PUBLIC DISCLOSURE AUTHORIZED

McNamara Papers

Travel brief – West Africa,
Nov. 1–15, 1977 / Koch-Weser
(Nigeria)

Folder 2 of 8

F

NIGERIA - COUNTRY PROGRAM PAPER

Postscript

45. The Country Program Paper was reviewed by Mr. McNamara on April 14, 1975. The following conclusions were reached:

(a) The Bank should be ready to continue assisting Nigeria in the implementation of its development objectives during the transitional period of surplus oil revenues so long as the Government welcomed the Bank's support, but the assignment of scarce staff resources on the scale proposed in the CPP, including the maintenance of a resident mission in Lagos, could only be justified if the Bank were to be more substantially involved than it had been in the recent past. It was important therefore to establish more clearly what the Nigerian Government wanted from the Bank, and to see whether the Bank could provide it without departing from its usual project standards. Continued Bank lending to Nigeria as recommended in the CPP was justified, subject to the above qualifications and satisfactory borrowing arrangements between the Bank and Nigeria.

(b) An aide-memoire outlining the Bank's position on lending to and borrowing from Nigeria should be prepared and discussed with the Chairman and others as a basis for Mr. Chaufournier's forthcoming discussions with the Government in Lagos.

46. Regarding Bank borrowing from Nigeria, the Chairman's opinion was that:

(i) Bank lending, measured on a commitment basis, had to be at least offset by Nigerian loans to the Bank. Given the likelihood that Nigeria would continue to accumulate foreign exchange reserves at least through 1980, a formal offset arrangement would be preferable to the rather loose understanding envisaged in the CPP. The Bank's objective over the next few years should be to borrow substantially more from Nigeria than it was lending to it.

(ii) The Bank would normally expect to pay the market rate of interest on its borrowings in Nigeria. However, if the Bank's own lending rate was lower than the market rate, this lower rate should be applied to borrowings from Nigeria to the extent necessary to match the amount of Bank lending to Nigeria. The maturities of these borrowings could reasonably be reduced as Nigeria's reserve accumulation slowed down.

Western Africa Regional Office
Country Programs Department I
April 22, 1975

CONFIDENTIAL
April 3, 1975

COUNTRY PROGRAM PAPER

NIGERIA

		IBRD/IDA Lending Program ($ million)			
		FY64-68	FY69-73	FY74-78	FY76-80
1974 Population: 73 million	IBRD	144.0	326.9	627.0	619.0
1974 per cap. GNP: $250 1/	IDA	35.5	-	-	-
Current Pop. Growth Rate: 2.6% p.a.	Total	179.5	326.9	627.0	619.0

Current exchange rate: ₦1 = US$1.62
₦0.617 = $1.00

	Annual Average Per Capita ($)			
IBRD	0.42	.93	1.62	1.58
IDA	.10	-	-	-

1/ Based on a population estimate of 73 million (extrapolated from 1963 census). This estimate differs from Bank Atlas figures (1972 population 69.5 million; GNP per capita: $130).

INTRODUCTION

1. Expanded Bank activities in Nigeria began only in 1970, at the end of the Nigerian civil war which had prevented Nigeria's earlier participation in the expansion of Bank operations in developing countries. In 1970 and 1971, a basic economic mission and missions in agriculture, education, transport and other infrastructure sectors, visited Nigeria to assess the country's economic prospects and to identify areas of possible Bank involvement. Already at that time it was clear that the country had the potential for rapid and sustained economic growth unhampered by the usual constraints of limited savings and foreign exchange. At the Country Program Note meeting in April 1972, and the subsequent

Note: In current terms, the proposed FY74-78 program is $627 million as compared with $895 million for the same period, approved in December 1972. In constant (FY74) dollars, the proposed FY74-78 program is $513.3 million which is 41 percent less than the last approved program of $869.6 million. Annual average per capita commitments in real terms for FY75-79 would be $1.38 compared with $1.15 during FY69-73.

more detailed Country Program Paper meeting in December 1972, it was agreed that substantial Bank lending to Nigeria was justified on the basis of its low level of per capita income, its creditworthiness and the need to improve the country's capacity to implement public investment projects. It was also agreed that, in line with Nigeria's development priorities, the primary objective of Bank activities would be to assist the Government to expand investment over the broad range of sectors and regions necessary for sustained and balanced economic growth and, in this connection to provide substantial technical and institution-building assistance.

2. These fundamental considerations remain unchanged today. As the leading international institution engaged in promoting economic development, the Bank cannot be disinterested in a country which has the eighth or ninth largest population in the developing world and far and away the largest in Africa. While Nigeria's nominal GNP at current prices has doubed in the past two years as a result of the increase in petroleum prices and general world inflation, most of the addition to real national income has gone into reserves, and the consumption levels of the mass of the population remain low even by African standards. Justification for the Bank's continued lending to Nigeria turns essentially on whether such lending can contribute something useful to the process of increasing efficiency, raising production and incomes and reducing inequities in the non-oil sectors. We believe it can. In theory, given the abundance of oil revenues, the Bank might be able to achieve this result without lending. In practice, because of the attitudes of the Federal Government and the complex political relationship between the Center and the States, it is our judgement that the Bank cannot have any significant influence on the development process in Nigeria unless it maintains a substantial lending program.

3. Nevertheless, the dramatic rise in oil prices since the last CPP was reviewed has greatly increased the certainty, the absolute magnitude and probably also the duration of the country's resource surpluses. This development, while it should not affect the longer-term considerations governing Bank operations, has necessitated certain short-term adjustments in these operations and, in particular, Bank-Nigeria financial relations. It is, therefore, opportune and necessary now to review with the Government the Bank's operation and financial policies towards Nigeria over the coming five years which coincides with the period of the Third National Development Plan. The Region has agreed with the Government to hold these discussions at the end of April 1975. The purpose of this paper is to request Management's approval of the proposals which the Region intends to discuss with the Government. Since we are at this point concerned mainly with the general

direction of policy governing our relations with Nigeria, the paper does not include the usual detailed discussion of sectors and proposed projects.

(A) RECENT ECONOMIC AND POLITICAL DEVELOPMENTS

4. During the past two years, Nigeria has assumed an increasingly significant role both regionally and internationally. The primary factor in this connection, apart from its size and population, has been its rapidly growing economic influence derived from the recent increases in oil prices; in gross terms, Nigeria's GNP, of the order of $20 billion, is now by far the largest in Africa, excluding South Africa, about twice that of Egypt and ten times that of Ethiopia, Kenya, Ghana and Ivory Coast. Nigeria is now regarded by many of its neighbours as a potential source of development assistance, although its specific intentions in this regard remain to be defined. General Gowon's address to the United Nations General Assembly as (then) Chairman of the Organization of African Unity (OAU) and his successful State visits to the U.K., U.S.S.R. and the People's Republic of China in 1973 and 1974 also underline Nigeria's intention and increasing ability to play a more prominent role on the international scene.

5. In contrast to these manifestations of Nigeria's emerging international stature, internal political developments have more recently become a major concern of the Federal Military Government (FMG). Specifically, the orderly evolution of a viable political system foreseen in General Gowon's nine point program of necessary preconditions and guidelines for a return to civilian rule by 1976 suffered a setback in 1974 with the announcement of provisional results of the 1973 population census. The outcome of this particular census was important for several reasons: it would confirm the accuracy or inaccuracy of the controversial 1963 census; it would determine the future distribution of Federal revenues among the States and, in a future civilian regime, presumably each State's parliamentary representation at the Federal level; and it would form the basis for the creation of more States by ethnic or provincial groups not satisfied with the current twelve State structure. Furthermore, the military regime was anxious to demonstrate that what preceding civilian regimes had bungled very badly would not be repeated under its rule; its legitimacy would be greatly enhanced if the census were "controversy free" and its result widely accepted at home and unsuspected abroad. In the event, substantial physical and human resources were mobilized to mount an apparently effective and efficient operation. However, when the provisional outcome was announced in May 1974, the preliminary

total and State-by-State figures produced not only a much higher population (about 80 million) than had been expected, but also widely diverging growth rates among the different States. While all the Southern States except Lagos showed very low and in some cases negative growth rates during 1963-73, the six Northern States showed population increases ranging from 50 to 100 percent. Although General Gowon specifically emphasized the provisional nature of the results, ordered extensive post-enumeration counts and postponed publication of the final outcome, the preliminary estimates, not surprisingly, have already generated as much controversy and skepticism as the 1963 census, particularly in the South and West. In the circumstances, it is difficult at this point to see how a nationally acceptable and reliable set of current population data will be achieved.

6. On October 1, 1974, Nigeria's political direction took a completely new turn. It had become increasingly obvious during 1974 that relations between the military regime and its supporters among the press, the universities and the trade unions had been deteriorating and, following the census, that latent regional and tribal divisions were once more coming to the surface. Citing these and other reasons and maintaining that "it will be utterly irresponsible (for the military) to leave the nation in the lurch by a precipitate withdrawal which will certainly throw the nation back into confusion," General Gowon, in his 1974 Independence Day address, announced that the return to civilian rule originally scheduled for 1976 would be postponed indefinitely, that the ban on political organization and activity would continue indefinitely, and that the existing twelve State federation would be further subdivided by the creation of new States at a later date. In addition, the military presence in the Federal Government was further strengthened by the announced replacement of civilian Federal Commissioners by military officers in the Federal Executive Council (or cabinet) to be effective in January 1, 1975,2/ and by the appointment of a new team of Military Governors in the States to be effective in April 1975. It is evident therefore that the military regime intends to remain in power for some time, and that the political vacuum that began with the military coup d'etat in 1966 is likely to continue indefinitely. Following General Gowon's October 1 speech, there have been increasing signs of heightened political tension; for example,

2/ While most civilian Federal Commissioners were indeed replaced by military personnel in January 1975, the existing Commissioners in the key Ministries of External Affairs, Economic Development, Finance and Mines and Power were all reappointed for a further three-year term.

relations between the regime and the most articulate segments of the society, particularly university students and trade unions, seem to have further deteriorated, leading to frequent public confrontations and minor civil disturbances.

7. In the absence of any visible progress towards the establishment of a viable political and constitutional framework, the present military regime is increasingly using its commitment to economic growth as the basis for its claims to legitimacy. Reflecting this, General Gowon's address on October 1, 1974, was devoted almost exclusively, apart from the brief announcement regarding the changes in political direction, to the economic achievements of the regime since 1970 and to a preview of its Third National Development Plan. In many respects, the Third Plan has become the new political manifesto of the military regime, with a new team of Federal Commissioners and State Governors charged with its implementation.

8. As documented in the Updating Economic Report of August 1974 and summarized in the President's Reports associated with the various agricultural projects presented to the Board in December 1974, economic progress in Nigeria since 1970 has indeed been impressive. While fortuitous external developments have been mainly responsible, the post-civil war record of economic management and a modest improvement in public sector executive capacity during the Second Plan (1970-1974) have been commendable achievements of the present regime. The already rapid momentum of growth will now be accelerated further within the framework of the Third National Development Plan, by far the most ambitious development planning effort in Nigeria to date.

9. The Plan will cover the period from April 1975 through March 1980. Economic growth, in real terms, is projected to be of the order of 9 percent per annum, with per capita income increasing to twice the current level of $250 by the mid-1980s. These are ambitious but not unrealistic targets and are consistent with the Bank's assessment of the economy's potential. Although executive capacity is expected to remain a major determinant of the actual size and efficiency of the investment program, development will be unhampered by the usual constraints of savings and foreign exchange. Reserves at the end of the Third Plan (1980/81) may lie in the vicinity of $24 - 25 billion, or the equivalent of 14 - 15 month's worth of imports. However, the accumulation of reserves may well have ceased by the end of the seventies and the projected trend of imports and export may result in a re-appearance of a deficit on current account in 1980 leading to a draw-down of reserves. In the normal course of events and in the light of currently discernible trends, the projections show (see Attachment S2) the likelihood of Nigeria becoming again a net capital importer

in the early eighties. Exactly when and to what extent this will occur, depends largely on future oil prices and internal policies, notably those affecting the growth of public expenditure.

10. The "nominal allocations" for the public sector, amounting to $53.4 billion, in the Third Plan have been announced as follows:

Sector	Amount (in $ bil.)	Percent
Economic Sector		
Agriculture 3/	3.6	6.74
Mining & Quarrying	4.4	8.24
Manufacturing	8.6	16.11
Commerce and Finance	1.0	1.87
Power	1.8	3.37
Transport	11.8	22.10
Communications	2.1	3.93
Regional Development		
Sewerage	0.6	1.12
Housing	2.9	5.43
Town and Country Planning	1.3	2.44
Cooperation and Community Development	0.3	0.56
Water Supply	1.5	2.81
Social Services		
Education	4.1	7.68
Health	1.3	2.44
Information	0.6	1.12
Labor	0.2	0.37
Administration		
Defense	5.5	10.30
General Administration	1.8	3.37
Total	53.4	100.00

3/ This allocation does not include the rural development investments such as agricultural credit, fertilizer subsidies, rural roads, rural water supply, etc.

The "effective program of investment" [4/] in the Plan period is estimated at ₦20 billion ($32 billion). This represents two-thirds of total projected investment in the economy and is about 14 times the comparable program of the Second Plan. It will involve average annual expenditure in excess of one quarter of present GNP and about 4 times the level achieved in 1973/74.

11. The Plan's development strategy, as reflected in the public investment program, may be summarized as follows:

(a) In industry, which receives the largest sectoral allocation, the objective is to diversify the petroleum industry into downstream operations such as liquified natural gas, oil refineries for export as well as domestic consumption, fertilizers and other petrochemical industries, and to establish basic industries, such as iron and steel, cement, pulp and paper. Most of these large-scale projects will be implemented by expatriate "technical partners," with Government retaining majority equity ownership. The State Governments' industrial projects are mainly in the agro-allied and building materials industries.

(b) Investment in power, transport and communications reflects mainly the Government's strategy of using this period of temporary resource surplus to build up the economic infrastructure necessary for long-term self-sustaining economic growth. Most of the projects in these sectors will involve the creation of capacity well in excess of immediate requirements.

(c) Increased supply of public social services at heavily subsidized costs is viewed as the major means of distributing the immediate benefits of the oil boom to the bulk of the population. The core of this program is the Universal Primary Education scheme aimed at achieving 100 percent enrollment for primary-age children by 1980. Other significant programs include a massive low-cost housing program for the major urban centers, and health, water and electric supply programs for rural areas.

(d) Direct investment in agriculture represents sixfold increase over the previous Plan's allocation and is a realistic estimate of public sector executive capacity. The cost of substantial program in agricultural credit, rural electrification, feeder roads construction,

---

4/ Effective program. Total approved program is much larger, but substantial slippages have been assumed.

water supply and other social infrastructure which represent the Government's major efforts to promote rural development are additional to the plan allocation for agriculture. Investment in agriculture is regarded as primarily the responsibility of the private sector, particularly smallholder farmers; and, as a means of providing added incentives for private investment, producer prices have been substantially increased. The plan allocation for agriculture is therefore limited to the development of several major river basins for large-scale as well as smallholder farming; an accelerated food crop development program aimed at adopting and disseminating modern farming techniques to smallholder farmers; programs to improve input distribution and marketing of food and export crops; and the several agricultural development projects with which the Bank is associated.

12. Given the unique circumstances of the Nigerian economy over the Third Plan period, the Government's investment strategy seems, by and large, sensible and pragmatic. Its program for large-scale industries is disproportionately large compared to the overall program, but projects in these areas will not make major claims on scarce domestic executive capacity. Since the opportunity cost of capital in the economy as a whole is unusually low, deliberate planning for excess capacity can be expected. The social sector program is politically the most important part of the Third Plan. Social services have been neglected for a long time in Nigeria and social infrastructure is grossly inadequate even compared to most African countries. The timely and efficient implementation of the large social sector program is necessary not only to meet urgent needs; it has now become the main yardstick by which the success or otherwise of the present regime's professed intentions of ensuring that the bulk of the population share in the riches made available by the oil sector will be judged. Nevertheless, this is only a beginning to the inherently difficult task of improving the quality of life in rural areas and slowing down the rate of urban migration. The proposed allocation for the health program appears to be small in relation to the overall Plan.

13. The Third Plan also marks the Government's increasing recognition of the country's rapidly changed economic circumstances. Specifically, the importance of efficiently managing the country's surplus resources is now receiving increased attention. In physical terms, while production reached a peak of 2.3 million bls/day in October 1974 but declined to 1.9 million bls/day in January-February 1975, representing about 80 percent of capacity, the country obviously has the potential to increase crude oil production from the current level to about 3.0 million bls/day in 1980. In this connection, conservation is being considered by the Government, which now has a majority share in all oil production companies. The actual level of production is likely to

be govern by international market conditions and the country's resource requirements. If oil prices increase according to present Bank projections during the next five years, and the country continues to find it difficult to obtain a reasonable return on its external reserves, it is probable that output will be maintained at close to the current level. Nigeria is also becoming increasingly active in OPEC, which is currently headed by the former Director of the Petroleum Division of its Ministry of Mines and Power. In pricing, Nigeria has some influence in determining the prices for low-sulphur crudes of which it is now the major exporter, but its role in OPEC in the determination of the overall price structure remains small.

14. The financial arrangements for the Third Plan involve a substantial and very important change in the Federal/State revenue sharing system. Specifically, the Head of State announced that "as from the 1st of April 1975 all portions of Customs and Excise duties formerly payable to State Governments on the basis of derivation would be payable to the Distributable Pool Account; the percentage of royalties payable to State Governments on the basis of derivation would be reduced from 45 percent to 40 percent and the Federal Government will surrender its entire share of both on-shore and off-shore royalties into the Distributable Pool Account. Allocations to State Governments from the Distributable Pool Account will be on the formula of 50 percent on the basis of population and 50 percent on the basis of equity." These changes are intended to ensure that, during the Third Plan period, the States would be able to generate sufficient budgetary surpluses to finance about two-thirds of their investment program, thus correcting the anomalous situation during the Second Plan whereby State investment programs were being postponed because of financial constraints while the Federal Government was accumulating large surplus resources. Another significant government decision in this connection is that revenue sharing will henceforth be considered an integral part of economic planning and not, as hitherto, a constitutional issue; specifically, revenue will in future be allocated among the various Governments of the Federation according to their needs and ability to finance their approved development programs. This decision is concrete evidence of the present regime's intention to de-emphasize political and constitutional considerations in favor of economic needs and administrative convenience.

15. The Plan, recognizing that executive capacity will remain the major constraint to growth, includes several proposals to streamline project implementation, including procurement procedures, to facilitate the production and import of essential raw materials and capital goods, and to provide extensive training for high-level manpower. Limitations on the use of expatriates for high priority investment projects will also

be relaxed. A more far-reaching effort in this general direction has been the so-called Udoji Commission. In recognition of the much more important role that the public sector will have to assume during the Third Plan than hitherto, a public service review commission under Chief Udoji was appointed two years ago to examine the federal and state civil services, statutory corporations, the police, judiciary, universities and schools. Its report, published in December 1974, recommended widespread reorganization, including introduction of the principle of promotion by merit rather than seniority, management training schemes, a unified salary structure and salary increases averaging about 60 percent. Unfortunately, most attention has so far been concentrated on the new salary scales; dissatisfaction with the restructuring of salary scales, primarily among the professional and technical grades, quickly escalated into a series of so-called "industrial actions" in January 1975 (strikes are officially outlawed) resulting in serious disruption to essential services and the threat of civil disturbances. Employees in the private sector subsequently demanded and received, to a large extent, similar wage increases, thereby negating the intended change in salary differentials between the private and public sector. While the FMG alleged that the labor unrest was part of a deliberate plan to undermine the State's authority, the strikes were nevertheless effective in that the Government in the end significantly modified the proposed new salary structure to concede that no one in the public sector should get less than 30 percent raise. At the moment, the net result of the Udoji Commission's report has been increased political tension and intensified inflationary pressures, mainly in the urban centers, with further distortions of cost/price relationships, increased disparities in rural-urban incomes and decreased competitiveness of domestic industries; the more important objective of reorganizing the public sector is, at least temporarily, in abeyance.

16. To summarize, the existing governmental partnership between the military and the civil service provides, within the limitations of available manpower, a moderately efficient administrative framework for the conduct of day-to-day affairs and an encouraging commitment to economic growth. This is reflected in the Third Plan which contains a fairly sensible and pragmatic public sector investment program and a minimum of low priority investment proposals. On the other hand, the present regime has so far not demonstrated a capacity to provide the kind of leadership necessary for long-term and more fundamental economic, political and social development. For example, the Third Plan's program for rural development is not sufficiently imaginative compared with the vast potentials the country possesses in this sector; it also has no specific employment creation program, relying mainly on

the enlarged public sector investment program to generate additional employment opportunities; and, in addition, the Government appears unable, or unwilling, to consider anything but short-term expedients in its policies towards the private sector.

17. Nigeria's current economic prosperity has obscured to a large extent a strong undercurrent of social unrest. Moreover, the absence of financial constraints appears to have encouraged the Government to solve immediate political difficulties by means of generous but expedient responses than to seek solutions to long-term social, constitutional and economic development problems. While the pre-occupation of the articulate elements of the population for the moment seems to be to obtain a fair share of the "oil bonanza," their impatience with the continuing uncertainty surrounding the nation's political future could cause serious difficulties. In the circumstances, the Government is likely to be increasingly pre-occupied mainly by these internal problems over the next few years.

(B) EXTERNAL ASSISTANCE

Background

18. External financial assistance has never played a major role in Nigeria's economic development. While its First National Development Plan (1962-1968) projected foreign aid inflows accounting for about 50 percent of the total public investment program, equivalent to approximately US$150 million annually over the six-year period, actual inflows were considerably less. The political disburbances of 1966 and the ensuing civil war virtually halted new project preparation, and although some externally financed projects were completed, new aid commitments of slightly less than $150 million only were negotiated during the four-year period, 1966-1970. During the two years following the end of the civil war in January 1970, Nigeria negotiated new external financial assistance of $223 million, of which about half was in the form of program loans from the Bank, the United Kingdom, the United States and Poland. This quick-disbursing program aid and the accelerated implementation of those externally financed projects suspended during the civil war resulted in an increase in disbursements in 1971 and 1972, but commitments fell sharply thereafter when it became obvious that Nigeria's rapidly increasing financial resources would be sufficient to finance its own development program. The Bank Group has been and remains Nigeria's main source of external assistance and is currently the only agency to continue with significant lending.

External Debt and Debt Service

19. Nigeria's creditworthiness is not in question. As of December 31, 1972, total external public and publicly guaranteed debt amounted to an estimated $1,035 million. Debt service in 1974 is estimated at less than 1 percent of gross exports. In view of Nigeria's substantially improved resource position, and the attendant uncertainty about the level of future borrowing, it is impossible currently to estimate what the Bank's share of Nigeria's total outstanding debt or debt service will be over the next five years. Although the Bank Group's share of total external public debt (including undisbursed) at the end of 1972 was about 45 percent, this was evidence more of Nigeria's low level of external debt ($15 per capita in 1972) than of substantial lending by the Bank ($7.50 per capita, including undisbursed at the end of 1974). Debt service is not currently a relevant factor in determining Bank lending.

Requirements

20. There has been no fundamental change in the nature of Nigeria's development problems over the last two years. However, the substantial increase in resources have enlarged Nigeria's options and potential for development, providing the structural problems can be overcome. In this context, Nigeria has expressed the view that Bank assistance has a valuable role, not so much as a means of transferring financial resources, but as a vehicle for technical assistance to prepare and execute investment programs commensurate with the country's potential. In fact, assistance to help accelerate investment in the more intractable areas such as agriculture and rural development and to increase executive and managerial capacity in the infrastructure sectors is the more urgent as the country's resources increase. The Federal Government's attitude towards external capital is that it should complement, not compete with domestic resources, and this applies to official development assistance as well as private investment. It therefore attaches particular importance to projects and programs which act as catalysts to investment efforts in the high priority areas, and which increase indigenous capability to control, manage and promote the growth of the economy efficiently in the future. It sees the Bank, an independent and effective multilateral development agency, as the major source of this type of assistance. The UNDP's new five-year country program emphasizes assistance to agricultural and educational sectors and provides substantially increased activities in industry, regional development, health and social welfare. In the meantime, bilateral aid agencies (Canada, Germany, Netherlands, and the United Kingdom) are concentrating on small but significant technical assistance programs in specific sectors, including education, telecommunications and water supply.

The Government, diversifying both the source and the nature of its technical assistance requirements, has also more recently accepted assistance from the U.S.S.R., the People's Republic of China, Romania and Yugoslavia.

Nigeria's Development Assistance

21. During the past year, Nigeria has become a donor as well as a receipient of external aid. Specifically, the Government has already indicated its intention of using some of its foreign exchange surplus to assist other developing countries, particularly in West Africa. In 1974, it increased its subscription to the African Development Bank and announced that it will no longer seek to borrow from that institution; donated $800,000 to the Consultative Group for International Agricultural Research, thus becoming the first developing country to become a donor; contributed $120 million to the IMF Oil Facility and purchased $240 million of World Bank bonds. During the past year, it has also made small direct grants to several African countries suffering from the effects of the recent drought. However, absolute amounts of aid remain very small. Government policy regarding bilateral assistance to other developing countries has obviously not yet crystalized, not lease because some government officials remain unconvinced that Nigeria should embark on a bilateral aid program while its own per capita income remains below that of many neighboring African countries. Assistance to other West African countries also involves political and diplomatic considerations, including the various regional proposals for West African economic cooperation and integration currently under discussion. While the possibility of Nigerian participation in financing of Bank-assisted projects in West Africa was broached during recent discussions in Lagos, prospects remain limited to a few large projects where the Bank's evaluation of the proposals may be valued by Nigeria. On the other hand, Nigeria may wish to consult the Bank in connection with its bilateral program, and we should be prepared to provide technical advice.

(C) LENDING PROGRAM

Past Activities

22. Bank/IDA lending to Nigeria to date amounts to $672.1 million (net of cancellations), excluding three of the recently approved loans for agriculture ($57.5 million), which are expected to be signed shortly. Of this, $395 million was committed during the Second National Development Plan period. The principal amount of loans and credits disbursed

at January 31, 1975, was about $387.5 million (including IDA exchange adjustments) leaving an undisbursed balance of effective loans and credits of about $214.6 million. Transport and power together account for $408 million or about 60 percent of total commitments, and agriculture, education, industry and the post-war rehabilitation loan account for the remaining 40 percent. Assuming early approval of three already negotiated oil palm development loans amounting to $65.5 million, lending for agriculture alone by the end of FY1976 will account for $200.2 million or about 28 percent of total commitments. Gross disbursements in FY1974 were about $40 million; however, net transfers amounted to only about $9 million. During the current fiscal year, the estimated figures are expected to be $53 million and $17 million, respectively. Disbursements are expected to increase substantially over the next few years due to the rapid draw down against the remaining highway, port and power loans. Thereafter, the rate of disbursements will reflect the relatively slow disbursing nature of agriculture and education projects which will be the main components of our portfolio. The execution of projects, excepting education, has generally been satisfactory.

Lending Strategy

23. In reviewing the elements of an appropriate lending strategy against the background of economic and political developments, both domestic and international, during the last eighteen months, and in the light of experience gained by Bank activities in Nigeria since the last CPP review in December 1972, there are three main considerations to be borne in mind. First, and perhaps most fundamental, is Nigeria's continuing relative poverty as expressed in its low level of per capita income which, at about $250, remains well below that of the majority of the Bank's borrowers. Even under the most optimistic assumptions, it will not significantly exceed $500 before the mid-1980s. By then, the current temporary period of excess liquidity will probably have ended, and Nigeria will once more become a net importer of capital. In this respect, Nigeria's case for continued Bank assistance is not different from that of Indonesia and, indeed, most of the Bank's borrowers. Second, and of more immediate concern to both the Government and the Bank as a development agency, Nigeria is currently accumulating a substantial capital surplus which is already large in absolute terms - some $6 billion equivalent during the current fiscal year - and which will increase to the order of $25 billion equivalent by 1980. Notwithstanding the massive investments contemplated during the Third Plan period, the country will obviously have capital in excess of its immediate requirements, owing to technical and managerial capacity constraints. Third, experience of the Bank's activities in Nigeria and the particular constraints faced by the Nigerian Government call

for a flexible relationship. While it is necessary to draw attention to the limited possibilities of this changing relationship, the effective role of the Bank in Nigeria's development effort is not in doubt. Indeed, the Federal Government has consistently taken the view that the Bank's technical expertise and the institutional support and discipline associated with Bank-financed projects are the most desirable means of contributing to Nigeria's economic development. This view, reaffirmed by General Gowon in recent discussions with the Bank's senior management, is consistent with the Bank's experience to date which demonstrates that our most effective contribution in terms of policy advice and institutional support can be made within the context of individual operations.

24. In the above circumstances, it appears sensible, in redefining the Bank's lending strategy towards Nigeria, to distinguish between, and take into account, both short and longer-term considerations. Accordingly, the Region recommends the following guidelines for Bank activities over the next 3 - 5 years which, if approved, it intends to discuss with the Government in Lagos. In view of rapidly changing circumstances both within Nigeria and in the international economy, it is impossible to plan beyond this period, and even the proposed short-term strategy will have to remain flexible enough to respond to possible unexpected developments.

25. Firstly, since the Nigerians have already indicated that they wish to continue direct borrowing from the Bank for mutually agreed development projects for purposes of the objective appraisal and discipline in project implementation that comes with Bank project financing, we propose to re-assure the Government of our intention to continue lending in the foreseeable future. Such reassurance is particularly important in view of the Board discussions concerning Nigeria last December, which caused some disquiet among certain Federal Government officials. However, we recommend that our lending over the next 3 - 5 years be specifically directed towards (a) 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; (b) areas where our involvement will support the reform or creation of institutions that will be responsible for planning and implementing such investments in the future; and (c) projects and programs where there is explicit evidence of Federal Government support for Bank involvement. At present, these three criteria would suggest priority consideration for Bank lending to agriculture, small-scale industries and, under certain conditions, water supply. In anticipation of the potential future need for substantial resource transfers, however, we intend to maintain a dialogue with the officials and institutions concerned with transport, public

utilities and education sector, primarily through the supervision of ongoing projects, with a view to facilitating re-entry into these and possibly other areas if the Government should so request.

26. Secondly, we propose to review the present project cost-sharing arrangements with the Government. The present 50/50 cost-sharing formula for agriculture was agreed early in 1973 before the increase in oil prices, and we have already advised the Government that a review of this arrangement is now necessary. In recent discussions on this issue, the Government has suggested a tripartite financing arrangement involving the Bank, the Federal Government and the State Governments concerned. Following this suggestion, we intend to propose that the total cost of all future Bank projects would be shared equally by the Bank, the Federal Government and the State Governments (or institutions) concerned, and that for projects not involving the States, the Bank's share would remain at around one-third of total cost, with the Federal Government's share increasing to two-thirds. On the above basis, proposed lending to Nigeria in FY1976 and FY1977 would amount to about $130 million per annum, which is just about one-half (in real terms) of the lending program approved in the 1972 CPP review. However, if opportunities should arise for extending the range of our project activities, the proposed level of lending should not necessarily be regarded as a ceiling.

27. Thirdly, in view of the country's sizeable financial surplus over the next few years, we propose to seek government agreement in principle to continue to lend to the Bank some part of its surplus financial resources, without, however, entering into a formal offset arrangement. We believe a reasonable expectation to be an annual bond purchase comparable to $240 million agreed for FY1975, or an amount roughly equivalent to about 4 percent of additions to reserves during the year. The interest rate on these borrowings would be the current market rate for government quality obligations with a comparable maturity and the Bank's own lending rate, whichever is the lower. While the recent borrowing was for a period of 15 years with 5 years of grace (average maturity being 10-1/2 years), it should be expected that Nigeria would propose declining average maturities in future years to take account of its need for liquidity and any likely deceleration in the rate of its reserve accumulation. Nigeria has increased its holdings of two-year Central Bank Bonds by $30 million, to a total of $41 million, by its participation in the two most recent issues; in fact, had these issues not been over-subscribed, Nigeria's holdings would have increased to $51 million. We anticipate that the Central Bank will continue to subscribe to new issues of these Bonds, and since it

only holds $1 million of the issue maturing in September 1975 and did not participate in the issue maturing in March 1976, it is reasonable to assume that its holdings will increase substantially when these issues are rolled over. We do not know the extent to which subscriptions to these issues are likely to affect longer-term lending to the Bank, but propose to explore this matter during the April meetings in Lagos. While we have already initiated discussions on the possibility of alternative arrangements to minimize or reverse the net transfer of resources, including the repurchase of outstanding loans, the "Thai" formula and the "trust fund," the Government's initial response has not been encouraging and, in the circumstances, we do not intend to press these ideas at this stage.

28. Fourthly, we propose that the terms and conditions of Bank loans to Nigeria should remain the same as those to other countries and, in particular, that grace and maturity periods should not be altered so as to reduce the grant element. We consider this justified on the basis of the country's low level of per capita income and longer-term resource requirements. In any case, the Government is apparently sensitive on this comparatively minor issue, and pressure in this direction may be counter-productive and jeopardize other aspects of our financial relations.

29. Finally, we propose to continue offering formal and informal technical assistance to the Government both within and outside the context of project lending, when requested, subject to available manpower allocations. However, we intend to seek government reimbursement for direct costs of project preparation involving substantial inputs of consultants' services along the lines of the arrangements successfully implemented for the recent preparation of the Benue Plateau and Kwara State Agricultural Development projects.

Proposed FY1976-80 Operations Program

30. The FY1976-80 operations program proposed in this CPP confirms the shift in emphasis of lending away from basic infrastructure and towards the rural sector foreseen at the last formal CPP review - a process which is already well under way, owing partly to a more rapid withdrawal from power and transport than expected. In FY1975, loans for livestock production, rural development in three Northern States and rice irrigation in the South have been approved, and three loans for oil palm development have been negotiated and are expected to come forward for Board approval shortly. The program for FY1976 includes two loans for agriculture, a loan for water supply and a small-scale industry project, all of which have already been field appraised.

Assuming a 33 percent financial contribution by the Bank, lending in FY1976 would amount to about $127 million or just above the average of lending for the two preceding fiscal years (about $125 million). Similarly, project preparation is currently proceeding for three agricultural projects and a water supply operation for FY1977. The program for FYs 1978-80 is purely notional pending the outcome of forthcoming discussions in Lagos and further internal review of the results of on-going project identification, preparation and sector activities in agriculture and water supply.

Agriculture

31. A vigorous effort to step-up the growth of agricultural and livestock production is essential for the development of a strong economy, to improve the living conditions of the mass of the population, and to avoid further aggravation of rural-urban disparities. The prerequisites for a successful drive to improve the production and productivity of the sector are in place. First, market and price prospects for farm products are good. The growth in economic activity fueled by the oil sector is expected to generate a 6 percent annual increase in domestic demand for food products. Further, free primary education will reduce labor availabilities and, in tending to suppress supply will tend to force prices for farm product upwards. Second, the productivity of the sector is far below levels attainable with modern farming methods and, while improved varieties and techniques adapted to local conditions are not available for all crops and regions, much can be done on the basis of existing knowledge. There are very extensive areas of unused good agricultural and grazing land in the middle belt, although heavy investment in tsetse clearance will be needed.

32. The main constraints to utilizing the potential for increasing production and productivity are organizational and institutional, and government efforts to help farmers learn and apply the techniques for raising production have not been on a scale commensurate with either the needs or the possibilities. Extension services over much of the country are poorly staffed; credit services and marketing institutions for other than export crops and either non-existent or ineffective; planning is weak; and the expertise needed to implement major agricultural and rural development projects is in short supply.

33. The project in which the Bank is involved are designed to fit generally into the Federal Government's strategy to transform agriculture from its present low technology semi-subsistence character to a market-oriented sector employing modern technology and making the best use of regional differences in eco-climatic conditions.

In addition to the livestock, food-crop and tree-crop projects now underway, a second rice production project is being prepared through the FAO/IBRD Cooperative Program, and the Bank has helped Nigeria to hire consultants to prepare northern development-type projects in Benue-Plateau, Kwara and Western States.

34. Projects in which the Bank is currently involved directly or indirectly constitute the greater part of the ongoing or imminent development effort in agriculture and virtually all of that directed at improving the lot of small farmers. Many Federal and State initiatives favor the establishment of large-scale farming systems in both private and public sectors. This trend results basically from a disenchantment with past efforts to mobilize small farmers and the strong upward trend in food prices that the State and Federal Governments would like to arrest. Consequently, the Bank's current intervention in the sector is not only ensuring 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.

Water Supply

35. The Third Development Plan underscores the importance of water supply projects for regional development, and \$1.5 billion has been allocated for this sector. Rapid urbanization and rising demand for water in rural communities lend special urgency to the execution of water supply projects in the country. While precise data are scarce, it is believed that about a quarter of the Nigerian population - mostly in the South and South-West - have access to piped water, but only about 1 to 2 percent of the population is served by house connections. Construction and operation of water supply systems are the responsibility of State Governments, and every State is proceeding with preparation and construction of new water supply schemes. As part of the public policy for social development, it can be expected that Government subsidies will be extended to this sector. Seven states have stablished semi-autonomous water supply corporations or boards.

36. The Bank has assisted in the preparation of a water supply scheme being proposed for Lagos State, pre-appraised a project in North Central State and appraised a project for the supply of water to a large rural area in Western State. Bank lending in this sector is contingent upon reaching an understanding with Federal and State authorities on such sensitive issue as appropriate scales of water charges and increased financial autonomy for water supply corporations. However, Bank involvment aimed at the establishment of institutions which would assist in providing sound management and financial practices would be most timely now that the provision of a regular supply of potable water for a large

proportion of the population has been accorded a high priority by the Federal, and all 12 State Governments. Although rural water supply projects in Nigeria may fall somewhat short of the Bank's normal minimum financial criteria for such projects, there is probably no sector better able to spread the benefits of economic development to such a large number of the poor population. The Region feels that the benefits that would accrue for the financing of rural water projects would justify a modest relaxation of standards.

Industry

37. Sustained growth in Nigeria's national income in the past has enabled the vigorous growth of small industries, and it is expected that further acceleration of the growth of both manufacturing and agriculture will generate increased demand for the goods and services of the small industries sector. Up to now the small industries sector has grown rather spontaneously with minimal assistance from the Government. The Federal Government is, however, committed to a nationwide program for development of small-scale industries and proposes to restructure and strengthen the small industry division of the Ministry of Industries and establish an industrial development center and an industrial estate in each of the 12 states of the Federation. In support of the Government's efforts in this direction, it is proposed that the Bank should participate in a small industries project. This project will help create an institutional structure with trained staff and facilities dispersed strategically throughout the nation to provide effective management and technical assistance to the sector. Four new industrial development centers would be established with Bank assistance, while a fifth would be done with assistance from the UNDP. These centers would provide assistance to entrepreneurs in such fields as management and skilled worker training, extension services, project feasibility studies, product improvement and training in loan appraisal and supervision of credit operations.

38. Over the past year, IFC officials have provided advice and assistance in the evaluation of investment proposals in a number of industries in the course of their appraisal of proposed IFC investments in Nigeria. (see Annex A).

Technical Assistance and Economic Work

39. The Bank is acting as Executing Agency for two UNDP financed projects in Nigeria. The final report of the Transport Study in the Mid-Western State is under preparation, and the three-year project which provides consultants to establish and manage the Nigerian Agricultural Bank will be completed in one more year. On the basis of a

review of Nigeria's Country Program Proposal for UNDP assistance (1975-79), the Bank does not expect to act as Executing Agency for any further UNDP projects in the near future.

40. The EDI made a substantial contribution to the training of government officials responsible for the preparation of the Third Plan by way of a series of seminars conducted at the University of Ibadan, and the Government has recently requested EDI's assistance in establishing a planning institute for training public sector planners.

41. During the next few years, we intend to minimize the amount of headquarters staff time devoted to updating economic work and to rely more on the Resident Mission, which has developed close working relations with the Economic Planning Ministry, to monitor current developments.

42. The dimensions of Nigeria's large scale development effort will produce dramatic changes in the structure of the economy. A close monitoring of this development effort and the social tensions likely to arise therefrom could prove to be of considerable value to the Bank in its continuing study of income distribution. At the same time, we plan to use the economic work program as a means of providing informal technical assistance to the Government, particularly to the planning Ministry which, during the Third Plan, will assume a substantially larger role in determining development strategy and policy. The Central Planning Office has been particularly receptive to Bank assistance and advice in the form of technical studies on specific subjects of direct operational relevance to its work, and during the forthcoming discussions in Lagos we intend to propose that Bank economic missions should in future focus on a number of specific topics of mutual interest to the Bank and the Central Planning Office, including:

(a) A survey of the country's statistical system, including a review of the existing system for collection and processing of basic economic data, evaluation of the existing statistical organization and institutions, and proposals to improve the reliability and timeliness of the economic data required for development planning. An exploratory mission from the Economic Analysis and Projections Department to define the scope and terms of reference of the proposed statistical survey mission is scheduled to visit Nigeria in April 1975.

(b) Review of urban development and policy framework, including specification of existing urban policy, analysis of the distribution of urban services and infrastructure, and the evaluation of institutional capability to prepare and implement urban development projects. Regardless of the rate of development in the rural areas, population growth in Nigeria's urban centers will be very rapid, and the formulation of an urban development policy is urgent. During recent discussion, the Government has expressed an interest in seeking Bank assistance in this area. Lending for urban projects appears, at this point, to be remote, but it is opportune for the Bank to review sector developments and, at the same time, to assist the Government in the formulation of urban development policy.

(c) Review of the policy framework for the development of private industry, including identification of the role and opportunities for private industry over the medium and longer-term, survey of existing policies and incentives, and evaluation of institutions providing technical and financial assistance to private enterprises. A mission for this purpose was originally scheduled for November 1974 with the expectation that its report would represent an input to the Third Plan, but was cancelled at Government's request due to a change in the schedule for the preparation of the Plan.

43. Other topics on which preliminary discussions have been held include employment, a survey of social infrastructure in rural areas and manpower development. Not more than two of these studies are likely to be carried out in FY1976, involving approximately two man-years of input, somewhat more than half of which would be provided by existing Bank staff. Since the Bank is likely to derive benefits from these studies and in view of the small cost involved, it is not proposed to seek a financial contribution to their cost from the Government. However, should the Government propose any substantial increase in the scope or number of these studies, the Bank should be prepared to assist, subject to the Government being willing to finance the cost of any additional consultants involved. It is expected that this will be acceptable to the Government.

Manpower Requirements and Resident Mission

44. Overall, we propose that the manpower allocation for Nigeria should remain boradly unchanged, at least through FY76. In this connection, an increasing proportion of the Region's manpower, particularly Projects staff, will have to be devoted to supervision, mainly in agriculture and also in education where the completion of two ongoing projects and the initial implementation of the Third Education Project will require close and continuous attention. In addition, against the background of experience gained in the processing of the recently approved package of agricultural development projects, the identification and preparation of a second phase of operations and sector work in this area will be a significant claimant on staff resources during the coming fiscal year. While the role of the Resident Mission in this connection is currently under review within the Region,

no further expansion is contemplated at present; and the question of whether some modification in its staffing and existing terms of reference may be necessary will be determined following the outcome of our discussions with the Government of Nigeria in Lagos next month.

International Finance Corporation

Background

1. The growth of manufacturing output in Nigeria since the end of the war has been rather uneven. Following an increase of 29 percent in 1970-71, output rose by only 3.8 percent in 1971 72 largely because of lower production of cotton textiles, footwear, electronic assembly and other industries. As a result of more liberal Government import policy these manufacturing industries faced strong competition from imports for the first time in several years. Production of these industries has continued to be sluggish since, but this has been more than offset by increased production in other industries, notably cement, paints and roofing sheets, which were less affected by import liberalization. The index of industrial production rose by 14 percent in 1972-73. Judging by the behavior of raw material imports, output seems to have maintained its upward trend during 1973 though at a lower rate than in the previous year. Increasing oil revenues fueled a sharp increase in domestic demand for manufacturing products, revealing bottlenecks in supply in some sectors and raising imports and domestic prices.

Proposed IFC Program

2. In December 1973 the Federal Government of Nigeria indicated its interest in obtaining IFC assistance in putting together large industrial projects in the cement, sugar, and pulp and paper sectors.

3. In March 1974 an IFC mission visited Nigeria to make a preliminary assessment of the projects discussed with the Government. The mission found that in these three sectors Nigeria has the resource-potential and market size to justify domestic production intended to replace imports. In these sectors IFC can play an effective role in: identifying and preparing projects; assisting the Government in contracting arrangements with technical partners; and structuring the financing of the projects. Only a relatively small part of the financing of the projects is believed to be necessary from IFC to enable it to exercise this role effectively.

4. During FY 1974 IFC jointly financed with the federal and state governments and a private investor, a promotional company to complete studies for a sugar estate at Lafiagi, Kwara State. Preliminary estimates suggest a total project cost of $70 million to produce 60,000 tons per annum of refined sugar from a 10,000-ha sugar plantation. Nigeria's sugar consumption is expected to increase from 160,000 tons in 1973 to at least 250,000 tons by 1980. Domestic sugar production amounts to less than 40,000 tons per annum.

The balance is imported. The Government has now asked IFC to consider assisting in the financing of two other new sugar projects.

5. An investment in a 0.7 million ton per annum cement plant at Ashaka, North Eastern State, is currently under advanced consideration by IFC. Total project cost is estimated at $140 million. The tentative financial plan suggests an IFC investment of $10 million. The rest of the financing is to come from the federal and state governments, the technical partner, NIDB and other financial institutions in Nigeria. Nigeria's cement consumption is expected to grow from 2.3 million tons in 1974 to 5.2 million tons in 1980. Domestic production in 1974 was 1.4 million tons and imports 0.6 million tons.

6. Additional investments under consideration are two pulp and paper projects, another cement plant, and the backward integration of an existing textile mill to produce synthetic fibers.

7. IFC is considering the possibility of further assistance to the Government in: industry, major commercial agricultural projects, tourism and financial institutions. Work is under way to identify additional projects suitable for IFC involvement.

Attachment I

NIGERIA

ACTUAL AND PROPOSED LENDING THROUGH FY80 ($ US millions)

...ation : 73 million, 2.6 percent 1/
... per capita : $250 (1974)
Area : 923,768 km
Primary School Enrollment Ratio: 34 (1970)

		Actual							Current	Program					Totals				
		Through FY68	FY69	FY70	FY71	FY72	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY64-68	FY69-73	FY74-78	FY75-79	FY76-80
Western State Cocoa I	IBRD				7.2														
Western State Cocoa II	IBRD							20.0											
Agricultural Dev. Funtua	IBRD								29.0										
" " Gombe	IBRD								21.0										
" " Gusau	IBRD								19.0										
Rice I	IBRD								17.5										
Livestock I	IBRD								21.0										
Oil Palm I	IBRD								17.0										
Oil Palm II	IBRD								19.0										
Oil Palm III	IBRD								29.5										
Rubber	IBRD									15.0									
Irrigation Kano I	IBRD									41.0									
Rural Development BP	IBRD										35.0								
" " Kwara	IBRD										15.0								
Rice II	IBRD										30.0								
Oil Palm	IBRD										35.0								
Rural Development	IBRD											30.0							
Livestock II	IBRD											40.0							
Irrigation II	IBRD											40.0							
Irrigation III	IBRD												40.0						
Rural Development	IBRD												20.0						
Agriculture Unidentified	IBRD												40.0						
Agriculture Unidentified	IBRD													30.0					
Agriculture Unidentified	IBRD													30.0					
Education I	IDA	20.0																	
Education II	IBRD					17.5													
Education III	IBRD						54.0												
DFC - NIDB I	IBRD		6.5																
DFC - NIDB II	IBRD				10.0														
Small-Scale Industry	IBRD									30.0									
Power I	IBRD	30.0																	
Power II	IBRD	82.0																	
Power III	IBRD		14.5																
Power IV	IBRD					76.0													
Highways I	IDA	15.5																	
Highways II	IBRD	14.5																	
Highways III	IBRD	17.5																	
Highways IV	IBRD	10.6																	
Highways V	IBRD					26.3													
Railways I	IBRD	28.0																	
Ports I	IBRD	13.5																	
Ports II	IBRD							55.0											
Transport Rehabilitation	IBRD			25.0															
...Supply I (West)	IBRD									41.0									
Water Supply II (Kaduna)	IBRD									12.0									
Water Supply III (Katsina)	IBRD										15.0								
Water Supply IV (Lagos)	IBRD										40.0								
Water Supply Unidentified	IBRD													60.0					
Rehabilitation Program Loan	IBRD				80.0														
Operations Program (Bank)	Amount								173.0	139.0	170.0	110.0	100.0	100.0	-	-	-	692.0	614.0
	No.								8	5	6	3	3	3	-	-	-	25	20
Lending Program	Amount																		
	Bank	196.1	20.5	25.0	97.2	119.6	54.0	75.0	173.0	139.0	135.0	105.0	100.0	140.0	144.0	326.9	627.0	652.0	619.0
	IDA	35.5	-	-	-	-	-	-	-	-	-	-	-	-	35.5	-	-	-	-
	Total	231.6	20.5	25.0	97.2	119.6	54.0	75.0	173.0	139.0	135.0	105.0	100.0	140.0	179.5	326.9	627.0	652.0	619.0
	No.																		
	Bank	7	2	1	3	3	1	2	8	5	5	3	3	4	4	11	23	24	20
	IDA	2	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-
	Total	9	2	1	3	3	1	2	8	5	5	3	3	4	6	11	23	24	20
IBRD o/s 2/ incl. undisbursed		174.7	191.9	222.9	314.7	441.1 3/	524.9 4/	578.7 5/	739.7	864.8	982.1	1065.6	1143.4	1255.5					
excl. undisbursed		124.2	153.2	162.0	166.4	268.5 3/	310.7 4/	325.6 5/	364.0	432.8	528.7	620.3	706.4	783.1					
IBRD Gross Disbursements		135.1	32.3	13.4	9.7	95.3	12.1	35.9	50.4	82.7	113.6	112.8	108.3	104.6	106.8	112.7	395.4	467.8	522.0
Less: Amortization		10.7	3.3	4.6	5.4	6.6	8.0	8.8	12.0	13.9	17.7	21.2	22.2	27.9	9.6	77.9	73.6	87.0	102.9
Equals: Net Disbursements		124.4	29.0	8.8	4.3	88.7	4.1	27.1	38.4	68.8	95.9	91.6	86.1	76.7	97.2	134.8	321.8	380.8	419.1
Less: Interest & Charges		22.5	7.0	8.4	9.3	10.7	16.4	21.8	23.3	28.0	34.8	42.9	50.6	57.7	16.5	51.8	150.8	179.6	214.0
Equals: Net Transfer		101.9	22.0	0.4	-5.0	78.0	-12.3	5.3	15.1	40.8	61.1	48.7	35.5	19.0	80.7	83.0	171.0	201.2	205.1
IBRD/IDA Gross Disbursements		145.4	36.7	15.3	10.6	99.2	15.9	40.1	53.2	84.8	114.6	112.8	108.3	104.6	117.1	177.7	405.5	473.7	525.1
Less: Amortization		10.7	3.3	4.6	5.4	6.6	8.0	8.8	12.2	14.3	18.1	21.6	22.6	28.3	9.6	27.9	75.0	88.8	104.9
Equals: Net Disbursements		134.7	33.4	10.7	5.2	92.6	7.9	31.3	41.0	70.5	96.5	91.2	85.7	76.3	107.5	149.8	330.5	384.9	420.2
Less: Interest & Charges		22.6	7.1	8.5	9.4	10.8	16.6	22.0	23.6	28.3	35.1	43.2	50.9	58.0	16.6	52.4	152.2	181.1	215.5
Equals: Net Transfer		112.1	26.3	2.2	-4.2	81.8	-8.7	9.3	17.4	42.2	51.4	48.0	34.8	18.3	90.9	97.4	178.3	203.8	204.7

1/ 1974 estimated; extrapolated from 1963 census.
2/ As of end of fiscal year.
3/ The exchange adjustment of $13.4 million, as of June 1972, has been included in these figures.
4/ The exchange adjustment of $51.5 million, as of June 1973, has been included in these figures, with an increase of $38.1 million since June 1972.
5/ The exchange adjustment of $39.4 million, as of June 1974, has been included in these figures, with a decrease of $12.1 million since June 1973.

