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REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO NIGERIA FOR THE GUSAU AGRICULTURAL DEVELOPMENT PROJECT

November 25, 1974

Public Disclosure Authorized

CURRENCY EQUIVALENTS

US$1.00	=	Naira (₦) 0.66
₦1.00		US$1.52
₦1 million		US$1.52 million

Since April 1, 1974 the Naira has floated independent of the U.S. dollar. Twice weekly, the Central Bank sets buying and selling rates for the U.S. dollar and £ sterling. The Naira has appreciated steadily vis-a-vis the U.S. dollar, and by July 1, 1974 the average quotation was ₦1 = US$1.622 or 6.7 percent above the previous central rate of ₦1 = US$1.52. The latter has been used for currency conversions throughout this report.

FISCAL YEAR

April 1 to March 31

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO NIGERIA FOR THE GUSAU AGRICULTURAL DEVELOPMENT PROJECT

1. I submit the following report and recommendation on a proposed loan to Nigeria for the equivalent of US$19 million to help finance agricultural development in the Gusau area in the North Western State of Nigeria. The loan would have a term of 20 years including a five-year grace period with an interest of 8 percent per annum. The US$19 million Bank loan would be onlent to the North Western State Government (NWS). The loan would be onlent on the same terms as the Bank loan.

PART I - THE ECONOMY

2. A report entitled "Current Economic Position and Prospects of Nigeria" (416a-UNI) dated August 5, 1974 was distributed to the Executive Directors. The country data sheet is attached as Annex I.

Recent Developments

3. The most striking feature of Nigeria's economic performance since 1970 is the remarkably rapid recovery from the dislocations and disruptions caused by the civil war. GDP rose by nearly 50 percent in the two years immediately following the war. This exceptionally high growth obviously included a large element of "catching-up" as the economy responded to the pent-up demands of the civil war period and as investment and production which had been postponed during the hostilities were rapidly realized. As this phase came to a close, a decline in the rate of growth to more normal levels was to be expected. Moreover, during 1972 and 1973, agricultural production was adversely affected by drought in the Northern States, and the output of some manufacturing industries (e.g., textiles and footwear) fell as a result of intensified competition from imports, following the policy of liberalization introduced in early 1972. As a result, GDP at factor cost is estimated to have risen by about 8 percent in 1972/73. Growth in 1973/74 may be in the range of 6-7 percent. The country's GDP during 1970/71 through 1972/73 was about 45 percent higher than in the three years immediately preceding the war. The implied growth rate during the period 1964-66 to 1970-72 (6.3 percent a year) compares favorably with the 6 percent attained during the fifties and early sixties.

4. This rapid economic recovery resulted mainly from expansion of petroleum mining. Crude oil production rose from around 630,000 barrels per day (bbls/day) in early 1970 to 1.8 million bbls/day in early 1972 and 2.0 million bbls/day by mid-1973. Government services too increased quickly on the basis of considerable growth of revenues from the oil sector. On the

average, manufactures also grew faster than total output. However, petroleum production is an enclave activity, and manufacturing and modern services afford employment for a small share of the labor force. Nigeria essentially remains an agricultural economy in spite of a substantial shift in the composition of output since the period immediately before the civil war. Agriculture accounted for 46 percent of domestic product in 1971/72 (i.e., prior to the increase in oil prices) and employed some 70 percent of the labor force. Consequently, Nigeria's per capita income (about $130 in 1972) largely reflects the low productivity of its traditional agriculture.

5. The considerable growth of domestic product and income in recent years was accompanied by similar increases in all major components of aggregate expenditure. In real terms, exports in the period 1971/72 through 1973/74 averaged about twice the pre-war levels, imports increased by almost 90 percent, investment by over 65 percent, and consumption expenditures by about 50 percent. Per capita real consumption and the rate of investment are well above pre-war levels. Private sector investments have been high in both oil and non-oil activities, especially manufacturing among the latter. Public investment (valued at 1970/71 prices) rose from ₦148 million in 1970/71 to ₦340 million in 1972/73 and was budgetted at ₦600 million in 1973/74. Nevertheless, implementation of the public investment program contained in the Second Development Plan is behind schedule, due partly to a delay of ten months in the issuance of the Plan and, more significantly, to inadequate executive capacity for project preparation and implementation. Recognizing these problems, the Government decided to postpone the start of the next Plan by a year. The Third Development Plan is now scheduled to start early in 1975, and will cover the five-year period 1975-80. Provisional guidelines for the Third Plan, issued in July 1973, are currently being reviewed in the light of the new situation brought about by the recent sharp rise in oil revenues. General Gowan's Independence Day message of October 1, 1974, indicates that the Government is now contemplating a much bigger program of investment than outlined in the July 1973 Guidelines.

6. Nigeria's balance of payments and fiscal position have also shown dramatic improvement essentially because of the rapid growth of petroleum exports. Total exports have risen from ₦885 million in 1970 to ₦2,227 million in 1973, with oil accounting for practically all the increase. Imports have also grown (from ₦756 million in 1970 to ₦1,234 million in 1973), but more slowly than exports. This has enabled the Government to reduce short-term external debt and to progressively relax the restrictions on import payments and repatriation of dividends. The few remaining licensing and payment controls in respect of goods and factor services have been removed in the last budget. Foreign exchange reserves have increased dramatically following the recent increases in oil price, and preliminary figures as of early October 1974 indicate that external reserves exceed $4 billion, equivalent to about 15 months' imports.

7. The increase in oil revenues from ₦70 million in 1969/70 to ₦730 million in 1972/73 was also the major factor in transforming the Government's

fiscal position. In 1969/70, the Federal and State budgets taken together showed an overall deficit of ₦349 million; in 1971/72, they showed an overall surplus of ₦268 million. Because of a sharp increase in expenditures, 1972/73 recorded a small overall deficit. But the recent rise in oil prices is likely to result in an unprecedented overall surplus during 1973/74 and the current year despite big increases in budgetted expenditures. This growing fiscal strength, however, has been largely confined, so far, to the Federal Government. In general, the states have been barely able to balance their revenue leaving little resources to finance capital expenditures. The Federal Government has made large grants and low interest loans to alleviate the situation. The picture is likely to change dramatically as a result of the new revenue-sharing arrangement announced by General Gowan in his Independence Day address. Under the new arrangement, the states as a group are expected to have sufficient resources to meet all their current expenditures and about two-thirds of the projected capital expenditures.

8. The improved budgetary situation, liberalization of imports and recovery of production in the eastern states have, together, helped abate inflationary pressures. The Lagos Consumer Price Index rose by less than 3 percent in 1972 and a little over 4 percent in 1973, compared to an average of 13 percent or more per annum between 1968 and 1971.

