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NIGERIA

**Proposal for Preparation
of a
Development Assistance Program**

June 1972

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Decontrol December 31, 1975

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FY 1974 DEVELOPMENT ASSISTANCE PROGRAM SUBMISSION

I. Framework

A. Introduction

The new A.I.D. programming approach will permit effective use of reduced funds and of limited manpower resources. In Nigeria the new approach has been generally welcomed though there is widespread concern that it involves a reduced U.S. interest in Nigerian development. The idea of increasing reliance on Nigerian programming is met with particular approval and regarded as overdue. There is less enthusiasm about the prospect of reduced U.S. involvement in the administration of the assistance program.

Earlier this year, the U.S. presented to the Nigerian government a new assistance package offering great flexibility in the selection of activities. While the Nigerian response has not been as favorable as we had hoped -- and has been negative on the aspect of sectoral concentration -- we should persevere on the basis of our present offer for the time being until the Nigerian position emerges more clearly.

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B. U.S. Policy Objectives

We have taken as the point of departure for our submission the Policy Paper (Embassy A-68, March 3, 1972) approved by the Country Team and now under consideration in Washington. That document makes clear that the U.S. has a high policy interest in Nigerian economic development. The Nigerian government sees economic and social development as its primary national goal. Development is recognized as a means for strengthening national integration and unity.

Petroleum by itself cannot generate all the resources needed for the development of other sectors. Nigeria continues to need outside assistance and welcomes it when offered on appropriate terms. An effective aid program meeting Nigerian development objectives can also help to widen and facilitate U.S. contacts on political and commercial issues and support U.S. policy objectives in the latter areas.

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C. Nigerian Economic Position and Aid Requirements

The guidance does not require a detailed macro-economic analysis, so we present only a brief summary. Three reports on the Nigerian economy have appeared recently. The First Progress Report (on the 1970-1974 Plan) and the Economic and Statistical Review 1971 from the Central Planning Office of the Federal Ministry of Economic Development (FMEDR), and the IBRD's Current Economic Position and Long Term Prospects of Nigeria (IBRD Report AN-35 of June 9, 1972). These reports present more complete analyses of the recent performance of the economy, and the latter two contain projections for the immediate future.

The Nigerian economy has grown at approximately 10 per cent per year since the end of the civil war, but the performance has been quite uneven. Petroleum has accounted for approximately one-half of the growth in output. Manufacturing has grown rapidly. But agriculture -- the sector on which approximately three-fourths of the population depend for employment and income -- has grown very slowly, and Nigeria's traditional (agricultural) exports are stagnant.

The rapid growth of petroleum, due to the combined effects of production increases and increases in Nigeria's receipts per exported barrel, has brought about important changes in the balance of payments and in the public finances. During Nigerian FY 1971/1972, buoyant foreign exchange earnings (supplemented by program lending) were large enough to allow an increase in foreign reserves and a net reduction in short term commercial arrears, after several years of increasing short term external indebtedness. And public-sector revenues (Federal plus States) probably exceeded expenditures during FY 1971/1972, for the first time since Independence.

During the first two years of the 1970-1974 Plan, total investment exceeded the Plan's target. But this was due to the private sector's performance. Public-sector investment fell below the Plan's target. At the Federal level and in most states this was due not to financial constraints, but to inadequate executive capacity.

The next two years (Nigerian FY 1972/1973 and 1973/1974) will probably see a continuation of these trends -- quite uneven sectoral growth, and quite divergent public/private investment performance. Petroleum output will continue to increase rapidly, albeit at a gradually declining rate. Manufacturing will probably grow rapidly, but agriculture (output and exports) slowly. Public sector investment will probably continue below planned levels, while the private sector continues to exceed targets.

The growth of petroleum will bring about further large increases in foreign exchange and government revenue in the years immediately ahead. Nigeria will probably be able to remove the remainder of her external short-term indebtedness this year. Public sector budgets in the aggregate will certainly be in overall surplus for at least the next couple of years.

This brief discussion of the recent past and near-term prospects points up some of Nigeria's most serious problems and therefore gives some insight into the foreign assistance requirement. Nigeria's growth has been concentrated in sectors (petroleum and manufacturing) which directly affect only a tiny portion of the population. Agriculture is growing very slowly. If benefits of growth are to be experienced throughout Nigeria, agricultural incomes will have to increase more rapidly in future than in the recent past.

The inability of the public sector to achieve even the 1970-1974 target levels for public-sector investment, let alone a much larger public investment program which would be adequate to Nigeria's needs, is due to insufficient executive capacity -- the capacity to identify, evaluate, design, implement, and manage development projects and policies -- and not to insufficient foreign exchange or public sector savings. In these circumstances Nigeria's requirements for foreign assistance are largely for technical assistance (grant or loan), particularly for program and project studies, and for capital assistance if such assistance can be designed to help Nigeria use its own resources more effectively.

The above cited IHD report summarizes the major policy and operational problems confronting Nigeria and the role that aid programs can play in overcoming them as follows:

"The overriding conclusion with respect to Nigeria's economic prospects is that the opportunity now exists to achieve a significant increase in per capita income within the relatively short time-span of 10 - 15 years. To translate the country's potential resources into a permanent improvement in the general standards of living, however, it is essential that policies and strategies be adopted during the coming years to improve the balance between urban and rural growth, between the development of agriculture and the modern sectors, and between the different regions of the country in terms of economic and social infrastructure. The distribution of increased government resources between different uses and claims can have a major impact on each of these and can, in the process of planning and spending, contribute to the establishment of institutions capable of carrying the main responsibility for development during the 1970s and thereafter. Foreign aid in the public and private sectors, both in the form of capital and technical assistance, can be of great value in a period when the opportunities for development appear to be well in excess of the country's capacity, in terms of

domestic organization and skills, to make full use of these opportunities. The efficient allocation and effective use of resources over the coming decade is also important because the longer term-balance-of payments prospects appear at present to be considerably less favorable and, even under the most optimistic assumptions discussed in this report, per capita income in Nigeria would only be about U.S. \$200 in the mid-1980s."

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D. Nigerian Attitudes to Foreign Aid

Nigerian attitudes toward foreign aid are largely based on experiences during the First Plan (1962-1968) and the civil war (1967-1970). External support of the First Development Plan fell far short of expectations and was a severe disappointment. The U.S. came in for particular criticism because it was thought to have "committed" \$225 million in support of the Plan.

