural project management units. This has been quite successful in the short run. Any longer term and comprehensive solution, however, will also have to provide for strengthening the capacity of government road agencies to plan, maintain, and operate their road transport system. Consequently, we intend to continue assisting feeder road construction and maintenance through our agricultural projects, but will also explore the possibility of developing comprehensive statewide road projects. A possible project has been identified in Sokoto State, and we are currently awaiting the State government's reaction to our proposal.

717/3/10

THE WATER SUPPLY AND SANITATION SECTOR

The assessment of the water supply and sanitation sector in Nigeria is rendered particularly difficult because of serious limitations of reliable data. From the fragmented and partial information available it is estimated that about one half of the urban population has access to piped water. However, there are great differences among localities. City surveys suggest that the figure for Lagos may be as high as seventy percent and for Kano as low as seven percent. Furthermore, access to piped water is not in itself a sufficient indicator of sector development. Even where a piped water system is installed the quality and the consistency of service is frequently poor. Waterborne diseases are widely prevalent in Nigeria, particularly gastro-enteritis, and their incidence may be attributed directly to deficiencies in water supply services. This has contributed to making Nigeria amongst the most impoverished of nations in terms of health standards and life expectancy (42 years).

The Government attaches high priority to improving and expanding water supply and sanitation services. To this end, the water supply and sanitation sectors were reorganized by the new civilian government and responsibilities were reallocated among federal, state and local authorities. The federal agency responsible for national water resources planning and policies, regional allocation of resources, and overall coordination is the Federal Ministry of Water Resources (FMWR), created in October 1979. The FMWR is not yet adequately staffed to carry out its mandate, and requires outside assistance. The Constitution gives the states primary responsibility for all urban and rural water supply. The quality of their institutions and efficiency of services, however, vary widely among the states and in general the state water supply corporations are organizationally weak, and lack technical capabilities and financial resources. Local Governments (LGs) have constitutionally only relatively minor functions such as establishment and maintenance of markets, motor parks, licensing etc. Major functions such as construction and maintenance of roads, streets and drains, as well as sewerage and refuse collection and disposal can be undertaken by LGs only with authorization from and in conjunction with state governments. The institutional framework for sanitation is in general rudimentary and most LG´s lack the technical capacity for management of ongoing systems and forward planning.

Faced with this situation, the Federal Government is striving to organize the sector through institutional improvements at all levels as well as to assess the current situation and future development requirements. This includes a state-by-state review, with the help of WHO/CP, of the financial and manpower resources required to meet the International Drinking Water and Sanitation Decade´s goals of providing all people with access to safe water, and to the extent possible, with sanitation by the year 1990. Assessments have been prepared for five states to date (Kaduna, Kano, Cross River, Oyo, and Anambra) and when completed for the remaining 14 states, will provide a valuable input to sector planning. The strategy the Government has adopted includes emphasis first on urban areas where population concentrations create greater health problems. As the state water institutions gain experience, the benefits of reliable and safe water supply increasingly would be extended to the rural areas. To accelerate the development of water and sanitation services on a broad front, the Government plans to develop prototype schemes which can be replicated throughout the Federation.

Bank Strategy

The Bank extended a loan of US$92 million for a water supply project in Kaduna State in May 1979, and negotiations for a water supply and sanitation project in Anambra State were completed in January, 1981. Projects for Kano, Borno, and Oyo States are in preparation.

The Bank's main objective in support of the water supply sector is to assist the Government's efforts to bring about institutional improvements, to strengthen operational and financial management in selected states; and to begin to create a national capacity for Nigeria to plan and develop projects on its own. The scope and design of the proposed Anambra project puts emphasis on institutional and management improvements at the federal, state and local levels. Jointly with the Nigerian authorities, the Bank has been developing a proposal for the establishment of an Evaluation, Monitoring and Planning Unit (EMPU) within FMWR to coordinate the introduction of a comprehensive national strategy for the development of water resources in all uses. Parallel to strategic planning at the national level, an equally important function for EMPU would be to assist state water supply agencies to prepare and implement projects. The Anambra project would provide funding for the establishment of EMPU.

A second major objective of Bank assistance for water supply and sanitation projects is to support improved health and environmental activities. A third objective, closely related to the institutional objective, is to encourage the introduction of cost recovery principles.

717/3/9

THE EDUCATION SECTOR

Through three education projects, two of which are now completed, the Bank has attempted to help the Government to redress the regional imbalance in education opportunities at the secondary school level, diversify the secondary school curriculum, train secondary school teachers, help relieve the shortage of technical manpower, and rehabilitate schools damaged during the civil war in eastern Nigeria.

The First Education Project (Credit 72-UNI) was appraised in 1965 and the credit of US$20.0 million was completely disbursed in late 1977. The project assisted in increasing secondary school enrollments, particularly in northern Nigeria, diversifying the secondary school curriculum, and increasing the numbers of secondary and technical teachers and trained craftsmen and technicians. While implementation was slow, the project achieved most of its objectives. The most successful elements in the project were the technical schools, the Advanced Teacher Training College at Zaria and the Technical Teacher Training College near Lagos. The least successful elements were the minor extensions to secondary schools which were to provide facilities for a more diversified and practical curriculum. Headmasters at some grammer schools did not support the Government's policy of introducing a more practical curriculum and diverted completed IDA-financed workshops to other uses.

The Second Education Project (Loan 814-UNI) was appraised in 1972, became effective in 1974 and provided a US$17.3 million loan to assist with the rehabilitation of war-damaged comprehensive secondary schools in eastern Nigeria. The project also assisted with the training of technical subject teachers and secondary school curriculum development. The project was completed in 1979, almost four years behind schedule. A cost overrun of 250% is attributable to unanticipated inflation and delays caused by weak management. The cost overruns were financed entirely from Government resources.

The Third Education Project (Loan 929-UNI) was appraised in 1973 and became effective in December 1975. The loan of US$54 million was to assist the states in northern Nigeria to expand their primary teacher training facilities, expand secondary school enrollments, and improve the curriculum development and teacher training capacities at Ahmadu Bello University in Zaria. Because of cost overruns of about 425%, due to inflation, and a 30-month delay in implementation, the project content has been reduced and is now confined to secondary education only.

The implementation of all three projects has suffered from (a) the weak management and implementation capabilities of Federal and State Governments which could not be adequately compensated for by the extensive use of consulting and executive architectural firms; (b) a low quality construction industry overburdened by the demands made upon it by a very large public investment program; (c) poor communications; (d) uncertainties in the supplies of materials, equipment and furniture; and (c) complex and inefficient federal-state financial arrangements. These problems should be substantially resolved or averted as conditions of future lending in the education sector.

The Bank's future education sector lending strategy for Nigeria should support the Government's sector priorities and reflect the experience gained in implementing three projects.

Proposed long-term objectives of Bank lending. There are severe constraints on lending for education projects which are consistent with Nigeria's needs and capacity for project implementation. For the Bank, the most important constraint derives from the country's complex federal structure and the consequent division of responsibility for education among local, state and federal levels of government. Currently, a mechanism does not exist which would enable the Bank to assist local governments, which are responsible for primary schools, or state governments, which are responsible for most secondary schools, primary teacher training and for most of technical education. The major problem in developing a mechanism for giving assistance is the number of governmental units involved (over 100 local governments and 19 state governments), the slowness in communication and the consequently poor coordination among different levels of government. The establishment of a procedure for assisting local and state governments should be a prominent feature of the Bank's dialogue with the Federal Government.

Improving the management and administration of education at all levels of government including their capacities for planning and implementing projects should have the highest priority. The areas which deserve the most attention include: (a) the development of a management information system, (b) improvement of the planning capacities of federal and state ministries of education, (c) improvement of staff discipline and morale through more enlightened management and better funding of administration, (d) the provision of more opportunities for training, (e) a reform of personnel policies to reduce staff turnover rates, and (f) on-the-job training of all staff at all levels. Only preliminary discussions have been held with the Federal Government on this priority. This dialogue should be continued with the objective of defining a role for the Bank in the context of a national plan for improving the administration and planning of education and the capacity to implement education projects at all levels of government.

Currently, there is considerable inequality among regions in access to all levels of education. The Bank could assist the Government to reduce these inequalities through projects to remove constraints to the expansion of enrollments in more disadvantaged areas. The projects would have as their primary objectives the upgrading of primary school teachers and the construction of secondary schools. Also, efforts to improve education administration and project planning and implementation capacities should begin in the state and local governments in the more disadvantaged areas.

Efforts to improve the supply of technical manpower are long term. While the major short term constraint is the lack of technical and vocational teachers, in the long term, efforts are required to improve the system of training in industry through the National Industrial Training Board which is supported by a training levy. Also, carefully selected investments are required in some parastatals and in the establishment of trade centers and craft schools. The role of the Bank in Technical Education should be defined through a dialogue with the newly established National Council on Technical Training.

<u>Proposed short term objectives of Bank lending</u>. In discussions with the Federal and State governments, better means should be devised for identifying, administering and managing Bank-financed projects in the States. Experience gained in the implementation of previous and ongoing projects suggests that new arrangements should take better account of the country's communications difficulties, its weak administration and the difficult Federal-State financial arrangements. In Nigeria, education projects are most efficiently implemented if major project elements are few in number and large enough to attract good contractors. Project financial problems could be minimized if the Federal rather than State governments are responsible for annual budgetary provisions to meet project cash-flow requirements.

In support of the Government's UPE objectives, the Bank should assist in the upgrading of unqualified primary school teachers and in the development of the program for handicapped children. To relieve the severe shortages of technical manpower and to attract more students into technical and vocation fields, the Bank should assist with the training of technical and vocational teachers for the secondary schools and of trainers for more specialized technical and vocational institutions.

The Bank should also discuss with the Government its current priorities for secondary education and attempt to identify a role in secondary curriculum development and in the expansion of secondary school facilities in the north.

717/3/8

THE INDUSTRIAL SECTOR

An industrial sector memorandum for Nigeria was circulated on September 5, 1978. Subsequently, the IDF Division carried out separate reviews of the construction materials subsector, agro-allied industries, effective protection to industry, streamlining the administrative process of foreign and domestic investment, and the financial sector. A preliminary survey of the cement and engineering industries has been made by IPD. State surveys of agribusiness potential have been done by the FGN and SSE reviews in five States have been carried out in preparation for an SSE project. Our knowledge and comprehension of industry in Nigeria is, as a result, growing, although it remains in many respects fragmented and anecdotal. (A summary sector strategy memorandum should be circulated in the fourth quarter of FY81.) This fragmentation reflects both the poor information base in Nigeria and our rather recent start in looking at it closely. Despite this situation, the Government appears interested to discuss industrial issues with us. A necessary vehicle for these discussions will be continued lending to the sector, including a fourth line of credit to NIDB, and a first effort to assist smaller Nigerian businesses.

Background

Nigeria is one of many West African countries attempting to develop a viable, broad-based industrial sector, but it is one of the few capable of genuinely aspiring to such development. However, an analysis of the growth of the sector to date raises some disturbing questions. During the 1960's, the modern sector was dominated by the processing of agricultural products in a relatively open context. Following the disruption of agricultural production and a ban on imports on consumer goods caused by the civil war of the late 1960's, the structure of industry changed. Since then, there has been stagnation in agricultural production and processing and an almost complete shift of the manufacturing sector to production for the domestic market. Import intensive, consumer goods industries (largely fabrication and assembly) now characterize the Nigerian industrial sector.

Both in terms of value added and employment, the trend during the seventies has been away from commodity producting sectors 1/ to light industries highly dependent on imported inputs -- in turn dependent on the availability of foreign exchange from oil revenues -- and heavy industries requiring, at least for the next five years, heavy budget support. The share of intermediate products in gross manufacturing output has remained negligible.

1/ Their share declined from 60% of value added (1965-1964) to about 40% in 1975-1978.

The Government's previous decision to focus its direct investment efforts on heavy industry and to leave much investment to the private sector has recently been reconfirmed. Its draft industrial policy and strategy statement was provided to the Bank in October 1980. Perhaps most importantly, it is evident from the statement that industrial development is the centerpiece of Nigeria's long-term development strategy for self-reliance. Nigeria intends to develop industries using local raw materials (especially agro-related), deepen the sector through intrasectoral linkages, emphasize manpower and technological development, disperse regionally investment and work toward export-oriented industries. The specific priority industries are food processing and textiles, building materials, engineering, chemicals, electrical equipment and household durables. Within limits, labor intensive industries will also be encouraged. A vital role in industrialization is assigned to the private sector, with the role of government restricted to infrastructure investment, establishment of an appropriate legal and regulatory climate and undertaking direct investment.

In practical terms, the Government will continue its rather massive public sector investments in heavy industry over the next plan period while trying to affect the policy environment by:

1) altering the incentive system to encourage investments consistent with the overall strategy;

2) streamlining procedures for approving domestic and foreign private sector investment;

3) improving the Government's own project promotion and evaluation techniques; and

4) speeding the domestic capacity to promote and evaluate technological development.

Despite interest in developing an integrated industrial strategy, the Government has not yet made any decisive steps to implement its intentions. This is partly because industrial planning and policy analysis in Nigeria is fragmented and not well administered, but also because data are not readily available on which to base policy. Industrial development is affected by the decisions of some five federal ministries without any paramount coordinating body, though the President's Office is beginning now to fill some of the policy vacuum. In addition, the data base is exceptionally poor and without an up-to-date picture of what is happening, it is difficult to plan the future. 1/ The Bank is working closely through its sector work program with the Federal Government on the questions of incentive reforms and on the steps necessary to streamline administrative procedures for investors. The need for more

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1/ The last industrial survey data to be published by the Federal Office of Statistics was for 1976.

involvement is clear and new efforts in response to Government requests for further assistance could be included as components of future projects.

The Financial Sector

Nigeria has a relatively well-developed financial system. In addition to a number of merchant banks, state and federal development banks, savings banks, mortgage banks and other financial institutions, the commercial banking network is extensive and is increasingly spreading to smaller cities throughout the 19 states. Based on a 1975 government study, it was recommended that one of the federal institutions, the Nigerian Industrial Development Bank (NIDB) be the major funder of large-scale industry and act as an apex bank for large-scale enterprise lending in Nigeria. Until recently NIDB expressed little interest in this concept, and the subject was not stressed by the Federal Government. Recently, however, NIDB has stated its willingness to act in this role.

Although few reliable statistics on investment in manufacturing exist, it is clear that the Government accounts now for the largest share of industrial investment. Despite Government's desire to rely more on the private sector, private investment has stagnated in nominal terms and probably declined in real terms, while private foreign investment declined sharply.

Investment in Manufacturing

(N million)

	1975	1976	1977	1978	1979
Government 1/	196	310	1,056	343	1,365
Private	n.a.	310	470	500	470

1/ Fiscal year.

Source: Federal Budget, and A Review of the Nigerian Financial System by Bernard Decaux, World Bank. Mimeo. Draft. Nov.1980.

Most of the public manufacturing investment is handled directly in large "strategic" projects (steel, refining, petro-chemicals, pulp and paper, sugar and cement) and only a small part of total government financing is channeled via NIDB and other development banks. In relation to total medium and long-term credit available to the manufacturing sector, NIDB's share is significant: over the past five years, NIDB's share of long-term industrial financing credit was 19%, and other development banks contributed 9% while commercial banks accounted for the balance.

A major problem which NIDB faces is its past heavy dependence on government funds. The Government (including the Central Bank) owns 99 percent of the shares and more than 95 percent of borrowings are loans by the Federal Government. The debt/equity ratio is low (1:1) and no efforts have been made to tap private domestic and international financial markets. In 1975-1979, total disbursements were ₦ 179 million, or only 51 percent of the Third Plan target of ₦ 348 million. On the lending side, 50 percent of the equity of NIDB sanctions in 1979 were held by the public sector, up from 43 percent in 1973. Though it would have been easy to reach the Third Plan target for NIDB disbursements by channeling a larger share of government investment in manufacturing via NIDB, NIDB would have had difficulty to fund other bankable projects in the private sector. As future oil resources are most likely insufficient to finance its ambitious industrialization efforts, Nigeria will need to rely more extensively on foreign partners and external financing. NIDB will have a key role to play in this effort.

NIDB

A third line of credit for US$60 million was approved by the Board in June 1978. The loan became effective on October 24, 1978 and the closing date is currently fixed at December 31, 1984. Owing to reduced investor confidence for political reasons, commitments and disbursements have been considerably slower than anticipated at appraisal, but the line of credit is now 68% committed (including one project under approval). NIDB has told us it would wish to discuss a fourth line of credit to be appraised during this calendar year.

SSE

The appraisal of the proposed small-scale enterprise has just been completed. The project's credit component for small businesses would be channelled through the Nigerian Bank for Commerce and Industry (NBCI) as an apex institution. There would be a concentration (65%) on five particular states: Cross River, Imo, Ondo, Plateau, and Niger. A complementary technical assistance effort to small businesses through the Federal Ministry of Industries' Industrial Development Centers (IDCs) would train state extension workers and local bank personnel in the appraisal and supervision of small-scale enterprise projects. Although we have had lengthy discussions with the Nigerians in an effort to get this project off the ground, there are no major issues to raise at this time. Nevertheless, should the topic come up, it might be useful to emphasize that this project is an important and critical building block to our overall efforts in the industrial sector in Nigeria.

Sector Work

The Government has also requested Bank assistance in subsectoral planning in cement, engineering, and pharmaceuticals. Although the appropriate type of planning is not apparent, nor does the Bank necessarily have any advantage in all possible subsectors, the desire of the Government for Bank assistance is important to further our sectoral objectives, and could help us affect overall industrial strategies. Using a fourth line of credit to NIDB as a vehicle, we could well entertain the possibility of a major subsector planning effort, although it would probably be unwise to undertake more than two of such efforts.

THE URBAN SECTOR

Urban Trends

Nigeria has the largest population in Africa. There are no reliable, current demographic data but recent studies provide the following estimates: a national population of over 80 million growing at around 2.5% p.a.; an urban population of about 20 million growing at least two or three times as fast; and some centers, such as Lagos and the new state capitals, growing at 10% per annum. This explosive rate of urban growth results from rapid industrialization and high urban wage rates fueled by oil revenues and massive, primarily urban, public investments.

Nigeria has had a long history of urbanization, with a well-developed system of cities resembling that found in more developed countries. In many cities, migrants have been absorbed into well-established urban patterns of social and economic activity. Much of the growth of newer centers, including Lagos and cities in the southern and eastern oil producing states where urbanization began later than in the north and west, is attributable to people seeking employment. In these areas, urban living conditions are poor and chaotic, with overloaded and rapidly deteriorating infrastructure networks and housing stock.

The level of urbanization as a whole is still comparatively low, around 25%, but growing rapidly. It is unlikely that the planned redirection of public spending towards agriculture and the large rural development program envisaged in the Fourth National Development Plan (1981-85) will stem rural to urban migration substantially during the next few years. As a result Nigeria's urban population, and demand for urban housing and services, will continue to grow rapidly, at least at twice the rate of growth of the population as a whole.

Urban Services

Economic, industrial and population growth has not been accompanied by a sufficient increase in urban services. This is very evident in the quantity and quality of urban housing: a huge housing shortage with an increasing backlog of supply, and sub-standard housing compounded by over-crowding and lack of services, contributing to poor living conditions. The poor housing conditions listed in the table below have almost certainly deteriorated further since 1972 as a result of population increases and, until recently, the lack of large-scale public programs to improve services.

HOUSING CONDITIONS IN SELECTED NIGERIAN TOWNS (1970-2)
(based on 1970-72 survey data)

	% of Households occupying one room	Average No. of persons per room	% of Houses with tap water	% of Houses with flush toilet	% of Houses with electricity
Lagos Metropolitan	76	2.7	66	30	94
Port Harcourt	51.5	2.4	73	18.6	79
Bauchi				5	
Owerri	59.0	3.0	63.3	3.6	71
Kaduna	63.9	2.1	73		53.3
Kano	69.1	1.8	26.1	1.3	69.3
Ibadan	50.0	1.7	30.7	10.3	28.4
Illorin	47.3	2.5	33.4	25.2	56.1

Source: PRC (Nigeria) Ltd. "Strategy to Meet Housing needs in Nigeria's Urban Sector" Final Report, August 1980.

Other major problems include high prices and unavailability of serviced land, lack of realistic and affordable construction standards, very limited mortgage finance and spiraling rentals (compared to tenants' wage levels), all leading to organic growth of slums.

Urban housing needs have been projected at between 370,000-540,000 units per annum, with 440,000 as the annual planning figure for the 1975-90 period. Additions to the urban housing stock during the Third National Development Plan (1975-1980) were probably in the range of 110,000-175,000 units per annum and so did not come close to the levels required. Projected housing needs for the period 1980-90 are likely to be on the low side as a backlog of unsatisfied need must have meanwhile built up.

Nigeria's size and regional variations in climate and culture necessitate that public initiatives be flexible and varied. Large towns of similar size (e.g. Kano and Enugu) in different parts of the country display very different land use patterns, densities and social housing preferences, while climatic variations lead to major differences in the standards of urban shelter and services that can be adopted. In the north, extended families and compound dwelling patterns prevail, compared with the more nuclear family typical of urban dwellers in the south and east. Similarly, climatic conditions in the drier north allow the use of different, cheaper building materials or designs from those in the more humid south of the country.

Government Policy

A strategic policy framework is currently under discussion in Government. Efforts are being made to identify target groups to be served by the public sector, the rate at which the public sector should provide, and the incentives and controls required to encourage compliance with strategy objectives. The framework should also establish: the volume of resources available and their broad allocation between (a) direct public construction (b) on-lending through suitable intermediaries, such as Federal Mortgage Bank of Nigeria (FMBN), to public, or private clients, and (c) direct incentives to producers or subsidies to consumers. Guidelines on shelter and infrastructure standards and cost allocation (for what and to whom) would also be necessary. Where subsidies are involved, principles should be outlined and mechanisms developed to ensure that subsidies flow to those who need them most. The start-up of the first Bank-assisted urban project in Bauchi and its preparation have provided a useful forum to expand this dialogue and clarify objectives over the past 18 months.

At present, however, there is no national urban policy framework. Existing public programs show varying subsidies in the same mass housing submarket and in similar locations. Programs which cater to approximately the same market segment in terms of sales price differ dramatically in terms of design standards, degree of cost recovery and financing terms (particularly interest rates), with higher subsidies often provided for higher standards. With no income limits on beneficiaries in the higher cost programs, the poorest receive the least subsidized products. Replicability is undermined. Through an expanding sector dialogue and discussions with Government on the Bank-assisted urban projects pipeline, the Bank has helped effect a turn around at the federal level in the approach to be adopted and we hope that the first practical steps will be taken by Federal Government following an urban workshop to be held in Nigeria in February/March, 1981.

Bank Role

The main objectives of the Bank-assisted urban project in Bauchi were (a) to lay foundations for a national low cost housing program and concomitant policies and (b) in the short term, to demonstrate the applicability of the site and service and upgrading approach in Nigeria. At the federal level, the objective was to transform FMBN into the apex institution for low-income mortgage lending in the country. This was to be achieved mainly through strengthening FMBN's capital base, introduction of better systems and procedures and the creation and staffing of a project development department.

Implementation of the first project started only in 1980 and is progressing with some delays due to difficulties in appointment of key technical assistance staff, particularly at the Bauchi State level. At the federal level, FMBN's capital base continues to be strengthened by government loans and equity, providing sufficient funds for its conventional mortgage operations as well as its low income mortgage scheme.

Financially and institutionally, FMBN is on the way to meeting the goals set for it under the first project, even though the Bank's original expectations may have been too high, particularly regarding the degree and rate at which FMBN could become financially independent and capable of taking on the full range of project-related responsibilities.

Execution of the physical components of the project in Bauchi has been delayed, primarily due to administrative problems, to be expected in a demonstration project of this type, particularly in the early stages. These teething problems are being sorted out, however: tendering for civil works has been completed and major construction is expected to start in early 1981. The project represents the lowest costs solution to housing attempted in the public sector in Nigeria, at cost starting at ₦1226 (US$2231) per unit, compared to ₦5000 (US$9100) per unit under the Federal Program. Its success is very important in selling the approach and in demonstrating its viability to other states and for this reason vigorous efforts are underway to improve the staffing situation in the implementation unit in Bauchi.

We expect to negotiate a loan for a second urban project around the middle of this year. The project is considered necessary at this time to strengthen the policy and coordination functions of the Federal Ministry of Housing and Environment, to give further exposure and experience to FMBN in developing an apex lending capacity, and to demonstrate in a very different area of Nigeria the site and services and upgrading approach. This project will have as its principal physical component site and services and upgrading schemes in Imo State. Together, the Bauchi project with 2,100 site and service plots and the proposed project with 8,540 plots represent only 5% of the Federal Government's national housing program for 1981-1985. The Bank's approach in this context is to support through sector dialogue and a series of related projects a well defined program and move towards sector lending using FMBN as the apex institution, with the capability to oversee implementation.

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PROJECTS IN EXECUTION

Loan No. 838-UNI Fifth Highway Project: US$26.3 million Loan of June 26, 1972; Effective Date: February 20, 1973; Closing Date: March 31, 1981

The project has been completed, and final reimbursement claims covering the training of maintenance technicians and preparatory work for the Sixth Highway Project are currently being processed by the Federal Ministry of Works. As soon as these claims have been processed by the Bank, any amounts undisbursed will be cancelled.

Loan No. 929-UNI Third Education Project: USS54.0 million Loan of August 16, 1973; Effective Date: January 14, 1975; Closing Date: June 30, 1982

Since appraisal, project costs have increased fourfold. In FY79, the scope of the project was reduced and the closing date was extended. Project management has since then improved, but project progress is behind schedule.

Loan No. 1045-UNI Second Cocoa Project: US$20 million Loan of October 11, 1974; Effective Date: October 15, 1975; Closing Date: September 30, 1981

The project's planting targets have been fully achieved by all four participating states. Loan recovery performance has however surfaced as a major problem. A tight "action program" has been initiated, and updating and reconciliation of farmer loan records has been completed.

Loan No. 1091-UNI Livestock Development Project: US$21.0 million Loan of March 20, 1975; Effective Date: July 19, 1976; Closing Date: July 1, 1981

Project implementation has improved. The project is now under good management which has overcome most of the initial problems. Supporting services are better organized, and credit is now being effectively channeled through NACB.

Loan No. 1092-UNI Funtua Agricultural Development Project: US$29.0 million Loan of March 20, 1974; Effective Date: January 5, 1976, Closing Date: July 1, 1982

Project implementation is complete with satisfactory farmer response and the full support of both Federal and State Governments. Demand for inputs is consistently above appraisal estimates. The federally controlled Agricultural Projects Monitoring, Evaluation and Planning Unit financed under this loan is fully operational. A project completion report is under preparation. An expanded second stage project to cover the remainder of Kaduna State has been appraised.

Loan No. 1099-UNI Gusau Agricultural Development Project: US$19.0 million Loan of April 4, 1975; Effective Date: January 5, 1976; Closing Date: July 1, 1982

The project has been completed with satisfactory support from both Federal and State Governments. Farmer response has been good, and appraisal objectives have been met and in some cases exceeded. A project completion report is under preparation. A second phase project to cover the remainder of Sokoto State has been appraised.

Loan No. 1103-UNI Rice Project: US$17.5 million Loan of April 25, 1974; Effective Date: January 10, 1976; Closing Date: December 31,1982

Project implementation made a slow start due to deficiencies in counterpart funding and staffing limitations. The Bank has withdrawn from the project component located in Cross River State because of acute problems of cost overruns and inadequate physical progress. The remaining funds set aside for Cross River State will be reallocated to project components in Anambra and Imo States, where physical project progress and counterpart funding are more satisfactory, and development is accelerating.

Loan No. 1164-UNI Gombe Agricultural Development Project: US$21.0 million Loan of September 29, 1975; Effective Date: December 29. 1976; Closing Date: July 1, 1982

The project has been implemented satisfactorily with full support from both Federal and State Governments and is virtually complete. A project completion report is being prepared. It is proposed that the whole of Bauchi State will be served by a second-stage project.

Loan No. 1183-UNI <u>Mid-Western (Bendel) State Oil Palm Project: US$29.5 million Loan of December 31, 1975; Effective Date: October 17, 1977; Closing Date: December 31, 1984</u>

Loan effectiveness was substantially delayed because of problems relating to staff recruitment, land acquisition, and completion of the Federal and State Legal Opinions and State Loan Agreement. Appraisal targets for the nucleus estate and smallholder components have not been met due to delays in land acquisition as well as continuing financial and managerial problems. The monitoring component has not been fully effective because of staffing difficulties. The Bank has advised the Federal Government that it will have no alternative but to formally halt disbursement under the Loan in case no remedial action is taken by May 31, 1981.

Loan No. 1191-UNI <u>East Central (Imo) State Oil Palm Project: US$19.0 million Loan of February 12, 1976; Effective Date: April 6, 1977; Closing Date: December 31, 1984</u>

Project implementation was initially delayed due to the creation of new states and problems with staffing. Project management and staffing are now satisfactory, but appraisal planting targets have not been met and the construction of palm oil mills has been delayed. Substantial cost overruns are expected.

Loan No. 1192-UNI <u>Western (Ondo) State Oil Palm Project: US$17.0 million Loan of September 22, 1976; Effective Date: February 13, 1978; Closing Date: December 31, 1984</u>

The smallholder component continues to face financial difficulties, and final targets may not be achieved. For the nucleus estate component, land acquisition, management, and funding problems have delayed progress. Plantings are in poor condition and processing facilities are inadequate. Although actions to resolve these problems have been initiated by the State Government, corrective action so far has been insufficient. Consequently, the Bank has recently advised the Federal and State Governments that disbursements under the Loan had been suspended until further notice.

Loan No. 1454-UNI <u>Lafia Agricultural Development Project: US$27.0 million Loan of June 28, 1977; Effective Date: March 3, 1978; Closing Date: December 31, 1982</u>

Although local counterpart funding is now adequate, the project is still experiencing some problems of a technical nature, particularly concerning extension and training. However, overall project progress is satisfactory.

Loan No. 1455-UNI <u>Ayangba Agricultural Development Project: US$35.0 million Loan of June 28, 1977; Effective Date: March 3, 1978; Closing Date: December 31, 1982</u>

The project continues to improve with satisfactory support from the Federal and State Governments. The most significant improvement is the introduction of the Training and Visit system, which has enhanced the impact of the extension services. Farmer participation and physical project progress is good. Disbursements are also proceeding satisfactorily.

Loan No. 1591-UNI <u>Rivers State Nucleus Estate/Smallholder Oil Palm Project: US$30.0 million Loan of July 24, 1978; Effective Date: July 10, 1979; Closing Date: December 31, 1985</u>

Loan effectiveness was delayed because of problems regarding completion of the State Loan Agreement, a Management Agreement, and Federal and State Legal Opinions. Physical progress is satisfactory, and earlier funding problems have been overcome. The smallholder component faces some managerial difficulties.

Loan No. 1597-UNI <u>Nigerian Industrial Development Bank, Ltd.: US$60 million Loan of June 15, 1978; Effective Date: October 24, 1978; Closing Date: December 31, 1984</u>

About 70 percent of the loan has been committed and about 12 percent disbursed. Both are less than expected at the time of appraisal owing to the investment climate in 1978/79 which was affected very much by the uncertainties surrounding the change in government in late-1979. The investment climate has recently improved considerably, however, and it is expected that the Loan will be fully committed before the end of this year.

Loan No. 1667-UNI <u>Bida Agricultural Development Project: US$23 million Loan of September 17, 1979; Effective Date: April 25, 1980; Closing Date: June 30, 1985</u>

The project is progressing satisfactorily.

Loan No. 1668-UNI <u>Ilorin Agricultural Development Project: US$27 million Loan of September 17, 1979; Effective Date: April 25, 1980; Closing Date: June 30, 1985</u>

The project is progressing satisfactorily.

Loan No. 1679-UNI <u>Forestry Plantation Project: US$31 million Loan of October 29, 1979; Effective Date: June 30, 1980; Closing Date: June 30, 1985</u>

The project is progressing satisfactorily. However, the Ogun State component is being affected by inadequate state financing.

Loan No. 1711-UNI Kaduna Water Supply Project: US$92 million Loan of July 16, 1979; Effective Date: July 22, 1980; Closing Date: December 31, 1985

Project implementation was impaired by some initial procurement problems which are in the process of resolution.