Note: All data in this table reflect o/s amounts and transactions of loans sold to third parties.

WAN/IA
P & B
4/4/75

ATTACHMENT 2

NIGERIA

NIGERIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS OF LOANS AND CREDITS

($ millions)

as of December 31, 1974

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'73	FY'74 1	FY'74 2	FY'74 3	FY'74 4	FY'75 1	FY'75 2	FY'75 3	FY'75 4	FY'76	FY'77	FY'78	FY'79	FY'80	FY'81	FY'82
Education	20.0	12/29/64	Orig:	12/31/69	9/30/70 (1st)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project	-	3/ 1/65	Rev:	6/30/76	7/31/74	-	-	-	-	14.0	14.5	15.5	16.5	17.5	20.0	-	-	-	-	-	-
IDA 77	20.0	5/10/66	Act:	-	-	9.8	11.0	12.0	12.4	14.0	15.0	15.8									
Apapa	17.5	9/23/65	Orig:	10/ 1/70	9/30/70 (1st)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road	.2	9/26/65	Rev:	4/ 1/74	3/31/72	17.3	17.4	17.5	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 4[illegible]	17.3	2/21/66	Act:	-	-	16.6	16.6	16.6	16.6	17.3	17.3	17.3									
Western	14.5	9/23/65	Orig:	10/ 1/70	9/30/70 (1st)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road	-	9/26/65	Rev:	3/31/75	11/30/74	-	-	-	-	-	-	12.1	12.3	12.5*	-	-	-	-	-	-	-
IBRD 4[illegible]	14.5	3/29/66	Act:	-	-	12.0	12.0	12.0	12.0	12.0	12.0	12.0									
Highway	10.6	10/ 7/69	Orig:	6/30/72	9/30/70 (1st)	10.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation	-	11/ 6/69	Rev:	7/ 1/74	10/31/73	-	-	6.2	9.4	10.6	-	-	-	-	-	-	-	-	-	-	-
IBRD 6[illegible]	10.6	7/31/70	Act:	-	-	2.1	2.1	6.2	6.2	8.3	8.3	10.6									
Transport	75.0	5/26/70	Orig:	12/31/72	9/30/70 (1st)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation	-	6/26/70	Rev:	3/30/75	11/30/74	-	-	-	-	-	-	20.0	22.5	25.0	-	-	-	-	-	-	-
IBRD 6[illegible]	75.0	9/18/70	Act:	-	-	9.4	11.2	17.0	17.6	19.1	19.3	20.7									
Second	10.0	7/21/70	Orig:	3/31/74	7/ 9/70	9.8	9.9	10.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Development Finance	-	8/28/70	Rev:	3/31/75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 70[illegible]	10.0	2/25/71	Act:	-	-	3.4	3.8	4.1	4.8	5.6	5.9	5.9									
Western State	7.2	5/ 4/71	Orig:	3/31/77	4/ 6/71	1.3	1.6	2.1	2.3	2.5	2.8	3.5	3.8	4.0	5.8	7.2	-	-	-	-	-
Cocoa	-	6/23/71	Rev:	-	2/28/73	.8	1.0	1.5	1.8	2.3	2.5	3.0	3.5	3.9	5.8	7.2	-	-	-	-	-
IBRD 7[illegible]	7.2	11/ 5/71	Act:	-	-	.6	.9	.9	1.7	1.8	1.9	2.4									
Federal	17.3	3/28/72	Orig:	12/31/75	3/ 9/72	.5	.7	1.8	3.1	4.5	6.3	8.4	11.7	14.6	17.3	-	-	-	-	-	-
Education	-	4/18/72	Rev:	-	3/ 1/74	-	.1	.2	.2	.3	.4	.5	1.0	3.0	14.6	17.3	-	-	-	-	-
IBRD 8[illegible]	17.3	11/28/72	Act:	-	-	.1	.2	.2	.2	.2	.3	.3									
Fifth	26.3	4/11/72	Orig:	6/30/77	3/28/72	6.0	8.0	10.0	12.0	14.0	16.0	18.0	20.0	22.0	26.3	-	-	-	-	-	-
Highway	-	6/26/72	Rev:	-	11/30/74	-	-	-	-	-	-	10.0	12.0	14.0	18.4	26.3	-	-	-	-	-
IBRD 8[illegible]	26.3	2/20/73	Act:	-	-	-	-	-	-	6.3	6.3	8.6									
Fourth	76.0	6/29/72	Orig:	12/31/77	6/16/72	10.0	14.5	19.3	23.6	28.9	34.5	40.1	45.4	50.5	66.5	74.8	76.0	-	-	-	-
Power	-	6/30/72	Rev:	-	12/20/73	-	-	-	5.0	9.0	15.0	19.0	24.0	30.0	54.0	72.0	76.0	-	-	-	-
IBRD 8[illegible]	76.0	6/26/73	Act:	-	-	-	-	-	4.5	9.4	13.1	18.6									
Second	55.0	7/ 3/73	Orig:	12/31/79	6/ 4/73	-	-	-	-	-	1.9	3.8	5.6	7.5	20.1	35.1	50.1	55.0	-	-	-
Lagos Ports	-	8/ 1/73	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 927	55.0	10/29/73	Act:	-	-	-	-	-	-	-	-	-									
Third	54.0	6/21/73	Orig:	12/31/78	5/25/73	-	-	-	.1	.5	.6	.8	1.0	1.4	6.6	28.6	49.9	54.0	-	-	-
Education	-	8/16/73	Rev:	-	7/31/74	-	-	-	-	-	-	-	.5	1.0	4.8	20.8	46.5	54.0	-	-	-
IBRD 929	54.0	N.E.	Act:	-	-	-	-	-	-	-	-	-									
Second	20.0	6/20/74	Orig:	9/30/81	9/21/74	-	-	-	-	-	-	-	2.2	2.9	6.2	10.9	14.6	17.2	19.1	20.0	-
Cocoa	-	10/11/74	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1045	20.0	N.E.	Act:	-	-	-	-	-	-	-	-	-									

* Balance indeterminate

Controller's
2/7/75

Attachment 3

Proposed Economic Work Program

The purpose of the discussions to be held with the Federal Government in Lagos in late April 1975 will be, *inter alia*, to agree on a specific economic work program designed to assist Nigeria in the implementation of its Third Plan and to provide the necessary inputs for the Bank's lending program. See para 42 of text.

SELECTED ECONOMIC DEVELOPMENT DATA

	Average 1970/1-1972/3	Actual 1973/4	Prelim. Estimate 1974/5	Projections 1975/6	Projections 1976/7	Projections 1977/8	Projections 1980/81	Annual Growth Rates 1965/6-1970/1	Annual Growth Rates 1970/1-1973/4	Annual Growth Rates 1973/4-1975/6	Annual Growth Rates 1975/6-1980/1	As a percent of GDY 1973/4	As a percent of GDY 1975/6	As a percent of GDY 1977/8	As a percent of GDY 1980/81
National Accounts (constant 1973/4 prices and exchange rate, in US$ million)									(percent)						
GDP	11209	12848	14050	15200	16600	18100	23380	5.1	9.2	8.8	9.0	116	83	86	91
Gains from terms of trade	-1587	-	3828	3152	2944	2843	2310	-	-	-	-	-16	17	14	9
Gross domestic income	9622	12848	17878	18352	19544	20943	25690	5.5	15.8	19.5	7.0	100	100	100	100
Imports (incl. NFS)	2273	2553	3713	4576	5645	6703	11385	9.1	6.9	33.8	20.0	20	25	32	44
Exports (import capacity)	2486	5058	9438	8858	8740	8752	10266	10.5	29.8	32.0	3.0	39	48	42	40
Consumption (and changes in stocks)	7695	7689	8703	9757	11058	12156	14333	5.4	2.8	12.6	8.0	60	53	58	56
Investment	1914	2654	3450	4313	5591	6738	8584	6.6	23.2	27.5	20.0	21	24	32	33
National savings	1336	4180	8498	8252	8345	8825	13450					33	45	42	52
Domestic savings	3127	5159	9175	8595	8486	8787	13667					40	47	42	53
Price Indices (1973/4 = 100)															
GDP deflator	86	100	135	144	153	163	189								
Import price index	79	100	112	125	138	149	205								
Export price index	48	100	189	195	209	222	297								
Terms of trade index	62	100	169	156	151	149	145								
Public Finance (current prices and exchange rate, in US$ million)															
Current receipts	2732	4324	9710	10430	11570	12720									
Current expenditures	1341	2128	4050/1	5060/1	6320/1	10240/1									
Budgetary saving	1491	2196	5660	5370	5250	2480									
Other public saving/2	-	450	1200	1050	1420	1790									
Total public saving	1491	2646	6860	6420	6670	4270									
Public investment	617	1368	2000	2600	3400	4500									

/1 Includes effect of recently announced 60 percent increase in civil service salaries.
/2 Income of national oil company and interest income from external reserves.

COUNTRY DATA - NIGERIA

AREA
923,768 km2

POPULATION
69.52 million (mid-1972)

DENSITY
215 Per km2 of arable land

SOCIAL INDICATORS

	Nigeria 1960	Nigeria 1970	Reference Countries: Pakistan 1970	Ghana 1970	Mexico * 1970
GNP PER CAPITA US$ (ATLAS BASIS) /1	..	130 /a	130 /a	300 /a	750 /a
DEMOGRAPHIC					
Crude birth rate (per thousand)	53-57 /b	50 /c	51 /c,d	47 /c	43 /f
Crude death rate (per thousand)	..	25 /c	18 /c,d	18 /c,e	10
Infant mortality rate (per thousand live births)	..	..	..	..	58 /f,g
Life expectancy at birth (years)	37	40 /c	49	47 /c	64
Gross reproduction rate /2	..	3.3	3.7 /c	3.2	3.1
Population growth rate /3	2.2	2.5 /g	3.2 /ai	2.6 /g	3.5 /g
Population growth rate - urban	11 /h,i	5 /i,j	6 /k	5 /l	5 /m
Age structure (percent)					
0-14	43 /n	45 /j	45 /j	47	46
15-64	55 /n	53 /j	52 /j	49	50
65 and over	2 /n	2 /j	3 /j	4	4
Dependency ratio /4	1.1 /n,o	1.2 /o	1.7 /o	1.3 /o	1.9 /o
Urban population as percent of total	14 /i,n	23 /i,j	26 /k	32 /l	59 /m
Family planning: No. of acceptors cumulative (thous.)	..	..	..	11	..
No. of users (% of married women)	..	..	..	2 /j	..
EMPLOYMENT					
Total labor force (thousands)	18,300 /n	22,500 /p	18,000	3,500 /p	13,000
Percentage employed in agriculture	71 /p	67 /p	57	55 /p	39
Percentage unemployed	..	..	..	..	4
INCOME DISTRIBUTION					
Percent of national income received by highest 5%	..	..	..	..	36 /q,r
Percent of national income received by highest 20%	..	..	..	..	64 /q,r
Percent of national income received by lowest 20%	..	..	..	..	4 /q,r
Percent of national income received by lowest 40%	..	..	..	..	11 /q,r
DISTRIBUTION OF LAND OWNERSHIP					
% owned by top 10% of owners	..	..	..	..	..
% owned by smallest 10% of owners	..	..	..	..	..
HEALTH AND NUTRITION					
Population per physician	52,000 /s	20,530 /t	3,800 /t	12,950 /t	1,440
Population per nursing person	..	4,220 /t	7,450 /t	1,070 /t	1,570
Population per hospital bed	1,860 /s,u	1,850	1,660 /q	760	930
Per capita calorie supply as % of requirements /5	102 /v	95	105 /d	86 /w	120
Per capita protein supply, total (grams per day) /6	66 /v	60 /q	55 /d	43 /w	85
Of which, animal and pulse	17 /v	16 /q	14 /d	10 /w	28 /ab
Death rate 1-4 years /7	..	..	..	..	11
EDUCATION					
Adjusted /8 primary school enrollment ratio	37	34	44 /x,y	89	104
Adjusted /8 secondary school enrollment ratio	3	4	16 /y,z	5	23
Years of schooling provided, first and second level	14	14	10 /aa	15	12
Vocational enrollment as % of sec. school enrollment	5	8	1	23	24 /q
Adult literacy rate %	..	..	..	..	84 /j
HOUSING					
Average No. of persons per room (urban)	3.0 /ac	..	..	..	2.5
Percent of occupied units without piped water	..	..	..	..	51
Access to electricity (as % of total population)	81 /ac,ad	..	..	17	60
Percent of rural population connected to electricity	..	..	..	..	..
CONSUMPTION					
Radio receivers per 1000 population	4	27 /a	18 /ae	78	276
Passenger cars per 1000 population	0.7	1 /l	2 /l,af	4	25
Electric power consumption (kwh p.c.)	11	28	108 /ag	324	586
Newsprint consumption p.c. kg per year	0.1	0.3	0.3 /d,ah	0.4	3.1

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970.

/1 The Per Capita GNP estimate is at market prices for years other than 1960, calculated by the same conversion technique as the 1972 World Bank Atlas.

/2 Average number of daughters per woman of reproductive age.

/3 Population growth rates are for the decades ending in 1960 and 1970.

/4 Ratio of under 15 and 65 and over age brackets to those in labor force bracket of ages 15 through 64.

/5 FAO reference standards represent physiological requirements for normal activity and health, taking account of environmental temperature, body weights, and distribution by age and sex of national populations.

/6 Protein standards (requirements) for all countries as established by USDA Economic Research Service 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 somewhat 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.

/7 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.

/8 Percentage enrolled of corresponding population of school age as defined for each country.

/a 1972; /b 1952-53; /c 1965-70 UN estimate; /d Including Bangladesh; /e Registered only; /f 1972; /g 1960-72; /h 1952-53; /i Definition not available; /j Estimate; /k Over 5000 inhabitants, also a few areas having urban characteristics but fewer than 5000 population; /l Towns with a population of 5000 and over; /m Localities of 2500 or more; /n 1963; /o Ratio of population under 15 and 65 and over to total labor force; /p FAO estimate; /q 1969; /r Households; /s 1962; /t Number on the register, not all working in the country; /u Includes ex-North Cameroon; /v 1961-63; /w 1966-68; /x One through five; /y 1968; /z Six through ten; /aa Up to matriculate (10th grade); /ab 1964-66; /ac 1961; /ad Percentage of urban dwellings; /ae Number of radio licenses issued; /af 1968-69; /ag Data relate to electricity generated, include station use and transmission losses; /ah Figure does not include imports by land; /ai 1962-72.

* Mexico has been selected as an objective country because its per capita income, in the early 1970's, is about twice Nigeria's projected per capita income, in the mid-1980's at 1971 prices. Also, Mexico's present level of development is a realistic target for Nigeria through the remainder of this century.

A.M.

BALANCE OF PAYMENTS

Part I. Import Detail (million U.S. $)

	Average 1970/1-1972/3	Actual 1973/4	Prelim-Estimate 1974/5	Projection 1975/6	1976/7	1977/8	1980/81
I. Import c.i.f.							
A. Constant (1973/4) Prices and Exchange Rate							
Consumer goods	610	720	1027	1232	1479	1700	2887
Intermediate goods	462	500	804	997	1236	1485	2522
Capital goods	739	695	1116	1428	1828	2195	3728
Total Goods	1811	1915	2947	3657	4543	5380	9137
Non-factor services	462	638	766	919	1102	1323	2248
Total goods and NFS	2273	2553	3713	4576	5645	6703	11385
B. Price Indices (1973/4=100)							
Goods and NFS	79	100	112	125	138	149	205
C. Current Prices and Exchange Rate							
Consumer goods	482	715	1150	1540	2041	2533	5404
Intermediate goods	365	700	900	1246	1706	2213	4705
Capital goods	584	695	1250	1785	2523	3271	6970
Total goods	1431	1915	3300	4571	6269	8016	17079
Non-factor services	365	638	858	1149	1521	1971	3070
Total goods and NFS	1796	2553	4158	5720	7790	9987	20149

BALANCE OF PAYMENTS

Part II. Export Detail (million U.S. $)

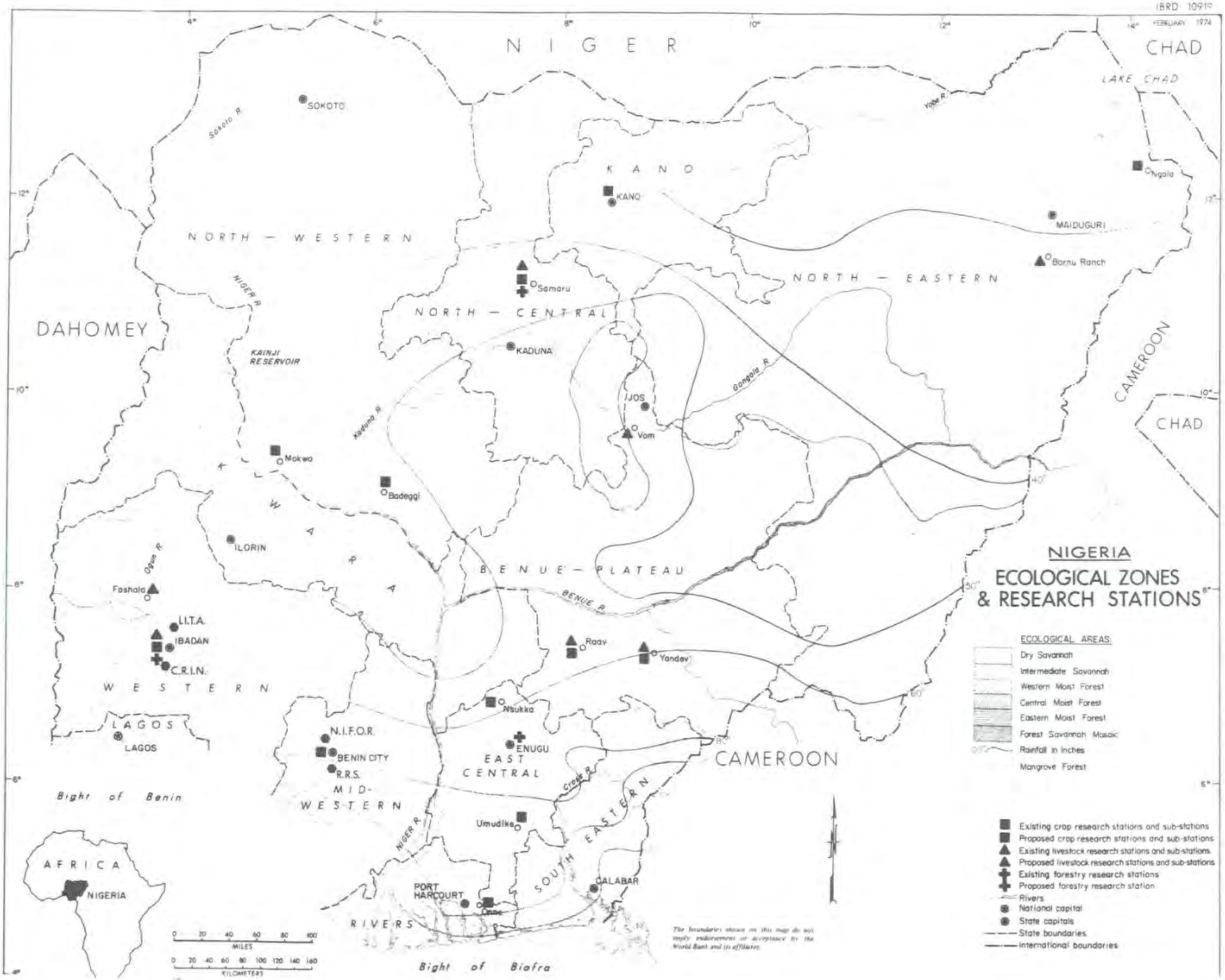
	Average 1970/1-1972/3	Actual 1973/4	Prelim-Estimate 1974/5	Projection 1975/6	1976/7	1977/8	1980/81
II. Exports							
A. Constant (1973/4) Prices and Exchange Rate							
Crude Oil	3742	4408	4832	4891	4942	5015	5000
All other goods	683	486	606	634	664	695	730
Total goods	3925	4894	5438	5525	5606	5710	5730
Non-factor services	148	164	172	181	190	199	210
Total goods and NFS	4073	5058	5610	5706	5796	5909	5940
B. Price Indices (1973/4 = 100)							
Crude Oil	43	100	199	207	223	237	287
All other goods	53	100	106	99	109	118	144
Non-factor services	79	100	112	125	138	149	175
Weighted Average	48	100	189	195	209	222	268
C. Current Prices							
Crude oil	1394	4408	9616	10125	11021	11886	15200
All other goods	453	486	761	721	778	857	2943
Total goods	1847	4894	10377	10846	11799	12743	
Non-factor services	117	164	193	226	262	297	362
Total goods and NFS	1964	5058	10570	11072	12061	13040	18505
Memo: Average export price of crude oil ($/barre)	2.57	6.04	12.02	12.50	13.44	14.32	17.35
Oil output (million bl/yr.)	535	730	800	810	820	830	876

PART III - SUMMARY BALANCE OF PAYMENTS

(million US$, current prices)

	Average 1971-1972	Actual 1973	Preliminary Estimates 1974	Projection 1975	1976	1977	1978	1979	1980
Exports (incl. NFS)	1964	5058	10354	10547	12040	13951	15441	17027	18505
Imports (incl. NFS)	1796	2553	4158	5720	7790	10387	12978	16591	20149
1 Resource Balance	168	2505	6196	4827	4250	3564	2463	436	1644
Factor services	- 625	- 979	- 781	- 294	31	278	432	504	405
(a - receipts) 2/	-	-	100	560	965	1293	1645	1928	2054
(b - payments-oil)	-	950	180	180	130	160	170	190	200
(c - payments non-oil) 3/	- 625	29	701	674	804	855	1043	1234	1449
Current transfers	- 20	- 46	- 50	- 50	- 50	- 50	- 50	- 50	- 50
Balance on current account	- 477	1480	5365	4483	4231	3792	2845	890	- 1189
Net capital inflow	369	219	104	279	585	617	682	689	761
IMP drawings	16	-	-	-	-	-	-	-	-
Others (incl. errors & ommissions)	167	1504 4/	-	-	-	-	-	-	-
Changes in reserves (- = increase)	- 75	- 195	- 5469	- 4762	- 4816	- 4409	- 3527	- 1579	428
Memo items									
Reserves (net), enf of period (US$ billion)	0.4	0.6	6.1	10.9	15.7	20.1	23.6	25.2	24.8
Public debt service ratio	2.8%	1.4%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
External debt authorized and disbursed	605	689	752	779	827	882	930	965	985

1/ Fiscal years 1971/72 - 1972/73.
2/ Including 8% interest on accumulated reserves.
3/ Including interest on public debt varying between $22 and $35 million.
4/ Mainly lags in oil revenue payments due to the sharp increases in November and December 1973.


IBRD 10910
FEBRUARY 1974
NIGERIA
ECOLOGICAL ZONES & RESEARCH STATIONS
N I G E R
CHAD
LAKE CHAD
DAHOMEY
CAMEROON
CHAD
CAMEROON
NORTH - WESTERN
KANO
NORTH - CENTRAL
NORTH - EASTERN
KWARA
BENUE - PLATEAU
WESTERN
LAGOS
MID-WESTERN
EAST CENTRAL
SOUTH EASTERN
RIVERS
SOKOTO
KANO
Ngala
MAIDUGURI
Bornu Ranch
Samaru
KADUNA
JOS
Vom
Mokwa
Badeggi
ILORIN
Fashola
I.I.T.A.
IBADAN
C.R.I.N.
LAGOS
Raav
Yandev
Nsukka
ENUGU
N.I.F.O.R.
BENIN CITY
R.R.S.
Umudike
PORT HARCOURT
Onne
CALABAR
Sokoto R.
NIGER R.
KAINJI RESERVOIR
Kaduna R.
Ogun R.
Gongola R.
Yobe R.
BENUE R.
Cross R.
NIGER R.
Bight of Benin
Bight of Biafra
AFRICA
NIGERIA
MILES
KILOMETERS
ECOLOGICAL AREAS:
Dry Savannah
Intermediate Savannah
Western Moist Forest
Central Moist Forest
Eastern Moist Forest
Forest Savannah Mosaic
Rainfall in Inches
Mangrove Forest
Existing crop research stations and sub-stations
Proposed crop research stations and sub-stations
Existing livestock research stations and sub-stations
Proposed livestock research stations and sub-stations
Existing forestry research stations
Proposed forestry research station
Rivers
National capital
State capitals
State boundaries
International boundaries
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

1

2

2

NIGERIA

POLITICAL SITUATION

1. Nigeria attained nationhood on October 1, 1960 as a Federation comprising three Regions each with fairly autonomous powers, except in the areas of defense and external representation. The 1960 Constitution provided for a Governor-General whose duties were purely ceremonial and a fairly loose federal structure headed by a Prime Minister with each Region having, in turn, its own legislature under an elected Prime Minister. The 1960 Constitution was ammended in October 1963 and later modified in March 1967.

2. The first civilian regime which was headed by the late Alhaji Sir Abubakar Tafawa Balewa was saddled with a number of intractable problems - high unemployment, political gerrymandering, corrupt practices and mounting widespread unrest. Alhaji Balewa was assassinated along with a number of other political leaders in the wake of the last Conference of Commonwealth Heads of Government held in Lagos in January 1966, since when Nigeria has been under military rule.

3. General Ironsi who assumed executive powers as Head of State following the overthrow of the Balewa Government suspended the 1963 Constitution and was alleged to have contemplated the introduction of a unitary system of Government in place of the former federal system. His regime was, however, short-lived and, following his assassination a few months after assuming office, the country was plunged into a state of civil war primarily engendered as a result of, inter alia, a dispute over the sharing of revenues relating to proceeds from crude oil and ultimately, a move on the part of the former Eastern Region (the major oil producing area of the country) to secede from the Federation.

4. With the fall of the Ironsi regime, General Yakubu Gowan emerged on the political scene as Head of State. General Gowan's appointment and popularity (while it lasted) derived from the fact that he hails from a small tribe from the middle belt of Nigeria which, not being linked in any way with the three major ethnic groups of the country, qualified him as an acceptably unifying figure, a factor which considerably enhanced his capabilities in bringing to an end in 1970 the state of civil hostilities which had marked the first half of his period in office. However, because his appointment had been regarded as a compromise, General Gowan proved ineffective in curbing the excesses of his peers (notably, State Military Governors) and also, in honoring a number of political commitments including: the reorganization of the armed forces; the eradication of widespread corruption; the creation of more States in addition to the 12 which had emerged at the end of the Civil War; and the promulgation of an effective program for a return of the country to civilian rule.

5. In the wake of widespread unrest, student demonstrations and labor strikes which had characterized the Nigerian scene over the previous

twelve months, the Gowan regime was overthrown in a bloodless coup on July 29, 1975. General Gowan was attending a meeting of OAU Heads of State and Government at Kampala, Uganda at the time of his overthrow and has remained in exile ever since.

6. Immediately following his assumption of office, the late General Murtala Mohammed, who succeeded General Gowan as Head of State, embarked upon an ambitious program for political reform, increased efficiency and elimination of corruption in the public service. Around 10,000 officials in the Federal and State Governments and public corporations were either dismissed or retired from public service for inefficiency or improper and corrupt practices and a five-stage program for the transfer of political power to civilians by October 1, 1979 was announced.

7. General Mohammed was assassinated on February 13, 1976 during an abortive coup led by some junior army officers following which, Lieutenant-General Olusegun Obasanjo was invited to assume office as Head of State. In spite of the assassination of General Mohammed, the present Government seems to have adhered to its program for an orderly return to civilian rule. Its achievements so far include: the creation of 7 additional States on April 1, 1976 bringing the total number of States comprising the Federation to 19; the publication of a new draft Constitution in September 1976; the completion of elections for the reconstituted Local Government Councils which took place in December 1976; and the completion of elections for, and inauguration of a Constituent Assembly on October 6, 1977. The latter is expected to review and approve the proposed draft Constitution, on the basis of which the country will be returned to civilian rule. The draft Constitution provides for an Executive President and a Vice President both to be elected on the same ticket similar to the American system.

8. The elections to Local Government Councils and the Constituent Assembly were held on a non-partisan basis. Under the Government's political program, the present ban on political parties is expected to be lifted in October 1978, thereby allowing a year for the formation of new parties in accordance with the guidelines established under the draft Constitution, prior to the election of Federal and State legislatures.

9. Over the past two to three years, Nigeria has been playing an increasingly important role both within and outside Africa. Nigeria was instrumental, together with Togo, in the creation of the Economic Commission of West African States (ECOWAS) in November 1976, and has lent her active support to the cause of the liberation movement in Southern Africa. Nigeria has also mediated in a number of disputes, including border disputes among various African States. Over the same period, the Federal Government has substantially increased its contributions to the African Development Bank; donated US$1.6 million to the Consultative Group for International Agricultural Research; contributed US$52 million to the OPEC Special Fund; contributed two tranches totalling SDR 300 million to

the IMF oil facility; and increased its holdings of World Bank debt instruments to US$312.8 million net (including subscription to two-year bond issues).

10. Nigeria is sensitive about the increasing leadership role she has been playing in both African and International Affairs. Indeed, the recent State visit of General Obasanjo to the United States in October and the return visit by President Carter to Nigeria later in November will be seen by many, both within and outside Nigeria, as a further recognition of Nigeria's leadership potential, and consistent with Nigeria's present efforts to represent these interests of the African Continent.

3

TABLE 3A

NIGERIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOU KM2)

TOTAL	923.8
AGRIC.	460.2

	NIGERIA			REFERENCE COUNTRIES (1970)		
	1960	1970	MOST RECENT ESTIMATE	PAKISTAN	GHANA	MEXICO **
GNP PER CAPITA (US$)	110.0*	190.0*	380.0*/a	110.0*	430.0*	690.0*
POPULATION AND VITAL STATISTICS						
POPULATION (MID-YR, MILLION)	51.6	66.2	77.0/a	59.8	8.6	50.4
POPULATION DENSITY						
PER SQUARE KM.	56.0	72.0	83.0/a	74.0	36.0	26.0
PER SQ. KM. AGRICULTURAL LAND	127.0	148.0	168.0/a	246.0	64.0	52.0
VITAL STATISTICS						
CRUDE BIRTH RATE (/THOU, AV)	49.3	49.8	49.3	47.6	49.8	43.8
CRUDE DEATH RATE (/THOU,AV)	26.9	24.5	22.7	20.1	24.4	10.2
INFANT MORTALITY RATE (/THOU)	207.0	..	163.0	124.3	156.0	68.5
LIFE EXPECTANCY AT BIRTH (YRS)	33.5	38.5	41.0	47.4	41.5	62.4
GROSS REPRODUCTION RATE	..	3.3	3.3	3.7	3.2	3.1
POPULATION GROWTH RATE (%)						
TOTAL	1.9	2.5	2.5	2.9	2.6	3.4
URBAN	5.0	5.0	5.0	4.0	4.5	4.8
URBAN POPULATION (% OF TOTAL)	18.0	23.0	26.0	24.8	28.4	58.7
AGE STRUCTURE (PERCENT)						
0 TO 14 YEARS	43.0/a	44.8	45.1	43.4	46.9	46.2
15 TO 64 YEARS	54.9/a	53.0	52.6	52.7	49.5	50.1
65 YEARS AND OVER	2.1/a	2.2	2.3	3.9	3.6	3.7
AGE DEPENDENCY RATIO	0.8/a	0.9	0.9	0.9	1.0	1.0
ECONOMIC DEPENDENCY RATIO	1.4/a	1.2/a	1.2/b	1.6/a	1.4	2.0
FAMILY PLANNING						
ACCEPTORS (CUMULATIVE, THOU)	..	12.9	101.1	..	10.9	55.5
USERS (% OF MARRIED WOMEN)	..	..	..	..	2.0	..
EMPLOYMENT						
TOTAL LABOR FORCE (THOUSAND)	18300.0/a	25600.0	29900.0/a	18100.0	3300.0	13000.0
LABOR FORCE IN AGRICULTURE (%)	71.0	67.0	61.0/a	57.0	54.0/a	45.0
UNEMPLOYED (% OF LABOR FORCE)	..	..	..	..	6.2	..
INCOME DISTRIBUTION						
% OF PRIVATE INCOME REC'D BY-						
HIGHEST 5% OF HOUSEHOLDS	..	..	..	17.8	..	27.2
HIGHEST 20% OF HOUSEHOLDS	..	..	..	41.8	..	58.1
LOWEST 20% OF HOUSEHOLDS	..	..	..	8.0	..	3.4
LOWEST 40% OF HOUSEHOLDS	..	..	..	20.2	..	10.7
DISTRIBUTION OF LAND OWNERSHIP						
% OWNED BY TOP 10% OF OWNERS	..	..	..	..	..	37.1
% OWNED BY SMALLEST 10% OWNERS	..	..	..	..	..	0.3
HEALTH AND NUTRITION						
POPULATION PER PHYSICIAN	56900.0/b	24660.0/b	22000.0/c	4310.0/b	12950.0/b	1480.0
POPULATION PER NURSING PERSON	7640.0/b	5070.0/b	4200.0/c	8440.0/b	1070.0/b	1620.0/a
POPULATION PER HOSPITAL BED	2770.0/bc	2220.0	1700.0/c	1870.0	760.0	960.0
PER CAPITA SUPPLY OF -						
CALORIES (% OF REQUIREMENTS)	103.0	97.0	96.0	99.0	96.0	114.0/b
PROTEIN (GRAMS PER DAY)	66.0	60.0	63.0	59.0	46.0	65.0
-OF WHICH ANIMAL AND PULSE	17.0/d	16.0	..	14.0/c	10.0/c	28.0/c
DEATH RATE (/THOU) AGES 1-4	..	..	..	17.4/d	..	9.8
EDUCATION						
ADJUSTED ENROLLMENT RATIO						
PRIMARY SCHOOL	37.0	34.0	47.0	44.0	61.0	104.0
SECONDARY SCHOOL	3.0	4.0	9.0	14.0	11.0	22.0
YEARS OF SCHOOLING PROVIDED (FIRST AND SECOND LEVEL)	14.0	14.0	14.0	10.0/e	15.0	12.0
VOCATIONAL ENROLLMENT (% OF SECONDARY)	5.0	8.0	9.0	1.0	23.0	24.0
ADULT LITERACY RATE (%)	25.0/e	..	..	20.0	25.0	76.0
HOUSING						
PERSONS PER ROOM (URBAN)	3.0	..	..	..	..	2.2
OCCUPIED DWELLINGS WITHOUT PIPED WATER (%)	..	..	..	..	..	61.0/d
ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)	81.0/f	..	..	..	..	59.0
RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)	..	..	..	..	..	28.0
CONSUMPTION						
RADIO RECEIVERS (PER THOU POP)	4.0	23.0	49.0	14.0	78.0	276.0
PASSENGER CARS (PER THOU POP)	0.7	1.0	2.0	3.0	5.0	24.0
ELECTRICITY (KWH/YR PER CAP)	13.0	28.0	51.0	67.0	339.0	567.0
NEWSPRINT (KG/YR PER CAP)	0.1	0.3	0.3	0.6/c	0.4	3.2

SEE NOTES AND DEFINITIONS ON REVERSE

NOTES

Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961, for 1970 between 1968 and 1970, and for Most Recent Estimate between 1973 and 1975.

* GNP per capita data are based on the World Bank Atlas methodology (1974-76 basis).

** Mexico has been selected as an objective country because its per capita income in the early 1970's, is about twice Nigeria's projected per capita income in the mid-1980's at 1971 prices. Also Mexico's present level of development is a realistic target for Nigeria through remainder of this century.

NIGERIA 1960 /a 1963; /b 1962; /c Including ex-North Cameroons under British administration; /d 1961-63; /e Prior to 1965; /f Lagos only.

1970 /a Ratio of population under 15 and 65 and over to total labor force; /b Registered, not all practicing in the country.

MOST RECENT ESTIMATE: /a 1976; /b Ratio of population under 15 and 65 and over to total labor force; /c 1972.

PAKISTAN 1970 /a Ratio of population under 15 and 65 and over to total labor force; /b Registered, not all practicing in the country; /c Includes data for Bangladesh; /d Excluding population of D. I. Khan and Peshawar Divisions; /e Up to matriculation (10 grades).

GHANA 1970 /a Excluding unemployed; /b Registered, not all practicing in the country; /c 1966-68.

MEXICO 1970 /a Including assistant nurses; /b 1969-71 averages; /c 1964-66; /d Inside only.

R7, October 18, 1977

DEFINITIONS OF SOCIAL INDICATORS

Land Area (thou km^2)
Total - Total surface area comprising land area and inland waters.
Agric. - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, market & 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 (1973-75 basis); 1960; 1970 and 1975 data.

Population and vital statistics
Population (mid-year million) As of July first: if not available, average of two end-year estimates; 1960, 1970 and 1975 data.

Population density - per square km - Mid-year population per square kilometer (100 hectares) of total area.
Population density - per square km of agric. land - Computed as above for agricultural land only.

Vital statistics
Crude birth rate per thousand, average - Annual live births per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970, and five-year average ending in 1975 for most recent estimate.
Crude death rate per thousand, average - Annual deaths per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimate.
Infant mortality rate (/thou) - Annual deaths of infants under one year of age per thousand live births.
Life expectancy at birth (yrs) - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.
Gross reproduction rate - Average number of live 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 for developing countries.
Population growth rate (%) - total - Compound annual growth rates of mid-year population for 1950-60, 1960-70 and 1970-75.
Population growth rate (%) - urban - Computed like growth rate of total population; different definitions of urban areas may affect comparability of data among countries.
Urban population (% of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.

Age structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.
Age dependency ratio - Ratio of population under 15 and 65 and over to those of ages 15 through 64.
Economic dependency ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.
Family planning - acceptors (cumulative, thou) - Cumulative number of acceptors of birth-control devices under auspices of national family planning program since inception.
Family planning - users (% of married women) - Percentages of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

Employment
Total labor force (thousand) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc.; definitions in various countries are not comparable.
Labor force in agriculture (%) - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force.
Unemployed (% of labor force) - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week; may not be comparable between countries due to different definitions of unemployed and source of data, e.g., employment office statistics, sample surveys, compulsory unemployment insurance.

Income distribution - Percentage of private income (both in cash and kind) received by richest 5%, richest 20%, poorest 20%, and poorest 40% of households.

Distribution of land ownership - Percentages of land owned by wealthiest 10% and poorest 10% of land owners.

Health and Nutrition
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, "trained" or "certified" nurses, and auxiliary personnel with training or experience.
Population per hospital bed - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers; excludes nursing homes and establishments for custodial and preventive care.
Per capita supply of calories (% 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% 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 Economic Research Services 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.
Death rate (/thou) ages 1-4 - Annual deaths per thousand in age group 1-4 years, to children in this age group; suggested as an indicator of malnutrition.

Education
Adjusted enrollment ratio - primary school - Enrollment of all ages as percentage of primary school-age population; includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age.
Adjusted enrollment ratio - secondary school - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational or teacher training instructions for pupils of 12 to 17 years of age; correspondence courses are generally excluded.
Years of schooling provided (first and second levels) - Total years of schooling; at secondary level, vocational instruction may be partially or completely excluded.
Vocational enrollment (% of secondary) - Vocational institutions include technical, industrial or other programs which operate independently or as departments of secondary institutions.
Adult literacy rate (%) - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over.

Housing
Persons per room (urban) - Average number of persons per room in occupied conventional dwellings in urban areas; dwellings exclude non-permanent structures and unoccupied parts.
Occupied dwellings without piped water (%) - Occupied conventional dwellings in urban and rural areas without inside or outside piped water facilities as percentage of all occupied dwellings.
Access to electricity (% of all dwellings) - Conventional dwellings with electricity in living quarters as percent of total dwellings in urban and rural areas.
Rural dwellings connected to electricity (%) - Computed as above for rural dwellings only.

Consumption
Radio receivers (per thou pop) - 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.
Passenger cars (per thou pop) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.
Electricity (kwh/yr per cap) - Annual consumption of industrial, commercial, public and private electricity in kilowatt hours per capita, generally based on production data, without allowance for losses in grids but allowing for imports and exports of electricity.
Newsprint (kg/yr per cap) - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newsprint.

NIGERIA
ECONOMIC INDICATORS

GROSS NATIONAL PRODUCT IN 1976	US$ Mln.	%	ANNUAL RATE OF GROWTH (%, constant prices) 1970-76	1975	1976
GNP at Market Prices	31,606	100.0	7.4	3.7	9.4
Gross Domestic Investment	10,720	33.9	20.8	41.5	28.4
Gross National Saving	11,758	37.2	25.0	-32.1	17.4
Current Account Balance	- 352	-1.1	N/A	N/A	N/A
Exports of Goods, NFS	10,540	33.4	5.1	-18.3	10.0
Imports of Goods, NFS	10,445	33.0	25.0	69.3	23.2

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1976

	Value Added		Labor Force 1/		V. A. Per Worker	
	US$ Mln.	%	Mln.	%	US $	%
Agriculture	6,834	22	18.3	61	373	37
Industry	15,040	50	5.2	17	2,892	286
Services	8,384	28	5.0	17	1,677	168
Unallocated			1.4	5		
Total/Average	N/A	N/A	N/A	N/A	N/A	N/A
	30,258	100.0	29.9	100.0	1,012	100.0

GOVERNMENT FINANCE

	General Government (NairaMln.) 1975/76	% of GDP 1975/76	% of GDP 1973/74-75/76	Central Government (NairaMln.) 1975/76	% of GDP 1975/76	% of GDP 1973/74-75/76
Current Receipts	6,123	31.0	27.3	5,830	29.5	25.9
Current Expenditure	3,491	17.7	12.9	1,975	10.0	7.56
Current Surplus	2,632	13.3	13.3	3,855	19.5	18.4
Capital Expenditures	4,524	22.9	15.9	3,817	19.3	11.9

MONEY, CREDIT and PRICES	1971	1972	1973	1974	1975	1976
	(Million outstanding end period)					
Money and Quasi Money	1,005.4	1,161.4	1,414.1	2,156.3	3,622.5	5,278.9
Bank credit to Public Sector	531.4	519.0	497.1	-1,460.1	-1,281.5	199.5
Bank Credit to Private Sector	591.2	750.2	854.4	1,070.2	1,787.1	2,417.8
	(Percentages or Index Numbers)					
Money and Quasi Money as % of GDP	14.1	15.1	15.9	14.9	23.0	16.7
General Price Index (1960 = 100) 2/	179.1	172.9	203.9	224.0	317.7	360.3
Annual percentage changes in:						
General Price Index	15.0	-3.5	17.9	9.8	41.8	13.4
Bank credit to Public Sector	19.4	-2.3	-4.2	-393.7	12.2	115.5
Bank credit to Private Sector	24.0	26.9	12.7	26.6	67.0	35.3

NOTE: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

1/ Total labor force; unemployed are allocated to sector of their normal occupation. "Unallocated" consists mainly of unemployed workers seeking their first job.

2/ Index of Urban Consumer Prices.

N/A = Not Applicable or Not Available.

October 12, 1977

NIGERIA

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	1974	1975	1976
	(Millions US $)		
Exports of Goods, NFS	9,893	8,649	10,540
Imports of Goods, NFS	4,332	8,175	10,445
Resource Gap (deficit = -)	5,561	474	95
Interest Payments (net)	38	-448	-382
Workers' Remittances	-	-	-
Other Factor Payments (net)	636	731	683
Net Transfers	-98	-126	-142
Balance on Current Account	4,789	65	-348
Direct Foreign Investment	311	415	396
Net MLT Borrowing			
Disbursements	N/A	N/A	N/A
Amortization	N/A	N/A	N/A
Subtotal	6	-216	-371
Capital Grants	-100	-81	-34
Other Capital (net)	-73	0	
Other items n.e.i		72	-54
Increase in Reserves (+)	4,933	255	-411
Gross Reserves (end year)	5,638	5,954	5,574
Net Reserves (end year)	5,516	5,771	5,360
Fuel and Related Materials			
Imports	88	163	279
of which: Petroleum	-	-	-
Exports	9,006	7,637	9,445
of which: Petroleum	9,006	7,637	9,445

RATE OF EXCHANGE

Through - 1971	Yearly Averages (\$ per ₦)			
	1973	1974	1975	1976
US $ 1.00 = ₦ 0.71	\$1.52	\$1.62	\$1.60	\$1.59
1.00 = US $ 1.40				

MERCHANDISE EXPORTS (AVERAGE 1973-76)

	US $ Mln	%
Crude Oil	7,066	89.0
Cocoa products	270	3.3
Groundnut products	20	0.1
Palm products	49	0.6
Tin	31	.4
All other commodities	552	6.9
Total	7,988	100.0

EXTERNAL DEBT, DECEMBER 31, 1976

	US $ Mln
Public Debt, incl. guaranteed	1,420
Non-Guaranteed Private Debt	N/A
Total outstanding & Disbursed	954

DEBT SERVICE RATIO for 1976 1/

	%
Public Debt, incl. guaranteed	*
Non-Guaranteed Private Debt	
Total outstanding & Disbursed	

IBRD/IDA LENDING, (latest month) (Million US $):

	IBRD	IDA
Outstanding & Disbursed	388.9	34.5
Undisbursed	287.8	2.3
Outstanding incl. Undisbursed	676.7	36.8

1/ Ratio of Debt Service to Exports of Goods and Non-Factor Services.
* Less than 1%
N/A = Not Applicable or Not Available

October 12, 1977
(Date)

F3

NIGERIA

THE THIRD NATIONAL DEVELOPMENT PLAN (1975-80)

1. The Third National Development Plan covers the five-year period 1975-1980. The Plan was revised in 1976 in order to reflect the division of the country into 19 as opposed to 12 States, to up-date cost figures and to reflect the new regime's intention to place greater emphasis on agriculture and the provision of social services. This revision resulted in an increase in total Plan allocation from ₦30 billion to ₦43.3 billion, but left unchanged the physical and macro economic dimensions of the Plan.

2. Economic growth, in real terms, is projected to be on the order of 9.5% per annum, with per capita income increasing to about ₦300 by 1980. Gross capital formation is projected to increase from 21% of GDP to over 29% over the Plan period, and to be financed entirely by national savings. Implementation capacity is expected to represent the major determinant of the actual size and effectiveness of the investment program, and development is not expected to be constrained by shortages of savings and foreign exchange. In fact, the Plan projects a substantial accumulation of external reserves during the Plan period, the exact magnitude depending primarily on the economic conditions prevailing in the world oil market. But the surplus of investable funds is expected to decline over the Plan period, and resource deficit to recur in the near future. Fiscal and monetary policies of Government will aim primarily at moderating the inflationary pressure in the economy. An incomes policy will be pursued to ensure an equitable distribution of income in the country. The Plan also pledges increased economic cooperation with other African countries, including the offer of aid for economic and humanitarian reasons.

Table 1: THIRD NATIONAL DEVELOPMENT PLAN PROJECTED GROWTH RATE

	Annual Growth Rate (at constant 1974/75 prices) 1975/76-1978/80 (percent)
Agriculture	5.0
Mining	5.3
Manufacturing	18.0
Utilities, construction and transport	19.5
Services	15.8
Gross Domestic Product	9.5
Consumption	13.6
Investment	16.7
Exports	5.0
Imports	19.8

Development Strategy and Programs

3. The core of the Third Plan is the public sector investment program. Total allocations for the program amount to ₦43.3 billion, but the effective program is projected to be only ₦26.5 billion because of the substantial slippages expected. This represents about 73% of total projected investment expenditures in the economy over the five-year period. The program may be summarized as follows:

Table 2: THIRD NATIONAL DEVELOPMENT PLAN
Public Sector Investment Program

	Nominal Program /1	Effective Program /2	Sectoral Allocation of Nominal Program
Agriculture	3,252	211 2,110	7.5
Mining	2,646	1,517	6.1
Manufacturing	6,262	3,713	14.5
Power	1,285	776	3.0
Transport and Communications	13,207	7,850	30.4
Social Services and Amenities	11,046	7,152	25.5
Administration and Defense	5,616	3,332	13.0
	43,314	26,457	100.0

/1 Sum of approved programs.
/2 Nominal program less expected slippage.

4. Public sector investment in agriculture under the Third Plan is aimed primarily at providing the infrastructure and incentives necessary for private, particularly smallholder, development. Planned direct public investment in the sector, amounting to almost $5.5 billion, includes the development of several major river basins for large-scale as well as smallholder farming; an accelerated food crop development program aimed at adopting and disseminating modern farming techniques to smallholder farmers; programs to improve input distribution and marketing of food and export crops; and the several agricultural development projects with which the Bank is associated. While the allocation is considerably smaller, in financial terms, than the allocations for capital intensive sectors such as transport and industry, it is nevertheless a very ambitious program in the context of the low-technology and smallholder-oriented nature of Nigerian agriculture, and represents a sevenfold increase over the previous Plan's allocation for the sector. The growth of the agriculture sector is projected to be about 5%, about twice the rate of population growth. This is about the same rate of growth achieved in the 1950's and early 1960's, but growth is expected to be based on food, rather than export, crop production.

5. The program to promote rural development is based mainly on complementary investments in infrastructure and social services. The Plan includes programs to electrify 500 rural towns and villages at a cost of ₦370 million and to construct 20,000 km of secondary and feeder roads serving agricultural areas, including 6,000 km to open currently inaccessible areas, at a total cost of ₦1.38 billion. A large proportion of the water supply, health and other social service programs are also planned for the rural sector. Furthermore, recognizing that "about 70% of the Nigerian population live in the rural areas and have benefitted relatively little from the rapid economic growth of the past few years" and that "improvement in the welfare of the average Nigerian will require a substantial increase in rural incomes", the Plan also stated that "in the allocation of scarce resources in the course of Plan implementation, priority will be given to those programs and projects directly benefitting the rural population, particularly projects to increase the income of smallholder farmers and to improve the economic and social infrastructure in the rural areas".