According to the cited IERD report, Nigeria's total net official capital receipts from all sources averaged less than \$15 million annually from 1960 to 1963. The yearly average rose to about \$45 million in 1964 and 1965, just before the outbreak of disturbances in 1966 began to affect the flow of external resources. It should be kept in mind that much of this capital flow was provided at relatively hard terms, including the funds provided by the IERD.

Disbursements under U.S. capital assistance for the seven years preceding FY 1972 averaged about \$5 million per year. During FY 1972 U.S. capital disbursements rose sharply to about \$27 million, largely as a result of the program loan. Present U.S. loan commitments call for annual expenditures of about \$4 - 5 million during FY 1973 through FY 1975.

From FY 1964 through FY 1971 U.S. technical assistance averaged about \$15.6 million yearly, but recent yearly levels (including FY 1972) were around \$9 million. The above figures do not include post war relief grants which were of a temporary nature and are so regarded by Nigerian officials.

The level of capital assistance provided to Nigeria in the past has resulted in a large sense of frustration on the part of key policy makers in the central government. Their frustration has been aggravated by delays in the completion of some projects. Although the delays were caused by poor Nigerian planning and administration, they have been often ascribed to faulty AID administration. The operating officials in the federal ministries, at the state government level and at the universities who have been directly assisted by aid projects are more likely to recognize and to give full credit to the contribution made by external aid during the past ten years.

Another factor affecting attitudes toward external aid is the evolution of Federal/State relationships. During the past ten years the central government has been in the process of establishing its primacy in economic and developmental affairs. This process was accelerated during and ~~the~~ ~~of~~ ~~the~~ ~~civil~~ ~~war~~ ~~and~~ ~~given~~ ~~new~~ ~~impetus~~

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by the increased magnitude of oil revenues. Most of the oil revenues accrue to the federal government, giving it added economic and political power. In the past the states, universities and other institutions had obtained aid revenues by dealing directly with donors (with federal approval being mostly pro forma). This direct access to foreign funds is being restricted.

Nigerian federal officials believe that the bulk of foreign aid should be delivered to them in untied program loans which would free them to manage their development projects in the light of their own priorities and procedures. They consider tied capital project aid to be both costly and slow because each donor requires adherence to his own contracting procedures.

This Nigerian attitude persists presently at the central policy making level and is reinforced by Nigeria's improved revenue position. There is little disposition to undertake planning studies or discussion about potential projects in the absence of a firm financing commitment for the project. There is less resistance to program and project studies such as those undertaken by the World Bank, UNDP or UNESCO where there is a clear commitment to provide future finance, or in the case of the UK and Germany where there is a past commitment yet to be drawn down.

B. Activities and Attitudes of Other Donors

Some bilateral donors (UK, Germany, Canada) operate in Nigeria within the framework of commitments made at the beginning of the Second Plan. They recognize that the nature and rationale of Nigeria's requirements for foreign aid are changing, but they are under no compulsion to reexamine these questions until their present commitments expire. These other donors recognize and support the central government's efforts to gain a larger voice in the development and administration of programs. Given the relative weakness of the central Nigerian governmental machinery available for this purpose however, most of the other donors have adopted a pragmatic approach. They continue to work directly with states and other institutions (including operational federal departments) in the development and administration of projects and programs, while insisting that all undertakings must be approved by the Federal Government. Such Federal Government approval is fairly automatic when selected projects are covered by the Plan and by the appropriate capital budget. The other bilateral donors are also reacting positively to Nigerian requests that donors maintain or intensify donor responsibility for administration of projects, particularly as regards the selection of contractors, the recruitment and support of expatriate personnel, and the placement and support of trainees sent abroad.

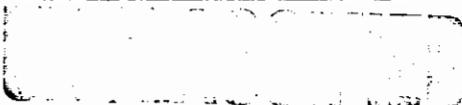
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The World Bank regards Nigeria as a major prospect for Bank type loans (at relatively hard terms). By providing substantial amounts of capital funds in selected areas and by making limited contributions to the financing of local costs, the Bank is able to attract significant amounts of Nigerian funds to priority projects selected by the Bank for financing.

The World Bank, and to a lesser extent UN agencies, have undertaken a major effort to mount economic, sectoral and program and project development studies. These studies have been financed by these agencies and carried out by them with their own, or contracted, personnel at their initiative and with the approval of the Nigerian authorities. The usefulness of these studies is reduced by the long delays in their publication. Most of these have been rather general but they have clearly pointed out the direction for further work. The large number of World Bank loans now being implemented or under consideration have resulted from some of these studies, many of which have been carried out largely in conjunction with the subordinate Nigerian authorities concerned with the programs and projects involved.

Officials of UN agencies have told us that the amount of funds available to them for Nigeria exceeds ready projects and therefore they will be less concerned with broad efforts to establish priority areas of attack than with the preparation of specific projects which emerge from the Plan.

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F. Nigerian Development Priorities and Problems

Recently there have been a number of policy-level statements about the role of agriculture in development, and the need for incentive prices and other policies and projects to promote agricultural incomes. The Head of State announced in his 1972/1973 Budget Speech that the Government intends to launch a Production Campaign to encourage farmers to grow more food and cash (export) crops, to examine the possibilities of increasing the producer price for cash crops, and to participate in commercial production of food and cash crops. The First Progress Report on the 1970-1974 Plan also mentioned the Government's intention to go into direct and large scale production of traditional foods, and the need to review the marketing board system. These statements result from a variety of concerns: the continuing rise in food prices, stagnation of agricultural exports, and a desire that the agricultural population share in the benefits of economic development. These concerns are serious enough and widespread enough to lead to public-sector action.

There is some concern about the role of education in national development, and how Nigeria's education system can be both altered to provide education better suited to Nigeria's needs and expanded to remove regional disparities. The Head of State in his 1972/1973 Budget Speech mentioned the educational gaps between parts of the Federation.

There is recognition that Nigeria's transportation and communication systems present major bottlenecks to economic growth, and a lot of the public-sector's attention and resources are being devoted to improvements in these systems. Improved transport and communications are also viewed as important contributors to national integration and unity.

Beyond the problem of determining objectives, and priorities among objectives, lie the serious problems of designing and implementing development projects and policies. Competent Nigerian and foreign observers agree that inadequacies in Nigeria's program and project planning and management are now major constraints on economic and social development and on the effective use of available resources. Nigeria must increase its own capacity for development planning and administration. In the interim, wider use of external professional manpower and of foreign training facilities should be strongly considered. We again quote from the recent IERD economic appraisal.