Loan No. 1719-UNI Agricultural and Rural Management Training Institute Project: US$9 million Loan of July 16, 1979; Effective Date: March 30, 1981; Closing Date: December 31, 1984

Management consultants are in the field, and project implementation has been initiated.

Loan No. 1766-UNI Lagos Power Distribution Project: US$100 million Loan of February 19, 1980; Effective Date: July 22, 1980; Closing Date: June 30, 1984

The project is progressing satisfactorily in its initial stages.

Loan No. 1767-UNI Urban Development Project (Bauchi State): US$17.8 million Loan of February 19, 1980; Effective Date: August 12, 1980; Closing Date: June 30, 1983

The project is progressing satisfactorily in its initial stages.

Loan No. 1838-UNI Oyo-North Agricultural Development Project: US$28.0 million Loan of August 25, 1980; not yet effective; Closing Date: March 31, 1985

The Oyo State Government is making good progress toward meeting the effectiveness conditions.

Loan No. 1854-UNI Ekiti-Akoko Agricultural Development Project: US$32.5 million Loan of December 15, 1980; not yet effective; Closing Date: September 30, 1985

The Ondo State Government is making good progress toward meeting the effectiveness conditions.

Loan No. 1883-UNI Sixth Highway Project: US$108 million Loan of August 25, 1980; Effective Date: December 11, 1980; Closing Date: March 31, 1985

Contracts for the road strengthening works, the feasibility study of the Calabar-Ikom road, and the training of maintenance technicians have been awarded, and the project is progressing satisfactorily in its initial stages.

SUMMARY AND CONCLUSIONS

1. This report attempts to identify and discuss the salient economic development issues that Nigeria faces in the 1980s and beyond. These issues emanate from its human and natural resources and their interaction with the evolving political and economic structure, on the one hand, and the country's acute poverty and underdevelopment, on the other. The report aims at outlining the direction of key economic policies relevant to Nigeria's efforts over the coming years in order to improve the use of its substantial investable resources, and to spread more widely the benefits of growth. An understanding of both the constraints on economic growth and the magnitude and distribution of poverty is prerequisite to policy formulation. Thus the report reviews in some detail the country's assets and parameters (viz. population, natural resources, public administration, and present-day economic structure) as well as the income and employment generating mechanisms, a profile of the poor, and the status of the basic needs, viz. health, nutrition, and education.

Population and Natural Resources

2. The official population estimate, based on the 1963 census, is 84.7 million for mid-1980, but the actual number may be somewhat lower than that, given the inflated base year estimate. Whatever its actual present size, the Nigerian population has a great potential for growth. Plausible estimates of fertility and mortality rates suggest a yearly rate of natural increase in the range of 3.0 to 3.5 percent. With these growth rates the population would double in the next two decades, and almost triple in the next three. Without deliberate and extensive family planning, a significant decline in fertility in the foreseeable future is unlikely. Urbanization, education, and the growth of industrial and modern sector employment may tend to reduce fertility, but with the concomitant breakdown of traditional methods of child-spacing (e.g. prolonged post-partum abstinence), the net effect on fertility is likely to remain insignificant for several years to come.

3. The rapid growth in population naturally implies that the age structure would remain heavily weighted towards the younger age groups. If there is no decline in fertility the dependency ratio (i.e. the ratio of the number of children and aged to the working-age population) is projected to rise from 1.0 at present to 1.1 by the year 2000. The number of primary school age children is expected to rise rapidly; the rate of increase is estimated at 3.8 percent a year in the 1980s and 3.2 percent in the 1990s. However, other population parameters, e.g. urban population and labor force, are not very sensitive to fertility decline over a period of two decades. For example, the growth of the urban population would remain high, well over 4 percent a year; and the number of new jobs required would rise from a little under one million at present to almost two million by 2000.

4. Notwithstanding the expected rapid growth of population over the coming years, and the fact that certain rural areas (mostly in the east) are already experiencing acute population pressure, Nigeria's natural resources are not likely to be a constraint on economic growth over the foreseeable future. The proven oil reserves are still considerable, unofficially estimated in the region of 15-20 billion barrels. This will easily allow the present

output of over 2 million barrels a day (mbd) to be maintained throughout the 1980s, after which it may slowly decline if there are no new finds. Exploration has so far been highly successful in Nigeria; in general every year more oil has been found than produced. Nigeria also has enormous reserves of natural gas (over 80 trillion cubic feet), which remain virtually intact. Gas exports will depend on the proposed LNG project (with a capacity to liquify two billion cubic feet of gas a day), a final decision on which is still awaited from the government.

5. The size of Nigeria's oil fields is, however, relatively small, and has declined over time. This means that in order to maintain output, exploration activity must be kept up, and that the additional oil, coming mostly from offshore areas of increasing water depth, will be progressively more expensive to produce. The government is aware of the importance of exploration, and in 1977 offered more attractive terms to foreign oil companies. More recently, the Nigerian National Petroleum Company (NNPC) entered into service contracts with a few foreign companies to operate on its own area.

6. While oil provides foreign exchange and public revenue, the great majority of the Nigerians are still engaged in agriculture, the true potential of which has been obscured by the developments in the oil sector. Only about 40 percent of the total arable land is currently under cultivation. While this may be the maximum possible under the bush fallow system still widely practiced in Nigeria, modern agricultural practices and improved technology are capable not only of raising yields spectacularly, but also of raising the extensive margin. Yields of virtually all major crops--maize, rice, sorghum, groundnuts, etc.--have the potential of doubling, or nearly so.

Public Administration

7. As in other developing countries, public administration has played a critical role in Nigeria's development. The rise of the oil sector has further increased this role and probably made it more complex. There are formidable questions of balance between the center and the regions (the most notable manifestation being the question of revenue sharing), and of whether Nigeria's westernized administrative structure can be adapted to a society that is still predominantly traditional. The reintroduction of democracy in Nigeria, and the associated politicization of the bureaucracy, has, if anything, heightened these issues. Such considerations explain why decision-making in Nigeria is ponderous and slow, consensus difficult to achieve, and nationwide policies and programs generally hard to implement.

8. There is, moreover, the further problem that the civil service, particularly at the middle level, is grossly understaffed. If the policy formulating capacity has major weaknesses at the center, the situation at the provincial or local level is very serious indeed. This often results in little attention being given to preparing the ground for implementing a formulated policy. The distance, physical or psychological, between the decision-makers and those affected by the decisions tends to be vast. Consequently, the decision-makers may not adequately appreciate local needs and constraints, while those affected may not appreciate the real objectives of a

policy and therefore remain indifferent to it. Decentralization of decision-making and weakening of the "top-down" approach to planning are desirable goals, but their realization will remain limited unless the administrative capacity at the local level is strengthened.

Economic Structure

9. Although oil output rose rapidly in the early 1970s, reaching a peak of 2.3 mbd in 1974, it was only with the quadrupling of oil prices in 1973-74 that Nigeria's resource picture changed fundamentally. The dramatic rise in oil income occurred at a time when Nigeria ranked among the world's poorest countries and had a predominantly agricultural economy, with manufacturing accounting for less than 10 percent of GDP. The existing physical infrastructure, which had suffered during the civil war, was inadequate to accommodate the sudden rise in income and expenditure, and resulted in various bottlenecks: blocked-up ports, power breakdowns, and lack of water supplies, some of which persist today.

10. The government's first concern, as reflected in the Third National Development Plan, was to use the new wealth to modernize the country. Public investment was concentrated on building roads and ports, expanding power supply, spreading education, and developing heavy industry. The phenomenal increase in public revenue allowed initiation of a vast investment program and generated a high rate of growth. Over the past five years more than half of the existing network of roads has been widened, strengthened, or improved. Power output rose at a rate of 15 percent a year. Most notable of all was the rapid spread of primary education. But such a major acceleration of public expenditures also caused high rates of inflation and wastage of resources. In fact, expenditures rose much faster than income, and within two years budget and balance of payments deficits had reappeared. The situation thereafter deteriorated rapidly and the country was led to the brink of financial crisis in 1978. This meant that the government's already strained administrative capacity had to be devoted to managing the immediate crisis, which it did with remarkable success. 1/ But in the process, many decisions had to be taken hurriedly (e.g. in the choice of investments) which may not serve long-term growth objectives. Also, the dramatic expansion and sudden contraction of financial resources resulted in many yet unfinished projects which will continue to preempt public resources in future, thus inhibiting the government's ability to redirect its investments over the next two or three years.

Employment and Income Generation

11. The macro-economic developments also had a major impact on the movement of labor and the incomes of different groups. Nigerian labor has traditionally been highly mobile, not only from villages to cities, but also within rural areas. There is evidence that in general the labor in Nigeria moved in search of better opportunities rather than because of an area's

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1/ The short-term developments are discussed in the Country Economic Memorandum on Nigeria, Report No. 3232-UNI, April 7, 1981.

economic deterioration. Although there was little increase in agricultural output during most of the 1970s, off-farm rural activity expanded considerably, mostly from public expenditures on construction following the oil boom. Rural incomes were also augmented by the rapid growth in the service sectors and a probable increase in remittances from the urban areas. Since there is no evidence of a significant shift in the distribution of income in rural areas, the growth in incomes was spread widely and there is indirect (although far from conclusive) evidence that rural poverty was somewhat relieved.

12. In the urban areas, formal sector employment rose rapidly, perhaps around 8 percent a year in the 1970s. But there is no evidence that the real wage has risen over the last fifteen years. Under the Udoji wage award of 1975, there was a substantial increase in public sector wages, promptly followed by an increase in the private sector. But this gain was quickly eroded by the ensuing high inflation and the government's success in restraining further wage increases as part of its policy to contol inflation. Nevertheless, the average real wage earnings may have risen since the distribution of employment moved in favor of the higher paying--and generally more productive--sectors. In particular, since formal sector employment rose relatively, an increasing proportion of the labor force came to enjoy a higher standard of living.

13. Very little data are available specifically for the urban informal sector, and most of the conclusions relating to this sector are inferred from other developments. Although the relative size of the informal sector appears to have declined slightly over the past decade, it still is the dominant mode of employment in the urban areas. In fact, the ranks of the informal sector may have swelled in recent years as a result of the accelerated rural: urban migration, consequent to the rapid expansion in construction, trade and commerce. The informal sector tends to have a high variance in income. Since Nigeria's growth in trade and commerce was linked to imports (a relatively highly concentrated sector) rather than domestic production, income distribution is likely to have become more unequal in the informal sector as a whole. Nevertheless, the income earning possibilities remained generally good, and average incomes at the lower end of the scale cannot be presumed to have fallen.

14. The income differential between rural and urban areas taken in aggregate increased over time, from 2.6 in 1960 to 4.6 in 1977, if oil income is excluded; or to 6.7 if oil income is included. This is roughly in line with the trends in other economies growing rapidly from a low base.

Poverty and Basic Needs

15. On the basis of its per capita income, Nigeria is placed among the middle-income countries, but acute poverty is still widespread. The poverty line--defined as the minimum expenditure on food and other necessities of life required for adequate nutrition and general well-being--was estimated at ₦275 (about US$510) a year for an average adult in the urban areas, and ₦135 (US$250) for the rural areas. The much higher urban poverty line is due primarily to a much higher cost of living in urban areas. In 1978 some 35 percent of the households in the urban areas and 55 percent in the rural areas were

estimated to lie below the respective poverty lines. However, a substantial portion--20 percent of all households in urban areas and 40 percent in rural areas--did not have incomes adequate to meet even basic food requirements.

16. The extent and nature of poverty in Nigeria can be better appreciated by going beyond the financial estimates and examining the performance of the so-called basic needs sectors: nutrition, health, water supply and education. The available data suggest that there is considerable malnutrition in the country, and little evidence that it has improved over the last decade. In aggregate terms, food supplies per person appear not to have risen over the 1970s: although imports of rice, wheat and prepared foods rose dramatically, domestic food output, by far the larger component in domestic consumption, rose only modestly, if at all. But food is unequally distributed between urban and rural areas, between rich and poor, and between adults and children in a household. Malnutrition and its associated disease and mortality is concentrated primarily among children. There is in Nigeria also considerable variation in food supplies over the seasons. Thus, even if on an average the calorie intake in the country meets the FAO/WHO norms, there are some groups, particularly children, which face acute malnutrition, especially at certain times of the year. Perhaps greater than its problem of food availability is Nigeria's problem of food distribution.

17. The health of a nation is closely related to its nutritional standards, since disease and malnutrition reinforce each other. Such health indicators as infant mortality, life expectancy, and incidence of disease place Nigeria among the poorest countries in Africa. The infant mortality rate is believed to be well over 100 per thousand, and life expectancy at birth still under 50 years. This is in spite of a substantial rise in the number of doctors, nurses, and hospitals in relation to Nigeria's population. It occurs partly because the sudden wealth cannot be expected to change the socioeconomic determinants of health within a relatively short period of time. But another contributory cause is that health programs still emphasize the cure rather than prevention. According to the government estimates, the health coverage in 1975 was, at most, 25 percent of the population, and this was largely biased in favor of cities. While the government has continued to emphasize the importance of basic health, very little has been achieved so far.

18. Another contributing factor to high mortality and poor health--and one which makes disease prevention difficult--is the extremely unsatisfactory water supply in terms of quality, quantity, and access in both urban and rural areas. Urban water schemes are estimated to serve less than two-thirds of the population, but the supply to the poorer segments is notoriously inadequate. In rural areas, only about 45 percent of the people have access to water through pipes or improved wells; others rely on traditional sources of water, under poor hygienic conditions which pose serious health hazards.

19. One shining exception among the basic needs sectors is education, where Nigeria made remarkable progress in the 1970s. The spread of primary education was one of the pillars of government policy, and no effort or expense was spared to reach the goal of universal primary education (UPE).

Today some 60 percent of the school age children are enrolled, and in several parts of the south, universal primary education is a reality. The pace at which the program was pursued inevitably created some problems, e.g. lack of trained teachers, deterioration in the quality of education, diversion of labor from agriculture, and a rising demand for secondary education. But these initial troubles are likely to ease when the rate of expansion stabilizes. Within the next two decades Nigeria should be transformed from a country with very high rates of illiteracy to a state where most of the population has been to school. Adult illiteracy is still very high, particularly among women, a reflection of the extremely low levels of education available to the population in the past. Since research results in other countries show that education plays a vital role in the fulfillment of other basic needs, the spread of primary education among children offers great hope for improvement in nutrition and health standards, as these children themselves become parents. Key issues for the next decade include improvements in quality, reduction of unit costs, the balance of expansion among the different education levels, and strengthening programs of adult education.

Economic Prospects

20. Nigeria maintained throughout the 1970s a high rate of GDP growth, but this impressive growth performance is clouded by doubts. These relate primarily to: (a) the distribution of growth benefits between the rich and the poor and between the cities and the countryside in an economy where a substantial portion of the population is still very poor; and (b) the increasing dependence of the economy on oil, a wasting resource, and the viability of maintaining rapid growth over the long-term future, when the oil income would begin to decline.

21. Nigeria's pattern of economic growth over the past few years has displayed all the characteristics associated with the development of other oil exporting countries and is well described by the so-called oil economy syndrome: (i) High rates of domestic inflation, combined with an appreciating value of naira, meant that domestic costs of production rose relative to foreign costs. At the same time, the inflation raised costs in the non-traded sectors (viz. construction and services) relative to those in the tradeable sectors since the supplies of the former could not readily be augmented through imports. Consequently, domestic commodity-producing sectors were generally at a disadvantage vis-a-vis both foreign produced goods (which became relatively cheaper) and non-traded sectors (which became more lucrative). (ii) The rise in federal revenue catapulted the state sector into a position of preeminence, thus putting a number of decisions out of the market context and straining administrative capacity. Also managing the financial difficulties of the late 1970s necessitated restrictive monetary and trade policies which discouraged private investment, particularly in commodity production. (iii) The shift in relative prices and expansion of public investment created a considerable demand for labor in construction and service sectors, thereby leading to a withdrawal of labor from agriculture. (iv) The rise in oil income created an atmosphere of easy money, and encouraged people to look for quick-yielding investments, such as property speculation and import trade.

22. In short, different factors reinforced each other in their adverse effect on commodity production. However, the sector to suffer most was agriculture, where the output of subsistence crops as well as traditional export crops (cocoa, palm oil, groundnuts, etc.) stagnated. Public investment in agriculture was relatively small (only 3 percent of the total), and private investment was probably negligible. Low investment was combined with the withdrawal of labor from agriculture as noted above. The manufacturing sector, too, found it difficult to compete with imports despite extensive government incentives, and suffered from rising costs and infrastructure bottlenecks. The long-term significance of the stagnation or slow growth of the agricultural and manufacturing sectors is that the expenditure-led growth can be sustained only by continually rising real oil export earnings, which leads to increasing dependence on the oil sector, rapidly rising imports, and the disappearance of traditional exports. Thus even a moderate slow-down in the expansion of export earnings can result in serious balance of payments difficulties. Nigeria not so long ago experienced an acute balance of payments problem, which was eased mainly by the recent successive increases in the price of oil. Based on present knowledge, Nigeria's oil output is not expected to rise above the current average of 2.15 mbd. With rapidly rising domestic consumption of oil products, the volume of oil exports is likely to decline over time. Consequently, Nigeria's balance of payments situation can be expected to tighten, and balance of payments deficits could reappear well before the end of the decade. Future dramatic increases in the price of oil--beyond the real increase of 3 percent assumed in our projections--may postpone balance of payments difficulties, but this would hardly be a prudent basis for formulating long-term growth strategy.

23. The macro-economic projections show that even with prudent economic management which avoids the excesses of the mid-1970s, large current account deficits will reappear as early as 1987 and lead to a rapid deterioration in the balance of payments in the 1990s, when maintenance of steady economic growth will become increasingly difficult. Budgetary deficits will appear even sooner, threatening domestic economic stability. Thus Nigeria has roughly ten years to make the necessary structural adjustments to ensure that dependence on imports declines and non-oil exports gradually begin to replace the oil exports. The magnitude of this adjustment, although within Nigeria's reach, is such that only deliberate government policy can bring it about.

24. The basic element of a strategy to redirect economic growth would be that the stimulus to growth over the coming years must increasingly come from domestic agriculture and industry. The physical infrastructure sectors of the economy--power, transport, construction, etc.--can be viewed from a long-term perspective as subservient sectors, whose growth is derived from and serves to facilitate the growth of commodity production. The expected rapid growth of population and labor force necessitates a fairly high rate of economic growth over the next two decades; perhaps an average rate of 5 percent a year is the minimum to aim for. This rate, along with an accelerated growth in the agriculture sector, would be essential to meet the basic needs objectives.

Policy Issues

25. The Government of Nigeria is deeply concerned about the structural problems mentioned above. It has committed itself to an ambitious program to stimulate the production of food crops, and is attempting to pursue cautious fiscal and trade policies. But the policy issues confronting the government are very complex and defy any simple solutions. Indeed, there is no policy without some serious drawback. Also circumstances can change in a dramatic fashion, necessitating radical departures from enunciated policy. Nevertheless, this report identifies a number of policy issues and offers views on the direction to follow.

26. The oil income has greatly enhanced Nigeria's capacity to import. The fundamental macro-economic issue relates to how and for what purpose the available import capacity is used. If the government were to raise the import-content of public expenditure in accordance with the rise in the foreign exchange earnings, the effect on domestic inflation and movement of relative prices would be minimized. But by going too far in the direction of raising the import-content and lowering the expenditure on domestic resources, the government would limit the spread of oil income and employment creation through the generation of expenditure multipliers. Furthermore, what lines of activity are subjected to competition from imports would also depend on the extent to which the additional imports result directly from public expenditures, which are likely to be concentrated in capital and intermediate goods, or through the generation of private incomes, which are likely to be spent on consumer goods.

27. The foremost requirement of macro-economic policy therefore is to determine the size and composition of public expenditure taking into account the above-mentioned trade-offs. The size of public expenditure depends on the nation's absorptive capacity, which is itself to some extent dependent on the composition of expenditure. As a rule of thumb, the government should ensure that the rate of return on its investment is not lower than the expected rise in the real price of oil. In fact, to allow for uncertrainty on both the outcome of investment and oil price behavior, the cutoff rate of return should be set substantially above the increase of 3 percent a year in the real oil price assumed in this report.

28. Determining the optimal sectoral mix and import-content of public investment is a more complex matter. The basic issue concerning the sectoral mix of investment relates to the balance between directly productive and infrastructure sectors. While it is impossible to postulate the "right" balance in abstract, there is a need for directing infrastructure investments in the first place to removing the existing or expected constraints on agricultural and manufacturing production. Thus rural feeder roads and power and water supply to industrial plants, etc., should be given a high priority.

29. An equally difficult issue relates to devising an import policy that reconciles the short-term considerations of economic stability with the long-term objectives of economic growth. This requires basically analyzing the inflationary implications of public expenditure, which would require study of how prices of specific non-tradables are affected, and devising

criteria for rational choice of investment in productive capacity. The latter should be based on the trends in the international prices of the traded goods, the desired rate of economic growth, the emerging scarcity of foreign exchange, income distribution considerations, and the state of the labor market.

30. Although a devaluation of the exchange rate or any other generalized system of protection (such as uniform tariffs and export subsidies) under the present regime of import controls and levels of public expenditure may not be the most effective policy tool for bringing domestic costs of production in line with costs in the competing countries, it is important that Nigeria's competitiveness is not allowed to worsen through a steady appreciation of the naira, as has happened since the mid-1970s. Indeed, the government should examine the appropriateness of both the present weights in the currency basket to which the naira is aligned (in particular the heavy weight of sterling, which is itself subject to the oil syndrome) and the existing import controls, both of which have allowed the naira to appreciate. There is also a need for studying the exchange rate pricing issue in relation to the size and composition of investment, inflation, and production incentives.

31. Because Nigeria's foreign exchange position is expected to tighten over the coming years, investments and trade policy must be directed towards evolving a viable productive structure that does not require protection or government subsidies over an indefinite time period. This means determining the lines of production where Nigeria can reasonably be expected to become an efficient producer over time. It may then be necessary to afford such activities protection from imports in order both to mitigate the adverse consequences of the oil syndrome and to ease the learning process. Care must be taken that protection does not become a reward for inefficiency; this requires that protection take the form of tariffs or subsidies (rather than quantitative restriction) and should be granted only for a specified period of time. If a high degree of protection were to become widespread, the result would be not only inefficiency and high prices, but also reduced ability to absorb oil reserves productively and penalize those unprotected sectors which use the inputs from the protected industry.

32. Within this broad policy framework, specific measures are needed for stimulating the growth of agriculture and manufacturing. In agriculture, the government ought to continue its policy of not restraining prices artificially. In order to tailor the import policy to the dual requirements of price stability and encouraging domestic production, it would be desirable to set specific targets for major crops in accordance with country objectives and comparative costs. It would then be necessary to ensure that inputs, infrastructure, extension services, etc., are available to make those targets realizable. The actual market prices should serve as signals for the revision of targets or the import policy. But the long-term solution for making agriculture an attractive activity lies in raising the agricultural productivity, by improving technology, and improving the rural environment, by better provision of such public services as education and health. Nigeria needs to develop and introduce appropriate agricultural technologies that strike a balance between the labor-intensive, but inefficient, technology currently in use among the small farmers, and modern capital-intensive methods appropriate only for large farms.

33. Unlike agriculture, the manufacturing sector does benefit from a number of incentives offered by the government. This includes wide-ranging protection from imports. The foremost requirement here is to examine whether the existing incentive framework is achieving the government's stated objectives (e.g. support to resource-based and labor-intensive industries), and, if so, whether it is efficient. Public investment in industry is expected to be concentrated on a few key heavy industries (such as steel, fertilizer, cement, petrochemicals) over the next decade. Because this would preempt a major portion of the available investment resources, it is extremely important that government examine carefully the economic merits of these projects. If projects meet the economic criteria, it would be desirable to give appropriate signals to the private sector for establishing the ancillary industries that would supply raw materials or consume the outputs of the large industries.

34. In short, management of the enormous resources available to the government requires careful analysis and planning as well as sound use of market forces. This in turn is possible only if the information necessary for effective planning is available, if there exist appropriate institutional mechanisms, and if the planning institutions are adequately staffed. Within the broad policy framework discussed above, attention must be given to a number of specific areas of concern.

35. Foremost among these is the issue of basic needs. The past decade suggests that the natural process of economic development cannot be relied on to effect a significant improvement in the fulfillment of basic needs in Nigeria. The future economic policy interventions must therefore take basic needs considerations explicitly into account. Promoting basic needs objectives would require that the adopted growth strategy result in a sustained growth in the incomes of the poor; that priorities within the public sector be set in favor of the basic needs sectors; and that household behavior be influenced towards a better use of the basic needs inputs. A renewed emphasis in government policy and investment on food crop production is a major step in that direction. Provided the agricultural strategy is not one that favors large-scale farming, this will at once raise the nutrition and incomes of the poor.

36. In the public sector, not only is there a need to redirect expenditures towards the basic needs sectors, but also, within these sectors, the emphasis should shift towards activities that directly help the basic needs objectives (e.g. rural health facilities rather than elaborate urban hospitals). In the household, the most important factor in influencing behavior is the education and enlightenment of women, though household behavior is also influenced by material incentives, better information, and such legal pressures as compulsory education. The report has not attempted to set specific basic needs objectives or to estimate costs, but a basic needs oriented strategy is likely to entail primarily a reallocation within existing shares of public expenditure rather than substantially increasing resources. Even with oil, however, Nigeria's resources are not limitless. The lack of adequate skilled manpower (teachers, nurses, paramedics) may impose limits on how quickly a basic needs approach can be phased in, and it will be necessary to set priorities. A practical approach to meeting the basic needs objectives may be to concentrate initially (but by no means exclusively) on children under five,

since more than half of all deaths occur in this age group. A focus on children would, however, necessitate special attention being given to the education and health of mothers.

37. Mobilization of non-oil revenue and stimulation of non-oil exports are two other areas where government policies and programs need to be initiated soon, since the results would be slow to materialise. There is a considerable potential for raising non-oil revenue, because the non-oil tax burden in Nigeria is quite low at present. Resource mobilization first of all requires an improvement in budget management, especially in three areas: planning and preparation of the budget, analysis of the budget's impact on the economy, and exercising financial control. Improving the collection of company income taxes and introducing a broadly based sales tax on both domestic manufacturing and wholesale trade are important ways to increase non-oil revenue. In the long run, however, perhaps the greatest potential lies in the income of public enterprises. Although the bulk of government investment has gone into public enterprises, they have with one notable exception--the national oil company--generally failed to yield revenue to the government. An insistence that public entities earn profits is as essential for revenue generation as it is to ensure that public investment is well-directed.

38. There is no reason why in the longer term Nigeria should not become a major exporter of agricultural and industrial products. It does not face a balance of payments problem in the short-term, which should weaken a desire for hasty import substitution. The traditional exports--cocoa, rubber palm oil, etc.--have good market prospects. With its large labor force and natural resources, the country has virtually unlimited possibilities for industrial growth. There is, however, a danger that some of these apparent advantages--particularly the short-term comfortable balance of payments--may weaken the incentive to identify and develop non-oil exports, a process which is bound to be slow and initially unspectacular. Thus Nigeria's long-term development strategy must explicitly incorporate programs and projects to promote non-oil exports.

39. Stimulation of commodity production and a decline in the relative size of the oil sector would also imply encouraging growth in the private sector. Many of the factors that inhibited private investment in the late 1970s--tight import controls, mounting budget deficits, a restrictive monetary policy, and the uncertainties associated with the indigenization decrees--have now been considerably eased. The measures suggested here for stimulating commodity production should also help the private sector. In general, government policy is in favor of stimulating private investment, and investors in Nigeria are offered a number of incentives. But a principal problem is that government regulations, because of frequent changes, complexity, and their overlapping nature, are generally not well understood by private investors. Preparation of guidelines for the prospective investors will be an important first step.

40. Finally, the redirection of economic growth can be expected to make enormous demands on the skilled manpower of the country in terms of both quantity and quality. Although Nigeria has taken huge strides in manpower

development, with the result expatriates today are a relatively small group in the administration, there are severe shortages in several lines of activity. Nigerian manpower is still short in scientific and technical occupations. Most of the primary school teachers are unqualified. There is also an uneven balance between the high-level and middle-level personnel, with critical shortages in the latter. The shortage at the middle level is likely to be aggravated as the nation moves to address its growth and equity objectives, particularly because of the importance of the public sector in attaining both. In the long run, the answer lies in improving the quality and quantity of education. But in the short run, apart from an acceptance of the economy's temporary dependence on expatriates in certain areas, extension and expansion of pre-service and in-service training programs may help to relieve some critical shortages.

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NIGERIA

Status Report on New Loans

The loans included in this Status Report represent those scheduled for FY 1981, FY 1982 and FY 1983 as follows:

FY 1981

Bauchi State ADP
Kano State ADP
Anambra Water Supply and Sanitation
Agricultural Technical Assistance

FY 1982

Sokoto State ADP
Power VI
Urban Development II (Imo)
Small and Medium Scale Industries
Cocoa III
Cross River Estates Oil Palm (Reserve)
Kaduna State ADP (Reserve)

FY 1983

Mambilla ADP (Standby)
Kano Water Supply (Standby)
Fertilizer (Reserve)

WAIA
May 7, 1981

Bauchi Agricultural Development Project (US$132 m)

Project description: The project would seek to apply statewide the successful experience of the Gombe project (Loan 1164-UNI) which was located in the south east of Bauchi State. Similar to its predecessor, the project would consist of a package of farm support services and physical infrastructure designed to benefit some 425,000 smallholder families throughout the State. Support services would include extension advice, improved seeds, farm input supply and crop protection measures. Physical infrastructure would include the construction and maintenance of feeder roads and a major program of rural water supply.

Status: The project was appraised in February 1980 and loan negotiations were held in November 1980. The Executive Directors approved the loan on April 30, 1981.

Actions requested: None

Kano State Agricultural Development Project (US$142 m)

Project description: The project would assist in increasing food crop production and improving rural incomes on a statewide basis. It would consist of a package of farm support services and physical infrastructure designed to benefit about 600,000 smallholder farm families in Kano State, of whom about 70 percent are expected to adopt improved farm practices. Support services would include improved farm and water management practices, extension advice, crop protection measures, weed control, improved seeds, fertilizer, and the provision of small-scale pump irrigation on the fadama lands. Forest nurseries would be established for on-farm and commercial planting programs. Physical infrastructure would be established for on-farm and commercial planting programs. Physical infrastructure would include constructing about 1,440 km of feeder roads, drilling about 1,000 boreholes, rehabilitating about 1,000 wells, and establishing project headquarters and farm service centers. Consultant services would be engaged to assist in recruiting a project management team and to carry out studies of adaptive research, intermediate technology, rural water supply planning, training and staff development, and the project's socio-economic impact.

Status: The project was appraised in May 1980, and loan negotiations were held in November 1980. The Executive Directors approved the loan on April 30, 1981.

Action requested: None

Anambra Water Supply and Sanitation Project (67.0 m)

Project description: The proposed project would provide a comprehensive package of improved water supply and sanitation services to Anambra State that includes works and equipment, health education and studies as well as technical assistance for financial and management improvements.

Status: Negotiations were held in Washington during the week of January 19-22, 1981. The Board presentation is scheduled for June 30, 1981 pending completion of outstanding conditions, mentioned below. Recent discussions with the Federal Ministry of Water Resources led to elimination of a federal technical assistance component from the project because a satisfactory institutional relationship between the proposed Evaluation, Monitoring and Planning Unit and the FMWR could not be worked out in time to include it in this project. Consequently, the federal technical assistance component may be included later in the Kano Water Supply Project, scheduled for FY1983.

Action Requested: As conditions for Board presentation (June 30), the federal and state executive councils, Anambra State and Onitsha local government must approve the draft legal documents. The federal government also has to appoint an expert to the Statutory Committee. The Bank has also requested (but not made conditional) ASWC appoint a project manager and a commercial manager and the Onitsha Local Government a sanitation department manager before Board presentation. As of May 7 ASWC and OLG were actively recruiting to fill these positions.

Agricultural Technical Assistance (US$52 m)

Project description:	The project would assist in strengthening the Federal Department of Rural Development and four related institutions responsible or of critical importance for the implementation of the recently initiated Food Production Plan for Nigeria (1981-85) through the provision of a well-balanced package of technical assistance and logistical support, including some 300 man-years of specialist services.
Status:	The project was appraised in mid-1980, and negotiations were completed on March 20, 1981. The loan is scheduled for Board presentation on June 30, 1981.
Action requested:	Federal Government approval of loan documents.