9. Other major developments in the last two years include a far-reaching reform of the Marketing Board System, a substantial increase in producer prices for agricultural products, the acquisition of a 55 percent equity participation in virtually all foreign operations in the oil sector, and the establishment of the Bank for Commerce and Industry to assist indigenous entrepreneurs. A population census, conducted in November-December 1973, indicates Nigera's population to be around 80 million. These results are provisional and subject to review by a Committee of Experts. The final population figures are not expected before the end of the current year. At the political level, the most noteworthy event is the announcement of the Federal Military Government's decision to postpone the return to civilian rule, originally set for 1976.

Medium and Long-Term Prospects

10. Even before the recent rise in oil prices, as pointed out in the Basic Economic Report (Report No. AW-35a), it was apparent that the resources generated by oil would permit Nigeria to undertake a bold program of public development expenditures and plan for a sustained, rapid growth during the next decade. The Guidelines for the Third Plan issued in July 1973 visualized total public investment at some 80 percent higher than in the Second Plan with emphasis on agriculture and rural development and on widening and deepening the industrial structure. With the prospect of vastly larger oil revenues, the Government has decided to further increase the scale of projected investments. The Head of State recently announced that the public sector investment program in the Third Plan would be about ₦20 billion, out of an estimated total investment of ₦30 billion. This is expected to generate a 9 percent annual increase in incomes. Apart from larger outlays in agriculture, roads,

education, health and infrastructure, massive investments in oil-related industries like LNG, fertilizers and refineries are visualized. The need and scope for the projected investments is beyond doubt. The finance and foreign exchange necessary to sustain them are also available. The Government is aware that shortage of executive capacity poses a serious problem, and efforts are being made to overcome this constraint. Clearly the fulfillment of the Third Plan targets depends critically on the success in building up the necessary capacity to prepare, implement and manage projects.

11. The Bank's Economic Mission, reviewing Nigeria's medium and long-term growth prospects in the light of the new oil prices, estimated that, with oil prices remaining constant in real terms, oil output rising moderately and public expenditures growing at the rate of 13 percent a year (in real terms), the economy has the potential to sustain an average annual growth of over 9 percent through the mid-eighties, provided the investment program is implemented efficiently. The potential growth would be somewhat lower (8.3 percent a year) if oil prices in real terms were to decline moderately, oil output were kept constant and public expenditures grew by only 10-11 percent a year. Even with such high rates of growth, Nigeria in the mid-eighties would still be a relatively poor country with per capita real income of around $500.

12. Under the above assumptions, Nigeria is expected to remain in overall balance of payments surplus during the remainder of the 1970s. Accumulated reserves at the end of the Third Plan (1980/81) may lie in the vicinity of 18 months' import value, the value of imports having risen by that time to around $13 billion in terms of current prices. However, the overall balance of payments is likely to be in deficit by the early eighties, and the deficit could rise rapidly. The range of possible outcomes during the eighties is very wide and will be very sensitive to the behavior of oil prices, output and public expenditures. With relatively low growth of public expenditure, constant real oil prices and rising oil output, total reserves in 1985/86 could be equivalent to less than 10 months' imports. But, with higher growth of government expenditures, lower oil prices and constant oil production, Nigeria could well have exhausted all its reserves by that time.

External Assistance

13. Nigeria's need for external 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 foreign private capital is that it should complement, not compete with domestic capital. This applies to official external assistance as well. Priority is, therefore, being given to multilateral and bilateral projects and programs which act as catalysts to investment efforts in the high priority areas and increase indigenous capability to control, manage and promote the growth of the economy efficiently in the future. Against this background the Federal government and the Bank agree that, at least over the next Plan period (1975-1980), the primary objective

of Bank activities in Nigeria should continue to be to assist Government efforts to increase investment in the high priority areas of agricultural and rural infrastructure development and to improve public sector capability to manage and promote the future growth of the modern sectors, rather than to increase available resources. During recent discussions with the Government, it was also agreed that the most efficient and effective means of providing this assistance would be in association with capital projects typically financed by the Bank, such as the projects proposed today.

14. Nigeria's creditworthiness for additional borrowing on conventional terms is not in question. As of December 31, 1972, total external public and publicly guaranteed debt, including undisbursed loans, amounted to an estimated $1,035 million, of which approximately $57 million represented suppliers' credits. Outstanding but undisbursed commitments of official capital were about $426 million. Debt service in 1972 was 2.5 percent of gross exports, or less than 4 percent of exports less factor payments. In view of the substantially improved resource position of the country, and the consequent uncertainty as to the level of its future borrowings, it would not be possible to state, at this stage, what the Bank's share of Nigeria's total outstanding debt or debt service will be in the next five years. The Bank Group's share of total external public debt (including undisbursed) at the end of 1972 was about 45 percent. This relatively high share essentially reflects Nigeria's low level of external debt ($14 per capita in 1972) rather than substantial lending by the Bank ($6 per capita, including undisbursed, at the end of 1972).

15. The Government of Nigeria is favorably inclined to re-cycle a portion of its accumulating resources for the benefit of the developing world. During the past six months, Nigeria has 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 contribute to the Group; and contributed SDR100 million to the IMF Oil Facility. In addition, Nigeria has recently agreed to make a substantial purchase of Bank bonds, the terms of which are currently under negotiation.

PART II - BANK GROUP OPERATIONS IN NIGERIA

16. Bank/IDA lending to Nigeria to date amounts to $621.9 million (net of cancellations) of which $370.8 million was committed during the period of the Second National Development Plan. Transport and power together account for $428.2 million or about 69 percent of the total, and agriculture, education, industry and the post-war rehabilitation loan account for the remaining 31 percent; excluding the program loan, the respective shares are about 75 percent for transport and power and 25 percent for the other three sectors. Although disbursements have been lagging, the execution of projects has generally been satisfactory. Annex II contains a summary statement of Bank loans and IFC investments and notes on the execution of ongoing projects.

17. Bank activities since 1970 have generally been aimed at assisting Nigeria in the following three broad areas: (a) reconstruction and rehabilitation of the economy after the civil war; (b) institution-building in the public sector; and (c) extensive economic, sector and project preparation work. In pursuance of these aims, Bank commitments in FYs 1971, 1972, 1973 and 1974 amounted to $97.2 million, $119.6 million, $54 million and $75 million, respectively; during the same period, an economic mission and agriculture, education and transportation sector missions visited Nigeria, and extensive assistance was provided to the State Governments in identifying and perparing projects designed to raise the production and incomes of small farmers.