6. Increased supply of public social services at subsidized prices is viewed as the major means of distributing the immediate benefits of oil revenues to the bulk of the population. The core of this program is the Universal Primary Education Scheme, aimed at achieving 100% free and compulsory enrollment for children of primary school age by the end of the Plan period. This will involve increasing primary school enrollment from the 4.7 million in 1973 to 11.5 million by 1980, and a total estimated capital expenditure of ₦600 million. In health, the major objectives are to increase the number of hospital beds by 30,000 (a 60% increase), and to establish health centers and clinics with a total of over 20,000 beds. The Plan also includes programs to increase water supply capacity in the major urban centers by 172 million gallons per day, and to construct about 200,000 housing units for low- and middle-income urban households. In addition, a total of ₦637 million has been allocated for urban development projects, including town planning, improvement of urban transport, as well as construction of roads, markets and shopping centers.

7. Planned investment in transport, which received the largest single allocation (₦9,678 million), power and communications (about ₦1.3 and ₦3.5 billion, respectively) reflects to a large extent the Government's strategy to create "in the relatively short time that the economy will enjoy a surplus of investable resources, the economic and social infrastructure necessary for self-sustaining growth in the longer run, when resource scarcity may recur". In these sectors, "investment leading to what may appear to be excess capacity will nevertheless be undertaken in the expectation that demand would catch up much earlier than the historical trend indicates". To this end, the Plan includes programs to construct or improve 31,000 km of major roads; the first phase of a program to construct a new railway system on an entirely new road-bed and track system at standard gauge; the development of 16 airports, including 5 to be capable of serving intercontinental aircraft; the development of 6 new berths at the Apapa (Lagos) Port and 4 each at Warri, Calabar and Port

Harcourt; the installation of 500,000 additional (to the present 52,000) telephone exchange lines; and the expansion of electric power generating capacity from the present 690 MW to 1,050 MW by 1980.

8. The Plan's major objective in the industrial sector is to diversify the petroleum industry into downstream operations and to establish basic industries in order to stimulate the further industrialization of the economy. Petroleum-related industries account for 44% of total public investment in the sector, including two liquified natural gas plants with 10 billion cubic meters annual capacity each; two oil refineries with a total capacity of 175,000 barrels per day for domestic consumption; two refineries with a capacity of 300,000 barrels per day for export purposes; nitrogenious fertilizer plants to produce 450,000 tons of ammonia and 260,000 tons of urea annually; and a large petro-chemical complex. Basic industry projects in the Plan include an iron and steel complex with capacity of 1.5 million metric tons; cement factories with total annual capacity of about 1.5 million metric tons; and pulp and paper mills to produce 60,000 tons of industrial paper, 60,000 tons of cultured paper and 100,000 tons of newsprint annually. Most of these large-scale projects will be implemented with foreign technical partners, with Government retaining majority equity ownership. The Plan also includes a program to promote small-scale industrial development through the development of Industrial Development Centers and Industrial Areas and Estates, the establishment of a National Extension Training Institute and expansion of the existing Small-Scale Industries Credit Scheme. Projects of the State governments are mainly in the agro-allied and building materials industries.

9. Of the total planned investment of ₦36.5 billion (private and effective public) during the Plan period, the private sector is expected to account for 27%. Private investment is projected to concentrate mainly on construction (27% of total private investment), medium- and small-scale industry (20%), agriculture, mining, distribution and services (roughly 10% each). Only in the construction and distribution sectors is the private sector expected to account for the major share of investment expenditure.

Mr. Roger Chaufournier
(through Mr. André Gué)

September 27, 1977

Pieter Bottelier

NIGERIA - Economic Report Discussions

1. Although we have not finalized our discussions on the draft report it is perhaps useful to summarize my preliminary impressions.

2. It is evident that the draft (green cover) report has received attention at the highest levels in the Federal Government. Our analysis and macro-economic projections have not been seriously challenged and most, if not all of our policy recommendations have been accepted.

- New revenue measures are being taken to improve the Federal Government's fiscal performance.

- Serious efforts are being made to reduce Federal Government recurrent expenditures and Mr. Musa Bello indicated that recurrent expenditures will be frozen for two years at the 1976/77 level. That is even better than we had recommended and I fear that they may have set themselves an impossible target in this regard.

- Many capital projects are being scaled down to reduce the Federal Government capital budget. Among the more important projects mentioned are iron and steel (reduced from 3 to 1 projects as we had recommended) and fertilizer (reduced in size as we had recommended).

- The Federal Government will no longer guarantee domestic borrowings by State Governments. This is a significant step aimed at forcing the State Governments to keep their expenditures within their revenues. This must have been a difficult step politically and I regard it an important indication of the Federal Government's commitment to restore fiscal sanity. The State Governments had budgeted an overall deficit of ₦ 1.9 billion for 1977/78. Without a Federal Government guarantee it is doubtful that they will be able to borrow more than trivial amounts, and they will therefore have no choice but to reduce expenditures.

- In recent weeks electricity tariffs and other public service rates have already been increased by stiff margins. These are important steps in the right direction.

- The Government has accepted our recommendations on interest rates (a gradual upward revision of the entire rate structure) but they indicated that agricultural credit may be excepted from this movement for the time being. It has also accepted our recommendations on the gradual removal of most consumer and producer subsidies and regarding private foreign investment.

- The Government has formulated an external borrowing strategy for the next three years as recommended. The amounts (and the distribution between private and public borrowing) aimed at are remarkably close to what the report calculates as their likely needs under a stiff austerity program.

- There is some uncertainty with regard to the Government's reaction to our exchange rate policy recommendations. Indications are that the Government is rejecting the idea of an outright devaluation but accepting a de-facto crawling peg system (as recommended in the report) by slowly depreciating the Naira against the currencies of Nigeria's major trading partners.

3. All indications so far suggest a highly favorable response to the draft report. The policy measures taken or contemplated all point in the right direction but I still feel apprehensive about the sheer magnitude of the fiscal and BoP problem that will undoubtedly emerge if the actions taken are not drastic enough. Still, I feel we have already more than we could have hoped for in the very short period since the re-opening of our economic dialogue.

cc: Messrs. Thalwitz, Reitter, de Azcarate, Taylor-Lewis, Myers, Senf

(F3)

Document of
The World Bank

FOR OFFICIAL USE ONLY

CONFIDENTIAL

Report No. 1690-UNI

NIGERIA

RECENT ECONOMIC DEVELOPMENTS

AND

SHORT-TERM PROSPECTS

July 27, 1977

Western Africa Regional Office

CURRENCY EQUIVALENTS

Currency Unit: Naira (₦)

Since April 1974 Nigeria has maintained an independent "floating exchange rate".

1972	US$1	=	₦ 0.685
1973	US$1	=	₦ 0.657
1974	US$1	=	₦ 0.630
1975	US$1	=	₦ 0.616
1976	US$1	=	₦ 0.631
1977, May 31	US$1	=	₦ 0.650

FOR OFFICIAL USE ONLY

CONFIDENTIAL

NIGERIA

RECENT ECONOMIC DEVELOPMENTS AND SHORT-TERM PROSPECTS

TABLE OF CONTENTS

PREFACE

This report was prepared by an economic mission, led by Pieter P. Bottelier, which visited Nigeria in April/May 1977. Other members of the mission were Jacob H. de Vries (resident economist in Lagos), Robert B. Myers (general economist), and Albert Nyberg (agricultural economist, consultant). Ms. Nafsika Stavrou was responsible for updating external debt information and projecting debt service payments.

The report focusses on macro-economic aspects of recent developments and on short-term prospects. No effort has been made to look beyond the next three years as the report attempts to demonstrate the urgent need for major public expenditure adjustments and policy changes.

For a fuller description and sector-by-sector analysis of Nigeria's long-term development prospects reference is made to the World Bank's recent Basic Economic on Nigeria: "Nigeria - Options for Long-Term Development," the Johns Hopkins University Press, Baltimore and London, 1974.

SUMMARY AND CONCLUSIONS

1. The past decade in Nigeria has witnessed tumultuous economic, social and political change. Yet national unity has been preserved in spite of a civil war (1966-1970), three military coups (1966, 1975, 1976), a controversial population census (1973), and rapid social and economic transformation following the quadrupling of crude oil export prices (1973/74). The present Military Government of General Obasanjo continues to work towards the reintroduction of civilian rule under a new constitution by November 1979. This target date was set by the previous Head of State, General Muhammed, who was assassinated in February 1976. To diffuse the potentially disruptive power of large regional political entities, the number of States making up Federal Republic of Nigeria was increased to twelve in 1967 and to nineteen in 1976. In addition, an area was set aside for the construction of a new Federal capital, closer to the geographical center of the country, and more power was given to local government authorities.

2. The oil boom of 1973/74 has enabled Nigeria to embark upon a massive National Development Plan, which places strongest emphasis on infrastructure, education and industrialization, roughly in that order. The importance of agriculture is also stressed but the Federal and State Governments have just begun to formulate and execute agricultural development projects. Agricultural development has lagged far behind the growth of national income. With the exception of cocoa, the major traditional bulk exports such as palm oil and groundnuts are no longer sold abroad. This is due to the sluggish growth or stagnation of agricultural production and a very rapid expansion of domestic consumption. From an important net-food exporter, Nigeria has turned into a major net-food importer in less than five years. The stagnation of agriculture (exacerbated by drought in the North in 1973 and 1974) is one of the prominent and most worrisome aspects of a process of structural economic change that includes rapid urbanization, increasing reliance on oil as the only major export and revenue earner, and growing dependence on imported food. Petroleum production now accounts for over 90 percent of exports, over 80 percent of Federal Government revenues and around 30 percent of GDP. Nigeria has in fact developed many of the characteristics of a dual economy dominated by the oil sector in all measures of relative importance except employment.

3. The process of structural economic change had already started in the late sixties and early seventies but significantly accelerated after 1973, when petroleum production began in earnest. The rapid expansion of public sector expenditures provided the main catalyst for change. During the six-year period, 1970-1976, Federal capital expenditures (measured in current prices) increased by a factor of 40 and State capital expenditures by a factor of 16. Federal recurrent expenditures increased by a factor of 5. There is probably no other country that has witnessed a more dramatic expansion of public sector expenditures during the same period. These expenditures accounted for about 50 percent of estimated GDP in 1976/77 (about 20 percent

in 1970/71) and would account for over 80 percent of the estimated 1976/77 GDP in 1977/78, in the unlikely event that budgeted Federal and State Government expenditures should materialize.

4. The expansion of Government spending after 1973 was followed by rapid domestic price inflation which reached 43 percent during 1975. This was, importantly, due to supply constraints which led to scarcity premiums for a wide range of commodities and services. In many cases, Government investment plans were prepared with little regard for the limited absorptive capacity of public administration and infrastructure, in particular the ports, with the result that there have been many delays in bringing new projects on stream. In addition, there was, at least during the early phase of the oil boom, insufficient cost consciousness and substantial wage and salary hikes which resulted in sudden, large increases in consumer demand. Due to the rapid expansion of government spending, employment in public services and especially in the construction industry grew so fast that several rural areas began to experience labor shortages which contributed to the stagnation in agriculture. Most of the increased consumer demand had to be met through imports. This in turn aggravated congestion in the ports and distribution channels, thus fueling the inflationary spiral.

5. To reduce inflation and stimulate local production, the Government removed or reduced import duties, introduced a wide range of consumer and agricultural producer subsidies, started bulk importation of certain key consumer items (including rice, sugar, salt, fish, beef, and milk) as well as agricultural and construction inputs (mainly fertilizers and cement) and reduced interest rates. The combined effect of the various subsidies and import supply interventions has been to slow down the rate of domestic price inflation to about 20 percent in 1976. But this could be no more than a short-term palliative because the Government cannot continue to afford the numerous (often hidden) consumer and producer subsidies. By removing these subsidies, the Government will help reverse serious price distortions that are clearly inimical to greater production and reduced scarcities in the future.

6. Inflation appears to have already had an adverse effect on the distribution of income between urban and rural areas. There is some evidence to suggest that increases in farm gate prices have lagged behind increases in farm production costs (in particular labor) and also that prices of manufactured goods have risen somewhat faster than agricultural producer prices. More importantly, however, the export potential of non-oil sectors has deteriorated because of the inflation, thus strengthening the economy's bias in favor of imports. There can be little doubt that the combination of rapid domestic price inflation and a relatively stable fixed exchange rate has become an increasing obstacle to agricultural and industrial development.

7. Nigeria accumulated large internal and external surpluses during 1973/74 and 1974/75, the two years following the oil boom. But, contrary to earlier expectations, sizable budget deficits re-emerged as early as

1975/76, and external reserves began falling by mid 1976. At the present time, reserves still represent about five months of commodity and invisible imports, but in the absence of corrective policy measures, the prospect is for growing budgetary deficits and a widening external resource gap. The combined Federal and State Government budgeted deficits for 1977/78 amount to ₦ 6.3 billion, which is about 31 percent of estimated 1976/77 GDP. Even allowing for underspending on capital account by some 30 percent (which is at the upper range of the Government's expectation) the Federal budget deficit alone for 1977/78 would amount to ₦ 2.4 billion or almost 12 percent of estimated 1976/77 GDP. Deficits of this magnitude are simply not sustainable.

8. The unexpectedly early reversal of Nigeria's resource position is primarily due to the following factors:

(a) Revenues were lower than expected because petroleum output has not increased as projected but instead declined in 1975 due to a slackening of world demand. Output picked up again in the second half of 1976 and is currently averaging about 2.2 million barrels per day, the same as in 1974. Production may increase a little before the end of the Third Five-Year Development Plan (March 1980), but the original Plan target of 3 million barrels per day by 1980 will not be achieved because of a slowdown in exploration since 1974;

(b) the creation of seven new States in 1975 (not foreseen in the Plan) has added considerably to the capacity and need for public sector spending; and

(c) domestic and import price inflation has far exceeded original projections while the cost of many projects in the Plan have been grossly underestimated.

9. The most serious and difficult short-term economic management problem facing the Nigerian Government is the need for a drastic reduction in government spending. Since a reduction in current expenitures is difficult to achieve (unless Nigeria's large army could be demobilized more quickly) the effort to reduce government spending must focus on the Federal and State Government capital budgets. To protect the balance of payments and domestic monetary stability, the total of 1977/78 capital budgets would have to be cut by some 40 percent, or ₦ 4.5 billion. Arbitrary budget cuts should be avoided as much as is possible. New budgeting procedures are required to insure that future budget appropriations truly reflect the Government's resource position and development priorities.

10. The present situation calls for a fresh re-assessment of development policies and priorities, some policy changes, and the formulation of a domestic and external borrowing strategy. The Third Five-Year Development Plan (which was revised and enlarged in 1976) can no longer serve as the

sole guide to the allocation of resources because its overall ("effective") expenditure targets are excessively high in relation to the likely availability of resources, including net domestic and foreign borrowing. One positive aspect of the current situation is that Nigeria's external debt is very modest and the debt service burden slight. So, in this sense, the country is now creditworthy for very substantial external borrowing. However, without a carefully thought out external borrowing plan, there is a danger that Nigeria would quickly accumulate a large debt with relatively short maturities, thus harming the country's longer-term creditworthiness.

11. To restore and enhance Nigeria's long-term growth and export potential on non-petroleum sectors, a number of macro-economic policy adjustments are required in addition to the immediate need for Federal and State Government capital budget reductions. An adjustment or preferably a series of adjustments of the exchange rate to reflect differential inflation rates between Nigeria and its principal trading partners would be the single most effective policy measure to improve the incentive framework for agriculture and manufacturing and to remove the biases in favor of imports that have gradually crept into the system. Exchange rate adjustments could at the same time generate large amounts of additional Government revenues in Naira terms.

12. Another significant and beneficial macro-policy change would be to raise interest rates, in particular Government on-lending rates, to reflect the growing scarcity of financial resources, to encourage savings, and to reduce the danger of resource misallocation. Further, consumer subsidies and most agricultural producer subsidies should be gradually reduced and eventually removed. In addition, Government should aim at making the major Federal Corporations (in particular NEPA, the Ports Authority, the Railway Corporation and the Airways Corporation) largely self-financing, and creditworthy for both internal and external borrowing. Finally, there is a need for a more transparent policy towards private foreign investors, particularly with regard to the valuation of equity shares in existing enterprises affected by the new indigenization requirements and the allocation of quotas for expatriate staff. Private foreign investment can still make a significant contribution to Nigeria's development goals, notwithstanding the new indigenization requirements which specify higher percentages for Nigerian ownership of enterprises.

CHAPTER I

RECENT ECONOMIC DEVELOPMENTS

Political and Social Objectives

1. Politically Nigeria has been dominated for over a decade by the Military. The civil war, which erupted shortly after General Gowon assumed power in 1966, demonstrated clearly the need for greater national unity and consciousness. At present, 7-1/2 years after the end of the crisis, "nation-building" is still the overriding political objective in Nigeria. Generally the policies to achieve this have stressed diffusing regional power by subdividing the Federation into more States, first twelve in 1967, then nineteen in 1976, and by strengthening local government authorities. The latter has been accomplished both by holding free popular elections for local government officials in 1976 (the first such elections held in more than a decade), and by allocating a portion of Federal and State revenues to these authorities.

2. The military has continuously reiterated its intention to return the government to civilian hands. General Muhammed, who overthrew and succeeded General Gowon in July 1975, reaffirmed his Government's intention of relinquishing power, and set October 1979 as the target date for the return to civilian rule under a new constitution. General Obasanjo, who succeeded General Muhammed in February 1976, has assured that an orderly, step-by-step approach towards the transfer will be carried out. Thus a Draft Constitution has been published and is being discussed extensively throughout the nation. The local government elections of 1976 and the improved funding of the local government authorities (1977) were further important steps in this process. The precise nature of the new civilian government is difficult to predict, but the Draft Constitution and supporting documents are likely to have a significant influence on the outcome of the current debates. It is generally expected that the new government will comprise an "American" style executive presidency, a two-chamber legislature and an independent judiciary. A constituent Assembly, the body which is to debate, amend, and approve the Draft Constitution, is to be elected on August 31, 1977.

3. The Third National Development Plan (1975-1980) and the Draft Constitution both contain significant discussions of Nigeria's economic and social objectives. Both documents were drafted during economic boom times: many laudable national objectives were adopted for Nigeria, yet few, if any limits or priorities, were established. Each document mentions the Government's responsibility for economic development, but heavy emphasis is also placed on the Government's role in promoting social and economic equality.

GDP growth through 1974 1/

4. Nigeria's recovery from the economic disruption of the civil war (1966-1970) had begun even before the cessation of hostilities in January 1970. Rapid growth of GDP continued during the early seventies, averaging about 8.3 percent through 1974. The growth was due mainly to the rapid expansion of petroleum production and to the recovery of construction and industrial output in response to pent-up local demand following the war years. The recovery process was facilitated by excess productive capacity and increased import capacity due to expanding petroleum production. Petroleum was already in 1973 becoming a dominant factor, and some significant new trends in the economy were becoming apparent. Agricultural production was stagnating (partly due to drought) while inflation was becoming a serious problem. Large increments in petroleum tax revenues permitted the public sector to expand markedly, both in absolute terms and relative to the private sector. Imports also jumped dramatically in each year beginning in 1973. The huge increase in petroleum export prices in 1974 accelerated this process, but much of the rise in Government revenues initially served to increase foreign exchange holdings and Government balances with the Central Bank.

GDP growth in 1975 and 1976

5. The lack of reliable and comprehensive price statistics for recent years means that there is considerable uncertainty about constant price national account estimates, particularly after 1974. The figures presented in Table 1 below and in appendix Tables 1-7 may be subject to revision and should be used with caution. It is clear that petroleum production, which by the end of 1974 accounted for a third of GDP, declined sharply in 1975, as did agricultural production (appendix Table 30C). Had it not been for the Government's ability to further increase public spending by drawing down its bank balances, the overall production growth rate in 1975 would have been negative. 1976 was a recovery year for agricultural and petroleum production but the rate of growth in most other sectors declined. Agricultural production increments have lagged far behind population growth (thought to be 2.5 percent per year). The growth rate in the construction sector as reflected in Table 1 above may be under-deflated, and thus overstate the amount of real growth. Services generally and Government services in particular have grown rapidly, especially in the past few years. The average rate of growth of agriculture and manufacturing from 1970 to 1976 was 2.0 percent or considerably less than the overall GDP growth rate of 7/8 percent per year. The growth in real gross domestic income (GDY) was, of course, much faster than the growth of GDP at constant (1973) prices because of the significant improvement in Nigeria's terms of trade that occurred in 1973/74, following the quadrupling of petroleum export prices. In 1974 GDP

1/ Performance prior to 1975 is described in greater detail in the Bank's Country Economic Memorandum, No. 1235-UNI (June 30, 1976).

Table 1: REAL GROWTH RATES OF GDP BY TYPE OF ACTIVITY, 1975 and 1976
(Constant 1973 Prices)

Sector	1975	1976	Annual Average 1970-1976
	(% increase over previous year)		
Agriculture, etc.	- 3.6	2.4	0.1
Oil	-27.6	21.7	11.6
Mining and Manufacturing	26.6	8.3	11.5
Construction	20.6	11.1	22.5
Government Services	46.3	12.5	18.4
Other Services	24.1	12.6	6.7
GDP	3.4	10.2	7.8

Source: Mission estimates based on Central Planning Office Statistics (see also Appendix Table 1).

(in real terms) made a quantum jump of around 38 percent over 1973 (appendix Table 6) and an estimated 75 percent of this increase was due to terms of trade improvement. The contraction of petroleum production in 1975 combined with the continued rapid expansion of Federal and State Government expenditures led to a rather sudden reversal of the Government's overall resource position during fiscal year 1975/76. An overall balance of payments deficit also occurred in 1976 for the first time in a decade.

Public Finance Since the Oil Boom

6. The overall fiscal situation deteriorated rapidly in 1975/76 as is shown in Table 2 below.

Table 2: SUMMARY OF FISCAL POSITION, 1971/72-1977/78
(₦ million)

	Accumulated 1971/72-1974/75	1975/76	1976/77 (estimate)	1977/78 (budget)
Federal Government Balance	+2083	-1390	- 794	-4500
Consolidated States' Balance	-1033	- 252	- 320	-1800
Federal and State Governments combined	+1050	-1642	-1114	-6300

Overall deficits of almost ₦ 3 billion were accumulated during the first two years of the Plan (1975/77). The Federal Government financed its deficits by drawing down deposits with the Central Bank and is now (June 1977) no longer a net creditor to the banking system. This implies that any further deficits must be financed by borrowing either internally or externally. State's deficits were covered by loans from the Federal Government which were mainly financed from the proceeds of development bond issues. At the beginning of fiscal year 1977/78 the States owed the Federal Government ₦ 1,126 million, but because of the apparent inability of State Governments to repay those loans and the difficulty of apportioning liabilities to the newly created States, some ₦ 804 million of this debt was written off.

External Accounts Since the Oil Boom

7. The balance of payments began to reflect the altered resource position in 1976. The huge surpluses in 1974 and smaller ones in 1975 enabled a tenfold increase in foreign exchange reserves during those two years (Table 3).

Table 3: SUMMARY OF BALANCE OF PAYMENTS ACCOUNTS (current prices) ($ million)

	1973	1974	1975	1976
Commodity exports	3792	9770	8186	10149
Commodity imports	1925	2666	5806	8066
Balance on Current Account	+ 85	+4494	+ 69	- 352
Changes in international reserves (- = increases)	-278	-4963	-176	+ 376

Source: Table 8, statistical appendix.

Note: There are some differences between changes in international reserves as published by the IMF in International Financial Statistics in dollar equivalents and those published by the Central Bank of Nigeria in Naira terms. These differences are probably due to different exchange rates used except for 1976 when the difference between these two sources is too large to be explained in this way. According to the IMF, reserves in 1976 fell by the equivalent of $600 million which is 60 percent more than the corresponding figure indicated by Central Bank sources. In this table and in table 8 of the Appendix Central Bank sources have been used.

Overall deficits in 1976, the result of greatly expanded imports, required a drawdown of reserves of about ₦ 235 million ($376 million). The first five months of 1977 saw a further reserve drawdown of about $600 million but part of this was related to the purchase of equity in foreign-owned firms affected by indigenization requirements. From 1974 through 1976, the value of exports (93 percent of which is accounted for by petroleum), did not grow, while the value of imports increased by almost 300 percent. All categories of imports expanded rapidly, but particularly noteworthy are the increments in food imports. Stagnation in agriculture, rapid internal food price increases, greatly expanded import capacity and a lowering of tariffs on imported food, all contributed to this (Table 4). Indications are that during the first half of 1977, the growth of food imports further accelerated.

Table 4: NIGERIA'S NET EXTERNAL FOOD TRADE BALANCE, 1974-1976
($ million)

	1974	1975	1976
All food except Cocoa 1/	-230	-458	-662
Fats 2/	+ 49	+ 4	- 33
Total as % of Visible Import Bill	6.7%	7.8%	8.7%

1/ Total of SITC Section 0 minus Group 072.

2/ Total of SITC Section 4.

Source: Nigeria Trade Summaries.

Public Sector Investments

8. The size of the public sector continued to grow rapidly in 1975 and 1976, both absolutely and relative to the private sector. In 1972, Federal and State Government revenues amounted to 20 percent of GDP, while in 1975 the proportion was 37 percent. Federal and State Government expenditures as a percentage of GDP were 22 percent in 1972 and 50 percent in 1976. Government capital expenditures increased much more rapidly than the current expenditures. Recurrent expenditure increases were in large part related to the Udoji wage and salary awards. Public capital expenditures reached ₦ 5.8 billion in 1976 (30 percent of GDP) which was 86 percent of estimated gross fixed capital formation in that year. A large part of public capital expenditures (estimated at between 50-60 percent) is for building and construction activity. Because of the high rate of inflation occurring in that sector, real output (as explained in paragraphs 14-16 below) has increased at a much slower pace than suggested by the tremendous increases in public sector capital expenditures.

9. It is impossible to determine with any precision what would have happened to the different categories of Federal revenue and expenditure if the dramatic oil price increase of 1973/74 had not taken place. For example, import duties would presumably not have decreased, imports would not have increased so rapidly, wages and salaries would not have increased so much, and inflation in general would have been less. Without the oil price increase oil production would almost certainly have been higher. The mission has nevertheless attempted to make an approximate quantitative

assessment of the incremental Federal revenues due to the oil price increase and of the allocation of those incremental resources. In Table 5 those incremental revenues are estimated at ₦ 6.76 billion (approximately $10.8 billion) for three years, 1973/74-1975/76.

Table 5: ESTIMATED INCREMENTAL FEDERAL REVENUES DUE TO 1973/74 OIL PRICE INCREASE (1972/73-1975/76) (₦ billion)

	Actual revenue	Estimated revenue without oil price increase	Incremental revenue due to oil price increase
1972/73	1.39	1.39	—
1973/74	2.17	1.61	0.56
1974/75	5.18	2.18	3.00
1975/76	5.86	2.66	3.20
		TOTAL	6.76

10. Assuming that expenditure categories would not have increased faster than revenues without the oil price increase, the allocation of the estimated incremental revenues has been roughly as follows:

Table 6: AN ESTIMATED ALLOCATION OF INCREMENTAL FEDERAL REVENUES (1973/74-1975/76) (₦ million)

	1973/74	1974/75	1975/76
Allocation to States	60	300	800
External lending	--	50	150
Domestic lending	--	150	300
Federal current expenditures	--	---	700
Federal capital expenditures	--	900	2600
Liquid assets	500	1600	-1350
Totals	560	3000	3200

Table 6 above shows that the bulk of the estimated incremental revenues has been used for the financing of additional Federal Government capital expenditures. A functional breakdown of those expenditures suggests that they were heavily concentrated in transport and communications infrastructure, housing and buildings for education and administration. Of the ₦ 700 million incremental Federal current expenditures (1975/76) almost 80 percent has been allocated to two Ministries: Defense and Education.

11. An important question to be raised is to what extent the Government's utilization of the incremental oil revenues has contributed to social development and to a strengthening of Nigeria's future growth potential. Although it is too early to express any definitive judgement on the long-term effects on society and the economy the overall picture appears to be a mixed one. Potentially one of the most significant benefits to the economy is the vast improvement in transportation (particularly roads, ports and airports) and communciation facilities resulting from the numerous infrastructure projects that are being executed throughout the Federation. In five or ten years Nigeria's transportation network and communication facilities should be among the best in Africa. This will undoubtedly stimulate economic activity and raise productivity in other sectors. Whether these benefits will be lasting depends, of course, in large measure on the maintenance of the newly acquired assets.

12. The mission is concerned that the ongoing Five-Year Development Plan (chiefly a public sector investment plan) and the annual Federal and State capital budgets appear to take insufficient account of future recurrent expenditure implications associated with new capital formation. This applies to infrastructure but in particular also to education and other social services which have received a large part of investable public resources in recent years. To mantain a balance between the creation of new facilities and the proper operation and maintenance of existing ones, Nigeria will probably have to start shifting the allocation of budgetary resources in favor of the latter, i.e. the current budget, and slow down the rate of new public sector capital formation.

13. One of the most significant costs associated with the oil boom is the accelerated domestic price inflation that has plagued the economy ever since 1974. A special section below is devoted to the cause and effects of inflation and related Government policies. At this point it is important to mention that inflation is having the effect that the Government is accomplishing less in terms of new capital formation and real income growth than had been envisaged in the Third Plan. 1/ To some extent this could have been avoided through a more careful preparation and phasing of Government capital expenditures. The sudden influx of significant incremental resources after 1973 did initially lead to a "money is no object" attitude in certain Government circles. The emphasis was on getting projects started as quickly as possible, often without proper preparation or evaluation. The initial lack of cost consciousness and a preparedness to let large contracts on a turnkey basis has undoubtedly contributed to cost inflation. It is at this stage not possible to express an opinion about the likely future productivity of recent and ongoing public sector capital formation. Many of the infrastructure projects have a long gestation period while most of the large Federally sponsored industrial projects are still under preparation or in the early phases of implementation.

1/ For lack of detailed information of Plan progress in physical terms, it is impossible to determine how much less is likely to be accomplished.

The Growth of the Construction Industry

14. Since an estimated 50-60 percent of Nigerian Government capital expenditures result in building or construction of various description, the capacity of the industry to deal with the tremendous expansion of demand for its services since 1974 deserves special attention. National account estimates as reflected in appendix Tables 1 and 2 suggest that the rate of inflation in the construction industry was 35 percent in 1974, 31 percent in 1975, and 57 percent in 1976.

15. The growth of value added in real terms for those years is estimated in appendix Table 1 at 15, 21, and 11 percent respectively. It should be stressed, however, that there is considerable uncertainty about the actual price inflation in building and construction during those years. Industry sources report even higher rates of inflation for individual construction inputs (in particular cement and structural steel) and for standard contracts than the ones used for estimating constant price national accounts in appendix Table 1. The use of (incomplete) industry price data would suggest that the real growth of value added by the construction sector may have been significantly less in 1975 and 1976 (only 9 percent and 1 percent respectively) than indicated by national account statistics. This could mean that the industry had in fact reached--at least temporarily--the limits of its absorptive capacity in 1975 and that any attempt to spend more on construction thereafter only fueled inflation either because of constraints in the construction industry itself or constraints in supporting services and facilities.

16. Profit margins in the construction industry are reputed to be very large (although few construction companies pay income taxes) and wages for unskilled construction workers have increased at least 25 percent per annum on average since 1973. These wage increases, together with the large expansion of employment opportunities in construction since 1974 (no recent employment statistics are available) have indirectly raised the cost of farm labor. In several rural areas there is evidence of a growing labor shortage. This in turn has contributed to the stagnation in agriculture. In short, excess demand in the construction sector appears to have been a significant contributor to domestic price inflation, both directly and indirectly by its impact on food production and port congestion.

The Growth of Manufacturing Output and Investment

17. The measurement of manufacturing output is also complicated by the choice of a suitable price deflator, but it appears that real growth has been strong. The index of industrial production published by the Federal Office of Statistics (appendix Table 24) indicates that increases in manufacturing output averaged 14 percent per year from 1970 through 1976. Reliable information on industrial investment is unavailable, but there appears to be some sluggishness especially with respect to private investment. Government-sponsored industrial investment by contrast has increased very rapidly but few of the medium sized and large public manufacturing projects that were started after 1973 have reached the production stage. This suggests that recent output increments are in large part due to greater capacity utilization.

18. The apparent low rate of private manufacturing investment may or may not persist depending, in part, on future Government policy toward private indigenous manufacturing enterprises. The most significant current influence on such investment is undoubtedly the indigenization policy. The first Indigenization Decree (1972) allowed some enterprises to be wholly foreign owned and others to be 60 percent foreign owned. This was followed by a second Indigenization Decree (1977) which requires that all firms must be at least 40 percent Nigerian owned, while many should be 100 percent Nigerian owned by November 1978. The second Decree may have been on balance, destablizing because of the expectation it created that further decrees containing even stricter indigenization requirements would follow. This may have been a contributing factor underlying the apparent recent slowdown in private manufacturing investment. Yet the indigenization process seems to have progressed in an orderly manner. Most foreign private investors appear to have accepted the inevitability or even the desirability of majority local ownership. The aim of the Government is to spread ownership as widely as possible and to this end, two branches of the Lagos Stock Exchange are to be established in Kaduna and Port Harcourt.

Inflation

(i) Introduction

19. No survey of recent economic developments in Nigeria would be complete without an analysis of the causes and effects of inflation and Government's efforts to deal with the problem. However, there are no reliable price statistics for recent years. Therefore, the following analysis is necessarily somewhat speculative. It is certain, however, that domestic price inflation has been a major problem in Nigeria from the early seventies to the present. In 1971, the year of the Adebo wage awards, the consumer price index went up by 15 percent. The rate of increase fell to 3.5 percent the following year and rose steadily to an estimated 43 percent during 1975, which was the year of the Udoji wage awards. Thanks to active Government intervention in pricing and in augmenting supplies of certain goods, the index is estimated (by the mission) to have risen by only 20 percent in 1976. Prospects for the next few years are uncertain. The Government's target is to reduce inflation to 15 percent in 1977 and to 10 percent the following year. The mission expects that inflation of the order of 15-20 percent per annum is the likely minimum through the remainder of the current Plan (1980).

(ii) Causes of Inflation

20. Import price inflation has been an important factor after 1973 but the major cause has undoubtedly been an excessively rapid expansion of Federal and State Government expenditures (mostly on capital account). Both internal and external supply bottlenecks (in particular those related to port congestion) caused scarcity premiums for a wide variety of goods and services. These in turn led to rapid wage and other production cost increases. The Udoji wage and salary awards of 1975 suddenly and significantly increased consumer demand which put further strain on an already overheated

economy. Price increases in the construction industry are believed to have been one of the principal vehicles for spreading inflation throughout the economy.

(iii) Effects of Inflation

21. Inflation has had an effect on production costs, relative prices and income distribution. Perhaps the most significant and from a development point of view potentially most dangerous long-term macro-economic effect has been the rapid rise of local production costs in agriculture, industry and other sectors. The petroleum sector, because of the huge gross profit margins, is probably the only goods producing sector which is largely immune to domestic price inflation. The growth potential of most other sectors, however, except (import) trade, have been or will be adversely affected by the combination of high domestic inflation and a relatively stable exchange rate. 1/ For example, it is already evident that farm production costs in some areas have risen so fast that it is now cheaper to import several staple foods than to produce them locally. Similarly, several domestic industries now find it financially more attractive to expand their business through trade of imports rather than through expanding local production.

22. The import bias of the economy has been strengthened by relative price and cost developments in favor of foreign suppliers. At the same time the non-petroleum sectors will find it increasingly difficult to expand production for export which means that the economy's dependence on oil as the only major export earner which is likely to increase. There are indeed clear warning signals that the exchange rate of the Naira is already overvalued for most sectors, except petroleum. The long-term harmful effect of an overvalued exchange rate on development and income distribution are well known and need not be elaborated here. Port congestion has so far afforded a considerable additional and unintended margin of protection against imports to many local producers but when the congestion abates, as must be expected to occur when the current major port expansion projects near completion, the need for a more appropriate exchange rate will become increasingly pressing.

23. The effect of inflation on the distribution of income is less clear but there are indications that rural/urban terms of trade have turned against the farmers, especially the smallholders who work with little or no capital. In addition, farm gate prices appear to have risen less fast than farm production costs for many crops. This suggests that the income of many small farmers has not only declined relative to that of wage earners but may

---

1/ The exchange rate of the naira is unilaterally determined by the Central Bank of Nigeria in relation to a trade weighted basket of currencies. The naira appreciated in 1974/75 (about 8 percent against the U.S. dollar) and, in June 1977, was only slightly above the rate that prevailed during the three years preceding the oil boom.

also have fallen in absolute terms, except in those areas where productivity increased faster than production costs which is believed to have been the case in some of large northern rural development project areas. The principal beneficiaries of inflation have probably been the traders (especially importers), the construction industry, self-employed professionals and some of the larger farmers. There is, in fact, some doubt whether a majority of Nigerians has benefited so far from the oil boom. GDP expenditure statistics (Appendix Table 3) suggest that private consumption may even have declined after 1974. It is not certain that a fall in private consumption has in fact occurred or that it has been as drastic as suggested by national account statistics. It is possible that the real growth of investment and the real growth of GDP in 1975 and 1976 have been overestimated while the growth of private consumption was underestimated.

(iv) Government's Anti-Inflation Policies

24. The Government formed an anti-inflation Task Force in August 1975 (which reported in October of that year) and followed many of its recommendations. Unfortunately, the Task Force report did not take a strong position on the question of the level and growth of Government expenditures which, in the opinion of the mission, was already at that time the main engine of inflation. The Task Force concentrated mainly on monetary and fiscal policies, price controls, supply interventions, food production and marketing, and the improvement of transport services.

25. The Government has indeed attempted and in substantial measure succeeded, at least so far, to fight inflation by controlling prices, wages, interest rates, credit expansion, dividend payouts, liberalizing import restrictions, and by subsidizing certain consumer goods and farm inputs. In some cases the subsidy is direct and significant (for example the 75 percent Federal subsidy on fertilizers delivered to State distribution centers). In most cases however, the subsidy is indirect and occurs as a result of underpricing of goods and services supplied by public agencies. The Government also reduced a number of taxes. Import duties as a percent of the c.i.f. value of imports gradually fell from somewhat over 40 percent in 1972 to 17 percent in 1976. In addition the exchange rate of the Naira was slightly appreciated in 1974 and 1975 which also had an inflation-dampening effect. Credit and interest rate policies were also designed to assist in the fight against inflation. (Monetary developments and interest rate policy form the subject of a special section below, starting with paragraph 28.) To increase the supply of essential goods and to supplement the activities of private traders, the Government created the National Supply Company which imports and distributes key consumer goods such as sugar, salt, milk, sardines, stockfish, and rice. Cement and fertilizers are imported in bulk by other Government agencies. Chilled beef is flown in by the Meat and Livestock Authority at the rate of 300 tons per week and wheat imports receive priority treatment in the ports. Many of these Government imports are sold domestically at, or below, cost.

26. The cost to Government of the various subsidies is high but cannot be precisely quantified because many are "hidden" in the accounts of specialized agencies. Most Federal Corporations have held their prices constant for a decade or longer in spite of rapid inflation. The result has been that most public Corporations cannot even cover their operating costs (let alone their capital expenditures) and have consequently become a heavy drain on the Federal budget. The Government has recently announced that it intends to review public service and utility rates in order to ensure that the services are not "over-subsidized". Some steps in the right direction (electric power and airfare rate increases) have already been taken but much remains to be done. As part of a policy aimed at the gradual reduction of consumer subsidies, the Government might consider setting targets for the dates at which the major Federal Corporations and other public commercial organizations should become self-financing and creditworthy for commercial borrowing.

27. One of the reasons for the mission's expectation that, during the next three years, inflation in Nigeria is unlikely to fall much below the (estimated) 1976 rate of 20 percent is that many recent anti-inflation policies based on reduced sanction and subsidization cannot be sustained for long because of the growing pressure on Government resources. Several of the actions and policies that are now required (for details, refer Chapter III) to reduce the budget dificit, to prevent excessive external resource gaps and to improve the incentive framework for agriculture and industry, may initially, rekindle domestic price inflation. But, fortunately there is much scope for productivity improvements in most sectors and, with proper policies, the problem of inflation can eventually (after some adjustment years) be overcome.

(v) Monetary developments and interest rates

28. The evolution of money supply and monetary assets clearly reflects the tumultuous changes in the economy following the oil boom (appendix Table 14). More than eight fold increase in foreign exchange reserves in 1974 enabled the banking system to expand lending to the private sector very rapidly, at least until 1976, when as part of the Government's anti-inflation monetary policy, limits on the further growth of commercial bank lending to private borrowers were imposed. At the same time allocation requirements were introduced to promote the flow of credit to directly productive sectors, in particular agriculture and manufacturing (appendix Tables 16 and 17). These credit expansion ceilings and sectoral allocation requirements have been generally adhered to by the commercial banks, except with respect to lending for agricultural development which remained below target.

29. Whatever inflation suppressing effect credit policy may have had was wiped out by the rapid drawdown by Government of its huge cash balances with the Central Bank to finance budgetary deficits. This drawdown of cash balances became the principal determinant of an almost three fold increase in the money supply between 1974 and 1976. By the middle of 1977 the Government had fully depleted its cash balances and became again a net-debtor to the banking system. The result, with regard to the fight against inflation

is that there has been a conflict between credit policy, which aimed at credit restrictions to the private sector and capital formation, which occasioned the drawdowns of surpluses.

30. Interest Rates have also been employed as an instrument to fight inflation and to stimualte production. The entire rate structure, as determined by the Government, was lowered following the oil boom, but was raised again slightly with the introduction of the 1977/78 budget (appendix Table 18). Lending, deposit, and re-discount rates are still very modest by international standards and extremely low indeed in relation to domestic price inflation. Unfortunately, cheap credit also appears to have stimulated consumption loans, thus probably increasing instead of reducing certain types of inflationary pressure.

31. Commercial banks (now all 60 percent Government owned) have been very liquid in recent years but a continuation of credit restrictions and low lending rates (as well as low margins) has rendered them rather inactive as promoters of development. Their loan maturity structure appears to have shortened and many are reluctant or unwilling to accept new depositors. Federal Government issues of development stocks, which have recently carried interest rates of 5-6 percent for maturities of 15-25 years, have attracted little attention among the commercial banks. Consequently, about 70-85 percent of the last few development loan issues have been purchased by the Central Bank.

32. Nigeria's low interest rate structure may have been appropriate for a short period following the oil boom, but is now becoming increasingly anomalous. One of the most critical rates in the whole structure is the Federal Government's lending and on-lending rate for loans to the States and other public sector institutions. The three major public financial intermediaries, the Nigerian Industrial Development Bank, the Nigerian Bank for Commerce and Industry, and the National Agricultural Bank borrow their loan funds from the Federal Government at interest rates varying between 2.5-5 percent. State Governments too borrow Federal Funds at very low rates. The result is a heavy demand for increasingly scarce Federal funds at a time when private and semi-private sources of funds, including banks, pension funds, insurance companies, etc. are awash with liquidity. Although some interest rate increases have been allowed for lending to private borrowers, Government's own on-lending terms have not been raised, nor has there apparently been much discussion on this important subject.

34. In light of the growing pressure on Government resources, it is likely that Federal on-lending activity will diminish. In other words, subsidized credit is likely to be rationed, and recipients of Federal loans will have to borrow elsewhere at higher rates if their expansion plans are to be achieved. The announcement, at budget time, that States may henceforward borrow from internal sources other than the Federal Government is an illustration of this development. Since the Federal Government itself is likely to become a significant borrower on the domestic capital market, the demand for credit may well exceed supply before long. When that happens, the pressure

to increase the entire interest rate structure will undoubtedly mount very quickly and it would be unwise to resist those pressures. Indeed, from a macro-economic point of view, it is no longer appropriate to keep interest rates low as an instrument to combat inflation.

(vi) The Development Plan, 1975-1980

35. The Third Plan, launched April 1, 1975, presented the Government's proposal for the allocation of public savings. After General Gowon's overthrow, a revision of the Plan was undertaken. The Revised Plan, published in April 1977, was in fact no more than a slightly different listing of public sector projects. It contained no new macro-economic projections and no indication of policy changes. In nominal terms, the "rise" of the Revised Plan exceeds that of the original Plan by ₦ 10.5 billiion. Part of the cost increase is due to revised project cost estimates, part to additional projects and part to project scale increases. The sum total of project costs is now estimated at ₦ 43.3 billion. The broad sectoral allocation of expenditures has not changed appreciably, although there was some shift in emphasis towards power, water, housing and urban facilities (appendix Table 22).

36. Capital expenditure targets in both the original and the Revised Plan are expressed in "nominal" and in "effective" terms. The effective amount (₦ 26.5 billion in the Revised Plan, and N 20 billion in the original Plan) represents the anticipated actual capital expenditures during the Plan period, but each spending unit has been informed that it can spend up to its nominal allocation. The nominal-effective differentiation makes it difficult to ensure a balanced expenditure pattern in all times, but especially now, when available resources are inadequate to meet Plan target.

37. Mission projections of Federal Government resources for the balance of the Plan period suggest that even the Revised "effective" Plan is unrealistically large and therefore no longer suitable as a guide to allocating public savings in the annual budget. The absence of a credibly revised and curtailed Plan suggests the urgent need for an alternative annual capital budgeting procedure. The overall Federal budget deficit for 1977/78 (after statutory and non-statutory transfers to the States and to local government authorities) amounts to ₦ 4.5 billion which could not be financed except through excessive reliance on Central Bank credit. Even if the actual spending on capital account should fall short of the budgeted amount (₦ 7.25 billion) by some 20-30 percent, as is the Government's expectation, the remaining overall deficit would still be of the order of ₦ 2.3-3 billion which presents a serious threat to monetary stability.

CHAPTER II

ECONOMIC PROSPECTS THROUGH 1980

Introduction

38. The mission has made projections of Nigeria's balance of payments and public finance accounts for the period 1977 through 1980. Projections of this kind are generally accident prone, but this applies a fortiori to the Nigerian situation for the following two reasons. The first is the paucity of reliable economic data: no official national accounts exist for years later than 1973/74, and many other statistical series are themselves projections or provisional figures based on estimates. The second is that changes which have occurred due to the civil war, and to oil price increments are not of the smooth, evolutionary type suitable for trend extrapolation. As a result the mission's projections are not based on extrapolations of recent trends but on judgments and expectations concerning a plausible evolution of the main macro-economic parameters under differing policy assumptions. In general terms the projections underline the need for drastic expenditure reductions and a number of macro policy changes to promote savings and to improve the incentive framework for the directly productive economic sectors. (Policy recommendations form the subject of Chapter III.)

The Petroleum Sector

39. Since crude oil output accounts for 93 percent of exports, 82 percent of Government revenues and 31 percent of GDP (in 1976), assumptions concerning future output levels and prices are crucial. It is now evident that the Third Five-Year Development Plan's crude oil production target of 3 million barrels per day by 1980 will not be reached. Production fell in 1975 to 1.5 million barrels per day due to a slackening of world demand. It picked up again in the second half of that year and slowly rose to the current level of around 2.2 million barrels per day (the same as in 1974) which is close to the capacity limit of existing pumping and storage facilities. Because Nigeria's oil reserves are contained in many small fields, exploration to discover new fields is essential to maintain or increase production levels. In recent years, due to unfavorable taxes, exploration activities have declined sharply. A field-by-field analysis of reserves and past production indicates that, in the absence of new discoveries, production could decline to 1.75 million barrels per day by 1980 and 1.2 million barrels per day by 1985 (appendix Table 30B).

40. In April 1977, the Government introduced a new (fiscal) incentive package designed to encourage oil exploration and there are indications that some of the rigs and drilling crews that were removed from Nigeria by the oil companies since 1974 will return to the Delta area in response to this package. It is possible that production will rise to an average of 2.4 million

barrels per day by 1980 and 2.5 million barrels per day thereafter. If projected domestic refinery use of crude oil is taken into account, net export availability is estimated at 2.1 million barrels per day in 1977 rising to 2.2 million barrels per day by 1980. The price assumption used is that crude oil export prices will remain constant in terms of import purchasing power.

Public Finance

41. The most pressing economic problem in Nigeria at present is the apparent lack of control over Federal and State Government expenditures. Sizeable deficits have occurred in 1975/76 and 1976/77 and an excessively large deficit has been budgeted for 1977/78. Uncontrolled deficits will fuel domestic price inflation and lead to larger negative balances on external current account. To demonstrate the need for expenditure control, in particular on capital account, and the likely effect of such controls on the balance of payments, the following paragraphs review the fiscal prospects for the remaining three years (1977/78-1979/80) of the current Third Five-Year Development Plan.

42. All macro-economic projections confirm that the containment of public sector expenditures should be the most important objective of short-term economic management in Nigeria. A continuation of recent expenditure growth rates would cause severe disruption of the economy and adversely affect the prospects for future development. A reduction in real terms of recurrent expenditures is, as always, difficult to achieve and especially as in Nigeria where recurrent defense expenditures represent almost 40 percent of total Federal recurrent expenditures (excluding transfers to the States and Consolidated Revenue Fund charges). Recurrent expenditures could also be reduced through the removal of various subsidies. Revenues could be improved through better tax collection, higher on-lending rates, etc. There is also scope for increased taxation.

43. Yet, the mission is of the opinion that, because of the urgency and the magnitude of the public finance problem, most relief will have to come from a reduction in Federal and State Government capital expenditures. Because of ongoing project commitments, the immediate flexibility for containing capital expenditures is probably smaller than it is in the medium term. The mission was unable to determine the magnitude of capital expenditure commitments for 1977/78 and beyond.

44. In the following analysis the attention is focussed on the financial prospects of the Federal Government only. The State Governments have in the past developed overall (consolidated) budget deficits which were covered by Federal Government loans but in light of the fiscal prospects for the Federation as a whole during the next few years, the mission sees little scope for State borrowing from either the banks or the Federal Government to cover their budget deficits. The projected Federal deficits are so large--even under the most favorable circumstances--that substantial

deficit financing by State Governments should be precluded. Consequently, the estimated consolidated State budget deficits for 1977/78 of ₦ 1.9 billion should not be permitted to materialize.

45. To illustrate the need for drastic expenditure reductions in real terms and the budgetary effect of exchange rate adjustments, eight alternative scenarios for the possible evolution of Federal Government finances during the next three years (the last three years of the Plan) are presented in Table 7 below. The table presents accumulated figure (1977/78 through 1979/80) with the most pessimistic scenario in the upper left (CASE I-A) and the most optimistic situation in the lower right (CASE II-D). As the figures show, accumulated deficits will be smaller as expenditures are reduced (A through D) and/or as devaluations are undertaken (CASE II as opposed to CASE I).

Table 7: EIGHT POSSIBLE SCENARIOS OF FEDERAL FISCAL POSITIONS FOR THE PERIOD 1977/78-1979/80 1/

	Capital expenditures constant in real terms		Capital expenditures constant in nominal terms	
CASE I (no devaluation)	A	B	C	D
Federal Deficits	13.0	10.3	9.2	7.1
Federal Current Budget Surplus	8.2	8.2	8.2	8.2
Federal Capital Expenditures	21.2	18.5	17.4	15.3
CASE II (10 percent annual devaluation)				
Federal Deficits	12.4	9.5	7.7	5.3
Federal Current Budget Surplus	10.6	10.6	10.6	10.6
Federal Capital Expenditures	23.0	20.1	18.0	15.9

1/ For more detailed year-by-year projections on which these aggregates are based, refer to tables 24 and 25 in the statistical appendix.