Sokoto Agricultural Development Project (US$148 m)

Project description:	The project would assist in increasing food crop production and improving rural incomes on a statewide basis. It would consist of a package of farm support services and physical infrastructure designed to benefit about 690,000 smallholder farm families in Sokoto State, of whom about 70 percent are expected to adopt improved farm practices.
Status:	This project will be an extension of Gusau Agricultural Development Project and is statewide in scope. It was appraised in October 1980. Negotiation are scheduled for mid-June 1981.
Action requested:	None.

Sixth Power Project (US$100 m)

Project description: Complementing the expansion of the Lagos distribution system that was financed in part by Loan 1766-UNI, the proposed project would rehabilitate and expand distribution facilities in 23 other cities and towns throughout Nigeria. In addition, power lines and substations would be installed to interconnect the Igbin thermal generating station (which is about to be constructed near Lagos) to the national high voltage network and to the Lagos distribution system.

Status: Appraisal was completed in November 1979 and negotiations were substantially completed on May 7, 1981.

Action requested: None.

Urban II (Imo State) (US$36 m)

Project description: Provision of shelter and related services, including employment, to low-income urban residents of the three principal towns of Imo State (Owerri, Aba, and Umuahia).

Status: The project was appraised in September 1980. Negotiations are scheduled to begin in mid-June 1981.

Action requested: None.

Small and Medium Scale Industries (US$40 m)

Project description: The project is to build up the Nigerian Bank of Commerce and Industry as a financial institution and strengthen its capacity to lend directly and indirectly to small-scale businesses. The project would also include training of state and federal extension workers and bankers in the promotion, appraisal and supervision of small-scale enterprises.

Status: A pre-appraisal mission visited Nigeria in December 1980 and gathered further information for a project covering basically five target states - Imo, Ondo, Niger, Cross River, and Plateau. The project was appraised in March 1981.

Action requested: None.

Cocoa III (US$117 m)

Project description: The project would continue the cocoa planting program of two earlier projects, though with significant institutional changes, and would add a cocoa rehabilitation program and a pilot scheme for compulsory pest control. It would consist of a package of farm support services and physical infrastructure designed to benefit directly at least 100,000 smallholder farm families in Oyo, Ondo, Ogun, and Bendel States.

Status: Project appraisal was completed in 1979 and the appraisal report has been prepared in draft. Negotiations are pending agreement with federal and participating state governments on the structure and operation of the proposed credit system and on the acceptability of a 9.5 percent interest rate to cocoa farmers.

Action requested: Communication that credit arrangements acceptable to federal and state governments.

Cross River Estates Oil Palm (US$34 m)

Project description:	Expansion and diversification of Cross River Estates into oil palm production.
Status:	Appraisal mission completed and a draft report prepared in April 1980. In order to complete analysis of project the CRSG agreed to contract a consultant firm to undertake a soil classification survey which will permit accurate estimates of palm oil yields for the project. The soil study is essential to further processing of the project by the Bank. The study was only recently initiated by the University of Ife and results are not expected until later this year. Provided the results show sufficient land suitability and adequate yields, the project processing would be resumed in the third quarter of calendar year 1981.
Action requested:	CRSG and consultants to complete the soil classification study and provide the Bank with the results.

Kaduna Agriculture Development Project (US$145 m)

Project description: The project would extend to the whole of Kaduna State a package of farm support services and physical infrastructure similar to that which was previously applied with success to one fifth of the State under the Funtua Agricultural Development Project (Loan 1092-UNI). The primary objective will be to raise by some 25 percent the productivity and hence the real incomes of an estimated 435,000 farm families throughout the State, thereby mirroring the achievements of the Funtua Project.

Status: Appraisal took place in June, 1979. The scheduling of the project has been temporarily suspended pending the establishment of a common understanding between the Bank and the Kaduna State Government on project implementation. Discussions have been held between Bank staff and State authorities to resolve outstanding issues. Agreement has been reached on many points. The principal unresolved issue concerns the incorporation of local government authorities into the zonal management framework. Insomuch as the LGAs will inherit primary responsibility for many vital functions (such as extension services and feeder road maintenance) in the longer-run, the Bank believes their incorporation into the project framework to be essential.

Action requested: Letter dated August 12, 1980 addressed to Permanent Secretary, Federal Ministry of Finance. This letter outlines the principal outstanding issues on which agreement has yet to be reached with state authorities.

Sardauna (Mambilla) Agricultural Development Project (US$35 m)

Project description: The project is to develop high-altitude plateau area for livestock, tea, coffee, etc. Farmer services including technical, credit, input supplies, land development and general infrastructure.

Status: A Bank appraisal mission visited the project site in Gongola State in December, 1980 and a follow-up mission visited state government officials again in February, 1981. The project scope has now been limited to include only the Mambilla Plateau, and the project will primarily focus on the resolution of land tenure problems on the plateau. During the February mission, the state government affirmed its commitment to a Mambilla project only and unequivocably stated its determination to deal with the land tenure problems. The appraisal report is being prepared.

Action requested: State government to proceed with work of Land Tenure Panel.

Kano Water Supply (US$115 m)

Project description: Expansion of water supply facilities in Kano. Includes limited sanitation improvements in Kano City.

Status: The project was appraised in February/March 1981. Conditions of negotiations have been stipulated in respect of tariffs, retention of revenue by the executing agency (WRECA), appointment of financial consultants, appointment of managing director for WRECA and granting of water abstraction licence.

Action requested: Satisfactory responses to above matters as condition for processing the project beyond white cover SAR.

Nitrogenous Fertilizer Project (US$100 m)

Project description: The project consists of the construction of plant units in Port Harcourt for the production of ammonia, urea, and compound fertilizers based on imported phosphoric acid with the possible addition of a unit for the production of calcium ammonium citrate. The project is primarily intended to meet future domestic fertilizer consumption which is expected to grow rapidly.

Status: The Federal Ministry of Industries has initialed a contract with Pullman-Kellogg for project engineering and construction. The contract is now awaiting approval by the Federal Government. Negotiations with Pullman-Kellogg also are well advanced for a joint-venture partnership to own and manage the plant and to market its product.
The proposed Bank project would include those components not financed by other sources, that are suitable for ICB including infrastructure, civil works and erection sub-contracts and some equipment.

Action requested: Letter dated August 31, 1980 to Permanent Secretary, Federal Ministry of Finance. Federal Ministry of Industries is to (a) complete the final application for an Ex-Im Bank credit and to copy the application to the Bank, (b) authorize release to the Bank of all relevant documents such as Ex-Im application and Kellogg contract; and (c) provide Bank with updated data on project scope and project cost including cost of associated infrastructure.

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SUMMARY AND CONCLUSIONS OF BASIC ECONOMIC REPORT

(green cover dated April 23, 1981)

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CONFIDENTIAL

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NIGERIA - COUNTRY PROGRAM PAPER

Postscript

126. The Country Program Paper was reviewed by Mr. Stern on March 19, 1980 and the proposals contained in it were approved subject to the following comments and qualifications.

(a) On the basis of the Bank's past operational experience in Nigeria, management observed that the country's project implementation capability is limited. It was felt that the build-up of lending anticipated in the CPP may be somewhat optimistic when assessed within the context of Nigeria's overall development program and the known constraints in project planning and execution. Furthermore, doubt was expressed as to the speed with which the new administration may introduce the major policy and structural reforms upon which Bank lending in many sectors is contingent.

(b) It was decided that the proposed FY81-85 lending program consisting of 39 projects and amounting to \$3.0 billion be reduced. Thirty-five operations during the five-year period were considered appropriate. 1/

(c) It was decided that cost-sharing arrangements in Nigeria should be simplified so as to bring them into line with general Bank practice. Henceforward the Bank would, as a general rule, finance the foreign exchange cost of projects without the restriction that has limited Bank lending so far to a maximum of two-thirds of project cost. At the same time, it was recognized that in practice the Bank would finance less than two-thirds of project cost in most cases. The simplification of cost-sharing was not to be interpreted as sanctioning unduly large loans. In the few exceptional cases of large projects with a high foreign exchange content, cofinancing with commercial and other sources would be sought whenever possible or feasible.

(d) Although the proposed sectoral distribution of lending was accepted in broad terms, management questioned the effectiveness of the Bank's impact in lending for power. It was therefore decided that the next CPP should include an explicit account of recent achievements with respect to policies and institutional reform in the power sector. Furthermore, policy and institution building objectives should be specifically defined for the future so that progress towards these objectives could be monitored effectively.

(e) Management stressed the importance it attached to the development of a program of applied research in Nigeria. Specific reference was made to agricultural research and to the desirability of Bank assistance in support of such research at an early opportunity. The Bank should also

1/ Subsequently, at the Bankwide Review of IBRD allocations on April 21, 1980, a lending level of \$2.3 billion was approved for Nigeria for FY81-85.

seek to mobilize and strengthen the efforts of Nigerian research institutions and should attempt to make effective use of them in the context of the Bank's own program of economic and sector work which is currently subject to manpower constraints.

(f) It was decided that the next CPP should be prepared for management review within the next 15 - 18 months. This would allow sufficient time for the policies and programs of the new government to take shape.

Western Africa Regional Office
April 30, 1980

REVIEW DRAFT

CONFIDENTIAL

Country Program Paper

NIGERIA

February 22, 1980

Western Africa Regional Office

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REVIEW DRAFT

February 22, 1980

COUNTRY PROGRAM PAPER

NIGERIA

		FY75-79	FY80-84	FY81-85
1978 Population: 81.0 million a/				
1978 per capita GNP: $560	IBRD	507.0	2,644.8	3,000.0 b/
	IDA	0.0	0.0	0.0
	Total	507.0	2,644.8	3,000.0

Current population
growth rate: 2.6% p.a.

	FY75-79	FY80-84	FY81-85
No. of Loans/Credits	17	35	39
No. of Loans/Credits per million pop.	0.21	0.43	0.48

Current Exchange Rate:
₦ 0.60 = US$1.00
₦1.00 = US$1.67

Average Lending per Capita per Annum: Current $ (Const. FY79 Commitment $)

	FY75-79	FY80-84	FY81-85
IBRD/IDA	1.3(1.4)	6.5(5.5)	7.4(5.9)
IDA	0.0(0.0)	0.0(0.0)	0.0(0.0)

a/ World Bank Atlas, 1979.

b/ The FY80-84 lending program proposed in this CPP compares with the program for the same period approved at the last Bankwide lending program review [November 5, 1979] as follows:

	FY80-84 Lending Program Approved	FY80-84 Lending Program Proposed	Percentage Change Proposed/Approved
No. of loans and credits	31	35	+13%
Current $ million	2,274.8	2,644.8	+16%
Constant FY79 Commitment $	1,912.7	2,212.4	+16%
Per capita per annum (Constant FY79 Commitment $)	4.7	5.5	+16%

NIGERIA COUNTRY PROGRAM PAPER

A. INTRODUCTION

1. Since the last CPP was reviewed in April 1975, Nigeria has experienced an eventful period, politically and economically. Two questions have been foremost in the government's mind: how to achieve a measure of political stability, and a sense of unity and nationhood, in a country as diverse and divisive as Nigeria, torn by a recent civil war; and, secondly, how best to use the considerable oil wealth generated by the 1973/74 oil price hike. Progress towards the political goals has been remarkable. In spite of the disruptions caused by a military coup (1975) which deposed General Gowon, and the assassination of the head of state, General Mohammed (1976), the government of General Obasanjo succeeded in its aim of returning the country to civilian rule in October 1979, in an orderly way. There has also been a lessening in tribal tension as a result of the creation of more states and a policy of decentralizing decision making.

2. Economic development in these years, guided by an ambitious five-year Plan (1975-80), has been marked by a rapid advance, though at a high cost, in certain sectors -- particularly physical infrastructure, heavy industry, and education. This was accompanied by a deteriorating financial position which led to a balance of payments crisis in 1978. The recovery, initiated by a tightening of financial discipline, owes much to the new surge in the price of oil during 1979. The virtual doubling of the oil price within a year has, once again, radically changed Nigeria's resources position, and is expected to provide the financial means for a continued large development effort. Yet, the longer-term outlook is perhaps not as favorable as a first glance might suggest. The return to a democratically elected government carries with it the possibility of political instability. No single party commands a majority, and the largest, the National Party of Nigeria (NPN), has thus been forced to enter into a coalition. The need for the new president, Shagari, to proceed cautiously in order not to stir up the latent tribal antagonism, and to reach agreement with his coalition partner, is expected to impair the effectiveness of the new government. Moreover, the process of decentralization, and the fact that in many states the opposition parties are in power, further reduces the ability of the federal government to impose its development objectives and policies on a national scale.

3. Our perception of Nigeria's prospects is further affected by the economic performance over the past few years. Our conclusion -- and this is a main theme underlying the CPP -- is that the government has so far failed to come to grips with the two overriding issues: (i) of how to reach the poor, and (ii) of preparing the economy for the time when the oil runs out. It is easily overlooked that, in spite of its great oil wealth, as a result of which it is classified as a middle-income country, Nigeria ranks among the poorest nations in the world. In several respects, it compares with Bangladesh. The majority of the population appears to have gained little

benefit so far from the oil boom. We are also concerned that the present strategy may not succeed in gradually making the economy less dependent on oil and eventually lead to a self-generating process of development in the non-oil sector. It is in helping the government to address these two issues that we see a vital role for the Bank.

4. This CPP comes at an opportune moment: a new government has just taken office, a Fourth Five-Year Plan is being prepared, and substantial financial resources are expected to be available over the next few years. It is encouraging therefore that the new administration has already indicated that it would welcome a continuing active involvement of the Bank.

Economic Background

5. With an estimated population of 81 million (1978), Nigeria is the largest country in Africa and ranks ninth in the world. A per capita GNP of US$560 puts it in the lower-middle income group. The country has substantial oil and gas resources, which, particularly after the 1973 oil price increase, have radically changed the financial context of development. In 1978, approximately 80 percent of government revenue and more than 90 percent of export earnings was accounted for by oil. It has permitted a level of investment of around 30 percent of national income. It must be realized, however, that Nigeria is still a predominantly rural economy, and that poverty is widespread. The standard of living of the majority of the population is probably among the lowest in the world.

6. The strong rural base is evident from the fact that agriculture provides a living to an estimated 70 percent of the population, and accounts for a third of non-oil GDP. Landholdings are typically small and yields very low. The traditional bushfallow system is widespread, and agricultural techniques rely almost exclusively on human labor. Little use is made of modern inputs; fertilizer consumption is estimated at less than 200,000 tonnes for a total area under crops of 16 million hectares. The potential for expanding the area under cultivation appears limited, and population growth has increased the pressure on land, resulting in a shortening of the fallow period. In parts of the heavily populated states in the east, and around major urban centers in the north and west, cropping is now continuous, which has serious implications for soil fertility and yields. In many livestock areas, stocking rates are twice the level permitted by the carrying capacity of the land.

7. Agricultural production has been virtually stagnant over the past decade. In real terms, therefore, we expect incomes in the rural areas to have declined, possibly to a level close to subsistence requirements. That the incidence of poverty is more severe and widespread than the per capita income figure suggests is confirmed by various other indicators of the standard of living. In terms of life expectancy (48 years), infant mortality (15.4%),

and medical facilities (14,800 persons per physician), Nigeria compares with countries that have only half its income per head. Average food consumption is estimated at less than 2000 Kcal/day, comparable to that in other African countries, but below FAO/WHO requirements of 2240 Kcal/day. Malnutrition is a serious problem: in terms of numbers of malnourished, Nigeria is listed among the 13 nations in the world facing the most severe food shortage. There are marked disparities in incidence of poverty between regions as well as between rural and urban areas. Generally, living standards are much higher in the west than in the less-developed north and the over populated states in the east. This is strikingly illustrated by a primary school (grade 1) enrollment ratio of only 40 percent in the north, compared to nearly 100 percent in some of the western states. The quality of teaching is also far inferior in the north, where 90 percent of primary school teachers are not qualified, against 55 percent for the nation as a whole. Income levels and access to health and educational facilities are usually superior in the urban areas, yet studies (1970) show that in Lagos 72 percent of households occupied only one room, and in Ibadan 30 percent of the children of low-income families died before the age of five.

8. Population. All efforts to provide a quantitative framework for analysis of development in Nigeria suffer from the lack of reliable demographic data. Whereas the results of the latest census in 1973 were not accepted by the government due to suspected fraud, the previous census of 1963 is also widely regarded as inaccurate. Underlying the difficulty of conducting a reliable count is the struggle for power between the three major regions, in which relative population size is an important factor. Demographic analysis of available imperfect data yields a population size in 1978 ranging from 70 to 87 million under varying assumptions, which compares to a figure of 81 million used by the Bank. However, for the recent elections 48 million voters aged 18 and over registered, which suggests the total population could be as high as 100 million. Given its highly political nature, we do not expect this issue to be resolved in the near future.

Political Background

9. The transfer of power to a civilian government on October 1, 1979 has ended 13 years of military rule. The process of return to constitutional government, announced in July 1975, followed closely the timetable established by the military rulers. The first stage involved the drafting of a new constitution, which is modeled on that of the United States, as is evident from the powers assigned to the federal and state legislatures and the function of executive president. When the 12 year old ban on political activities and parties was lifted in November 1978, and twenty parties were formed, but only five met the stringent conditions laid down by the constitution. These participated in a series of five elections during the summer of 1979 for the Federal House of Representatives and Senate, for the State Assemblies, for the State Governors, and finally for President. In a generally orderly election campaign, the National Party of Nigeria (NPN) of Shehu Shagari emerged as the party with the greatest and widest support, and Shagari himself was elected President.

10. Shagari and his party have been given support across regional and ethnic lines and he has better chances than any of the other candidates of unifying the country. The new President, aged 55 and a former teacher, has held senior cabinet posts in previous governments, including that of Commissioner for Finance. The main planks in the NPN program, as set out in the party manifesto, are rural development and education. Great concern is expressed about the shortage of food produced by the country. The NPN's policies include both support for smallholders through a variety of means, as well as for large scale mechanized farming. To improve living conditions in the rural areas, the party promised to provide the rural population with a range of facilities, including rural electrification for every major village in the next four years. In education, the party is by and large committed to continue the program of rapid expansion at all levels started by the military government. A conspicuous element in the manifesto is also the emphasis on meeting the need for low-cost housing.

11. A distinctive feature of Nigeria, with wide ranging political and economic implications, is the regional diversity, which has tribal as well as economic origins. The long-standing antagonism between the three main tribal groups, the Yoruba in the west, the Haussa in the north, and the Ibo in the east, is exacerbated by regional differences in available resources, and by a national development effort that, in the past, has favored the western states. Ever since the tribal tensions escalated into a civil war (1966-70), the preservation of national unity has been the government's principal concern. This led, in 1976, to the creation of an additional seven states, to a current total of nineteen, and a decision to build a new federal capital at Abuja, close to the geographical center of the country. The new constitution also provides ample evidence of an effort to ensure that future political leaders have popular support across regional and tribal lines.

12. Although both the way to return to civilian rule has been prepared and implemented, and the election of Shagari as President, are encouraging signs, many factors could still pose a threat to Nigeria's political stability. Three questions stand out: Can Shagari, without a majority in the National Assembly and in many of the states, muster sufficient support from the other parties for his programs and policies? Will he be able to establish satisfactory relations between the federal government and the states, and resolve the complex and sensitive issue of revenue sharing and of allocation of responsibilities? And, finally, will he succeed in creating a sense of unity and cooperation between the various groups, which will prevail over tribal loyalties? Without a positive answer to these political questions, we are not confident about Nigeria's economic prospects, in spite of the great opportunities that exist. It is clear, therefore, that it is the political setting that will largely determine the success of the government's development efforts.

B. COUNTRY OBJECTIVES AND PERFORMANCE

Government Objectives and Strategy

13. In the Third Five-Year Plan (1975-80) the government set out how it intended to use the large oil resources. The primary objective of the Third

Plan was to achieve rapid growth. In addition, it aimed at spreading the benefits of development widely; diversification of the economy, in particular through expansion of industrial activity; greater balance in development between regions as well as between urban and rural areas; and indigenization of economic activity. The Plan's strategy was to use the large and temporary inflow of resources to strengthen the physical and social infrastructure, and build up an industrial base. The core of this strategy consisted of an ambitious public investment program, concentrating on sectors such as power, transportation, and heavy industry, as well as education. Whereas the government relied mainly on the general rise in economic activity to raise living standards throughout the country, it also undertook to provide the low-income group with subsidized electricity, water, and low-cost housing, and to keep prices of food and other essential goods down through price control, a liberal import policy, and by subsidizing certain consumer goods and producer inputs. The introduction of universal free primary education was further seen as a long-term measure to achieve a better income distribution. To ensure that all states would share equitably in the oil wealth, a new revenue allocation formula was worked out, which established a set of criteria that would determine each state's share. A further effort to promote equality between the regions was made by introducing the achievement of a better regional balance as a criterion in deciding on the geographical location of federal projects, e.g. the establishment of an oil refinery in Kaduna. To promote greater Nigerian participation in commerce and industry, foreign enterprises were required to sell a certain proportion of their equity, depending on the type of business, to Nigerians. The use of expatriate labor was strictly limited.

14. Inevitably, the fact that the bulk of the income from oil went to the government ensured a dominant role for the public sector. A striking feature of post-1973 development was the growth of public sector spending, most notably of capital expenditure. Together, the Federal, State, and local governments, and the public enterprises, accounted for at least 70 percent of total domestic investment between 1974 and 1977, and total expenditure by the public sector was around 45 percent of GDP. Not surprisingly, the administrative capacity of the government was severely strained. Apart from the enhanced role of the public sector as a whole, a shift occurred towards greater centralization of spending decisions. Whereas around 1970 approximately 40 percent of federal revenue was allocated to the states, this dropped to less than 20 percent after 1974. At the same time, the federal government reduced the scope of the states for independent revenue collection, e.g. by unifying income tax rates, abolishing export duty and sales tax on agricultural produce. The corollary of this was that the federal authorities took over responsibility for certain types of expenditure that traditionally belonged to the states, such as primary and secondary education, roads, housing, etc.

Economic Development since 1974

15. The period 1974-77 was characterized by a rapid expansion of economic activity. Stimulated by a sharp rise in government spending, and high level of investment, the growth of non-oil GDP averaged almost 11 percent a year over this period. The services, construction, and large scale manufacturing sectors were particularly buoyant. On the other hand, agricultural production continued to stagnate. Initially, expenditure growth lagged behind the rise in income, and a rapid accumulation of external and domestic reserves occurred. Imports rose sharply due to the limited capacity of the domestic economy to respond to the rapid growth of demand. The level of merchandise imports in 1977 of $10.7 billion was nearly six times that in 1973. A combination of physical bottlenecks (e.g. port congestion, insufficient transport capacity) and manpower constraints limited the expansion of both domestic production and prevented imports from rising even more rapidly. The inflationary impact of this constraint was aggravated by substantial wage increases in 1975 following the recommendations of the Public Service Review Commission (Udoji Report). An average increase of 60 percent, retroactive to 1974, was approved for the public sector, soon followed by substantial rises in the private sector. With import prices moving up as well, the cost of living rose by 35 percent in 1975, then by about 24 percent in 1976 and 15 percent in 1977.

16. The years 1977 and 1978 brought the onset of severe financial difficulties, which ended abruptly when the price of oil went up sharply again in 1979. The financial constraint emerged more rapidly and was more drastic than had been expected. It manifested itself in the federal budget, which in 1977/78 reached an overall deficit of US$3.3 billion, and in a massive $3.8 billion current account deficit on the balance of payments in 1978. The latter led to a serious drain on foreign exchange reserves, which fell within a year from US$4.2 to US$1.9 billion (December 1978); this was the equivalent of 7 weeks imports whereas in mid-1975 reserves were sufficient to finance 9 months of imports. Towards the end of 1977 it became clear that expenditure growth, which carried the primary responsibility for these developments, would have to be severely curbed. The situation was exacerbated by a sudden drop in oil output. Having reached 2.25 million barrels per day (mbpd) in 1974, oil production fluctuated at significantly lower levels in subsequent years. In the first quarter of 1978, production fell sharply to 1.5 mbpd, mainly because Nigeria maintained a relatively high price in the face of intense competition from the newer sources of oil, e.g. the North Sea and Alaska. However, following an adjustment of the Nigerian price, production recovered strongly throughout the remainder of 1978 and in 1979.

17. The government recognized the deteriorating financial position and introduced a series of measures aimed in particular at curbing inflation and strengthening the balance of payments. Monetary policy measures included ceilings on bank credit and a rise in interest rates. Wages in the public and private sector were frozen. Investment in agriculture and in oil exploration was encouraged through fiscal incentives. While the official oil export price was lowered by 5 percent early in 1978, the price of domestic fuel was raised

by about 60 percent later that year. Most effective, however, was the introduction of an austere budget in 1978 together with extensive import restrictions. Preliminary data show that capital expenditure in 1978/79 was approximately 25 percent less than in the previous year. A wide range of consumer goods as well as intermediate goods were either banned or licensed, and substantially higher import duties were imposed. To protect its reserve position the government also successfully raised two large Euro-currency loans amounting to a total of US$1.75 billion.

18. The government has been successful in restoring a measure of economic stability. The domestic borrowing requirement in 1978/79 was negligible, the drain on foreign exchange reserves was halted, and the rate of inflation leveled off at around 15 percent. However, the circumstances that gave rise to the need for corrective action have recently changed considerably. During 1979, Nigeria raised its oil price -- in accordance with OPEC policy -- in four stages to a level of $26.27 per barrel in December 1979, which compares to a price of $14.10 in December 1978. Oil production in the first half of 1979 reached a record level of 2.4 mbpd, 25 percent above the average level in 1978, but was then reduced to 2.15 mbpd starting August 1. The combined effect of these two factors on the country's finances has been dramatic. Export earnings could exceed last year's by over 60 percent, much of which would build up the reserve position, and federal revenue could rise from a budgeted $14 billion to over $20 billion. The following two tables bring out the extraordinary ups and downs in the balance of payments and in the federal budget since 1973.

Table 1: BALANCE OF PAYMENTS SUMMARY
(millions of US dollars)

	1973	1974	1977	1978	(est.) 1979
Exports + NFS	3,756	9,927	12,977	10,943	18,300
of which oil	(2,883)	(8,521)	(11,556)	(9,456)	(16,720)
Imports + NFS	2,749	4,362	13,274	14,195	15,540
Investment income and transfers (net)	- 922	- 696	- 720	- 742	- 800
Current account balance	85	4,869	- 1,018	- 3,749	1,960
Direct foreign investment	284	289	440	186	200
Borrowing (net)	- 162		- 225	1,386	1,270
Increase in reserves (-)	- 207	- 4,967	803	2,177	- 3,430

Source: Central Bank of Nigeria and IBRD estimates

Table 2: FEDERAL GOVERNMENT BUDGET SUMMARY
(millions of US dollars)

	1973/74	1974/75	1978/79	(budget) 1979/80	(rev. est.) 1979/80
Total revenue	3,306	8,234	11,453	13,885	20,500
of which from oil	(2,224)	(6,652)	(8,123)	(10,942)	(17,557)
Retained revenue 1/	2,813	6,905	9,480	9,890	15,000
Recurrent expenditure	1,149	1,682	4,055	4,323	4,323
Capital expenditure	1,228	2,998	7,439	9,935	11,735
Overall balance	435	2,224	- 2,014	- 4,368	- 1,058

1/ Excluding statutory allocations to State and Local Governments.

Assessment of Economic Performance

19. The commitment of large oil-generated financial resources to an ambitious development plan has had some notable results. Marked progress has been made in building up the physical infrastructure and expanding education: an extensive modern trunk road system (approximately 10,000 miles) is nearing completion, providing greatly improved north-south and east-west links; the present installed electricity generating capacity is 1600 MW, compared to 500 MW in 1973; investment in new port capacity raised the number of berths from 29 to 58, and 16 airports were either newly constructed or extensively upgraded; and, though the target of universal primary education (UPE) by 1980 will not be achieved, the doubling of the number of primary school pupils from 4.7 million in 1973 to over 9 million in 1977 is nevertheless a formidable accomplishment. Whereas it is easy to point to some of these specific achievements, we are on less firm ground when trying to assess the extent to which expenditure has been well directed, and has been efficiently used. At this stage we are only able to draw some broad conclusions with regard to the choice of strategy, plan implementation, and general economic management.

20. Despite the quite remarkable growth in non-oil GDP, we see three principal flaws in the government's handling of the economy. They concern:

(i) Diversification: the government has been unsuccessful in reducing the country's dependence on oil in order to move towards a viable economic structure in the long term;

(ii) Poverty: the efforts to direct the benefits of the oil boom to the poor have been ineffective; and

(iii) Economic management: considerable inefficiency in the use of resources, due to an inadequate system of public administration, has marked development during the Third Plan period.

As a result, an economic environment has emerged that is damaging long-term growth prospects. Income differences also appear to have increased markedly.

21. Diversification. The growing dominance of the oil sector has in part arisen from the failure to achieve a satisfactory development of the commodity producing sectors. The virtual stagnation in agriculture is one of the most worrying aspects of Nigeria's development in the 1970s. Growth of production is estimated at less than 1 percent a year over the last decade. Food imports rose five-fold within a few years, from about $300 to $1500 million between 1974 and 1978, and agricultural exports declined steadily. Food prices have been the fastest rising component in the cost-of-living index. Recent Bank estimates indicate a potential food deficit in 1990 of 11 million tons (cereal equivalent) or 40 percent of demand. This poor performance can be traced to a lack of commitment of the government as well as to an inappropriate investment and incentives policy. The government has placed strong emphasis on large-scale irrigation, mechanized cultivation, and government-run production schemes. More than 50 percent of expenditure on crop-agriculture is accounted for by these activities. Not only is the return on this type of expenditure generally low, but such projects hardly affect smallholders who produce over 90 percent of total agricultural output. A few programs have been started that concentrate on the development of rainfed smallholder agriculture. They include the Operation Feed the Nation (OFN), the National Accelerated Food Production Project (NAFPP), the Agro Service Center program (ASC), and the Bank-assisted agricultural development projects (ADP). Except for the ADPs, these programs have suffered because of poor management, a shortage of funds, or because they have been stretched too thinly in order to cover all states. Further, by maintaining a relatively fixed exchange rate at a time of rapid domestic inflation, the government has created a disincentive for the production of certain crops, for which its policy of subsidizing inputs and producer prices has failed to provide adequate compensation.

22. There are signs that the government impressed by the favorable results of the first few ADPs, is shifting the emphasis of its agricultural strategy towards support for smallholder production. In addition to its request for an acceleration in Bank lending for this type of project, the new government has asked the Bank to assist in preparing the next five-year plan for the agricultural sector.

23. The principal objectives in industry, apart from rapid growth of output, appear to be indigenization of industrial activity, and structural diversification of the sector, i.e. away from light consumer goods industries towards the production of intermediate and capital goods. However, the Plan mentions various other objectives as well, including regional diversification. In some respects the performance of the sector has been satisfactory. Growth of manufacturing averaged over 12 percent a year over the past four

years, and indigenization, following the Nigerian Enterprises Promotion Decree of 1977, proceeded smoothly. By the end of 1978, a total of 1200 firms had sold the required proportion of their share capital to Nigerians, representing a value of $550 million. Plans for the establishment of heavy industry — cement, integrated steel mills, fertilizer, machine tools -- are also well under way. On the other hand, two aspects of industrial development in Nigeria cause serious concern. The first is that many of the new enterprises do not appear to be efficient users of resources, and are unlikely ever to be viable. A recent report on industrial incentive and location in Nigeria concluded that 27 percent of industry would be unviable in the absence of protective measures. This percentage is thought to be much higher for industries established by the government over the last five years. Secondly, industrial development has been output rather than job-oriented, particularly over the last few years. The high capital intensity is illustrated by an average cost per job-created of $55,000 for investments by the Nigerian Industrial Development Bank in 1976 and 1977, which is partly due to the need for captive infrastructure. The promotion of small-scale enterprises has not been actively pursued. It is evident that with regard to industrial investment by the public sector, criteria such as economic viability and job creation have not been given much weight. Employment creation may not have seemed an important objective in recent years when labor shortages occurred in urban and rural areas, but this is a temporary phenomenon only. Likely demographic trends and the pattern of migration suggest that job creation must be given high priority. As regards the private sector, the government has allowed serious price distortions to develop. Maintaining an overvalued exchange rate, in particular, has created a strong bias in favor of import-using industries, and against domestic production of intermediate and capital goods. It has also discouraged the use of labor intensive technology. Thus, government policy appears to have been inconsistent with the sectoral objectives, as it has discouraged structural diversification and the use of local materials. By creating an import bias, it favored concentration of firms near ports, particularly Lagos.