"One of the country's most pressing needs at the moment is to develop additional investment projects in both the public and private sectors. Nigeria needs assistance in this regard as well as in the implementation of investment decisions. New investment activity needs to be undertaken

and generated in agriculture and manufacturing, specifically. Into these sectors and supporting infrastructure, a greatly expanded volume of investment resources must be directed if agricultural and industrial output are to rise fast enough to maintain the momentum of growth which is now generated by the growth of crude oil input.

"The principal argument for maintaining and increasing current levels of international and bilateral capital aid to the country is, therefore, not based primarily in the short- or medium-term balance-of-payments situation. Rather, Nigeria's case for foreign assistance rests mainly upon the need for institution building, planning and the general strengthening of administrative machinery, if growth is to be maintained. For the time being, many of the skills necessary for development can only be acquired, in adequate volume, from abroad. Some of these are perhaps most economically and efficiently found and applied in association with those types of capital projects typically financed under foreign assistance programs."

II. Concentration of U.S. Assistance Programs in Nigeria

A. Transition Progress

In its submission last year the Mission stated that it intended to concentrate its attention on three priority areas.

1. Programs designed to increase agricultural production (particularly food crops) and, consequently, agricultural incomes and exports.

2. Programs designed to broaden the education system, with particular emphasis on curriculum development and technical and vocational education.

3. Programs designed to improve economic planning and project identification, evaluation, design, and implementation -- particularly in agriculture, education and transport.

Considerable progress has been made in moving towards these objectives. We are, in fact, not aware of any country program where greater strides have been made in recent years to concentrate on key areas and to follow through with the implications of concentration. In Nigeria this has meant early phaseout of a number of projects scattered geographically around the country and having very little in common with each other. In FY 1969 there were 36 active TC projects: this number had been reduced to eight at the end of FY 1972. Firm phaseout dates have been fixed for all continuing projects and there are plans for operating the last continuing direct hire project (rice/maize) through an intermediary.

The remaining TC projects fall broadly within the priority areas established last year. While the continuing institutional development projects in the area of agriculture will make an indirect and important contribution to the improvement of food production (through the support of training, research and policy development), it is our intention to concentrate on activities which will make a more direct contribution in this area.

In the two years from June 1970 to June 1972, total U.S. direct hire and contract staff was reduced from 30 to 170. The Nigerian and third country staff was reduced from 301 to 134. The Mission has divested itself of furniture, houses, warehouse space, and has so contracted within the USAID building that is now able to lease the floors no longer needed to other U.S. government entities.

In addition, our logistic support office in Ibadan was phased out in June 1971 the office in Zaria will close by December 1972. This has been made possible because all institutional contracts have become internally supportive.

In assessing these steps one should keep in mind that at one time Nigeria had, for all practical purposes, three regional mini-Missions. The local expectations of the pace and responsiveness of A.I.D. activity had been very high, and reduction of programs and staff has been in the face of repeated requests to pursue an opposite course.

In short, a significant amount of energy has been expended, especially in the past year, to bring the Nigeria program to a point where concentration of U.S. assistance in priority areas can be successfully undertaken.

Special efforts have been made to increase attention to the development of research capability in support of program and project objectives. The institutional programs being carried out by Wisconsin and Kansas State Universities have been used to develop research programs needed in support of agricultural production programs and to develop linkages between the academic agricultural communities. Both CFFHT and IITA as well as the Nigerian Institute of Social and Economic Research and other domestic research institutions have been associated with the evolving agricultural production campaigns. These measures are still in the embryonic stage but they are in our view among the most important contributions that the U.S. has made to the program of strengthening agricultural programs.

The two Public Administration projects will make an important contribution to the development of a Nigerian planning and management capability the lack of which has now emerged as a key bottleneck impeding more rapid development. One of these public administration projects benefits from unusually competent leadership on both the Nigerian and the U.S. sides and is certain to be a major element in the development of the capabilities and of ideas which are needed to energize the Nigerian policy and planning machinery. The head of the Nigerian institution involved in this project is now the Commissioner for Economic Development and Reconstruction, and he continues his interest in the project.

The status of the Mission's efforts to better identify and research potential areas of concentration is described below. We are satisfied that the transitional program now being carried out is pointed to developmental areas of major importance which are deserving of support.

B. The New Assistance Package

During the past eight months the attention of the Mission has been concentrated on the development and negotiation with the Nigerian Government of the "New Assistance Package" consisting of (1) a Block Grant, (2) a Program Studies Loan, and (3) a Sector Loan.

The first two elements of the package offered the Nigerian Government a wide choice in the selection of activities to be financed, without reference to any sectoral concentration. The Sector Loan was offered in an area of high developmental priority to be initially selected by the Nigerian Government.

Agreement has now been reached recently with the Ministry of Economic Development and Reconstruction on early implementation of the Block Grant. Further discussions regarding the loan package are in suspense.

The Nigerian central authorities were probably flattered by U.S. confidence in their planning and executive ability demonstrated by the offer of the aid package. Their cautious response to the total package was dictated by several factors: (a) the large administrative burden anticipated for the central authorities which have little experience in the area of contracting, recruitment and placement abroad (b) the complexity of U.S. procedures to be administered by the Nigerian authorities. While U.S. requirements were simplified in comparison with past U.S. practices, these procedures are nevertheless still more burdensome than requirements imposed on the Nigerian authorities in connection with aid from other sources (c) the small amount of grant funds involved (d) the proposal to shift the financing

of studies from grant to loan funds e) the danger of studies sitting unused on the shelf without use unless they are accompanied by firm offers of finance for resulting activities f) U.S. intention to re view sectoral or sub sectoral plans in connection with sector loans.

We do not believe any of these problems to be insurmountable but it clearly is going to take time to resolve all of them.

In the absence of a favorable Nigerian response on the loan package at the present time and pending clarification of Nigerian intentions regarding the utilization of the Block Grant, it has not been possible to engage in formal discussions with the Nigerian government regarding the selection and preparation of sectoral studies envisaged by the Guidance Message. The Mission has nevertheless continued its informal soundings -- being careful not to assume Nigerian acceptance of the loan package -- in an effort to identify a discrete area in which Nigeria needs and wants U.S. assistance within the framework of the new approach. The status of these efforts is described in subsequent sections of this airgram.