46. In CASE I, current budget surplus projections are based on the following assumptions:

(i) the exchange rate of the Naira is kept stable;

(ii) revenue projections are based on constant oil prices in real terms and oil exports as indicated in Table 30A of the statistical appendix;

(iii) transfer payments to the States increase at the same rate as Federal revenues;

(iv) Federal recurrent expenditures increase at 20 percent p.a. which is equal to the assumed rate of inflation for the next three years.

Four alternative assumptions were made with regard to the evolution of Federal capital expenditures:

A. actual expenditures in 1977/78 will be 20 percent below budgeted expenditures and grow at 20 percent p.a. thereafter, thus staying constant in real terms;

B. actual expenditures in 1977/78 will be 30 percent below the budgeted expenditures of ₦ 7.25 billion (which is the most optimistic Federal Government expectation) and grow at 20 percent p.a. thereafter, again remaining constant in real terms;

C. actual expenditures in 1977/78 will be ₦ 5.8 billion (= 80 percent of the budget appropriation of ₦ 7.25 billion) and are kept constant in nominal terms thereafter;

D. actual expenditures in 1977/78 will be ₦ 5.1 billion (= 70 percent of the budget appropriation of ₦ 7.25 billion) and are kept constant in nominal terms thereafter.

47. In CASE II, current budget surplus projections are based on the same assumptions as in CASE I (in iv above) except that the exchange rate is devalued by 10 percent annually, starting in 1977/78. Additional assumptions are:

(1) revenue in Naira terms will grow 8 percent faster p.a. than in CASE I due to the exchange rate adjustments;

(2) Federal recurrent expenditures will grow 4 percent p.a. faster than in CASE I due to the indirect price effects of exchange rate adjustments.

The same four alternative assumptions were made with regard to Federal capital expenditures except that in sub-cases A and B capital expenditures grow 4 percent p.a. faster than in CASE I (due to devaluation induced price effects) while in sub-cases B and C capital expenditures are held constant in nominal terms after allowing for a 4 precent increase during the first year, 1977/78.

48. A comparison of the eight scenarios of Table 7 above supports the conclusion that it is very difficult to see a solution to the emerging Federal deficit problem other than through a reduction of capital expenditures in real terms. Exchange rate adjustments have significant and nearly immediate revenue effects but in the absence of fairly drastic expenditure cuts, most or all of the incremental revenues will be absorbed by incremental expenditures due to devaluation-induced price effects. The effect of a 10 percent annual devaluation on the Federal Government's fiscal position in the absence of expenditure cuts would be to reduce the overall deficit over three years (1977/78-1979/80) by only ₦ 0.6 billion in sub-case A and by ₦ 0.8 billion in sub-case B. However, exchange rate adjustments used in combination with the assumed expenditure cuts would reduce the overall deficit over three years by ₦ 1.8 billion in both sub-cases C and D.

49. The capital expenditure projections A and B in CASE I and CASE II (Table 7 above) are based on the assumption that the inflation rate is 20 percent p.a. through 1979/80 implying no real growth in Federal capital spending. This is a rather optimistic assumption in light of the very significant real expenditure increases of the past few years. It will not be enough, however, to keep capital spending constant in real terms. An aggregate Federal deficit over three years of between ₦ 10.3-13.0 billion would undoubtedly disrupt the balance of payments and domestic monetary stability.

50. As excessive Government spending is one of the principal causes of high domestic inflation rates in Nigeria, a reduction in the capital spending would simultaneously reduce inflationary pressures. The exact quantitative trade-off between these two variables is very diffcult to determine. In the mission's projections it is assumed that price inflation will be around 20 percent annually through 1979/80 even if expenditures are reduced in real terms (sub-cases C and D). The reason for this is that even under those reduced expenditure assumptions, Federal deficits would still be large and probably require a substantial amount of Central Bank financing. In addition, it should be remembered that for the purpose of these projections, State Governments are assumed to keep their expenditures roughly in line with their revenues which is another optimistic assumption. If no Federal capital expenditure reductions in real terms are made and State Governments should run up significant deficits, the rate of domestic inflation would most probably be far in excess of 20 percent p.a. Consequently, the projected overall deficits in cases A and B are probably underestimated.

51. The projected deficits would be smaller if the Government succeeds in raising additional revenues or in reducing recurrent expenditures. The mission has not attempted to study in detail how much scope there is to reduce the deficit in these two ways. Instead the mission has concentrated on the potential for internal and external borrowing because these are the main areas for new analysis in the Nigerian context at the present time. This does not mean that improvement in the budgetary situation through

increased taxation (including better collection) and reduced recurrent spending is considered less important or less plausible. For the sake of simplicity no alternative recurrent expenditure and revenue projections are considered, other than those resulting from devaluations. Since the projected overall Federal deficits in sub-cases A and B (Table 7 above) are considered unmanageably large, the following two sections on domestic and external borrowing concentrate on sub-cases C and D only.

Domestic Borrowing by the Government

52. It is impossible to determine with precision how much the Federal Government could borrow internally (in a non-inflationary way) to cover projected deficits. The domestic capital market is at present characterized by excess liquidity which could be absorbed by the Federal Government provided interest rates are raised to induce the large commercial banks and institutional savers to invest their surplus resources in medium- and long-term Government paper. A rough (mission) estimate of the amounts the Federal Government might be able to borrow domestically over the next three years without raising the inflation rate above the (assumed) 20 percent p.a. is presented in Table 8 below:

Table 8: FEDERAL GOVERNMENT DOMESTIC BORROWING, 1977/78-1979/80
(₦ Million)

		Total	1977/78	1978/79	1979/80
Commercial Banks		2000	800	600	600
Central Bank		1600	600	500	500
Other Financial Institutions and Private Savers		500	200	150	150
		4100	1600	1250	1250
Total Deficit to be Financed					
CASE I	C:	9200	3100	3100	3000
(fixed exchange rate)	D:	7100	2400	2400	2300
CASE II	C:	7400	2900	2600	1900
(10% devaluation p.a.)	D:	5300	2200	1900	1200
Remains to be Financed from External Sources (in Naira terms)					
CASE I	C:	5100	1500	1850	1750
(fixed exchange rate)	D:	3000	800	1150	1050
CASE II	C:	3300	1300	1350	650
(10% devaluation p.a.)	D:	1200	600	650	-50

External Borrowing by the Government

53. The remaining external borrowing requirements for the period 1977/78-1979/80 shown in Table 8 above underline the urgent need for expenditure restraints. It should be stressed again that the four alternative estimates of net external borrowing requirements are based on the assumption that Federal capital expenditures will remain constant in nominal terms after 1977/78 (sub-cases C and D) and that there will be no State deficits. In view of Nigeria's very modest current external debt the country could probably borrow significant amounts abroad during the next few years. However, the net inflows required to finance projected Federal Government deficits would be very large even under drastic expenditure reduction assumptions. In Naira terms the (net) external borrowing requirements range from a low of ₦ 1200 million (CASE II D) to ₦ 5100 million (CASE I C). Table 9 below shows the projected (net) external borrowing requirements of the Federal Government in dollar equivalent. Because CASE II assumes an annual devaluation of the Naira by 10 percent, the borrowing requirements in dollar terms in that case are proportionately lower.

Table 9: FEDERAL GOVERNMENT EXTERNAL BORROWING REQUIREMENTS EXPRESSED IN DOLLARS ASSUMING SAME FEDERAL BUDGET DEFICITS AND DOMESTIC BORROWING AS IN TABLE 6

($ Million)

		Total	1977/78	1978/79	1979/80
CASE I	C:	7854	2310	2849	2695
	D:	4620	1232	1771	1617
CASE II	C:	4215	1802	1683	730
	D:	1587	832	811	-56

54. External borrowing requirements expressed in dollar terms look less foreboding in CASE II (which assumes a 10 percent annual depreciation of the Naira) than in CASE I. In view of the fact the Nigerian Government has borrowed very little on medium- and long-term international capital markets since 1974 it is difficult to estimate how much could be raised abroad during the next few years. The mission's best estimate is that, in terms of net disbursements, the maximum that could be raised by the Government is probably somewhere between $1-3 billion. This would suggest (see Table 9 above) that in addition to severe Federal capital expenditure cuts in real terms, (sub-cases C and D), a gradual depreciation of the Naira (CASE II) would be required to maintain a manageable public finance situation.

Balance of Payments

55. The focus of the analysis is now shifted to the projected external resource gaps and the external borrowing requirements of the country as a whole. The projections are made on a calendar year basis but for ease of comparison it is assumed that calendar year 1977 corresponds to fiscal year 1977/78, etc. in Tables 7, 8 and 9 above. Again, a number of alternative scenarios are considered. These balance of payments scenarios (all expressed in dollar terms) follow the same basic set of assumptions as in CASE I, A, B, C, and D. CASE II is not explicitly considered as it is assumed that the short term (3 years) effects on the balance of payments of a 10 percent annual depreciation of the Naira are likely to be small. Exports in dollar terms are not affected by exchange rate variations as most export prices, including oil, are expressed in internatinal currencies. Imports, in dollar terms, would be somewhat lower in the event of annual depreciations, but probably not significantly since the short-term (3 years) price elasticity of demand for imports is zero. The only major policy variable under the control of the Nigerian Government that could have a significant short term impact on the balance of payments is the level of Federal Government capital expenditures.

56. Table 10 below presents mission projections of Nigeria's balance of payments on current account for the years 1977 through 1979 using the same capital expenditure assumptions as in Table 7 above, CASE I, A - D. In these projections it is assumed that 40 percent of Federal capital expenditures are spent on imports. Therefore a reduction of such expenditures by $100 million would lead to import savings of $40 million. The current account projections in Table 10 confirm the main conclusions reached in the section on public finance, namely that Nigeria's internal and external financial deficits would rapidly become unmanageably large unless capital expenditures are cut in real terms. The only scenario (of the four presented in Table 10) which yields external gaps that might be covered through external borrowing is D. Under that scenario Federal capital expenditures are assumed to remain constant in nominal terms at ₦ 5.1 billion a year.

Table 10: MISSION PROJECTIONS OF NIGERIA'S BALANCE OF PAYMENTS ON CURRENT ACCOUNT, 1977-1979 ($ billion)

		1976 (reference year)	1977	1978	1979	TOTAL 1977-79
Commodity Exports		9.4	12.2	13.1	14.7	40.0
(of which petroleum)		(8.8)	(11.0)	(11.8)	(13.5)	(36.3)
Commodity plus net-invisible imports	A	9.8	14.4	15.4	18.1	47.9
	B	9.8	13.8	14.7	17.2	45.7
	C	9.8	14.4	14.5	16.0	44.6
	D	9.8	13.8	13.8	15.4	43.0
Current Account Balance	A	-0.4	-2.2	-2.3	-3.4	-7.9
	B	-0.4	-1.6	-1.6	-2.5	-5.7
	C	-0.4	-2.2	-1.4	-1.4	-4.9
	D	-0.4	-1.6	-0.7	-0.7	-3.0

57. Turning now to the question of possible sources and limits of external finance (for the economy as a whole) during the next three years (excluding normal trade credits of less than one year maturity) some hypothetical figures are shown in Table 11. It should be stressed that these figures are purely illustrative.

Table 11: ILLUSTRATION OF POSSIBLE SOURCES OF EXTERNAL FINANCE
1977-1979

($ million)

	1976 (reference year)	1977	1978	1979	TOTAL 1977-79
Private foreign investment (net)	400	430	500	600	1530
Public general purpose financing (net)	-370	400	500	600	1500
Public project financing (net)	-	120	250	350	720
Reserve drawdown 1/	376	-	-	-	-
Total	406	950	1250	1550	3750
(of which net public sector borrowing)		(520)	(750)	(950)	(2120)
Unfilled gap (+= surplus) (refer current account balances, table	A	-1250	-1050	-1850	-4150
	B	- 650	- 350	- 950	-1950
	C	-1250	- 150	+ 150	-1250
	D	- 650	+ 550	+ 850	+ 750

1/ Reserve drawdown in 1976 is actual, while for 1977-1979 no reserve drawdowns are assumed. This brings out more clearly what the "unfilled gap" would be. In light of the significant actual reserve drawdowns during the first 5 months of 1977 it is likely that most or all of the unfilled gap for that year will be covered by reserve drawdowns.

58. The capital inflows assumed in Table 11 above are not projections but rather illustrations of orders of magnitude that might be feasible if a proper foreign borrowing strategy is formulated and certain policy measures, as discussed in the next chapter, are taken to protect Nigeria's long-term growth potential and creditworthiness. Nigeria is no doubt creditworthy for a very substantial amount of external borrowing but the limits of creditworthiness is not only a function of the present, very low level of external debt but also of policies pursued.

59. A comparison of Tables 9, 10, and 11 above suggests that the only set of assumptions which yield budget deficits and external resource gaps that are potentially manageable, is represented by CASE II: D. In that case the projected total Federal Government deficit for the three year period (1977/78-1979/80) would be ₦ 5.3 billion, the balance of payments current account deficit for the three years would be $3 billion, Government domestic borrowing (net), would be ₦ 4.1 billion, Government external borrowing (net) would be $2.22 billion and private sector external borrowing (net) plus private direct foreign investment would be $1.53 billion. If those projections should materialize, Nigeria would even be able to increase her foreign exchange reserves by about $750 million which would be necessary to maintain roughly the same import coverage as at present. Therefore, the conclusion is that, in addition to the need for a number of policy changes, discussed in the next chapter, drastic expenditure cuts and exchange rate adjustments are required during the next three years from both a public finance and a balance of payment point of view.

CHAPTER III

POLICY RECOMMENDATIONS

Budget Revisions

60. The preceding analysis indicates that Nigeria is facing the possibility of large and potentially disruptive resource gaps developing over the next few years. The turn-around in Nigeria's resources position--which was originally (1974) not expected to occur until 1980 or thereafter--has in fact already happened. Following the oil boom of 1973/74 there were only two surplus years. Both internal and external deficits began to re-emerge as early as 1975/76. At first this seemed to be no cause for serious concern as the accumulated surpluses (foreign exchange and Federal Government balances with the Central Bank) were so large that they could comfortably accommodate the deficits of 1975/76 and 1976/77. But the situation has now changed. External reserves, though still ample by the standards of most developing nations, should not be permitted to fall much further. Since the Federal Government has depleted its balances with the banking sytsem, there is a need for immediate policy action.

61. At present, the economy has a number of features which will assist in the adjustment process. Nigeria's external debt is very low and there is also sufficient flexibility in the system to correct the trends of the past few years. One of the most important positive aspects of the current situation is, that the Federal Government, in spite of its overspending, is still a very substantial net saver (the 1977/78 recurrent budget surplus of ₦ 2.8 billion is the equivalent of about 15 percent of the 1976 GDP). This means that it should be within the power of the Nigerian Government to prevent serious imbalances from occurring through timely corrective action.

62. The most pressing need is for a reduction in Government expenditures. This applies equally to the Federal and State Governments. Since the Federal Government will need to borrow all it can domestically to finance the expected 1977/78 Federal budget deficit--even at a reduced level of capital expenditures--State Government expenditures have to be kept in line with the State revenues. This means that State Governments will have to reduce their 1977/78 (capital) budgets by about ₦ 1.9 billion, or ₦ 100 million each on average. This should not be an unmanageable task as the reduced total for all States (₦ 2016 million) is still more than 25 percent higher than their actual aggregate capital expenditures 1976/77. If the Federal Government wishes to pursue its recently announced aim of giving domestic borrowing privileges to State Governments, the Federal Government will have to cut its own borrowing by an amount roughly equal to the aggregate deficit financing by the States.

63. Federal capital spending will have to be reduced. Even if Federal revenues are higher than expectations set out in the 1977/78 budget as the mission assumes they will be 1/ the overall Federal budget deficit would still be of the order of ₦ 4.5 billion, which is about ₦ 2.9 billion in excess of the mission's estimate of what could be borrowed domestically without creating additional inflationary pressures in the economy. If in addition some ₦ 338 million net ($520 million) could be borrowed and disbursed from external sources, the remaining deficit would be about ₦ 2.6 billion. This means, ideally, that the 1977/78 Federal budget deficit should be reduced from ₦ 7.25 billion to around ₦ 4.65 billion, or by ₦ 2.6 billion. The combined Federal and State Government capital budgets for 1977/78 should therefore ideally be reduced by some ₦ 4.5 billion (₦ 2.6 billion Federal + ₦ 1.9 billion States). Evidently, any savings that can be made on recurrent expenditures would reduce the need for capital spending cuts by the same amount.

64. Should Federal capital expenditures be cut by less than ₦ 2.6 billion, the difference would (in the absence of foreign borrowings in excess of ₦ 338 million) most probably have to be advanced by the Central Bank and lead to additional reserve drawdowns. In the mission's public finance projections it was assumed that Federal capital expenditures in 1977/78 will be kept at ₦ 5.1 billion which implies reserve drawdown requirements of the order of $650 million. The resource projections in Chapter II further indicate that, in the absence of major oil price increases or recurrent expenditure savings, Federal capital expenditures will have to be kept at roughly the same nominal level of ₦ 5.1 billion through the remainder of the current Five-Year Development Plan.

Plan Revisions

65. Under the projected resource conditions for the remaining three years of the current planning period, the (Revised) Plan can no longer serve as a guide for resource allocations and annual capital budgeting. The "effective," and a fortiori the "nominal" expenditure targets are too high. Many projects will have to be delayed and/or scaled down in size. It might be desirable to form a special task force to adopt an annual capital budgeting strategy and to re-establish project priorities in light of the unexpectedly severe resource constraints that are developing. A systematic review of the large Federally sponsored industrial projects could also lead to the conclusion that several can be scaled down in size without harm to future development prospects. For example, the three steel projects in the Plan (one fully integrated mill based on conventional blast furnace technology, and two natural gas based direct reduction plants) would, if implemented simultaneously, produce up to three times as much steel as is currently consumed in Nigeria (excluding motor vehicle components). Since a contraction of public sector capital spending (as recommended) is likely to lead to a (temporary) reduction in steel consumption, two of the three steel projects could probably be delayed.

1/ The Mission's revenue projection for 1977/78 is ₦ 8.2 billion (appendix Table 24) while the budget document puts revenues at ₦ 7.7 billion.

66. Another example of a major industrial project that could be reduced in size is the fertilizer project. The project, as presently conceived, would produce at least ten times as much fertilizer (in terms of nutrient content) as is presently consumed in Nigeria. Reduction of the project by one half or one third would probably still leave a surplus for export during the initial years and at the same time cut investment costs roughly proportionately. A re-phasing, or size reductions in several of the large Federally sponsored projects in the Plan would simultaneously reduce infrastructure requirements and other associated investment costs, thus contributing to a more realistic program of capital expenditures for the next three years.

Exchange rate

67. To correct the long-term adverse structural implications of an overvalued Naira, adjustment of the exchange rate as an instrument of development policy is recommended. One of the conclusions of Chapter I is that the Naira is now or shortly will be overvalued for most sectors, except petroleum. The combination of a relatively stable exchange rate and high rates of domestic price inflation during the past four years has significantly eroded the competitiveness of production in many Nigerian sectors, including agriculture, in relation to world market prices. This has indirectly contributed to an increased import bias of the economy and thus to reduced development prospects for agriculture and manufacturing. The mission recommends consideration of an exchange rate adjustment to reflect internal and external changes which have occurred over the past years. 1/

68. The projections in Chapter II demonstrate that a gradual depreciation of the Naira during the next few years (a 10 percent annual devaluation was used for illustrative purposes) could significantly contribute to an alleviation of the public sector resource constraint. The mission recommends adoption of a "crawling peg" system allowing for relatively small, frequent exchange rate adjustments to compensate for differential inflation rates between Nigeria and its main trading partners. These periodic adjustments would follow and would be in addition to the "catching up" depreciation (see paragraph 67 above) that should be considered as a first step.

69. The inflationary effects of an initial devaluation to catch up with past developments may be relatively small as the economy is still characterized by physical import constraints (port facilities, transportation). This means that the Government would capture part of the scarcity premiums that currently accrue to (import) traders.

1/ No precise quantitative recommendation is made as this should be the conclusion of a much more detailed and thorough analysis than the one presented in this report.

Interest rates

70. Low interest rates may have been appropriate during the few years of overall resource surpluses following the oil boom but the situation has now changed and financial resources are bound to become increasingly scarce. Hence interest rates (including those for agricultural credit) should be increased to:

(a) promote private savings;

(b) discourage excessive capital use and improve resource allocation;

(c) bring Federal on-lending rates in line with international rates at which the Government may be able to borrow;

(d) encourage domestic financial institutions to buy Government bonds to be issued for the financing of capital budget deficits.

There are some trade-offs between the recommended exchange rate adjustments and recommended increases in the entire interest rate structure, but the mission recommends moves in the right direction on both fronts simultaneously. A significant upward adjustment of Federal on-lending rates is of particular importance.

Consumer Subsidies and Wages

71. To fight inflation through increasing consumer subsidies is at best a short-term policy. The number of consumer subsidies in Nigeria and their aggregate cost to the Government is difficult to determine but many subsidies are hidden and not generally recognized as such. Examples are the rates and prices charged by public corporations and banks (to producers and consumers alike) for electricity, water, domestic air transport, rail services, port services, credit, and certain of consumption items imported by the Government Corporation in bulk. To improve public sector savings it is important that consumer subsidies be gradually reduced. At the same time emphasis should be placed on productivity improvements to prevent unnecessary price increases. A policy of restraining wage increases is a necessary complement to the recommended reduction on consumer subsidies.

Producer Subsidies and Protection

72. As in the case of consumer subsidies, there are hidden and open producer subsidies. The low interest rates are a vehicle for delivering hidden subsidies to producers in Nigeria, as are the low rates for several Government services (in particular, road user charges, rail and air tariffs and port tariffs). The only major "open" producer subsidies known to the mission are a limited number of agricultural input subsidies (in particular for fertilizers). One of the conclusions of this mission is that fertilizer subisides are relatively unimportant changes as a means to promote fertilizer

use, and that there are other types of measures more likely to promote long-term agricultural productivity improvements. There are also disadvantages associated with fertilizer subsidies, such as misallocation and inefficient distribution that are not associated with other types of farm improvement subsidies. Therefore, it is recommended that fertilizer and other agricultural input subsidies be gradually reduced and the agricultural credit systems be developed to cater to the needs of the small as well as the big farmers.

73. Tariffs can cause misallocation of production effort as well, if effective rates of protection exceed nominal rates. Recently (April 1, 1977) import duties on many industrial inputs, including machinery and raw materials, were lowered while duties on several finished products were held constant or increased. This was supposed to encourage domestic production by offering higher profit margins to domestic producers. Import substituting industries may indeed be temporarily encouraged by such policies, but at the expense of public revenues and also at the expense of in-depth industrial development. By giving greater effective protection to assembly-type industries enjoying protective duties on finished products, the long-term goal of domestic input and machine tool manufacturing is compromised. A better industrial development policy would seem to be to grant equal protection to producers of finished goods and to the actual or potential producers of locally manufactured inputs.

Public Corporations

74. With the exception of the Nigerian National Petroleum Corporation (NNPC) all major Federal Corporations depend on the Federal budget for most or all of their capital expenditures and some require sizable additional subventions to cover operating losses. Continuation of this situation will eventually put an unbearable burden on the budget. As part of a policy to reduce subsidies generally, the Government might consider adopting target dates at which the major Corporations will become largely self-financing and creditworthy for internal and external borrowing to finance at least part of their capital expenditures. In contrast to the States (which are dependent on the Federal Government for about 85 percent of their revenues), the major Corporations do have independent revenue earning capacity. Therefore, from a financial development point of view, there is much to be said for gradually increasing the borrowing powers of (at least some of) the Corporations. Under the present fiscal arrangements in Nigeria, the States would have greater difficulty establishing their own independent creditworthiness than the Corporations.

External Borrowing Strategy

75. An external borrowing strategy needs to be formulated as quickly as possible. In working out such a strategy, it is important to preserve a balance between the maturity structure of various types of loans. Generally longer term loans are preferable to short term ones but it is most unlikely that the Government will be able to borrow all that is needed on long term.

A mixture of long term loans from international organizations, bilateral Government loans, suppliers' credits, syndicated general purpose loans raised on the eurocurrency markets and perhaps international bond issues should be considered. Since Nigeria has hardly borrowed at all during the past four years and will probably have to start borrowing on an unprecedented scale, at least during the next few years, it may be desirable to create a special external borrowing task force to formulate a strategy and practical guidelines. The greatest mistake that could be made would be to rely excessively on short-term suppliers' credits in response to the growing need for external resources.

Private Foreign Investment

76. There have been many changes in recent years in the conditions under which foreign companies can operate in Nigeria, and there is now a widely felt need for a fresh statement of policy on this subject. Such a statement could assist to allay fears that the two recent Indigenization Decrees (1972 and 1977), will be followed by further measures to reduce the control that foreign investors feel they have over their capital and technology.

77. Whilst statistical data on this subject is incomplete and out-of-date, the impression is that private foreign investment, and in particular private foreign equity investment, has declined in recent years. This is a serious matter, since most existing and new private and publicly-sponsored enterprises of some size are dependent on technical, managerial and usually also financial partnership arrangements with foreign companies. Apart from a degree of actual or perceived uncertainty with regard to the valuation of assets (for the purpose of transferring shares to Nigerian citizens or entities), there is considerable apprehension concerning the number and type of expatriates that individual firms may employ. It is understandable and generally accepted that the Government wishes to replace senior foreign technical and managerial personnel as rapidly as is practical, but it is often felt that the pace of indigenization imposed upon the firms is unrealistic. A temporary relaxation of some of the expatriates quotas together with a fresh statement of policy on private foreign investment, could do much to mobilize larger amounts of this important resource for development.

NIGERIA

TABLE 1

Gross Domestic Product By Type of Activity at Constant (1973) Prices

(₦ Million)

	1970	1971	1972	1973	1974	1975[1/]	1976[1/]
Agriculture	3262	3433	3183	3123	3331	3212	3290
Petroleum	1002	1414	1673	1899	2190	1593	1938
Other mining & quarrying	48	63	75	90	100	83	63
Manufacturing	448	434	537	591	595	797	890
Construction	296	418	515	646	746	900	1000
Electricity & Water	30	36	42	52	59	55	66
Transport and Communication	165	202	248	268	313	420	489
General Government	361	372	334	463	547	800	900
Health & Education	199	224	239	256	308	483	587
Other Services	950	1011	1010	1065	1140	1300	1400
Gross Domestic Product at Factor Cost	6761	7601	7856	8453	9329	9643	10623
Indirect taxes less subsidies	481	542	491	460	448	499	470
Gross Domestic Product at Market Prices	7242	8149	8347	8913	9777	10142	11093
Growth rate of GDP at factor cost		12.4%	3.4%	7.6%	10.4%	3.4%	10.2%
Growth rate of non-oil GDP		7.4%	-.1%	6.0%	8.9%	12.8%	7.9%

Sources: 1970-1973, Federal Office of Statistics
1974-1976, Mission Estimates

1/ Projections

Table 2

Gross Domestic Product by Type of Activity at Current Prices

(₦ million)

	1970	1971	1972	1973	1974	1975	1976
Agriculture	2576	3034	3093	3123	3531	3854	4271
Petroleum	490	944	1144	1899	5671	4921	6054
Other mining & quarrying	45	63	76	90	110	100	80
Manufacturing	378	416	511	591	655	1161	1501
Construction	270	412	520	646	970	1477	1682
Electricity & Water	37	41	48	52	59	66	83
Transport & Communication	149	188	238	268	360	504	616
General Government	343	377	339	463	766	1234	1496
Health & Education	194	227	239	256	400	580	865
Other services	799	950	979	1065	1425	1819	2263
Gross Domestic Product at Factor Cost	5281	6651	7188	8453	13947	15718	18911
Indirect taxes less subsidies	400	500	480	460	520	813	843
Gross Domestic Product at Market Prices	5281	7151	7668	8913	14467	16532	19754
Growth rate of GDP at factor cost		25.9%	8.1%	17.6%	65.0%	12.7%	20.3%
Growth rate of non-oil GDP		19.1%	5.9%	8.4%	26.3%	30.5%	19.1%

Sources: 1970-1973, Federal Office of Statistics
1974-1976, Mission Estimates

TABLE 3

Expenditure on Gross Domestic Product at Constant (1973) Prices

(₦ million)

	1970	1971	1972	1973	1974	1975 2/	1976 2/	Growth Rate, 1970-76 2/
Consumption								
Private 1/	5115	5532	5197	5557	6236	5852	5395	.9%
Public	672	732	828	950	1295	2316	2064	20.8%
Gross Domestic Fixed Capital Formation	1206	1583	1654	1746	2071	2932	3764	21.0%
Exports of Goods	1457	1908	2079	2370	2509	2279	3692	16.8%
Non-factor services	72	87	103	98	128	120	150	13.0%
Imports of Goods	982	1363	1133	1203	1368	2630	2972	20.5%
Non-factor services	298	330	381	605	1094	727	1000	22.5%
Gross Domestic Product	7242	8149	8347	8913	9777	10142	11093	7.4%

Source: Mission Estimates, derived from Tables 1, 5, and 8

1/ Derived as residual and includes changes in stocks.

2/ The sudden drop in real private consumption may be a statistical aberration due to a change in GDP deflators (1973=100) used. However, it could also have actually occurred, or be due to an over estimation of the value of real investment.

TABLE 4

Expenditure on Gross National Product at Current Prices

(₦ Million)

	1970	1971	1972	1973	1974	1975	1976	Growth Rate 1970-76
Consumption								
Private 1/	4264	5171	5123	5557	7221	7687	9000	13.3%
Public	555	640	815	950	1500	3775	3288	35.0%
Gross Domestic Fixed Capital Formation	845	1235	1480	1746	2500	4780	6700	42%
Exports of Goods	891	1345	1437	2370	6106	5557	7594	43%
Non-factor services	62	77	94	98	138	205	246	26%
Imports of Goods	718	1060	959	1203	1666	4070	5586	41%
Non-factor services	218	257	322	605	1332	1402	1489	38%
Gross Domestic Product	5681	7151	7668	8913	14467	16532	19754	23%
Factor Income Received from Abroad (Net)	-322	-431	-545	-539	-375	-172	-190	
Gross National Product	5359	6720	7123	8374	14092	16360	19564	24%
National Savings	10.1%	13.5%	16.6%	22.3%	38.1%	30.0%	37.2%	

Source: Mission Estimates, derived from Tables 2, 5, and 8

1/ Derived as residual and includes changes in stocks.

Table 5

Gross Fixed Capital Formation by Type of Assets

(₦ million)

	1970	1971	1972	1973	1974	1975	1976
			At Current Prices				
Building and Construction	448	717	926	1170	1600	2631	3512
Machinery	241	320	322	331	580	1515	2044
Transport Equipment	126	164	192	185	250	561	1064
Land Improvement	30	34	39	61	70	74	80
Gross Fixed Capital Formation	845	1235	1480	1746	2500	4780	6700
			At Constant (1973) Prices				
Building and Construction	659	919	1007	1170	1333	1614	1973
Machinery	330	410	379	331	475	929	1148
Transport Equipment	173	210	226	185	205	344	598
Land Improvement	44	44	42	61	58	45	45
Gross Fixed Capital Formation	1206	1583	1654	1746	2071	2932	3764

Sources: 1970 - 1973, Federal Office of Statistics

1974 - 1976, Mission estimates

TABLE 6

Supply of Domestic Resources
(₦ Million)

	1970	1971	1972	1973	1974	1975	1976	Growth Rate 1970 -76
	At Constant (1973) Prices							
Gross Domestic Product	7242	8149	8347	8913	9777	10142	11093	7.4%
Plus: Gains from Terms of Trade[1/]	-224	-172	-381	-	2481	1224	0	
Gross Domestic Income	7018	7977	7966	8913	12258	11366	11093	8.0%
Plus: Net Imports of Goods & NFS[2/]	-25	-130	-287	-660	-2656	-266	+130	
Total Supply of Domestic Resources	6993	7847	7679	8253	9602	11100	11223	8.2%
	Annual Growth Rate							
Gross Domestic Product		12.5%	2.4%	6.8%	9.7%	3.7%	9.4%	
Gross Domestic Income		13.7%	-0.1%	11.9%	37.5%	-7.3%	-2.4%	
Total Supply of Domestic Resources		12.2%	-2.1%	7.5%	16.3%	15.6%	1.1%	

Sources: Mission Estimates, derived from Table 3

1/ Defined as the difference between exports deflated by the import price index and export deflated by the export price index. The difference therefore represents the increase in the country's capacity to import attributable to changes in export prices relative to import prices.

2/ Both import and export values deflated by the import price index.

TABLE 7

Uses of Domestic Resources

(₦ Million)

	1970	1971	1972	1973	1974	1975	1976	Growth Rate 1970-1976
	At Constant (1973) Prices							
Private Consumption	5115	5532	5197	5557	6236	5852	5395	0.9%
Public Consumption	672	732	828	950	1295	2316	2064	20.2%
Gross Fixed Capital Formation	1206	1583	1654	1746	2071	2932	3764	21.0%
Total Uses = Supply of Domestic Resources	6993	7847	7679	8253	9602	11100	11223	8.2%
	As percentage of total supply of resources							
Private Consumption	73.1	70.5	67.7	67.3	64.9	52.7	47.3	
Public Consumption	9.6	9.3	10.8	11.5	13.5	20.8	18.4	
Gross Fixed Capital Formation	17.2	20.2	21.5	21.2	21.6	26.4	33.5	
Total Uses = Supply	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Source: Mission Estimates, derived from Table 3

TABLE 8

Balance of Payments (₦ million)

	1970	1971	1972	1973	1974	1975	1976 1/
Current Account							
Exports: Oil	517	981	1186	2006	5671	4766	5918
Non-Oil	374	364	251	364	435	350	425
Imports: Oil	52	51	45	41	52	118	91
Non-Oil	666	1009	914	1162	1614	3511	4950
Trade Balance	173	285	478	1167	4440	1487	1302
Net Non-factor service Payments: Oil	-81	-114	-140	-210	-253	-259	-242
Non-Oil	-75	-77	-102	-297	-941	-934	-998
Net factor Payments Received: Oil	-220	-320	-390	-415	-308	-321	-318
Non-Oil	-112	-110	-155	-156	-67	149	+128
(Interests on external reserves)	(-)	(-)	(10)	(16)	(98)	(295)	(241)
Net Transfers	45	2	-14	-35	-62	-79	-92
Balance of Current Account	-270	-334	-323	53	2809	43	-220
Capital Account							
Direct Investment: Oil	89	109	196	116	186	210	158
Non-Oil	94	129	102	71	-4	80	92
Other Private	82	130	-64	7	63	65	0
Net Official: Oil	-	-	-	-51	-50	-86	-200
Non-Oil	4	31	36	3	54	-180	-34
Allocation of SDR	12	10	10	-	-	-	
Changes in Reserves (- = addition)	-59	-128	-39	-174	-3102	-110	+235
Errors and Omissions	47	55	4	-23	46	-22	-31

1/ Provisional

Source: 1970-1974, Central Bank of Nigeria 1975-1976 Mission Estimates based on provisional data from the Central Bank

Table 9

QUANTITY, VALUE AND AVERAGE UNIT VALUE OF MAJOR EXPORTS

COMMODITY	Unit of Quantity	Quantity in ('000)					
		1971	1972	1973	1974	1975	1976 1/
Groundnuts	m/ton	136	106	199	30	-	1.6
Groundnut Oil	"	43	40	111	24	-	-
Groundnut Cake	"	100	99	135	31	6.7	28.7
Cocoa Beans	"	271	228	211	180	191.6	225.9
Cocoa Butter	"	8	10	11	11	9.2	5.9
Other Cocoa Products	"	9	8	16	13	10.0	5.7
Petroleum Crude Oil	"	71,699	85,860	94,302	95,437	81696.5	97721.3
Palm Kernels		242	212	137	186	171.6	272.0
Palm Kernel Oil		26	34	40	39	21.1	13.4
Palm Kernel Cake or Meal	"	30	24	22	30	20.6	27.6
Palm Oil	"	20	2	-	-	31.3	3.2
Rubber	"	51	41	49	61	61.0	44.3
Raw Cotton	"	22	1	8	-	-	-
Cotton Seed	"	98	62	9	11	-	-
Tin Metal	"	8	7	5	6	4.7	3.4
Hides and Skins	m/ton	4	4	5	5	2.9	2.2
Coffee	"	4	4	2	-	1.1	7.3
Timber and Plywood	cu/m	223	232	370	305	105.5	28.7
Total Major Exports							
Other Commodities							
Total Domestic Exports							

COMMODITY	Value in (N million)					
	1971	1972	1973	1974	1975	1976 1/
Groundnuts	24.2	19.1	45.5	6.8	-	.2
Groundnut Oil	12.8	10.9	23.6	11.4	-	.2
Groundnut Cake	6.8	5.9	18.0	4.8	.6	3.2
Cocoa Beans	143.2	101.1	112.4	159.0	181.0	215.0
Cocoa Butter	8.2	10.1	15.0	21.0	20.4	14.5
Other Cocoa Products	2.2	2.1	5.6	5.9	4.5	4.0
Petroleum Crude Oil	953.0	1,176.2	1,893.5	5,365.7	4563.1	6231.1
Palm Kernels	26.0	15.7	18.9	43.7	18.5	27.2
Palm Kernel Oil	6.2	5.5	7.7	21.6	7.4	3.0
Palm Kernel Cake or Meal	1.0	1.1	1.3	2.4	1.8	1.8
Palm Oil	3.4	0.2	-	-	3.0	0.5
Rubber	12.4	7.4	19.4	33.2	15.2	14.3
Raw Cotton	11.0	0.6	4.7	-	--	-
Cotton Seed	6.2	2.7	0.7	0.9	-	-
Tin Metal	24.8	19.1	15.5	26.4	20.4	15.5
Hides and Skins	4.8	6.8	12.5	10.6	6.8	6.8
Coffee	2.0	2.1	1.3	0.1	1.1	5.4
Timber and Plywood	7.0	8.1	14.3	16.0	4.8	1.4
Total Major Exports	1,255.8	1,394.7	2,209.9	5,727.5	4949.5	5599.3
Other Commodities	25.0	27.1	58.5	56.4		
Total Domestic Exports	1,280.8	1,421.8	2,268.4	5,783.9		

COMMODITY	Average Unit Value					
	1971	1972	1973	1974	1975	1976 1/
Groundnuts	177.8	180.2	228.6	226.7	-	125.0
Groundnut Oil	297.7	272.5	212.6	475.1	-	-
Groundnut Cake	68.0	59.6	133.3	154.8	89.6	113.5
Cocoa Beans	528.4	443.4	532.7	883.3	944.7	963.1
Cocoa Butter	1,025.0	1,010.0	1,363.6	2,282.6	2217.4	2457.6
Other Cocoa Products	244.4	262.5	350.0	453.8	450.0	552.7
Petroleum Crude Oil	13.3	13.7	20.1	55.6	55.9	64.3
Palm Kernels	107.3	74.1	138.0	235.5	107.9	100.0
Palm Kernel Oil	238.4	161.8	192.5	563.4	350.7	235.5
Palm Kernel Cake or Meal	33.4	45.8	59.1	80.0	57.4	65.0
Palm Oil	170.0	100.0	-	-	124.6	151.6
Rubber	243.1	180.5	395.9	562.7	249.2	332.6
Raw Cotton	500.0	600.0	587.5	-	-	-
Cotton Seed	63.3	43.5	77.8	81.8	-	-
Tin Metal	3,100.0	2,728.6	3,100.0	5,280.0	4340.4	4558.8
Hides and Skins	1,200.0	1,700.0	2,500.0	2,100.0	2344.8	3038.1
Coffee	500.0	525.0	650.0	-	100.0	739.7
Timber and Plywood	31.4	34.9	38.6	45.9	45.5	45.8
Total Major Exports						
Other Commodities						
Total Domestic Exports						

1/ Provisional

Source: Federal Office of Statistics

Table 10

COMPOSITION OF IMPORTS BY COMMODITY SECTIONS

(₦ million)

COMMODITY SECTIONS (S.I.T.C.)	1971	1972	1973	1974	1975	1976/1
0. Food and Live Animals	87.9	95.1	126.3	154.8	297.9	439.4
1. Beverages and Tobacco	4.4	4.4	5.2	9.1	48	63.2
2. Crude Materials, Inedible Except Fuels	20.6	20.7	27.0	63.7	73.7	78.6
3. Mineral Fuels, Lubricants and Related Materials	9.0	9.8	13.5	55.4	100.2	174.9
4. Oils and Fats	0.7	1.1	1.4	3.6	8.9	24.7
5. Chemicals	122.0	102.6	133.4	191.0	333.2	396.4
6. Manufactured Goods Classified Chiefly by Materials	319.4	267.9	323.9	523.3	1008.0	1132.8
7. Machinery and Transport Equipment	428.8	398.5	491.4	611.8	1561.9	2442.7
8. Miscellaneous Manufactured Articles	70.8	83.1	94.2	114.0	278.2	371.6
9. Miscellaneous Transactions	15.4	6.9	8.6	10.6	11.5	15.4
Total: All Sections	1,078.9	990.1	1,224.8	1,737.3	3721.5	5139.7

1/ Provisional

Source : Federal Office of Statistics

Table 11

IMPORTS BY EC MIC END-USE

	Value in (₦ million)					Percentage of Total Imports				
	1972	1973	1974	1975	1976	1972	1973	1974	1975	1976
1. CONSUMER GOODS										
(a) Non-durable Consumer Goods										
(i) Food	99.4	131.4	166.4	306.8	464.1	10.1	10.8	9.6	8.2	9.0
(ii) Textiles	53.4	36.6	31.5	82.2	65.6	5.4	3.0	1.8	2.2	1.3
(iii) Others	118.5	138.7	173.7	378.6	479.5	12.1	11.4	10.1	10.2	9.3
(b) Durable Consumer Goods 1/	111.5	139.5	164.0	526.1	866.4	11.3	11.5	9.5	14.1	16.9
TOTAL	382.8	446.2	535.6	1293.7	1875.6	38.9	36.7	31.0	34.7	36.5
2. CAPITAL GOODS										
(i) Capital Equipment	278.4	326.2	500.6	1634.9	2120.6	28.3	26.8	29.0	44	41.3
(ii) Transport Equipment	88.3	116.0	116.8	285.8	493.6	9.0	9.6	6.8	7.7	9.6
(iii) Raw Materials	223.9	314.2	518.3	406.9	475	22.8	25.8	30.0	10.9	9.2
(iv) Fuel	9.8	13.6	55.4	100.2	174.9	1.0	1.1	3.2	2.7	3.4
TOTAL	600.4	770.0	1,191.1	2430.4	3266.2	61.1	63.3	69.0	65.3	63.5
GRAND TOTAL	983.2	1,216.2	1,726.7	3721.5	5139.7	100.0	100.0	100.0	100	100

1/ Including Passenger Cars.

Source: 1971 to 1974 Federal Office of Statistics.
1975 and 1976 Mission computation uses Data from Federal Office Statistics.

Table 12: FOREIGN EXCHANGE RESERVES
($ Million)

	Total /1	Central Bank	Government	Commercial Banks (Net)
End of 1970	252	220	34	-6
1971	461	427	32	0
1972	415	371	46	-5
1973	622	575	47	44
1974	5644	5592	52	78
1975	5759	5504	255	150
1976	5341	4949	390	179
March 1977*	4931			

/1 Total does not include foreign asset position of Commercial Banks.

*Provisional

Table 13: External Public Debt, Disbursed and Undisbursed, by Type

($ Millions)

Type	1972	1973	1974	1975	1976
Suppliers' Credits	92.9	79.3	63.4	52.6	32.8
Private Bank Credits	19.3	31.0	28.1	24.2	20.4
Publicly Issued Bonds	6.1	3.9	3.8	3.7	3.0
Nationalization	-	-	432.4	435.7	277.2
Multilateral Loans	215.7	282.5	301.9	335.7	364.9
Bilateral Loans	279.7	322.3	361.7	398.6	404.3
Total External Public Debt	613.7	719.0	1191.3	1250.5	1102.6
Total Disbursed	592.8	701.6	1179.6	1241.5	1102.3
Total Undisbursed	20.9	17.4	11.7	9	.3

Source: World Bank

Table 14

Money Supply and Its Determinants

(₦ million)

At end of:	1971	1972	1973	1974	1975	1976
Credit to domestic economy (net)	1122.6	1269.2	1342.5	-389.9	488.6	2617.3
Private sector:						
by Central Bank	93.6	141.0	108.5	150.4	274.9	289.3
Commercial Banks	497.6	609.2	736.9	919.8	1512.2	2128.5
Government sector:						
by Central Bank	232.4	124.2	115.3	-2115.7	-1858.7	-626.9
Commercial Banks	294.4	390.4	377.2	650.9	571.1	819.6
Federal Saving Bank Deposits	4.6	4.4	4.6	4.7	6.1	6.8
Foreign Assets (net)	285.2	251.0	418.5	3504.8	3840.0	3403.1
Central Bank	284.8	253.6	389.2	3456.8	3746.2	3290.3
Commercial Banks	0.4	2.6	29.3	48.0	93.8	112.8
Other Assets (net)	-402.4	-358.8	-346.9	-958.6	-706.1	-741.5
Total Monetary Assets	1005.4	1161.4	1414.1	2156.3	3622.5	5278.9
Quasi-Money	376.4	461.2	586.9	977.7	1578.5	1986.0
Money Supply	629.0	700.2	827.2	1178.6	2044.0	3293.0

Source: Central Bank

Table 15: Composite Consumer Price Index, 1970-1976
(1960 = 100)

		Composite Consumer Price Index	Of Which Food	Rate of Inflation in Past Year[1/]	Annual Rate of Inflation in Quarter[2/]
1970	March	145.2	154.0	14.1	23.3
	June	153.4	169.8	12.9	24.6
	September	155.0	172.4	15.0	4.2
	December	155.8	172.9	13.1	2.1
1971	March	166.5	194.8	14.7	30.4
	June	182.5	229.8	19.0	44.3
	September	177.4	216.6	14.5	-10.7
	December	179.1	218.8	15.0	3.9
1972	March	184.7	227.8	10.9	13.1
	June	185.6	231.0	1.7	2.0
	September	173.6	204.0	- 2.1	-23.5
	December	172.9	199.9	- 3.5	- 1.6
1973	March	182.6	211.7	- 1.1	24.4
	June	194.5	233.2	4.8	28.7
	September	189.6	221.4	9.2	- 9.7
	December	203.9	244.6	17.9	33.8
1974	March	206.3	246.8	12.9	4.6
	June	218.6	268.4	12.4	26.3
	September	219.6	262.1	15.8	1.8
	December	224.0	269.8	9.9	8.3
1975	March	259.2	322.3	25.7	79.3
	June	293.3	381.7	34.2	63.9
	September	303.7	398.3	38.3	15.0
	December	317.7	420.7	41.8	19.8
1976	March	336.7	451.9	29.9	26.2
	June	348.3	469.9	18.8	14.5
	September	355.3	466.3	17.0	8.3
	December	360.3	467.9	13.4	5.7

1/ Rate of increase in Composite Consumer Price Index in the year ending with the last month of the quarter.
2/ Rate of increase in Composite Consumer Price Index that would take place in a year if rate of increase during the quarter would be maintained in subsequent quarters (compounded).

Table 16: Required Percentage Distribution of Commercial Bank Loans and Advances

Category of borrower	1972-1974	1975-1977
A. PRODUCTIVE SECTORS/SUBSECTORS		
(i) PRODUCTION	45.0	48.0
Agriculture, forestry & fishing	4.0	6.0
Mining & quarrying	4.0	2.0
Manufacturing	30.0	30.0
Real estate & construction	7.0	10.0*
(ii) SERVICES	11.0	10.0
Public utilities	3.0	2.0
Transportation and Communication	8.0	8.0
TOTAL A	56.0	58.0
B. LESS PRODUCTIVE SECTORS/SUB-SECTORS		
(i) GENERAL COMMERCE	32.0	30.0
Exports	10.0	6.0
Imports	10.0	10.0
Domestic trade	10.0	12.0
Bills discounted	2.0	2.0
(ii) OTHERS	12.0	12.0
Credit & financial institution	1.0	3.0
Governments	2.0	2.0
Personal and Professional	6.0	4.0
Miscellaneous	3.0	3.0
TOTAL B	44.0	42.0
GRAND TOTAL (A+B)	100.0	100.0

* Of which 5 per cent to Residential building and 5 per cent to other building constructions.

Table 17: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT AT THE END OF DECEMBER, 1970-1976

A In Millions of Naira

	TOTAL	Production			Commerce	Services	Other
		Agriculture	Manufacturing	Total			
1970	351.4	7.0	76.4	115.9	167.5	19.7	48.2
1971	502.0	9.3	119.7	178.0	221.2	35.4	67.4
1972	619.5	19.2	144.0	222.6	222.2	49.4	125.2
1973	753.4	21.6	182.2	286.6	267.1	62.8	136.9
1974	938.1	27.2	258.5	395.7	284.9	73.2	184.3
1975	1537.3	37.3	410.7	677.1	503.7	99.1	257.4
1976	2122.8	79.6	609.0	1115.5	530.9	202.2	274.2

B Percentages

1970	100	2.0	21.7	33.0	47.7	5.6	13.7
1971	100	1.8	23.8	35.5	44.1	7.1	13.4
1972	100	3.1	23.2	35.9	35.9	8.0	20.2
1973	100	2.9	24.2	38.0	35.5	8.3	18.2
1974	100	2.9	27.6	42.2	30.4	7.8	19.6
1975	100	2.4	26.7	44.0	32.8	6.4	16.7
1976	100	3.7	28.7	52.5	25.0	9.5	12.9

Source: Central Bank

Table 18 : NIGERIA'S INTEREST RATE STRUCTURE

	1972 thru 1974	1975 & 1976	1977
1. Minimum Rediscount Rate (per cent)	4.5	3.5	4.0
2. Treasury Bills Rate (per cent)	4.0	2.5	3.0
3. Treausry Certificate Rates (per cent)			
(i) one year maturity	4.5	3.0	3.5
(ii) two years maturity	4.625	3.125	3.625
4. Produce Bills Rate (per cent)	6.0	4.5	5.0
5. Lending Rates (per cent)			
(i) minimum	7.0	6.0/1	6.0
(ii) maximum	12.0	10.0	10.0
6. Deposit Rates (per cent)			
(i) savings (minimum)	3.0	4.0	4.0
(ii) time (minimum)	4.0	Negotiable	3.0
7. Federal Savings Bank (per cent)	4.0	5.0	5.0

/1. This rate was 9.0% in 1975

Source: Central Bank

Table 19 : Appreciations (+) and Depreciations (-) of the Naira Relative to various Currencies
(% changes)

	1974 II	III	IV	1975 I	II	III	IV	1976 I	II	III	IV	1977 I
Yen/₦	3.6	7.9	1.8	-2.0	0.7	1.3	0.1	-0.4	-1.4	-3.0	0.4	-2.9
Pound Sterling/₦	-1.6	10.3	-0.6	-2.2	10.7	5.2	0.1	5.7	7.2	5.9	-2.0	-1.1
Deutsche Mark/₦	-4.3	6.8	-3.5	-7.1	1.3	7.0	1.2	-1.0	-1.0	-1.2	-5.4	0.5
SDR/₦	6.6	1.9	-3.2	-1.5	1.9	3.6	1.2	1.5	0.6	-1.2	-0.8	0.2
US Dollars/₦	4.0	02.2	0.0	0.2	0.5	-0.1	-1.8	-0.1	-0.3	-0.2	-0.4	-0.1

Source: International Financial Statistics: June 1977

Table 20: Actual Federal Fiscal Performance Compared to Original Budget Figures (N Million)

	1973/74		1974/75		1975/76		1976/77	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual 1/
Recurrent Revenue	1411	2174	3128	5162	5252	5830	5756	7310
Oil	858	1458	2654	4194	4568	4614	4834	5752
Customs and Excise	427	508	320	521	441	834	549	895
Other	127	208	154	447	243	382	374	663
Statutory Allocations	310	325	591	833	1054	959	1362	1314
Non-Statutory Allocations	34	12	35	4	325	455	65	65*
Federal Retained Revenue	1068	1837	2502	4354	3874	4416	4329	5931
Recurrent Expenditures	786	786	1004	1073	1703	1975	2192	2455
Defense	309	328	336	340	547	783	824	800*
Police	53	53	79	99	132	121	102	133
Education	12	13	93	129	240	295	443	598*
Health	22	20	31	29	39	70	78	88
Other	390	372	464	476	775	706	746	836
Recurrent Surplus	282	1051	1499	3281	2171	2441	2137	3476
Capital Expenditures	628	528	1692	1692	5453	3817	4342	4270
Ext.Financial Obligations	28	5	108	268	57	172	109	52
Economic	268	252	712	669	3275	1670	2289	2586
Social	91	62	277	244	652	860	397	579
Regional	35	33	248	244	487	219	515	360
General Administration	206	176	347	267	981	896	1033	693
of which: Defense	114	91	237	192	738	384	698	391
Police	21	17	31	13	85	29	27	27
Overall Balance	-347	-523	-193	-1589	-3282	-1707	-2206	-794
Internal Borrowing	60	180	150	150	300	300	400	400
External Borrowing	77	35	101	40	63	28	38	3

* See footnote

1/ Based on actual data for first nine months, assuming same relationship between last quarter figures and annual totals as existed in previous year. Where this lead to unreasonable results an estimate has been made on other grounds and an asterik has been added to the percentage figure.