24. The impact on the poor. Progress towards the alleviation of widespread poverty in the country has on the whole been limited. The view underlying the Third Plan was that the rise in economic activity would lead to a general increase in living standards. However, most of the poor derive the bulk of their income, directly or indirectly, from agriculture, and this sector has not performed well. Despite the declared intentions in the Plan, smallholders have until recently not been the principal focus of the agricultural strategy, nor have small-scale enterprises been given much support. It is true that many jobs have been created in the services and construction sectors, but the total number is still relatively small. Most specific measures directed at the low-income group have had a negligible impact, though within the civil service the Udoji awards in 1975 did achieve some reduction in income inequality by differentiating the pay increases in favor of those in the low grades. The Plan put considerable emphasis on income transfers through the provision of subsidized housing and public utility services. These benefits do not reach the rural population, however; even in the urban

areas the distribution network for water and electricity usually serves only the better-off. The federal low-income housing program, for which the Plan had allocated over $3 billion, was largely a failure. The principal achievement of the program has been to build 7,400 housing units ranging in price from $40,000 to $200,000. Certain food stuffs have been for sale at subsidized prices, of which meat is by far the most important item. However the meat subsidy, which may have cost around $55 million in 1977, is of limited benefit to the poor, who consume little meat, and is restricted to major urban centers. The government tried to contain the rise in prices of food and other essential commodities through direct controls, but abandoned the attempt later, as the price controls could not be effectively enforced. The only program that has had an important distributional aspect is UPE. Though its implementation can be criticized on grounds of high cost and poor quality, it has been a bold step towards the long term objective of equal opportunity for all Nigerians. Apart from UPE, the anti-poverty measures have further strengthened the urban bias that is already evident from the government's expenditure pattern. There have been few efforts to counterbalance the strong pull exerted by the growth in employment and income-earning opportunities in the towns, which has encouraged the movement of labor out of the rural areas.

25. Economic management. In the Third Plan, the government set itself an extremely ambitious task. It recognized that absorptive capacity was limited, yet the pressure and temptation to spend the oil wealth and achieve quick results was enormous. The drawback has been a widespread waste of resources, inflation, and the emergence of an incentive system that hinders the establishment of viable economic activities. It is not that Nigeria used its oil wealth to create grandiose schemes, as happened elsewhere; rather, development has been achieved at excessively high cost, project design standards have been inappropriate, and insufficient attention has been given to the rate of return on investments. Road construction costs are at least double those elsewhere in West Africa, as are the costs of building schools, another large expenditure item. Examples of the lack of planning were the ordering of cement vastly in excess of the volume that ports could handle, and the air freighting of all parts for a car assembly plant in Kaduna.

26. The inability of the government to maintain a balance between overall demand and supply has been a principal factor in the rapid rise in domestic prices and the drain on foreign exchange reserves. Initial measures to curb inflation -- price control, wage freeze, import liberalization -- have only been partly effective, and it was not until the financial position had become quite critical in early 1978 that drastic action was taken to bring the economy under control. In its handling of the financial crisis the government showed its ability to act forcefully when necessary. It remains to be seen whether these measures reflect a more permanent change in favor of greater restraint. The evidence of the 1979/80 budget is ambivalent on this point. The considerably easier resource position associated with higher oil prices has induced a sharp rise in capital expenditure; on the other hand, the rise in recurrent expenditure is modest and the quantitative restrictions on imports of various consumer goods and intermediate goods have been further tightened, not relaxed.

27. With the rise in domestic prices exceeding inflation in Nigeria's main trading partners, and no corresponding adjustment in the exchange rate, the competitive position of domestic producers has been undermined: demand has shifted towards cheaper imported goods and (non-oil) exports have become less attractive (paras 21 and 23). Farmers have been protesting strongly against the imports of cheap rice and maize. The minimum wage, when converted at the official rate of exchange, is a multiple of that in most African and many Asian countries, thus putting Nigerian production at a disadvantage. Data do not permit us at the moment to analyze the impact of this trend in any detail, 1/ but the considerable tightening of trade restrictions over the past two years seems to indicate that it is becoming widely felt. The government has opted for a system of tariffs, subsidies and trade restrictions to protect certain producers. However, the operation of such a system of controls is cumbersome and, due to the data limitations, necessarily arbitrary.

28. That economic management has been weak is not surprising when we consider the excessive burden placed on the civil service in having to cope with an unprecedented expansion in public spending. Not only was it badly equipped for this from the outset, but several events, and government policy itself, combined to exacerbate the situation. Soon after the overthrow of the Gowon government (1975), 10,000 civil servants were dismissed for reasons of inefficiency and corrupt practices, which badly affected civil service morale. The creation of seven new states in 1976, and the reform of the system of local government, added to the demand for skilled manpower. At the federal level, the strain on the administration was increased by the process of centralization, whereby responsibilities were transferred from the states to the federal government, e.g. in housing, road construction, education. The difficulties were compounded by the policy of frequent rotation of staff, and by the wages and salaries freeze, which increased the pay differential between the private and public sector. As a result, a serious shortage of technical, administrative and managerial manpower throughout the public sector has made it impossible to properly plan the growth in spending, or to adequately prepare and appraise the many projects included in the Third Plan. Similarly, the execution and operation of projects has suffered from a lack of skilled staff. This was aggravated by the strict limit imposed on the employment of expatriate personnel as part of the government's indigenization policy. It has proved difficult for the authorities to exercise control over the financial operations of ministries and lower levels of government due to the poor state, in some instances complete absence, of accounts. These inadequacies will persist for many years and continue to influence the performance of the economy.

Conclusions

29. From this assessment of past performancce, three issues emerge that have a vital bearing on the long run economic outlook for Nigeria. The extent to which they will act as a constraint on development is, in large part, in the government's hands.

1/ An imperfect indication of the extent of the deterioration is that trends in the price indices in Nigeria and in its main trading partners, as well as in the import weighted exchange rate of the Naira, suggest that since 1973 average costs in Nigeria may have risen by 46 percent relative to those outside Nigeria.

(i) Change in development strategy. The present strategy underlying the Third Plan must be adjusted in two essential respects. First, more effective support must be given to the development of agriculture and industry, in ways that will lead to a viable productive structure. Past efforts have either not been successful or have been ill directed, resulting in uneconomic ventures. Secondly, development must reach down to the poor, making growth more broadly based, thus creating production and consumption patterns that can be sustained when the contribution from oil declines.

(ii) Public administration. Past experience has shown that the limited ability to administer the vast oil resources has been the most critical constraint (see para 28). This bottleneck cannot be removed quickly, and will thus continue to be the principal factor in determining future progress. Increasing the economy's absorptive capacity should be the government's overriding concern. Training is obviously important, but there are also a number of ways in which better use can be made of available resources, particularly in improving public administration. These include: a review of personnel policies, such as slowing down the rotation of civil servants; a more flexible wage and salary policy, adequately rewarding particularly scarce skills; generally strengthening the planning capacity; containing the growth of public spending, thus easing the pressure throughout the public sector; and considering ways in which certain activities and responsibilities could be transferred to the private sector, where the manpower situation is relatively easier.

(iii) Exchange rate policy. In common with several other mineral or oil-rich countries, Nigeria is maintaining an exchange rate that appears to be overvalued with respect to the non-oil sector. As pointed out above (para. 27), the combined effect of a relatively stable exchange rate and high inflation has hurt domestic producers and contributed to the decline of non-oil exports and the rise in imports. To contain the latter, the government has introduced restrictive measures, though no special incentives were given to encourage exports. As such a system of controls and incentives would greatly strain the already weak administrative capacity and, in the absence of relevant information on production costs, would be highly arbitrary, it is likely to be ineffective. What is required is a realistic realignment of the exchange rate to correct for the existing distortions. This could be achieved either through a straight devaluation, perhaps introduced in steps, or possibly through the use of different effective exchange rates for oil exports and other goods. In advocating such a measure, we obviously do not have short term balance of payments considerations in mind. On the contrary, the argument rests on the need for long term structural change, and although other factors enter as well, cost and price relationships play a significant role in bringing such a change about. Several questions arise in this context which cannot be readily answered at this stage. Can we expect such a measure to be successful in the Nigerian circumstances? How large should a devaluation be? What other measures should accompany it? And when should it be introduced? While these questions must be addressed carefully, it is quite clear that the success of an exchange rate adjustment will rest in large part on the ability of the government to contain the inflationary pressures that a devaluation might generate, particularly in a situation of substantial balance of payments surpluses. We realize that this will require considerable fiscal discipline, yet we think it is more likely to succeed than any alternative measures.

Development Prospects

30. In terms of resource endowment, Nigeria has considerable potential for rapid development. With its income from oil it is maintaining one of the highest investment ratios in the world, and has the capacity to sustain a large volume of imports; it has adequate natural resources apart from oil, and a potentially wide internal market. Furthermore, as the price of oil is expected to increase in real terms, Nigeria should benefit from a continuing improvement in its terms of trade. Nevertheless, we view the country's future with some apprehension. In part this stems from the fact that the economy is handicapped by a severe shortage of qualified manpower and effective institutions. Furthermore, though income from oil is large, it is expected to grow only slowly. The doubts are also inspired by the political situation: the way the transfer of power to a civilian government has been prepared and the elections have been conducted is encouraging, but tribal and regional tensions persist, and could always erupt. There is also the danger of a political regime being tempted to appease voters.

31. Any analysis of Nigeria's economic prospects at this stage must be tentative. The difficulty stems in the first place from the data base supporting our assumptions. Quite apart from our doubts about the reliability of the data itself, and its limited coverage, it is difficult to make projections on the basis of historical relationships, since these are distorted by the disruptions caused by the civil war as well as by the convulsive nature of development since 1974. Secondly, the prospects are extremely sensitive to changes in price and output of oil, and we are not confident about our assessment of the outlook for oil. Finally, a new government has assumed office in October, and a new five-year Plan (1980-85) is under preparation; how this might affect Nigeria's future is still somewhat uncertain.

32. The oil price. Not only is the recent increase in the price of Nigerian crude from $14.10 to $34 larger than the rise five years ago, but this time, the incremental income it generates comes on top of a level of export earnings and government revenue that is already high. Exports, adjusted for terms of trade changes, are expected to amount to 38 percent of

GDP (54 percent of non-oil GDP) in 1979, compared to 28 percent (38 percent of non-oil GDP) in 1978. Furthermore, we assume that the price of Nigerian crude will gradually rise by an average 2 percent per annum in real terms through 1990, when it would be around $80 per barrel.

33. How best to use this oil wealth is the central issue for Nigeria. With oil (and gas) being a wasting asset, the question is how to phase and allocate the income from this source in order to ensure that satisfactory growth in the non-oil sector, now heavily dependent on oil-financed investment and imports, will be self-generating before oil runs out. This would be in 20 years on the basis of proven oil reserves and current rates of extraction, but subsequent discoveries could extend this period. However, long before oil ceases flowing, Nigeria will have to face the consequences of being unable to maintain a steady rise in oil production, and thus in exports, while its development effort generates a growing demand for imports. This underlying divergence in growth rates of imports and exports may not raise immediate concern in the wake of the new surge in oil prices, but it has serious implications for long term economic prospects. What this requires is a fundamental restructuring of the economy, involving a shift in the pattern of consumption away from imports, a reorientation of production towards the use of local inputs, and a major role for non-oil exports. The speed with which such a strategy can be implemented is constrained by the limited absorptive capacity of the economy as well as by the fact that the policies and investment effort of the past, and the evolving structure of production and consumption, have locked the country into a pattern of expenditure and a reliance on imports from which it can disengage itself only gradually.

34. Economic prospects. The manifesto of the NPN, Shagari's party (see para. 10), and official statements over the past months, indicate that the new administration sees the next few years as a period of consolidation. Their program stresses rural development, low-cost housing and education. However, the precise nature of the government's priorities and policies is not yet known. Objectives may have to be adjusted because of the political need for compromise, and new targets may be set in the wake of the recent further sharp rise in the price of oil. We therefore present the economic outlook in the form of three projections, based on different assumptions about the government's actions. They are meant to illustrate the options open to the Government, and have a limited predictive value for reasons given earlier (para. 31). The assumptions differ essentially in their phasing of the use of oil resources, and in their emphasis on structural change. Variant I is based on a continuation of the Third Plan strategy, as the new administration has indicated that it accepts in broad terms the strategy and policies of the previous military regime. However, in spite of the improved outlook for oil, we think this course is not viable in the long run, and would require a major and painful adjustment in the later 1980s. Variant II shows what could be achieved if more forceful and immediate action was taken to ovecome the structural weaknesses in the economy, and if, through a more modest investment effort, oil income was spread out over a longer period. These two variants probably represent the two extreme scenarios one could realistically expect. Whereas some departure from the Third Plan strategy, in line with the second

variant, has already been announced -- e.g. the emphasis on rural development -- it could be politically difficult to take the full range of measures which the favorable scenario would require. A third variant, therefore, incorporates some of the suggested policy changes and its outcome represents an intermediate option.

Table 3: MACRO-ECONOMIC PROJECTIONS

		GDP growth 1/ (% p.a.)	Investment ratio 2/ (%)	ICOR	Export 3/ growth (% p.a.)	Import growth (% p.a.)
	1974-79	4.6	28.3	5.7	3.0	18
Variant I	1979-85	5.7	28.1	5.9	4.5	7.6
	1985-90	5.0	20.1	4.9	1.5	2.0
Variant II	1979-85	5.6	26.3	5.5	4.6	5.8
	1985-90	7.3	23.6	3.8	1.7	5.5
Variant III	1979-85	5.7	27.2	5.6	4.6	7.0
	1985-90	5.9	20.2	4.4	1.6	3.0

1/ growth rates of non-oil GDP are higher.
2/ as percentage of Gross Domestic Income.
3/ adjusted for terms of trade changes.

35. Under Variant I we assume that the government will step up public investment in response to the much improved resource position. Infrastructure and large industrial operations will continue to attract the bulk of this. With foreign investors encouraged by a more sympathetic attitude of the new regime, total investment over the period of the next Plan will reach 28 percent of gross domestic income, similar to that in the period 1975-79. Calls for an end to the wage freeze are bound to become stronger. If they are successful, as we assume they will be, production costs would rise further vis-a-vis those of foreign producers, given the government's current opposition to an adjustment of the exchange rate. The scope for expanding non-oil exports under these circumstances would be limited.

36. Under present policies, we consider that the public sector will not be able to cope effectively with this high level of spending, nor will public investment decisions and policies affecting the private sector generate sufficient viable activities to significantly reduce the dependence on oil over the next decade. Consequently, although growth of GDP, particularly in the services and construction sectors, will be stimulated by the rise

in expenditure, a high ICOR (5.9) and strong demand for imports characterize development during the first part of the 1980s. With imports growing substantially faster than exports, the balance of payments would turn around in 1984. Initially, the deficits are financed by drawing down the foreign exchange reserves from a peak of $19 billion in 1983, to a minimum of 3 months imports, but faced with the longer term prospect of an unacceptable level of external borrowing, the government is expected to slow down the development effort by substantially reducing investment. As a result, the investment ratio drops from a high of 30 percent of gross domestic income (GDY) in 1981, to 18 percent in 1990, and growth of non-oil GDP similarly declines from 8 percent in the early 1980s to 5 percent by the end of the decade. Even then, the net external borrowing requirement averages $6 billion a year during 1988-90. This scenario illustrates the problems Nigeria may face if it maintains its present course. However, a substantially better picture emerges if certain changes in strategy and policies are made, as shown in variant II.

37. The strategy underlying variant II aims at a much more rapid restructuring of the economy. It differs on three essential points from the present approach: it concentrates on making better use of resources, puts greater emphasis on commodity production, and aims at widening the distributional impact of development. To improve resource use, the government is expected to focus on training and institution-building, strengthening of the planning mechanism, tightening of project appraisal and selection criteria, and rely to a greater extent on the private sector. In addition, the level of public expenditure would be determined with due regard to the limited absorptive capacity, thus easing the pressure on government machinery. Such a policy of expenditure restraint would spread income from oil over a longer period, and allow the process of structural change more time to yield results. This variant also assumes (i) that the investment program will reflect greater concern with commodity production and distributional issues; (ii) that in allocating resources more attention will be paid to the economic rate of return and the long run viability of new activities; and (iii) that a flexible exchange rate policy will ensure a more appropriate incentive structure to guide decision making.

38. In spite of a lower level of investment, the rate of growth of GDP is similar to that under variant I during the early 1980s, thanks to a better utilization of resources. This is reflected in a more rapidly declining ICOR, down to about 4.6 in 1985 and 3.3 by 1990. Foreign exchange reserves are expected to accumulate through 1988, to a level of $46 billion, equivalent to 11 months imports, largely because lower public expenditure and a better performance of domestic production will restrict import growth in the earlier years. An alternative to letting reserves accumulate would be to adjust the volume of oil production. Non-oil exports are rising rapidly, yet the impact of this is negligible in view of their small share in total exports. In the absence of balance of payments constraints, the economy would continue to grow vigorously in the second half of the decade, as distinct from the forced slowdown in the first case.

39. In preparing the first two variants we intended to present the outlook for the economy both from a pessimistic and an optimistic viewpoint, while still trying to be realistic. However, to predict what is most likely

to happen, we must consider a number of factors that could influence the government's actions. First, there is the sheer size of the increase in oil income itself, which is going to make it difficult to exercise restraint in spending, particularly since a newly elected government has just assumed office and will be under pressure to honor election promises. The 1979/80 budget had held additional capital expenditure of US$1.8 billion in reserve until the revenue position would be clearer, and this is now likely to have been spent. For the same reason, the need to tighten investment criteria and adjust the exchange rate will appear less urgent. Furthermore, following the belt tightening in 1978, pressure will mount to catch up on the delays in implementing the Third Plan. With the Plan period about to end, a large number of projects are still unfinished. In many cases, the federal and state governments are financially committed to complete them. The total cost, in today's prices, of all federal projects under progress, or about to be started is roughly estimated at US$50 billion (₦27 billion). Of this, only just over half may have actually been spent by the end of 1979, leaving capital expenditure in the order of US$25 billion to be included in the Fourth Plan. To this must be added financial commitments, or intended capital expenditure on Plan projects, by the states, about which we have no information. Apart from the fact that this overhang from the Third Plan may stimulate an increase in expenditure, it certainly limits the government's scope for the crucial change in the pattern of investment. Several of the large investments that are about to be undertaken, including two integrated steel mills, a petrochemical complex and others, do not appear to be in line with suggested investment criteria. Finally, the federal structure of government tends to make it less easy to enforce measures to improve resource use. The trend towards decentralization, which is expected to become stronger, is resulting in a transfer of responsibility to the states in such areas as agriculture, small-scale industry, education, urban development, power and water supply. This otherwise laudable policy has the drawback that it limits the federal government's authority over the way the states use their resources. Whereas all these factors appear to make the first variant the more likely one, there are also some good reasons to believe that the years 1974-78 have provided a useful experience about the danger of expanding too quickly, and that in future the government may be more circumspect in its use of the high oil revenues than it was in the past. There seems to be a greater awareness that financial resources alone do not provide a sufficient basis for development. This explains why the Nigerians would like to see a major involvement by the Bank, which would give us an opportunity to play a constructive role in influencing the composition of the investment program and the efficiency of resource use.

40. On balance, we think the actual course of events will lie somewhere between variants I and II. In terms of public investment and import levels over the next few years, the first scenario is probably more realistic. Yet, in the light of the government's declared intentions and their expressed interest in a major involvement by the Bank, we believe that a distinct improvement in resource allocation and economic management may be achieved. This would lower the ICOR and relieve the pressure on imports, thus allowing a more rapid growth of GDP. In this respect, the outcome would be closer

to variant II. The principal elements of this intermediate course are shown in table 3 under variant III; the detailed projections, based on this variant, are shown in the annexes.

C. EXTERNAL FINANCE

41. 1978 marked the first major external borrowing operation by Nigeria, when it entered the Euro-dollar market and concluded two loans totalling US$1.75 billion to help cover the large US$3.8 billion current account deficit in that year. Since then the balance of payments has turned around dramatically. Under variant III, we expect foreign exchange reserves to accumulate to a level of US$25 billion in 1985, to be drawn down gradually over the subsequent five years as the balance of payments again turns into a deficit.

Table 4: EXTERNAL CAPITAL REQUIREMENTS: VARIANT III
(millions of US dollars)

	1975-79	1980-85	1986-90
	-------Annual Average------		
Requirement	881	2593	3538
Current Account Deficit/Surpluses (-)	755	-1982	3413
Amortization	143	1181	1854
Increase/Use (-) of Reserves	-17	3394	-1729
Financing	881	2593	3538
Foreign Investment	317	533	733
Long Term Borrowing	604	1857	2464
Other Capital	-40	203	341

42. The net inflow of direct foreign investment averaged US$320 million in recent years, more or less equally divided between the oil and non-oil sectors. As a result of the indigenization policy, this amount may decline temporarily while the proceeds of the equity sales -- spread out over two years -- are transferred and investors are discouraged by the forced take-over. However, a resumption of the past trend is likely to occur once the political uncertainty associated with the change in government is over. External borrowing has been very modest from 1974 to 1977, then went up sharply in 1978. Total debt outstanding (including undisbursed) was only US$1.3 billion at the end of 1977, but increased to US$3.3 billion the following year. The

share of commercial debt in this went up from 4 percent in 1977 to 55 percent in 1978 as a result of the Euro-dollar loans. During 1979, project related borrowing in the form of suppliers credits or through financial institutions has been arranged or were being prepared to a total of well over US$2 billion. There are indications that the government intends to continue to borrow on commercial terms, notwithstanding the surpluses on the balance of payments, in order to maintain a presence on the capital market, which would facilitate borrowing in later years. We have assumed that 10 percent of its capital goods imports would be thus financed. Bilateral assistance has been minimal since the oil boom. Total commitments from this source between 1975 and 1979 averaged only US$35 million annually. There is likely to remain a reluctance among donors to lend to an OPEC country, particularly after the recent series of price increases. Nevertheless, we have assumed that because of Nigeria's size and importance, some increase is likely, possibly to a level of around US$80 million annually over the next five years. This compares to proposed average Bank commitments of US$585 million annually over the next five years, to be maintained at that level in real terms thereafter.

Table 5: EXTERNAL CAPITAL COMMITMENTS, BY SOURCE: VARIANT III
(millions of US$ dollars)

	1975-79	(%)	1980-85	(%)	1986-90	(%)
	---------Annual Average---------					
Multilateral	126	(15)	663	(34)	937	(35)
- IBRD	(119)	(14)	(585)	(30)	(821)	(31)
- other	(7)	(1)	(78)	(4)	(116)	(4)
Bilateral	35	(4)	80	(4)	110	(4)
Commercial	690	(81)	1,201	(62)	1,601	(60)
TOTAL	851	(100)	1,944	(100)	2,648	(100)

Creditworthiness

43. Nigeria's external debt position is characterized by a historically low level of indebtedness, and a rapid accumulation of commercial debt in 1978 and 1979. At the end of 1978, total debt outstanding (including undisbursed) was around 7 percent of GDP, and the debt service amounted to 1 percent of exports. The servicing of the newly contracted commercial loans will peak in 1984, yet the overall debt service ratio will then not exceed 6 percent. Bank exposure, at 50 percent of debt outstanding and disbursed,

was very high in 1977, but fell sharply to below 15 percent currently due to the expansion of commercial debt. During the 1980s, the need for external borrowing will be limited, given the sizeable reserves. Nevertheless some capital inflow from non-Bank sources is likely to take place (see para. 42). As non-Bank debt would rise only slowly, Bank exposure, expressed as a proportion of total debt outstanding, could reach almost 40 percent by 1990. This may appear high, but is less relevant when several other factors are considered. The Bank's share of total debt service would only be 25 percent and, with an overall debt service ratio of 4 percent, the service on the Bank's debt would amount to no more than 1 percent of export earnings. Furthermore, total external debt by 1990 would not exceed US$11 billion, or 5 percent of GDP. Finally, if the projections are extended beyond 1990, the need for commercial borrowing can be seen to rise quite rapidly, and Bank exposure would drop accordingly. In any case, since the high exposure rate is not projected to occur until the end of the decade, there will be ample time to keep this issue under review and make timely adjustments if necessary.

44. In terms of debt service burden and Bank exposure, there is no reason to be too concerned about the projected borrowing program, at least for the period under consideration. Our projections, in line with normal Bank practice, cover a period of roughly ten years, through 1990. Given the present degree of uncertainty, we consider that extending the projections would be rather conjectural. Nevertheless, we recognize that in two respects the outlook over a much longer period justifies some caution with regard to Nigeria's creditworthiness. Variant III indicates a sharp rise in external borrowing requirement towards the end of the decade. It arises because imports will by then have caught up with the rise in export earnings generated by the present oil boom, while the structural transformation of the economy, on which an improvement in the external resource balance ultimately depends, is proceeding only slowly. The full implications of this trend, in terms of increased borrowing or stronger action by the government, cannot be considered without evaluating Nigeria's prospects over a much longer period. Secondly, by limiting the time span of our projections, we do not analyze, in a consistent way, the effects of the expected phasing-out of oil in the beginning of the next century. This still lies well into the future, yet by 1990 the realization of its consequences will be much more acute, which could considerably affect the economy's course in subsequent years.

45. The principal doubt regarding the assessment of Nigeria's creditworthiness concerns the realism of the projections and the underlying assumptions. We have already touched upon some aspects of this. We stressed the poor quality and coverage of the data, and consequently the difficulty of assessing the impact of the recent investment effort and the speed with which the economic structure can be changed. Further, given the dominance of oil in the economy, the uncertainty with respect to the future of the oil market introduces a highly speculative element in the projections. Nevertheless, the recent increase in the resource inflow has been of such proportions that only a quite sharp deterioration in the oil price would affect Nigeria's creditworthiness. Much would depend on how the government would react to a severe downturn on the oil market. This brings us to our final point: the critical assumptions regarding the priorities and policies of the new government, and the uncertainty about the political power of the new regime. However, even if our assumptions regarding these points turn out to have been

too favorable, the combination of financial strength and low level of indebtedness would make it difficult to seriously question Nigeria's creditworthiness for Bank lending. What does emerge clearly is the need for an expanded economic and sector work program for Nigeria, as well as for maintaining an intensive economic dialogue with the government, particularly over the next twelve months when presumably the new administration will be formulating its economic policies and preparing the Fourth Plan. These projections should thus be seen as provisional. In twelve months time, the political uncertainty should to a large extent be resolved, and together with the results of our scheduled economic and sector work, this should put us in a much better position to assess Nigeria's long run economic prospects.

D. PROGRESS TOWARDS PRIOR GOALS

46. At the time of the last CPP review in mid 1975, Management agreed to a major realignment of the Bank's lending strategy to Nigeria once it had become clear that a substantial balance of payments surplus would be generated by the oil boom. Lending was to be directed specifically towards "projects and programs where our presence will contribute to the allocation and efficiency of investment to the high priority sectors and, in particular, to investments that will directly benefit the rural and urban poor." It was stipulated also that lending should focus on areas where opportunities existed to strengthen the institutional framework of investment planning and implementation. Furthermore, projects and programs were to be undertaken only where there was explicit Federal Government support for Bank involvement.

47. In terms of defining a broad framework for Bank lending to Nigeria, the guidelines enunciated in 1975 might apply equally well today. At that time, however, they were interpreted more narrowly to indicate a program that was confined to lending for agriculture, small-scale industry and water supply. It was envisaged that the annual average of lending would amount to $120 million during the period FY76-80.

48. In practice it proved difficult for the Bank to achieve even these limited goals in the following three years. The full energies of the Government were absorbed in pursuing the ambitious targets of the Third National Development Plan which was predicated upon the assumption that Nigeria would remain a capital surplus country throughout the Plan period and beyond. Being eager to achieve physical planning targets within a short time span the Government frequently bypassed the economic and financial appraisal of projects and often resorted to the "design and build" approach. In these circumstances there was little scope for Bank involvement.

49. During the greater part of the three years which followed the 1975 CPP review, the only sector in which the Bank was able to sustain active lending was agriculture. Even here achievements fell short of our targets by a significant margin. Whereas a program of 9 loans amounting to $281 million had been proposed in the CPP for the three years FY76-78, only three loans totalling $92 million were actually made. Yet despite this shortfall the Bank was able to contribute significantly to agricultural development in Nigeria through the implementation of previously approved

projects (particularly the agricultural development projects at Funtua, Gombe and Gusau) as well as through the preparation of new projects. Our efforts in this sector, during a period of difficult country relations, were successful in that they achieved the basic CPP objective of ensuring not only "that viable projects are prepared and initiated, but that a fair share of the development effort is directed to improving the condition of the small farmer."

50. By way of contrast, the fulfillment of other lending objectives espoused in the 1975 CPP would have entailed the development of effective operational relationships in sectors that were new to the Bank in Nigeria. In the years immediately following the oil boom this did not prove possible. Those public sector agencies which had no previous operational experience with the Bank were unwilling to submit their projects to the rigorous appraisal and contracting procedures associated with Bank lending, preferring instead to make use of Federal Government funds which, at that time, were readily available. Projects that were inherently complex and that demanded meticulous preparation (such as effective support for small-scale enterprises) were often put aside in favor of projects that lent themselves more easily to simple implementation, perhaps on a turn-key basis. In those circumstances, the small-scale enterprises project and the four water supply projects proposed in the CPP for the two years FY76 and 77 did not materialize, although two of them were processed through appraisal.

51. A turning point in relations between the Bank and Nigeria came late in 1976 by which time it was already clear to the Government that the overall balance of payments was moving into deficit and Nigeria would need to borrow abroad in order to finance its development program. The Bank responded positively to representations from the Government and agreed in principle to increase substantially the volume of its lending. Subsequently a pipeline of projects was built up with remarkable speed. It is a measure of our success in sustaining an effective relationship with Government agencies in many sectors throughout the difficult years from 1974 through 1976 that we are now in a position to pursue substantially expanded lending program. The objective put forward in the last CPP to "maintain a dialogue with officials and institutions concerned with transport, public utilities and education, primarily through the supervision of ongoing projects, with a view to re-entry into these and possibly other areas if the Government should so request" was clearly achieved in substance.

52. Our parallel objective of maintaining a dialogue with the Nigerian authorities on matters of economic policy did not meet with the same degree of success, however. A strong program of economic work and technical assistance to Nigeria was envisaged in 1975 with a view to assisting the Government determine appropriate development strategies and policies. It was proposed that Bank missions would produce a number of technical studies on specific subjects of direct relevance to this effort. In the absence of a strong lending program, however, it proved difficult to engage the Government in a fruitful dialogue on matters of development policy during the period immediately following the oil boom. Nevertheless, by 1977, it had become apparent that financial constraints to development were reemerging. In that year the Nigerian authorities received with interest the report of a Bank economic mission and this prepared the way for a more effective communication on matters of economic policy.

E. WORLD BANK LENDING STRATEGY

53. The decision of the Bank to embark upon a substantial program in Nigeria was predicated on the country's low level of development and the existence of widespread poverty throughout the economy. As stated earlier, in terms of social and economic indicators such as life expectancy, infant mortality, medical facilities, malnutrition, lack of trained manpower and state of institutions, to name the most striking examples, Nigeria compares with Bangladesh and countries with similar per capita incomes. It was also recognized that to remove the constraints to development and to improve the lot of Nigeria's poor would be a long-term process which would require, in addition to an appropriate policy framework, substantial external resources both financial and technical. The recent increases in oil prices have undoubtedly eased the resource constraint in the short and medium term. At the same time, however, this situation has placed more pressure on the other development constraints in Nigeria and has created potentially an even more important role for the Bank.