18. The proposed project, and the four other projects under consideration today, reflect the increasing emphasis being given to agriculture and rural development in the Federal Government's plans for investing oil revenues for the benefit of the bulk of the population who live in rural areas. Negotiations with the Bank have been completed for three further agricultural projects directed towards raising the production of palm oil from nucleus estates and smallholdings in the Western, Mid-Western and East Central States. Other projects in an advanced state of processing will be concerned with smallholder rubber production in the Mid-Western State and an irrigation scheme near Kano, and work is underway on the preparation of two further rural development projects, similar to those being presented today, in the Benue Plateau and Kwara States in the center of the country. These last four projects should be ready for presentation to Executive Directors within the next eighteen months. Outside agriculture the activities of the Bank Group are being restricted over the next few years to a small number of projects for which the Federal Government has requested assistance in building up new institutions required to strengthen essential infrastructure and to provide employment for the rapidly growing urban population. Work is currently proceeding on the preparation of projects for small-scale industry and water supply and sewerage in small towns and rural areas. The possibility of Bank assistance in the reorganization of the telecommunications sector has been discussed, but no decision has been taken. No further lending is presently envisaged for highways, power or education which have been important areas of Bank Group involvement in the past. However, two education projects are still at an early stage of implementation, and their supervision will make considerable demands on the time of Bank staff. The work of the Bank's Resident Mission in Lagos is largely concentrated on project preparation in agriculture and public utilities and on the supervision of on-going projects in these and other sectors.

19. Since foreign exchange as such is no longer a scarce resource in Nigeria, the extent of the Bank's participation in the financing of individual projects is being determined more by reference to what is considered to be an appropriate share of total costs. For projects which have high priority in meeting basic economic and social problems such as those in agriculture and rural development, where the direct foreign exchange component may also be relatively low, the Bank has been financing 50% of total costs, and this is the formula proposed for the sharing of costs of the five projects under consideration today and the three other projects for which loans have already

been negotiated. In the case of four of the five projects under consideration today the foreign exchange component ranges between 47 and 51%; for the Rice project it is 30%. This cost-sharing formula will be re-examined before further negotiations take place.

20. During the five years since the end of the civil war in January 1970, Bank Group commitments to Nigeria have averaged about $80 million a year. Disbursements on Bank loans to Nigeria have lagged well behind commitments. During the current fiscal year, they are not expected to exceed $54 million on a gross basis, or $18 million net of interest and principal repayments to the Bank. A large increase in the level of lending was discussed with the Nigerian Government two years ago when it was assumed that Nigeria would continue to require a substantial inflow of external capital for financing investments in the power and transport sectors which had absorbed the bulk of previous Bank loans. Now that these requirements can be met from Nigeria's own resources, the level and direction of Bank lending in future years will have to be reviewed in the context of the country's new Five-Year Plan, and such a review is planned for April or May next year when the Government expects discussions on the Plan to have been completed.

PART III - AGRICULTURAL DEVELOPMENT IN NIGERIA

21. Agriculture, including livestock, fisheries and forestry is by far the most important source of output and employment: in 1971/72 it contributed about $4 billion or 46 percent of the country's gross domestic product and about 70 percent of the labor force is estimated to be employed in this sector.

22. Nigerian agriculture is primarily domestic market oriented. Nearly 90 percent of her production - comprising all staple food crops and animal products, most palm oil and cotton, and a substantial part of groundnuts - is consumed within the country. Nigeria is nearly self-sufficient in foods. In 1971-72, total imports of food and beverages - of which meat, milk and sugar are the main items - were of the order of $145 million or less than 5 percent of estimated total food consumption. Exports of agricultural products in 1971-72 were valued at $265 million. Until the mid-sixties, they were the dominant element in Nigeria's export trade, but have since been overtaken by crude oil. Even so, they are still a significant source of foreign exchange and account for the bulk of the non-oil exports.

23. Nigeria can be divided into three major agricultural and ecological zones; a southern wet forest zone comprising the Western, Mid-Western, East-Central, South-Eastern and Rivers States, characterized by high rainfall and a tropical climate and growing mainly perennial tree crops, namely cocoa, rubber and oil palm; a central dry forest zone known as the middle belt embracing the whole of Kwara State, Benue Plateau, the southern parts of North-Western, North-Central and North-Eastern States which is underpopulated

and tsetse infested, but has a high potential for annual food crops and livestock; and a northern zone which, being free from tsetse has a high population density and a fairly intensive and developed system of agriculture. This area covers about 50 percent of the country, and in addition to supporting most of Nigeria's cattle population, also produces most of her cereals, beans, groundnuts and cotton.

24. Land holdings are typically small. The average farmed area per holding for the country as a whole is estimated to be less than three acres. In some of the more densely populated areas of the south, the average is less than one acre. There are few farm families with more than 25 acres of cultivated area. Farmers follow for the most part traditional techniques of which bush fallowing and mixed cropping are characteristic features. The practice of bush fallowing is essentially a device to maintain soil fertility. Mixed cropping permits farmers to get more output per acre with smaller risks of crop failure. However, since improved seed, fertilizers and other elements of modern technology are used on a very limited scale, average yields are still low. Small holdings and poor productivity explain the relatively low level of income in the agricultural sector. There are also considerable disparities in the distribution of land and incomes both between and within regions.

25. While reliable data are lacking, it is believed that agricultural production since the early sixties has been growing only slightly faster than population. Agriculture has certainly been growing much slower than other sectors, and as a result, its share in GDP has been declining. The relative sluggishness of agriculture is largely attributable to the existing low level of agricultural technology. The disruption of production in the eastern states during the civil war was an aggravating factor. Since then, the recovery has been hampered by short-term factors such as drought in parts of the north in 1972-73 and 1973-74, but, more particularly, by a number of underlying long-term influences. Some of the most important factors among these are the rising age-profile of tree crops, technical and other constraints to accelerated food crop production, e.g., the lack of improved crop varieties and adequate credit facilities to finance the purchase of modern farm inputs. Imports of food, though still small, have risen from around $70 million in 1965-66 to $145 million in 1972. The slow growth of production has also affected exports. Cocoa and rubber exports have remained stagnant in recent years. Palm oil exports have dwindled to negligible amounts and palm kernel exports are stagnating at well below pre-war levels. Groundnut exports in 1972 were some 80 percent below the 1965 level and were even lower in 1973 because of the drought in the north. In addition the availability of groundnuts for export has been affected by substitution of groundnut for palm oil in domestic consumption and the relatively better price offered to farmers by private traders. A near record groundnut crop is in prospect for 1974. Cotton, once a major export, is now fully utilized by the local textile industry and local supply cannot meet demand.

26. A vigorous effort to step-up the growth of agricultural and livestock production is essential for viable development of the economy. The

demand for agricultural products is growing rapidly. On a rough estimate, the resources generated by the oil sector would be adequate to sustain a growth rate of over 9 percent per annum in real terms over the next decade. This will generate a 6 percent average annual increase in domestic demand for farm products. Unless the rate of agricultural growth is accelerated, the economy faces the prospect of large and increasing food imports. More importantly, continued slow growth of agricultural production implies a slow improvement in the living conditions of the mass of the population with the attendant risks of further aggravation of rural-urban disparities.