Table 21 : REVENUE AND EXPENDITURE OF STATE GOVERNMENTS 1972/73-1976/77
(₦ Million)

ITEMS	Actual 1972-73	Actual 1973-74	1974-75	Provi-sional 1975-76	Estimate 1976-77
1. Independent Revenue	127,153	179,493	215,384	293,200	353,100
1. Statutory Allocation	322,300	323,700	833,700	1,846,600	1,422,000
1. Total Revenue	449,453	503,193	1,049,084	2,189,800	1,755,100
1. Recurrent Expenditure excluding Transfers to Development Fund	402,864	513,344	688,543	1,515,600	1,494,800
1. Recurrent Surplus	-46,589	-10,151	+360,541	+624,200	+250,300
1. Capital Expenditure	299,376	440,177	883,266	707,771	2,560,908
1. Overall Surplus/Deficit	-252,787	-450,328	-522,725	-83,571	-2,280,608

Source: Central Planning Office

Table 22: COMPOSITION OF ORIGINAL AND REVISED THIRD NATIONAL DEVELOPMENT PLAN ALLOCATIONS

	Nominal Allocations				Effective Allocations			
	Original Plan		Revised Plan		Original Plan		Revised Plan	
	₦ Billion	%	₦ Billion	%	₦ Billion	%	₦ Billion	%
Agriculture etc.	2.2	6.7	3.0	7.0	1.4	7	2.0	7.6
Mining	2.7	8.2	2.6	6.1	1.4	7	1.5	5.7
Manufacturing	5.3	16.2	5.5	12.8	3.8	19	3.2	12.1
Power, Water, Housing and Urban Facilities	2.4	7.4	7.3	16.8	1.0	5	4.7	17.8
Transport and Communications	8.6	26.3	13.2	30.5	5.5	27.5	7.8	29.4
Services	7.1	21.7	6.0	13.9	3.9	19.5	4	15
Administration and Defense	4.5	13.5	5.7	12.9	3.0	15	3.3	12.4
TOTAL	32.8	100	43.3	100	20.0	100	26.5	100

N I G E R I A

TABLE 23 : Financial Position of Federal Government: Plan and Actual, in billion of Naira

	1975/76			1976/77			1977/78		
	PLAN	ACTUAL	DIFFERENCE	PLAN	ACTUAL	DIFFERENCE	PLAN	BUDGED	DIFFERENCE
Revenues	6.97	5.86	-1.11	7.73	7.30	-0.43	8.64	7.65	-0.99
Allocations to States	1.52	1.45	-0.07	1.69	1.39	-0.30	1.90	2.38	0.48
Federal Retained Revenue	5.45	4.41	-1.05	6.04	5.91	-0.13	6.74	5.27	-1.47
Recurrent Expenditures	1.58	1.98	0.40	2.17	2.45	0.28	2.56	2.51	-0.05
Recurrent Surplus	3.87	2.43	-1.44	3.88	3.46	-0.42	4.18	2.76	-1.42
Capital Expenditures	2.44	3.82	1.38	3.12	4.25	1.13	3.39	7.25	3.86
Overall Surplus	1.44	-1.39	2.83	0.75	-0.79	-1.54	0.80	-4.49	-5.29

June 1977

N I G E R I A

Table 24 : MISSION PROJECTIONS OF OVERALL FEDERAL DEFICITS

1977/78-1979/80

CASE I. No exchange rate adjustments.
A + B Capital expenditures constant in real terms.
C + D Capital expenditures constant in nominal terms.

₦ billion

		1977/78	1978/79	1979/80	TOTAL
Total Federal Revenues		8.2	9.2	10.5	27.9
Statutory and Non-statutory Transfers to States		2.4	2.8	3.2	8.4
Federal Retained Revenue		5.8	6.4	7.3	19.5
Federal Recurrent Expenditures		3.1	3.7	4.5	11.3
Federal Recurrent Surplus		2.7	2.7	2.8	8.2
Federal Capital Expenditures	A:	5.8	7.0	8.4	21.2
	B:	5.1	6.1	7.3	18.5
	C:	5.8	5.8	5.8	17.4
	D:	5.1	5.1	5.1	15.3
Overall Federal Deficits	A:	3.1	4.3	5.6	13.0
	B:	2.4	3.4	4.5	10.3
	C:	3.1	3.1	3.0	9.2
	D:	2.4	2.4	2.3	7.1

June 1977

NIGERIA

Table 25 : MISSION PROJECTIONS OF OVERALL FEDERAL DEFICITS

1977/78-1979/80

CASE II. 10 percent annual devaluation.
A + B Capital expenditures constant in real terms.
C + D Capital expenditures constant in nominal terms.

₦ billion

		1977/78	1978/79	1979/80	TOTAL
Federal Revenues		8.9	10.7	13.2	32.8
Statutory and Non-Statutory Transfers to States		2.6	3.3	4.0	9.9
Federal Retained Revenues		6.3	7.4	9.2	22.9
Federal Recurrent Expenditures		3.2	4.0	5.1	12.3
Federal Recurrent Surplus		3.1	3.4	4.1	10.6
Federal Govt. Capital Expenditures	A:	6.0	7.6	9.4	23.0
	B:	5.3	6.6	8.2	20.1
	C:	6.0	6.0	6.0	18.0
	D:	5.3	5.3	5.3	15.9
Overall Federal Deficits	A:	2.9	4.2	5.3	12.4
	B:	2.2	2.3	4.1	9.5
	C:	2.9	2.6	1.9	7.4
	D:	2.2	1.9	1.2	5.3

June 1977

Table 26: <u>Quarterly Index of Industrial Production (1972 = 100)</u>

		Electricity	Manufacturing	Mining	Total
1970	Quarter I	63.7	81.7	44.0	56.5
	II	69.0	80.5	52.4	61.8
	III	70.5	81.9	65.4	70.8
	IV	74.3	85.8	71.1	75.9
1971	Quarter I	80.3	96.7	84.7	88.4
	II	84.4	94.5	84.9	88.0
	III	91.1	91.2	77.9	83.8
	IV	94.6	92.9	93.1	93.1
1972	Quarter I	94.3	97.5	94.7	95.6
	II	99.8	96.5	97.8	97.4
	III	97.2	96.7	102.3	100.4
	IV	108.7	108.2	105.1	106.2
1973	Quarter I	115.4	122.7	104.7	110.7
	II	115.4	122.2	108.1	112.8
	III	117.5	116.3	114.1	114.9
	IV	121.8	127.5	123.5	124.7
1974	Quarter I	117.8	119.0	121.5	120.6
	II	127.5	112.0	125.5	121.2
	III	134.4	120.9	124.9	123.9
	IV	141.6	126.7	121.7	123.8
1975	Quarter I	135.2	132.5	98.9	110.1
	II	172.3	147.2	86.7	108.1
	III	151.4	155.8	97.5	116.5
	IV	156.1	159.9	108.0	125.7
1976[1)]	Quarter I	159.8	160.4	110.0	127.3
	II	188.9	165.1	112.9	131.4
	III	167.6	170.2	110.8	131.1
	IV	169.4	186.6	111.9	137.1

1) Provisional

Source: CBN, based on quarterly surveys of FOS

Table 27: Production of Minerals, by Quarter 1970-1976
in thousands of metric tons

		Cassiterite	Tin Metal	Coal	Limestone
1970	Quarter I	3.02	2.07	6.84	155.51
	II	2.61	2.12	15.60	159.26
	III	2.50	1.82	9.44	187.23
	IV	2.62	1.96	29.02	186.40
1971	Quarter I	2.72	1.92	23.15	190.08
	II	2.27	1.63	43.24	200.21
	III	2.45	2.03	55.10	195.85
	IV	2.47	1.79	71.50	227.28
1972	Quarter I	2.52	1.74	81.73	327.25
	II	2.11	1.80	74.83	266.50
	III	2.33	1.64	95.27	427.32
	IV	2.14	1.56	89.39	384.47
1973	Quarter I	2.27	1.78	88.28	403.90
	II	1.82	1.33	89.66	425.06
	III	1.82	1.42	84.07	505.35
	IV	1.98	1.45	65.13	398.72
1974	Quarter I	2.17	1.52	78.32	474.79
	II	1.67	1.43	49.91	396.44
	III	1.78	1.27	98.86	466.58
	IV	1.75	1.32	76.78	473.01
1975	Quarter I	1.66	1.19	60.34	414.13
	II	1.44	.74	69.30	351.46
	III	1.60	.82	66.01	418.76
	IV	1.59	1.55	79.72 1/	463.91
1976	Quarter I	1.40	1.02	82.48	114.11
	II	1.21	.94	64.15	240.28
	III				
	IV				

1/ Figure for December not available. Production in this month was assumed equal to the average production in the two preceeding months.

Source: CBN

Table 28

Petroleum Sector Statistics

	Jan.1972	Jan.1973	July 1973	Jan.1974	July 1974	Jan.1975	Apr.1975	Jan.1976	Jan.1977
Output (average million barrel/day)	1.70	1.92	2.00	2.20	2.18	1.98	1.62	2.00	2.07
Posted (tax-reference)price, N/barrel 1/	1.98	2.26	2.57	9.67	9.04	9.02	7.33	8.55	9.45
Export price, N/barrel 1/	1.74	2.14	2.80	7.09	7.42	7.15	7.05	8.00	8.90
Royalty rate (% of posted price)	12.5%	12.5%	12.5%	12.5%	14.5%	16.6%	20%	20%	20%
Profit tax rate (% of chargeable income)	55%	55%	55%	55%	55%	65.75%	85%	85%	85%
Government unit revenue from participation oil (N/barrel)	-	--	2.52	7.78	7.47	6.75	6.65	7.46	8.40
Government unit revenue from company's equity oil (N/barrel)	1.12	1.28	1.52	5.72	5.43	6.16	6.10	7.08	7.90
Average unit government revenue from all oil (N/barrel)	1.12	1.28	1.87	6.44		6.49	6.41	7.30	8.20

1/ 34° API crude

Source: Mission Estimates dervied from various Government and international publications.

Table 29: Illustration of the Application of Nigeria's Oil Tax and Royalty Formulas to Typical Oil Producer

Government revenues are derived primarily from taxes and royalties; paid by companies on "equity" crude and the sale of the Government's own "participation" crude. Additional revenue is obtained from acreage rentals, products, exports, etc., but these are limited in relation to royalties and taxes.

Government revenue based on prices estimated to be in effect on January 1, 1977 for 33° Bonny Light would be calculated as follows:

	$/bbl		Government Revenue
A) Equity Crude			
Posted Price	15.11		
Royalties (20%)	3.02	3.02	
Est. Operating Costs	0.80		
(Including capital recovery)	11.29		
Tax (85%)	9.60	9.60	
Government "take" on equity crude:		12.62	
Prorated "take" on 45% equity :			5.68
B) Participation Crude			
Sales price	14.22		
Est. Operating Costs	0.80		
(Including capital recovery)	13.42		
Government "take" on Participation Crude:		13.42	7.38
Prorated "take" on 55% Participation :			7.38
Estimated Government revenue per barrel			13.06
Government revenues as percentage of sales price			91.8%

June 1977

Table 30: Oil Production Statistics

NIGERIA

A

Projected Production, Local Use, and Export of Crude Petroleum - Assuming Resumption of exploration Following New Incentive Package

millions b/d

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Production	2.20	2.20	2.30	2.40	2.50	2.50	2.50	2.50	2.50
Refinery use 1/	0.06	0.06	0.06	0.16	0.16	0.16	0.16	0.26	0.26
Export	2.14	2.14	2.24	2.24	2.34	2.34	2.34	2.24	2.24

B

Estimated Future Production by Operating Groups Assuming no or Very Little Further Exploration

000 b/d

	1977	1978	1979	1980	1985
Agip/Phillips NNPC	240	240	220	200	100
Ashland/NNPC	10	10	10	10	-
Gulf/NNPC	310	290	280	270	200
Mobil/NNPC	220	200	190	180	100
Elf/NNPC	85	95	100	100	80
Texaco/Chevron/NNPC	55	55	50	40	20
Shell/BP/NNPC	1300	1100	1000	950	700
TOTAL	2220	1990	1850	1750	1200

C

Crude Oil Production in Millions of Barrels per Day

1970	1971	1972	1973	1974	1975	1976	1977 (est.)
1.08	1.53	1.82	2.05	2.26	1.79	2.07	2.22

June 1977

Table 31

NIGERIA

REFINERY CAPACITY

b/d

	NPRC(1) Port Harcourt	NNPC(2)(3) Warri	Total
1970	55,000		55,000
1971	60,000		60,000
1972	60,000		60,000
1973	60,000		60,000
1974	60,000		60,000
1975	60,000		60,000
1976	60,000		60,000
1977 (est.)	60,000 (4)		60,000
1978	60,000		60,000
1979	60,000		60,000
1980	60,000	100,000	160,000

NOTES:

(1) Nigerian Petroleum Refining Company

Ownership:	NNPC	60%
	Royal Dutch/Shell	20%
	BP	20%

(2) Nigerian National Petroleum Corporation

Ownership: Federal Government 100% est. cost over $500 million.

(3) NNPC plans to construct a 100,000 b/d refinery at Kaduna. A contract for the construction of a pipeline from the Delta to Kaduna has been let. Production at Kaduna is expected to start in 1984.

(4) Previously announced plans to expand Port Harcourt to 75,000 b/d now to appear to be in doubt.

June 1977

Table 32

NIGERIA

REFINED PETROLEUM PRODUCT CONSUMPTION

000 b/d

	1970	1971	1972	1973	1974	1975	1976(e)	1977(e)
Gasoline	10	12	13	16	22	27	28	32
Kerosene	6	6	6	8	10	13	13	15
Gas Oil	8	9	11	12	14	15	16	19
Fuel Oil	5	5	12	13	16	18	19	22
Others	1	3	2	5	5	5	6	7
Total	30	35	44	54	67	78	82	95

Percent

	1970	1971	1972	1973	1974	1975	1976(e)	1977(e)
Gasoline	33	34	30	30	33	35	34	34
Kerosene	20	17	14	15	15	17	16	16
Gas Oil	27	26	25	22	21	19	20	20
Fuel Oil	17	14	27	24	24	23	23	23
Other	3	9	4	9	7	6	7	7
Total	100	100	100	100	100	100	100	100

Source: Bureau of Mines and OPEC.

e = Estimate.

June 1977

Table 33

NIGERIA

CRUDE OIL PRODUCTION BY COMPANIES (1) 1970-1977

000 b/d

	Shell/BP(2)	Gulf	Mobil	Agip(3) Phillips	Elf Aquitaine	Chevron(4) Texaco	Ashland	Total
1970	791	233	54	4	-	2	-	1084
1971	1108	277	72	38	25	10	-	1530
1972	1208	327	166	52	55	10	-	1818
1973	1294	365	222	101	64	8	-	2054
1974	1398	369	248	155	84	2	-	2256
1975	1119	227	197	157	73	7	6	1786
(est)1976	1257	295	225	165	75	40	10	2067
(est)1977	1300	310	220	240	85	55	10	2220

Sources: OPEC and Other Oil Industry Sources.

NOTES: (1) As of 1974 the Nigerian National Oil Company (since April 1977 the Nigerian National Petroleum Corporation) owns 55% of all producing companies with the single exception of Ashland which is wholly owned by its US Parent Company.

(2)	Royal Dutch/Shell	22.5%
	British Petroleum	22.5%
(3)	Phillips	22.5%
	ENI	22.5%
(4)	Standard of California	22.5%
	Texaco	22.5%

June 1977

Table 34:

NIGERIA

Crude Oil and Natural Gas Production

	Oil		ASSOCIATED NATURAL GAS	
	000 b/d	million tons	000 million cu.ft. Produced	Utilized[1/]
1970	1084	54.3	286	4
1971	1530	76.6	458	6
1972	1818	91.3	605	10
1973	2054	102.9	735	11
1974	2256	113.0	1018	14
1975	1786	88.2		
1976	2067	103.8		
1977 (est.)	2050	102.7		

1/ Nigerian natural gas consists of about 88% Methane and 12% NGL (ethane, propane and butane). Disposal of the utilized gas is roughly as follows:

Electricity generation	65%
Industrial use	10%
Oil field use	25%

Of the eight industrial plants fueled by natural gas, one--the Port Harcourt refinery--consumes over 50% of the total.

June 1977

4

NIGERIA

FOREIGN ASSISTANCE AND DEBT

Past Trends

1. External grants and loans have not been a very significant part of Nigeria's post-independence development efforts. Projections in the First Plan (1962-68) that 50% of capital costs could be met by external funding were woefully inaccurate and left Nigerians frustrated and sceptical regarding the dependability and desirability of foreign finance. During the war years (1967-70), with reserves almost depleted, considerable use was made of short-term credits as a means of purchasing military supplies and essentials. These credits were quickly repaid, leaving Nigeria with a modest indebtedness (end-1971) of $586 million. Most of this (85%) was held by multilateral and bilateral agencies, with the World Bank and IDA holding 37% of Nigeria's total indebtedness. The largest bilateral lender at the end of 1971 was the United Kingdom, which held 18% of the total debt.

2. Since 1971 Nigeria's indebtedness (in current dollars) has risen at the very low annual average of 8.5%. Debt levels increased through 1974, and then declined to $953 million at the end of 1976. Multilateral and bilateral lending still constituted 85% of the total debt, but the World Bank and IDA share increased to 42%. ≥ ~50%

Future Trends

3. Nigeria's decision to attempt to maintain her growth rate in the face of stagnating oil production implies the need for heavy external borrowing. Required capital inflows from loans over the next five years could be $6-$9 billion, with $7 billion being a most likely estimate. Indications are that this is a supportable amount of borrowing and that, providing debt servicing requirements are properly managed, Nigeria will be able to attract such levels of lending. Arrangements are expected to be completed shortly for a $1 billion syndicated loan which Nigeria has negotiated on relatively favorable terms. Further large amounts from commercial banks are expected over the next few years. The Japanese, British, Germans and Americans have expressed interest in initiating substantial eximbank credits, although indications from recent Berne Union meetings suggest that the loan maturities may be somewhat short. Soft loans or grants from bilateral or multilateral aid agencies are not envisaged, although large technical assistance projects mounted by USAID and the EEC are in the offing. The Nigerians are known to be anxious to have large World Bank involvement in order to obtain technical assistance and the built-in checks and balances which accompany Bank financing. Interest has also been expressed by some lenders in co-financing arrangements with the World Bank.

Table 1 - NIGERIA

External Public Debt Outstanding Including Undisbursed as of Dec. 31, 1976
Debt Repayable in Foreign Currency and Goods
(In Thousand of U.S. Dollars)

Type of Creditor / Creditor Country	DEBT OUTSTANDING Disbursed	Undisbursed	Total
Suppliers Credits			
Belgium	45	-	45
France	284	-	284
Italy	216	-	216
Netherlands	4,497	-	4,497
Sweden	790	242	1,032
United Kingdom	4,984	-	4,984
Yugoslavia	5,200	-	5,200
Total Suppliers Credits	16,016	242	16,258
Private Bank Credits			
Netherlands	4,268	157	4,425
United Kingdom	400	-	400
United States	6,240	-	6,240
Total Private Bank Credits	10,908	157	11,065
Publicly Issued Bonds			
United Kingdom	2,128	-	2,128
Total Publicly Issued Bonds	2,128	-	2,128
Nationalization			
Multiple Lenders	119,849	-	119,849
Total Nationalization	119,849	-	119,849
Multilateral Loans			
African Dev. Bank	4,690	6,057	10,747
IBRD	365,337	311,885	677,222
IDA	36,497	2,558	39,055
Total Multilateral Loans	406,524	320,500	727,024
Bilateral Loans			
Canada	58,600	10,773	63,373
Czechoslovakia	-	14,000	14,000
Denmark	1,847	1,609	3,456
Germany, Fed. Rep. of	94,873	14,511	109,384
Hungary	-	21,220	21,220
Italy	11,204	-	11,204
Japan	44,507	31,565	76,072
Netherlands	25,215	57	25,272
Poland	-	30,400	30,400
United Kingdom	59,222	18,008	77,230
United States	100,164	-	100,164
USSR	2,655	3,680	6,335
Total Bilateral Loans	398,287	145,823	544,110
Total External Public Debt	953,712	466,722	1,420,434

47%

October 17, 1977

5

7-5

NIGERIA

POPULATION AND FAMILY PLANNING

Data

Population:	62.9 million - 1975 UN estimate
Birth Rate:	49.2/1000
Death Rate:	20.7/1000
Natural Rate of Increase:	2.85%
Population under 15 years of age -	45.1 %
Age group 15-64 years of age -	52.6 %
Age group 65 years and over population -	2.3 %
Dependency ratio -	90 %

Total female population 15-49 years of age - 28.6 million
(of these 24 million are estimated to be married or living in consensual union)

Population density - 68 per Km.^{2}
(Urban distribution 18.1% with 1985 projection of 22.5%)

People

2. Nigeria is the most populous country in Africa accounting for approximately 25 percent of black Africa's people. Its population density is twice as high as for Africa as a whole, and urban dwellers make up less than 26 percent of the total population.

3. There are over 250 ethnic groups in Nigeria, giving rise to a variety of customs, languages and traditions. There are three predominant ethnic groups with a host of sub-ethnic groupings:

The Northerners	Hausas, Fulanis, etc. Territorially the largest.
The Westerners	The Yorubas. Presumably the largest ethnic entity in terms of population.
The Easterners	The Ibos. Before the civil war a very potent population grouping; now in a reconstruction phase.

Due to the recent restructuring of State boundaries and the creation of new States in addition to the former 12, bringing the total number of States comprising the Federation to 19, an attempt has been made to effect a more amorphous amalgam of elements to offset rigid demarcations based on ethnic (or tribal) affinities. Type of family system is an extended form and nuclear in character.

Population Policy

4. Nigeria has become increasingly aware of the demographic realities of its current and prospective situation.

5. The socio-economic interplay has proved overwhelmingly significant in Nigeria's efforts to grapple with such problems as: education (vis-a-vis school enrollment); urbanization (decongesting and relocation of industries); rural development (in all its aspects); agriculture (including modernization and agro-industries, 44% (1970) of the GDP being derived from this source); health; and industrialization. Within this scenario, the predominant theme is the enhancement of the quality of life, better distribution of and access to benefits including health, education and welfare, and the improved status of women.

Institution

6. The Government of Nigeria, therefore, decided that, among other concomitant measures, they would set up a National Council on Population which would advise the Federal Government on matters pertaining to population. This body was formally constituted in April 1975 and became a statutory and effective instrument for carrying out Nigeria's official commitment to a population policy.

7. Population planning became a necessary adjunct to socio-economic development and family planning was accepted as part of that design, primarily for "health" reasons.

8. The principal agency for family planning activities in Nigeria has been, until very recently, the Family Planning Council of Nigeria (FPCN), an affiliate of the International Planned Parenthood Federation (IPPF). The FPCN has had branches throughout Nigeria, except in the extreme North and East. The major thrust of its work had been in field-work motivation through information and education. The FPCN also gave clinic services both in its own clinics and those of the Ministries of Health.

9. FPCN as an affiliate of IPPF had been receiving upwards of US$600,000 per year (1975/76), as allocation for management of its family planning program. From time to time it receives assistance in the form of fellowships and other training programs from other agencies, including USAID, FPIA, Ford Foundation, Population Council, the Pathfinder Fund, etc., but the assistance received so far has remained modest. At the

beginning of its current fiscal year, the IPPF withdrew its financial support for the FPCN. This decision was based on the very adverse report of the fact-finding mission to Nigeria by the IPPF in 1973 (led by Dr. Eduard Pratt), which commented unfavorably on the managerial capacity, auditing and program of the FPCN. Recommendations were made for streamlining FPCN's management, auditing and programming procedures which had been considered unsatisfactory, but despite repeated overtures and consultations over a three-year period, the FPCN showed no improvements.

10. The Federal Government, however, through its newly formed Population Council, became a donor to the IPPF and also made an allocation of ₦70,000 to the FPCN in the year 1976/77. The Federal Government has expressed, however, its disquiet over the unsatisfactory state of FPCN's management.

Bank Discussions

11. On July 13, 1977, the Bank (Population Projects Department) was visited by the Chief Consultant to the Federal Ministry of Health and Chairman of the National Population Council of Nigeria; the Chief Planning Officer, Central Planning Office of the Federal Ministry of Economic Development and Head of Regional Development Division, National Population Council of Nigeria.

12. During the visit which was purely exploratory, the Nigerians were interested in assessing the Bank's reaction to possible assistance to the National Population Council of Nigeria in the areas of:

(a) Operation and management of a family planning program;

(b) Support and strengthening of basic health services with a family planning input;

(c) Training of necessary cadres and setting-up a more reliable machinery for vital registration; and

(d) Designing and instituting an effective machinery for IEC (information-education-communication) in the area of population and family planning.

13. The Bank's Population Projects Department reacted favorably to the Nigerian visit and has indicated a willingness to examine, together with the Federal Government, all parameters within the context for Bank cooperation. The Nigerian delegation indicated that the Federal Government would be submitting a more formal approach to the Bank and this is still awaited.

14. The Nigerians are now showing a keen interest in addressing the population problem, but are equally aware of the difficulty in reconciling conflicting politico-socio-cultural sensitivities, through a single national program for population planning, in a country as vast and diversified as Nigeria.

15. Nigeria would, therefore, need every support in the form of expert technology and advice in the areas of population planning, program design and execution, if the Government is to achieve its specified goals.

TYPED COPY

Mr. Harold W. Messenger June 24, 1977

Edward O. Pratt

NIGERIA: Brief Notes

Demographic and Vital Statistics

1. The land area of Nigeria is 923,768 km2. The UN estimated the population in 1975 as 62.9 million although various estimates have put the population anywhere between 68 and 70 million (the last Census in 1973 proved unreliable due to socio-political factors). Population projection for 1985 was estimated at 84.4 million.

Some Relevant Statistical Data (1975)

2. B.R. 49.2/1000
D.R. 20.7/1000
N.I. 2.85%
Population under 15 years of age - 45.1%
Age group 15-64 years of age - 52.6%
Age group 65 years and over population - 2.3%
Dependency ratio - 90.0%
Total female population 15-49 years of age - 28.6 million
(of these 24 million are estimated to be married or living in consensual union)
Population density - 68 per km2
(Urban distribution 18.1% with 1985 projection of 22.5%)

School enrollment rates:

Age 5-10 years	Males: 44%
	Females: 28%
Age 11-18 years	Males: 4%
	Females: 2%

GDP (1970 estimates) - US $140
(44% derived from agriculture)

Culture

3. There are three predominant ethnic groups with a host of sub-ethnic groupings:

The Northerners	Hausas, Fulanis, etc. Territorially the largest.
The Westerners	The Yorubas. Presumably the largest ethnic entity in terms of population.
The Easterners	The Ibos. Before the civil war a very potent population grouping; now in a reconstruction phase.

Due to the recent restructuring of state boundaries and the constitution of new states, an attempt has been made to effect a more amorphous amalgam of elements to offset rigid demarcations based on ethnic (or tribal) affinities. Type of family system is an extended form and nuclear in character.

Religion

4. Islam: A presumed large section involving mostly the Northern and some of the Western ethnic groupings.
Christianity: A presumed minority.
Animist: A small but evident group.

Political System vis-à-vis Government: Background

5. Because of the federal structure of the national government and the near autonomy of the states, it is difficult to have a uniform perspective of inputs, specifically in the Health (and health related), Social Welfare/Community Development Fields. The extent or depth of inputs varies from state to state according to how each perceives its needs and the method of implementing programs on an operational basis.

6. The federal level has the responsibility for economic planning and the allocation of such resources to specific areas (e.g. health) as have been determined in a general assessment of national priorities.

7. Historically, the relationship between the Federal Government and the State Governments evolved from the fact that before federation, the states had the responsibility of initiating programs in health and welfare. This persisted after federation with the result that the State Governments have assumed the major responsibility for the designing of programs and their operations. At the federal level, such plans are submitted for a review and are put in a broad perspective at the economic planning level which is directly related to the National Plan.

8. At the federal level there is some coordination between the Ministry of Health and that of Labor and Social Welfare, but at the state level, these ministries function without any element of coordination.

9. An important point in the genesis of Federal/State relationships: It is noted that the Federal Government is gradually assuming greater responsibility, participation, and more control, in state programs as it increases its fiscal inputs in the form of allocations and grants.

10. Because of the anomalies existing between the federal and state systems there is genuine interest in the area of training of manpower resources and the effective coordination of programs.

Population vis-à-vis Family Planning

11. Nigeria became officially committed to a population policy in April, 1975. A National Population Council has now been formally constituted.

12. The principal agency for family planning activities in Nigeria has been, until very recently, the Family Planning Council of Nigeria (FPCN), an affiliate of the International Planned Parenthood Federation (IPPF).

13. The FPCN has had branches throughout Nigeria, except in the extreme north and east. The major thrust of its work had been if fieldwork motivation through information

and education.

14. The FPCN also gave clinic services both in its own clinics and those of the Ministries of Health.

15. FPCN as an affiliate of IPPF had been receiving upwards of US$ 600,000 per year (1975/76) as allocation for management of its family planning program. From time to time it receives assistance in the form of fellowships, etc., for training, etc., from other agencies, e.g., USAID, FPIA, Ford Foundation, Population Council, the Pathfinder Fund, etc. -- but these are in a very minor degree. As of the beginning of this fiscal year, the IPPF had withdrawn financial support for the FPCN. This decision was based on the very adverse report of the fact-finding mission to Nigeria by the IPPF in 1973 (led by Dr. Pratt), which commented unfavorably on the managerial capacity, auditing and program of the FPCN. Recommendations were made for resolving the state of affairs which were thought to be most unsatisfactory, but despite repeated overtures and consultations over a three-year period, the FPCN failed to comply.

16. The Federal Government, however, through its newly formed Population Council became a donor to the IPPF, and also made an allocation of N. 70,000 to the FPCN in the year 1976/77. It has however not been happy over the unsatisfactory state of management in the FPCN.

The Federal Ministry of Health

17. The federal ministry of health (to date) had not instituted a formal family program although it has supported a family life education and preventive work (family planning counselling) in its clinics.

18. The planning division of the Federal Ministry of Health drew up (in 1975) four cadres of programs, viz: basic health, hospitals, training, and supporting services.

19. Regarding basic health services, the Ministry designed models with 12 functioning tasks of which family health was one.

20. Three phases were proposed and the first was in the process (1975) of being implemented; it comprised 280 basic units, each servicing 50,000 people. Each unit will consist of:

- 1 comprehensive health center
- 4 ordinary health centers
- 20 ordinary health clinics delivering dispensary services and family health at that level.

21. This program would bring into focus the perspectives of family health in relation to health services.

22. The plan will therefore include training as one of its primary objectives -- to this end it was proposed that there should be one school of nursing in each state and one school for health technology in each state.

23. The MOH planning division has developed its Statistical department for the collection of pertinent data, e.g., vital statistics, demographic indices, etc.

Examples of Family Health vis-à-vis FP: Pilot Projects

24. Sokoto:

North-Eastern (extreme) territory

Katsina:

Federal/State/WHO experimental program in basic health services (including MCH and Nutrition) plus family planning in rural communities. A strong training component of health technologists and paramedicals is built in. A model clinic was designed utilizing the services of paramedicals trained specifically to take over certain specified tasks of physicians.

25. Various programs with interagency collaboration at Benin, Otta, etc.

Some Agencies Working in the Field of Family Planning in Nigeria

WHO, UNFPA, UNICEF, FAO, ILO, USAID, CIDA, Ford Foundation, Population Council, IPPF, Pathfinder Fund...

cc: Miss Husain
Division Files

EOPratt/srb
NIGERIA/PNP

G

TABLE OF CONTENTS

G. BANK GROUP OPERATIONS

PROSPECTIVE OPERATIONS (cont'd) TAB

MEMORANDA OF CONVERSATIONS

6

STATUS OF BANK GROUP OPERATIONS IN NIGERIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS (as at August 31, 1977)

Loan or Credit Number	Year	Borrower	Purpose		US $ million Amount (less cancellations) Bank	IDA	Undisbursed
Ten loans and one credit fully disbursed					292.1	15.5	
72	1965	Nigeria	Education			20.0	1.0
427	1965	Nigeria	Roads		14.5		2.5
694	1970	Nigeria	Transport		25.0		0.7
764	1971	Nigeria	Cocoa Development		7.2		0.1
814	1972	Nigeria	Education		17.3		13.4
838	1972	Nigeria	Roads		26.3		13.8
847	1972	NEPA	Power		76.0		3.4
922	1973	NPA	Port		55.0		25.6
929	1973	Nigeria	Education		54.0		54.0
1045	1974	Nigeria	Cocoa Development		20.0		20.0
1091	1975	Nigeria	Livestock		21.0		19.0
1092	1975	Nigeria	Agr. Dev. Funtua		29.0		15.1
1099	1975	Nigeria	Agr. Dev. Gusau		19.0		6.1
1103	1975	Nigeria	Rice Development		17.5		16.3
1164	1975	Nigeria	Agr. Dev. Gombe		21.0		14.1
1183/1	1975	Nigeria	Bendel State Oil Palm		29.5		29.5
1191	1976	Nigeria	Imo State Oil Palm		19.0		18.5
1192*	1976	Nigeria	Ondo State Oil Palm		17.0		17.0
1454*	1977	Nigeria	Agr. Dev. Lafia		27.0		27.0
1455*	1977	Nigeria	Agr. Dev. Ayangba		35.0		35.0
		Total			822.4	35.5	332.1
		of which has been repaid			92.4	1.0	
		Total now outstanding/2			730.0	34.5	
		Amount sold		16.8			
		of which has been repaid		13.9	2.9		
		Total now held by Bank and IDA /3			727.1	34.5	
		Total undisbursed			331.1	1.0	332.1

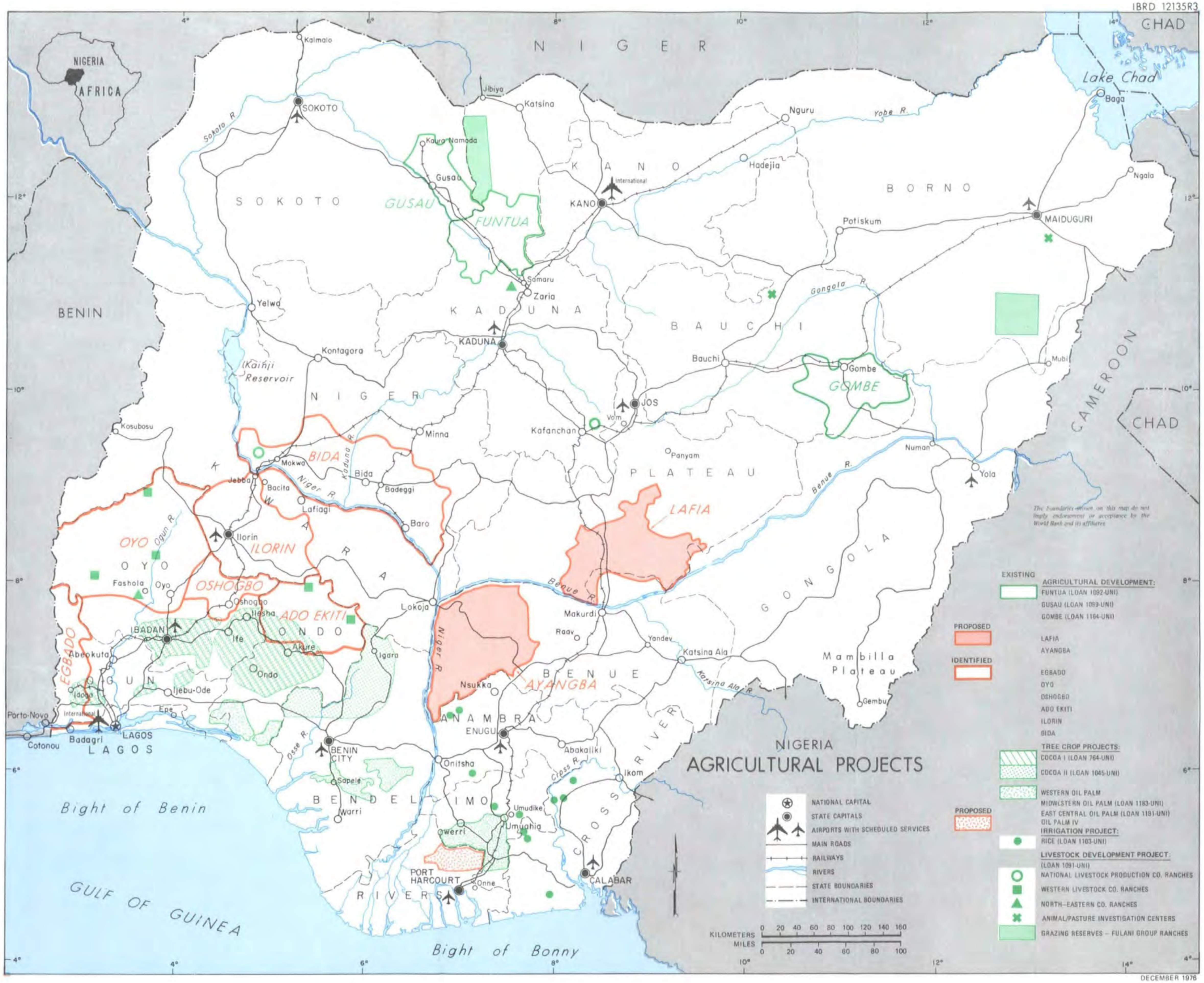
B. STATEMENT OF IFC INVESTMENTS (as at August 31, 1977)

Fiscal Year	Borrower	Type of Business	Amount in US$ Million Loan	Equity	Total
1964, 67, 1970	Arewa Textiles Ltd.	Textile Mfg.	1.0	0.6	1.6
1964	Nigerian Industrial Development Bank, Ltd.	Dev't Finance Co.		1.4	1.4
1973	Funtua Cottonseed Crushing Ltd.	Veg. Oil Crushing	1.6		1.6
1974	Lafiagi Sugar Estates	Sugar		0.1	0.1
1973	Nigerian Aluminum Extrusion Ltd.	Aluminum Processing	1.0	0.3	1.3
	Total Gross Commitments		3.6	2.4	6.0
	Less cancellations		0.3		0.3
	Less sold or repaid		1.5	1.5	3.0
	Total commitments now held by IFC		1.8	0.9	2.7
	Undisbursed		0.5	0.1	0.6

* Not yet effective.
/1 Declared effective October 14, 1977.
/2 Excluding cancellations of $4.4 million.
/3 Prior to exchange rate adjustments.

WA1DA
10-15-77

7


IBRD 12135R3
NIGERIA
AGRICULTURAL PROJECTS
EXISTING
AGRICULTURAL DEVELOPMENT:
FUNTUA (LOAN 1092-UNI)
GUSAU (LOAN 1099-UNI)
GOMBE (LOAN 1164-UNI)
PROPOSED
LAFIA
AYANGBA
IDENTIFIED
EGBADO
OYO
OSHOGBO
ADO EKITI
ILORIN
BIDA
TREE CROP PROJECTS:
COCOA I (LOAN 764-UNI)
COCOA II (LOAN 1045-UNI)
WESTERN OIL PALM
MIDWESTERN OIL PALM (LOAN 1183-UNI)
EAST CENTRAL OIL PALM (LOAN 1191-UNI)
PROPOSED
OIL PALM IV
IRRIGATION PROJECT:
RICE (LOAN 1103-UNI)
LIVESTOCK DEVELOPMENT PROJECT:
(LOAN 1091-UNI)
NATIONAL LIVESTOCK PRODUCTION CO. RANCHES
WESTERN LIVESTOCK CO. RANCHES
NORTH-EASTERN CO. RANCHES
ANIMAL/PASTURE INVESTIGATION CENTERS
GRAZING RESERVES – FULANI GROUP RANCHES
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
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.
NIGER
CHAD
Lake Chad
BENIN
CAMEROON
Bight of Benin
GULF OF GUINEA
Bight of Bonny
SOKOTO
KANO
BORNO
KADUNA
BAUCHI
NIGER
PLATEAU
KWARA
OYO
OGUN
ONDO
LAGOS
BENDEL
ANAMBRA
BENUE
GONGOLA
IMO
RIVERS
CROSS RIVER
GUSAU
FUNTUA
GOMBE
BIDA
ILORIN
OSHOGBO
ADO EKITI
EGBADO
LAFIA
AYANGBA
Mambilla Plateau
DECEMBER 1976

G7

NIGERIA

GUSAU AGRICULTURAL DEVELOPMENT PROJECT

Loan 1099-UNI $19.0 million

Approved:	December 19, 1974
Signed:	April 4, 1975
Effective:	January 5, 1976
Closing Date:	July 1, 1982
Disbursement as of Sept. 30, 1977:	$13.2 million (110% of appraisal est.)
Total Project Cost at Appraisal:	$37.4 million
Appraisal estimate of internal rate of return	16%

Project Description

- On farm development on 67,000 family farms (435,000 people)
- Staffing and equipping an extension service
- Staff and farmer training
- Provision of farm inputs
- Seasonal and medium-term loans for farm inputs
- Development of seed multiplication farms and registered seed growers
- Infrastructural development including administrative center, staff housing, training center, and farm service centers.
- Marketing services
- Construction of 660 km of all weather surfaced feeder roads
- Construction of 60 earth dams
- Establishment of a project evaluation unit (PEU)

Project Area

The project is centered around Gusau in Sokoto State, covering an area of 4,250 sq.kms., supporting a rural population of 435,000 people. Pertinent data are as follows:

Rural population	435,000
Farm families	67,000
Average family size	6.5
Average farm size	4.1 ha
Per capita income	$41 (1974 prices) (Appraisal estimate)

Land Ownership is not unduly skewed:-

50% of farms are	2.8 ha
10% of farmers' control	32% of the land
Average land per person	0.22 ha for lowest 50%

Eighty-six per cent of the farmed land in 1976 was cropped with five main crops - sorghum, millet, cotton, groundnuts and cowpeas or mixtures solely of these five crops.

Project Concept

The project is an area specific development project designed to raise farmers' incomes by providing them with technical advice and assuring the timely availability of improved farm inputs (the Basic Services Package) within ten kilometers of each farmer. Distribution points are farm service centers which are low cost stores managed by extension and commercial services (credit and marketing) officers. Underlying the activities of the project is an attempt to involve local participation in the running of the project; to allow farmers to determine their own future; and to reduce as far as possible, Government's burden of providing services to the rural sector. For this reason, those operations that can function as autonomous, self-financing, commercially viable operations are encouraged to do so. Farm service centers are to be leased to local businessmen and a seed growers' association to supply improved seeds will be set up. This should significantly reduce the burden on the State Government and release its limited manpower resources to extend the project concept to other areas of the State.

Project Progress

The project, operational since April 1975, is making excellent progress despite the rather difficult circumstances prevailing in Nigeria. Farmer response has been very enthusiastic which is reflected in participation rates. By the second season of the project, 25 per cent of project area farmers are estimated to use one or more of project supplied inputs and 24 per cent received some extension advice. Eighty-one per cent of farmers receiving extension advice used project inputs. Fertilizer usage, a key input, is expected to increase from 500 tons/annum before the project to 6,500 tons/annum by the third year of the project (see Table of Key Indicators attached which compares the actual situation with appraisal estimates). Considerable success has been achieved through group farms and there has been a phenomenal purchase of ox plows for land preparation. Comparison of actual yields and production as estimated by PEU with appraisal estimates shows:-

Average Yields (kg/ha)

	Appraisal Estimates PY0	Appraisal Estimates PY2	Actual PY2
Sorghum	600	686	790
Cotton	225	255	200-380
Maize	700	1,025	-
Groundnuts	425	480	350-480
Cowpeas	200	275	90-160

Production (metric tons)

	Appraisal Estimates PY0	Appraisal Estimates PY2	Actual PY2
Sorghum	45,000	49,000	89,500
Cotton	9,400	10,800	21,000
Maize	700	2,000	0
Groundnuts	15,700	18,400	17,500
Cowpeas	500	950	8,000

The infrastructural program has proceeded on schedule due to energetic project management using local contractors. The network of farm service centers is virtually complete so that 65 per cent of project farmers are within 5 kilometers of a center and 98 per cent within 10 kilometers. The feeder road program with 460 kilometers of road constructed and all farm service centers connected, has been very well received, opening up an area in which movement had previously been difficult and time consuming.

Management and Training

Senior management has been of the highest quality, being principally recruited internationally due to the dearth of senior Nigerians; the reluctance of Sokoto State to second their own staff who are in critically short supply (the State is said to have only four agricultural graduates); and the State's unwillingness to hire Nigerians from other States in the Federation. In a period of high internal inflation, total costs of the project, as originally conceived, are not expected to be more than 25 per cent over appraisal estimates over the five year development period.

The project has appointed a senior training officer who is counselled by the Senior Training Officer of the Central Monitoring and Evaluation Unit of the Federal Department of Rural Development. In-service training of junior staff in all departments is carried out. A most successful training program for agricultural extension agents has been instituted consisting of six months field practical during which the trainees run demonstration farms, followed by a three-month theoretical course.

Key Staff

Chairman of the Project Executive Committee	:	Alhaji Ahmadu Sokoto
Permanent Secretary, Ministry of Agriculture	:	Alhaji Isa Abubakar
Project Manager	:	Mr. Jan Gordijn (Dutch)
Chief Administrative Officer	:	Alhaji Nahuche
Chief Technical Officer	:	Mr. Mike Bullen (British)

Note: The Project Manager assumed duties only in August 1977, replacing the previous Project Manager who has transfered to the Lafia Agricultural Development Project. Mr. Bullen is to be replaced by M. Isa Abdullahi within two months.

Issues and Problems

Expansion

1. Other areas of the State are pressing for an extension of the geographic coverage of the project and the State Government is anxious to meet this request. The technical, organizational, manpower and financial implications are being considered in the course of the preparation of a second stage project which will be submitted to the Bank for financing.

Manpower short.

2. Shortage and quality of local staff continues to be a major problem at all levels.

Counterpart funding

3. Federal Government contributions to the project have borne no relationship to the approved budget requests and although presently at an adequate level, have been made so irregularly as to cause the project major financial problems. Furthermore, the project account has not yet been reimbursed for fertilizer subsidies (totalling about \$3.5 million) which are required to build up the Revolving Credit Fund. This has hampered efforts to set up the farm inputs distribution service as a self-financing operation.

Subsidies, low interest

4. The high subsidy levels on inputs such as fertilizer and insecticides are a significant drain on Government finances. Furthermore, the fixed nature of these input prices, coupled with the administrative difficulties inherent to the administration of subsidies are a stumbling block to the desirable commercialization of the input distribution service. Low and inflexible interest rates hamper the development of rural credit institutions which cannot retain an interest spread to cover costs.

Mr. Yudelman's observations on his visit to northern Nigeria earlier this year are attached as Annex 1.