54. Given the ever present risk that the current oil revenues will once again cause a money illusion there is of course the possibility that Nigeria may regard the Bank and its advice more as an impediment than a help as had been the case before. To date, however, all the signs we have received from the new government are very encouraging. In agriculture, we are being asked to replicate the successful smallholder projects at a faster pace than appears feasible. In addition, and most significantly, the new government has officially requested our assistance in the preparation of a food strategy and associated agricultural development program. In housing, President Shagari has publicly endorsed the Bank's first urban development in Bauchi State as a model for genuine low cost housing which he intends to pursue nationally with the help of the Bank. The Ministry of Finance has requested technical assistance in connection with plan formulation, implementation and monitoring. Both the Ministries of Planning and Finance have encouraged the Bank to provide assistance in developing a long-term energy plan. In the water supply field, the new government is continuing to press us to strengthen the federal institutions dealing with this sector and to assist specific water supply projects in more states than we are able to handle in the short-term. During recent discussions of our planned economic and sector work with the Ministries of Finance and Planning officials reiterated the importance they attach to objective annual overall economic reviews and requested that such reviews be continued.

55. These and other positive signals we are receiving from the new government are, at least in part, an indication of the fact that Nigeria's present leaders have learned from past experience. Having been through an oil boom once before, they are acutely aware of how fast resources can evaporate and of the kinds of mistakes that can be made in the utilization of such resources. While the political pressures on them will undoubtedly continue to multiply, the new officials are genuinely interested in exercising a degree of restraint and in encouraging a more planned and disciplined approach to the utilization of resources. In this they see the Bank as a

natural ally. Equally important is the fact that the Bank was able to reestablish its credibility to play this role, and this was in large measure due to the positive and speedy follow-up on our part in stepping up lending and technical assistance following Mr. McNamara's visit in late 1977. This has helped to build up mutual trust and understanding which can only be developed over time and only be achieved through close cooperation and partnership in specific areas or ventures instead of simply extending advice. Given the nature of the Bank's current relations with Nigeria, the impact our program has had to date and the government's continued reliance on the Bank for assistance at this juncture of Nigeria's development, it is of paramount importance for the Bank to follow through on what has been started so successfully.

56. In the light of the foregoing, Bank strategy should be to maintain the momentum gained and to persevere on the road we have jointly started to travel with the government. This clearly entails the continued development of a substantial lending program in Nigeria's critical sectors for reasons of credibility and leverage. In continuing our efforts in the traditional sectors, and in extending assistance to new areas our principal objectives are: (i) to increase the absorptive capacity of the economy; (ii) to reduce the economy's dependence on oil by supporting the commodity producing sectors, in particular agriculture; and (iii) to strengthen the government's efforts towards poverty alleviation. To this end, the program is aimed at:

(a) In the productive sectors, developing project prototypes which have an effect on production and the incomes of the poor. The principal focus of Bank lending would continue to be agriculture, where we have already established an effective presence and have demonstrated the feasibility of designing and implementing projects which raise the productivity and the real incomes of smallholder farmers who constitute the bulk of the rural poor. Without Bank participation, the government efforts in agriculture would probably have been geared primarily to capital intensive investment in irrigation and large-scale mechanized farming that benefit only a small part of the rural population. The success of Bank supported projects in agriculture has been recognized fully by the Nigerian authorities who are eager to extend the experience throughout Nigeria. Apart from the foregoing, we intend to support the employment objectives of the government by assisting the establishment of small-scale industries, again an area which the government wants to develop nationwide and where the Bank has an important catalytic role to play.

(b) In major infrastructure sectors, utilizing project assistance to help shape and influence the investment programs of those entities and agencies which are or will be utilizing a significant portion of oil revenues. The power and transport sectors offer the highest potential payoffs in terms of improved efficiency in resource use.

(c) In the social sectors developing low cost approaches to the delivery of basic needs with a view to ensuring replicability. This involves urban projects, education, water supply and health. A number of projects are being developed in urban areas to alleviate the plight of the urban poor. The urban development project in Bauchi State approved by the Board in November 1979 is a case in point. It seeks, for the first time in Nigeria to demonstrate the viability of furnishing affordable low cost shelter to the urban poor. In addition, it seeks to establish a system of cost recovery and an institutional capability at both the state and federal levels so that the experience gained from the Bauchi State project may be applied throughout the country. As mentioned earlier, it is particularly encouraging that the government has made special public references to the Bauchi project and has expressed the hope that it may establish the basis for a nationwide program of low cost housing. Lending for education also deserves special mention within the overall sector lending strategy. Although our past association with this sector has not always been too successful, a continued effort should be made to remove one of the most critical development constraints in Nigeria, the lack of sufficient managerial and technical skills.

57. In addition, Bank assistance is addressing a number of important issues which are common to our activities in all three of the abovementioned areas. These include, first and foremost, the building up and strengthening of effective institutions at the Federal and State levels. The role of institution-building is as prominent in sectors with innovative project concepts like urban development, nutrition, small-scale industries, population and health as it is in the traditional sectors of lending in Nigeria. Objectives of similar high priority are the installing of financial and economic planning and discipline, particularly in such sectors as power and roads; cost recovery; and last though not least, managerial and manpower training.

58. In advocating a substantial lending program for a continued partnership with the government, we will need to be clear on what we want to achieve but at the same time realistic and flexible about what can be achieved by way of increased efficiency and policy reforms in the Nigerian context. In defining a "blueprint" of objectives it is equally important to tell the government clearly what our objectives are and what specific action we would expect in each case. Recent policy discussions with the government established a broad meeting of the mind on major issues. What we cannot be certain about is the pace at which the government will move in addressing and resolving these issues. It should be understood however that the program we propose would to a large extent be self-policing in the sense that, on a project by project basis, specific action will be required as regards institutional and/or policy issues, as the case may be, before committing Bank funds. In this sense we would respond almost automatically to government action or lack of it, in introducing appropriate institutional and policy reforms. Thus, for example, while we have already taken preliminary steps towards preparing a nationwide project of agricultural credit, we have also indicated to the

Government that action will have to be taken on the whole structure of interest rates for agricultural credit if the project is to mature. Similarly, in the case of water supply projects, it is our practice to extend support only to states which are prepared to introduce the basic principles of cost recovery, though in turn we need to be pragmatic in assessing what is possible in each state in relation to where we are starting from.

59. We anticipate that our efforts to influence resource allocation and to strengthen the key institutions which implement large investment programs are likely to meet with greater success than our efforts to influence macro policies on such matters as the exchange rate, subsidies and interest rates. Nevertheless, it is important to recognize that, given the magnitude of resources to be invested by Nigeria over the next few years, the development of strong institutions to prepare and execute investment schemes has a very high pay off. It must also be appreciated that as we move increasingly into statewide and sector type operations, we are addressing the macro policy issues explicitly through our operations. There is also some evidence that the very success of our operations will increase awareness of more general constraints and create pressures for change. For example, the increased demand for fertilizers generated by the projects we are assisting has heightened the Government's awareness of the longer term financial implications of its subsidy policies as well as of the inadequacy of present distribution arrangements. Similarly the surplus of maize produced by one Bank-assisted project has brought the Government's attention both to pricing issues and distribution bottlenecks. On another front, the strong demands generated for replicating the Bank's urban project have led the Government to appreciate the importance of the cost recovery elements built into that project.

60. It is obvious that both the size and composition of our program must be continuously reassessed in the light of the impact it has upon institutional and policy matters relating to improved efficiency and the alleviation of poverty. To provide management with an opportunity to keep stock of the situation we propose to present the next CPP for review in September 1981 and to prepare subsequent CPPs at intervals of eighteen months.

Economic and Sector Work Program

61. In supporting our lending activities as well as in maintaining a dialogue on economic policy issues, economic and sector work has a particularly valuable role to play in the Nigerian context. Between 1974 and 1977 this work was modest in scope, but it has recently been intensified in view of the intended expansion of Bank lending, and the apparent need for structural reforms in the economy. To make up for the limited activity in this field in recent years, a considerable amount of staff time will have to be assigned to information gathering, policy review, and identification of issues, to improve our understanding of the Nigerian economy. The economic work program will, in addition to a gradual deepening of our macro-economic reporting, devote particular attention to poverty and basic needs, employment, the public investment program, export promotion policies, and fiscal management at the Federal and State level. Sector work will need to provide

support to our operations in the 'new' sectors, urban development, nutrition and health, and water supply, and prepare for an expansion of our lending in industry.

62. An economic mission went to Nigeria in January 1980 -- a particularly opportune time for us to undertake a long-term review of the Nigerian economy. The country now has a newly elected civilian Government, which has not yet set forth its economic development strategy. The Third Five Year Plan period ends in March 1980, but the preparation of the next plan has not yet been finalized. Also, with the improvement in the financial position, the Government will be able to focus on long-term development issues. A primary focus of the mission will be to examine the feasibility and desirability of different growth strategies that the Government might elect, and their implications for Nigeria. The analysis will be based on a careful assessment of Nigeria's resources and economic development constraints as well as of the character and magnitude of poverty and underdevelopment. Special attention will be given to absorptive capacity and management issues.

63. The Government has in the past shown a certain reluctance to allow economic work to be carried out except in connection with specific operational requirements. This has changed as pointed out earlier. The Government has now agreed that the Bank should strengthen its economic and sector work and has proposed to the Bank that an economist be assigned to the Resident Mission in Lagos in order to facilitate communication with the Government on economic issues. We believe this is indicative of a more realistic perspective on the part of the Nigerian authorities that will lead to a much more active economic dialogue in future.

Cost-Sharing

64. Cost-sharing in the financing of projects has been a very sensitive issue between Nigeria and the Bank, particularly after the Bank decided in 1975, following the last CPP review, to limit Bank financing to one-third of total project cost. The issue was finally settled in March 1978 when the management approved a proposal to increase the level of cost-sharing to two-thirds of project cost or the full foreign exchange cost, whichever is lower. In practice, the Bank has financed significantly less than two-thirds of total project cost in most cases, and the proposed lending program includes very few projects where the Bank's financing of the foreign exchange cost would result in its covering more than 50 percent of total project cost. In fact, for the three year period FY 1980-82, following the present formula, Bank participation in the financing of projects would average 40 percent. Consequently there is little need at this time to reopen the cost-sharing issue. In the few cases where the foreign exchange content of projects is high, co-financing with commercial and other sources would be sought whenever possible and feasible.

Bank Borrowing from Nigeria

65. At the time of the last CPP review in June 1975 it was decided that lending to Nigeria should be subject to an offset arrangement. In practice, however, the Government refused to accept the principle of a formal

link between Bank lending to and borrowing from Nigeria. Nevertheless, it made significant purchases of bonds from the Bank. Since the private placement of US$240 million eight-year bonds in 1975, the Central Bank of Nigeria has also been a regular buyer of the Bank's two-year bonds. In total, purchases of these two-year bonds have amounted to about US$216 million of which US$30 million are currently outstanding. From the present perspective it would appear that a formal offset arrangement was not appropriate to the Nigerian situation--particularly in view of the rapid decline in the capital surplus position of the balance of payments. The pursuit of offset arrangements greatly complicated our country relations and impaired our influence in matters of development policy. Our current assessment of the situation remains essentially the same.

F. BANK GROUP PROGRAM

66. The lending program presented for FY1981-85 is properly balanced between the different sectors and reflects the lending strategy outlined in the previous section. Moreover, it takes full account of the priority areas in which the Nigerian Government has asked for Bank support. The commodity producing sectors would account for almost one-half of the total program. Although the relative share of these sectors may appear to be less than in the previous five-year period this reflects a broadening of the total lending program rather than any reduction in the absolute priority attached to commodity production. In real terms the amount of lending in support of commodity production will rise substantially with the greater part of the increase being directed to support smallholder agriculture and small-scale industry.

Summary Distribution of Past and Proposed Future Lending
(percent)

Sector	Actual FY75-79	Current FY80	Proposed FY81-85
Commodity Production	82	63	49
Agriculture	(70)	(63)	(37)
Industry	(12)	(-)	(12)
Infrastructure	-	31	22
Power (inc. Energy)	(-)	(31)	(13)
Transport	(-)	(-)	(9)
Human Resources and Basic Needs	18	6	29
Water Supply	(18)	(-)	(11)
Education	(-)	(-)	(10)
Urban Development	(-)	(6)	(5)
Health, Nutrition and Population	(-)	(-)	(3)
Total Program	100	100	100

67. Lending for infrastructure will be resumed on a selective basis. In total, power and transport would account for 22 percent of the five-year lending program. By way of contrast to the cautious approach adopted towards lending for infrastructure, a major effort will be made to expand lending in fields which bear upon human resources and basic needs. Support for such projects would, in many cases, lead the Bank into new fields in Nigeria such as urban development, health and nutrition.

68. The five-year lending program proposed for FY1981-85 would total $3,000 million which is broadly in line with the current program approved by management. Thirty-nine projects would be financed in this period, compared with only 17 in the period FY1975-79. More than anything else, this increase reflects the very low level of lending in previous years rather than a large program for the future.

	Approved in last CPP FY 76-80	Actual FY75-79	Currently approved by management FY80-84	Proposed FY81-85
Amount in $ million	619	507	2,274	3,000
No. of projects	20	17	31	39
Average loan size	31	30	73	77

In fact, annual lending during the five-year period on a per capita basis would amount to only $7.4 compared with as little as $1.3 in the five years FY1975-79. That even this increased figure is low can be seen by comparison with planned per capita lending in the period FY1980-84 to such countries as Mexico ($10.6), Brazil ($8.6), Thailand ($11.4), and Philippines ($10.5).

69. If it were not for a number of constraints, it would be perfectly feasible to present a much larger program based on the demands Nigeria is currently placing on us. It would not be prudent, however, to plan for a larger program at this stage. First, we cannot be sure about the degree of progress we will be able to achieve in individual sectors by way of institutional and policy reforms. As discussed before, lack of progress will almost automatically result in a lower level of lending. Secondly, we need to keep a close eye on the extent of Bank exposure in Nigeria over the coming years. Projections of Nigeria's external debt indicate that, with the Bank lending envisaged, the country's debt to the Bank by 1985 would amount to no more than 28 percent of total external indebtedness. This would appear a reasonable exposure but depends on a number of factors, notably borrowing from other sources, which will need to be carefully monitored. Lastly, we cannot overlook our inherent staff constraints which would mitigate against an expansion of the program beyond what is currently contemplated.

70. In the following we examine the lending program by sector and highlight lending objectives and strategies against the background of sectoral as well as overall economic issues.

Agriculture

71. The primary focus for Bank operations in Nigeria will continue to be the agricultural sector. An average of three agricultural loans a year is proposed, amounting to 37 percent of the total five-year lending program. The principal objective of this program would be to assist the Government attain its fundamental goal of increasing food production. In this manner Bank lending would benefit directly the very lowest income groups in Nigeria. It is a measure of our success that the first three Bank supported agricultural development projects at Funtua, Gombe and Gusau have raised farm production in the project areas by 5 percent per annum compared with only 1 percent per annum for the country as a whole. In recognition of this achievement, recent Government policy pronouncements have made explicit reference to the successful outcome of many Bank-supported projects and have indicated the intention of the Government to continue its association with the Bank in replicating such projects throughout Nigeria.

72. Agricultural development projects geared towards assisting smallholder agriculture would constitute the centerpiece of the proposed sector program. Most of the families which comprise the lower four income deciles of Nigeria's population are to be found in the rural sector where smallholder agriculture is dominant. These very families are the principal beneficiaries of the seven agricultural development projects that have been introduced to Nigeria in recent years by the Bank. With the completion of the first several projects, it is envisaged that the project structure may be extended to cover entire states of the Federation. The first two such statewide agricultural development projects are currently being prepared for Kaduna State and Bauchi State. By the end of the five year program period it is envisaged that fully one-third of the rural population of Nigeria will be benefiting directly from Bank-financed agricultural development projects. This program will be dependent on: improved local funding of projects; more effective arrangements for fertilizer procurement and distribution; interest rates that allow operational effectiveness of onlending agencies; and significant improvement in management. Where these constraints are overcome there is overwhelming evidence that the beneficiaries respond to the type of actions proposed.

73. In the course of this endeavor we aim to assist the Government improve its capability to prepare, appraise and implement agricultural development projects. The prospects for fulfilling this objective will be improved with the introduction of agricultural development projects on a statewide basis because the successful management of such projects will entail a fundamental reorganization of state ministries of agriculture that should enhance the effective decentralization of agricultural administration. In addition to strengthening the institutional capabilities of state and local government agencies, we shall encourage private sector initiatives in areas where public services are weak.

74. The strategy which lies behind our concentration at this time upon agricultural development projects is to lay down the basic rural infrastructure (including on-farm investment) and the basic institutional framework that will ensure rural development beyond the project period. The transformation of Nigerian agriculture from its current inefficiency, low productivity and weak institutional base will undoubtedly take time and involve basic organizational and structural changes in the sector. However, through our project approach a major effort is being made to improve the administrative capability of many institutions concerned, at the state and federal level, to implement agricultural and social programs. The statewide projects aim, among other things, at developing a better revenue base and planning capability at local government level, a crucial factor in the transformation process. The ultimate objective of the Bank is to support agricultural development on a broad basis and to assist in the design and implementation of national schemes such as agricultural credit and marketing, and this would be possible only if a basic structure is established that could channel Bank funds efficiently to the final beneficiary and provide the farmer with the support services he requires.

75. The success of this strategy would depend, however, upon a satisfactory solution being found to some important sector issues. The procurement and distribution of farm inputs, particularly fertilizer is a case in point. At present, procurement of fertilizer is handled centrally for all Nigeria by a Federal Government agency and distribution is also in Government hands. Yet the public sector is unable to provide an effective service. For several years, projects have been barely coping with inadequate fertilizer supplies and late deliveries which together have impaired productivity in many cases. Within the context of forthcoming statewide agricultural development projects we shall propose that the responsibility for fertilizer procurement and distribution be devolved to farm input supply companies at the state level. While these companies would be established as state entities in the first instance, they would operate on a commercial basis and it is envisaged that ownership may be assumed by cooperatives and other farmers organizations in the longer run. The ultimate goal would be to extend nationwide an efficient procurement and distribution capability.

76. In addition to the agricultural development project we shall continue to support tree crop projects similar to those financed in the past, with the objective of diversifying the economy by increasing export crop production. We propose also to develop agricultural credit projects with the expectation that, in the longer run, tree crops would be financed principally through credit projects. In this latter context the most pressing need would appear to be the establishment of an effective credit delivery system. Our efforts, therefore, will be directed at institution building and strengthening.

77. Although interest rates applied to agricultural credit in Nigeria are negative in real terms we do not feel that this is a critical issue. It is no easy matter to determine an appropriate level of interest rates in Nigeria today. As a result of recent increases in the price of petroleum, export revenues have risen sharply and the banking system once again faces the prospect of excess liquidity which may persist for some time. In these

circumstances, the case for a general increase in interest rates cannot be made unequivocally. Interest rates charged to the final beneficiaries of Bank-supported projects have been such as will result in a spread sufficient to ensure a sound financial basis for the financial intermediaries. In the short-term this will continue to be our primary concern in determining the appropriate level of interest rates. As a longer term more general objective we shall encourage the adoption of a market oriented interest rate structure which may imply a higher overall level of interest rates.

78. It is also envisaged that we shall broaden our lending program to encompass projects in agricultural research and in irrigation. With respect to the former it would be our primary objective to overcome the deficiencies of the present system whereby agricultural research is poorly structured to address the needs of the farmer. During the past decade the national agricultural research agencies in Nigeria have markedly declined in performance due to inadequate research staff, misdirected programs and a general inward looking malaise. The Bank will assist the Government to review its research efforts, and particularly in the first instance will assist in the strengthening of the national crop centers in addition to establishing special research centers designed to translate upstream research into recommendations and demonstrations that can be utilized effectively by farmers. This research will be linked to an expanded series of project evaluation operations that include special farm management studies. We shall also review the possibilities of strengthening the two major, and once world renowned, cocoa and oil palm research institutes that have been sadly neglected over recent years.

79. In irrigation it would be our objective to avoid the large-scale capital-intensive projects that have been initiated by the Government in the past and which are anticipated to have major problems. Our efforts would be directed more to increasing the effective utilization of existing sources of water and to demonstrate the viability and greater cost-effectiveness of informal irrigation schemes in the many areas where geology and topography favor this system. We would particularly focus on the development of low cost water lifting devices that would supplement existing traditional irrigation systems. Where possible these irrigation and supplementary water development programs would be superimposed on existing ADPs thus utilizing farm support services developed under the latter. Our role in this area (and in the area of agricultural research) is still under discussion with the Government. Accordingly, projects in irrigation and agricultural research have been placed in reserve for the time being.

Industry

80. Bank Group operations in the industrial sector have comprised six IFC investments, three DFC operations and a small-scale enterprise project appraised in 1974 which was subsequently shelved by the Government. Of the three DFC loans to the Nigerian Industrial Development Bank (NIDB), the most recent one for $60 million was made in 1978. The basic objectives of this loan were to demonstrate our support for non-agricultural sectors of the Nigerian economy after a difficult period of Bank-Nigerian relations and to

reestablish our contact with NIDB. The project has resulted in some genuine institutional improvements in NIDB, a better geographic spread of its investments, inclusion of economic rates of return as a part of project analysis, better relations with the Federal Ministry of Industries concerning project promotion and reduced arrearages. Despite this, the orientation of NIDB's portfolio has remained heavily oriented toward large capital intensive projects. Although it is reasonable for NIDB to continue to concentrate on larger investments, it is also true that it (and the Government) should look more closely at alternative production techniques designed to generate more employment and to lower its cost. Continued lending to NIDB to improve the quality of its investments (and as a corollary those financed by Government) is planned. Two projects with NIDB are included over the next five years. In lending to NIDB, co-financing with other lenders will be pursued to an increasing extent so as to permit the Bank to gradually phase out of this option.

81. Since appraisal of the last NIDB project we have been attempting to reinstate interest in small-scale enterprise work. After a number of hurdles we have now reached agreement with the Government on a basic project outline, and preparation is underway with the Government playing a remarkably active role. Although our efforts will entail the formidable task of building up from scratch appropriate institutions with both financial strength and effective technical assistance capability, it is clear to both the Government and us that such efforts are necessary to relieve problems of unemployment, regional maldistribution of investment and hindrances to developing entrepreneurial skills. We are hopeful that a pilot project concentrating initially on three or four states may soon be appraised and lead to further projects as reflected in the five-year lending program.

82. We have to recognize that at this stage we do not yet have an overall understanding of the Nigerian industrial sector and are not in a position to respond to the Government's request for advice on an appropriate industrial strategy. In 1977 we supervised a Nigerian-financed study on industrial incentives and location policy. This study concluded that changes are required in the use of the respective policy instruments to achieve the Nigerian's stated objectives of better geographic distribution of industry and deepening of the manufacturing sector to reduce concentration on the manufacture of light consumer goods and reliance on imported inputs. Since we require a more relevant and comprehensive base, we are proposing a substantial expansion of our industrial sector work in Nigeria during this calendar year. We will begin by assessing in very broad terms the general direction in which the Nigerian industrial sector should develop in the 1980s. This will take account of the national resource base; the availability of nominally cheap sources of energy; the relatively large domestic market as compared with other developing countries; the present structure of the industrial sector including the proposed massive investment in heavy industry (incorporating plans for a major steel complex and development of petrochemicals); and a review of the international demand for manufactured products for which Nigerians have a relatively comparative advantage.

83. This initial effort should establish an overall framework for our work, within which we will concentrate on two key issues: (1) the use of fiscal

and monetary policies, including the interest rate structure, the incentive and protection system and the impact of government subcontracting and procurement arrangements on business development; and (2) the functioning of the financial system and the need for it to give better support to the dispersion of industry and the promotion of viable enterprises. Subsectors that would probably need to be assessed might include (a) agro-processing and the transformation of primary products; (b) the SSE subsector including its employment potential and its linkages to larger enterprises; (c) heavy industry and its potential for downstream development; (d) the engineering and metal industry; (e) textiles; and (f) the construction and building supply industry. Later this work would be followed with an analysis of technological questions; manpower training issues; assessment of domestic effective demand; and capital output ratios in the industrial sector.

84. The sector work program as outlined will provide us with a basis for a serious and comprehensive dialogue with the Nigerian authorities on the development of their industrial sector. A second objective would be the identification of technical assistance and investment opportunities that would support an appropriate industrial development strategy for Nigeria, thus providing substance to our policy recommendations. Future projects would include large-, medium- and small-scale operations. In addition to the proposed NIDB and SSE projects, it is envisaged that the Bank may help finance a large-scale project in the field of fertilizer manufacturing. A nitrogenous fertilizer project at Onne near Port Harcourt has been included in the program as a reserve project since the status of our involvement is not yet clearly defined. Nevertheless, in our preparatory work over the past two years we have been able to make a notable contribution in assisting the government to find a suitable technical and equity partner. Moreover, we have advised the government on other aspects of the project and this has led, among other things, to a comprehensive marketing and distribution study for fertilizer which is currently being carried out. Continued association with the project through a proposed loan of US$100 million in FY81 would enable us to consolidate our assistance and would provide a direct link with our efforts in the agricultural sector to improve fertilizer usage. Based on the present study, a second project to develop a marketing and distribution capability is envisaged.

Transport

85. Prior to 1974 the Bank extended loans in support of several aspects of transport development. In addition to five highway projects there were two loans for port development in Lagos, a railway project and, to help repair the devastation of civil war, a sector-wide transport rehabilitation project. From the present perspective, however, we do not believe it would be fruitful now to resume operations across so broad a cross-section of the transport sector.

86. The railway system suffered disruption at the time of the civil war and continued in a state of severe malfunction for many years thereafter. In an effort to overhaul the system fundamentally, the Federal Government contracted in 1978 an expatriot management firm to reestablish an effective railway management and to run the system for a three year period beginning January 1979. It is possible that once the basic structure of an effective management system has been consolidated and operations improve, an opportunity may present itself for the Bank to make a positive contribution to railway development in the future. No action is planned for the time being.

87. Our past involvement in the port sector has not been particularly successful in terms of the principal financial and institutional objectives we had hoped to achieve. In part this was due to a change in traffic conditions consequent upon the oil boom which caused the Government to embark precipitously upon extensive port expansion schemes, brushing aside many considerations of financial and economic project analysis. Other expansion schemes are now in the planning stage. At the present juncture, however, the port authority still appears to attach greater importance to the speedy implementation of turn key projects than to careful project evaluation and sound bidding procedures. It would be difficult for the Bank to resume its activity in this sector without some indication by the Port Authority that, as a basis for continued Bank involvement in the sector, it would adopt policies and procedures consistent with those of the Bank. No further involvement is therefore contemplated.

88. The road sector appears to offer better prospects for Bank participation in the coming years. The Federal Government is clearly aware of the need to strengthen its road maintenance capability and a project to assist them in this task was appraised in November 1979. A further three road projects are proposed in the five year lending program, including one reserve project.

89. There is a three-tier road system in Nigeria in which roads are classified by function and responsibilities are allocated to governments at the federal, state and local level. The road projects proposed in the five-year lending program would relate to all three levels of government. In recent years we have provided assistance to local authorities for the construction and maintenance of local access and agricultural feeder roads within the context of agricultural development projects. It is envisaged that agricultural development projects will continue to incorporate feeder road components. However, there is growing awareness of the need to institute a comprehensive approach to road development at the state level to encompass primary, secondary and feeder roads. The proposed program makes provision for at least one statewide road project to support this effort. To this end we also propose to give greater attention to building up the capability of institutions at both the local government and state level to maintain and extend the road network.

90. A major objective to be pursued in lending for roads would be to strengthen the system of highway planning. At present, the planning unit in the Federal Ministry of Works (FMW) is not adequately staffed to fulfill its functions. The forthcoming sixth highway project would provide FMW

with technical assistance but this in itself would not be sufficient to resolve the problem. It will take time before an institutional planning capability can be established and coordinated effectively with associated efforts by institutions, such as the Federal Ministry of Transport, which are responsible for other transport modes. Preliminary work must first be done to assemble basic transport data concerning the volume of traffic, origin and destination, fuel consumption, and so forth. Only then would it be possible to relate highway development more closely to the requirements of the commodity producing sectors and to the development of other transport modes. In this endeavor, close collaboration between transport authorities at all levels will be essential. It will be our aim to foster this collaborative effort through subsequent road projects which will focus particularly upon state roads. There are good indications that state governments will welcome Bank assistance in building up a road construction and maintenance capability.

Water Supply

91. Although Bank lending in support of urban water supply projects has been envisaged for many years, the first loan of this kind was approved by the Board only in June 1979. It has taken the Bank a long time to establish a presence in this sector. Recently, however, we have received requests for assistance from many States of the Federation; more than we can handle effectively within the limits of our staff constraints. The Federal Government has given its full backing to many of these requests and has stated unequivocally that it considers water supply to have a high priority within the national development program. Support for water supply projects provides the means for extending the benefits of Bank lending to the very poorest of the population and we propose to respond as fully as possible to requests for assistance. Four urban water supply projects are proposed for the five-year review period, accounting for 11 percent of the total lending program. The special water supply needs of rural areas will continue to be addressed, in many cases, within the context of our agricultural development projects.

92. It is proposed that Bank support for water supply projects be viewed as relating to a general program of improved environmental health. In addition to supplying water, projects would also address the broader sanitation needs of drainage, sewerage and solid waste disposal either by the incorporation of appropriate civil works components or by ensuring that studies are undertaken. It is envisaged that each project will also include an education component designed to improve personal hygiene practices in the project area. Furthermore, in the course of project preparation and implementation, recommendations are frequently made for the strengthening of urban planning and of municipal administration and finance. Sector planning reviews are conducted in each state during project preparation and these have focussed attention on the need for effecting organizational and policy improvements.

93. There are two important policy issues that we would seek to address in developing a program of lending for water supply. The first relates to cost recovery. Insomuch as water supply is a state responsibility the practices with respect to cost recovery vary widely from one state to another. In common with the situation prevailing in many other countries, there is a

reluctance on the part of some Nigerian authorities to institute vigorous cost recovery schemes for water supply. Nevertheless, we would endeavor to introduce a degree of common acceptance for the basic principles at stake. In the case of the first Bank-supported project in Kaduna, significant progress was made to ensure that tariffs would be adjusted as necessary to generate each year sufficient revenues to cover operating expenses, debt service and an agreed percentage of capital expenditures averaged over a three year period. The adoption of similar cost recovery principles by other water authorities would be a principal condition of lending.

94. A second major issue that we wish to tackle within the framework of the proposed lending program relates to the establishment of a water resource planning capability at the national level. At the present time, the responsibility for water resource development is institutionally fragmented. State water authorities are responsible nominally for both rural and urban water supply although, in practice, their activities are mostly confined to urban areas. There are indications that the new Government will encourage state water authorities to become more actively involved in rural water supply. However, the limited water resource planning capabilities which exist at the state level are usually confined to a project specific context and there is no institutional planning capability whatsoever at the local government level.

95. Cutting across State and Local Government boundaries, eleven river basin authorities have been established by the Federal Government. The responsibilities of these authorities are ill-defined but, in practice, irrigation figures prominently amongst their concerns. The project implementation capabilities of most river basin authorities are weak, however, so that their research and surveying functions are poorly related to the practical aspects of water resource development.

96. We believe there is need for a strong water resource planning capability at the Federal level that can coordinate effectively the various activities of regional, state and local authorities. Jointly with the Nigerian authorities we have been developing the idea of establishing a Water Project Monitoring, Evaluation and Planning Unit (WAPMEPU) to supervise the introduction of a comprehensive national strategy for the development of water resources in all uses. Parallel to strategic planning at the national level, an equally important function for WAPMEPU would be to assist state water supply agencies to prepare and implement projects. It is encouraging that the new civilian Government has seen fit to establish a separate Ministry of Water Resources at the Federal level. The establishment of WAPMEPU within that Ministry would appear to be the next logical step. A strategy for implementing this proposal has yet to be agreed with the new Government, however. Accordingly, a loan in support of WAPMEPU has been included in the proposed lending program only as a reserve project.

Power and Energy

97. The Bank has a long established association with the power sector in Nigeria. Under the first four power loans, considerable progress was made towards strengthening sector institutions, but this effort was interrupted for

a number of years when lending to the power sector ceased. Upon the resumption of our previous relationship with a fifth power project we have found that there is still ample need for Bank assistance and scope for the Bank to play a positive role in the future. This assistance is welcomed by the National Electric Power Authority (NEPA).