27. Nigeria has vast unexploited potential for increasing agricultural production. The productivity of practically all segments of agriculture - food, export crops, and livestock - are far below levels attainable with modern farming methods. In addition there are extensive areas of good agricultural and grazing land which, if developed along scientific lines, could greatly increase production. 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. Significant improvements in productivity of many of the major export and cereal crops have been demonstrated to be technically and economically feasible. The main constraints are organizational and institutional: until recently Government efforts to help the farmers to learn and apply the known techniques for raising production have not been on a scale commensurate with needs and possibilities. Extension services in many states are poorly staffed, credit and marketing institutions are few, planning is weak and the expertise needed to implement successfully major agricultural and other rural development projects is in short supply. There are also complex social and institutional problems to be overcome before the land potential, including the resources of the middle belt, can be effectively exploited, and the livestock industry organized along modern lines.

28. The Federal and State Governments are conscious of the need for greater attention to agriculture and of the impediments to be overcome before significant progress can be achieved. Several major new programs initiated within the last year or two bear witness to a heightened Government concern for and interest in agricultural development. These include the creation of the Nigerian Agricultural Bank, the launching of an accelerated food production program, larger and better organized projects for replanting/planting of tree crops and integrated agricultural development projects in different parts of the country. At the request of the Government, the Bank has actively assisted in the preparation of many of these projects. The Bank economic mission in 1973 made an overall survey of the potential and prospects for food production. Agriculture and rural development generally are of crucial importance to Nigeria's long-term growth, and the Bank plans to continue assisting Nigeria in preparing and implementing projects in this area.

PART IV - THE PROJECT

29. A Report entitled "Appraisal of Gusau Agricultural Development Project -- Nigeria" dated September 6, 1974 (No. 354a-UNI) is being distri-

buted separately. A loan and project summary is attached as Annex III; as is map showing the location of the project area.

30. The proposed project was identified by a Bank mission in November, 1972 and was subsequently prepared by the Bank in collaboration with the North Western State authorities. The project was appraised by a Bank mission that visited Nigeria in September and October, 1973. Negotiations were conducted in Washington in July, 1974. The Nigerian delegation was headed by Alhaji Abubakar Alhaji, Deputy Permanent Secretary, Federal Ministry of Finance.

Project Description

31. The project area covers 3,800 km^2 or about 2 percent of the total area of the North Western State. It comprises part of the Sokoto Administrative Division and is estimated to involve some 68,000 farm families mainly engaged in the growing of cotton, groundnuts, sorghum and maize and supporting a total project area population of 620,000.

32. The proposed loan would assist Nigeria's North Western State Government (NWS) to finance an agricultural development project which would involve the construction of vital crop extraction roads and water supplies, and would provide farmers with the technical, marketing and credit services, and inputs required to increase production and farm incomes. Currently, the latter are low, about US$220 per family and US$34 per capita.

33. The project would be carried out over a five year investment period 1975/76 - 1979/80, and would involve:

(a) constructing about 1,000 km of low cost agricultural roads, 85 small and medium size earth dams, 160 tapkis (ponds), and associated soil conservation structures;

(b) constructing an administrative centre in Gusau, 4 development unit centres, and 40 farm service centres;

(c) expanding Gusau seed multiplication farm and the new development of an additional farm at Kaura-Namoda;

(d) expanding training facilities at Gusau and constructing a new project training centre at Kaura-Namoda;

(e) provision of adequate farmer extension, marketing services, including staff, vehicles and equipment;

(f) provision of seasonal and medium-term loans to farmers for the purchase of crop inputs and farm equipment;

(g) establishing a project evaluation unit; and

(h) preparation of plans for the continued provision of project services after the investment phase of the project is completed.

34. The project is designed on a scale that would have an impact, given the size and population of the country. There is the added advantage that the project would provide practical training for Nigerian staff in the technical and administrative management of projects of this type, and if successful, the project concept could be applied to many areas of northern Nigeria.

Project Execution

35. The project would be managed by the Gusau Project Management Unit (GPMU) which would carry out the day-to-day management operations. GPMU would be responsible to the Gusau Project Executive Committee (GPEC) for budgetary and policy control; the Chairman of GPEC would be the Permanent Secretary of the Ministry of Agriculture (MA) of NWS. GPMU and GPEC would be established as a condition of loan effectiveness in a form and with membership, functions and responsibilities satisfactory to the Bank. GPMU would have its headquarters at Gusau, the main centre of the project area and would enjoy autonomy greater than that afforded to the technical divisions of MA. GPMU would coordinate its activities at a Federal level through a Federal Coordinating Committee.

36. The GPMU would be responsible for the procurement, distribution and sale, for cash or credit, of fertilizers, seeds, insecticides, sprayers, oxdrawn equipment, tractors and other necessary farm supplies and would decide on the suitability and composition of any package of inputs offered to farmers.

37. The creditworthiness of each loan applicant would be certified by a project approved farmers' association; this would be part of the mutual guarantee policy that GPMU would pursue. Provision would also be made to extend credit to groups or to village farmers' associations if farmers wish to pool input requirements and assume joint liability for credit. Before the beginning of each planting season, a schedule of proposed lending terms falling within the range of 5 to 9-1/2 percent would be furnished by GPMU to GPEC which would, in consultation with appropriate Nigerian Authorities and the Bank apply the lending terms for the planting season.

38. Recognizing the need for considerable improvement in primary marketing, the project would take various measures to improve marketing in general. These would include improved weighing and measuring devices and village storage facilities by a number of marketing reforms for statutory crops such as timely announcement in accordance with existing practice at the presentation of the annual Federal Budget; establishment and enforcement of greater discipline of Licensed Buying Agents (LBA) and produce inspection staff.

39. Both the Federal and State Government recognize the need for qualified and experienced staff to administer the project and assure high technical standards in its field implementation. The northern states are generally short of qualified personnel to fill key project management and senior technical posts and the demand for personnel with such expertise remains high. NWS is fully aware of the problem of staffing the project adequately and is prepared to recruit staff internationally, where qualified Nigerian personnel are not available. International recruitment is expected to be necessary for the managerial posts of Project Manager, Chief Accountant, Chief Engineer, and Chief Technical Officer, and a condition of loan effectiveness would be that such posts in addition to that of Chief Administrative Officer to be recruited locally, had been filled. Existing staff in the project area would come under the project and additional staff would be transferred to the project from other areas of the State. Priority during the first two years would be given to the project for those Agricultural Assistants completing ongoing training courses. On this basis, sufficient professional and technical staff would be available. Retroactive financing of US$150,000 is proposed to cover the appointment of key personnel referred to above with effect from July 25, 1974.