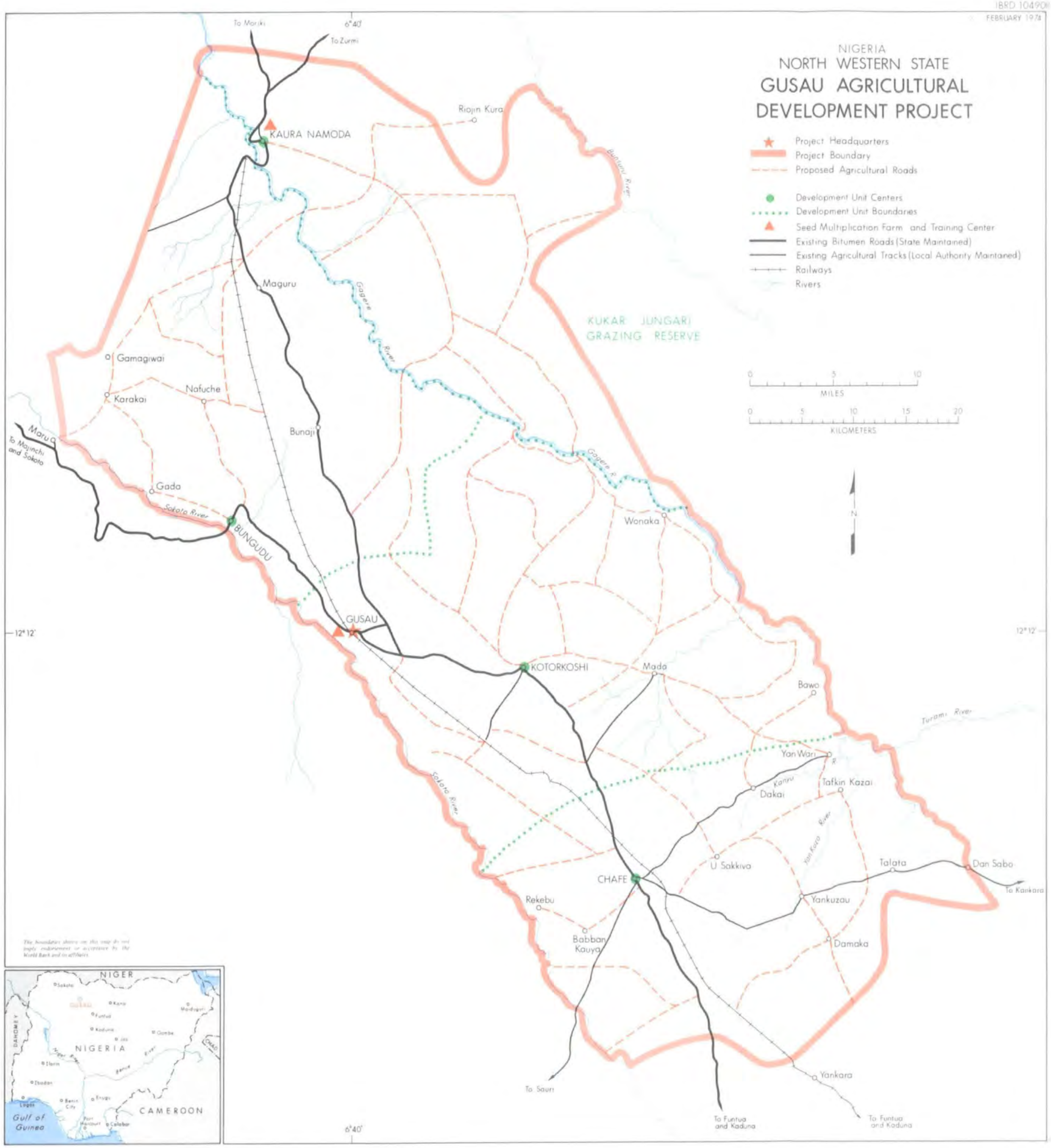
GUSAU AGRICULTURAL DEVELOPMENT PROJECT

Key Indicators

	Unit	1975/76 Cropping Season No. Units	% 1/	1976/77 Cropping Season No. Units	% 1/	1977/78 2/ Cropping Seaso No. Units	% 1/
Estimated Farmer Participation	%	-	-	28%	155	-	-
Registered Project Farmers	number	3,200	107	11,000	-	36,000	105
Service Centers Operaional	number	6	60	25	100	40	-
Farmers in groups	number	120	-	2,000	-	6,000	-
Cropped Area							
Improved Cotton	ha	578	77	12,000	366	-	-
Improved Maize	ha	10	-	200	40	-	-
Improved Sorghum	ha	2,200	110	2,000 3/	37	-	-
Improved Groundnuts	ha	980	98	1,000	-	-	-
Improved Cowpeas	ha	0	-	375	-	-	-
Yields - Average							
Cotton	kg/ha	1,000 4/	-	380-200 6/	129	-	-
Maize	kg/ha	650	- ?	N/A	~~115~~	-	-
Sorghum	kg/ha	600	-	790	-	-	-
Groundnut	kg/ha	~~N/A~~	-	480-350	86	-	-
Cowpea	kg/ha	1,140 ?	-	160-90	45	-	-
Credit							
Seasonal	₦	60,000	96% recovered	34,000 5/	Groups 98%		
Medium/Long term		1,600	-	27,000	Individuals 54%		
Inputs							
Fertilizer	tons	2,400	450	2,500	-	6,500	156
Insecticides	liters	4,300	21	9,500	21	50,000	43
Sprayers 7/	No.	171	19	440	15	1,190	13
Ox Plows 7/	No.	100	100	2,100	500	2,950	197
Infrastructure							
Roads Constructed (surfaced) 7/	km.	-	-	185	102	402	122 8/
Dams Constructed 7/	No.	-	-	2	8	14	31
Project Staffing							
Project Administration & Accounts	man years	-	-	66	87	-	-
Technical Department	man years	-	-	176	114	-	-
Engineering Department	man years	-	-	33	85	-	-
Commercial Services	man years	-	-	67	65	-	-
Evaluation Department	man years	-	-	55	85	-	-

1/ As a percentage of appraisal estimates.
2/ Current estimates or actuals.
3/ A considerable amount of fertilizer is to be applied to the traditional millet and sorghum mixed crop, and the area can only be estimated after evaluation by PEU.
4/ Seed farm yields; no estimates of farmers' yields were made.
5/ Credit for fertilizer to individual farmers was stopped after lower fertilizer prices were annonced.
6/ Provisional estimates from PEU for farm yields. Ranges represent yields under different inter-crops.
7/ Cumulative.
8/ Assuming 2 km. unsurfaced = 1 km. surfaced.

June 1977


IBRD 10490
FEBRUARY 1974
NIGERIA
NORTH WESTERN STATE
GUSAU AGRICULTURAL
DEVELOPMENT PROJECT
Project Headquarters
Project Boundary
Proposed Agricultural Roads
Development Unit Centers
Development Unit Boundaries
Seed Multiplication Farm and Training Center
Existing Bitumen Roads (State Maintained)
Existing Agricultural Tracks (Local Authority Maintained)
Railways
Rivers
0 5 10
MILES
0 5 10 15 20
KILOMETERS
N
To Moriki
6°40'
To Zurmi
KAURA NAMODA
Riojin Kura
Bunguru River
Maguru
Gagere River
KUKAR JUNGARI
GRAZING RESERVE
Gamagiwai
Karakai
Nafuche
Bunaji
Maru
To Maunchi and Sokoto
Gada
Sokoto River
BUNGUDU
Wonaka
GUSAU
12°12'
12°12'
KOTORKOSHI
Mada
Bawo
Turami River
Yan Wari
Dakai
Tafkin Kazai
Sokoto River
U Sakkiva
Talata
Dan Sabo
To Kankara
CHAFE
Yankuzau
Rekebu
Babban Kauya
Damaka
To Sauri
Yankara
To Funtua and Kaduna
To Funtua and Kaduna
6°40'
NIGER
NIGERIA
CAMEROON
Gulf of Guinea

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

Annex 1

OFFICE MEMORANDUM

TO: Mr. R. Chaufournier

DATE: June 29, 1977

FROM: Montague Yudelman *MY.*

SUBJECT: Visit to Northern Nigeria

1. I joined a supervision mission visiting the Funtua and Gombe agricultural development projects from June 12 to 21. I also visited the IAR at Zaria. The mission was headed by Mr. Zuckerman who was supported by Mr. B. Wilson of your staff and two consultants, Mr. H. Adams (Irrigation) and Mr. P. Calkin (Marketing). The mission was well and ably led and all members worked very diligently and very long hours. They will be writing their own report on detailed aspects of the project.

2. I was given every opportunity to visit a wide spectrum of persons in the project area. I met traditional leaders, emirs and chiefs as well as government officials. I attended meetings of various bodies concerned with the projects, ranging from the Project Executive Committees to local committees dealing with managing farm service centers. I met many farmers and had the opportunity for lengthy discussions with the project staff. I also travelled extensively throughout the project areas.

3. Any remarks have to be tentative. The projects have been operating for less than two years. The areas concerned are large and there is a very complex relationship between the state authorities and the traditional leaders. In addition the recent reorganization of Nigeria into 16 states, the changing Federal-State relationship and an apparent vacuum at the local government level make it difficult to assess the institional framework in which these projects must operate. Despite this though there are a series of general observations that can be made with a degree of confidence - some of these bear on the future of these projects.

4. The first and most significant observation is that the projects are demonstrating that the "conventional wisdom" for agricultural development works. This "wisdom" is that good infrastructure, a suitable technological package, good distribution facilities, adequate advisory and marketing services and a favorable cost-price ratio are essential for an increase in output. The projects provide the needed ingredients: roads, extension services, distribution centers, markets and a package for corn and cotton and a very favorable profit - there is a 75% subsidy on fertilizers and prices of output are above world levels. In addition there is active support from government and traditional leaders. The projects also have very capable and energetic management with all the accoutremont to do the job - vehicles, skills, radio communications, funds, etc; in addition management have considerable authority within "their" project areas - and so are not encumbered by delays due to bureaucratic procedures.

5. A factor facilitating the project is that it is built on the first hand experience of some Bank staff members. Several senior staff members were in the service of the previous (colonial) administration. They know the region, the ago-climatic environment and the potential there. There was also a legacy of pilot projects and crop testing programs, some of which were run by current staff members in the Bank. In other words there is an element of sunken investment that is yielding unexpected dividends.

6. There is no doubt whatever that the project is well received. Governors, emirs, chiefs and farmers all praised the projects - many felt that agriculture had been "neglected" before the projects were introduced, and the projects were indicative of changed attitudes by the government. Speakers from outside the project area came to meetings to request that the project benefits be extended to their people. Whatever complaints were heard related to details about tractor services, adequacy of supplies, timing of distribution of inputs etc. While each project varies somewhat in design, there does seem to be a moderate degree of producers participation in the projects at the local level. However, since the projects are in a quasi-feudal area, most signals are given by the traditional leaders and their cohorts. To expect otherwise - at this stage - would be somewhat unrealistic, so that while there is 'popular' support this is not necessarily the same as participation in management. (This may be a major problem in the long run).

7. There are some issues for concern. The first of these relates to the goals of the project. If the object is to increase yields, then this goal is not only attainable but appraisal estimates may well be exceeded (with the weather being a factor). However, it is conceivable that the short term object can be achieved without attaining longer term objectives partly because these have yet to be fully articulated. The projects could well "close down" after five years having achieved yield increases but, thereafter, there might be a minimal impact, without any sustained increase in output. This would arise if the projects are not 'institutionalized', are not part of a larger strategy and do not involve greater farmer participation. (It is not fanciful to assume that 'successful' projects can disappear without leaving a trace vide AID experience with servicios in Latin America).

8. I would suggest that the projects must be incorporated into a coherent strategy for the agricultural development of Northern Nigeria. They can be part of a broader based effort that would include functional programs as well as area programs. This would involve strengthening research, extension, credit, marketing and storage on a state wide basis. I would recommend a sector mission be organized with the purpose of articulating a strategy and the way in which existing projects can be part of the process of agricultural development. To this end such a mission might start by examining Bank experience in Malawi where such an approach is being followed. Once such a strategy has been evolved then it will be possible to "fit in" the other functional components. The sector mission should also pay special attention to a strategy in a situation where labor costs are rising rapidly and where there is a growing food deficit i.e. where there are plenty of alternative employment opportunities.

9. I would also like to comment on the following:

a) Managerial manpower. It must be accepted that there is an absolute shortage of trained Nigerians in the North. Management talent is scarce and so are agricultural skills - demand far outruns supply in a booming economy. Nothing is to be gained by shuffling people around; expatriates will be needed for the foreseeable future. The Bank should face up to this fact, and recognise that it has no option in the short run but to use expatriates. Arrangements should be made to ensure an adequate supply of managers through an aggressive recruiting program and the strengthening of APMU.

At the same time there has to be a greater "training" effort. Projects should incorporate fellowship opportunities; there should also be a program whereby the project is used to train all levels of personnel for future programs. This has yet to be done.

b) Institutional evolution. A fundamental problem is one of broadening the base of the projects so as to widen their coverage, and to "leave something behind". It is conceivable that the projects could have a considerable short term input without any lasting impact unless they are embedded in the government framework. I have said the best way this can be done is by shifting away from an area emphasis to a functional approach based on state level institutions, i.e. strengthen state services or set up semi-autonomous state agencies to operate certain services (e.g. State Development Corporation to handle distribution of inputs). Over time the state agencies could be grouped together as part of a national effort. This should be seen as part of a long term program for agricultural development.

c) The projects themselves should strive for a balanced approach to agricultural development. There is a special sector to deal with large farmers - there should be a sector to examine, advise on and implement schemes to help small farmers.

d) There must be some adjustments for cost recovery. This is a very delicate area and one which will involve a dialogue with the Federal Government. As it is the people living in the project areas are priviliged (and pay nothing for it); some very rich people are undoubtedly getting much richer. Cost recovery also involves paying for maintenance.

e) There is a danger that the project management - by virtue of its strength in a weak administrative set up - will become overloaded. It should resist the temptation to take on too many functions unless these are to help test approaches that fit into an overall strategy.

f) There is an urgent need for the development of new varieties of traditional crops. There must be a regional research effort to support the projects especially in relation to millets and other subsistence crops. This issue will become acute when the current knowledge has been disseminated.

Special mention should be made of the work of the monitoring and evaluation unit at one of the projects (Gombe). I believe it can serve as a model for others.

cc: Messrs. Baum
Van Gigch
Zuckerman

MYudelman:lkt

8

G 8

NIGERIA

RICE PROJECT

Loan 1103-UNI $17.5 million

Approved:	December 1974
Signed:	April 1975
Effective:	October 1976
Closing Date:	December 1980
Disbursement as of Sept. 30, 1977	$1.2 million
Status:	Problem Project

Project Description

Development of 8,900 ha of swamp rice, of which 1,850 ha would be irrigated for a second crop. Land is to be allocated in plots of 1.5 ha (rainfed) or 1.25 ha (irrigated). Direct beneficiaries will be about 6,000 farm families (40,000 family members).

Funds are included for:

- land clearing and development; construction of irrigation, diversion and distribution systems
- construction of rice mills, with associated parboiling and storage facilities
- rehabilitation of 186 km existing feeder roads; construction of 117 km new all-weather roads
- provision of credit, extension and seed-multiplication services
- programs of evaluation and training; feasibility studies for further development.

The project is being implemented as two entirely independent sub-projects, one in Anambra State and Imo State, the other in Cross River State.

Rice Sector Issues

Estimates of Nigerian rice production in recent years vary widely. The 1975 crop (paddy basis) was estimated at 368,000 metric tonnes by FAO, 600,000 tonnes by USDA. Urbanization and rising spending power have led to demand increasing beyond the capacity of local production. Imports are mostly of US long grain, parboiled rice.

Rice Imports	(Metric Tonnes)
1975	6,700
1976	45,300
Jan-May 1977	65,100 (U.S. exports only)

The combination of high domestic inflation and a pegged exchange rate currently threatens the financial viability of Nigeria's export and import-competing crops, including rice. Since appraisal, the cost of hired farm labor has risen by over 250%, while farmgate paddy prices have risen only 120%. Unless incentives are restored, project area farmers may well find traditional crops like cassava and yam more profitable than rice. The production problems of this project are typical of a more general pattern in Nigerian agriculture, characterized by high cost production unmatched by high productivity. Thus, with increases in labor, and land development costs in particular, the profitability to the farmer decreases. Government has endeavored to counteract this by heavy subsidization of farm inputs, but since over 80% of production costs are in the form of labor, subsidies have had little impact and no significant increases in output have occurred. Thus, Nigerian agricultural products are becoming less competitive on the world market, and the need for exchange rate adjustment arises. Likewise Nigerian products, particularly rice, are not competitive with imported products. The Government is in a dilemma, since it is anxious to keep domestic food prices from further escalation, particularly in the urban areas, and can do this by importing cheap rice but at the same time, it wants to encourage much greater production of home grown rice. The macro-economic implications of the Government's exchange rate policy and inflationary public expenditure policies (issues extending far beyond the rice sector) are the subject of continuing dialogue between the Bank and the Federal Government.

ANAMBRA-IMO SUBPROJECT

ANAMBRA-IMO RICE PROJECT
(formerly East Central Rice Project)

Targets (appraisal)	4,790 ha swamp rice 1,410 ha irrigated rice
Targets (revised)	No change
Costs (appraisal)	$21.5 million
Costs (revised)	$50.0 million

Key project personnel

R. N. Achike	Project Manager
K. O. Ikonte	Deputy Project Manager (responsible for Imo State development)
C. I. Okechukwu	Accountant
G. S. Schokman	Irrigation Engineer (born Sri Lanka, Australian citizen)

Project Implementation

Land Development. While land development is still behind appraisal targets, this essentially reflects the delayed start-up of the project. Little land development was accomplished before the rains of mid-1976. However, the 1976-77 season saw excellent progress on the land development front, and there are good prospects of making up some of the backlog during 1977-78. The most advanced site is at Uzo Uwani, where 80 ha of swamp rice and 220 ha of irrigated rice have been successfully established.

Land Development (hectares)		1977 (Cumulative)	
	Appraisal	Actual	%
Swamp	2,060	460	22
Irrigated	900	414	46

Yields. The appraisal projected rice yields on swamp land to be 1.0 ton/ha in the first year and rise to 2.5 tons/ha over a four-year period. These targets are being substantially bettered, and the latest supervision mission estimates average yields at between 2.0 and 3.0 tons/ha. This is in spite of the delay in recruiting a project agronomist, and the consequent weakness of the project team regarding fertilizer recommendations, disease control, etc.

Roads. A civil engineer has only recently been appointed, and has not yet taken up his post. As a result, no progress has yet been made on the road component.

Mills. The original milling engineer resigned for personal reasons; his replacement will take up his post shortly. Tender specifications for three mills were recently approved by the Project Coordinating Committee. Modern rice mills will represent a major financial commitment for the project (about $5.5 million at current prices). If efficiently operated and guaranteed an adequate throughput of paddy, they should reduce processing costs below those of small-scale 'bush mills'. But while uncertainty about price incentives for farmers remains there is understandable caution in making such a heavy investment. In any case, given that at lease 18 months will elapse between the invitation to tender and the mills becoming operational, the project faces the problem of making interim milling arrangements for the season's harvest. At present, the project has only one very small rehabilitation mill operational at Uzo Uwani.

Project Costs. Revised estimated project costs show a very substantial increase, and although the Anambra Imo Project is expected to remain viable, the 18% economic rate of return estimated at appraisal will not be achieved.

Other Project Issues

State Control. Since appraisal, the former East Central State was divided into two separate states, Anambra and Imo. The former state capital of Enugu is in Anambra, as is the project headquarters. Hence, while the project continues as a unified entity, the Imo state authorities have pressed for an early division of the project. With Bank assistance, a notional division of assets has been arrived at. It should be possible to preserve unity during the life of the present project, but any follow-up project will have to proceed on a state-by-state basis.

CROSS RIVER SUBPROJECT

CROSS RIVER RICE PROJECT
(formerly South Eastern Rice Project)

Targets (appraisal)	2,270 ha. swamp rice 440 ha irrigated rice
Targets (revised)	1,700 ha swamp 300 ha irrigated (unofficial - mission estimates)
Costs (appraisal)	$13.5 million
Costs (revised)	$25.1 million

Key project personnel

M. Uttah	Project Manager
F. E. Una	Accountant
G. G. Chowdhury	Irrigation Engineer (Bangladesh)
G. Raju	Deputy Irrigation Engineer (Sri Lanka)
Dr. H. Singh	Agronomist (India)
R. V. Mag-iba	Civil Engineer (Philippines)

Project Implementation

While the Anambra-Imo Project has not been without its difficulties it is the limited progress in Cross River State that led to the designation of the Rice Project as a Problem Project. This lack of progress has arisen through political, managerial, financial and technical limitations.

In retrospect, it is clear that at appraisal the difficulties of land clearing and development in the project area were underestimated. The main focus of the appraisal team was to ensure that water supplies would be adequate at the various sites for development. In the process they failed to take full account of the problems that topography and, more importantly, existing vegetation cover would pose at the land clearing and development stage. Some of the areas designated for the project are densely infested with oil palm or raffia palm. The appraisal assumed an average land clearing cost of ₦ 220/ha, but in the event even contracts offered at ₦ 1,000/ha have found virtually no takers due to the adverse physical conditions.

Inability to agree over compensation, valuation of "economic" trees for land acquisition for development prior to redistribution to farmers led to the abandonment of the scheduled sites at Nkari and Oniong-Ono, and disputes persist concerning other areas. Against Bank advice, project resources were spread thinly in an attempt to develop sites on both sides of the Cross River simultaneously. The political support given by the State has been hesitant, for example in the area of filling the chronic shortages of middle level manpower on the project. It must also be said that both general and technical management of the project have been well below the standards in Anambra and Imo States.

Land development (hectares)	1977 (Cumulative)	
	Appraisal	Actual
Swamp	1,300	75
Irrigated	260	

To summarize, the present position is that land development has been proceeding at an extremely slow pace, and at a cost that throws the viability of the project into question. What prospects of improvement exist? Firstly, recent changes in senior personnel within the State Ministry of Agriculture may lead to better relations between State and project leadership. Secondly, the project team has been strengthened on the technical side by the arrival this year of an assistant irrigation engineer and a civil engineer. The project staff are exploring technical possibilities for reducing land development costs, and attempting to locate new sites where vegetation clearance will prove more tractable. Development at Ubium, the most difficult of all sites, is to be limited to 110 hectares (appraisal 400 hectares). This will permit greater concentration of technical specialists and equipment on the mutually adjoining sites of Adim, Idomi and Assiga.

Close and frequent Bank supervision of the Cross River Project is considered crucial. The situation will be reviewed in November when project viability will be reassessed. However, unless a solution can be found to the high cost of land clearing and other problems, the economic rate of return is expected to fall even below the marginal 9% estimated at appraisal for the Cross River Project.

Why did we do this sub-project in the first place?


NIGERIA
NIGERIA RICE PROJECTS
LOCATION OF PROJECT AREAS
PROJECT AREAS
STATE BOUNDARIES
MAIN ROADS
SECONDARY ROADS
RAILROAD
INTERNATIONAL BDRY.
STATE CAPITALS
AFRICA
NIGERIA
EASTERN STATES
KWARA
BENUE — PLATEAU
ANAMBRA STATE
EAST — CENTRAL
IMO STATE
MID — WESTERN
SOUTH — EASTERN
CROSS RIVER STATE
RIVERS
CAMEROON
BIGHT OF BIAFRA
NSUKKA
Opi
Adani
UZOUWANI
IFITE
Igbakwu
Umunbo
Mamu
ENUGU H.Q.
UDI
OTUOCHA
ONITSHA
Abagana
AWKA
Adazi
OGBOJI
AWGU
ABAKALIKI
OBUBRA
AFIKPO
ASSIGA
IKOM
Akpakpa
OGOJA
Obudu
IHIALA
ORLU
OKIGWI
Ihube
Ugep
AJIABO (IDOMI)
ADIM
OGUTA
Awo-Omama
UBOMA-ETITI
Nsu
BENDE
OHAFIA
OWERRI
Egbu
UMUAHIA H.Q.
Old Umuahia
SITES ABANDONED
Mbawsi
IKOT EKPENE
ITU
Ibiaku
ABA
Nto Nsek
UYO
ABAK
CALABAR H.Q.
Ikot Ansa
Yenagoa
AHOADA
Ikwerre/Etche
Etinan
Oron
Oporoma
DEGEMA
Buguma
PORT HARCOURT
Okrika
Bori
OKUM
ODORO ATA ING (UBIUM)
EKET
OPOBO
Niger River
Orashi River
Sombreiro River
Imo River
Cross R.
Okpauku River
0 5 10 15 20 25 KILOMETERS
0 5 10 15 20 25 MILES
IBRD 10780
NOVEMBER 1973

9

NIGERIA

FUNTUA AGRICULTURAL DEVELOPMENT PROJECT

Loan 1092-UNI $19.0 million

Approved:	December 1974
Signed:	March 1975
Effective:	January 1976
Closing Date:	July 1982
Disbursement as of Sept. 30, 1977:	$14.3 million (95% of appraisal estimate)
Total Project Cost at Appraisal:	$57.6 million
Appraisal estimate of internal rate of return:	41%

Project Description

- On farm development on 86,000 family farms (450,000 people)
- Staffing and equipping an extension service
- Staff and farmer training
- Provision of farm inputs
- Seasonal and medium-terms loans for farm inputs
- Development of seed multiplication farms and registered seed growers
- Infrastructural development including administrative center, staff housing, training center, and farm service centers
- Marketing services
- Construction of 700 kms of all weather surfaced feeder roads
- Construction of 60 earth dams
- Establishment of a central Monitoring and Evaluation Unit to co-ordinate the field evaluation units of the five agricultural development projects (Funtua, Gusau, Gombe, Ayangba, and Lafia).

Project Area

The project is centered around Funtua in Kaduna State, covering an area of 7,500 sq. km, supporting a total population of 490,000 people. Pertinent data are as follows:-

Rural Population	: 450,000
Number of farm families	: 86,000
Average family size	: 5.3
Value of Gross Production per capita	: $240 (1976 prices)

Land Ownership

	Average holding (ha)	% of Total
Small farmers	3.5	90
Mixed (i.e. with work oxen)	11.7	7
Large	?	3

Project Progress

The project, operational since April 1975, is making excellent progress despite the rather difficult circumstances prevailing in Nigeria. Farmer response has been very enthusiastic. By the second season of the project, 29 per cent of project area farmers are estimated to use one or more of project supplied inputs and 16 per cent received some extension advice. Eighty one per cent of farmers receiving extension advice used project inputs. Fertilizer usage, a key input, is estimated to have increased from 1,000 tons/annum before the project to 16,500 tons/annum by the third year of the project (see Table of Key Indicators attached).

The infrastructural program has proceeded on schedule due to energetic senior management using local contractors. In a period of high internal inflation, no cost overruns over the five-year development period for the project as originally conceived are expected.

Senior management has been of the highest quality, being principally recruited internationally due to the dearth of senior Nigerians; the reluctance of the State to second their own staff who are in short supply; and the State's unwillingness to hire Nigerians from other States in the Federation. Lately a senior training officer has been added to the project staff to bolster in-house training efforts.

State support for the project has been considerable while the Federal Government's attitude has been one of apathy until recently when the project has begun to receive considerable attention both inside and from outside the country. However, both State and Federal financing has been haphazard and deficient and continues to put the success of the project at risk.

Other areas of the State are pressing for an extension of the geographic coverage of the project and the State Government is anxious to meet this request. The technical, organizational, manpower and financial implications are being considered in the course of the preparation of a second stage project which will be submitted to the Bank for financing.

Central Monitoring and Evaluation Unit

This unit has been established as a department of the Federal Department of Rural Development and functions as the Federal Government's link to the State Development Projects. The unit provides operational support to the projects in general communications, agronomy, training, planning, and economic monitoring and evaluation. Under the overall guidance of the unit the projects undertake field trials, manpower development and socio-economic studies. These studies have included a listing exercise of villages and hamlets; a base line survey of 6% of the population to establish basic cropping patterns, family composition, land holdings and an inventory of farm input use and rural infrastructure; and a detailed farm management study to measure production, expenditure and incomes of 0.6% of the population. Ad-hoc studies as an immediate aid to project management have been undertaken on the potential demand for fertilizer, traffic counts, market price information, impact of new feeder roads, group farming, water resources and consumption, farmers' and extension agents' agricultural knowledge, and a survey of the use of credit.

NIGERIA

FUNTUA AGRICULTURAL DEVELOPMENT PROJECT

Key Indicators

		1975/76 Cropping Season		1976/77 Cropping Season		1977/78 2/ Cropping Season	
	Unit	No. Units	1/ %	No. Units	1/ %	No. Units	1/ %
Estimated Farmers Participation	%			29%	181		
Service centers	No.	15	–	41	117	72	94
Cropped Area							
Improved Cotton	ha	500	70	29,000			
Improved Maize	ha	–	–	4,700	-65		
Improved Sorghum	ha	–	–	27,500	+205		
Improved Groundnuts	ha	–	–	21,000	+367		
Improved Cowpeas	ha	–	–	–	–		
Yields - Average 3/							
Cotton	kg/ha	880	–	320	94		
Maize	kg/ha	1,650	–	460	46		
Sorghum	kg/ha	1,400	–	630	77		
Groundnuts	kg/ha	90	–	400	73		
Cowpeas	kg/ha	–	–	60	13		
Credit Recovery							
Seasonal	₦	96,000	97 recovered	345,000 4/	95 recovered		
Inputs							
Fertilizers	tons	1,470	182	8,500	189	16,500	159
Insecticides	liters	–	–	33,460	18	200,000	47
Sprayers 5/	No.	250	6	984	11	6,000	20
Ox plows 5/	No.	–	–	1,000	100	1,000	50
Tractor Units 5/	No.	–	–	21	210		
Infrastructure							
Roads surfaced 5/ 6/	km	–	–	28	47	117	50
Dams constructed 5/	No.	–	–	2	40	16	62
Project Staffing							
Project Adm. & Accounts	man-years	–	–	56	75		
Technical Dept.	man-years	–	–	292	138		
Engineering Dept.	man-years	–	–	64	164		
Commercial Services	man-years	–	–	168	110		
Seeds Farms	man-years	–	–	31			
Evaluation Dept.	man-years	–	–	74	92		

1/ As a percentage of appraisal estimate.
Current estimates or actuals.

3/ Seed farm yields for 75/76: no estimates of farmers' yields were made. 1976/77 figures from evaluation units' studies.

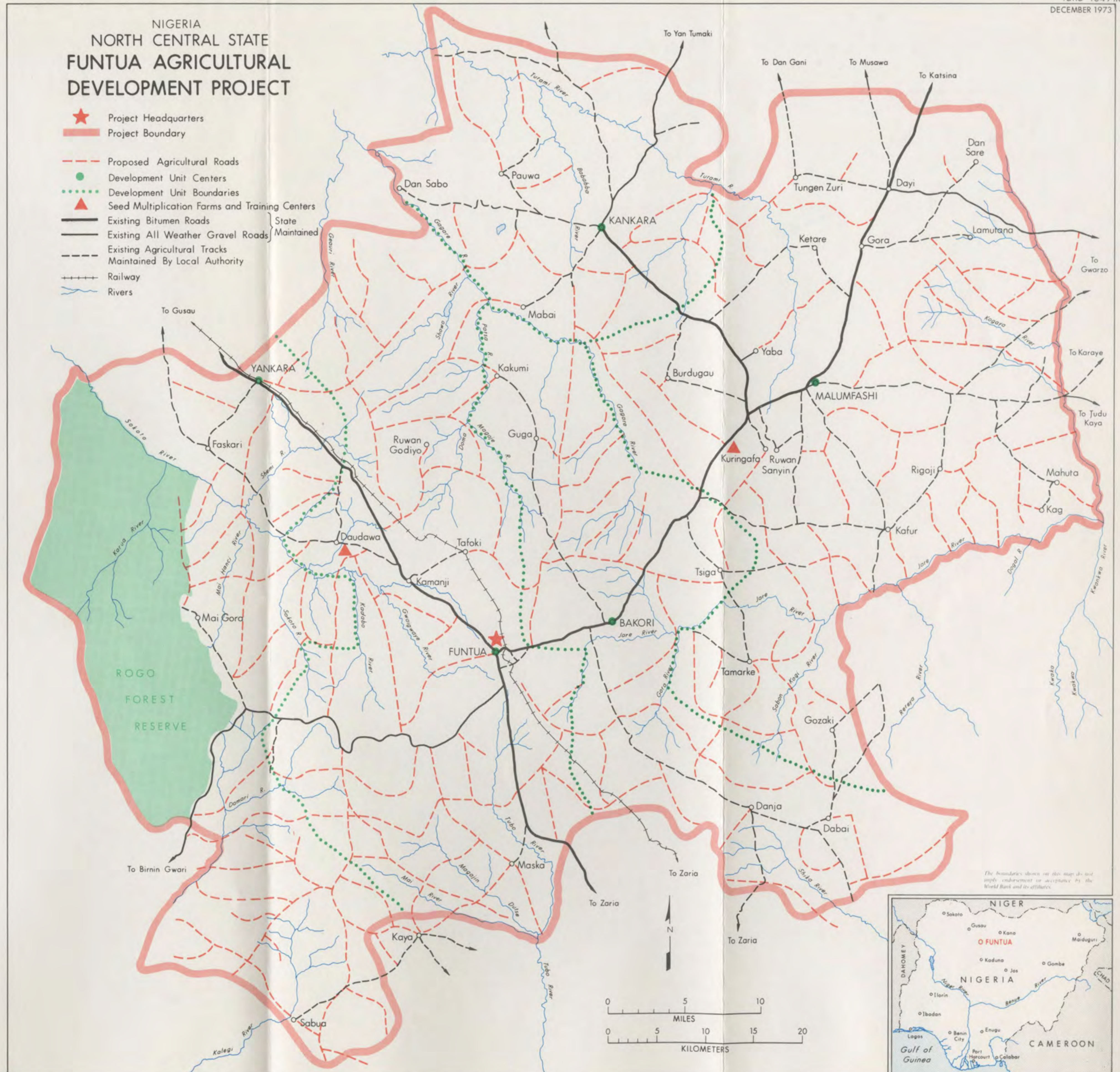
4/ Not strictly comparable as fertilizer prices have been reduced in 1976/77 season.

5/ Cumulative

6/ Basis 2 km unsurfaced = 1 km surfaced.

June 1977

IBRD 10491R
DECEMBER 1973



10

NIGERIA

GOMBE AGRICULTURAL DEVELOPMENT PROJECT

Loan 1164-UNI $21.0 million

Approved:	December 1974
Signed:	September 1975
Effective:	December 1976
Closing Date:	July 1982
Disbursement as of Sept. 30, 1977:	$6.9 million (63% of appraisal estimate)
Total Project Cost at Appraisal:	$42.1 million
Appraisal estimate of internal rate of return:	17%

Project Description

- On farm development on 58,000 family farms (310,000 people)
- Staffing and equipping an extension service
- Staff and farmer training
- Provision of farm inputs
- Seasonal and medium-terms loans for farm inputs
- Development of seed multiplication farms and registered seed growers
- Infrastructural development including administrative center, staff housing, training center, and farm service centers
- Marketing services
- Construction of 700 kms of all weather surfaced feeder roads
- Construction of 60 earth dams
- Establishment of a project evaluation unit.

Project Area

The project is centered around Gombe in Bauchi State, covering an area of 6,450 sq. km. supporting a total population of 380,000 people. Pertinent data are as follows:-

Total Population	:	380,000
Rural Population	:	310,000
Number of farm families	:	57,700
Average family size	:	5.4
Average number of children per family	:	2.6

Project Progress

The project, operational since September 1975, is making good progress despite the rather difficult circumstances prevailing in Nigeria. Farmer response has been very favorable. Fertilizer usage, a key input, is expected to increase from 500 tons/annum before the project to 7,000 tons/annum by the second year of the project (see Table of Key Indicators attached). Further improvement can be expected as the project develops an area in which surveys show that over 90% of farmers have never before received extension advice.

The project has been instrumental in controlling the irregularities of the local cotton markets which has met an enthusiastic response from project area farmers. The feeder road program is also very well received opening up communications in the project area significantly. The infrastructural program, as a whole, has proceeded on schedule due to energetic project management using local contractors. In a period of high internal inflation, and despite delays in project start-up due to staffing problems, total costs of the project as originally conceived, are not expected to be more than 12 per cent higher than appraisal estimates.

Senior management has been of the highest quality, being principally recruited internationally due to the dearth of senior Nigerians; the reluctance of Bauchi State to second their own staff who are in critically short supply and the State's unwillingness to hire Nigerians from other States in the Federation. Staff shortages at all levels are critical and hampering project activities. (Eighty per cent of the extension staff have not graduated from Grade 10 level schooling). A Senior training officer is being added to project staff to bolster in-house training activities and assist at the State level.

The State's and the Federal Government's attitude to the project has been one of apathy until recently when the project has begun to receive considerable attention both inside and from outside the country. The State are now asking that the geographical coverage of the project be extended.

NIGERIA

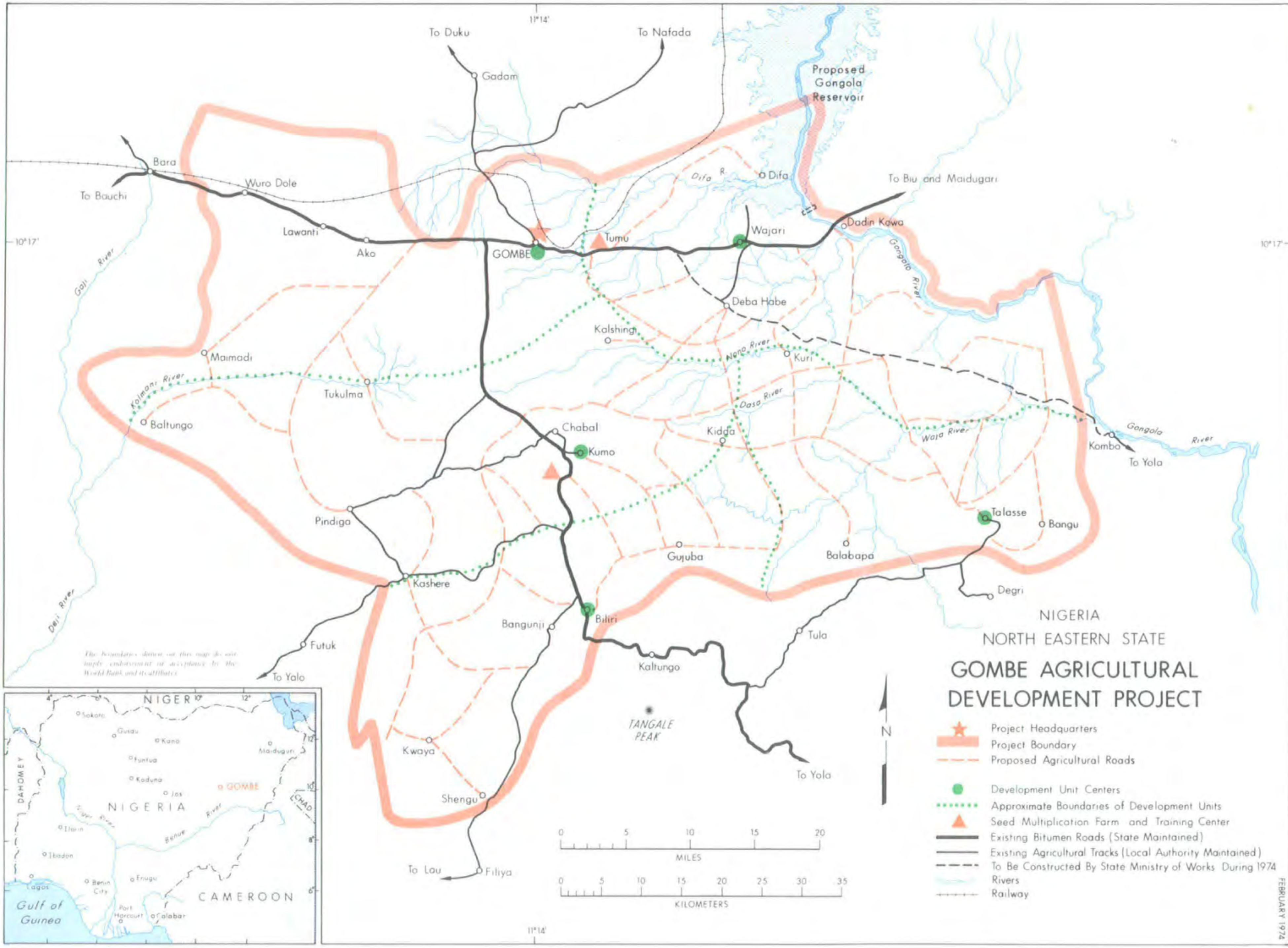
GOMBE AGRICULTURAL DEVELOPMENT PROJECT

Key Indicators

	Unit	1976/77 2/ Cropping Season No. Units	% 1/	1977/78 Cropping Season No. Units	% 1/
Project Farmers	number	2,500	125	-	-
Service Centers	number	15	-	-	-
Village Planning Committees	number	50	-	-	-
Cropped Area					
Improved Cotton	ha	-	-	-	-
Improved Maize	ha	-	-	-	-
Improved Sorghum	ha	-	-	-	-
Improved Groundnuts	ha	-	-	-	-
Improved Cowpeas	ha	-	-	-	-
Yields - Average					
Cotton	kg/ha	310	96	-	-
Maize	kg/ha	590	74	--	-
Sorghum	kg/ha	460	66	-	-
Groundnut	kg/ha	270	52	-	-
Cowpea	kg/ha	180	80	-	-
Credit Recovery					
Seasonal	₦	190,000	90% recovered	-	-
Medium/long-term					
Inputs					
Fertilizers	tons	3,100	970	7,000	370
Insecticides	liters	4,038	14	100,000	180
Sprayers 3/	No.	190	12	1,200	34
Ox Carts	No.	-	-	2,300	383
Ox Plows 3/	No.	818	800		
Tractor Units	No.	-	-	-	-
Infrastructure					
Roads Constructed (Surfaced) 3/	km.	-	-	110	60
Dams Constructed 3/	No.	2	40	4	16
Soil Conservation	km^2 covered	-	-	-	-
Project Staffing					
Project Administration	man years	47	44	73	72
Technical Dept.	man years	141	109	169	49
Credit & Marketing Dept.	man years	42	56	55	31

1/ As a percentage of appraisal estimate.
2/ Current estimation.
3/ Cumulative.

June 1977



IBRD 10489R
FEBRUARY 1974

11

NIGERIA

ONDO, OYO, OGUN AND BENDEL STATES COCOA PROJECT

Loan 1045-UNI $20 million

Approved:	June 1974
Signed:	October 1974
Effective:	October 1975
Closing Date:	September 1981
Disbursements:	nil

Project Description

1. Second phase of an integrated cocoa development project following the successful replanting of 17,000 hectares of cocoa under Loan 764-UNI (closing date March 31st, 1977). The project, following the division of the former Western State, is now being implemented in four States and comprises of:

- replanting 28,800 hectares of high yielding cocoa varieties, (24,800 ha in the former Western State and 4,000 ha in Bendel State);

- training staff and farmers in new production methods;

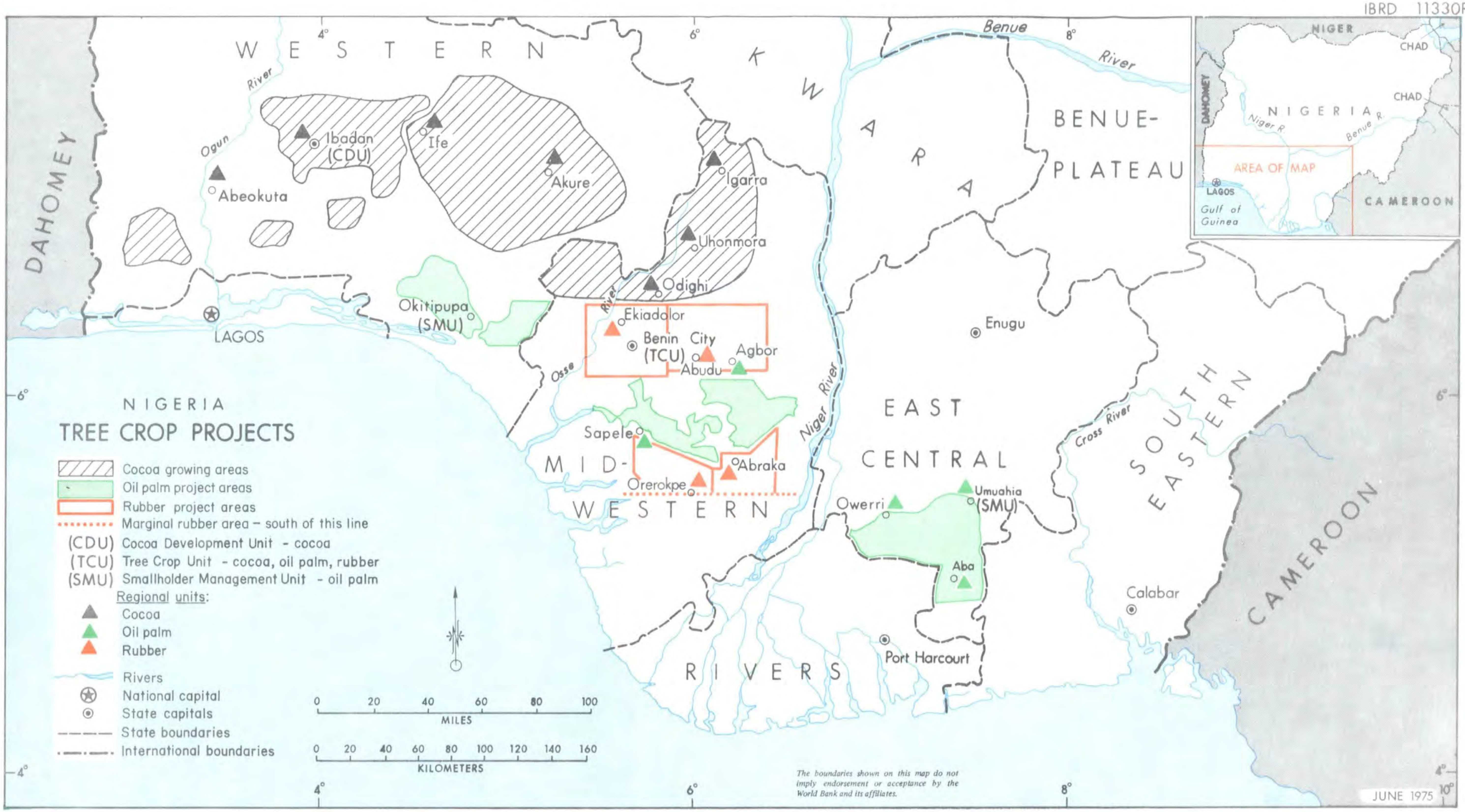
- rehabilitating 96 ha of cocoa seed gardens; and

- rehabilitating 1,000 km of secondary and farm access roads in the former Western State, and constructing 100 km of secondary roads in Bendel State.

Project Progress

2. The project planting targets set for the areas under the former Western State was in 1976 exceeded by 3,600 ha, bringing the total project planted area to 28,400 ha (45,800 ha if phase I area is included). In Bendel State progress has been less satisfactory and only 760 ha has been planted compared to the 1,680 ha appraisal target.

3. The division of the former Western State into three new States (Oyo, Ondo and Ogun) had led to organizational, managerial, and administrative problems which have affected loan disbursements. The former single Cocoa Development Unit (CDU) responsible for implementing the project in the former Western State had to be divided into three, and considerable delay was experienced in establishing the new CDUs, the division of assets, and the related appointment of coordinating committees, Tender Boards, and senior and junior staff.


IBRD 11330R
NIGERIA
TREE CROP PROJECTS
Cocoa growing areas
Oil palm project areas
Rubber project areas
Marginal rubber area – south of this line
(CDU) Cocoa Development Unit - cocoa
(TCU) Tree Crop Unit - cocoa, oil palm, rubber
(SMU) Smallholder Management Unit - oil palm
Regional units:
Cocoa
Oil palm
Rubber
Rivers
National capital
State capitals
State boundaries
International boundaries
MILES
KILOMETERS
WESTERN
KWARA
BENUE-PLATEAU
EAST CENTRAL
SOUTH EASTERN
MID-WESTERN
RIVERS
DAHOMEY
CAMEROON
Ibadan (CDU)
Ife
Akure
Abeokuta
Igarra
Uhonmora
Odighi
Okitipupa (SMU)
LAGOS
Ekiadolor
Benin City (TCU)
Agbor
Abudu
Sapele
Abraka
Orerokpe
Enugu
Owerri
Umuahia (SMU)
Aba
Calabar
Port Harcourt
Ogun River
Osse River
Niger River
Benue River
Cross River
NIGER
CHAD
NIGERIA
Niger R.
Benue R.
AREA OF MAP
LAGOS
Gulf of Guinea
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.
JUNE 1975

12

NIGERIA

BENDEL STATE OIL PALM PROJECT

Loan 1183-UNI $29.5 million

Approved:	June 1975
Signed:	December 1975
Effective:	October 14, 1977
Closing Date:	December 1984
Disbursement as of Sept. 30, 1977:	nil

Project Description

First phase of an integrated oil palm development project consisting of:

- planting 8,000 ha of smallholder oil palms;
- operation of a smallholder grant/credit scheme;
- improving 300 km of earth roads;
- staff and smallholder training;
- planting/replanting of 8,000 ha oil palm nucleus estate;
- construction and operation of 2 palm oil mills;
- establishing a fruit collection system;
- establishing a Federal Tree Crop Monitoring and Evaluation Unit;
- smallscale processing studies.

Project Progress

This is a problem project, in contrast to the Imo and Ondo State oil palm projects approved at the same time. Effectiveness took nearly two years due to land acquisition difficulties and delays in signing subsidiary loan agreements. Total oil palm estate planting targets to date have been achieved, although not in accordance with the original project design. Smallholder progress has been negligible, oil palm plantings totalled 750 ha in the first two years compared with 2,000 ha estimated at appraisal. There have been managerial, staffing and funding problems affecting both the estate and smallholder component. The management weaknesses have been componnded by the reluctance of the State Government Permanent Secretary of Agriculture to delegate to the project Tree Crop Unit (TCU), which has had little autonomy, and problems in recruiting a Director for the Federal Tree Crop Monitoring and Evaluation Unit.

During the last problem project review (April 1977), Mr. Knapp seriously questioned whether the Bank should continue to be associated with the project. Consequently Government was informed of the Bank's concern over project implementation; that the project would be reviewed after three months; and that if no significant progress had been made, the Bank would seriously consider whether further participation in the project was warranted. Lagos office staff visited the project three times in August/September 1977 and reported that although major problems remain (e.g. important staff appointment unfilled and poor technical standards) there has been a modest improvement, particularly in the completion of conditions of effectiveness. More importantly, a new Permanent Secretary of Agriculture has been appointed, which should increase State interest in the project and the chances of Government action to resolve outstanding issues and problems.

Because of these developments the project has been made effective. Revised estimated project costs, reflecting the slower than expected implementation, are expected to show a substantial increase, and although the project is expected to remain viable the 18% economic rate of return estimated at appraisal will not be achieved. Assuming the project implementation improves, the Bank would make an in-depth review of the project and the Monitoring and Evaluation Unit in early 1978 to assist and redirect the program if required.

13

NIGERIA

ONDO STATE OIL PALM PROJECT

Loan 1192-UNI $17.0 million

Approved:	June 1975
Signed:	September 1976
Effective:	not yet but expected
Closing Date:	December 1984
Disbursements:	nil

Project Description

1. First phase of an integrated oil palm development project consisting of:

- planting 4,000 ha of smallholder oil palm;
- planting 6,000 ha of estate oil palm;
- operation of a smallholder grant/credit scheme;
- training of staff and smallholders;
- improvement of 184 km earth roads;
- construction and operation of two oil palm mills; and
- establishing a fruit collection system.

Project Progress

2. The project got off to a slow start, but is now proceeding more satisfactorily. The planting programs have been revised and targeted planting areas are expected to be reached in 1980.

3. The project is not yet effective; terminal date has been extended to January 31, 1978. The outstanding conditions of effectiveness are:

(a) execution of subsidiary loan agreements, and submission of State and Federal legal opinions; and

(b) acquisition under a long term lease of suitable land required by the oil palm company for its planting program.

14

NIGERIA

IMO STATE OIL PALM PROJECT

Loan 1191-UNI $19.0 million

Approved:	June 1975
Signed:	February 1976
Effective:	April 1977
Closing date:	December 1984
Disbursement as of Sept. 30, 1977:	$0.4 million

Project Description

1. First phase of an integrated oil palm development project consisting of:

- planting 16,000 ha of smallholder oil palm holdings;
- operation of a smallholder grant/credit scheme;
- training of staff and smallholders;
- construction and improvement of 571 km earth roads;
- construction and operation of two oil palm mills; and
- establishing a fruit collection system.

Project Progress

2. Due to initial delays in project implementation the planting program has been revised. However, the project is adequately staffed and has the technical and managerial resources to achieve the full planting target by 1980, providing financial and administrative support is forthcoming from the State.