98. Power consumption in Nigeria is growing at an annual rate of about 20 percent. Such a rapid rate of growth confronts NEPA with exceptional demands over and above those normally encountered by power companies in most countries. The financial, organizational and staffing problems with which NEPA must cope are deep-seated and will not yield easily to short-term solutions. It is only by continuous association with NEPA over the long-term that the Bank can provide effective support for the development of sound sector policies and appropriate institutional changes. In pursuit of this goal three further power projects have been included in the proposed five-year lending program.

99. The policy issues we propose to address in supporting this program are commonplace among power companies the world over but nonetheless crucial in the Nigerian context. Foremost, there is the level of tariffs and the achievement of a rate of return upon capital that would enable NEPA to finance a reasonable portion of its investment program from internally generated resources. We have already made significant progress in encouraging the Government to adopt a realistic tariff policy. In August of this year the Government introduced a 53 percent average increase in tariffs, with actual revenue increase turning out considerably higher than expected. In addition, the government announced its intention that NEPA should operate as a commercially viable entity. We believe it to be a desirable and attainable goal for NEPA to earn an eight percent rate of return on capital by 1982/83. In continuing our association with the sector we propose to give our full support to this objective.

100. An acute shortage of trained managerial and technical staff is another problem that can be resolved only by a carefully structured program of recruitment and training over many years. We are assisting NEPA to address this need through training components in ongoing projects and we propose that all future projects should place a major emphasis on training at all levels. In the fifth power loan, which was presented to the Board in November 1979, provision is made for $5 million to strengthen the training facilities of NEPA.

101. A third main objective of a continued program of lending for power is be to strengthen the overall planning of the sector. NEPA has already developed a fairly comprehensive development plan which provides a good operational framework for the programming of investments over the coming ten year period. We have proposed, however, that the scope of the plan should be extended to encompass the development of other energy sources such as coal and

gas.1/ A study of energy sources and uses in Nigeria is already being undertaken at the initiative of the Government and this should provide the basis for a more systematic national energy planning and investment. To this end a National Energy Commission has been established recently. A strong case can be made for strengthening the planning capability at the Federal level so that Nigeria's plentiful and diverse energy resources may be used efficiently. It is envisaged that a sixth power project would include financing for this purpose. In anticipation that comprehensive energy planning may lead to the generation of more broadly based energy projects we have made provision for lending in support of an energy project (as yet unidentified) in FY 1984.

Education

102. For many years education has received a consistently high priority in the Government's development program. The goals being pursued by the Government in this sector are ambitious. It seeks to upgrade and expand educational facilities across the board although highest priority has been given to the pursuit of universal primary education and to the expansion of technical and vocational training. It is significant for the importance attached to this sector that the Federal Government devotes over 40 percent of current expenditures to education and that the corresponding figure for state governments is more than 50 percent. These proportions are amongst the highest of any government in the world.

103. Yet despite the high priority afforded to education, the implementation of Bank supported projects has been a slow and difficult process. In part this has reflected the many problems of a national education administration that is overstretched and ill-equipped to fulfill the enormous task with which it is charged. In part also, it reflects deficient project preparation that resulted in project design scope being poorly matched to the capabilities of the system. Recently, however, with an intensified supervision effort and some changes in project scope, the problems of the past have been resolved to a large extent. A second education project is close to completion and a third project is progressing satisfactorily, both under the management of a project office which has recently been strengthened significantly by the Nigerian authorities.

1/ NEPA itself is at present the largest consumer of natural gas. About 20,000 million m^3 of natural gas are associated with Nigeria's annual crude oil production of around 100 million tons of which only about 6 percent are being utilized, the rest being flared. Of this NEPA consumes 915 million m^3 or 73 percent. NEPA's currently installed generating capacity using associated gas amounts to about 800 MW out of a total available capacity of about 1,500 MW. Further generating expansion up to 1985 includes 600 MW in gas turbines and 800 MW in gas fired steam capacity within the Lagos area. Construction of a gas pipeline to Lagos will also benefit industrial and commercial use of gas. The Power VI project scheduled for FY1981 provides, in addition to power distribution in 25 major cities in Nigeria, for the interconnection of the Lagos plant with the national grid.

104. We propose to continue lending for education since it is germane to the whole development effort of Nigeria. Three projects are envisaged during the five year review period amounting to 10 percent of the total lending program. In this context we shall be mindful of the experience gained from the first three Bank supported projects. To simplify overall project administration, project components will be fewer in number and civil works will be sufficiently large to elicit a positive response from experienced contractors under international competitive bidding. Project administration will be simplified and strengthened at the Federal Government level as well as at the state level.

105. Our objective in developing a program along these lines will be to afford strategic support to both the Federal Government and state governments in pursuing sector objectives. We propose to assist the drive towards UPE by strengthening the National Teachers Institute in its endeavor to upgrade the teaching capabilities of presently unqualified primary school teachers. To help relieve the severe shortage of technical manpower we plan to assist with the training of technical and vocational teachers for secondary schools and of trainers for more specialized technical and vocational institutions. We also propose to continue our dialogue with the government on appropriate priorities for secondary education. In so doing we shall attempt to identify a role for the Bank in secondary school curriculum development and in the expansion of secondary school facilities in the North.

106. Another of our objectives will be to strengthen the overall planning and management of the education sector as well as the project implementing capability of both Federal and State level institutions. The preparation of both a fourth and a fifth education project is being organized by the Federal Ministry of Education where a special committee has been set up to handle this task. We believe that the experience gained will be directly applicable to project preparation in other areas of the education sector. Although the implementation of future Bank-supported projects would probably be handled by a special project unit it will be our aim to integrate the experience of this unit into the broader administration of the Ministry as a whole. It is envisaged further that future education projects will provide for fellowships to strengthen the technical and management capabilities of Ministry personnel.

107. The need for education and training pervades all aspects of development in Nigeria. Our response to this need will not be confined to projects in the education sector. Virtually all Bank-supported projects will include prominent training components which should be viewed as an important part of our overall effort to strengthen the educational and training system in Nigeria.

Nutrition and Population

108. Population planning is an extremely sensitive issue in Nigeria. Indeed, the whole question of population is so charged with political implications that the Government has not even been able to organize a census successfully since 1963. At the root of these sensitivities are the deep-seated rivalries between regions and a tradition of allocating financial resources

and political representation on the basis of relative population. In present circumstances it is unlikely that the Government would subscribe to a free standing population project in Nigeria.

109. On the other hand, Government is conscious of Nigeria's nutritional deficiencies and is in the process of formulating a National Food and Nutrition Plan. It appears that the Government may be willing to support a nutrition project aimed specifically at the urban and rural poor, and it should be possible to design a nutrition project in such a way as to incorporate some basic features of population planning.

110. The experience of many developing countries shows a close connection between nutrition and population control. Better standards of nutrition are quick to be reflected in a lower rate of infant mortality. Lower rates of infant mortality, in turn, frequently lead to lower crude birth rates because parents can be better assured that their offspring will survive to adulthood. Other linkages between nutrition and population control have been found to operate in practice. Thus improved nutritional standards for lactating women will lead to a prolongation of breast-feeding and this, in turn, is known to reduce post-partum fertility.

111. A nutritional project targeted at pregnant and lactating women and infants may well appeal to the Nigerian authorities. Once a system of pre-natal and post-natal care has been established in this context, the clinical infrastructure would lend itself well to the introduction of population planning at a later stage. It may take some time to prepare the Nigerian authorities for such a project, however. Accordingly, provision is made for a nutrition and population project only in the proposed FY84 lending program.

112. In responding to the government's request for assistance in the development of a National Food and Nutrition Plan it would be our aim also to introduce nutrition components in some education and agricultural projects of the lending program. An appropriate strategy would be to include components that would build institutional capacity to plan, implement and monitor programs such as: (1) improved postharvest handling, storage and processing; (2) food enrichment and quality control; (3) improved food marketing and distribution; (4) improved food preparation and utilization; (5) nutrition deliverying system.

Health

113. At the time of the last annual meeting in Belgrade, having learned that the Bank is expanding its operations into the health sector, the Nigerian authorities asked us to examine the possibility of lending for health in Nigeria. While we are in principle prepared to respond positively to this initiative we need to assess the situation and determine the most appropriate course of action. A Bank mission to that effect is planned for early April.

114. We know little at this stage about the Federal Government's nation-wide health plan which we understand is under preparation. A satisfactory and realistic health plan would in a way be a pre-condition for any Bank involvement in the sector. It is probable that the Government may ask for Bank assistance in the planning and programming of health services, and such assistance might well constitute an important role in future Bank activities. Provision has been made in the later years of the program for a project having a major health focus in conjunction with population planning. We believe that these linkages will increase the effectiveness of the Bank's contribution to these sectors.

115. As part of two recently appraised agricultural development projects the Bank has already taken the first step towards assisting the health sector in Nigeria. In the case of the Bida Agricultural Development Project this initiative was directed specifically towards the control of schistosomiasis in irrigation systems. The proposed Kaduna State Agricultural Development Project would strengthen rural health services in the state, improve health education and strengthen maternal and child care services. The first Bank-supported urban development project in Bauchi State also includes a small health component.

Urban Development

116. The first Bank supported project for urban development in Nigeria was approved by the Board in November 1979. The project seeks to demonstrate, for the first time in Nigeria, the feasibility of providing affordable shelter, associated infrastructure and urban services to low income households. It also seeks to strengthen the planning and project implementation capabilities of key institutions so that the experience gained from this first pilot project may be applied to other parts of the country. During the five year period under review we propose to assist in the preparation and implementation of low income shelter projects in other states with the aim of eventually applying the project concept nationwide. We propose also to address the needs of urban transport in the major urban areas of Nigeria. A first project of this kind is scheduled for FY 1985.

117. In implementing this program, particular attention would be paid to the issue of cost recovery. There is little or no tradition of this principle recovery in Nigeria for urban infrastructure provided by the public sector. Nevertheless, significant progress was made on this score already on our first urban loan. The government recognized that the project would be replicable on a wide scale on the basis of cost recovery. Accordingly, the project incorporates provisions for the recovery of infrastructure costs and land costs associated with the upgrading of residential areas and with the development of serviced plots. It will be our aim to see that these cost recovery principles are applied also to future projects and that, to the extent permitted by the overall monetary situation, interest rates charged to

the final beneficiary will be such as to ensure the fullest possible cost recovery in real terms.

118. The first Bank supported project also made a start to assist the Nigerian authorities in setting up the institutional framework for a program of low-cost shelter. It will take time, however, before an effective nationwide program can be developed. The Federal Ministry of Housing and the Federal Mortgage Bank of Nigeria will need external support for some time to come and we envisage that future urban development projects will provide a suitable context for continued Bank assistance both to these federal institutions and to emerging state institutions.

IFC

119. Prior to the oil boom that began at the end of 1973, IFC had made investments in a development bank (NIDB), a textile mill, a cottonseed crushing mill, and an aluminum extrusion plant. IFC did not make any further commitments during 1974-78, since the Government was not prepared to approve loans at IFC's normal interest rates. As economic conditions in Nigeria changed, the Government again sought IFC assistance and a project identification and promotion mission went to Nigeria in May 1979. This mission has led to an investment for rehabilitating and expanding a textile mill and a number of other projects now under consideration, including textiles, hotels, furniture, a foundry, etc. In addition, IFC has had preliminary discussions on a $4 billion LNG project.

G. SUMMARY AND CONCLUSIONS

120. Since the last CPP review in 1975 the economic circumstances facing Nigeria have swung full circle from a surplus position on the balance of payments, through a period of financial difficulties, and now back again to a situation in which both the balance of payments and the public finances will benefit from a sharp increase in petroleum revenues. As a result of these recent increases in the world price of petroleum, it is estimated that the foreign exchange reserves of Nigeria rose by about US$3.5 billion in 1979. The uncertainties which surround the future of the petroleum market are such that only limited confidence can be placed in quantitative projections of the balance of payments. Nevertheless, on the basis of our present petroleum price projections, it seems likely that Nigeria's overall external account will be in surplus during the coming several years. Bank lending to Nigeria must therefore be assessed within the context of a capital surplus position which may persist for the entire five-year period under review.

121. There are many similarities between the current economic situation and that of 1974. The newly elected civilian government may be under pressure to repeat the policies of the previous government by increasing public expendditures precipitously. The possibility that events may take this familiar course cannot be dismissed. On the other hand, there are reasons to believe that the new Government may be more circumspect in its use of higher petroleum

revenues than was the case five years ago. The experience of the past several years has impressed upon the Nigerian authorities that effective development planning cannot be predicated upon a balance of payments surplus that may prove to be shortlived. Furthermore, the Government is now aware that foreign exchange resources alone do not provide a sufficient basis for development, and that the effectiveness with which these resources can be deployed is limited by severe administrative and managerial constraints.

122. Given the prospective balance of payments surplus over the next few years, there would not appear to be a need for external borrowing before the late-1980's, although a capital inflow will occur as a result of earlier commitments and some additional borrowing. The case for continued Bank involvement rests primarily upon the low level of development of Nigeria, its importance within the overall African context and the demonstrated effectiveness with which the Bank is able to contribute positively to the development effort.

123. Particularly noteworthy, in this context, is the manifest improvement in the quality of working relationships between the Bank and the Nigerian Government. During the past year we have received spontaneous requests for assistance (many more than we can respond to with our limited manpower and financial resources) both in traditional sectors of Bank activity such as power, agriculture and industry as well as in new sectors such as urban development, health, nutrition and water supply. We believe that these requests for Bank assistance reflect a recognition of the success of Bank supported projects on the ground.

124. The general aim of Bank lending in Nigeria will be to assist the Government in accelerating the vital process of structural change. More specifically, our objectives are (i) to increase the absorptive capacity of the economy; (ii) to reduce the economy's dependence on oil by supporting the commodity producing sectors, in particular agriculture; and (iii) to strengthen the Government's effort towards poverty alleviation. The strategy towards meeting these objectives has several elements which may be summarized briefly: first, as development of agriculture is central to both poverty alleviation and economic diversification, we propose to direct a major share of our resources to this sector; secondly, we propose a considerable expansion of our lending to meeting other aspects of basic human needs; thirdly, in all projects our aim will be to improve the quality of resources management by the Government. Finally, high priority will be given to supporting appropriate changes in the macro-economic and sectoral policy framework, through our lending operations as well as through an intensive economic dialogue with the Government.

125. In order that these objectives may be effectively pursued, we do not propose, at this time, any significant change in the overall magnitude of the lending program currently approved by management, notwithstanding the favorable balance of payments outlook that will relieve Nigeria of the need to borrow abroad for purposes of resource transfer. The US$3,000 million program proposed for the five-year review period implies an average annual level of Bank lending amounting to about US$500 in real 1979 terms. This is consistent with the currently approved program.

ATTACHMENT I

Population: 81.3 m (1978)
Population Growth: 2.5%
GNP per Capita: $560 (1978)
Area: 923,768 Km
Literacy Rate: ..

NIGERIA - ACTUAL AND PROJECTED LENDING OPERATIONS THROUGH FY85

($ million)

		Through FY74	Actual FY75	FY76	FY77	FY78	FY79	Current FY80	Program FY81	FY82	FY83	FY84	FY85	Total FY70-74	Total FY75-79	Total FY80-84	Total FY81-85	Reserve Projects
Agric. Development - Funtua	IBRD		29.0															
Agric. Development - Gusau	IBRD		14.0															
Agric. Development - Gombe	IBRD		21.0															
Agric. Development - Lafia	IBRD				27.0													
Agric. Development - Ayangba	IBRD				35.0													
Agric. Development - Bida	IBRD						23.0											
Agric. Development - Ilorin	IBRD						27.0											
Agric. Development - Ekiti-Akoko	IBRD							34.0										
Agric. Development - Oyo North	IBRD							30.0										25.0(83)
Agric. Development - Ogun	IBRD												75.0					
Agric. Development - Bende	IBRD											55.0						
Agric. Development - Ondo	IBRD																	60.0(82)
Agric. Development - Sardauna	IBRD							135.0										
Agric. Devmt./Statewide - Kaduna	IBRD								90.0									
Agric. Devmt./Statewide - Bauchi	IBRD									100.0*								
Agric. Devmt. Statewide - Kano	IBRD										50.0							
Agric. Devmt. Statewide - Imo	IBRD																	45.0(82)
Agric. Devmt. Statewide - Borno	IBRD											70.0						
Agric. Devmt. Statewide - Abakaliki	IBRD									90.0*								
Agric. Devmt. Statewide - Sokoto	IBRD												70.0					
Agric. Devmt. Statewide - Plateau	IBRD												60.0					
Agric. Devmt./Statewide - Benue	IBRD										100.0							
Agricultural Credit I	IBRD												100.0					
Agricultural Credit II	IBRD																	
Agric. & Rural Mgmt. Training Inst.	IBRD						9.0											
Tree crops - Cocoa I - II	IBRD	27.20																
Tree crops - Cocoa III	IBRD								95.0									
Tree crops - Forestry I	IBRD						31.0											
Tree crops - Forestry II	IBRD											60.0						
Tree crops - Oil Palm I	IBRD		29.5															
Tree crops - Oil Palm II	IBRD		19.0															
Tree crops - Oil Palm III	IBRD		17.0															
Tree crops - Smallholder Oil Palm	IBRD					30.0												
Tree crops - Cross River Estates	IBRD									50.0*								
Other crops - Rice	IBRD		17.5															50.0(83)
Irrigation I	IBRD																	
Livestock I	IBRD		21.0															45.0(82)
NAFPP	IBRD																	
Agriculture (Unidentified)	IBRD										50.0							
DFC - NIDB I & II	IBRD	16.0																
DFC - NIDB III	IBRD					60.0												
DFC - NIDB IV	IBRD									90.0								
DFC - NIDB V	IBRD											100.0						
DFC - Small-Scale Enterprise I	IBRD								30.0									
DFC - Small-Scale Enterprise II	IBRD										50.0							
DFC - Small-Scale Enterprise III	IBRD												80.0					
Industry - Fertilizer I	IBRD																	100.0(81)
Industry - Fertilizer II	IBRD																	50.0(83)
Education I	IDA	20.0																
Education II & III	IBRD	71.3																
Education IV	IBRD								100.0									
Education V	IBRD										100.0							
Education VI	IBRD												100.0					
Transport - Rehabilitation	IBRD	25.0																
Transport - Highways I	IDA	15.5																
Transport - Highways II - V	IBRD	68.9																
Transport - Roads VI	IBRD								100.0									
Transport - Roads VII	IBRD										80.0							
Transport - Roads VIII	IBRD												90.0					50.0(82)
Transport - States Highways I	IBRD																	
Transport - Ports I & II	IBRD	65.5																
Transport - Railways	IBRD	25.0																
Food & Nutrition	IBRD										50.0							
Health & Population	IBRD												50.0					
Power I - IV	IBRD	202.5																
Power V	IBRD							100.0										
Power VI	IBRD								75.0									
Power VII	IBRD									150.0								
Power VIII	IBRD											120.0						45.0(81)
Gas Pipeline	IBRD											50.0						
Energy (Unidentified)	IBRD																	
Urban Development I	IBRD							17.5										
Urban Development II	IBRD									35.0								
Urban Development III	IBRD											45.0						
Urban Transport	IBRD												60.0					
Water Supply I - Kaduna	IBRD						92.0											
Water Supply II - Anambra	IBRD								65.0									
Water Supply III - Cross River	IBRD									55.0								
Water Supply IV - Kano	IBRD										100.0*							
Water Supply V - Lagos	IBRD											120.0						20.0(81)
WAPHEPU	IBRD																	
Rehabilitation	IBRD	80.0																
Lending Program - Total		622.9 [1]	173.0	3.0	62.0	90.0	182.0	319.8	555.0	570.0	580.0	620.0	675.0	381.4	507.2	2,644.8	3,000.0	
Number		21	3	-	2	2	3	5	7	7	8	8	9	11	17	35	39	
Lending Program in Constant FY79 Commitment $		33.2	233.5	-	70.2	95.4	182.0	301.7	494.7	481.0	464.0	471.1	488.4					
Commitment Deflator (FY79 = 100)			74.1	-	88.3	94.3	100.0	106.0	112.2	118.5	125.0	131.8	138.2					
Standby Projects - Total	IBRD								240.0	100.0								
Number									3	1								
IBRD o/s [2] inc. Undisbursed [3]		578.7	744.2	708.5	770.3	588.7	1,092.2	1,374.7	1,996.3	2,417.0	2,939.0	3,496.3	4,102.2					
excl. Undisbursed [3]		325.6	360.6	372.5	431.4	511.1	582.9	640.6	756.9	1,022.0	1,321.6	1,671.0	2,075.3					
IBRD Gross Disbursements		333.7	38.9	47.5	59.1	50.6	60.4	84.9	179.7	272.9	346.0	399.7	473.4	166.4	256.5	1,283.2	1,671.7	
Less Amortization		47.4	11.6	12.4	14.8	19.6	18.6	27.2	33.4	37.8	46.4	50.3	69.1	33.4	77.0	195.1	237.0	
Equals: Net Disbursements		286.3	27.3	35.1	44.3	31.0	41.8	57.7	146.3	235.1	299.6	349.4	404.3	133.0	179.5	1,088.1	1,434.7	
Less: Interest and charges		95.4	22.7	25.2	26.9	32.5	40.4	36.9	55.2	73.2	97.8	128.0	163.0	66.6	147.7	391.1	517.2	
Equals: Net Transfer		190.9	4.6	9.9	17.4	- 1.5	1.4	20.8	91.1	161.9	201.8	221.4	241.3	66.4	31.8	697.0	917.5	
IBRD/IDA Gross Disbursements		363.2	41.3	48.2	60.5	52.0	60.4	84.9	179.7	272.9	345.0	399.7	473.4	181.1	262.4	1,293.2	1,325.7	
Less Amortization		47.4	11.7	12.8	15.2	20.3	19.0	27.5	33.7	38.1	46.7	50.6	69.4	33.4	78.7	196.6	238.9	
Equals: Net Disbursements		315.8	29.6	35.4	45.3	32.0	41.4	57.4	146.0	234.8	299.3	349.1	403.6	147.7	556.3	1,096.6	1,432.8	
Less: Interest and charges		97.3	22.9	25.5	27.2	32.6	40.6	37.1	55.4	73.4	98.0	128.2	163.2	67.3	148.8	392.1	518.2	
Equals: Net Transfer		218.9	6.7	9.9	18.1	- .6	.8	20.3	90.6	161.4	201.3	220.9	240.4	80.4	34.9	694.5	914.6	
Commitments from Other Sources (FY)																		
Other Multilateral		11.1	-	-	-	-	35.0	45.0	70.0	76.6	83.8	91.8	100.5	-	35.0	367.2	422.7	
Bilateral		380.1	23.3	-	-	87.4	55.0	103.0	131.2	159.6	188.1	216.9	270.9	312.6	175.7	798.3	966.7	
Commercial		83.7	53.4	-	-	1,841.5	1,576.0	-	-	-		1,910.1	2,587.9	92.2	3,470.9	1,910.1	4,495.9	

* Standby Projects

[1] Including two IDA credits amounting $35.5 million.

[2] As of the end of fiscal year.

[3] Including exchange adjustments.

Country Programs Department I
West Africa
Regional Office

NIGERIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ millions)

As of December 31, 1979

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'78	FY'79 1	FY'79 2	FY'79 3	FY'79 4	FY'80 1	FY'80 2	FY'80 3	FY'80 4	FY'81	FY'82	FY'83	FY'84	FY'85	FY'86	FY
Western	14.5	9/23/65	Orig:	10/ 1/70	9/30/70 (1st)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Road	-	9/26/65	Rev:	3/31/75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 427	14.5	3/29/66	Act:	-	-	12.0	12.0	12.0	12.0	12.0	12.0	12.0									
Second	17.3	3/28/72	Orig:	12/31/75	3/ 9/72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education	-	4/18/72	Rev:	12/31/79	12/06/79	-	-	-	-	-	-	17.3	-	-	-	-	-	-	-	-	
IBRD 814	17.3	11/28/72	Act:	-	-	6.6	8.6	9.4	13.2	13.9	14.4	15.2									
Fifth	26.3	4/11/72	Orig:	6/30/77	3/28/72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Highway	-	6/26/72	Rev:	6/30/80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 838	26.3	2/20/73	Act:	-	-	12.5	12.5	12.5	14.9	15.5	16.2	18.3									
Fourth	76.0	6/29/72	Orig:	12/31/77	6/16/72	76.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Power	-	6/30/72	Rev:	12/31/79	5/24/78	73.5	74.0	74.4	74.8	75.2	75.6	76.0	-	-	-	-	-	-	-	-	
IBRD 847	76.0	6/26/73	Act:	-	-	73.5	73.5	73.5	73.5	73.5	73.5	73.5									
Second	55.0	7/ 3/73	Orig:	12/31/79	6/ 4/73	50.1	51.3	52.6	53.8	55.0	-	-	-	-	-	-	-	-	-	-	
Lagos Ports	-	8/ 1/73	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 922	55.0	10/29/73	Act:	-	-	33.8	36.6	42.9	43.8	49.5	50.2	50.6									
Third	54.0	6/21/73	Orig:	12/31/78	5/25/73	49.9	51.1	52.9	54.0	-	-	-	-	-	-	-	-	-	-	-	
Education	-	8/16/73	Rev:	12/31/82	12/ 5/79	-	-	-	-	-	-	7.7	12.3	19.6	38.0	54.0	-	-	-	-	
IBRD 929	54.0	1/14/75	Act:	-	-	-	1.1	6.2	6.2	6.5	6.5	8.1									
Second	20.0	6/20/74	Orig:	9/30/81	5/21/74	14.6	15.5	16.0	16.6	17.2	17.8	18.3	18.7	19.1	20.0	-	-	-	-	-	
Cocoa	-	10/11/74	Rev:	-	12/ 4/79	-	-	-	-	-	-	15.8	17.2	18.6	20.0	-	-	-	-	-	
IBRD 1045	20.0	10/15/75	Act:	-	-	10.8	11.1	11.1	12.8	13.8	13.8	13.8									
Livestock	21.0	12/19/74	Orig:	7/ 1/81	10/ 9/74	6.7	7.6	8.6	9.5	10.4	11.5	12.6	13.7	14.8	18.0	21.0	-	-	-	-	
Development	-	3/20/75	Rev:	-	12/31/78	-	-	-	-	4.4	5.1	7.7	9.6	11.4	18.0	21.0	-	-	-	-	
IBRD 1091	21.0	7/19/76	Act:	-	-	3.3	3.4	3.4	3.9	4.0	4.0	4.6									
Funtua	29.0	12/19/74	Orig:	7/ 1/82	9/ 6/74	19.5	21.0	22.5	23.8	25.0	26.0	27.0	28.0	29.0	-	-	-	-	-	-	
Agricultural	-	3/20/75	Rev:	-	12/31/78	-	-	-	-	25.0	26.0	27.0	27.8	28.5	29.0		-	-	-	-	
IBRD 1092	29.0	1/ 5/76	Act:	-	-	21.5	22.3	23.0	23.9	25.9	26.5	27.6									
Gusau	19.0	12/19/74	Orig:	7/ 1/82	9/ 6/74	14.0	14.8	15.5	16.3	17.0	17.3	18.0	18.5	19.0	-	-	-	-	-	-	
Agricultural	-	4/ 4/75	Rev:	-	12/31/78	-	-	-	-	17.5	17.8	18.0	18.3	18.5	19.0		-	-	-	-	
IBRD 1099	19.0	1/ 5/76	Act:	-	-	16.1	16.3	16.4	16.5	16.8	16.9	17.0									
Rice	17.5	12/19/74	Orig:	12/31/80	9/23/74	13.8	15.7	16.3	17.0	17.5	-	-	-	-	-	-	-	-	-	-	
Project	-	4/25/75	Rev:	-	8/30/78	-	-	4.3	5.3	6.3	7.4	8.4	9.4	10.4	14.4*		-	-	-	-	
IBRD 1103	17.5	10/ 1/76	Act:	-	-	3.9	5.7	6.1	6.5	7.0	7.7	8.3									
Gombe	21.0	12/19/74	Orig:	7/ 1/82	9/ 6/74	14.0	15.0	16.0	17.0	18.0	19.0	20.0	20.5	21.0	-	-	-	-	-	-	
Agricultural	-	9/25/75	Rev:	-	12/31/78	-	-	-	-	17.0	18.0	19.0	19.8	20.5	21.0	-	-	-	-	-	
IBRD 1164	21.0	11/29/76	Act:	-	-	12.2	14.1	14.3	15.2	15.7	16.0	19.3									
Mid-Western State	29.5	5/17/75	Orig:	12/31/84	3/28/75	5.8	7.5	8.1	8.7	9.3	10.1	10.8	12.1	13.3	19.4	24.5	27.8	29.5	-	-	
Oil Palm	-	12/31/75	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 1183	29.5	10/14/77	Act:	-	-	.8	.9	1.0	2.7	3.0	3.0	4.3									
East-Central State	19.0	5/17/75	Orig:	12/31/84	3/28/75	3.5	4.0	4.4	5.2	6.0	7.2	8.3	9.1	9.9	13.0	15.1	17.5	19.0	-	-	
Oil Palm	-	2/12/76	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 1191	19.0	4/ 5/77	Act:	-	-	1.4	1.4	2.4	2.4	2.9	2.9	2.9									
Western State	17.0	5/17/75	Orig:	12/31/84	3/28/75	4.7	5.5	6.4	7.0	7.7	8.6	9.6	9.9	10.3	11.9	13.2	15.2	17.0	-	-	
Oil Palm	-	9/22/76	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 1192	17.0	2/13/78	Act:	-	-	1.0	2.8	2.8	3.2	3.5	3.7	3.7									
Agricultural	27.0	6/ 9/77	Orig:	12/31/83	5/20/77	4.5	5.9	7.3	8.7	10.0	10.9	11.8	13.3	14.7	19.9	24.5	27.0	-	-	-	
Project	-	6/28/77	Rev:	-	6/30/78	-	-	3.4	4.9	5.4	7.7	9.0	10.3	11.5	16.6	20.7	27.0	-	-	-	
IBRD 1454	27.0	3/3/78	Act:	-	-	.4	1.5	2.5	3.3	3.4	3.6	5.1									
Agricultural	35.0	6/ 9/77	Orig:	12/31/83	5/20/77	5.4	7.2	8.9	10.5	12.0	13.2	14.4	16.1	17.7	24.1	30.7	35.0	-	-	-	
Project	-	6/28/77	Rev:	-	12/31/78	-	-	-	-	6.3	8.1	9.8	11.3	12.8	19.0	27.0	35.0	-	-	-	
IBRD 1455	35.0	3/ 3/78	Act:	-	-	.7	1.1	2.6	3.3	4.3	5.4	7.0									
Nucleus	30.0	5/ 6/78	Orig:	12/31/85	5/18/78	-	-	-	-	1.0	1.5	2.0	2.8	3.5	8.5	16.0	23.5	30.0	-	-	
Estate	-	7/24/78	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IBRD 1591	30.0	7/ 5/79	Act:	-	-	-	-	-	-	-	-	2.0									

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Third	60.0	6/15/78	Orig:	12/31/84	5/31/78	-	-	-	-	.5	1.0	2.0	3.5	5.5	22.0	46.0	58.0	60.0	-	-	-
NIDB	-	7/24/78	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1597	60.0	10/24/78	Act:	-	-	-	-	-	-	-	-	-									
Bida	23.0	3/20/79	Orig:	6/30/85	2/23/79	-	-	-	-	-	-	.5	1.3	2.0	8.5	14.1	18.3	22.0	23.0	-	-
Agricultural Dev.	-	9/17/79	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1667	23.0	N.E.	Act:	-	-	-	-	-	-	-	-	-									
Ilorin	27.0	3/20/79	Orig:	6/30/85	2/26/79	-	-	-	-	-	-	1.0	2.3	3.7	12.8	17.8	22.4	25.5	27.0	-	-
Agricultural Dev.	-	9/17/79	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1668	27.0	N.E.	Act:	-	-	-	-	-	-	-	-	-									
Forestry	31.0	3/27/79	Orig:	6/30/85	3/14/79	-	-	-	-	-	.8	2.3	4.0	6.0	14.2	21.4	27.9	31.0	-	-	-
Plantation	-	10/29/79	Rev:	-	10/30/79	-	-	-	-	-	-	.3	.5	2.3	12.4	20.0	27.9	30.0*	-	-	-
IBRD 1679	31.0	N.E.	Act:	-	-	-	-	-	-	-	-	-									
Kaduna	92.0	5/31/79	Orig:	12/31/85	4/15/79	-	-	-	-	-	1.0	2.5	4.5	7.2	26.2	56.5	79.6	91 1	92.0	-	-
Water Supply	-	7/16/79	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1711	92.0	N.E.	Act:	-	-	-	-	-	-	-	-	-									
Agricultural and	9.0	6/ 5/79	Orig:	12/31/84	5/23/79	-	-	-	-	-	-	.5	1.0	1.5	4.0	5.8	7.2	8.6	9.0	-	-
Rural Mgmt. Inst.	-	7/16/79	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1719	9.0	N.E.	Act:	-	-	-	-	-	-	-	-	-									
Lagos Power	100.0	11/13/79	Orig:	6/30/84	10/ 1/79	-	-	-	-	-	-	-	2.5	5.0	20.5	55.5	86.5	100.0	-	-	-
Distribution	-	N.S.	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1766	100.0	N.E.	Act:	-	-	-	-	-	-	-	-	-									
Urban	17.8	11/13/79	Orig:	6/30/83	9/10/79	-	-	-	-	-	-	1.2	2.1	3.0	7.9	14.2	17.8	-	-	-	-
Development	-	N.S.	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1767	17.8	N.E.	Act:	-	-	-	-	-	-	-	-	-									

* Balance indeterminate.