40. A degree in Agriculture is offered by the Ahmadu Bello University at Zaria in the North Central State (which also serves all six northern States) and it is expected that some of the graduates would be recruited for the project. In addition, the Division of Agriculture and Livestock Service Training (DALST) of ABU also offers both a 3-year diploma and a 2-year certificate course in various aspects of agriculture which could be utilized for middle management training for the project. The NWS also operates (a) farm training centers for the training of Field Supervisors (FS), the lowest grade of extension worker and (b) farm institutes for farmer training. Provision has been made under the project for the up-grading of the existing Gusau Farm Institute to a Farm Training Center and for the construction of a new Farm Training Center at Kaura Namoda, both of which would be used, in the initial years of the project, to train project staff particularly FS and Credit Assistants (CA). Such training would initially consist of simple short courses on specific crops and associated problems. FS would receive further training after a period of field experience, and thereafter regular refresher courses. Credit and Marketing staff would be trained in a similar manner through a series of in-service courses. Later on, the emphasis would be more on farmer training. It is not anticipated that the recruitment of individuals for training as FS, CA and other junior technical posts under the project would present any serious problems as the basic level of primary education throughout northern Nigeria is relatively good and, as there is an increasing surplus of West African School Certificate holders on the labor market.

41. In addition to the training of lower level staff discussed above and the training of higher level staff on an in-service basis, GPMU would also pay particular attention to the training of selected staff to fill managerial functions. In this respect, internationally recruited staff would, as one of their responsibilities, ensure the adequate training of

their subordinates, and would be required to submit to GPEC through the project manager, quarterly reports on the training aspects of their sections. The project manager would have the overall responsibility for ensuring that an adequate management training program is maintained and would report regularly on its progress in order to satisfy both the NWS and the Bank of the adequacy of the program. Additional funds have been provided under the project for the recruitment of a training specialist in the event the project manager considers this necessary.

Project Costs

42. Project costs are estimated at US$37.4 million of which the foreign exchange component would be US$17.7 million or 47 percent of total costs. Details of project costs are given in Annex III. Project costs include a 5 percent physical contingency, and a variable price contingency (7-12 percent compounded) over the proposed five-year loan disbursement period. Contingencies amount to US$9.3 million or 25 percent of total project costs. The Bank loan would finance 50 percent of the total project costs which would cover the entire foreign exchange costs and a small percentage (7%) of local costs amounting to approximately $1.3 million. A summary of the proposed financing plan for the project is given as follows:

Summary of Financing Plan

	Total	IBRD
	N'000	
Investment Costs		
Vehicles, plant, equipment, buildings, etc.	5,327.4	3,475.5
Operating Costs in Development Period		
Vehicles and plant, general services and staff	6,969.5	2,870.7
Farm Inputs		
Incremental Farm Inputs	5,712.3	2,325.3
Field Evaluation Unit	494.1	296.5
Contingencies		
Physical and Price	6,131.2	3,532.0
Total ₦'000	24,634.5	12,500.0
US$'000	37,444.4	19,000.0
Distribution %	100	51

Procurement

43. Procurement of vehicles, plant, equipment, fertilizers, insecticides, farm tractors and implements, where orders or contracts have a value of more than US$25,000 would be through international competitive bidding (ICB) in accordance with IBRD guidelines. Such procurement is estimated to have a value of about US$11.4 million. Domestically manufactured goods would be allowed a 15 percent preference when comparing domestic bids with those of foreign manufacturers. Contracts for the construction of buildings, staff houses, and the purchase of construction materials and furnishings valued at US$5.4 million would not be attractive to foreign contractors, due to the dispersed locations of the works and the small size of individual contracts and orders, and would be awarded under locally advertized competitive bidding. Bona fide domestic contractors would receive a 7-1/2 percent preference in bid evaluation. Construction of roads, water supplies and soil conservation works estimated at US$6.7 million would be carried out on force account due to the shortage of suitable medium scale contractors who normally would undertake this work. However small contractors would be employed to the maximum extent feasible. A large part of project costs (estimated at US$11.6 million) would be for labor, staff salaries and allowances, vehicle maintenance and operations, general services, and project evaluation, and, as such, would generally be

unsuitable for competitive bidding. Those items not included specifically under procedures for ICB or advertized locally would be purchased through commercial channels.

Disbursement

44. The proceeds of the Bank loan (US$19 million) would be disbursed over five years (1975/76 - 1979/80) to cover 50 percent of total project costs and would be expended against the following categories:

- 100 percent of the cif cost of directly imported vehicles, heavy plant, and equipment or 76 percent of the cost of these items if locally procured, totalling US$2.0 million;

- 100 percent of the cif cost of directly imported farm tractors and equipment, ox-drawn equipment, spraying machines, fertilizers, insecticides, battery sets and seeds or 71 percent of the cost of these items if procured locally, totalling US$3.5 million;

- 100 percent of the cost of internationally recruited staff amounting to US$1.6 million;

- 60 percent of the cost of buildings, staff housing and construction material and labor for roads, dams and soil conservation works, totalling US$3.2 million;

- 60 percent of local staff costs amounting to US$2.8 million;

- 60 percent of the cost of the field evaluation unit amounting to US$0.5 million;

- an unallocated amount of US$5.4 million to cover physical and price contingencies.

45. Disbursement of the Bank loan would be against import documentation, contracts and certified records of expenditures. For disbursements made against certified records of expenditures, documentation would not be submitted for review as a matter of course, but would be retained by the project management unit for scrutiny by Bank supervision missions. Any of loan funds remaining after the completion of the project would be used to further develop the project area.

Economic Benefits and Justification

46. The economic rate of return from investment in the project is estimated at 16 percent. The project's principal direct benefit would be the incremental increase in farm production that it would generate, and which would result directly in higher incomes for some 41,000 farm families of about US$220 per family or US$41 per capita and better living standards for a further

27,000 who would benefit through the improved infrastructure and marketing arrangment within the project area. If the non-farming population, traders, laborers, etc. are included, then about 620,000 people would in one way or the other, receive primary or secondary benefits through project activities. Some of the more immediate benefits which would accrue from the project include, (a) a general improvement in communications, and an increase in local trade and employment opportunities for the non-farming population in the project area; (b) a degree of stabilization of the North Western State population in more productive activities; (c) the use of the project by NWS to test new development, credit and marketing techniques that could be quickly applied to other state farmers, and the extended use of the seed multiplication centers for the provision of improved seeds to farmers in other parts of the State; (d) annual net incremental foreign exchange earnings amounting to some US$5.7 million that will accrue to the FMG coffers once the project attains full production; and, (e) the use of information accumulated by the project evaluation unit in the formulation of future agricultural policy and resource and financial allocation throughout the country by FMG. In general terms, the project should result in improved farm management practices and some reduction in income disparity while ensuring a more even food supply for Nigeria's urban population and the expanding commercial livestock industry.