15

NIGERIA

LIVESTOCK PROJECT

Loan 1091-UNI $21.0 million

Approved:	December 1974
Signed:	March 1975
Effective:	July 1976
Closing Date:	July 1981
Disbursement as of Sept. 30, 1977:	$2.0 million (plus $0.8 million being processed)

Project Description

- establishing a Livestock Project Unit (LPU) in the Federal Ministry of Agriculture;
- establishing or improving seven breeding ranches;
- improving two fattening ranches;
- providing credit and technical support to 50 commercial farmers and settled Fulani to establish breeding/fattening ranches;
- providing credit and technical assistance under a pilot scheme for up to 1,500 smallholders to take up beef cattle fattening;
- establish 1,600 sq mi of grazing reserves, and improving the existing 300,000 ac Kukar Jangarai Reserve in North Central (NC) State;
- carrying out pasture improvement research; establishing a pilot pasture seed production scheme; and providing training facilities for government officials, farmers and herdsmen in practical cattle and pasture management;
- establishing a pool of heavy equipment for project land development, and road and dam construction activities; and
- employing consultants to evaluate the project on a regular basis, to conduct appropriate studies, and to prepare further stages of the national beef cattle program.

Project Progress

This is a problem project. Effectiveness took more than a year due to delays in appointing staff, signing subsidiary loan agreements and establishing LPU. Physical development has been disappointingly slow due to:

- institutional problems of establishing a Federal Project involving 8 states;

- difficulties in obtaining satisfactory working relationships between LPU and the entities involved in project implementation including Nigerian Agricultural Bank, National Livestock and Meat Authority, National Livestock Production Company and the Livestock Project Management Committee;

- delays in handing over to LPU research and training facilities;

- weak management, compounded by the employment of 7 expatriate new to African conditions, which gave rise to serious personnel problems.

Government has expressed dissatisfaction with project progress and in the last year, in agreement with the Bank, action has been taken by relocating several project staff to proposed development areas, phasing the withdrawal of the project manager and agreeing target dates for project development.

In July 1977 Government requested an in-depth review of the project and a Bank mission, now in the field, is expected to complete report-writing by mid-November 1977. The terms of reference of the review mission require them to confirm that: either the project can be restructured institutionally and managerially within the general framework of the negotiated loan; or, that full reappraisal of the project would be required.

The review mission has just completed its field review and its preliminary report is attached as Annex I.

NIGERIA

LIVESTOCK DEVELOPMENT PROJECT

LOAN 1091-UNI

Amount of Loan	:	US$21.0 million
Date of Loan Agreement	:	March 20, 1975
Closing Date	:	July 1, 1981

Disbursements as of September 16, 1977

Actual (A)	:	US$2.02 million - A/E - 20%
Latest Revised Estimate	:	Cost updating not yet carried out
Appraisal Estimate (E)	:	US$7.6 million

Supervision Mission

Latest	:	Full supervision - April 1977 Review mission - September/October 1977
Next	:	Full supervision - May 1978

The Project

1. The loan will: promote beef cattle production in Nigeria by providing credit and technical services for seven State Government breeding ranches and two fattening ranches, 50 private breeding/fattening ranches and fattening by 1,500 smallholders; to establish and improve about 5,200 square kilometers of grazing reserves; develop a program of applied research, training and pasture seed production; provision of overseas training program, and consultancy services for livestock studies and utilization of tsetse free areas.

The Problem

2. The project has made slow progress to date, only becoming operational with the arrival of the Project Manager in August 1975. Loan effectiveness did not occur until July 1976 after many delays, not untypical of other Nigerian experiences. There has been little progress in physical development of the production components of the project, due to: an ineffective

management committee; inadequate links between Federal Livestock Department (FLD) and Livestock Production Unit (LPU); an uncoordinated and inefficient LPU organization and management; no cooperation by National Livestock Meat Authority (NLMA) nor its subsidiary National Livestock Production Company (NLPC) and; an inexperienced and therefore ineffective Nigerian Agricultural Bank (NAB). In addition, budgetting procedures by LPU, FLD and FMARD have been inadequate with the result that local currency availability for project administrative and central support services is critically short. Looking ahead, the effects of inflation on project costs will require reduction in or elimination of some project components. Also, the creation of new States has had a disruptive effect on project progress.

3. Progress has been made in preparing some components notably: plans for 5 grazing reserves have been finalised; Western Livestock Company, Bornu Livestock Company and Bauchi Livestock Company have been formed, development plans prepared and, subject to NAB loan approval, are ready for development to commence and; the procedures for lending to smallholder fatteners have been agreed between NAB and LPU and implementation awaits only the availability of NAB finance.

<u>Actions and Recommendations</u>

4. A Bank Review Mission (Sept/Oct 1977) obtained approval in principle from the Permanent Secretary FMARD and from FLD to its recommendations. These are:

a) <u>Organization</u> The organization of LPU will be simplified to permit greater autonomy to the Project Manager in the execution of the project. The LPMC will cease to exist and in its place will be substituted a small committee within FLD which will only deliberate on such policy matters as the project budget, employment of senior staff and ICB tender awards. The Project Manager through the LPU will be responsible for coordinating and approving project components with State Governments. To this end, LPU activities will be fully decentralized with the formation of five separate State units.

b) Project Scope The production components of grazing reserves, smallholder fatteners, private farmers and state farms remain as appraised with only a modest reduction in the grazing reserve component. This is made financially possible by excluding the NLPC operations at Mokwa and Manchok, limiting research expenditure to very modest operations at state level, and further investigating an effective training component at state level. LPU is made more operationally effective through a decentralization of its activities on a state basis.

c) Institutional The role of NAB is of critical importance since it is responsible for channelling 80% of funds for the production component. NAB must adopt a much more active role if the project is to succeed - particularly in the provision of finance, and the prompt processing of loan applications.

d) Finance A financial controller would be appointed; adequate immediate and long term finance is required to meet loan agreement commitments.

5. Project Management Provision for nine expatriate technicians was made in the appraisal report. Three posts will be abolished; one post (Financial Controller) will be created. Where expatriate Ranch Technical Officers' posts become vacant they will be filled by expatriates unless suitable local staff are available. A replacement Project Manager is required in mid 1978. If a suitable Nigerian can be found he will be supported by a 'visiting agent' consultancy service; if not, an expatriate Project Manager will be recruited. A phased plan of disengagement from expatriates to local staff will be operated in all cases and progress will be reviewed periodically.

6. Issues The Review Mission will complete its report by November 15. Early action is required and can be expected in view of agreement in principle to its recommendations having been reached in mid October. Issues of special importance are:

a) Provision of immediate and long term funds
b) NABs role in the project
c) Staff appointments

October 18, 1977

16

NIGERIA

AYANGBA AGRICULTURAL DEVELOPMENT PROJECT

Loan 1455-UNI US$35 million

Approved:	June 9, 1977
Signed:	June 28, 1977
Effective:	Not yet
Total cost of project at appraisal:	US$114.0 million
Appraisal estimate of internal rate of return:	27%

Project Description

- On farm agricultural development on 150,000 family farms (800,000 people)
- Staffing and equipping an extension service
- Staff and farmer training
- Provision of farm inputs
- Seasonal and medium-terms loans for farm inputs
- Development of seed multiplication farms and registered seed growers
- Infrastructural development including administrative center, staff housing, training center, and farm service centers
- Marketing services
- Components for development of livestock, forestry and fisheries resources
- Upgrading of 300 kms of all weather surfaced feeder roads
- Construction of 180 wells
- Establishment of a project evaluation unit.

Project Area

The project is centered around Ayangba in Benue State, covering an area of 13,150 sq. km. supporting a total population of one million people. Farming population is estimated at 800,000 (150,000 families). Average farm income estimated $380 at appraisal.

Project Progress

The project is expected to become effective in January 1978. Recruitment of senior project staff is proceeding according to plan, and the project manager, Mr. Fleming (ex-Funtua project) will take up his post in November this year.

17

NIGERIA

LAFIA AGRICULTURAL DEVELOPMENT PROJECT

Loan 1454-UNI $27 million

Approved:	June 9, 1977
Signed:	June 28, 1977
Effective:	Not yet
Total cost of project at appraisal:	$85.0 million
Appraisal estimate of internal rate of return	23%

Project Description

- On farm agricultural development on 60,000 family farms (400,000 people)
- Staffing and equipping an extension service
- Staff and farmer training
- Provision of farm inputs
- Seasonal and medium-terms loans for farm inputs
- Development of seed multiplication farms and registered seed growers
- Infrastructural development including administrative center, staff housing, training center, and farm service centers
- Marketing services
- Components for development of livestock, forestry and fisheries resources
- Upgrading of 600 kms of all weather surfaced feeder roads
- Construction of 400 wells
- Establishment of a project evaluation unit.

Project Area

The project is centered around Lafia in Plateau State, covering an area of 9,400 sq. km. supporting a total population of 500,000 people. Farming population is estimated at 400,000 (60,000 families). Average farm income estimated $580 at appraisal.

Project Progress

The project is expected to become effective in January 1978. Recruitment of senior project staff is proceeding to plan, and the project manager, Mr. Tench (ex-Gusau project) will take up his post in November this year.

18

NIGERIA

SECOND LAGOS PORTS PROJECT
(Apapa Extension)

Loan 922-UNI $55 million

Approved:	July 3, 1973
Signed:	August 1, 1973
Effective:	October 30, 1973
Closing date:	December 31, 1979
Disbursements to September 30, 1977:	$29.7 million
Borrower:	Nigerian Ports Authority (NPA) An autonomous government agency in charge of all Nigerian ports.

Introduction

1. Nigeria has four port complexes for general cargo: Lagos, the Delta ports (Koko, Burutu, Warri and Sapele), Port Harcourt and Calabar. The Bank has made two major loans for Nigeria Port development, both of them associated with the Apapa Wharf in Lagos. Both loans were made to the Nigeria Port Authority (NPA). The first involved the construction of 770 meters of quay wall at the Apapa Wharf and the procurement of some ancillary equipment. The loan was made in 1962 and the project was completed in 1966. A second loan for a further 1,000 meters of quay was made in July 1973 and is still ongoing. The project was estimated to cost $84 million and the Bank loan was for $55 million. The Bank rehabilitation loan of $25 million made to Nigeria in June 1970 to assist the country in recovering from the civil war included a small port component of $1.4 million which was used for refitting a buoy tender (Bodé Thomas) and purchasing some cargo handling equipment.

The Ongoing Project

2. (a) Project Content. The project comprises expansion of berth face by 1,000 meters with associated dredging to provide a channel and turning basin and deepening of the port entrance channel; construction of transit sheds, roadways, etc; procurement of container and cargo handling equipment; and technical assistance for improving management and operations. The Government and NPA unilaterally decided in 1975 to extend the new berthage by an additional 500 meters with a total provision of six berths because of growing congestion. Due to this and appreciable inflation, the estimated total project cost has increased to $200 million. The increase in costs is being financed by the Nigerian Government.

(b) Project Execution.

(i) Civil Works. After considerable delay the civil works contract was awarded in 1975 to Julius Berger Bauboag and work commenced in April of that year. In spite of slow progress at the beginning of the construction due to changes in the berth structure design, the works are now expected to be completed in the third quarter of 1978, some months ahead of schedule. The contractor's overall performance is good but our arrangements with NPA for work supervision did not work out well. It was intended that NPA would provide a supervision team headed by a Chief Resident Engineer. However, NPA found great difficulty in recruiting an experienced expatriate to fill the Chief Engineer's post and the rest of the team was not well staffed. The consultant's site representative played a minimal role and as a consequence various problems have arisen with the contractors. Both we and NPA have learned that greater reliance should be placed on consultants in such circumstances for any future work that may be handled. NPA has been slow in producing quarterly reports on the work in progress and we are only now receiving reasonably adequate reports.

(ii) Equipment Procurement. The bulk of the equipment consisted of quayside container handling cranes and container gantry cranes. This procurement is proceeding under the auspices of the U.K. Crown Agents.

(iii) Technical Assistance. Under the loan Price Waterhouse Associates were hired to establish computerized accounts and data processing as well as costing procedures and asset revaluation. Some technical and staffing difficulties have been experienced in this respect but are now being overcome. Proper port costing is being introduced gradually. The effect of asset revaluation on the current April 1975 price base has been to triple the net value of assets as previously recorded and this has had a corresponding impact on the annual depreciation charge, involving a further increase in the financial burden on NPA.

NPA's Operating Results and Forecasts

3. (a) Traffic. The impact of Nigeria's massive increase in oil revenues on national development plans and the consequent huge increase in imports was not foreseen during appraisal of the project in early 1973. Our forecast was essentially accurate for 1975/76 (4.5 million tons through Lagos and 6.5 million tons in all ports) but estimates were substantially exceeded in 1976/77 when Lagos handled 1.5 million tons over the forecast of 4.9 million tons and all Nigerian Ports handled about 2.0 million tons over the forecast 6.9 million tons. The resulting port congestion has been well

publicized and NPA has made heavy investments in short-term lighterage facilities and mechanical cargo handling equipment in an effort to cope with this congestion, largely at Lagos.

(b) Operations. NPA has made vigorous efforts to clear the congestion and its success can be measured by the fact that the massive backlog of 455 vessels waiting for berths in August 1975 has been reduced to less than 100 this year. Berth occupancy at Lagos is excessively high, running at about 97% at Lagos in 1976/77. Under the pressure of this traffic, however, labor productivity has improved, particularly at Lagos, and NPA has fulfilled its obligations under the Bank loan in this regard.

(c) Accounting, Auditing, Finance and Tariffs. Due to the difficulties in establishing new computer accounting procedures referred to in paragraph 2(b)(iii) above, NPA's accounts are far in arrears. We are still awaiting the audited accounts for 1974/75. However, it is clear that NPA's financial situation has deteriorated sharply in recent years due principally to:

(i) substantial increases in staff costs resulting from Government salary awards; and

(ii) Government failure to approve NPA's proposal to increase tariffs.

Government approval for the tariff increases has recently been received and the revised tariff was to be in force from October 1, 1977. However, NPA has yet to clarify what additional revenue this would yield, whether this would suffice to meet its greatly increased financial burdens -- particularly the debt charges for the massive new works underway (including the project), and whether the Government will compensate NPA for the huge past deficits incurred.

4. The net deficit for 1973/74 was N1.3 million ($2.0 million) rising to an estimate of N14.5 million ($22.0 million) in 1975/76. Current estimates for 1976/77 and 1977/78 indicate deficits of N8 - N9 million ($12 - $14 million). We have urged NPA to settle the outstanding financial issues with the Government so that a reasonable estimate of the 1978/79 returns can be agreed with the Bank and future prospects determined.

Relations With The Borrower

5. Much of the significance and leverage of the project was lost when Nigeria unilaterally enlarged the scope of the project itself and embarked on a massive investment program encompassing virtually all Nigerian ports and costing approximately $1.2 billion (including the $200 million Apapa Wharf project).

6. We have retained good working relationships with NPA but at the cost of overlooking the fact that the important loan covenants have been broken or disregarded. This particularly applies to those relating to consultations on future port development, and those specifying financial results (rates of return,

working ratios and debt coverage). This approach was deliberately adopted by the Bank when it became apparent that the alternative was suspension or cancellation of the loan (the latter was suggested by NPA at one point) and lack of any effective contact whatever. As it is, our relationship has permitted us to continue our supervision and to have some positive input into Bank objectives.

Development Underway

7. The principal projects expected to be completed by the end of 1978 are the Lagos "Instant Harbor" at Tin Can Island ($370 million) comprising 10 berths, two lighterage terminals totalling 2,700 meters at Lagos ($94 million) and one of 1,140 meters at Port Harcourt ($31 million). Assuming a normal throughput of 150,000 tons/year for a vessel berth and of 500 tons/meter/year for a lighterage berth, NPA's total annual general cargo handling capacity will increase to about 7.8 million tons (including 5.7 million tons at Lagos). This falls appreciably short of NPA's rough estimate of corresponding traffic of 9.5 - 10.0 million tons.

Prospective Development

8. The Government has been led by the recent port problems and the anticipated increase in berth requirements to contemplate further considerable expansion of capacity. Two main schemes envisaged are a 30 berth new port (Ocean Terminal) at Lagos with an initial phase of 6 berths ($200 million), and construction of 6 berths ($150 million) at Port Harcourt. If these materialize by the end of 1981, together with other ongoing works ($440 million) at Calabar, Warri and Koko, the general cargo handling capacity will increase by then to 12 million tons as against NPA's rough estimate of 15 million tons for 1980/81. Even if the traffic rises only to 12 million tons, the intended first phase projects at Lagos and Port Harcourt would probably be economically justified. Their foreign exchange component is estimated at $200 million.

9. We understand that the NPA would welcome Bank participation in the proposed Lagos "Ocean Terminal" project which involves technical complexities yet to be studied. We could contemplate a useful role for the Bank provided there was clear agreement on:

(i) the need to thoroughly review the economic case for this and other proposed port projects in Nigeria as well as the technical aspects; and

(ii) the importance of adhering to the Bank's loan covenants on operational and financial returns.

19

NIGERIA

FOURTH POWER PROJECT

Loan 847-UNI $76.0 million

Approved:	June 29, 1972
Signed:	June 30, 1972
Effective:	June 26, 1973
Closing Date:	December 31, 1977
Disbursements as of Sept. 30, 1977:	$72.9 million
Borrower:	National Electric Power Authority (NEPA) The Government-owned corporation in charge of planning construction and operation of the power systems.

Project Description

1. The project consists of: (i) addition of 2 units of about 100 MW each to the Kainji hydro-plant; (ii) reinforcement of 5 existing 330/132 kV substations; (iii) construction of a second 330 kV line from Kainji to Lagos; (iv) reinforcement of the distribution systems in 19 cities and electrification of some 99 rural townships previously without electricity; and (v) studies for future development of the power system, management and technical assistance.

Project Execution

2. Progress on the project has been generally satisfactory taking into account the Lagos port congestion, and the difficulties in transporting equipment and materials to sites. However, the project will be completed significantly behind schedule (6 to 24 months' delay); the extension of the Lagos distribution grid and the rural electrification component are the most adversely affected of all project components. Procurement has proceeded satisfactorily without any problems since the early stages of the project.

3. Despite an amendment to the project Loan Agreement made in June 1977 to provide for a reallocation of funds, disbursements are likely to be completed by the project's closing date.

4. The total project cost estimate at March 31, 1977, is about 21% higher than the original estimate of US$126.04 million. The total foreign cost overrun of approximately US$20 million will be financed out of NEPA's own resources.

NEPA's Management and Staffing

5. NEPA is experiencing problems in retaining and recruiting competent staff because of the recent Government wage policy which compels NEPA to have its salary levels in line with those of the public services. NEPA's management is highly concerned with this situation and has been pressing for Government's acceptance of an autonomous wage policy for the corporation.

NEPA's Operation and Maintenance

6. High growth rates of electricity consumption (16% over the past 5 years) have created generation, transmission and distribution problems and power failures and load sheddings, which are presently rather common in large cities as well as rural areas. These high growth rates of consumption generally lead to shortages of distribution and maintenance materials, and seldom allow scheduled maintenance, which explains in large part the low quality of service. These conditions explain why NEPA issued in January 1977 a 10-year investment program estimated to cost US$6.6 billion in 1976 prices.

NEPA's Finances

7. NEPA had a 4.2% rate of return on net assets in service in FY 76; and although its tariffs have not been increased for years, the corporation appears in a comfortable financial position due to the Government's financial support for NEPA's development program.

20

NIGERIA

EDUCATION PROJECTS

I: DATA

	First Education Project US$20.0 (Credit 72-UNI)	Second Education Project US$17.3 (Loan 814-UNI)	Third Education Project US$54.0 (Loan 929-UNI)
Signed:	March 1, 1965	April 18, 1972	August 16, 1973
Effective:	May 10, 1966	November 28, 1972	January 14, 1975
Closing Date:	December 31, 1977	December 31, 1978	December 31, 1978
Disbursements as of October 1, 1977)	US$19.6 million	US$4.4 million	Nil

II. Background

1. Nigeria has three Bank-Group assisted education projects. The First Education Project (Credit 72-UNI), signed in 1965 for US$20 million, was national in scope. About one third of the total cost of the project of US$39 million was for technical and vocational training, and about 60 percent for increasing enrollments and for shifting the emphasis in the curriculum in secondary schools by providing workshops, science laboratories and typing classrooms. 65% of the project in terms of total value was allocated to the Northern region which, at appraisal, had only 360,000 students or about 7.9% of the age group enrolled in primary schools. This may be compared with 100,000 students or 73.7% for Lagos, 1,270,000 or 68% for the Eastern region, and 1,100,000 students or 58% for the Western Region. At the secondary school level, the Northern region had 8,000 students enrolled or 0.3% of the secondary school age population, Lagos, 6,400 or 10%, the Eastern region 27,600 or 2.0%, and the Western region 143,000 or about 2.0%.

2. At the request of the Federal Government, disbursements under the first project were discontinued in the Eastern Nigeria region during the civil war and were resumed only in 1972. The project was reappraised in the Eastern region in 1970 and 56 of 60 institutions were dropped from the project and 5 added. At reappraisal, the first education project changed objectives in the Eastern region and became a rehabilitation and reconstruction project. The 1970 reappraisal mission for the first education project in Eastern Nigeria was, at the same time, the first of two appraisal missions for the second project. The Second Education Project (Loan 814-UNI) for US$17.3 million was signed in April 1972 and was entirely concerned with the rehabilitation and reconstruction of war damaged educational institutions in the four states which comprised the former Eastern region. The project assists 23 secondary schools and seven primary teacher training colleges. One of the state which you will visit, Cross River, is part of the former Eastern Nigeria. The first and second education projects did not get off the ground in this State until 1973 because of the civil war and preoccupation with establishing new state administration.

3. The Third Education Project (Loan 929-UNI) for US$54 million is confined to the states in Northern Nigeria because the education systems in these states are less developed than in other states of the Federation. The

project has elements for primary teacher training, increasing the capacity at the Faculty of Education at Ahmadu Bello University by 1,000 students and increasing secondary schools enrollments by about 15,000. Because Ahmadu Bello University no longer wishes to participate in the project and because the states now wish to finance teacher training colleges under a Federal universal primary education program, and to compensate for cost overruns of over 400%, the project content is being reduced to secondary schools only. Cost overruns are attributable to a 340% increase in building costs that are general for Nigeria and to a 20% increase in the physical content of the project since appraisal. The impact of inflation has been exacerbated by a 12 months delay in project implementation caused by Government's slowness in signing subsidiary loan agreements with state authorities, and an agreement with consulting architects. The two states which you will visit in Northern Nigeria (Sokoto and Kaduna States) participated in, and successfully completed, the first education project. They are entering the construction phase of the third education project.

4. All three education projects have suffered from management problems attributable to the civil war and the subdivision of State Governments. The first project has suffered most and Government frustration with its slow implementation has adversely affected IDA relationships with some states and with the Federal Government. Many Nigerian officials feel that Bank-Group procurement procedures are slow and combersome and delay project implementation. In the early years of the implementation of the first project, the Bank did adhere closely to procurement guidelines, but with increasing awareness of procurement problems on the part of Government and Bank staff, the major difficulties have been resolved. For example, there was some delay in the implementation of the first project while IDA and the Government worked out exceptions to the Bank's normal guidelines for procurement for small scale works at remote voluntary agency (mission) schools.

5. For two years the second and third projects were classified as problems because of (a) weak management at the State and Federal Government levels, (b) Government's reluctance to accept supervision missions, (c) some states inability to meet the cash-flow requirements of projects, and (d) large cost overruns. Recently State Governments have taken steps to strengthen project management, and the Federal Government accepted two supervision missions and has provided the states with grants to finance the local contribution to total project costs. Management at Federal Government level remains weak. Descriptions of the content, objectives and progress of the three projects are shown separately. A summary table on the content and status of projects located in the various States to be visited is attached as Annex 1.

6. While there have been substantial outlays for education in Nigeria, there remain numerous opportunities for future education and training projects. However, Government has not clarified its views on what help the Bank should provide, and from our point of view new projects, unlike previous projects, should be identified, prepared and implemented on a state by state basis to be more manageable.

CONTENT AND STATUS OF PROJECTS IN STATES TO BE VISITED

A. Kaduna State - Project Manager: Mr. L.K. Akande

1st Education Project - Architectural Consultants: Robert Matthew, Johnson-Marshall and Associates

Institutions	Status	Comments
Advanced Teacher Training College, Zaria	Complete	Provided space for 300 students for US$1.9 million
Government Technical School, Kaduna	Complete	Provided space for 400 students for US$1.6 million
Extensions to 2 Craft Schools	Complete	
Extensions to 9 secondary schools	Complete	

3rd Education Project - Architectural Consultants: Ekwueme Associates + SCAAN

Institutions		
New Secondary Schools, Ikara	) In design and) Construction phase.	For 600 students
New Secondary School, Jibiya	) Construction phase.	For 600 students
Extensions to eight existing secondary schools	Under construction	Workshops, laboratories and staff houses.

The total cost of this project in Kaduna State is US$23 million, 40% of which will be reimbursed by the Bank.

B. Sokoto State - Project Manager: Mallam Abdul Karim

1st Education Project: Architectural Consultants: Robert Matthew, Johnson-Marshall and Associates

Institutions	Status	Comments
Major Extensions to:		
The Sokoto Technical School, Sokoto	Complete except for some missing equipment.	Provided workshops, auditorium, classrooms and equipment. The school does not have sufficient tools and equipment and does not appear to be well managed.
The Government College, Sokoto	Complete	Classrooms, laboratories, workshops, equipment. Good results in terms of physical implementation and educational quality.
The Government Secondary School, Bernin Kebbi	Complete	Science Laboratory, workshops This school was not visited by the March 1977 supervision mission. Consultants indicate satisfactory results.

The total cost of the project in Sokoto State was about US$1.3 million

3rd Education Project: Architectural Consultants: Ekwueme Associates + SCAAN

Institutions		
1 new Girls Secondary School, Illela	Under construction	For 600 girls costing US$9 million
5 extensions to existing secondary schools at Shinkafi, Gumini, Gwada Abowa, Gusau and Sokoto	Under construction	Staff houses, workshops and laboratories costing US$2 million.

C. Oyo State - No Project Manager

1st Education Project - Architectural Consultants: Robert Matthew, Johnson Marshall and Associates

Institutions	Status	Comments
Oshogbo Trade Centre	Less than 50% built	
Oyo Trade Centre	Construction complete 20% of buildings not in use	
Olivet Boys High School, Oyo	Construction complete for several years	50% of buildings not in use because of lack of equipment, electrical connections, etc..
Government College, Ibadan		
Ibadan Grammar School		
Ogbomosho High School		
Ogbomosho Grammar School		
Iseyin Grammar School		
Oduduwa College, Ile-Ife		
Ilesha Grammar School		

Note: The physical implementation of the project in Oyo State was very poor because of a lack of project management, low quality contractors and procurement procedures whereby minor works such as electrical connections were not part of main building contracts. Much of the equipment for the schools is missing.

2nd Education Project - Architectural Consultants: Robert Matthew, Johnson-Marshall and Associates

Reconstruction and Rehabilitation of:

Women's Training College, Enugu	All contracts awarded and construction proceeding.	Total cost is about US$9 million in this state.
Loretto Teacher Training College, Adzi		
St. Cyprian Teacher Training College, Nsukka		
Presbyterian Secondary School, Abakaliki		
Union Secondary School, Awkunawa		
Anglican Grammar School, Nsukka		
Dennis Memorial Grammar School, Onitsha		

D. Cross River State - Project Manager: Dr. Essiota Essionata

1st Education Project - Architectural Consultants: Robert Matthew, Johnson-Marshall and Associates

Institutions	Status	Comments
New Trade Training Center at Ikot Ada Idem	Contracts just awarded	
New Trade Training Center at Ogoja		
Minor extensions to Teacher Training Colleges at Ikat Ekpene, Ogoja, Oron and Ukam	Completed	

2nd Education Project - Architectural Consultants: Robert Matthew, Johnson-Marshall and Associates

Institutions	
Extensions to and Rehabilitation of seven secondary schools	Contracts awarded and nothing built

St. Patrick's College, Ikot Anso;

Q.I.C. Secondary School, Etinan;

Maryknoll Secondary School, Ogoja;

Cornelia Connelly Secondary School, Oyo;

Methodist Boys High School, Oron;

Union Secondary School, Ibiaku; and

the Government Secondary School, Ikom

NIGERIA

FIRST EDUCATION PROJECT

Credit 72-UNI US$20.0 million

Signed:	March 1, 1965
Effective:	May 10, 1966
Closing Date:	December 31, 1977
Disbursements as of October 1, 1977	US$19.6 million

Project Description

(a) - a new secondary school
(b) - additions to 103 existing secondary schools
(c) - 12 new trade training centers
(d) - additions to two trade training centers
(e) - a new advanced Teacher Training College
(f) - additions to six teacher training schools
(g) - a new National Technical Teacher Training College
(h) - a new Federal School of Arts and Science
(i) - additions to nine craft schools

Objectives

1. The project was to increase secondary school enrollments by 17,000, increase the emphasis on science and vocationally oriented subjects in secondary schools, and increase enrollments in craft and technical institutions by about 1700 students.

Project Progress

2. The project has an unusual history. It was one of the Bank Group's first education projects and represented a difficult undertaking. The project comprised construction, furniture and equipment at 137 sites scattered throughout the country. Project implementation was the responsibility of four regional ministries of works and of the Federal Government for institutions in the Federal Territory. The civil war disrupted project implementation by halting implementation in the Eastern region from 1967 to 1972 and by placing prior claims on manpower and other resources. The subdivision of the four regional governments into 12 states in 1966 and into 19 states in 1976 further weakened project management in Ministries of Works. A lack of technical manpower in State Ministries of Works, low quality contractors, sometimes too elaborate design standards and a lack of financial planning either delayed the project or resulted in the abandonment of some construction sites: 15% of the project has not been implemented. The project's results are mixed. Results have been notably good at the Advanced Teacher Training College in Zaria, Kaduna State, where the enrollment target of 400 students has been achieved; at the Government Technical School in Kaduna where enrollment targets have also been achieved and graduates are in demand in industry because of the good quality of the education; and at the National Technical Training College. Implementation was good at most "voluntary agency secondary schools" where headmasters took interest in project implementation. Results

were often poor at Government secondary schools where headmsters were not in complete accord with project objectives of diversifying the curriculum and improving science instruction. Overall, the project provided only 14,000 of the 17,000 secondary school places and 1100 of the 1700 technical and vocational school places planned.

NIGERIA

SECOND EDUCATION PROJECT

Loan 814-UNI US$17.3 million

Signed:	April 18, 1972
Effective:	November 28, 1972
Closing Date:	December 31, 1978
Disbursements as of October 1, 1977	US$4.4 million

Objective

1. The objective of the project is to assist with rebuilding of war damaged education institutions in Eastern Nigeria.

Project Description

2. The project consists of the rehabilitation and expansion of 23 secondary schools and seven primary teacher training colleges in the four states which comprised the Eastern Nigeria region.

Project Progress

3. All contracts have now been awarded and most construction has started. The project will be completed about three years behind schedule because of (a) slowness in establishing the administration of new state governments and (b) slowness in state appointment of executive architects. The States have been provided with grants by the Federal Government to finance their share of total project costs. There is concern that with increasing financial stringency, the State Governments will use the grants for other purposes and have insufficient funds to meet the cash flows requirements of the project during the next fiscal year.

NIGERIA

THIRD EDUCATION PROJECT

Loan 929-UNI US$54.0 million

Agreement:	August 16, 1973
Signed:	January 14, 1975
Effective:	January 14, 1975
Closing Date:	December 31, 1978
Disbursements as of October 1, 1977:	(Nil)

Objective:

1. The objectives of the project is to help redress the regional imbalance in access to education in Nigeria by assisting the states in the former Northern region to increase and improve education at the primary and secondary levels.

Project Description

2. The project consists of construction, furniture and equipment for (a) 19 new and 40 existing secondary schools, (b) 8 new and 16 existing primary teacher training colleges and (c) for the School of Basic Studies and the Faculty of Education at Ahmadu Bello University.

Project Progress

3. At appraisal, the total cost of the project was estimated to be US$107 million. However, unanticipated inflation has resulted in a total project cost of over US$400 million. Because of inflation and other developments the project content is being reduced. The other developments are (a) Kano State and Ahmadu Bello University have asked to withdraw from the project and (b) the State Governments wish to finance the Primary Teacher Training Component of the project under the federally-financed universal primary education program. It is anticipated that the Federal Government will request that Loan and Project Agreements be changed to reduce the project content to part of the original secondary school component only. A reduced project content has already been determined in six of the seven states; Kwara State has not yet decided on the content which it wishes to propose. It is likely that the new project content will consist of 11 to 13 new secondary schools and extensions to 20 existing schools consisting of staff houses and workshops. The new project could cost about US$130 million. Contracts for all extensions to secondary schools in the modified project have been awarded; contracts for three new secondary schools have also been awarded. Where the original project would have provided about 20,000 new student places, the modified project will provide only about 9,000 new places. It is anticipated that the project will be completed about 18 months behind schedule because of slow tendering procedures and delays in construction caused by material and manpower shortages.

21

NIGERIA

SUMMARY OF THE STATUS OF THE REMAINING PROJECTS

1. Loan No. 427-UNI Western Nigeria Road Project: US$14.5 million Loan of September 26, 1965; Effective Date: March 29, 1966; Closing Date: March 31, 1975; Undisbursed Balance as of August 31, 1977: US$2.5 million

The project has been completed and discussions are underway with the Government concerning the undisbursed balance of US$2.5 million. This was the first Bank onlending operation in Nigeria through the Federal Government to the then Western Region for physical and institutional improvements. The physical component involved reconstruction and improvement of three roads together with consultants' services for construction, supervision and engineering of other roads. The institutional components provided assistance for reorganization of maintenance operations. The physical component was completed with a savings of 7 percent. At the same time, the audit rates of return of all road sections are higher than expected because of cost underruns and higher than forecast traffic levels. The institutional component was partly successful. However, the experience provides useful guidance for a comprehensive, nation-wide study carried out under a follow-on project currently being implemented.

2. Loan No. 694-UNI Transport Rehabilitation: US$25.0 million Loan of June 26, 1970; Effective Date: September 18, 1970; Revised Closing Date: March 31, 1975; Undisbursed Balance as of Agusut 31, 1977: US$0.6 million

This project provided for three components: (a) the reopening of Port Harcourt; (b) the purchase of needed equipment and materials for the ports and the Eastern Railway Lines; and (c) the repair of roads and bridges in the East and the general rehabilitation of the highway system. The project is physically complete and discussions are underway with the Government concerning the undisbursed balance of US$0.6 million. The road component was successfully completed although the construction period was extended because the scope of the work under some contracts was extended during project execution. The railway component was less successful because of a lack of local funds, and management and procurement problems. The objectives of the ports component were achieved even though there was some delay.

3. Loan No. 764-UNI Western Cocoa Project: US$7.2 million Loan of June 23, 1971; Effective Date: November 5, 1971; Closing Date: March 31, 1977; Undisbursed Balance as of August 31, 1977: US$0.1 million

This project, started in 1972 to plant 43,500 acres of high-yielding hybrid cocoa by 1975, has been successful. Planting quality is good with trees planted in 1972 and 1973 now producing. Project success can be attributed to the creation and operation of the CDU as a semi-autonomous agency, good management, well qualified staff, cooperative society support, adequate Government funding, satisfactory infrastructure and communications network, exceedingly good farmer acceptance, rigorous field control and proper nursery and field preparation.

4. Loan No. 838-UNI Fifth Highway Project: US$26.3 million Loan of June 26, 1972; Effective Date: February 20, 1973; Closing Date: June 30, 1977; Undisbursed Balance as of August 31, 1977: US$13.8 million

The project included: (a) construction of about 100 miles of trunk roads; (b) reconstruction of eight war-damaged bridges; (c) consultant services for (i) supervision of the road and bridge construction; (ii) a feasibility study for 2,000 miles of road and (iii) a highway maintenance study; (d) technical assistance to improve highway administration; and (e) procurement of equipment for highway planning and vehicle weight control. The physical work on the five roads and the reconstruction of the eight war-damaged bridges has been completed. The highway maintenance study has also been subtantially completed, but the technical assistance is behind schedule.

1

NIGERIA

RIVERS STATE OIL PALM PROJECT

Timing:	FY78
Estimated Total Project Cost:	US$66.5 million
Proposed Loan Amount:	US$29 million

Project Description

1. The project would plant 10,000 ha of nucleus estate and 10,000 ha of smallholder oil palm, primarily to supplement the production of palm oil for the domestic market; Nigerian extension staff and farmers would be trained; 400 km of roads would be upgraded; two 40-ton/hr. palm oil mills would be constructed; and studies for the preparation of second phase oil palm projects and a coconut project would be undertaken.

Current Status

2. The project has been appraised, but negotiations are delayed due to problems in acquisition of land for the nucleus estate.

2

NIGERIA

BIDA (NIGER STATE) AGRICULTURAL DEVELOPMENT PROJECT

Timing:	FY78
Estimated Total Project Cost:	US$59 million
Proposed Loan Amount:	US$20 million

Project Description

1. The project would be similar to the ongoing integrated agricultural projects in northern Nigeria, and would consist of: expansion of farmer extension services; seed multiplication and field trials; low cost irrigation development; forestry development; provision of 26 farm service centers to provide farm inputs; construction of 650 km of feeder roads; staff training, and project evaluation. It would affect directly 32,000 farm families and indirectly a further 35,000 farm families.

Current Status

2. The appraisal mission has recently returned from the field and its findings and preliminary recommendations are attached as Annex I.

Bida Agricultural Development Project

Project Area: As proposed by the preparation mission, e.g. three Southern Local Government Areas of Lavun, Etswan and Gboko.

Components:

Farm and Crop Development

Smallholder: 55,300 ha (including 7,300 of irrigated rice)
Group farm: 4,400 ha (70 groups)
Commercial farm: 13,000 ha (between 25 - 75 ha each)

Irrigation

Rehabilitation and expansion of the three former schemes at Edozhigi, Baddegi and Loguna (proposals by Enplan Consultants have been included)

Forestry

Establishment of 2,000 ha of new plantation; technical assistance for existing activation.

Livestock

Technical assistance for improving disease control, advice to commercial poultry farms and long term planning of livestock development in the State.

Infrastructure

Construction of 540 km new farm to market roads, improvement of 30 km.

- Improvement of the MNR Central Workshop at Bida
- Construction of houses, offices, farm service centre, etc.

Project Costs

Total	₦31 million
Local	₦19.4 million
F/Ex	₦11.6 million

Proposed Financing

IBRD	₦11.6 million (37%)
FMG	₦ 7.7 million (25%)
State	₦11.7 million (38%)

Cost Recovery

Full commercial charges for irrigation water, machinery, hire services, plant protection services and supply of improved seeds.

Staffing

13 Expatriates required for key management and technical positions.

Beneficiaries

About 36,000 farm families (with farms averaging below 3 ha) will directly benefit from increased production. Another 30,000 will derive benefits indirectly from improved infrastructure and services.

Status:

The appraisal of the project has been completed satisfactorily and all technical, managerial and financial recommendations have been finalized. However, the State Executive Council has yet to decide whether the project is acceptable to the Government. In view of this, the appraisal mission was not able to hold wind-up discussions and reach agreement with the State Government on the mission recommendations. In the mission's view, delays in the Executive Council decision stem primarily from political consideration (project excludes the area from which State Commissioner for Agriculture comes) and not from any project-related issues.

October 25, 1977

3

NIGERIA

AGRICULTURAL MANAGEMENT TRAINING INSTITUTE

Timing:	FY79
Estimated Total Project Cost:	US$12.5 million
Proposed Loan Amount:	US$6.0 million

Project Description

1. The project would establish an institute to provide training in managerial and supervisory skills for staff at all levels of agricultural management. Trainees would be drawn from all sectors of the agricultural industry and from related supply, marketing and credit organizations. Training methods would involve up-to-date management training techniques hitherto used only in the industrial sector. In particular the project would: construct lecture rooms, offices, student accommodation and staff houses; provide 19 man-years of technical assistance under a management contract with an internationally-experienced consultant company to establish and operate the Institute; and provide supplementary overseas training for Nigerian training staff in anticipation of phasing out expatriate staff.

Current Status

2. The project has been appraised, but some key issues relating to project concept, costing, location and appointment of management consultants services have to be resolved prior to negotiations.

4

NIGERIA

ILORIN (KWARA STATE) AGRICULTURAL DEVELOPMENT PROJECT

Timing:	FY79
Estimated Total Project Cost:	US$90 million
Proposed Loan Amount:	US$41 million

Project Description

1. The project would be similar to the ongoing integrated agricultural development projects in northern Nigeria, and would consist of: expanding existing extension and provision of farm management and establishing 2,000 ha of teak plantations; establishing an experimental husbandry farm for undertaking applied research; providing a seed multiplication service, establishing 20 farm service centers and the supply of farm inputs; providing market intelligence, weights and measures, trade promotion and crop storage services; expansion of Government tractor service and promotion of private tractor operators; construction of 100 km of new feeder road and improvement of 200 km of existing roads; providing mechanical land clearing and soil conservation services; provision of buildings and equipment for logistical support for the project. The project would benefit in one way or another 120,000 farm families.

Current Status

2. The feasibility study has been completed and the project is expected to be appraised in November 1977.

5

NIGERIA

FORESTRY DEVELOPMENT PROJECT

Timing: FY79
Estimated Total Project Cost: US$65 million (approximately)
Proposed Loan Amount: US$30 million

Project Description

1. The project would cover Ondo, Ogun, Anambra, and Cross River States. The objective would aim to achieve a rapid and sustained growth of the rate of plantation establishment together with the basic infrastructure to ensure the welfare of forest workers living in village enclaves within the forest areas. Specifically the project would: develop forest nurseries; establish 45,000 ha of *Gmelina arborea* plantations to assure the wood supply of two pulp mills; establish large scale species trials in Anambra State; provide logistical support and training for staff; assist in the agricultural development of forest villages; provide additional agricultural services; and supply tree seedlings to private farmers outside the forest reserves.

Current Status

2. A preparation report is being completed by FAO/IBRD Cooperative Program, and appraisal is scheduled for May 1978.

6

NIGERIA

THIRD COCOA DEVELOPMENT PROJECT

Timing: FY80

Project Description

1. The project would extend the ongoing Cocoa II project in Ondo, Oyo and Ogun States. The project is not yet fully identified, however, apart from supporting a replanting program the project would have to be concerned with cocoa maintenance and related crop development, particularly in the light of significant increases in the cost of farm labor.

Current Status

2. The project will be identified by a Bank mission in October/November 1977, and will be prepared primarily by State Government agricultural staff.

7

NIGERIA

KADUNA STATE AGRICULTURAL DEVELOPMENT PROJECT

Timing: FY80
Estimated Total Project Cost: US$150 million (approximately)
Estimated Loan Amount: US$50 million

Project Description

1. The project will expand the Funtua Project concepts and actions to the State as a whole. It will involve major sectoral and Government administrative issues, but could set the pattern for a significant change in agricultural development on a nationwide basis.

Current Status

2. The project is currently being identified in detail, and will be prepared by State officials assisted by consultants.

8

NIGERIA

AGRICULTURAL CREDIT PROJECT

Timing: FY80

Project Description

1. The Bank was the Executive Agency for supervising a UNDP consultancy to establish the Nigerian Agricultural Bank (NAB). NAB has been successfully established and has requested Bank assistance for loan funds. NAP currently lends about $300 million per annum, at least half of which is for annual crop purchase support programs guaranteed by State Governments. The balance is lent for medium- and long-term purposes to State Credit Corporations, Cooperatives, and large scale farmers and agricultural companies. It does not lend directly to small farmers, a policy which we support, but intends to encourage intermediate State or sub-State institutions that can lend direct to the small farmer. Just as Bank financed projects are dependent for support on non-project agencies, so too is NAB; and the relative efficiency of the critical agencies have a major bearing on the sub-borrowers' productivity.

Current Status

2. The Region has agreed to mount an identification mission in December 1977 and on the basis of successful identification will assist NAB in preparing a feasibility study. The Mission will also identify the sub-borrowers and the services required to ensure successful utilization of sub-loans.

9

NIGERIA

Fifth Power Project

Amount:	US$50-100 million
Timing of Lending Program:	FY79
Next Critical Steps:	a) Definition by the Bank of pre-conditions required for resuming Bank financing of the power sector expansion and agreement with Nigerian authorities.
	b) Definition of project components within the proposed power distribution expansion program.

1. The National Electricity Power Authority (NEPA) has prepared, with the assistance of consultants, a 10-year power expansion program covering the period 1977-86 to serve the electricity demand which is expected to grow from 3,500 GWh in 1976 to about 20,000 GWh in 1986.

2. The program consists of the installation of about 4,000 MW of generating capacity, the necessary transmission lines and substations to supply the main load centers of the country and an extensive expansion of the distribution system that is expected to supply electricity to the entire Nigerian territory. 800 MW of this capacity would be generated by gas turbine plants under execution; about 1,100 MW of hydro electric capacity now under final engineering; 1,300 MW of hydro projects at pre-feasibility stage, and the balance to be met by undecided thermal generation expansion.

3. The cost of the 10-year program is estimated at about US$6,700 million at today's prices distributed as follows:

	US$ million
Generation	3,451
Transmission	1,418
Distribution	1,526
Other	305
Total	6,700

4. NEPA and the Government would probably be hindered in the execution of this impressive 10-year plan by a lack of qualified personnel, infrastructural bottlenecks, and, above all, by a possible lack of financial resources. On the other hand, substantial reductions in size and delays in execution of some of the large industrial projects considered in the demand forecast are highly probable, for similar reasons to those affecting the execution of the power expansion program; in such a case, the program would have to be reduced accordingly. The distribution component would be only affected to a minor degree by these eventualities as the large industrial loads would be served directly by the high voltage systems.

10

NIGERIA

Project Brief

Urban Development Project

The Urban Sector

1. Nigeria has the largest urban sector in Africa, with some 24 million urban residents out of an estimated population of 76.7 million people. Urbanization in Nigeria has been a long historical process, beginning well before the colonial period, and is an indigenous rather than externally stimulated phenomenon. A well-developed network of market towns and new medium-sized cities exists throughout the country, with the capitals of several states approaching 1 million persons. The recent, rapid growth of the Federal capital at Lagos, estimated in 1976 at about 3.5 million persons, has been spurred by the expansion of administration, the importance of the Port of Lagos, and the post-war economic boom. Urban population growth is estimated at about 6.1% per year. Continued rural-urban migration in search of the many urban employment opportunities has created a substantial, unsatisfied demand for urban services, including housing, water supply, sanitation, and social services. Large numbers of employed persons in Nigerian cities are unable to acquire the urban services they can afford. It is estimated that about 7.6 million of the 24 million urban population could be considered as urban poor, as defined by the Urban Poverty Task Force. The Government response to this demand for services has been minimal over the past five years. The lack of institutional capacity at the Federal, State, and municipal level to organize and execute large-scale provision of services, particularly housing, has served as the major bottleneck in the sector. The Third Development Plan has identified the need for large-scale housing programs as a major priority for the sector and proposed the construction of some 200,000 units during the Plan period. Financing for these units is to be shared jointly by the Federal and State governments. Achievement of these objectives is highly doubtful, given the absence of an institutional mechanism prepared to develop the technical aspects of such a program, including standards, costs, location, and nature of population to be ~~served~~. A newly-created Ministry of Housing, Urban Development, and Environment (HUDE) is empowered to organize this effort, using the Federal Housing Authority ~~as an~~ executing agency. These institutions, however, are untested and without substantial organization assistance, are unlikely to meet the ambitious objectives set by the Plan.

Ø At 20-30,000 cost.

The Proposed Urban Development Project

2. Given the above, the Government has requested Bank assistance to achieve the Plan objectives. A reconnaissance mission visited Lagos in June 1977 and discussed the general objectives of the proposed intervention. The Government expressed interest in the Bank approach to the urban sector, particularly the emphasis on the provision of low-cost shelter through sites and services and upgrading of squatter settlements. It was agreed that the HUDE would serve as the coordinating agency for the preparation of a project, which would be identified in September-October 1977 and prepared for appraisal in the first quarter of FY79.

3. The proposed project would assist the Government in the development of an institutional mechanism to provide shelter to the urban population of cities in about 3 of Nigeria's 19 States. The project would be considered as a first phase in a longer term program to achieve Government's large-scale objectives. The first phase would seek to serve about 400,000 persons through the following project components:

1. sites and services for low income groups (mainly between the 10th and 40th percentile of the income distribution for the respective cities) including on- and off-site infrastructure, sanitary core housing units, building materials for self-help extension and community facilities;

2. upgrading of unserviced slum and squatter settlements, with emphasis on provision of security of tenure, improved infrastructure and community facilities, with minimum housing demolition;

3. assistance to building materials industries relying on locally available raw materials within a minimum import component;

4. training of staff at both Federal and local levels;

5. technical assistance as needed for project preparation and implementation; and

6. monitoring and evaluation of project performance.

Special emphasis will be placed on the organization of project components in order to generate employment in project areas. Available mechanisms such as credit for small-scale business development and training programs will be included as part of an effort to encourage labor-intensive techniques in infrastructure development and housing construction.

Project Identification and Preparation

4. An identification mission visited Nigeria October 10 - 27, 1977 and the mission's preliminary report is attached as Annex I.

Urban Project Identification Mission

Preliminary Summary Report

1. The mission has assembled the following documents:

   (a) Aide-Memoire presenting the mission's conclusions to Government - Appendix I

   (b) A note on major policy issues deserving attention during discussions - Appendix II

   (c) A fact sheet on Metropolitan Lagos - Appendix III

2. The mission was very well received in both Bauchi and Imo states, where excellent project possibilities have been identified. Terms of reference for project preparation have been agreed upon with State officials and, barring unforeseen delays, it is expected that Phase I of the Nigerian States Urban Development Program can be appraised in September 1978. Project components are outlined in Appendix I, along with the policy objectives of assisting the Government to develop a national mechanism and program to assist the states in the achievement of their housing and urban development programs.

3. The mission has not agreed with the Federal Government's proposals for Bank financing of either an urban renewal scheme in the Obalende neighborhood of Lagos or the Abesan new town scheme on the northwest corner of metropolitan Lagos. The first proposal was a typical clearance scheme for an area with substantial infrastructure and housing investment already in place. The second represents an ambitious effort to increase housing stock, but at unit costs starting at ₦27,000 for high density housing, not including infrastructure. The new town has no present links to existing infrastructure networks or employment areas. FMHUDE officials have altered their position on housing and in the new town to include sites and services, but the scheme nevertheless remains only vaguely formulated, with no specific analysis of cost, institutional capacity, target population, or affordability for both the Government and households supposed to live in the new town.

4. Given the above, and for reasons cited in Part E of Appendix I, the mission has not accepted proposals for Lagos in Phase I of the Nigerian States Urban Development Program. Further requests for

assistance by the Bank in facing the problems of Lagos should be expected. A project preparation study for a sites and services scheme has been included in Phase I and will hopefully lead to a project which could be appraised by March 1980, i.e. one year from anticipated Board presentation of the Phase I program. However, we doubt whether any earlier Bank project action is feasible or desirable, given the present lack of decision-making and coordination concerning investment in Lagos. If pressed for immediate Bank assistance for Lagos, technical assistance might be provided to institutions with direct jurisdiction over the development of Lagos, such as the Lagos State Ministry of Works and Planning, and the Master Plan Unit within that Ministry, in order to hasten the project identification process. We do not think, however, that Lagos-oriented technical assistance should be located within FMHUDE, which is poorly staffed, lacks experience, and appears to lack effective management.