TABLE 3A
NIGERIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)
TOTAL 923.8
AGRICULTURAL [illegible]6.4

	NIGERIA 1960 /b	NIGERIA 1970 /b	NIGERIA MOST RECENT ESTIMATE /b	REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) /a: SAME GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e
GNP PER CAPITA (US$)	150.0	240.0	560.0	306.1	467.5	1097.7
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	34.0	52.0	94.0	80.6	262.1	730.7
POPULATION AND VITAL STATISTICS						
POPULATION, MID-YEAR (MILLIONS)	51.6	66.2	79.0	.	.	.
URBAN POPULATION (PERCENT OF TOTAL)	13.0	16.3	18.1	17.1	24.6	49.0
POPULATION PROJECTIONS						
POPULATION IN YEAR 2000 (MILLIONS)			152.0	.	.	.
STATIONARY POPULATION (MILLIONS)			435.0	.	.	.
YEAR STATIONARY POPULATION IS REACHED			2135	.	.	.
POPULATION DENSITY						
PER SQ. KM.	56.0	72.0	86.0	18.4	45.3	44.6
PER SQ. KM. AGRICULTURAL LAND	125.0	152.0	177.0	50.8	149.0	140.7
POPULATION AGE STRUCTURE (PERCENT)						
0-14 YRS.	44.7	44.8	46.0	44.1	45.2	41.3
15-64 YRS.	54.1	53.0	52.0	52.9	51.9	55.3
65 YRS. AND ABOVE	1.2	2.2	2.0	2.8	2.8	3.5
POPULATION GROWTH RATE (PERCENT)						
TOTAL	2.4	2.5	2.6	2.7	2.7	2.4
URBAN	5.0	4.7	4.6	5.7	4.3	4.5
CRUDE BIRTH RATE (PER THOUSAND)	52.0	51.0	50.0	46.3	39.4	31.1
CRUDE DEATH RATE (PER THOUSAND)	25.0	21.0	18.0	17.2	11.7	9.2
GROSS REPRODUCTION RATE	..	3.3	3.4	3.1	2.7	2.2
FAMILY PLANNING						
ACCEPTORS, ANNUAL (THOUSANDS)	..	7.6	33.2	.	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	13.2	34.7
FOOD AND NUTRITION						
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	98.9	102.0	91.0	94.3	99.6	104.4
PER CAPITA SUPPLY OF						
CALORIES (PERCENT OF REQUIREMENTS)	91.0/g	89.0	88.0	89.5	94.7	105.0
PROTEINS (GRAMS PER DAY)	50.0/g	59.9	46.3	55.8	54.3	64.4
OF WHICH ANIMAL AND PULSE	9.7/g	16.3	9.3	17.9	17.4	23.5
CHILD (AGES 1-4) MORTALITY RATE	38.0	33.0	24.0	22.3	11.4	8.6
HEALTH						
LIFE EXPECTANCY AT BIRTH (YEARS)	39.0	43.0	48.0	47.0	54.7	60.2
INFANT MORTALITY RATE (PER THOUSAND)	..	154.0/i	..	..	68.1	46.7
ACCESS TO SAFE WATER (PERCENT OF POPULATION)						
TOTAL	..	..	..	20.3	34.4	60.8
URBAN	..	..	..	53.9	57.9	75.7
RURAL	..	..	..	10.1	21.2	40.0
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)						
TOTAL	..	..	..	22.5	40.8	46.0
URBAN	..	..	..	62.5	71.3	46.0
RURAL	..	..	..	13.9	27.7	22.5
POPULATION PER PHYSICIAN	32000.0	20530.0	14810.0	17424.7	6799.4	2252.4
POPULATION PER NURSING PERSON	6020.0/f	4220.0	3210.0	2506.6	1522.1	1195.4
POPULATION PER HOSPITAL BED						
TOTAL	2100.0/h	2220.0	1170.0	502.3	726.5	453.4
URBAN	..	400.0	290.0	201.4	272.7	253.1
RURAL	..	18450.0	4140.0	1403.6	1404.4	2732.4
ADMISSIONS PER HOSPITAL BED	..	..	..	22.4	27.5	22.1
HOUSING						
AVERAGE SIZE OF HOUSEHOLD						
TOTAL	..	..	..	4.9	5.4	5.3
URBAN	..	..	4.7	4.9	5.1	5.2
RURAL	..	..	..	5.5	5.5	5.4
AVERAGE NUMBER OF PERSONS PER ROOM						
TOTAL	..	..	..	..	..	1.9
URBAN	3.0	..	2.2	..	..	1.6
RURAL	..	..	..	..	..	2.5
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)						
TOTAL	31.0	..	..	..	28.1	[illegible]
URBAN	81.3	..	42.4	..	45.1	[illegible]
RURAL	..	..	..	..	9.9	[illegible]

TABLE 3A
NIGERIA - SOCIAL INDICATORS DATA SHEET

	NIGERIA			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) /a		
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	SAME GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL	36.0	34.0	49.0	59.0	82.7	102.5
MALE	46.0	43.0	59.0	54.2	87.3	108.6
FEMALE	27.0	25.0	39.0	44.2	75.3	97.1
SECONDARY: TOTAL	3.0	4.0	10.0	9.0	21.4	33.5
MALE	4.0	6.0	14.0	12.0	33.0	38.4
FEMALE	1.0	3.0	7.0	4.4	15.5	30.7
VOCATIONAL ENROL. (% OF SECONDARY)	5.0	8.5	3.8/i	7.0	9.8	11.5
PUPIL-TEACHER RATIO						
PRIMARY	30.0	34.0	34.0	42.2	34.1	35.8
SECONDARY	19.0	21.0	25.0	22.9	23.4	22.9
ADULT LITERACY RATE (PERCENT)	15.0	..	..	20.8	54.0	64.0
CONSUMPTION						
PASSENGER CARS PER THOUSAND POPULATION	0.7	1.0	2.1	4.0	9.3	13.5
RADIO RECEIVERS PER THOUSAND POPULATION	4.0	23.0	79.0	44.3	76.9	122.7
TV RECEIVERS PER THOUSAND POPULATION	0.2	1.4	1.8	2.9	13.5	38.3
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	8.0	5.0	9.0	5.6	18.3	40.0
CINEMA ANNUAL ATTENDANCE PER CAPITA	..	..	0.5	0.4	2.5	3.7
LABOR FORCE						
TOTAL LABOR FORCE (THOUSANDS)	18300.0/f	25600.0	27700.0	.	.	.
FEMALE (PERCENT)	41.3	40.6	40.2	31.9	29.2	25.0
AGRICULTURE (PERCENT)	70.8	62.1	56.0	77.6	62.7	43.5
INDUSTRY (PERCENT)	10.4	13.8	18.0	7.9	11.9	21.5
PARTICIPATION RATE (PERCENT)						
TOTAL	42.7	40.5	39.1	40.8	37.1	33.5
MALE	50.9	48.8	47.4	53.9	48.3	48.0
FEMALE	34.8	32.4	31.0	25.6	20.4	16.8
ECONOMIC DEPENDENCY RATIO	1.4/f	1.2	1.4	1.2	1.4	1.4
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5 PERCENT OF HOUSEHOLDS	..	..	..	..	15.2	20.8
HIGHEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	48.2	52.1
LOWEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	6.3	3.9
LOWEST 40 PERCENT OF HOUSEHOLDS	..	..	..	..	16.3	12.6
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US$ PER CAPITA)						
URBAN	..	..	352.0	187.6	241.3	270.0
RURAL	..	..	156.0	96.8	136.6	183.3
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US$ PER CAPITA)						
URBAN	..	..	286.0	138.4	179.7	282.5
RURAL	..	..	95.0	71.0	103.7	248.9
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)						
URBAN	..	..	..	34.5	24.8	20.5
RURAL	..	..	27.0	48.7	37.5	35.3

.. Not available
. Not applicable.

NOTES

/a The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1977.

/c Africa South of Sahara; /d Lower Middle Income ($281-550 per capita, 1976); /e Intermediate Middle Income ($551-1135 per capita, 1976); /f 1963; /g 1961-63; /h Including ex-north Camercons under British administration; /i certain fields of study previously classified under other second level education of a vocational of technical nature are now reported under general education; /j 1965-66 average.

Most Recent Estimate of GNP per capita is for 1978.

August, 1979

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Due to lack of data, group averages of all indicators for Capital Surplus Oil Exporters and of indicators of Access to Water and Excreta Disposal, Housing, Income Distribution and Poverty for other country groups are population-weighted geometric means without exclusion of the extreme values and the most populated country. Since the coverage of countries among the indicators depends on availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are mostly useful as approximations of "expected" values when comparing the values of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq.km.)
- Total - Total surface area comprising land area and inland waters.
- Agricultural - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow.

GNP PER CAPITA (US$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1976-78 basis); 1960, 1970, and 1978 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1976 data.

POPULATION AND VITAL STATISTICS
- Total Population, Mid-Year (millions) - As of July 1; 1960, 1970, and 1977 data.
- Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1975 data.
- Population Projections
  - Population in year 2000 - Current population projections are based on 1975 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.
  - Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.
  - Year stationary population is reached - The year when stationary population size has been reached.
- Population Density
  - Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area.
  - Per sq. km. agricultural land - Computed as above for agricultural land only.
- Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1977 data.
- Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-77.
- Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-75.
- Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1977 data.
- Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1977 data.
- Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1975.
- Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.
- Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION
- Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights.
- Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distributions of population, and allowing 10 percent for waste at household level.
- Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for a minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.
- Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day.
- Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables.

HEALTH
- Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970, and 1977 data.
- Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.
- Access to Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.
- Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.
- Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.
- Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.
- Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities.
- Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING
- Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.
- Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.
- Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION
- Adjusted Enrollment Ratios
  - Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.
  - Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.
- Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.
- Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.
- Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION
- Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.
- Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.
- TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.
- Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.
- Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE
- Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable.
- Female (percent) - Female labor force as percentage of total labor force.
- Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force.
- Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force.
- Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1975 data. These are ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.
- Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.

INCOME DISTRIBUTION
- Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS
- Estimated Absolute Poverty Income Level (US$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.
- Estimated Relative Poverty Income Level (US$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.
- Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

Economic and Social Data Division
Economic Analysis and Projections Department
August 1979

E C O N O M I C   D E V E L O P M E N T   D A T A   S H E E T S

	1965	1970	1976	1977	1978	1979	1980	1985	1990
		ACTUAL			EST.	PROJECTED			
NATIONAL ACCOUNTS (1) (MILL. OF US$ AT 1975 PR.)									
GDP		20429.6	29949.2	31573.0	31525.5	34214.2	35484.8	47986.3	63764.3
GAINS FROM TT.		-3821.3	811.8	1278.6	-351.2	2351.9	7170.8	7578.9	9327.4
GDY		16608.3	30761.0	32851.6	31174.3	36566.1	42655.7	55565.2	73091.7
IMPORTS		2599.7	10541.1	12146.7	11421.7	11471.6	13479.7	17210.4	20035.3
EXPORTS - VOLUME		-6466.6	-9761.0	-10596.0	-9115.7	-10615.1	-9807.3	-9366.4	-9018.7
EXPORTS - TT. ADJ.		-2645.4	-10572.6	-11674.6	-8764.5	-12967.0	-16978.2	-16945.3	-18346.1
R. GAP		-45.7	-31.8	272.1	2657.1	-1495.4	-3498.5	265.2	1689.1
CONS.		14236.0	22385.8	22805.6	24612.9	24471.2	26386.8	42719.4	61669.9
INV.		2324.6	8343.5	10318.0	9218.6	10599.5	12770.4	13111.0	13111.0
NAT. SAV.		1593.2	7929.7	9386.8	6141.9	11492.9	15677.8	12791.5	11154.3
GDS		2370.3	8375.3	10045.9	6561.4	12094.9	16268.9	12845.8	11421.9
GDP AT CUR. US$		7956.6	34058.6	40085.9	46016.9	55934.5	64092.3	122706.4	208100.9
SECTOR OUTPUT (SHARE OF GDP AT 1975 PRICES)									
AGR		0.454	0.278	0.277	0.284	0.266	0.263	0.220	0.194
IND		0.337	0.469	0.460	0.438	0.461	0.445	0.401	0.370
SERV		0.209	0.253	0.263	0.278	0.272	0.291	0.379	0.436
PRICES (1975 =100)									
EXP. PI		20.58	108.07	122.47	119.35	172.56	270.75	404.04	602.60
IMP. PI		50.31	99.78	109.28	124.14	141.26	156.40	223.33	296.23
TTI		40.91	108.32	112.07	96.15	122.16	173.12	180.92	203.42
GDPDEFL		36.95	113.72	126.96	145.97	163.48	180.62	255.71	326.36
AN. AVG. EXCH. RATE		0.71	0.63	0.65					

ECONOMIC DEVELOPMENT DATA SHEETS

	1965 1977	GROWTH RATES 1977 1979	GROWTH RATES 1979 1985	1985 1990	1976 SHARE OF GDP
A. ***NATIONAL ACCOUNTS (1)* (MILL. OF US$ AT 1975 PR.)**					
GDP		4.1	5.8	5.9	100.0
GAINS FROM TT.					2.7
GDY		5.5	7.2	5.6	102.7
IMPORTS		-2.8	7.0	3.1	35.2
EXPORTS - VOLUME		0.1	-2.1	-0.8	32.6
EXPORTS - TT. ADJ.		4.5	4.6	1.6	35.3
R. GAP					-0.1
CONS.		3.6	9.7	7.6	74.7
INV.		1.4	3.6	0.0	27.9
NAT. SAV.		10.7	1.8	-2.7	26.5
GDS		9.7	1.0	-2.3	28.0
B. GDP AT CUR. US$		18.1	14.0	11.1	
*****PRICES (1975 =100)*****					
EXP. PI		18.7	15.2	8.3	
IMP. PI		13.7	7.9	5.8	
TTI		4.4	6.8	2.4	
GDPDEFL		13.5	7.7	5.0	

C. SELECTED INDICATORS	1965-77	1977-79	1979-85	1985-90
ICOR		7.40	5.59	4.15
M-ELAS		-0.71	1.19	0.54
AVG. NAT. SAV. RATE		0.28	0.35	0.22
MARG. NAT. SAV. RATE		0.78	0.09	-0.11
M/GDP		0.36	0.37	0.34
I/GDP		0.31	0.32	0.24
R/GDP		0.01	-0.04	0.02

(1) COMPONENTS MAY NOT ADD UP BECAUSE OF ROUNDING

E.	1963	1970	1973
Labor Force (Mill)	18.3	25.6	27.7
Unemployment (%)		8.0	7.0
Employment		23.8	25.8
Agriculture	70.8	62.1	56.0
Industry	10.4	13.8	18.0
Services	18.8	74.1	26.0

D. PUBLIC FINANCE (as % of GDP)	1970	1972	1973	1974	1975	1976
Current Revenue	13.3	18.1	24.6	35.9	35.4	25.0
Tax Revenue	10.2	14.6	19.6	25.3	25.7	18.6
Current Expenditures	8.4	8.6	8.6	7.3	13.4	7.8
Capital Expenditures	2.4	4.3	9.2	13.1	26.4	21.1
Public Sector Fixed Capital Formation	1.2	3.1	3.5	7.7	13.8	15.6

IMPORT DETAIL

	1973	1974	1975	1976	1977	1978	1979	1980	1985
CONSTANT 1975 PRICES (MILLIONS OF DOLLARS)									
1.1 FOOD	287.9	283.1	482.4	678.9	1147.4	1394.8	1249.9	1517.3	2433.2
1.2 OTHER CONS. GDS	184.2	221.4	651.6	1800.7	1758.0	1531.4	1301.6	1560.1	2630.5
2. PETR. OIL, LUBR.	47.2	109.0	162.8	346.8	241.6	341.1	133.3	.0	.0
3. OTHER INTM. GDS	1071.0	1268.9	2060.7	1614.0	2262.5	2777.9	2498.1	2904.7	3943.4
4. CAP. GDS	1006.0	1120.2	2539.6	3657.6	4427.2	4086.0	4802.7	5786.3	5808.6
5.1 TOTAL GDS (CIF)	2596.3	3002.7	5897.1	8098.0	9836.7	10131.2	9985.5	11768.5	14815.7
5.2 TOTAL GDS (FOB)	2353.5	2727.9	5325.0	7256.3	8991.4	10131.2	9985.5	11768.5	14815.7
6. NFS	1534.5	2216.0	2855.0	3284.8	3155.3	1290.4	1486.1	1711.2	2394.8
7. TOTAL GOODS AND NFS	3888.0	4943.9	8180.0	10541.1	12146.7	11421.6	11471.6	13479.7	17210.5
PRICE INDEX 1975 = 100									
1.1 FOOD	70.16	93.82	100.00	105.56	97.21	111.79	125.21	138.33	199.48
1.2 OTHER CONS. GDS	67.59	89.20	100.00	99.73	110.25	126.79	142.00	156.89	226.23
2. PETR. OIL, LUBR.	42.95	80.06	100.00	80.75	80.62	80.63	120.94	164.70	254.30
3. OTHER INTM. GDS.	68.75	88.86	100.00	85.24	103.28	118.77	133.02	146.97	211.93
4 CAP. GDS	74.83	86.65	100.00	106.94	116.65	134.15	150.25	166.00	239.37
5. TOTAL GDS	70.71	88.22	100.00	99.78	109.28	123.94	141.34	156.53	223.18
6. NFS	70.71	88.22	100.00	99.78	109.28	125.67	140.75	155.51	224.24
7. TOTAL GOODS AND NFS	70.71	88.22	100.00	99.78	109.28	124.14	141.26	156.40	223.33
CURRENT VALUES (MILLIONS OF US$)									
1.1 FOOD	202.0	265.6	482.4	716.6	1115.4	1559.3	1564.9	2098.9	4853.6
1.2 OTHER CONS. GDS	124.5	197.5	651.6	1795.9	1938.2	1941.7	1848.3	2447.6	5951.0
2. PETR. OIL, LUBR.	20.3	87.3	162.8	280.0	194.8	275.0	161.3	.0	.0
3. OTHER INTM. GDS	736.3	1127.8	2060.7	1375.8	2336.7	3299.4	3323.0	4269.0	8357.2
4. CAP. GDS	752.8	970.7	2539.6	3911.5	5164.5	5481.5	7216.0	9605.3	13904.4
5.1 TOTAL GDS (CIF)	1835.9	2648.9	5697.1	8079.8	10749.8	12556.8	14113.5	18420.7	33066.2
5.2 TOTAL GDS (FOB)	1664.2	2406.5	5225.0	7240.0	9826.1	12556.8	14113.5	18420.7	33066.2
6. NFS	1085.1	1954.9	2855.0	3277.4	3448.2	1621.7	2091.7	2661.0	5370.1
7. TOTAL GOODS AND NFS	2745.3	4361.4	8180.0	10517.4	13274.3	14178.5	16205.2	21081.7	38436.3

DATE OF LATEST UPDATE 02/14/80

E X P O R T   D E T A I L

	1973	1974	1975	1976	1977	1978	1979	1980	1985
CONSTANT 1975 PRICES (MILLIONS OF US$)									
1.1 COMMODITY 1	8239.8	8521.0	7430.3	8682.9	9543.5	8051.2	9516.5	8641.0	7890.8
1.2 COMMODITY 2	324.0	276.4	294.1	350.2	268.1	307.5	257.9	286.8	373.1
1.3 COMMODITY 3						.0	.0	.0	.0
1.4 COMMODITY 4	35.3	42.4	33.2	24.0	13.2	8.2	8.5	8.9	10.8
1.5 COMMODITY 5						.0	.0	.0	.0
1.6 COMMODITY 6						.0	.0	.0	.0
1.7 COMMODITY 7						.0	.0	.0	.0
2. MANUF. GDS						49.1	107.5	112.8	144.0
3. ALL OTHER GDS	663.8	1004.2	571.4	303.3	212.9	304.1	313.3	325.8	396.4
4. TOTAL GDS (FOB)	9262.9	9844.0	8329.0	9360.4	10037.7	8720.1	10203.7	9375.3	8815.1
5. NFS	185.5	220.9	325.8	400.6	558.3	395.6	411.4	432.0	551.3
6. TOTAL GDS&NFS	9448.4	10064.9	8654.8	9761.0	10596.0	9115.7	10615.1	9807.3	9366.4
PRICE INDEX (1975 =100)									
1.1 COMMODITY 1	34.99	100.00	100.00	109.05	121.09	117.46	175.70	285.77	441.71
1.2 COMMODITY 2	52.85	91.35	100.00	99.77	179.88	174.50	193.57	206.88	187.09
1.3 COMMODITY 3						115.20	125.00	132.60	177.44
1.4 COMMODITY 4	66.82	98.82	100.00	102.74	155.72	144.36	173.23	159.96	218.64
1.5 COMMODITY 5						97.00	145.10	191.00	304.82
1.6 COMMODITY 6						.00	.00	.00	.00
1.7 COMMODITY 7						.00	.00	.00	.00
2. MANUF. GDS						107.01	119.85	132.41	190.94
3. ALL OTHER GDS	69.31	86.79	100.00	101.06	93.05	107.01	119.85	132.41	190.94
4. TOTAL GDS (FOB)	38.94	98.52	100.00	108.43	123.20	119.07	173.84	276.06	415.29
5. NFS	70.71	68.22	100.00	99.76	109.28	125.67	140.75	155.51	224.24
6. TOTAL GDS&NFS	39.57	98.29	100.00	108.07	122.47	119.35	172.56	270.75	404.04
CURRENT VALUES (MILLIONS OF US$)									
1.1 COMMODITY 1	2883.2	8521.3	7430.3	9468.5	11556.0	9456.5	16720.3	24693.1	34854.3
1.2 COMMODITY 2	171.2	252.5	294.1	349.4	482.3	536.5	499.3	593.4	698.0
1.3 COMMODITY 3	69.3	10.8	.0	.3	.0	.0	.0	.0	.0
1.4 COMMODITY 4	23.6	41.9	33.2	24.7	20.6	11.8	14.8	14.2	23.6
1.5 COMMODITY 5						.0	.0	.0	.0
	1973	1974	1975	1976	1977	1978	1979	1980	1985
1.6 COMMODITY 6						.0	.0	.0	.0
1.7 COMMODITY 7						.0	.0	.0	.0
2. MANUF. GDS					109.8	52.6	128.8	149.4	275.0
3. ALL OTHER GDS	460.1	871.6	571.4	306.5	198.1	325.5	375.4	431.4	756.8
4. TOTAL GDS (FOB)	3607.4	9698.1	8329.0	10149.4	12366.8	10382.9	17738.6	25881.5	36607.8
5. NFS	131.2	194.9	325.8	399.7	610.1	497.1	579.1	671.8	1236.3
6. TOTAL GDS&NFS	3738.6	9893.0	8654.8	10549.1	12976.9	10880.0	18317.7	26553.3	37844.1

DATE OF LATEST UPDATE 02/14/80

BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE

	1973	1974	1975	1976	1977	1978	1979	1980	1981
			ACTUAL			EST.		PROJECTED	
SUMMARY OF BALANCE OF PAYMENTS									
1. EXP. (INCL. NFS)	3738.6	5893.0	8654.8	10549.1	12976.9	10880.0	18317.7	26553.2	28524.8
2. IMP. (INCL. NFS)	2749.3	4361.4	8180.0	10517.4	13274.3	14178.5	16205.2	21081.7	24571.7
3. RES. BAL.	989.3	5531.6	474.8	31.7	-297.4	-3298.5	2112.5	5471.5	3953.1
4. NET FACT. SERV. INC.	-958.5	-565.3	-280.6	-302.8	-536.4	-258.5	-597.3	-669.2	-453.6
.1 NET INT. PYMT	9.5	137.1	460.4	384.0	311.0	215.2	-72.3	-84.2	166.4
OF WHICH ON PUB. LOANS	-32.6	-35.6	-41.1	-38.9	-44.3	-73.9	-242.1	-398.1	-487.3
.2 DIR. INV. INC.	-968.0	-702.4	-741.0	-686.8	-547.1	-473.7	-525.0	-585.0	-620.0
.3 WORK. REM.	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. CUR. TRANSF.	-53.6	-98.6	-126.5	-141.8	-183.9	-268.7	-250.0	-250.0	-250.0
6. CURBAL	-22.8	4867.7	67.7	-412.9	-1017.7	-3825.7	1265.2	4552.3	3249.5
7. DIR. PRIV. INV.	373.1	257.3	417.7	340.0	439.9	186.1	200.0	380.0	500.0
8. GRANTS & GRANT-LIKE FLOWS	.0	.0	.0	.0	.0	.0	.0	.0	.0
PUBLIC M&LT LOANS									
9. DISB.	67.8	92.2	104.3	91.4	88.6	1355.5	1561.5	2040.8	1676.8
10. AMT.	-118.0	-133.3	-205.4	-335.6	-62.3	-53.3	-58.2	-84.9	-521.1
11. NET DISB.	-50.2	-41.1	-101.0	-244.2	26.3	1302.2	1503.3	1955.9	1155.7
OTHER M&LT LOANS									
12. DISB.	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. AMT.	.0	.0	.0	.0	.0	.0	.0	.0	.0
14. NET DISB.	.0	.0	.0	.0	.0	.0	.0	.0	.0
15. USE OF IMF RES.	-16.0	.0	.0	.0	.0	.0	.0	.0	.0
16. SHRT-TRM CAP.	-48.9	-239.3	-21.9	3.5	-59.4	130.4	143.4	157.8	173.6
17. CAP NEI	-45.6	53.1	-174.2	-65.1	-195.2	30.0	.0	.0	.0
18. CHNG IN RES. (-=INCR.)	-185.6	-4897.7	-188.2	378.7	803.0	2177.0	-3111.9	-7046.0	-5078.7
19. RES. (END OF PER.) (1)	583.0	5626.0	5803.0	5203.0	4259.0	2082.0	5193.9	12239.9	17318.5
GRANT AND LOAN COMMITMENTS									
1. OFF. GRT.	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. TOT. PUB. LOANS	140.5	99.5	190.4	36.0	62.0	1999.2	2427.0	1512.4	1803.9
.1 IBRD	109.0	20.0	137.0	36.0	62.0	90.0	251.0	438.0	563.0
.2 IDA	.0	.0	.0	.0	.0	.0	.0	.0	.0
.3 OTH. MULTILAT.	.0	5.7	.0	.0	.0	.0	35.0	45.0	70.0
.4 GOV.	24.8	68.6	23.3	.0	.0	87.4	65.0	68.9	73.0
.5 OF WHICH CPE (2)	.0	17.5	.0	.0	.0	50.0	.0	.0	.0
.6 SUPPLIERS	6.7	5.2	30.1	.0	.0	.0	.0	.0	.0
.7 FIN. INST.	.0	.0	.0	.0	.0	1774.7	2076.0	.0	.0
.8 BONDS	.0	.0	.0	.0	.0	.0	.0	960.5	1097.9
.9 PUBLIC LOANS NEI	.0	.0	.0	.0	.0	47.1	.0	.0	.0
3. OTHER M&LT LOANS	.0	.0	.0	.0	.0	.0	.0	.0	.0
MEMORANDUM ITEMS									
1. GRANT EL. OF TOTAL COM.	24.000	39.100	13.300	8.200	10.700	10.901	28.099	20.833	20.615
2. AVG. INT. RT.	.066	.043	.076	.085	.082	.100	.018	.032	.033
3. AVG. MAT. (YEARS)	23.000	21.500	17.500	16.600	19.700	10.000	9.581	10.815	11.222

1/ NET FOREIGN ASSETS: US$ EQUIVALENT OF LINE 31, IFS.

2/ INCLUDES CMEA COUNTRIES, PEOPLES REPUBLIC OF CHINA, NORTH KOREA, NORTH VIETNAM.

DATE OF LATEST UPDATE 02/14/80

ATTACHMENT 4A
Page 2

BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE

	1982	1983	1985	1990	1995
			PROJECTED		
SUMMARY OF BALANCE OF PAYMENTS					
1. EXP. (INCL. NFS)	30634.4	32888.8	37844.1	54346.3	
2. IMP. (INCL. NFS)	27595.3	30897.3	38436.3	59350.0	
3. RES. BAL.	3039.1	1991.6	-592.2	-5003.7	
4. NET FACT. SERV. INC.	-250.4	-54.8	128.3	-553.0	
.1 NET INT. PYMT	406.7	641.7	910.6	485.6	
OF WHICH ON PUB. LOANS	-487.0	-421.0	-329.5	-402.5	
.2 DIR. INV. INC.	-657.1	-696.4	-782.3	-1036.7	
.3 WORK. REM.	.0	.0	.0	.0	
5. CUR. TRANSF.	-250.0	-250.0	-250.0	-250.0	
6. CURBAL	2538.7	1686.8	-713.9	-5806.7	
7. DIR. PRIV. INV.	530.0	561.8	631.2	805.6	
8. GRANTS & GRANT-LIKE FLOWS	.0	.0	.0	.0	
PUBLIC M&LT LOANS					
9. DISB.	1657.9	1746.0	2091.2	2756.1	
10. AMT.	-1232.9	-1512.9	-1961.6	-1949.7	
11. NET DISB.	425.0	233.1	129.6	806.5	
OTHER M&LT LOANS					
12. DISB.	.0	.0	.0	.0	
13. AMT.	.0	.0	.0	.0	
14. NET DISB.	.0	.0	.0	.0	
15. USE OF IMF RES.	.0	.0	.0	.0	
16. SHRT-TRM CAP.	190.9	210.0	254.1	409.3	
17. CAP NEI	.0	.0	.0	.0	
18. CHNG IN RES. (-=INCR.)	-3684.6	-2691.7	-301.1	3785.3	
19. RES. (END OF PER.) (1)	21003.1	23694.8	25559.4	16916.3	
GRANT AND LOAN COMMITMENTS					
1. OFF. GRT.	.0	.0	.0	.0	
2. TOT. PUB. LOANS	1901.5	2021.0	2270.1	2947.4	
.1 IBRD	575.0	600.0	687.0	919.0	
.2 IDA	.0	.0	.0	.0	
.3 OTH. MULTILAT.	76.6	83.8	100.5	128.2	
.4 GOV.	77.4	82.1	92.2	123.4	
.5 OF WHICH CPE (2)	.0	.0	.0	.0	
.6 SUPPLIERS	.0	.0	.0	.0	
.7 FIN. INST.	.0	.0	.0	.0	
.8 BONDS	1172.5	1255.1	1390.4	1776.8	
.9 PUBLIC LOANS NEI	.0	.0	.0	.0	
3. OTHER M&LT LOANS	.0	.0	.0	.0	
MEMORANDUM ITEMS					
1. GRANT EL. OF TOTAL COM.	20.680	20.709	20.649	20.581	
2. AVG. INT. RT.	.033	.033	.033	.034	
3. AVG. MAT. (YEARS)	11.102	11.034	11.140	11.270	

1/ NET FOREIGN ASSETS: US$ EQUIVALENT OF LINE 31, IFS.