III. Future U.S. Programs

A. Role and Size

Against this background, the definition of future U.S. assistance programs poses unusual problems. We must face the fact that Nigeria will not suffer in the immediate future from foreign exchange and savings constraints on its development. A strong case can be made that U.S. concessional capital assistance should be reserved for those countries whose development efforts are impeded by current balance of payments and savings constraints. But there is also a strong case to be made in support of continuing concessional capital assistance to Nigeria consisting of the following points:

- a) the Nigerian Government actively seeks capital assistance. This was recently reaffirmed by the Head of State. Last February all donors were provided a comprehensive list of all capital projects needing finance. The Nigerian Government appears to pursue a policy of using loan resources for hiring foreign professional services only in cases where the loan also covers the capital requirements of the program.
- b) the relief from foreign exchange and savings constraints appears to be only temporary.
- c) the technical assistance needed by Nigeria can frequently be best obtained in association with capital projects.
- d) Nigeria's population is very poor, and countries with similar low per capita income usually are eligible for soft term lending.
- e) Nigeria's oil resources are not large in relation to the needs of the population and are unlikely to approach the order of magnitude on a per capita basis of countries like Iran or Venezuela.
- f) Assumption of large scale hard term debt could lead to an undesirable debt service burden in future years when foreign exchange will again become a constraint on development.

Several other major donors are responding to one or more of these points and are providing both capital and technical assistance on soft terms. The previously-cited IHRD Report appraisal strongly endorses the need for continued assistance programs in Nigeria, and the following extract from the IHRD Report is relevant.

"The fact that Nigeria temporarily may appear to have surplus resources, in the aggregate, tends to emphasize the issues of resource allocation and effective use. The capacity to prepare programs and projects in priority sectors and to build institutions capable of their implementation will require very substantial efforts. By selecting projects for financing in priority sectors and areas, and by helping in the process of institutional improvement, aid can assist the Government in its own efforts to allocate resources in accordance with national priorities.

"The expertise that should be associated with foreign assistance is currently in short supply in Nigeria. Aid programs can augment managerial and technical capacity where it is most needed, and, where foreign and domestic resources are being used in combination, can help to ensure that both are used effectively. Aid can serve as a catalyst to assure the efficient and effective employment of as large a volume of domestic resources as can be mobilized for development.

"Nigeria's absorptive capacity - and hence its effective need for capital - could rise much more rapidly than the supply of assistance funds, given a reasonable effort to expand and strengthen executive capacity, including project preparation and implementation within the Federal and State governments, the statutory corporations and the private sector. With rapidly expanding investment activity, official capital inflows as a proportion of investment requirements could well decline. While the availability of financial aid is not now a significant restraint on the overall level of investment, it could well become so before the end of the decade.

"The currently favorable economic conditions and prospects give the Government and donors alike an opportunity to formulate an aid and development strategy based on long-term assessments of the country's opportunities, priorities and potential. The Bank, through its recent

sector studies, has already made a beginning in this regard, but much remains to be done. In particular, consideration of Nigeria's medium-term aid requirements should not be so much in terms of the additional financial resources that can be mobilized from abroad, but in terms of the real contribution external assistance can make toward preparing the way for future self-sustained growth based primarily upon the country's own resources."

BEGIN LIMITED OFFICIAL USE. The Mission recommends that the U.S. should continue to provide additional concessional capital aid to Nigeria. The following additional considerations support this recommendation:

a) Nigeria is a truly important country in Africa; it will become increasingly more important on the world scene as the years go by. We hope to see here develop the type of society which is not inimical to long range U.S. interests of a peaceful and cooperative world. In the final analysis the motif of external aid has to be twofold - - (1) that it will serve humanitarian purposes and (2) that it will assist in constructing a reasonable and progressive political society meeting the needs of all the people within that society. For more short-term reasons, our involvement in support of the most important single subject in this country - - development - - can assist U.S. investment goals and expansion of trade and commercial interests. The U.S. hopes to see Nigeria play a constructive role in the "third world" of nations. Our assistance to Nigeria can help maintain communication on larger foreign policy issues. Assistance to Nigeria as the largest country in Black Africa also has some obvious ramifications in the U.S.

b) Nigeria will be a major factor in the development of Western Africa because it is the only country with sufficient size and resources to become a center of development. The future development of West Africa will be influenced by the ability of Nigeria and its poorer and smaller neighbors to develop a cooperative system of a nature which cannot as yet be defined. The U.S. is providing substantial amounts of concessional aid to many of Nigeria's neighbors. The effectiveness of this aid will depend in the final analysis on the development of a more integrated economic system in West Africa in which Nigeria is bound to play a leading part.

c) Nigeria is becoming a major U.S. trade partner and recipient of U.S. investment. A well designed assistance program can play a role in helping to provide the employment opportunities and social improvement which the investment and trade programs alone cannot create and without which they may not prosper in the long run.

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d) For domestic political reasons, it is difficult for Nigeria to use Nigerian funds to engage U.S. professional advisors because of the high costs involved.

The Mission recommends that we should keep open the offer of the "New Assistance Package" which involves the possibility of substantial amounts of capital assistance within the framework of a sector loan. The Nigerian response to the loan package does not reflect lack of interest but a reluctance to adopt ground rules which are significantly different from those of other donors.

The Mission proposes that we should consider at the appropriate time the establishment of new capital and technical assistance projects in the areas of concentration to be agreed upon. To keep our options open, such projects should be mentioned in the next Congressional presentation.

In determining the size of future U.S. programs under the new format, we must keep in mind the administrative burden to be assumed by the Nigerian government. Only for relatively large amounts would the government willingly assume this administrative burden. At present the Nigerians are evidently reluctant to assume large administrative responsibilities and to undertake major special planning responsibilities in order to secure U.S. aid; this is understandable given their resource position and the wide range of alternatives open to them. It may be best therefore for the U.S. to associate itself with projects or programs planned and undertaken by the World Bank or the UN leaving it to those bodies to make the necessary sectoral feasibility and other studies, as they appear prepared to do. END LIMITED OFFICIAL USE

B. Potential FMG Requests

Listed below are the major areas in which we can expect FMG requests for assistance and which should be considered as areas for Mission concentration. Given the status of the discussions on the New Assistance Package, the list is based on informal talks and is not a prediction that formal requests will materialize. It will not be possible to refine this list prior to further discussions about the "Package" and pending the development of more specific Nigerian plans in the areas involved.

1. Food Grain Production - As noted earlier, this sub-sector enjoys high Nigerian priority. It is in this area that the Mission has the widest professional contact with the Nigerian authorities. Plans for the necessary analytical studies and program development are discussed below.
2. Innovation in Primary Education - A major effort is contemplated to improve the quality of primary education, concentrating in the north, where the needs are greatest. This will require novel approaches in curriculum development, classroom techniques and teacher training in the creation of a system of primary education which is job market oriented rather than preparatory for secondary education.
3. Development Administration - The IBED economic appraisal pointed out the need to strengthen Nigeria's executive capacity. Most Nigerians look to the U.S. as the country with the most innovative approaches in the area of sectoral and project planning and administration. In fact the United States is already involved by virtue of the technical assistance being provided to the two institutes of administration and the Federal Ministry of Transportation. We can envisage a program of assistance to the economic development, finance, agriculture, education and transportation ministries requiring a mix of in-country and U.S. training, operational research and high-level advisory services.

4. Rural Development - This is an area of key importance to Nigerians, particularly at the state and local level. Major efforts are contemplated to improve rural transport, storage and processing facilities, housing, water, rural electrification, and medical facilities which will require some outside support to get underway. Many of these activities relate directly to the problems of increasing food production. All of them would generate much needed employment opportunities and provide other intangible contributions to the development of the rural society. It is quite possible that a sectoral program to improve food production could be broadened to cover some of the activities mentioned in this paragraph.
5. Civil Aviation - The U.S. is a leader in this sub-sector which is important to Nigeria because of the role it can play in the development of a greater sense of nationhood.

One area in which we do not anticipate FNG requests for assistance is population/family planning. While the official FNG population policy recognizes the basic efforts of a young, growing population on the demand for jobs, education and other social services, the policy goes on to state that population control is not warranted under Nigerian conditions. This view is strongly held at top levels of the federal bureaucracy. Even the very mild measure proposed in the Second Development Plan, the establishment of a national population council, has been given low priority by the FNG. In this situation, we propose to continue to be alert for opportunities to be helpful but to mesh our initiatives with slowly evolving Nigerian population policies.

We plan to move ahead with the Family Health Training Project early in FY 73. This project will make an important contribution to provision of the manpower required to improve child health and offer family planning services. With funds requested under the Family Health Project, we will be able to step up degree and short-term participant training for government officials and academicians in population/family planning. On another level, the volume of activities in population/family planning financed from world wide A.I.D. funds will be at its highest level ever in FY 1973 with the addition of the University of Michigan and University of North Carolina research projects to the on-going Population Council and IPPF programs in Nigeria.

Virtually every Nigerian organization which is active in the population/family planning field will be receiving some assistance from AID-funded sources. We regard this as an important contribution to increasing Nigeria's awareness of its own population problem.

C. Mission Areas of Concentration

In presenting the new assistance package, the U.S. indicated to the Nigerian Government that we expect them to designate the sectors to be given priority and to be studied. Lacking a response and given the indication of hesitation by the Nigerian authorities about the sectoral approach, the Mission has had to move cautiously and informally. The selection at this time of specific areas for intensive studies would be premature and might be resented by the Nigerians because it assumes their acceptance of the principle of the sectoral approach.

In our future discussions, we intend to concentrate on the first three areas listed above, because, as pointed out in last year's submission, they are of fundamental importance in any effort to improve economic and social conditions of the bulk of the population. Moreover, these are areas where the U.S. has valuable experience or, in the case of education, may be capable of organizing suitable operational research.

Basically, what Nigeria needs in these three priority sectors is technical and professional expertise to help with the development of suitable policies, programs and projects and to put these programs into operation, but as we explained earlier, and as the IERD report suggests, such technical assistance may be most effectively applied within the framework of broader programs which also include capital assistance.

D. FMG Capability for Analytic Studies

The Nigerian authorities have made it clear that they plan to control the initiation of sectoral planning and other studies no matter how these studies are financed. Within the framework of implementing the Second Plan and in order to prepare for the Third Plan, Nigerian authorities are initiating a whole range of analytic studies which are intended to serve programmatic purposes. Other sectoral studies are being financed and/or carried out by the IERD, UN agencies and several bilateral donors.

In the past the Mission has been most deeply involved with the study program conducted by the Federal Ministry of Agriculture to improve agricultural planning. The Ministry undertook an ambitious exercise last year, drawing on previous sectoral studies and current analysis, to prepare a "perspective plan" for agricultural development through 1985. The perspective plan, which is scheduled for publication in August 1972, is to provide the framework for the more detailed short-term (4-5 year) plans. Additional "in depth" studies on certain aspects of agricultural development are needed and contemplated, as a basis for improved short term planning. This study is expected to yield reasonably concrete results later in 1972. The USAID has in the past contributed manpower and other resources to these agricultural studies and we propose to continue to do so in the future. We are hopeful that the agricultural sector studies now under way will in time yield information to satisfy the analytic and other requirements of the Program Guidance. Continued U.S. support of these studies seems to be a constructive way of helping to develop Nigerian studies programs capable of identifying priority development problems and of developing potential solutions in the agricultural sector.

In the fields of education and development administration, there appears to be less drive in the Nigerian government to undertake the necessary preparations on a national basis for the development of future programs. A study by UNESCO on educational problems and policies has not yet been released and it is unclear what further action is contemplated by the Nigerian authorities. In the area of development administration, the U.S. is financing two specific projects at ABU and at Ife which are intended to help improve Nigerian capability in this area. Hopefully, the training now being provided will help improve planning at the national level but it would be hazardous to predict the timing of such development.

E. Potential for New Implementing Arrangements

All TC activities in Nigeria, except the Rice/Maize project, are already being implemented through intermediaries. Most of the intermediary arrangements have been satisfactory. Several contracts have actually been concluded directly between the Nigerian institutions involved and the U.S. intermediary. Quite frankly, in several cases the host country participation in the negotiation of these contracts and in the recruitment process has been minimal and USAID participation in the contract negotiations and implementation is not

significantly different from direct AID contracts. We hope this will improve as Nigerian host institutions gain experience, but inadequate communications, particularly between Lagos and other locations within Nigeria, are a major handicap. In some instances there has been criticism about the apparent high cost involved in working through intermediaries and questions have on occasion been raised about the value to Nigeria of services performed in the U.S. by intermediaries. We believe this issue may become more important as Nigerian institutions become more directly involved in the administration of A.I.D.-financed contracts, including the making of payments.

The Nigerians are prepared to accept additional responsibilities for the administration of assistance programs (as for example within the framework of a Block Grant) provided the shift in responsibilities is phased over some time, and the U.S. limits its administrative requirements.

F. Coordination with Other Donors

Even though Nigeria strongly objects to coordination among donors, satisfactory informal arrangements exist for the exchange of information among donors. This donor cooperation has avoided duplication and led to several projects which are complementary and, in a few areas, of a joint nature. The World Bank and the UN are nevertheless severely limited in their coordinating function by the strong Nigerian opposition to formal donor coordination.

Despite these problems, we expect that informal cooperation among donors, including international agencies, will continue to be productive. The World Bank and UN agencies either have undertaken or contemplate analytic studies into several of the key developmental problems facing Nigeria. A way should be found for making the results of these studies available on a timely basis to the U.S. and to other donor countries. Most of these studies are now delayed for long periods of time due to discussions between the authors and Nigerian authorities.

The Mission expects that in the next few years, the World Bank and UN agencies will dominate the assistance situation in Nigeria because they have substantial funds and analytic capability to put at Nigeria's disposal. The Mission believes that other donors, including the U.S., with more limited resources available for Nigeria, may be able to employ these resources most effectively by associating themselves with activities undertaken or sponsored by the World Bank and UN agencies. Local officials of these organizations have been receptive to informal soundings in this direction.

IV. Plan for Program Studies

For the reasons given earlier, all plans must remain highly tentative. We can speak with any degree of confidence only in one area, food grain production. The Nigerian government contemplates an integrated national program for improved grain production centering around improvements in technology, improvements in the supply of non-agricultural inputs, improvement of credit, and improvement of facilities for processing, marketing and storage of cereals.

The Nigerian government is carrying out a series of studies and experiments to develop this program. The U.S. has in the past supported these planning activities through some aspects of the Rice/Maize project and through the provision of consultants to help with specific studies or with the solution of specific planning problems. We propose to continue the support of this planning effort through the evaluation of the Rice/Maize project and by responding to anticipated Nigerian requests for additional short and medium term experts needed in connection with studies under way.

The Nigerian government expects that the first results from the current agricultural studies will be available in October 1972. Thereafter, it should be possible to determine in greater detail what additional studies, if any, are required to develop an effective national food grain production program. Some of the planning and analytic assistance required in FY 1973 might be financed under the Block Grant. Other aspects of the planning requirements are expected to be financed under a suitably revamped Rice/Maize Project. We anticipate that these studies will lead to an integrated Nigerian food grain program for which a sector loan will be required in FY 1974. Additional details concerning efforts to develop a sectoral program in food grain production are contained in Annex A.

No similar plan of action exists in the other two areas tentatively selected by the Mission for further study. Innovation in Primary Education and Development Administration. We must emphasize that these areas were selected by the Mission on the basis of our assessment as to their priority. The decision of the Nigerian government may turn out to be quite different. The inadequacy and the instability of the staff of the Federal Ministry of Education has limited that Ministry's ability to provide leadership in the development of a new education strategy.

The Mission is trying to engage the Nigerian authorities in discussions to determine what studies they contemplate/~~to~~ refine educational strategy and whether any U.S. assistance is required to support needed study programs.

We hope that more precise proposals will emerge during the next few months in time for inclusion in the next Congressional Presentation. But it is not yet clear at what pace Nigerian preparations for new educational programs will proceed or what additional help from the U.S., if any, will be desired during the program planning phase. The Mission will clarify as soon as practicable any FY 1973 needs for help with the development of strategy and plans.

The Budget Submission will include proposals to cover planning activities for FY 1973 and FY 1974. These proposals are tentative in view of the uncertainties surrounding Nigerian planning efforts and the contribution expected from international agencies and bilateral donors.

V. Mission Budget Proposals

The Mission Budget Submission contemplates the following budget:

	<u>Obligations/Authorizations</u>		
	(\$ Million)		
	FY 1972 (Actual)	FY 1973 (OYB)	FY 1974 (Budget)
TC	8.480	8.500	8.000
DL	<u>16.400</u>	<u>6.000</u>	<u>15.000</u>
	24.880	14.500	23.000

The above proposals are based on a Mission assessment of programs that can be mounted in areas of major importance to accelerate the improvement of living standards of the average Nigerian on a broad basis and where the U.S. is in a special position to assist. We recognize that the amount of assistance to be provided is intended to be the result of the analysis, and not the other way around. Given the alternate financing possibilities available to the Nigerians, we see very little likelihood however of engaging them in any sectoral

analysis unless we have a ~~minimum~~^{target} amount of aid in mind to be used for mutually acceptable programs. We believe that the amounts proposed are about the minimum necessary to engage Nigerians at sufficiently senior levels necessary for the development of the kind of programs we have in mind. If proposed aid levels fall short of these levels, it may be best for the U.S. simply to associate with a World Bank or UN-sponsored program, and to finance a portion of programs worked out by these organizations and acceptable to the U.S.

Technical Assistance

framework

Within the ~~framework~~ of the TC Program we expect to continue current projects on the basis of the Transition Exercise which includes agreed termination dates for all projects. Eight continuing projects will require funding in FY 1973, and seven in FY 1974. In addition to that we contemplate a Block Grant of \$2 million in FY 1973, to be increased by an additional \$3 million in FY 1974, depending on the success achieved in implementing it during the first year.

We expect that the program development work and sectoral analysis contemplated for FY 1973 in the area of food grain production will be carried out largely within the framework of the Rice/Maize Project, and with the help of central and technical support funds. For the period beyond FY 1973, it is expected that the Rice/Maize project will have to be restructured in the light of the results of the evaluation planned for this fall and of the other studies contemplated for the next several months. The Mission is hopeful that it may be possible to carry out exploratory work in the area of primary level curriculum development in FY 1973, either within the framework of Project 788 or with the help of funds available for feasibility studies from central funds. As noted earlier, we may wish to propose new TC projects for FY 1974 initiation (within agreed priority sectors) if the Nigerian government prefers that approach and the Block Grant makes slow progress.

Development Loans

The recent IBRD appraisal has again confirmed the urgent need for Nigeria to engage additional foreign talent to improve program development and management. There is growing recognition in Nigeria that domestic talent must be supplemented if the public investment program is to be raised to the levels for which finance is available. The Mission is reasonably confident therefore that a request for Program Studies Loan will be forthcoming and we propose to earmark \$6 million for this purpose in FY 1973.

As noted in Section IV above, we believe that the Nigerian studies already underway, to be supplemented by further analytical work in FY 1973, will lead to a proposal for either a project loan or a sector loan to support an accelerated food grain production program. Such a loan would finance the foreign services (and associated training) needed to design and manage an integrated program. We reaffirm again that a substantial contribution of capital goods (fertilizer, pesticides, storage and marketing facilities) will be needed to interest the Nigerian government in the professional services aspect of the program. Precise requirements are somewhat speculative but we believe that a minimum of \$15 million will be required over a two to three year period and we recommend earmarking that amount for authorization in FY 1974.

REINHARDT

ANNEX AUSAID/NIGERIA - AGRICULTURE PROGRAM - FY1974Introduction

Agriculture remains the predominant industry of Nigeria, employing 70 percent of the labor force and contributing more than one third of the National income. Commercial export crops, such as cocoa, rubber, oil palm and groundnuts, were until recently the principal source of foreign exchange earnings. Even with the very substantial increase in earnings from the petroleum industry these crops continue to be crucial generators of foreign exchange and provide income and employment for a large number of rural families.

Recent public statements by senior government officials indicate the growing concern of the FNG over the slow rate of growth in Agriculture relative to the rest of the economy and relative to the growth in population. The budget statement by General Gowon, Head of the FNG, last March announced plans for stimulating Agricultural production through nationwide production campaigns and improvement in prices for cash crops. At the annual Conference of the Nigerian Economic Society in March, the Permanent Secretary, Federal Ministry of Economic Development and Reconstruction, presented a paper on "Nigerian Social Objectives and the Rural Sector" in which he stressed the need for reform of the system of Marketing Boards to provide incentive prices for export crops and the need for more emphasis on production of food crops.

The Federal Ministry of Agriculture and Natural Resources (FMANR), concerned about current high food costs and rising food imports, is now planning a nationwide coordinated program for accelerating food grain production. USAID proposes to support this program, making it a major area of concentration for new activities.

The project will be primarily concerned with three major cereal crops -- maize, rice and sorghum/millet. A fourth crop, wheat, will also be included. Though it is now a relatively minor crop in terms of production in Nigeria, it is an important food import, and with planned development of considerable irrigated acreage in the northern states, it will become increasingly an important domestic crop.

Planning for the new cereals program began in late 1971. At that time USAID sponsored a world tour for senior state and federal Nigerian officials concerned with food production. The group visited the International Rice Research Institute (IRRI) in the Philippines, The International Maize Program (CIMMYT) in Mexico and several countries that have had impressive success in adopting new high-yielding

cereal varieties and modern technology. Following this tour the FMO requested USAID assistance in bringing to Nigeria a team of international experts to help design a comprehensive program for accelerating cereal production. This team, under the leadership of Dr. Ernest Sprague, Director of the International Maize program at CIMMYT, and including representatives from IIRI and the International Institute of Tropical Agriculture (IITA), surveyed the potential for increasing production of major cereal crops and submitted a set of recommendations on how Nigeria should proceed to organize and implement an appropriate program.

The Survey Team report has served as a basis for discussions between the FMO and the State Agriculture Ministries in evolving a coordinated National program. The program will receive its overall direction and coordination from the office of the Director of Agriculture, FMO. The four crops selected are cereals for which there have been impressive technological developments in recent years, providing excellent opportunities for rapid and substantial increases in yields and production. Nevertheless, these technologies will require testing and adaptation to conditions of the producing areas, so that program envisioned provides for close linkages with major Nigerian agricultural research institutions for development and selection of well adapted seed varieties and appropriate cultural practices. The rice and maize program will be under the direct supervision of deputy coordinators located at the Federal Department of Agricultural Research, Moor Plantation, in the South. The wheat and Sorghum/Millet programs will be supervised by deputy coordinators, for each crop, located at the Agricultural Research Institute, Ahmadu Bello University, in the North.

The principal objectives of the program will be to increase production of these cereals at an annual rate that will permit an increase in per capita availability and decrease in imports and reduce retail prices of these cereals.

A comprehensive, integrated program is contemplated in which major consideration will be given to (1) improvement in the "packages" of technology for each crop; (2) improvements in supply and distribution of seeds, fertilizers, insecticides and other inputs; (3) expansion and improvement in agricultural credit; and (4) improvements in facilities and institutions for processing, marketing and storage of these cereals. In pursuing these objectives the government will be guided by certain policy constraints. The Ministry of Agriculture and Natural Resources is now engaged in an exercise to develop a policy framework within which the food crops and other programs will be fitted. This exercise involves review and debate of a series of papers commissioned by the Ministry to be prepared by prominent economists in government and in the universities on important policy issues. These reviews will culminate in a "Perspective" plan for the period 1974-85, scheduled to be approved by the Federal and State Agricultural Commissioners in August and by the FMO Executive Council by September 1972.

Proposed USAID Input FY-1973

Past and current USAID activities will make important contributions to these programs. The Agricultural Extension and Production Management Project (770) has helped to develop essential extension organizations in the states. Project 742, for assistance to the University of Ife, and project 743, for assistance to the Agriculture Faculty of Ahmadu Bello University, have helped to develop the essential institutions and linkages for implementing the agricultural development programs. The Agriculture Services and Marketing project (768), providing assistance to several of the states in establishing agricultural planning units in the Ministries of Agriculture, has helped to develop competence for implementing the state cereal production programs. And, of course, assistance to the University of Ife, Ahmadu Bello University and the University of Nigeria, Nsukka, has helped to develop the trained manpower for staffing the program at the Federal and State levels.

Current projects that should be particularly useful in providing guidance to the national cereals programs are: (1) the project for assistance to the Western State Agricultural and Industrial Investment Corporation (082), and (2) the Rice/Maize Production Project in Western State (798).

The credit project, which has developed and tested innovations in agricultural lending in Western State, may provide a useful model for credit programs in other states, based on U.S. assistance in previous years.

The Rice/Maize production project in Western State has been a pilot activity providing experience in designing and implementing a package of improved practices for two important cereal crops. The Mission proposes to carry out a comprehensive evaluation of this project in late 1972 to identify difficulties in implementing programs of this type and to assess the usefulness of the various measures used to cope with these constraints, and to test the effectiveness of the recommended practices. This evaluation should provide useful guidance to the National program.