Aide Memoire

Nigerian States Urban Development Program

Phase I

1. At the request of the Federal Ministry of Housing, Urban Development and Environment (FMHUDE), an urban project identification mission visited Nigeria from October 10 - 27, 1977. The mission was asked by FMHUDE to visit Bauchi and Imo States to consider proposals for the implementation of the States' Housing and Urban Development Programs within the Third National Development Plan for possible World Bank financing. The mission was also requested to consider for financing, two proposals within the metropolitan Lagos area: (1) the Obalende urban renewal scheme; and (2) the Abesan new town scheme. This note summarizes the findings of the mission as presented to the Permanent Secretary of FMHUDE, Mr. John E. K. Oyegun on October 24, 1977, including the components and preliminary estimated costs of the proposed program, its institutional and financial framework, and the timetable for program preparation. Depending on the outcome of the project preparation studies, the proposed program will be suitable for Bank financing. This note is subject to review and confirmation by the Bank's management.

A. Program Objectives

2. The primary objective of the Nigerian States Urban Development Program is to assist the States in their implementation of the National Housing Program (NHP), as defined by the Federal Military Government. The objective of Phase I of this program is to design a national mechanism for the financial and technical implementation of the NHP within Nigeria's long-term economic objectives. The proposed mechanism, as presented in paragraph 3 below, would be applied to two States selected by FMHUDE, but should be capable of assisting all the States of the Federation in meeting their own specific needs.

3. The mechanism should respond to five policy objectives of the NHP:

(a) financial replicability;

(b) substantial increase in housing supply for groups having greatest need; i.e., low income groups;

(c) definition of affordable standards of construction of housing and infrastructure;

(d) recovery of investment costs to permit replicability;

(e) control of effects of urban sector investment on the national and state economies.

4. It is the primary objective of Phase I of this program to develop and improve understanding of the components of this mechanism in order to permit subsequent identification and financing of similar projects in other States.

B. The Project

5. The following preliminary list of project components and estimated costs is based on the mission's visits to Bauchi and Imo States, discussion with Federal, State and local officials, and a review of available documents. The mission's conclusions concerning investment proposals in metropolitan Lagos are presented in Part E.

6. Components:

Bauchi State

Bauchi Town:

(a) Upgrading of 245 hectares of the Makama squatter area through the provision of infrastructure including roads, water supply, storm water drainage, electric power, and sewerage. Upgrading would emphasize the preservation of existing housing stock through the flexible design of layouts.

(b) Provision of 100 hectares of sites and services on land adjacent to the Makama upgrading site. Vacant land owned by the State would be served with the above-cited infrastructure.

(c) Credit for housing improvements and construction in upgrading and sites and services areas.

(d) Assistance to Local Government Authorities through equipment purchase, personnel training and management assistance in maintenance and environmental sanitation.

(e) Employment generation through:

(i) project design to make maximum use of locally available skills and materials;

(ii) provision of training, credit, and support to increase capacity of local building materials and construction industries to meet increased demand;

(iii) provision of industrial sites for small-scale enterprises.

(f) Consultant services and training to the Bauchi State Urban Development Board.

(g) Provision of an integrated program of social services, including primary education, preventive health care, and nutrition education in project areas.

Gombe Town:

(a) Upgrading 75 hectares of the Bolari squatter neighborhood.

(b) Credit for housing improvements and construction.

(c) Low cost drainage works for major gulleys and erosion areas in the center of town.

(d) Assistance to Local Government Authorities as cited above.

Imo State

Owerri:

(a) Provision of 150 hectares of sites and services.

(b) Credit for housing improvements and construction, including credit for households presently living in the 6 central Owerri "villages".

(c) Employment programs.

(d) Social services.

(e) Provision of trunk infrastructure to sites and services areas.

(f) Consultant services and training to the Owerri Capital Development Authority and the Town-Planning Division of the State Ministry of Works and Housing.

(g) Assistance to Local Government Authorities.

Aba:

(a) Provision of 150 hectares of sites and services.

(b) Credit for housing construction.

(c) City investment and management study to assist the State and local governments to identify investment priorities from Aba.

(d) Social services.

Umuahia:

(a) Provision of 50 hectares of sites and services.

(b) Credit for housing construction.

(c) Assistance to Local Government Authorities.

Federal Level

(a) Project preparation studies for 5-7 States for Phase II operations of the program.

(b) Consultant services and training to FMHUDE to establish project identification and supervision unit.

(c) Consultant services and training to the Federal Mortgage Bank (FMB) to strengthen its lending operations to low-income households.

7. Preliminary Cost Estimates:

The following preliminary cost estimates, in October 1977 prices, are based on estimates and actual cost data presented to the mission while in Bauchi and Imo States. Per plot costs for infrastructure and housing are based on estimates of affordable shelter for households earning ₦60 and ₦110 per month in Bauchi and Imo States respectively, with, for indicative purposes, mortgages for 10 years at 6% interest, with an additional 10% down payment. It is assumed that families would spend 20% of monthly income on shelter. These estimates require detailed review during the project preparation study. Costs for drainage works in Gombe similarly require detailed analysis of alternative low-cost drainage solution.

8. Preliminary Project Costs

	$ million	- 1977 prices
I. Bauchi State		
a. Bauchi Town		₦
1. Upgrading (245 ha)	5.0	3.0
2. Sites and Services (100 ha)	2.5	1.5
3. Housing Credit	5.0	3.0
4. Municipal Assistance & Training ..	1.0	.6
5. Employment & Industrial Sites ..	2.0	1.2
6. TA to UDB & Prep.Second Project (4 manyear)	.4	.24
7. Social Services	1.0	.6
	16.9	10.14
b. Gombe		
1. Upgrading (75ha)	2.0	1.2
2. Drainage	.5	.3
3. Municipal Assistance & Training ..	.5	.3
4. Housing Credit	1.0	.6
	4.0	2.4
Total Bauchi State	20.9 million	₦12.54 million
II. Imo State		
a. Owerri		
1. Sites and Services (150 ha)	7.0	4.2
2. Housing Credit	6.2	3.72
3. Employment & Industrial Sites ..	3.0	1.8
4. Social Services	1.5	.9
5. Trunk Infrastructure	8.0	4.8
6. TA to OCDA	.4	.24
7. Municipal Assistance & Training	1.0	.6
	27.1	16.26

	$	₦
	(million)	
b. Aba		
1. Sites and Services (150 ha)	7.0	4.2
2. Housing Credit	6.2	3.72
3. City Investment & Management Study	.4	.24
4. Social Services	1.5	.9
	15.1	9.06
c. Umuahia		
1. Sites and Services (50 ha)	2.0	1.2
2. Housing Credit	2.0	1.2
3. Municipal Assistance & Training	.5	.3
	4.5	2.7
Total Imo State	46.7	28.02
III. Federal Level		
a. Project Preparation Studies	5.0	3.0
b. TA to FMHUDE	.3	.18
c. TA to FMB	1.0	.60
	6.3	3.78
Totals - I. Bauchi State	20.9	12.54
II. Imo State	46.7	28.02
III. Federal Level	6.3	3.78
1977 prices	73.9	44.34
" " Physical Contingencies 15%	11.1	6.65
Compounded 10% per year Price Contingencies 1979-80, 1980-81, 1981-82	39.4	23.7
	$124.4	₦74.69

C. Institution and Financial Framework

9. As noted above, the primary objective of Phase I of this program is to develop an institutional and financial mechanism capable of assisting all Nigerian States to meet their objectives in housing and urban development. The following framework for implementation and financial flows were proposed to meet that objective.

Figure I: Program Function

Federal Level — FMHUDE - Program supervision and coordination

FMB - Financial Allocation. Cost Recovery.

State Levels — State Ministry of Works and Housing -

State Policy Formulation

Supervision

Coordination

Urban Development Board or Town Planning Division -

Project Design

Appraisal

Execution

Supervision

Local Levels — Local Government Authority - Maintenance

Figure III: Financial Plans

Allocable Costs — Non-Allocable Costs

FMHUDE — FMF - grants

FMB

Infrastructure Charges Mortgage Payments and Credit for home construction

Households

State Executing Agency

Credit for home construction

State Government

State MB

10. The mission emphasized to the Permanent Secretary of FMHUDE the economic importance of a national mechanism for financing housing and urban development. The large scale of investments in the urban sector, and its consequences for inflation, employment, savings, and income distribution, require that the program is reviewed in detail by other ministries. Several issues require special attention during the project preparation process:

(a) interest rate for mortgages for housing and infrastructure;

(b) the need to generate State and local revenues to finance urban development;

(c) the need to reduce Federal subsidies to a sector which should seek to be self-financing through vigorous cost recovery; and

(d) the need to identify bottlenecks in supply to the local building materials and construction industries.

D. Next Steps in Project Preparation

11. The mission met with representatives of Bauchi and Imo States to prepare detailed terms of reference for project preparation studies. The terms of reference were agreed upon in Lagos on October 25, 1977. The State representatives agreed that, after appropriate discussion and clearance with State authorities, they would proceed during the month of November 1977 to contact consultant firms in order to solicit consultant proposals for undertaking the studies as specified in the respective terms of reference. The State agencies would seek to recruit consultants to begin work in Bauchi and Imo States respectively, by end of January 1978. Upon notification of the arrival of consultants in the towns, the Bank would send a project preparation mission to assist the State agencies in the orientation of consultants recruited to prepare a project to be considered for Bank financing. It was earlier agreed in the States that the cost of project preparation would be financed by the States.

12. As part of project preparation, the Managing Director of the FMB will prepare an agreed upon detailed set of data to be sent to the World Bank by January 1978, in order to assist subsequent missions in their evaluation of the role of the FMB in the program.

13. Suggested Timetable

The following timetable for project preparation was agreed:

November 1977	- States will send terms of reference to short list of consultants;
November 15, 1977	- Bank will confirm by cable to FMHUDE and States the contents of Appendix I-
December 1977	- Evaluation of consultant proposals by States;
	Signature of contracts;
January 1978	- Consultants in States;
April 1978	- Interim Report;
July 1978	- Draft Final Report;
September 1978	- Appraisal of Projects in Bauchi and Imo States;
March 1979	- Negotiations (Tentative);
June 1979	- Presentation to Board of Executive Directors of the World Bank (Tentative).

E. Urban Development in Lagos

14. On the basis of available information, the mission concludes that Lagos be not included in Phase I of the program, but be considered part of Phase II operations. This conclusion does not attempt in any way to minimize the magnitude and urgency of the multiple problems of Lagos in housing, transportation, water supply and sanitation. It does, however, reflect consideration of the following elements:

(a) the timing of Master Plan preparation by the Master Plan Unit of the Lagos State Ministry of Works;

(b) the absence of decisions concerning major investments in transport, such as the mono rail and road construction, and water supply, both needed to link the Abesan new town scheme to other parts of metropolitan Lagos;

(c) the past history of development of Lagos, where ad hoc investments foreclosed major options for integrated expansion; and

(d) the likely delays to be created by including an investment program for Lagos with the programs for Bauchi and Imo States, as the latter programs are sufficiently developed to permit appraisal by September 1978, whereas the Lagos projects are not as prepared.

15. The above elements appear to justify including a project preparation study for sites and services in Lagos in Phase I of the program, with the project itself to be considered for financing in Phase II, starting in 1980.

16. The Obalende renewal scheme does not appear justified for Bank financing in view of the existing infrastructure networks in the area, the long-time residency of the area by the present inhabitants, and the many problems created by social disruption at a time when existing housing stock should be retained rather than destroyed.

17. It was agreed with the Permanent Secretary of FMHUDE, however, that the Ministry would propose other means for the Bank to assist the Government in facing the problems of Lagos. These would be sympathetically considered when presented.

Major Policy Issues in the Urban Sector

There are two categories of policy issues affecting Bank intervention in the urban sector in Nigeria:

(a) The first category includes immediate project-related issues, as presented in paragraph 3 of the Aide-Memoire. These include the standard questions of:

(i) financial replicability;

(ii) increasing housing supply for low-income groups;

(iii) affordable standards and costs for housing and infrastructure;

(iv) recovery of investment costs to permit replicability; and

(v) control of effects of urban sector investment on the national and state economies.

These issues have been discussed at both state and Federal levels and reasonable understandings have been reached.

(b) The second category relates to broader national economic policy issues affecting many sectors, including the urban sector, which should be discussed with the Federal Commissioner of Economic Development and Finance:

(i) as noted in the Economic Report, interest rates are very low, thereby fueling existing inflationary pressures. The Federal Mortgage Bank (FMB) currently lends for home mortgages at 3% for 25 years. This will have to be considerably increased, if the Bank is to use the FMB as a major financial intermediary in the urban project.

(ii) Large Federal subsidies for urban infrastructure are assumed in the Third National Development Plan for 1975-80. This policy has been reiterated by the Head of State. It is now apparent, however, and acknowledged by middle-level officials in the Federal Ministries of Finance and Economic Development that such subsidies to the states will have to be severely reduced. An initial cut of some 20% has already occurred, forcing the states to re-examine their own programs as defined by the National Development Plan. Continued Federal subsidies for urban infrastructure should be reduced as soon as possible, and replaced by effective state-wide cost recovery mechanisms.

(iii) the above situation emphasizes the need for effective systems of state and local-generated revenue. Up to 90% of state and local revenue presently come from the Federal Government. There are different state attitudes towards this problem, with Bauchi and most northern states expecting continuing Federal subsidies for investments in many sectors, while Imo state recovers the full cost, plus some profit, on infrastructure in residential areas through "planning rates". While distribution of substantial Federal oil revenues to the states is likely to continue, the Federal Military Government should strongly encourage the states to establish state and local systems, both to mobilize real resources within each state and to compensate for the expected reduction in Federal grants to such states. The need to increasing tax effort to reduce inflation also applies to the Federal level, where presently only 11% of non-oil GDP accrues as government revenue.

(iv) a fourth general policy issue is the potential inflationary impact of external borrowing for projects with large proportions of local costs. Projects relying on locally-produced materials, which are in short supply, and with substantial demand for labor inputs in short supply, have fueled domestic inflation. The infusion of external funds can create a large unfulfilled demand for labor and materials in the construction sector, thereby sharply raising costs. Increased wages in construction have drawn labor from the rural sector, where manpower shortages have reduced agricultural production in absolute terms. Consequently, domestic food prices have tripled since 1973, whereas prices of imported food only doubled over the period. Consequently, the proposed Nigerian States Urban Development Program is being designed to a) stimulate the production of local building materials, b) remove constraints to labor supply through training and improved contracting procedures, and c) mobilize local labor and savings available to the construction sector.

Fact Sheet on Metropolitan Lagos

Population

1976 - Estimated 3.5 million

Rate of Growth 1953-76 - 10.6% per annum

Estimated Rate since 1976 - 6.5% per annum

Yearly Increment in Population more than 250,000

Proportion of Growth from Migration - more than 70%

Disproportionate Population in 20-29 Age Group

Life Expectancy Higher than National Average

Balanced Sex Structure

Proportion of National Population - about 4%

Proportion of National Urban Population - about 20%

Economy of Lagos

Lagos has: 80% of National non-oil cargoes go through Lagos Port.

35% of trade turnover in the country.

43% of modern-sector commercial employment.

47% of large-scale manufacturing employment.

73% of large-scale manufacturing investment.

Land Pressure in Lagos

Average density in Metropolitan Lagos - 450/ha.

Density in Central Lagos - 2800/ha.

Value of developable land - ₦86,000/ha.

Investment in Lagos

Estimated 20-25% of national private investment.

Third National Plan, ₦2.3 billion - 11.5%

of national total public investment.

Planned investment in Lagos Roads	- ₦602 million
Planned investment in Lagos Port	- ₦124 million
Planned investment in Lagos airport	- ₦210 million
Non-Plan proposed extra-plan investments for water supply by 1980	- ₦600 million
Monorail - more than	- ₦1 billion
New town developments - more than	- ₦1.8 billion

Public Finance

Local Government, Lagos Mainland - about ₦6 per capita

Local Government, Lagos Island - about ₦28 per capita

Local Government revenue more than 63% grants from State

State Government revenue more than 64% grants from Federal

No flexibility for state and local governments to increase tax base or tax level.

Administrative System

Lagos State has planning responsibility.

Federal Government has declared Lagos a special area -- many direct programs in Lagos not fully coordinated with Lagos State.

Urban Services

Average traffic speed less than 5KM/hr in Lagos Island.

Less than 50% of population served by piped water.

83% of population housed in "rooming houses". Average density more than 600/ha.

Source: Lagos State Master Plan Unit: Bulletins and Interviews.

NIGERIA

Lagos-Ibadan Expressway

1. Initially the Bank and the Government were in accord in planning the development of the expressway in stages to meet the demands of increasing traffic. But in 1970, whilst field studies were being planned to determine priorities the Government decided that a four-lane divided highway should be constructed and thereafter this became an issue of contention between the Government and the Bank.

2. The field studies showed that construction costs would be higher than initially expected. Even with optimistic assumptions on the rate of growth of traffic it was apparent that immediate construction of a four-lane facility on the northern section, Shagamu to Odo-Ona could not be economically justified (Annual rate of return less than 10 per cent and with traffic flows predicted well within the capacity of a two-lane road).

3. The Bank therefore proposed construction to four lane standard on the southern length (Lagos-Shagoma) and on the approaches to Ibadan (Odo-Ona to Poda) with two lanes between Shagama and Odo-Ona (38 mi.); and a review of traffic flows as soon as the road was opened to establish when it would be appropriate to provide four lanes over the whole length (68 mi.). This was unacceptable to Government. The Bank on the evidence available could not be associated with construction to four-lane standard throughout and therefore offered to assist in financing the southern section only, leaving Government to finance the remainder from their own resources (letter from Mr. Knapp of March 6, 1973). In October 1973 Government indicated that this compromise was unacceptable, and they proceeded with construction by contract at a price considerably in excess of the estimates on which the Bank's economic assessment had been based. At this time and later they were promoting the building of other roads by design-construct contracts without economic studies to determine priorities and the most economical construction plan.

4. It is possible that the expansion of Nigeria's oil production has produced increases in traffic which could not have been predicted at the time the expressway was being planned. The Bank's proposals for staged construction were clearly the wisest in the then known circumstances. And taking into account the overall objective to minimize total transport costs, it is likely that they still remain the best.

5. Key data available to the Bank on the expressway are given on the attached sheet.

I. TRAFFIC FLOW PREDICTIONS BASED on Measured Flows in 1970 with 10% Growth Rates

		VEHICLES	PER DAY	
	1976	1980	1983	1985
Lagos-Shagama junction	6,100	8,900	11,900	14,400
Shagama junction - Odo Remo	4,300	6,300	8,400	10,000
Odo Remo - Odo Ona	3,400	5,000	6,600	8,000
Odo Ona - Podo	Slightly less than on Lagos-Shagana			

II. COSTS

A. Consultants revised estimates at appraisal (Dec. 1972)

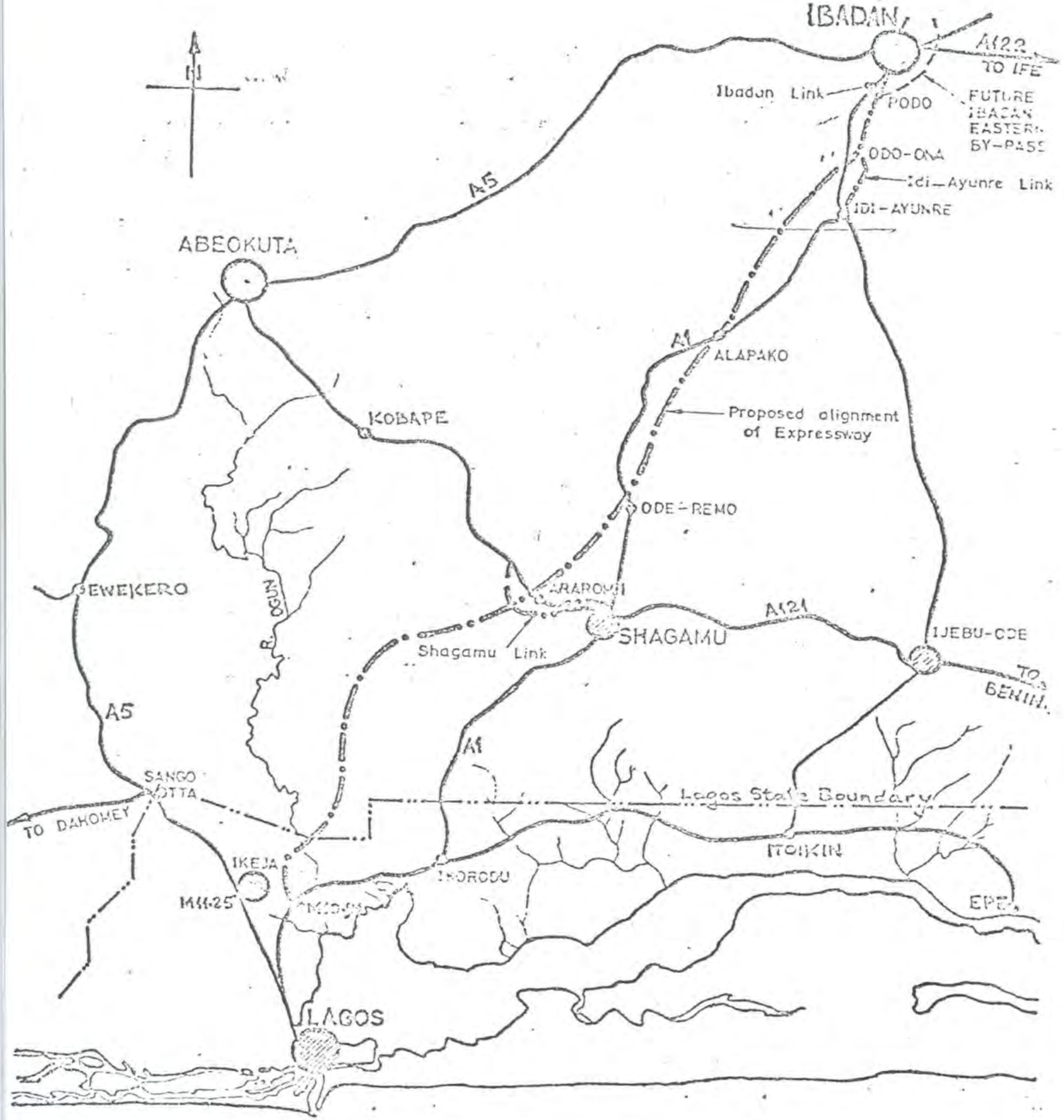
			US$ MILLION EQUIVALENT ₦1 = US$1.50
Lagos-Shagami junction	27 mi.	4 lanes	24.30
Shagami junction: Odo Ona	38 mi.	2 lanes	16.70
Odo Ona-Ibadan	3 mi.	4 lanes	4.86
Link roads	11 mi.	2 lanes	4.30
			50.16
Add for 3rd and 4th Lane: Shagami-Odo Ona			10.64
		TOTAL	60.80

(Excludes contingencies and consultants fees)

B. Contractors tender (July 1973)

Lowest tender for complete works excluding contingencies 136.8

(Note: A lower price was subsequently negotiated by reducing construction standards.)



IBADAN
A122
TO IFE
Ibadan Link
PODO
FUTURE IBADAN EASTERN BY-PASS
ODO-ONA
Idi-Ayunre Link
IDI-AYUNRE
A5
ABEOKUTA
A1
ALAPAKO
Proposed alignment of Expressway
KOBAPE
ODE-REMO
EWEKERO
R. OGUN
ARAROMI
A121
SHAGAMU
Shagamu Link
IJEBU-ODE
TO BENIN
A5
A1
SANGO OTTA
TO DAHOMEY
Lagos State Boundary
IKEJA
IKORODU
ITOIKIN
EPE
LAGOS

11

NIGERIA

Kaduna Water Supply Project

Amount:	US$25 million
Timing of Lending Program:	Reserve. Possible candidate for FY79
Next Critical Steps:	a) Completion of technical studies
	b) Appointment of chief technical officer

1. During 1974, the Federal Government of Nigeria requested the Bank to assist in the financing of a water supply expansion project in Kaduna State (formerly North Central State). The main item included in the proposed project is the extension of the water supply service for Kaduna City, the State capital, which has the highest priority. The original project included: (a) water intake upstream of the city; (b) treatment works for about 17 MGD; and (c) transmission lines. A statewide water supply sector study would be executed in conjunction with the proposed project.

2. The project was first appraised in 1975. However, a succession of changes in the management of the Kaduna State Water Board (KSWB) has taken place since 1975, which has resulted in the adoption of different positions with regard to the project. The original decision to concentrate on the intake and treatment plant in the North, upstream of the city as recommended by the consultants (and supported by the management), was based on the fact that in this way the water would be diverted before the river receives the highly polluted water from the city drainage. KSWB now argues that the continuing of the operation and expansion of the existing plant located downstream of the city may also have economic and reliability advantages.

3. In the interim, the KSWB has undertaken a crash program for a smaller (10 MGD) capacity intake and treatment plant on the northern site which is expected to be operational in 1978, satisfying Kaduna City's water demand up to 1980. After long delays, the contracts have been signed with the consultant for the engineering of the "Emergency Extension" and for the proposed Bank project.

4. In view of the above, it was agreed during a Bank mission in 1976 that the consultants will prepare a revised comparison of the alternative solutions for the next stage, considering the economic and reliability aspects for the intake and treatment plant. The consultants' report is expected to be completed and presented to the KSWB and the Bank in November. If an agreement on the recommended project is reached among the consultants, KSWB and the Bank by January 1978, appraisal of the project could take place in March/April 1978.

12

NIGERIA

FERTILIZER PROJECT

Amount: $100 million
Timing: FY80s

The Project

1. The project, to be implemented by the Federal Ministry of Industry, is understood to consist of the construction of plant units for the production of 1,500 tons per day (TPD) ammonia, 1,500 TPD urea and 1,200 TPD compound fertilizers based on imported phosphoric acid with the possible addition of a unit for the production of 690 TPD calcium ammonium nitrate (CAN). The project would be constructed at Port Harcourt, some 50 km from the coast and about 3 km from the existing Nigerian National Petroleum Corporation (NNPC) refinery. It would obtain its natural gas feedstock from a natural gas gathering and supply system currently being planned by the NNPC, and would require the construction of considerable supporting infrastructure in the area, which would be provided separately by the Government. The project, which by very preliminary estimates is expected to cost around $500 million including $350 million foreign exchange, is primarily intended to meet future domestic fertilizer consumption which is expected by the Government to grow rapidly from the present modest level. Surplus output in the early years of operation would be exported. The project sponsors propose to form a joint venture with a foreign company to construct and operate the project with the foreign partner to provide technical and marketing expertise in addition to between 30% and 40% of the equity capital.

Current Status

2. In 1975 the Ministry of Industry commissioned two UK consulting firms, The Scientific Design Company Ltd. and The British Sulphur Corporation Ltd., to undertake technical and marketing studies, respectively, on the establishment of a fertilizer project in Nigeria. Following the publication of the consultants' report in December 1975, the Ministry has retained The Scientific Design Company to act as its technical advisor in the further planning of the project. The Ministry has also had discussions with a number of prospective foreign joint venture partners and has now short-listed two companies, Mitsui & Company of Japan and U.K.F. Ltd. of Holland, for negotiations which are expected to start with U.K.F. in October. The Ministry hopes to complete a joint venture agreement with its selected partner by the end of March 1978, and immediately afterward to issue specifications for tender for the project with the objective of achieving start-up in 1981. Consistent with the schedule, the Ministry is understood to have instructed its technical advisors to make an early start on prequalification of bidders and preparation of tender documents.

Next Steps

3. The Director of the Fertilizer Department of the Ministry of Industry (Dr. Oyekan) met with the Bank staff in Washington on September 30 for preliminary discussions on the project and on the Bank's possible participation. At that meeting the Director stressed that it was essential that a Bank evaluation of the project preceding possible Bank financing should not delay the project schedule. Accordingly, as a follow-up to the meeting and at the Director's request, the staff sent a letter (attached) to the Government listing some of the issues which would have to be overcome to enable the Bank's evaluation to be completed within the time frame envisaged. The most important of these were: development of a financing plan and identification of potential lenders; preparation of a consolidated project report giving background and basis of the project plan and conclusions on the project's technical, economic and market viability; completion of plans for provision of supporting infrastructure and supply of gas; completion of detailed plant site surveys and development of accurate project capital estimates. The indications are that a staff project identification mission, at an early date, would be welcomed, and such a mission is provisionally planned for early 1978.

Attachment

October 7, 1977

Dr. Oyekan
Director, Fertilizer Department
Federal Ministry of Industry
Government of Nigeria
Lagos
NIGERIA

Dear Dr. Oyekan:

Port Harcourt Fertilizer Project

It was a pleasure to meet you on September 30, during your visit to Washington, and to hear about your plans for construction of a fertilizer project at Port Harcourt. We understand that the current plan is for construction of a plant to produce 1,500 TPD ammonia, 1,500 TPD urea and 1,200 TPD compound fertilizers based on imported phosphoric acid with the possible additional inclusion of 690 TPD calcium ammonium nitrate. The project would obtain its gas supplies from a national gas gathering and supply system currently being planned by the Nigerian National Petroleum Corporation, but as this was unlikely to be completed by the time the project came on stream, temporary gas supply facilities would be arranged to serve the plant during its initial operating period. We further understand that considerable infrastructure facilities would have to be constructed in the Port Harcourt area to support the project but that these facilities were outside the project scope and would be provided by the Government. Additionally, you informed us that you have appointed the Scientific Design Company Ltd. of London as your consultants and that you intend to join with a foreign partner in a joint venture to construct and operate the plant with the foreign partner being expected to contribute technical and marketing expertise as well as 30 to 40% of the equity of the venture. We understand that you expect to commence negotiations soon with a prospective partner and that you plan to conclude a joint venture agreement by the end of March 1978, at which time you would expect to issue invitations to bid for the project and about six to nine months thereafter to award a contract so that the plant could come on stream in 1981. Near the end of our meeting, you requested that we provide you with an "aide-memoire" covering the various points we discussed relevant to facilitating the possible future participation of the Bank in your project. We have endeavored to do this in the following paragraphs:

1. We understand that you have not yet decided whether to adopt a reimbursable or lump sum type contractual arrangement for implementation of the project but that your consultants intend to proceed very soon with prequalification of potential bidders. We confirm our advice that the Bank has traditionally favored reimbursable type contracts with a fixed fee for services but that it did not exclude lump sum type contracts. Should you elect to follow the "lump sum" option, however, the Bank's procurement guidelines would have to be rigidly followed if the Bank were to participate in financing the contract, and this would initially involve placement of an advertisement in international publications of wide circulation, preparatory to prequalifying potential bidders. The Scientific Design Company should be familiar with the Bank's procedures and requirements in this respect, and we are enclosing a copy of the Bank's procurement guidelines for your further information. We would, of course, have no objection to your consultants seeking information from selected firms at this stage as may be needed to assist in the planning of the project and the preparation of cost estimates.

2. We would confirm that there would be no prospect of the Bank contributing the entire foreign exchange loan funds which could amount to around $300-350 million for the project you are contemplating, and consequently, additional financing sources would have to be mobilized. We should also mention that the Bank finds that a debt/equity ratio of about 60:40 is more appropriate in a project of this nature than the 70:30 you are considering. The exact ratio, of course, depends on the terms of the debt, some of which may be subordinated, and on the pricing allowed for products by the Government. We would emphasize that in our experience the mobilization of financing can be a time consuming effort and would suggest therefore that to avoid slippage in your project schedule, you treat the identification of such financing sources and the preparation of a financing plan as a matter of urgency, so that all participants may be involved in the project and their requirements ascertained at the earliest possible stage.

3. It would be feasible for the Bank to evaluate the project and complete its consideration of a possible loan in the period of approximately nine months which you have allowed between issuance of bidding invitations and a subsequent award of contract. However, this would be very much dependent upon the Bank being provided at the commencement of its evaluation with adequate

documentation in support of and giving the background to the various decisions taken on the project definition and scope, the marketing and distribution arrangements, and the conclusions reached on the project's economic and financial viability. It would seem to us that the period up until the point when you wish to make an effective start on the project (by issuance of bidding invitations) affords an excellent opportunity of consolidating your project plans into a comprehensive project report which will be valuable in expediting subsequent evaluation of the project by the Bank and other potential lenders. Accordingly, we would recommend that you instruct your consultants to prepare such a report summarizing their studies on the project's feasibility. Similarly, we would recommend you arrange with your foreign partner to provide you with a copy of their feasibility study which we would expect they would prepare as a matter of course to support their own investment in the project. We would anticipate that providing the project had been adequately studied and planned, these two reports together with other readily available data may be sufficient to permit the Bank's evaluation to be carried out expeditiously.

4. It has been our experience in the past that in many cases, delays in the evaluation of projects and indeed delays in the projects themselves have been the result of inadequate project studies and planning being undertaken beforehand. We would like to emphasize therefore the value of having your consultants undertake the work suggested above and additionally make mention of some other areas which could conceivably cause delays. Firstly, in the case of supporting infrastructure necessary for the project, we would strongly recommend that you ensure that adequate studies are in progress and will be completed in a timely fashion to permit plans to be formulated by the time it is necessary to make a decision to proceed with the fertilizer project for provision of all infrastructure requirements. We would envisage a delay in the Bank completing its evaluation of the project if at the time of evaluation clear plans for providing the necessary infrastructure to support the project were not available. The same remarks would apply to the plans for supplying gaseous feedstocks to the project. Secondly, we would like to draw your attention to the need to compile accurate capital estimates for the project to provide the necessary credibility to the financing requirements for the project and the estimated financial returns. Thirdly, it is important that a thorough site survey be performed in advance of final project evaluation to determine the suitability of the site for construction of such a project and to provide the basis

for estimating civil works costs.

We very much regret that due to circumstances beyond our control, we were unable to proceed with our proposed visit in August, when we may have been able to identify other potential bottlenecks and so help to avoid any delays in your desired project schedule. However, we hope the above observations are helpful to you and hope to be able to visit you as soon as possible to take a closer look at your project. In the meantime, please do not hesitate to ask our assistance on any other points we have not been able to cover in this letter.

Yours faithfully,

Anthony R. Perram
Chief, Division II
Industrial Projects Department

Cleared with and cc: Mr. Taylor-Lewis

cc: Messrs. Fuchs/Dewey, Kohli, Bottelier, Reitter, Donald King, Senf, Segura, Bourcier o/r

GEvans/ARPerram:mmm

13

NIGERIA

Project Brief

Industrial Development and Finance

1. The Bank Group has made two DFC loans to Nigeria with the Nigerian Industrial Development Bank (NIDB) as financial intermediary ($6 million in FY69 and $10 million in FY71). IFC also had a 25% equity holding in NIDB which was sold in 1976. Since 1973, there has been little contact with Nigerian financial institutions and our knowledge of the industrial sector is scant. *A priori*, we are aware of projected financing gaps particularly to carry out planned public investment in the industrial sector. NIDB has become the Government's key intermediary for such public investments. Our past experience with NIDB has shown it to be a reliable institution with good quality staff that follow sound investment policies. It is likely that our renewed involvement in Nigeria would revive Bank contacts with NIDB. A possible project was discussed with NIDB's General Manager during the Annual Meetings.

2. A project identification mission is to visit Nigeria the first part of November to assess the potential for an IDF project. The mission would estimate the magnitude of financing gaps in the industrial sector, determine priority areas for investment, review sectoral developments, and have preliminary discussions on key sectoral, policy, and institutional issues (e.g. interest rates, domestic resource mobilization). Based on the results of that mission, preparation of an IDF project for FY79 using NIDB as intermediary will be determined. The Regional lending program includes a tentative provision of US$50 million for this project. During the course of preparing and appraising the NIDB project, an IDF project using other intermediaries to reach other target groups (e.g. private sector and SSE through the Nigerian Bank for Commerce and Industry) is expected to be prepared for FY80.

14

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Memorandum for Record DATE: October 10, 1977

FROM: Peter Reitter, Chief of Mission

SUBJECT: NIGERIA: Meeting of Mr. McNamara with Nigerian Delegation to Annual Meeting on September 27, 1977

Nigerian Delegation:

Major General James Oluleye	-	Federal Commissioner for Finance
Mr. Musa Bello	-	Permanent Secretary, Federal Ministry of Finance
Mr. Gilbert Chikelu	-	Permanent Secretary, Federal Ministry of Economic Development

Bank:

Messrs. Knapp
Chaufournier
Gue
Burmester
Reitter

1. The delegation was first briefly received by Mr. Knapp who expressed the Bank's appreciation to the delegation for Nigeria's significant financial contributions to international development institutions, including the African Development Bank and the World Bank. Subscriptions to bond issues over the past three years, including two-year bond issues, had exceeded Bank lending to Nigeria over the period.

2. In welcoming the Nigerian delegation, Mr. McNamara stressed the importance which the Bank attached to close relations with Nigeria. General Oluleye responded by expressing the gratitude of the Nigerian Government for the role the Bank had assumed in fostering economic development in the world under Mr. McNamara's leadership, and congratulated him on his opening address to the Annual Meeting.

3. Turning to Nigeria, the Commissioner thanked Mr. McNamara for the assistance the Bank had rendered to his country. Regarding Nigeria's current economic situation and prospects, the Government was in full agreement with the Bank's assessment and policy recommendations contained in a recent economic report which had been discussed in separate meetings with Bank staff, and action had in fact already been initiated in a number of areas along the lines recommended by the Bank.

4. Nigeria, the Commissioner stressed, in spite of its oil resources, was currently facing difficulties with the execution of its development plan on account of changed economic conditions characterized by a rapidly

widening resource gap and serious domestic price inflation. Given the magnitude of the country's development problems and the relatively low per capita income of US$290 (the Bank's figure is around $350), the development plan could not be considered ambitious. Substantial investments in infrastructure, agriculture and industry were essential to assure sustained growth of the economy.

5. Nevertheless, the Government was conscious of the fact that public sector expenditures had to be contained, and drastic cuts in this year's capital budget had therefore been applied. Expenditure control was an essential part of future Government policy, and to that effect, it had been decided to freeze recurrent expenditures for the next two years at the current level. At the same time, every effort was being made to generate higher resources from non-oil sources. Subsidies for public services such as electricity, railways, air transport, etc. would be phased out or eliminated and tariffs would be cost related. In order to cope more effectively with the tasks ahead, the Federal Ministry of Finance had been reorganized. In this connection the Commissioner referred to the present inadequate budgeting procedures and budget controls which would be greatly improved by the introduction of a project performance budget with effect of next year.

6. In combating domestic price inflation, the Government had been successful in reducing the rate from 43 percent in 1975 to about 20 percent in 1976. It was the intention to lower inflation to 15 percent in 1977 and to 10 percent in subsequent years.

7. In summarizing his remarks, General Oluleye expressed the hope that the Bank appreciated Nigeria's efforts in the areas he had outlined, and that the Government therefore could count on substantial assistance from the Bank. While the scope of many projects was being scaled down, Nigeria needed to borrow large amounts of funds abroad to enable it to carry out its program, and he expected the Bank to contribute US$500 million per annum over the next years. The Government was in broad agreement with the projects and priority sectors selected by the Bank, and placed particular importance on the provision of technical assistance and training in connection with the Bank's lending activities. Nigeria needed Bank expertise most in project identification and in the management and execution of projects.

8. The Commissioner concluded by stressing that the present Military Government in its efforts to keep the economy on a sound basis was in fact planning for the return of the country to civilian rule by late 1979. It was therefore determined to carry out its program meticulously and to follow policies which would assure a strong and viable economy at the time of 'hand-over'. General Oluleye thanked Mr. McNamara again and reiterated his Government's invitation (extended by his predecessor at last year's Annual Meeting) to visit Nigeria in the near future.

9. Mr. McNamara in acknowledging the Commissioner's remarks, said he was pleased to accept the invitation and would be available to come to Nigeria in early November. He emphasized that the Bank was anxious to help in every way it could. He regretted that the time was too short to discuss the issues and policy measures the Commissioner had outlined but intended to pursue these matters with the Government during his forthcoming visit. The Bank stood ready to extend economic advice and in fact hoped to maintain a close and fruitful dialogue with Nigeria in this area. The Bank was furthermore prepared to assist in the financing of projects in priority fields and to undertake or organize sectoral or broader studies relevant for the formulation of appropriate objectives and policies which the Bank could support.

10. Mr. McNamara emphasized that Nigeria was a large country, and that there was therefore scope for a substantial involvement of the Bank in assisting the Government's development efforts. He was impressed by the magnitude of the problems but equally so, by the Government's determination to come to terms with them. The Bank, Mr. McNamara said, in expanding its lending significantly, would necessarily want to be assured that the investment plans were soundly conceived so as to avoid waste of resources. Of equal importance was the containment of inflation. He was therefore looking forward to discussing these and related matters in Nigeria.

11. In concluding the meeting, Mr. McNamara referred to the Bank's role as that of a "servant of the developing countries". Nigeria stood to gain by taking advantage of it.

c.c. Messrs. McNamara, Knapp, Chaufournier o/r, Gue o/r, de la Renaudiere, Thalwitz, de Azcarate, Koch-Weser, Burmester, Myers, Taylor-Lewis, Senf.

15

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: October 19, 1977

FROM: Clifton E. Senf, Operations Assistant, WA1DA

SUBJECT: NIGERIA: Regional Meeting with Nigerian Delegation to Annual Meetings on September 26, 1977

1. Mr. Chaufournier opened the meeting 1/ by welcoming the Nigerian delegation to the Annual Meetings, noting that Nigeria had requested an increase in the Bank's lending program. Following this request, a Bank Economic Mission visited Nigeria during April-May 1977.

2. The Economic Mission was able to confirm that Nigeria is likely to experience the re-emergence of a resource gap, and its recommendations on various fiscal and monetary measures to be taken are currently being reviewed with Government.

3. Mr. Chaufournier said he understood the preliminary technical discussions with members of the delegation suggest that the Federal Government is in broad agreement with the Bank on the various policy and sector issues discussed in the Mission's draft report, and also, the Mission's recommendations for remedial measures to be taken. He said that the Bank stands ready to assist Nigeria in the implementation of its development programs, and to consider an expansion of its program in the light of Nigeria's need for a net transfer of resources and additional technical assistance. He stated that, once agreement is reached on the various policy issues, then a more rapid expansion of the lending program would depend on the rate at which projects could be identified and prepared. Mr. Chaufournier enumerated those sectors where Bank intervention could be reasonably rapid and useful. He said that we could make a significant start with those sectors with which the Bank is already familiar and that, as more knowledge is acquired on other sectors, the Bank could broaden its lending program accordingly.

Agriculture

4. The Bank's prime objective in agriculture has been to support the Government's policy by assisting in increasing agricultural production and rural incomes through improved support services and better forms of management techniques and training. Future Bank assistance would continue to pursue these objectives, and in addition would focus increasingly on:

1/ See list of attendees attached.

(i) assisting the Federal Government in improving its capability in preparing, appraising and implementing rural development projects;

(ii) supporting the Federal Government's efforts to decentralize development;

(iii) strengthening the planning and program functions of the Federal Ministry of Agriculture and Rural Development; and

(iv) encouraging increased involvement of Federal agencies such as the Nigeria Agricultural Bank.

The main policy issues relating to this sector, and on which the Bank would expect to reach early agreement with the Federal Government include the fertilizer subsidy and onlending rates issues.

Public Utilities

5. Bank participation in the electrical power expansion program should be looked at as a long-term effort with initial Bank involvement in the area of distribution. This could in turn lead to a series of projects aimed not only at increasing power supplies, but also increasing the planning, technical, and financial capacities. In particular, Bank assistance would provide a rationale for tariff and pricing policies based on cost.

Industry

6. Bank involvement in the industrial sector could play an important role in supporting Government's efforts in promoting medium and small indigenous enterprises, as well as a few large projects, such as the fertilizer project, in selected areas. Both the Nigerian Industrial Development Bank and the Nigerian Bank for Commerce and Industry are potential lending possibilities.

Water Supply

7. The Bank is fully aware of the importance the Government places on water supply expansion. While the Bank has thus far not lent for water supply in Nigeria, substantial preparatory work has been undertaken with regard to two proposed projects. Even though neither project has materialized to date (the Government is financing one of them, and the scope of the other is being revised), we believe this is one of the sectors in which the Bank can make an effective contribution in Nigeria.

Transportation

8. The Bank has had some experience in the transportation sector in Nigeria, and there appear to be a number of areas where the Bank may be of some assistance, e.g., in helping a few selected States to build up effective road maintenance programs at State and local levels. The Bank could also assist in two future port expansion schemes, namely, in Lagos and Port Harcourt, as this is a sub-sector already known to the Bank. Railways pose a particular problem and any efforts in this sub-sector would have to be long-term, after full study and mutual agreement on what needs to be done.

Urban Sector

9. Mr. Chaufournier pointed out that the Bank's strategy would be similar to the one used in rural development in assisting the Government in developing pilot projects which could be easily replicated in other cities. It was also noted that the Government has already expressed interest in Bank assistance in this sector, and that a Bank mission had been scheduled to visit Nigeria in October 1977, with prospects for a proposed first lending operation in 1980 or early 1981.

10. Mr. Chaufournier emphasized that the sectors discussed above represent those in which the Bank could move relatively quickly, adding that as additional knowledge of other sectors is acquired, further discussion could take place on their inclusion in the lending program.

11. Mr. Musa Bello, Permanent Secretary, Ministry of Finance, thanked Mr. Chaufournier for the courtesies extended and for his opening remarks. Mr. Bello stated that the Nigerian Government is also quite concerned over the level of public spending and revenue pattern. He indicated that there existed broad agreement with the recommendations made in the economic report, and that a number of steps had already been taken along the lines suggested:

(a) Tariffs and charges for various public utilities have been raised and will be kept under constant review, as it is the Federal Government's view that the public must begin to pay for the costs of various social services;

(b) The housing program is under complete review;

(c) Government is already comitted to an upward revision of interest rates, and the whole structure of interest rates is currently under review;

(d) On the expenditure side, Mr. Bello stated that he was pleased to announce the recently-taken decision to freeze recurrent expenditures for two years; and

(e) In addition, capital expenditures are being reduced as a re-ordering of priorities takes place.

Mr. Bello quoted the reduction in size of the proposed fertilzier plant and a reduction in the number of proposed steel plants as examples of the re-ordering of Government's capital development plans, currently taking place. He stated that in the analysis of Nigeria's current economic situation and suggested solutions, "the Bank and Nigeria are speaking the same language".

12. In response to a query about the devaluation recommendation, Mr. Bello stated that the Government is not convinced that devaluation, as suggested by the Bank's Economic Report, is preferable to the recently established policies of allowing the exchange rate to be periodically adjusted to changing conditions. Additionally, it was pointed out that the exchange rate had been dropping since May of 1977.

13. In the discussion of the exchange rate issue, it became apparent that there were some areas of confusion arising from the choice of terminology. used. While the term "devaluation" seemed to have evoked considerable disquiet amongst the Nigerians, they seemed reasonably at ease in the use of such terms as "depreciation" or "allowing the rates to adjust downward". Furthermore, the Nigerian delegation had formed the impression that the Bank's recommendation implied a once-and-for-all realignment of currencies, rather than a series of small depreciations over a period of time as indicated in the Economic Report.

14. It was obvious that the Nigerians' basic concern regarding the effects of devaluation are the likely effects it will have on domestic inflation. However, no firm decisions were reached on this issue, and there is therefore ample room for further discussions on the matter.

15. Mr. Bello enquired about the prospects of a line of credit for the Nigerian Agricultural Bank (NAB), adding that the NAB is in need of funds which the Federal Government can no longer cover. Mr. Chaufournier stated that this could form one of the topics to be discussed at the meeting scheduled with NAB representatives later that week, indicating, however, that NAB's statutory obligation to lend at a flat rate of 5% would be one of the major issues to be resolved in this regard. Mr. Bello stated that NAB's onlending rates are currently being looked at as part of the Government's review of the interest rate structure in Nigeria. He did not think it would be inappropriate to look at NAB's or any one rate in isolation. Mr. Bello then asked if the Bank's program of assistance in agriculture included any of the River Basin Development Authorities. It was noted that this is an option being considered, since the terms of reference creating the Basins are broad enough to encompass practically any activity. However, the Bank's present knoweldge on the River Basin Authorities is rather limited, and it is intended to include a comprehensive study of such Authorities as part of an agricultural sector mission scheduled for June 1978.

16. Mr. Bello asked if the Bank had come to any decision regarding the size of its future commitments to Nigeria. Mr. Bello emphasized that, in addition to the need for an increased resource transfer, the Government is anxious to continue with its efforts to diversify the economy away from oil and regenerating agriculture. To this end, the Federal Government is also looking to the Bank to make a major contribution in the form of technical assistance. In addition, the Government has found that working with the Bank provides a system of checks which is extremely valuable in helping to ensure that projects are both effectively and efficiently implemented. In conclusion, Mr. Bello stated that the Government's desire is for an expanded Bank program that provides for an annual level of commitment of US$500 million.

17. Mr. Chaufournier responded that, if we are in agreement on all the various issues, then the Bank stands ready for a substantially larger commitment to Nigeria. The exact magnitude has not been determined at this point in time, as the planning, timing and the organizational issues to mount a long-term large program of this nature takes more lead time than what has been available. However, Mr. Chaufournier emphasized that the Bank can begin working toward the US$250-US$300 million per annum level in the next few years, with substantial flexibility to adjust as the situation becomes more clear.

18. The meeting was concluded after a schedule of further meetings at the staff level had been agreed upon. It was also agreed to review further the Nigerians' request for technical assistance in external borrowing, management of liquid assets, EDI and training; and possible future Bank assistance in support of secondary education.

Attachment

cc: Messrs. Chaufournier, Gué, Thalwitz, de Azcarate, Van Gigch, Bottelier,
Reitter, Dyck, Guetta, Grimshaw, Taylor-Lewis, Myers
Salazar, Perram, Soges, D. Singh, Brandreth, Cole

Cleared w/P. Taylor-Lewis

CSenf/lgl

ATTENDEES

at

Regional Meeting with Nigerian Delegation

to Annual Meetings on September 26, 1977

Federal Republic of Nigeria

Mr. M. Bello, Permanent Secretary, Federal Ministry of Finance
Mr. G. Chikelu, Permanent Secretary, Federal Ministry of Economic Development and Planning
Mr. S. B. Falegan, Director of Research, Central Bank of Nigeria
H. E., O. Joloaso, Nigerian Ambassador to the United States
Mr. S. N. Mbamarah, Principal Secretary, Federal Ministry of Economic Development
Mr. P. O. Ononye, Deputy Director of Research, Central Bank of Nigeria
Mr. B. Boroda, Economic Counsellor, Embassy of Nigeria
Mr. E. A. Ajayi, Economist, Central Bank of Nigeria

Bank Staff

Mr. R. Chaufournier
Mr. A. Gue
Mr. W. Thalwitz
Mr. L. de Azcarate
Mr. F. Van Gigch
Mr. P. Bottelier
Mr. P. Reitter
Mr. J. Dyck
Mr. S. Guetta
Mr. R. Grimshaw
Mr. P. E. Taylor-Lewis
Mr. R. Myers
Mr. C. Senf