2/ INCLUDES CMEA COUNTRIES, PEOPLES REPUBLIC OF CHINA, NORTH KOREA, NORTH VIETNAM.

DATE OF LATEST UPDATE 02/14/80

ATTACHMENT 4B
Page 1

D E B T   A N D   C R E D I T W O R T H I N E S S

	1973	1974	1975	1976	1977	1978	1979	1980	1981
			ACTUAL			EST.		PROJECTED	
MED.& LONG-TERM DEBT (DISB. ONLY)									
TOTAL DOD (END OF PERIOD)	1155.9	1218.5	1085.2	837.3	891.4	2230.2	3733.5	5689.3	6845.0
INCL. UNDISB.	1620.2	1669.4	1606.1	1298.8	1338.8	3341.0	5709.8	7137.3	8420.1
PUB. DEBT SER.	-150.5	-168.9	-246.5	-374.4	-106.6	-127.2	-300.3	-483.0	-1008.4
INT.	-32.6	-35.6	-41.1	-38.9	-44.3	-73.9	-242.1	-398.1	-487.3
OTHER M&LT DEBT SER.	.0	.0	.0	.0	.0	.0	.0	.0	.0
TOTAL DEBT SER.	-150.5	-168.9	-246.5	-374.4	-106.6	-127.2	-300.3	-483.0	-1008.4
DEBT BURDEN									
DEBT SERV. RATIO	4.0	1.7	2.8	3.5	.8	1.2	1.6	1.8	3.5
DEBT SERV. RATIO(1)	29.9	8.8	11.4	10.1	5.2	5.5	4.5	4.0	5.7
DEBT SERV./GDP	1.1	.7	.9	1.1	.3	.3	.5	.8	1.4
PUB. DEBT SER./GOV. REV.	4.6	2.1	2.6	3.3	.8	1.1	1.7	1.9	3.7
TERMS									
INT. ON TOTAL DOD/TOTAL DOD	2.8	2.9	3.8	4.6	5.0	3.3	6.5	7.0	7.1
TOTAL DEBT SER./TOTAL DOD	13.0	13.9	22.7	44.7	12.0	5.7	8.0	8.5	14.7
DEPENDENCY RATIOS FOR M&LT DEBT									
GROSS DISB/IMP	2.5	2.1	1.3	.9	.7	9.6	9.6	9.7	6.8
NET TRANSF/IMP	-3.0	-1.8	-1.7	-2.7	-.1	8.7	7.8	7.4	2.7
NET TRANSF./GROSS DISB.	-122.0	-83.2	-136.2	-309.8	-20.3	90.6	80.8	76.3	39.9
EXPOSURE									
WBKDBT/GROSS TOTAL DBT	28.5	42.6	38.3	59.3	69.4	4.3	5.1	5.4	10.8
WBK+IDA DBT/GROSS TOTAL DBT	35.3	46.8	39.5	59.8	72.0	4.3	5.1	5.4	10.8
WBKDOD/TOTAL DOD	23.2	24.4	30.0	43.6	45.9	20.2	13.7	10.4	10.9
WBK+IDA DOD/TOTAL DOD	26.0	27.3	33.3	48.0	50.2	21.9	14.7	11.1	11.4
WBK DEBT SERV/TOTAL DEBT SERV	17.3	18.7	14.6	10.6	44.2	39.9	18.3	13.7	7.5
WBK+IDA DEBT SERV/TOTAL DSR	17.5	18.6	14.9	10.8	44.8	40.5	18.5	13.8	7.6

OUTSTANDING DEC. 31, 1977

EXTERNAL DEBT (DISBURSED ONLY)	AMOUNT	PERCENT
IBRD	409.5	45.9
BANK GROUP	447.9	50.2
OTHER MULTILATERAL	2.7	.3
GOVERNMENTS	390.4	43.8
OF WHICH CENTRALLY PLANNED ECONOMIES (2)	2.7	.3
SUPPLIERS	45.6	5.1
FINANCIAL INSTITUTIONS	4.8	.5
BONDS	.0	.0
PUBLIC DEBT NEI	.0	.0
TOTAL PUBLIC M&LT DEBT	891.4	100.0
OTHER PUBLIC M&LT DEBT	.0	.0
OTHER M&LT DEBT	.0	.0
TOTAL PUBLIC DEBT (INCLUDING UNDISBURSED)	1338.8	150.2
TOTAL M & LT DEBT (INCLUDING UNDISBURSED)	1338.8	150.2

DEBT PROFILE

TOTAL DEBT SERVICE 1978-82/TOTAL DOD END OF 1977	408.2

1/INCLUDING NET DIRECT INVESTMENT INCOME
2/INCLUDES CMEA COUNTRIES, PEOPLES REPUBLIC OF CHINA, NORTH KOREA, NORTH VIETNAM.

D E B T   A N D   C R E D I T W O R T H I N E S S

	1982	1983	1985	1990	1995
			PROJECTED		
MED.& LONG-TERM DEBT (DISB. ONLY)					
TOTAL DOD (END OF PERIOD)	7270.0	7503.1	7789.5	10840.0	
INCL. UNDISB.	9088.7	9596.7	10289.2	14260.2	
PUB. DEBT SER.	-1719.9	-1933.9	-2291.1	-2352.2	
INT.	-487.0	-421.0	-329.5	-402.5	
OTHER M&LT DEBT SER.	.0	.0	.0	.0	
TOTAL DEBT SER.	-1719.9	-1933.9	-2291.1	-2352.2	
DEBT BURDEN					
DEBT SERV. RATIO	5.6	5.9	6.1	4.3	
DEBT SERV. RATIO(1)	7.8	6.0	8.1	6.2	
DEBT SERV./GDP	2.0	2.0	1.9	1.1	
PUB. DEBT SER./GOV. REV.	5.8	6.1	6.2	4.4	
TERMS					
INT. ON TOTAL DOD/TOTAL DOD	6.7	5.6	4.2	3.7	
TOTAL DEBT SER./TOTAL DOD	23.7	25.8	29.4	21.7	
DEPENDENCY RATIOS FOR M&LT DEBT					
GROSS DISB/IMP	6.0	5.7	5.4	4.6	
NET TRANSF/IMP	-.2	-.6	-.5	.7	
NET TRANSF./GROSS DISB.	-3.7	-10.8	-9.6	14.7	
EXPOSURE					
WBKDBT/GROSS TOTAL DBT	16.8	20.9	25.8	27.4	
WBK+IDA DLT/GROSS TOTAL DBT	16.8	20.9	25.8	27.4	
WBKDOD/TOTAL DOD	13.6	17.5	27.8	40.7	
WBK+IDA DOD/TOTAL DOD	14.1	18.0	28.2	41.0	
WBK DEBT SERV/TOTAL DEBT SERV	5.3	5.6	9.4	25.6	
WBK+IDA DEBT SERV/TOTAL DSR	5.3	5.9	9.5	25.6	

OUTSTANDING DEC. 31, 1985

EXTERNAL DEBT (DISBURSED ONLY)	AMOUNT	PERCENT
IBRD	2163.6	27.8
BANK GROUP	2198.3	28.2
OTHER MULTILATERAL	278.4	3.6
GOVERNMENTS	635.6	8.2
OF WHICH CENTRALLY PLANNED ECONOMIES (2)	45.8	.6
SUPPLIERS	.0	.0
FINANCIAL INSTITUTIONS	769.8	9.9
BONDS	3894.0	50.0
PUBLIC DEBT NEI	13.4	.2
TOTAL PUBLIC M&LT DEBT	7789.5	100.0
OTHER PUBLIC M&LT DEBT	.0	.0
OTHER M&LT DEBT	.0	.0
TOTAL PUBLIC DEBT (INCLUDING UNDISBURSED)	10289.2	132.1
TOTAL M & LT DEBT (INCLUDING UNDISBURSED)	10289.2	132.1

1/INCLUDING NET DIRECT INVESTMENT INCOME
2/INCLUDES CMEA COUNTRIES, PEOPLES REPUBLIC OF CHINA, NORTH KOREA, NORTH VIETNAM.

ECONOMIC AND SECTOR WORK PROGRAM FY80-82

1. The economic and sector work program for FY80 through FY82 reflects the need to broaden and deepen our understanding of the Nigerian economy, as well as our concern about what we consider to be the two principal issues facing the Government: the choice of a long-term development strategy and supporting policies, and the issue of poverty redressal. These issues will be addressed in a comprehensive way in an economic study which we are planning to undertake in FY80. This study will examine the feasibility of different growth strategies, and will put special emphasis on the basic needs approach. Drawing on the findings of a reccent ILO-mission on basic needs, the economic report will attempt to incorporate the basic needs objectives in a macro-economic framework, and pay particular attention to absorptive capacity and management issues. It will be followed by, and closely linked with, a study of certain aspects of fiscal management, which will include: financial implications of a basic needs approach, the incidence of tax and expenditure policies, the strengthening of the non-oil revenue performance both at the federal and at the state and local government levels, and implications for recurrent expenditure of the past and present heavy investment program. These reports are designed to help the government in its preparation of the next Plan. Specific requests for Bank support in developing a macro-economic framework and in formulating a food sector strategy have been made by government.

2. A number of special economic studies are tentatively proposed for the next few years, though this is subject to change in the light of the findings of the upcoming economic mission. We intend to continue to work on improving and extending the flow-of-funds accounts, which started at the request of the Central Bank. By focussing this on financial flows between the Government and the parastatals, this will provide a valuable input for a study of the management and performance of public enterprises (FY82), which are assuming an increasingly important role. An earlier study pointed out that the incentives system is biased against exports. Though we will continue to press for necessary adjustments of the system and the establishment of appropriate institutional facilities to promote non-oil exports, we consider it equally important to identify viable export activities. This will be the subject of a separate study (FY81). There are indications that the Government may request the Bank for support in the area of nutrition and health. We therefore propose to follow-up on the earlier basic needs study and do further in-depth work to prepare for future operational activity (FY81). In view of Nigeria's regional diversity, the questions of regional balance and interdependence are critical and deserve more systematic attention than they have so far received. The nature of this study, which could eventually become quite substantial, needs to be further defined. We have tentatively suggested a first phase in FY82. Work on future CPP's is scheduled on the basis of a regular 18 months cycle.

3. The sector work program addresses the same basic issues that are the focus of our economic work: encouraging the establishment of a viable economic structure in the long term, and the achievement of a more equitable distribution of the benefits of development. Particularly in the "new" sectors such as urban development and water supply, there is also a strong operational need

to prepare for the proposed expansion of our lending. Our work in agriculture will initially focus on the formulation of a food sector strategy within the context of the Fourth Plan, to be followed by special studies the need for which will become clearer as work on the next Plan proceeds. In industry, principal need is to define the kind of industrial structure Nigeria should aim for. Our present lack of information about the sector precludes definite answers at present. Over the next two years, therefore, a series of studies is to be carried out which should enable us answer the question of strategy with more confidence. These would include the links between industry and the rest of the economy, as well as between industrial subsectors, the potential of selected subsectors, problems of small-scale industry, the financial of industrial development, and a follow-up on our earlier study of the incentive system.

4. We plan to continue our review of the water supply/sanitation sector state-by-state through the IBRD/WHO Cooperative Program. The schedule is closely linked to the proposed four lending operations. In the urban sector, we propose a program of city and issue specific work, tied to project preparation, which would guide the government in designing its urban development program and policies. At this stage, we expect to carry out a comprehensive city development strategy for Lagos, and address one or two major issues of urbanization management and policy, including the issue of local government finance and resource mobilization.

ECONOMIC AND SECTOR WORK PROGRAM, FY80-82

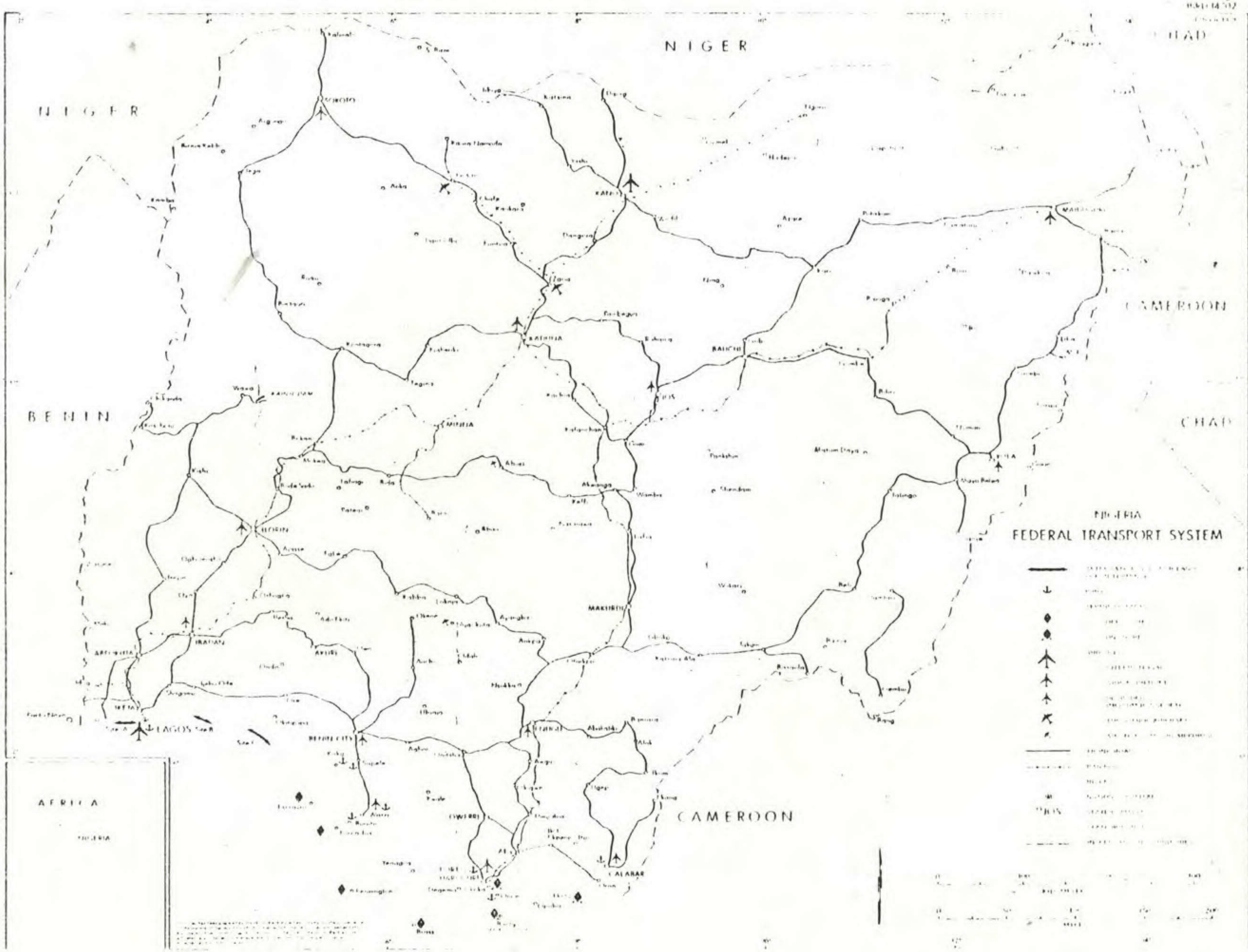
Title and description	Responsible department	Total manweeks required FY80	FY81	FY82
I. ECONOMIC WORK				
1. Economic report	WACP1/CPS/DPS	84	40	
Examine long term development strategy and assess principal development constraints. Special emphasis on absorptive capacity and management issues. Assess character and magnitude of poverty.				
2. Basic needs study	DPS	22	28	
Review Government policies and institutional facilities for delivery of basic human needs; suggest outline of strategy for achieving basic needs objectives. Input for Economic Report.				
3. Study of poverty profile	WACP1	20		
Determine levels and causes of poverty and recommend policies for poverty redressal. Input for Economic Report.				
4. Fiscal Management Issues	WACP1	40	12	
Closely linked to Economic Report. To examine financial implications of basic needs strategy; tax and expenditures inccidence; non-oil revenue performance at federal, state, and local government level.				
5. Flow-of-funds study	WACP1		8	
Assistance to Central Bank of Nigeria in improving and extending flow-of-funds accounts.				
6. Non-oil export promotion study	WACP1		16	
Review current policies and institutions affecting non-oil exports, and recommend measures for major expansion of such exports.				

ECONOMIC AND SECTOR WORK PROGRAM, FY80-82

Title and description	Responsible department	Total manweeks required		
		FY80	FY81	FY82
7. National parameters study	WACP1	4	5	5
Revise and update existing national parameters.				
8. Public enterprise study	WACP1			35
Examine management and performance of public enterprises.				
9. Regional development issues	WACP1			20
Examine disparities and interdependence between major regions in Nigeria, and identify ways to promote greater regional balance.				
10. Country economic memorandum	WACP1			50
Update and analyze recent economic development and review Fourth Plan.				
11. Country program paper	WACP1	16	30	5
II. SECTOR WORK				
1. Transport	WAP	20	20	20
Memoranda covering various subsectors reviewing progress and identifying issues.				
2. Education	WAP	4	17	16
Sector review.				
3. Energy sector study	WAP	6	6	
Assistance in planning, and subsequent monitoring, of an expansion of ongoing work towards the establishment of a national energy planning capability.				

ECONOMIC AND SECTOR WORK PROGRAM, FY80-82

Title and description	Responsible department	Total manweeks required FY80	FY81	FY82
4. Agriculture: Plan support Assisting federal government in preparing Fourth Plan.	WAS	35	28	28
5. Agriculture: Special studies Nature of these studies to be defined during Plan preparation.	WAP	(included in item 4)		
6. Industry: Special studies To cover intersectoral linkages, potential of selected subsectors, small-scale industry, industrial finance, incentives structure.	WAP	30	25	20
7. Water supply /Sanitation Sector reviews through Bank/Who Coop. Program, covering two states per year.	WAP	15	30	30
8. Urban Development (i) development strategy for Lagos; (ii) specific policy issues.	CPS/WAP/WACP1	10	30	30


NIGERIA
FEDERAL TRANSPORT SYSTEM
NIGER
NIGER
CHAD
CHAD
CAMEROON
CAMEROON
BENIN
AFRICA
NIGERIA
SOKOTO
KANO
MAIDUGURI
KADUNA
ZARIA
BAUCHI
JOS
MINNA
ILORIN
IBADAN
ABEOKUTA
LAGOS
MAKURDI
BENIN CITY
ENUGU
OWERRI
PORT HARCOURT
CALABAR
YOLA

10

11

717/3/2

The Fourth Development Plan (1981-85) and The 1981 Budget

The Fourth Development Plan

1. The Fourth Five-Year Development Plan (1981-85) was launched by the President Alhaji Shehu Shagari, in early January. The final plan document which should include detailed sectoral allocations and project lists is still under preparation, but an outline provides the macro-economic framework and highlights some of the sectoral programs. The final plan document is expected to be available sometime in June.

2. Under the Fourth Plan, long-term development strategy and objectives for the Nigerian economy remain basically unchanged from previous plans. In addition to the long standing objectives of increasing per capita income and improving income distribution, some of the specific objectives of the Fourth Plan are to achieve a:

(i) reduction of the dependence of the economy on a narrow range of activities;

(ii) balanced development among sectors and regions;

(iii) greater self-reliance and optimum utilisation of the country's own human and material resources.

3. While the hydrocarbon sector remains the main source of accumulating financial resources in the economy, the Fourth Plan gives the highest priority to agricultural production and processing. Although the sectoral breakdown of total investment for the plan period is not yet available, the comparison of a tentative breakdown of the Federal government investment for the Third and Fourth Plan periods shows the change of emphasis placed on agriculture.[1/]

Federal Government Investment
(Percentages)

	Fourth Plan 1981-85
Agriculture	8.5
Mining and Quarrying	16.4
Manufacturing	13.0
Power and Water	6.3
Transportation and Communication	21.5
Health and Education	8.5
Others	25.8
	100.0

The investment program of the Fourth Plan will undoubtedly include a large number of unfinished projects and even some projects from the previous plan not yet begun. The fact that at the beginning of 1980 the investment overhang from the Third Plan period was about ₦30 billion at 1980 prices must have been a limiting factor in the investment allocations.

1/ A detailed assessment of sectoral priorities cannot be undertaken in the absence of the investment programs of the State Governments and the private sector.

4. The Fourth Plan projects a real GDP growth rate of 7.2 percent for the 1981-85 period, slightly above the 6 percent growth rate achieved under the Third Plan. While oil sector value-added is projected to grow at 2 percent per annum, the momentum of growth is provided by manufacturing (15 percent per annum) and to a lesser extent, by services (10.4 percent). The Plan's target growth rate for agriculture at 4 percent per annum seems unlikely to be achieved in view of the performance of the sector in the recent past and lengthy gestation periods required for the investment to yield results. It is reasonable to assume that an annual average growth rate of 2.5 percent during the Fourth Plan period could be sustained, if the government's renewed emphasis on agriculture is maintained. The target for manufacturing growth rate (15 percent) is ambitious but not unrealistic if the proper policies are formulated and pursued. Sectoral growth rates for the Third and Fourth Plan periods are compared below:

Sectoral Growth Rates

	Third Plan		Fourth Plan	
	Target	Est. Actual	Target	Estimate 1/
Agriculture	5.0	1.1	4.0	2.5
Oil	5.3	1.0	2.0	2.0
Manufacturing	18.0	14.0	15.0	15.0
Construction	20.1	15.4	5.0	5.0
Others	16.0	9.6	10.4	8.0
GDP	9.5	6.0	7.2	5.9

1/ Our estimates for the likely scenario.

Overall, a real GDP growth rate of 5.9 percent could be more realistic than 7.2 percent during the 1981-85 period.

5. An investment volume of ₦82 billion at current prices (₦65 billion at 1977 prices) is provided for the Fourth Plan period. This implies an average ICOR of 4.1 compared with 4.5 for the 1975-80 period. As mentioned in paragraph 3, the sectoral breakdown of investment is not yet available. Nevertheless, the Plan estimates that at current prices ₦42.5 billion would be undertaken by the Federal Government, ₦28 billion by the States and Local Governments and ₦11.5 billion by the private sector. While the Plan expects that ₦54 billion out of the public investment volume of ₦70.5 billion would be financed from recurrent budget surpluses and remainder from external and internal borrowing, domestic financial constraints could be more serious than anticipated both at the Federal and State levels. The recurrent budget surpluses projected by the Plan for the Federal and State governments may prove to be overestimated for two reasons. First, the inflation assumption underlying the plan projections is too low (6 percent per annum compared with the average of 12 percent during the Third Plan period). Secondly, the real growth of recurrent expenditures seems under-estimated.

6. On the balance of payments side, financial constraint is unlikely to be critical. Although the import projections are based on an implicit import elasticity of 0.77 (compared with 2.6 during the 1974-80 period) which is very low, the country's capacity to import should be much higher than foreseen in the Plan. This is because of a pessimistic assumption for the oil price increases. The Plan assumes a 6 percent increase in oil prices for the 1981-85 period. Import price increases are also assumed at 6 percent. Including the non-oil exports 1/ the Plan in fact, forecasts a slight deterioration in the terms-of-trade.

1/ Mainly cocoa which has poor price prospects.

Therefore the underestimation of import demand would be more than offset by terms-of-trade improvements which are not taken into account.

7. Overall, the Plan stands out as a document reflecting a growth rate target which is politically acceptable rather than feasible. Its success, however, will be dependent on the willingness of the government to address key policy issues. These relate to:

(i) formulation of a coherent incentive framework for both industry and agriculture which should utilize the exchange rate as an effective tool;

(ii) a more careful fiscal management which would adjust expenditures to a level commensurate with the available resources while taking all steps necessary to raise non-oil revenues;

(iii) pursuing a monetary policy which would facilitate mobilization of private savings and channeling them into productive investment.

8. Perhaps the most critical constraint to the implementation of the Plan is the shortage of skilled manpower and consequently the inadequacy of the development administration. While the major blame for non-achievement of the targets of the previous Plans was placed on the shortage of qualified manpower, there is no evidence that the situation has improved, particularly at a time when the country is embarking on an ambitious development Plan. In fact, the manpower requirements of the Fourth Plan is quite staggering; additional skilled manpower requirements during the 1981-85 period calls for more than doubling of the existing stock. While the shortage is severe at all skill levels, shortage of middle-level manpower has serious implications on pursuing a development strategy emphasizing agriculture, rural development and basic needs which places a greater demand on middle level skills. In light of the gloomy short term prospects to close the gap between sizable manpower demand and indigenous supply, the dependance on expatriate manpower is expected to continue, if not to increase. This is a fact which is recognized by most of the senior Federal Government officials and in the outline of the Fourth Plan.

1981 Budget

9. The 1981 budget which is to be the first tranche of the Fourth Plan was presented to the National Assembly in November 1980, about two months earlier than the Plan itself was announced. Partly because of this, some of the key variables such as oil output level and oil price in the Budget are not in conformity with the Plan. The Budget has not yet been approved by the National Assembly, partly because it coincided with the debate on the revenue allocation bill.

10. The budget proposal is contractional and provides for lower revenue and expenditures than the previous one in nominal terms. The conservatism of the 1981 budget proposal stems from two factors: the first one is that the recently adopted revenue sharing formula reduces the share of Federal government from 77 percent to 55 percent of the federation account. Secondly, oil revenue estimates of the budget are based on an output level of 1.9 million bbl/day and a price level of $36.8/bbl.[1/]

1/ In 1980, average daily oil output was 2.05 million bbl and it is still maintained. In January 1981, average selling price for the Nigerian crude was $40/bbl.

11. In terms of capital expenditures, sectoral distribution of Federal government expenditure remains unchanged from the 1980 budget and does not correspond to the Plan's allocations. For instance, the share of agriculture in the Federal government capital expenditure in 1981 (4.6 percent) is considerably lower than 8.3 percent allocated in the Plan.

12. In view of the conservative estimates of revenue in the 1981 budget, the overall budget deficit is likely to be much less than that proposed (₦3.8 billion). Although domestic financing of the deficit could exert an inflationary pressure on the economy, it will be manageable (about 6 percent of the GDP).

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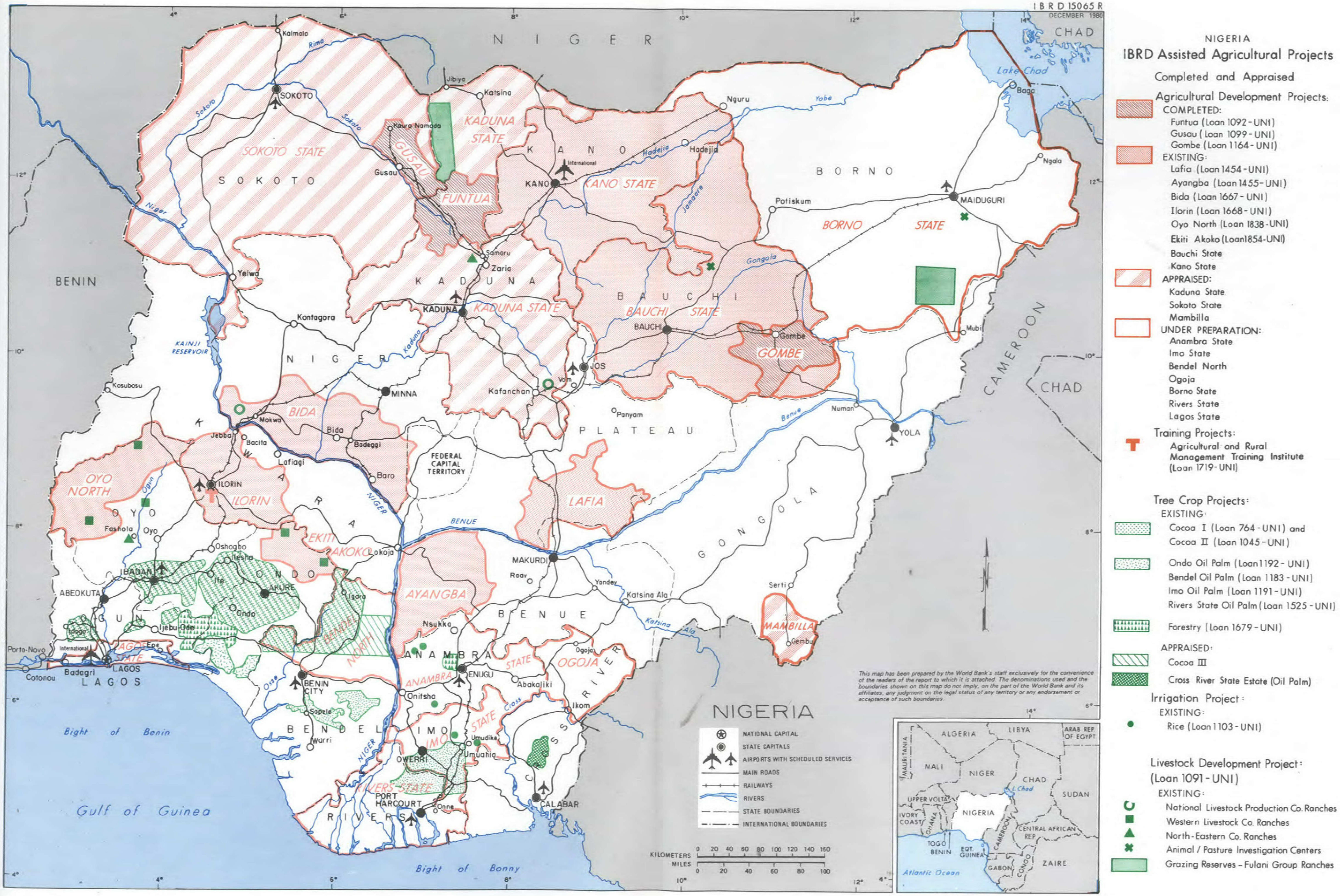
IBRD 15065 R
DECEMBER 1980
NIGERIA
IBRD Assisted Agricultural Projects
Completed and Appraised
Agricultural Development Projects:
COMPLETED:
Funtua (Loan 1092-UNI)
Gusau (Loan 1099-UNI)
Gombe (Loan 1164-UNI)
EXISTING:
Lafia (Loan 1454-UNI)
Ayangba (Loan 1455-UNI)
Bida (Loan 1667-UNI)
Ilorin (Loan 1668-UNI)
Oyo North (Loan 1838-UNI)
Ekiti Akoko (Loan1854-UNI)
Bauchi State
Kano State
APPRAISED:
Kaduna State
Sokoto State
Mambilla
UNDER PREPARATION:
Anambra State
Imo State
Bendel North
Ogoja
Borno State
Rivers State
Lagos State
Training Projects:
Agricultural and Rural Management Training Institute (Loan 1719-UNI)
Tree Crop Projects:
EXISTING:
Cocoa I (Loan 764-UNI) and Cocoa II (Loan 1045-UNI)
Ondo Oil Palm (Loan 1192-UNI)
Bendel Oil Palm (Loan 1183-UNI)
Imo Oil Palm (Loan 1191-UNI)
Rivers State Oil Palm (Loan 1525-UNI)
Forestry (Loan 1679-UNI)
APPRAISED:
Cocoa III
Cross River State Estate (Oil Palm)
Irrigation Project:
EXISTING:
Rice (Loan 1103-UNI)
Livestock Development Project: (Loan 1091-UNI)
EXISTING:
National Livestock Production Co. Ranches
Western Livestock Co. Ranches
North-Eastern Co. Ranches
Animal / Pasture Investigation Centers
Grazing Reserves - Fulani Group Ranches
NIGERIA
NATIONAL CAPITAL
STATE CAPITALS
AIRPORTS WITH SCHEDULED SERVICES
MAIN ROADS
RAILWAYS
RIVERS
STATE BOUNDARIES
INTERNATIONAL BOUNDARIES
KILOMETERS 0 20 40 60 80 100 120 140 160
MILES 0 20 40 60 80 100
NIGER
CHAD
BENIN
CAMEROON
SOKOTO
KANO
BORNO
KADUNA
BAUCHI
PLATEAU
NIGER
KWARA
OYO
ONDO
OGUN
LAGOS
BENDEL
ANAMBRA
IMO
RIVERS
CROSS RIVER
BENUE
GONGOLA
FEDERAL CAPITAL TERRITORY
Gulf of Guinea
Bight of Benin
Bight of Bonny
Lake Chad
KAINJI RESERVOIR