Risks

47. In any agricultural project dealing mainly with smallholders the success of which would largely depend on adequate rainfall as well as the timely staffing of a number of new organizations, involves risks. However, it is believed that the project would minimize such risks, given the provision of competent management and proven technical innovations; the farmers are hardworking, and the production to be induced by the project is in high demand on both the domestic and export markets. No serious ecological risks are envisaged though the possibility would be closely monitored and the necessary corrective action taken.

PART V - LEGAL INSTRUMENT AND AUTHORITY

48. The draft Loan Agreement between the Federal Republic of Nigeria and the Bank and the draft Project Agreement between the Bank and the North-Western State of Nigeria, the report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement, and the text of a Resolution approving the proposed loan are being distributed to the Executive Directors separately.

49. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

50. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara
President

Attachments

November 25, 1974

COUNTRY DATA - NIGERIA

AREA	POPULATION	DENSITY	
923,768 km2	69.52 million (mid-1972)	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,e
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 /i	45 /i	47	46
15-64	55 /n	53 /i	52 /i	49	50
65 and over	2 /n	2 /i	3 /i	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	28 /k	32 /l	59 /m
Family planning: No. of acceptors cumulative (thous.)	..	..	..	11	..
No. of users (% of married women)	..	..	..	2 /l	..
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 /i
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 /i	2 /i,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 1953-63; /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.

GROSS NATIONAL PRODUCT IN 1972/73

ANNUAL RATE OF GROWTH (%, constant 1970/71 prices)

	US $ Mln.	%	1965/66-1970/71	1971/72	1972/73
GNP at Market Prices	10690	100.0	4.2	13.3	7.9
Gross Domestic Investment	2347	22.0	4.5	32.0	-6.0
Gross National Saving	1912	17.9	4.0	57.3	15.4
Current Account Balance	--435	- 4.1	.	.	.
Exports of Goods, NFS	2235	20.9	10.2	25.0	4.4
Imports of Goods, NFS	2006	18.8	9.1	20.0	-4.0

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1970/71

	Value Added		Labor Force 1/		V. A. Per Worker	
	US $ Mln.	%	Mln.	%	US $	%
Agriculture	3303	48	16.8	70	197	69
Industry	1690	25	3.1	13	545	190
Services	1895	27	4.1	17	462	161
Unallocated	.	.	.	.	.	.
Total/Average	6888	100.0	24.0	100.0	287	100.0

GOVERNMENT FINANCE

	General Government			Central Government		
	(Naira Mln.)	% of GDP		(Naira Mln.)	% of GDP	
	1972/73	1972/73	1969/70-1971/72	1972/73	1972/73	1969/70-1971/72
Current Receipts	1420	18.9	17.4	954	12.7	11.0
Current Expenditure 2/	1102	14.6	15.0	652	8.7	9.5
Current Surplus	318	4.2	2.4	302	4.0	1.5
Capital Expenditures	440	5.3	3.7	343	4.6	1.5
External Assistance (net)	29	.	.	29	.	.

1/ Total labor force; unemployed are allocated to the sector of their normal occupation.

2/ Includes capital expenditures for defense.

COUNTRY DATA - (name)

MONEY, CREDIT and PRICES	1969	1970	1971	1972	September 1972	September 1973
	(Million Naira outstanding end period)					
Money and Quasi Money	665	952	1025	1196	1125	1345
Bank Credit to Public Sector	518	708	570	558	567	709
Bank Credit to Private Sector	327	479	592	757	639	718
	(Percentages or Index Numbers)					
Money and Quasi Money as % of GDP	16.6	17.4	14.8	15.5	.	.
General Price Index (1960 = 100) 1/	132.3	150.6	174.7	179.6	184.7 2/	183.0 2/
Annual percentage changes in:						
General Price Index	.	13.8	16.0	2.8	.	- 0.4 2/
Bank credit to Public Sector	.	36.7	-19.5	- 2.0	.	25.0
Bank credit to Private Sector	.	46.2	24.0	27.6	.	12.4

BALANCE OF PAYMENTS

	1970	1971	1972	1973 Prel.
	(Millions US $)			
Exports of Goods, NFS	1335	1991	2327	3355
Imports of Goods, NFS	1311	1858	1947	2219
Resource Gap (deficit = -)	24	132	380	1135
Interest Payments (net)	-16	- 1	...	...
Workers' Remittances	-	-	-	-
Other Factor Payments (net)	447	598	725	471
Net Transfers	63	3	-23	-53
Balance on Current Account	-376	-465	-368	-611
Direct Foreign Investment	251	338	337	140
Net MLT Borrowing				
Disbursements	49	65	117	123
Amortization	35	37	32	43
Subtotal	14	28	85	80
Capital Grants	-	-	-	-
Other Capital (net)	17	15	15	-
Other items n.e.i	179	260	-121	-598
Increase in Reserves (+)	85	178	- 52	+233
Fuel and Related Materials				
Imports	31	13	14	14
of which: Petroleum	-	-	-	-
Exports	714	1334	1788	2800
of which: Petroleum	714	1334	1788	2800

MERCHANDISE EXPORTS (AVERAGE 1970-72)

	US $ Mln	%
Crude oil	1280	72.4
Cocoa products	198	11.2
Groundnut products	75	4.2
Palm products	44	2.5
Tin	37	2.1
All other commodities	133	7.5
Total	1767	100.0

EXTERNAL DEBT, DECEMBER 31, 1972

	US $ Mln
Public Debt, incl. guaranteed	1,039
Non-Guaranteed Private Debt	.
Total outstanding & Disbursed	.

DEBT SERVICE RATIO for 1972 3/

	%
Public Debt, incl. guaranteed	2.5
Non-Guaranteed Private Debt	.
Total outstanding & Disbursed	.

IBRD/IDA Lending. (October 31, 1974) (Mln US$)

	IBRD	IDA
Outstanding & Disbursed	305.3	30.6
Undisbursed	241.9	4.7
Outstanding incl. Undisbursed	547.2	35.3

RATE OF EXCHANGE

Through Dec. 19, 1971	Since Dec. 20,1971	Since April 1974
US $ 1.00 = N0.71	US$ 1.00 = N0.66	Floating Central rate;
N 1.00 = US $1.40	N 1.00 = US $1.52	US$ 1.00 = N0.62 - N 1.00 = US $1.62

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

1/ Index of Consumer Prices

2/ Average January - June

3/ Ratio of Debt Service to Exports of Goods and Non-Factor Services.