In addition to these foregoing activities, USAID proposes to assist the Government of Nigeria in more detailed planning of the accelerated National food grains production programs, to provide interim technical assistance in getting the programs underway, and to assist in mounting and carrying out a comprehensive sector analysis which might lead to a sector loan for food crops development by 1974 or 1975.

USAID will be represented on a steering committee which has been set up by the FMANR to advise the Director of Agriculture on the planning and implementation of the production programs. This steering committee will have representation also from the State governments, other prospective donor agencies, and from the private agro-business sector.

USAID has agreed to provide training for four key Nigerian Agricultural Officers who will be involved in implementation of the four cereal production programs. Each of these officers is being sent for 6 months of training in all aspects of a production program for one of the selected crops. Ford Foundation is assisting in providing similar training for two officers. The training will be carried out primarily at International research institutes, such as CIMMYT and IARI.

The International Survey Team recommended external assistance to provide technical experts to work closely with the coordinators for each of the four cereal crop programs. USAID will consider providing these experts, possibly through a contract with IITA. This and the participant training will be financed in FY-1973 under phase II of the Rice/Maize Project, as an interim arrangement, pending, hopefully, a sector loan agreement, perhaps in 1974 or 1975.

Meanwhile, USAID proposes to assist the overall agricultural planning efforts of the FMANR as needs develop or opportunities arise. We will look particularly for opportunities to assist in preparing a comprehensive, integrated sector analysis for the food grains sector that could serve as a basis for a sector development plan and sector loan.

The FMANR has undertaken an ambitious exercise to develop a perspective plan for Agriculture. An Agricultural Policy Conference was held in Ibadan in July-August of 1971 to lay the groundwork for the plan. This conference, which was attended by over 300 agriculturalists from all over Nigeria, reviewed and discussed a number of papers prepared especially for the Conference, including papers on demand projections and production possibilities for all important agricultural commodities. The conference considered recommendations of earlier sectorial analyses, such as the FAO study, Agricultural Development in Nigeria 1965-1980, and the AID-financed Report of the Consortium for the Study of Nigerian Rural Development (CSNRD), Strategies and Recommendations for Nigerian Rural Development 1969/1985.

After the conference an Editorial Board, composed of prominent Nigerian economists in government and the universities, was formed to prepare a Perspective Plan. Additional policy papers were drawn up to supplement the documentation from the July-August conference. These policy papers covered a wide range of topics, including investment, manpower training, employment, mechanization, irrigation,

fertilizers, crop protection, research, credit, cooperatives, marketing, price policies, marketing boards and food policies. These papers were presented to the National Agricultural Development Council (NADC) in April 1972 for a review culminating in a number of policy recommendations. These were then submitted to the Editorial Board for consideration in drafting the Perspective Plan.

USAID was invited to participate in this exercise by providing the services of two short term consultants to advise on use of the general system simulation approach in agricultural planning. The experts used the simulation model to examine some of the policy recommendations that came out of the April meeting of NADC. The FMANR has indicated considerable interest in using this approach and now plans to establish a unit within the Department of Agriculture to develop and apply improved simulation models. USAID expects a formal request for services of one or two experts to help organize this activity. The Editorial Board, is to be made a continuing body to serve as an advisory group to the Planning Unit.

The FMANR has also requested USAID to assist in designing and organizing a nationwide program for collecting information on the rural economy appropriate for agricultural planning at the micro and macro levels. One short-term consultant provided by TAB/AGR prepared a preliminary report which is now under consideration. Another consultant will be provided for 2-3 months to follow up in more detailed structuring of this program.

The FMANR has also invited USAID to provide an expert to advise on the greater involvement of the private sector in agricultural development. FMANR concern with this problem was indicated by the Ministry's participation in the last annual Conference of the Nigerian Chamber of Commerce in January 1972. Also, the Ministry has included two members of the Chamber of Commerce concerned with private sector agri-businesses in the recently appointed steering committee for the National Accelerated Food Grain Production Program. USAID proposes to use a short-term consultant from AID/W Technical Assistance Bureau to assist in this area initially. His visit and subsequent planning of the production programs will likely identify specific areas for agri-business development for which additional short-term expertise may be required. For example, agricultural credit will be vital to success of these programs. The FNG is making arrangements with the IBRD for assistance in setting up a Federal Agricultural Credit Organization. USAID might provide a short-term consultant to help the individual states develop state agencies to fit into the national credit program. The USAID experience in western State with SAIC will be very useful in this connection.

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Other areas where American expertise may be useful in planning for the food grain sector program include: cooperatives, for processing and marketing of farm products and for distribution of production inputs; seed multiplication and distribution; plant protection systems; price support and food supply stabilization; soil and water development and management; and various aspects of mechanization.

USAID should be prepared to respond to opportunities to assist in the study of these and other issues related to food production. In many cases this may best be done engaging American individuals, teams or institutions to conduct studies or to cooperate with Nigerian scholars or institutions in carrying out study programs. Some of the needed studies may be carried out by Nigerian individuals or institutions with little or no outside assistance except financial support. For example, the AID/W TAB-financed Regional Research project, "Rural Employment in Tropical Africa: a Network Approach", could involve several Nigerian scholars interested in that key problem. With a limited amount of support, the work of these individuals could be integrated into the regional project and contribute to this aspect of the food grain sector analysis.

Some such assistance might be financed under the Block Grant, but the U.S. should be prepared to respond to Nigerian requests for additional help in this area outside that framework. Funds could be provided under a re-wrapped rice-maize project and through regional and worldwide feasibility and research funds. Since developing the analytical framework for a food grain program is a high priority activity for the FNG it is essential that we have the ability to provide assistance in a timely fashion.

Other donor agencies will also be involved. FAO, for example, is providing a consultant advisor for the Perspective Plan. The Commonwealth Development Corporation has been conducting studies of soil and water development in major river basins. The IBRD has undertaken a comprehensive sector analysis of Nigerian agriculture, including livestock. These efforts, supplemented by the modest activities proposed by USAID for FY-1973, should be sufficient to assist Nigeria in carrying out a substantive sector analysis and a detailed, integrated national plan for food grain production suitable for the development of specific high priority, problem-oriented grant and loan programs and projects, possibly including a sector loan.