THE STATUS OF BANK GROUP OPERATIONS IN NIGERIA

A. STATEMENT OF BANK GROUP OPERATIONS IN NIGERIA
(as at October 31, 1974)

Loan or Credit Number	Year	Borrower	Purpose	Amount (US$ million less cancellations) Bank	IDA	Undisbursed
Nine loans and one credit fully disbursed				282.1	15.3	
72	1965	Nigeria	Education		20.0	4.7
427	1965	Nigeria	Roads	14.5		2.5
694	1970	Nigeria	Transport	25.0		4.8
705	1970	Industrial Development Bank	Dev. Fin. Co.	10.0		4.1
764	1971	Nigeria	Cocoa Dev.	7.2		5.3
814	1972	Nigeria	Education II	17.3		17.0
838	1972	Nigeria	Roads V	26.3		18.0
847	1972	NEPA	Power	76.0		61.2
922	1973	NPA	Ports II	55.0		55.0
929*	1973	Nigeria	Education III	54.0		54.0
1045*	1974	Nigeria	Cocoa II	20.0		20.0
		Total		587.4	35.3	
		of which has been repaid		37.4		
		Total now outstanding		550.0		
		Amount sold	16.6			
		of which has now been repaid	13.8	2.8		
		Total now held by Bank and IDA**		547.2	35.3	
		Total undisbursed		241.9	4.7	246.6

*Not yet effective
**Prior to exchange rate adjustments

B. STATEMENT OF IFC INVESTMENTS
(as at October 31, 1974)

Year	Obligor	Type of Business	Amount in US$ million Loan	Equity	Total
1964, 1967, 1970	Arewa Textiles Ltd.	Textile Mfg.	0.9	0.7	1.6
1964	Nigerian Industrial Development Bank Ltd.	Dev. Fin. 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	Nigeria Aluminum Extrusion Ltd.	Aluminum processing	1.0	0.3	1.3
	Total Gross Commitments		3.5	2.5	6.0
	Less cancellation		0.3	-	0.3
	Less sold or repaid		1.1	0.3	1.4
	Total commitments now held by IFC		2.1	2.2	4.3
	Undisbursed				1.1

C. Projects in Execution

Credit 72-UNI, Education Project: US$20.0 million
Credit of March 1, 1965; Revised Closing Date: June 30, 1976

Loan 814-UNI, Second Education Project: US$17.3 million
Loan of April 18, 1972; Closing Date: December 31, 1975

Loan 929-UNI, Third Education Project: US$54.0 million
Loan of August 16, 1973; Closing Date: December 31, 1978

The first education project (72-UNI) had a late start in implementation, particularly in the three eastern states which were affected by the civil strife between 1967 and 1970. Execution of project schools in these states is at working drawings stage while the majority of project schools in other states are under construction. Completion of work in eastern states might take about two more years. Execution of the second education project (814-UNI) is generally satisfactory, although it is twelve months behind schedule and special implementation assistance would be needed in one state to avoid further delay. The third education project (929-UNI) has not yet been declared effective pending appointment of consultant-architects and execution of subsidiary loan agreements and legal opinion. The effectiveness date has been postponed to December 31, 1974. Action to appoint consultant-architects and to fulfill the other conditions of effectiveness is progressing.

Loan 427-UNI, Western Road Project: US$14.5 million
Loan of September 26, 1965; Revised Closing Date: March 31, 1975

Loan 694-UNI, Transport Rehabilitation: US$25.0 million
Loan of June 26, 1970; Revised Closing Date: March 31, 1975

Loan 838-UNI, Fifth Highway Project: US$26.3 million
Loan of June 16, 1972; Closing Date: June 30, 1977

There has been a saving of $2.5 million in Loan 427-UNI, out of which procurement of road machinery and conduct of a photogrammatic survey would be financed and the balance, estimated at approximately $2 million, would likely be cancelled. Construction work and procurement under the Transport Rehabilitation Loan (694-UNI) have proceeded satisfactorily except for procurement of some railway equipment which has been affected by administrative delays as well as delays in delivery schedule due to the energy crisis. However, deliveries are now proceeding satisfactorily and the loan is expected to be fully disbursed by March 31, 1975.

Loan 705-UNI, Nigerian Industrial Development Bank: US$10.0 million
Loan of August 28, 1970; Revised Closing Date: March 31, 1975

This loan is fully committed. Withdrawals out of this loan in 1973 were slower than expected owing to cancellation of sub-project loan commitments.

Loan 764-UNI, Western Cocoa Project: US$7.2 million
Loan of June 23, 1971; Closing Date: March 31, 1977

Loan 1045-UNI, Second Cocoa Project: US$20 million
Loan of October 11, 1974; Closing Date: September 30, 1981

Though there was delay under Loan 764-UNI in the establishment of the Cocoa Development Unit and only 65 percent of first year planting was achieved, excellent progress was made and the 1973 planting target and 1972 backlog have been fulfilled. The Second Cocoa Project (Loan 1045-UNI) is expected to become effective by January 1975.

Loan 847-UNI, Fourth Power Project: US$76.0 million
Loan of June 30, 1972; Closing Date: December 31, 1977

This loan became effective only on June 13, 1973, owing to delay in connection with the Loan Assumption Agreement for the previous Bank loans in this sector. Progress on the Bank project is considered satisfactory.

Loan 922-UNI, Second Lagos Ports Project: US$55 million
Loan of August 1, 1973; Closing Date: December 31, 1979

This loan became effective on October 29, 1973 and implementation of the project is proceeding satisfactorily.

NIGERIA

Loan and Project Summary

Borrower:	Federal Republic of Nigeria
Amount:	US$19 million
Terms:	Payable in 20 years, including 5 years of grace, at an interest rate of 8 percent per annum
Relending Terms:	Federal Government would onlend the proceeds of the loan to the North Western State Governme nt (NWS) on identical terms as the IBRD loan.

Project Description

The project would be carried out over a five-year investment period 1974/75-1978/79, and would involve constructing about 1,000 km of low cost agricultural roads, 85 small earth dams, 160 tapkis (ponds) and associated soil conservation structures; constructing an administrative center in Gusau, 4 development unit centers, and 40 village service centers; expanding Gusau seed multiplication farm and the new development of an additional farm at Kaura Namoda; expanding training facilities at Gusau and constructing a new project training center at Kaura Namoda; provision of adequate farmer extension, credit and marketing services, including staff, vehicles and equipment; provision of seasonal and medium-term loans to farmers for the purchase of crop inputs and farm equipment; establishing a project evaluation unit; and preparation of plans for the continued provision of project services after the investment phase of the project is completed.

Summary of Proposed Financing

	Total	IBRD	NWS	Farmer
	₦'000			
Investment Costs				
Vehicles, plant and equipment	1,752.7	1,330.7	422.0	-
Buildings, construction material, houses and furnishings	3,574.7	2,144.8	1,429.9	-
Operating Costs in Development Period				
Vehicle & plant operating	1,611.9	-	1,611.9	-
General Services	1,265.7	-	1,265.7	-
Staff: Local	3,052.9	1,831.7	1,221.2	-
Expatriate management	784.0	784.0	-	-
Expatriate technical	255.0	255.0	-	-
Farm Inputs				
Incremental farm inputs	3,275.0	2,325.3	238.1	711.6
Fertilizer subsidy	2,437.3	-	2,437.3	-
Field Evaluation Unit	494.1	296.5	197.6	-
Contingencies				
Physical	925.1	448.4	441.1	35.6
Price	5,206.1	3,083.6	1,923.2	199.3
Total ₦'000	24,634.5	12,500.0	11,188.0	946.5
US$'000	37,444.4	19,000.00	17,005.7	1,438.7
Distribution %	100	51	45	4

Disbursement Schedule

	Annual (US$ Million)	Cumulative
FY 75	1.0	1.0
FY 76	5.0	6.0
FY 77	4.0	10.0
FY 78	4.0	14.0
FY 79	3.0	17.0
FY 80	2.0	19.0

Summary of Project Costs [1/] (₦'000)

	Total	Foreign Exchange	Local
Investment Costs	5.3	2.4	2.9
Operating Costs in Development Period	7.0	2.2	4.8
Farm Inputs	5.7	4.0	1.7
Field Evaluation Unit	0.5	0.2	0.3
Physical Contingencies	0.9	0.4	0.5
Price Contingencies	5.2	2.4	2.8
Total Project Costs	24.6	11.6	13.0

Procurement

Procurement of all items where orders or contracts had a value of more than US$25,000 valued at US$11.4 million through international competitive bidding (ICB) with domestically manufactured goods being allowed a 15 percent preference in bid comparison. Contracts for civil works not large enough to attract foreign contractors valued at US$5.4 million to be awarded under locally advertised competitive bidding though foreign firms would not be precluded from bidding. Domestic contractors as defined by the borrower and accepted by the Bank would receive a 7-1/2 percent preference in bid evaluation. Construction of roads, water supplies and soil conservation works valued at US$6.7 million would be carried out on force account though petty contractors would be employed to the maximum extent feasible. An estimated US$11.6 million would be for labor, staff salaries and allowances, vehicle maintenance and operation, general services and project evaluation and as such generally be unsuitable for competitive bidding. Items not qualifying for ICB or local advertisement to be purchased through local commercial channels. Remainder of project costs of about US$9.3 million would be contingencies.

Economic Rate of Return

The economic rate of return from investment in the project is estimated at 16 percent.

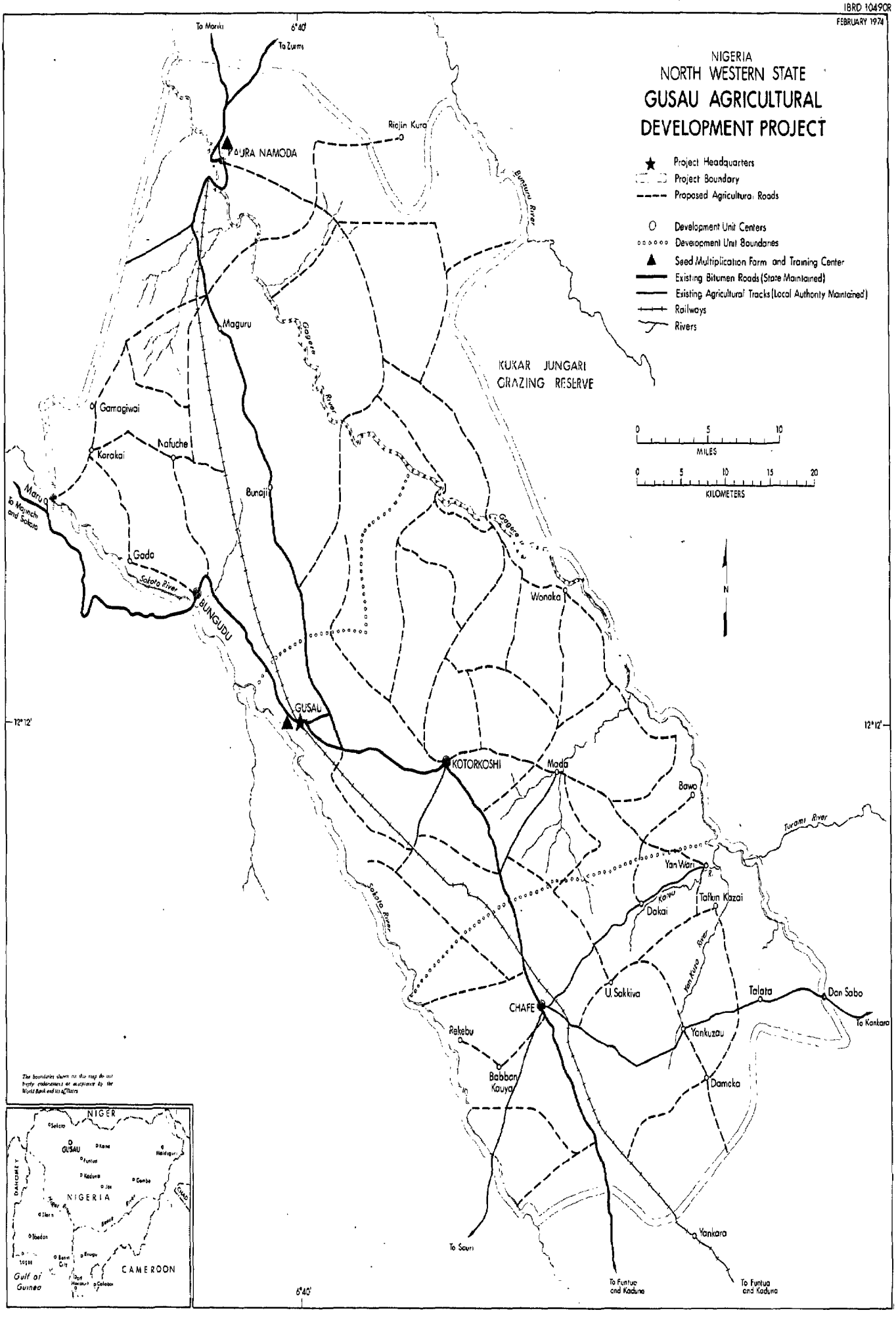
Appraisal Report

Report No. 354a-UNI dated September 6, 1974.

1/ Project costs include a 5 percent physical contingency and a variable price contingency based on the Bank's Central Projects staff guidelines for treatment of project costs over the proposed five-year disbursement period. Total price contingency equivalent to 32 percent of baseline costs. Fertilizer costs, which have increased out of proportion to other costs were amended at negotiations to reflect current prices, and because the average current 1980 prices have been projected to be about the same as the current 1974 prices, price contingencies for fertilizer have not been included.

IBRD 10490R
FEBRUARY 1974

NIGERIA
NORTH WESTERN STATE
GUSAU AGRICULTURAL DEVELOPMENT PROJECT



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates