

Review of United States Foreign Assistance Policies and Programs in Nigeria

**A Report Prepared for
THE BUREAU FOR AFRICA
Agency for International Development
Department of State**

BY A SPECIAL POLICY REVIEW TEAM

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BACKGROUND OF THE STUDY

A. The Situation in Nigeria1. War, Peace, and Reconstruction

Every actual situation has grown out of its historic past. When Nigeria became independent in October 1960, she and the world anticipated the future development with great hopes. Both her political and economic future were projected with a considerable degree of optimism. That optimism was based on the political side on the smoothness of transition to parliamentary government. On the economic side was the fact that Nigeria was the most populous country in Africa; it was well endowed with agricultural and mineral resources, had just discovered major oil and gas deposits, had produced a well diversified export sector, and had developed prudent economic policies.

The outbreak of the civil war, which had been preceded by a series of constitutional crises and two military coups, shattered many illusions about how painless and easy it is to create a viable, growing economy and a viable nation. Yet the basic analysis is probably still valid. Before the civil war interrupted development the economy was growing at about 5 per cent per annum. Although foreign exchange reserves were run down during the war, there was no balance of payment crisis; there were budgetary stringencies but no crisis; by African standards, and the standards of underdeveloped countries generally, Nigeria had pursued responsible budgetary, foreign exchange, agricultural and industrial policies, despite clear mismanagement in some statutory corporations,

too low producer prices for oil palm products or ground nuts, and many other danger signals that appeared in the economy.

There is continuity in these matters, as well as some deterioration. The civil war was fought essentially with Nigerian resources and with a minimum of foreign aid. On the whole, economic and financial policies successfully avoided a situation in which future opportunities were foreclosed, but major problems emerged. Real GDP in the federally-controlled areas declined by about 10 per cent. During the last year of the war the money supply increased rapidly, and central bank and commercial bank credit to the government assumed large and inflationary proportions. Prices rose rapidly during the last year of the war; imports were more and more stringently controlled.

At the same time, during 1967 and 1968 exports fell, but they rose again in 1969 above the pre-civil war level. Except for the Eastern States, exports were astonishingly well maintained. External reserves were held at the level of about two months imports, mainly by the device of refusing licenses for the transfer of funds. The same device was used to hold down foreign indebtedness. The external public debt was on March 31, 1970 about £N 268 Million (Plan, pg. 303), about half each direct government debt and debt owed by statutory corporations and state-owned enterprises. The internal debt stood at £N 483 Million (Plan, pg. 299). In addition there were unpaid foreign bills of about £N 80-100 Million (\$224-\$280 Million).

There was very substantial destruction of infrastructure and productive equipment in the states directly affected by the war. In the other areas, roads, the telephone system and infrastructure in general were inadequately maintained and allowed to run down. Factories suffered through reduced maintenance and lack of working capital and inventories. The exodus of Ibos from the Federally-controlled areas reduced efficiency. So did general preoccupation with the war. The efficiency of all public services declined.

Thus when the civil war ended, many problems of reconstruction, dislocation, inflationary tendencies, balance of payments troubles, price controls and the rest had accumulated. On the other hand, petroleum became a major export item, and cocoa and groundnuts continued to be major exports. The economy remained essentially viable, effective, ready to resume growth.

2. The Issue of Federal-State Relations

Politically, the war was fought about the questions whether Nigeria should be a federal or a unitary state, indeed whether she should remain one nation at all. It may be assumed that the war settled these questions in favor of an indivisible Federal Republic. It is unlikely that any one will have another try at secession. It is also unlikely that the present twelve state structure will be challenged in the foreseeable future.

Having said this, it should be added that many problems remain unsolved. The states are the legal successors of the old regions which had considerable autonomy. The final constitutional arrangements of the federal-state relationships are still to be worked out. Some matters have, however, almost certainly been settled: monetary matters, foreign trade and payments, basic transport and communications, a large part of higher education will necessarily be a Federal prerogative. The real issues are the extent to which the central Government will dominate the States or vice versa. Only informed guesses are possible on this count.

Budgetary relationships are central to an assessment of these matters. The allocation of fiscal resources between the Federal Government and the States is determined partly on the principle of derivation, partly on the principle of need. It is likely that ultimately the recommendations of the so-called Dina/ Report will be adopted. The Federal Government collects most of the States' revenues for the

States, but the States receive these taxes as a matter of right—and this is not likely to be changed. The States can do with these fiscal resources, in principle, as they please.

There was in the pre-civil war days, as there is now, a considerable tug-of-war between the centralizing Federal and the decentralizing, not to say centrifugal, State (Regional) forces. In the constitutional days, the leaders of the National Council of Nigerian Citizens in the Federal Government and the leaders in the Eastern Region did not always see eye to eye. The same intra-party conflicts were true for the Action Group and the Northern Peoples Congress. At present, the fact that the Federal Military Government is made up of eleven Military Governors and one Civilian Administrator is consistent with considerable centrifugal forces. The military Governors are likely to become spokesmen for their States.

While there is likely to be considerable central direction, there is also considerable flexibility in State-Federal relations. On the one hand, no State is as rich or big as the old Regions were—except the Midwest, which is the only Region to survive intact. On the other hand, the Federal Government lacks the administrative capability to enforce strong centralizing policies. How can you run a centralized country when letters may take two weeks to be delivered, and it may not be possible to reach even another capital on the telephone for days? Decisions must be made locally in such circumstances if anything is to be done at all. This is reasonably well understood.

A special problem arises about the reintegration of the Ibos into the nation. First, it is obvious to the visitor that there was no genocide. Secondly, at the level of the Federal Government, the reintegration of former Ibo civil servants continues apace and presents no problem. Thirdly, however, Ibos cannot for the time being return to Port Harcourt and the Rivers State. Fourth, in the rest of the

country, Ibos will continue to drift back, but not in as large numbers as before, nor in as many unskilled and semiskilled occupations.

The Ibos themselves do not seem to be particularly broken in spirit nor do they seem to have lost much of their drive. The basic poverty of Iboland is even more evident than before, with the devastation of war and the increased population. So one must expect that emigration will pick up again as a matter of necessity. One can expect, by any historic international standard, a rapid reabsorption of the Ibos into the nation.

3. The Second National Plan

A detailed analysis of the Plan is given below in Chapter II. Here only a few comments are appropriate. The Second Plan follows the first after a hiatus caused by the War. The continuity which the first Plan tried to establish was broken, and a new start had to be made. The Second Plan labors under the handicap that not only are the statistical underpinnings no better than they were for the First Plan; there were virtually no pre-feasibility and feasibility studies on which the Plan could be based, corresponding to the Niger Dam Studies, the Ashby Report, or the Stanford Report which underlay the First Plan. This lack came on top of the administrative and physical disruptions and uncertainties created by the civil war.

In view of these handicaps, the Plan is a considerable achievement. It is an all-Nigerian affair, with only a minimum of foreign assistance, none at the top policy-making level. It attempts a detailed, coordinated, and phased assessment of public sector plans. It attempts to formulate at least some policies. We discuss below in some detail some of the issues raised in the Plan. But if the Plan disappoints by the absence of clearly defined new projects or clearly formulated policies, it must be remembered that there was no time for the former, and that one cannot really expect the Government to state now what taxes it will

levy two years hence or whether and when it will devalue.

The Plan has a strongly centralizing rhetoric which at times gives the impression that economic development is seen as a military operation, dictated by a general who passes orders down through the colonels until they reach the sergeants and privates. No doubt, at lower levels of the bureaucratic hierarchy, individuals may have illusions about their roles and powers.

However, a closer reading of the Plan suggests perhaps a different interpretation. The Plan itself is a document that addresses itself to the civil service as well as to the people and the foreign friends of Nigeria. It provides a framework within which specific decisions are to be made. As such, it is a compromise, and it provides considerable freedom of action to the States.

The compromises are partly the hammering out of agreed-upon positions; but they are partly the listing, side-by-side, of conflicting views that have not been resolved. The centralizing aspects of the Plan have been brought home to the team by numerous and strongly expressed complaints about arbitrary decisions on the side of the Federal Planners. But the really important aspects seem to be (a) that originally state and federal plans came to over LN 2 billion (\$5.6 b.) which was absurd from the standpoints both of executive capacity and financial capability; (b) that the finally agreed-upon capital program is slightly over LN 1 billion; (\$2.8 b.); and (c) that the Planners' feel that only about LN 780 million (\$2.2 b.) can in fact be executed, even if financing is available. The differences between the agreed and expected programs are referred to in the Plan as "spillover."

The fact that a capital program of LN 1 billion has been agreed upon provides substantial flexibility and is for that reason politically desirable. Only if the States wish to execute more than the agreed-upon total—which is about 45 per cent bigger than their realistically

estimated executive capacity—or only if they wish to execute projects that differ substantially from what was agreed upon, must they go to the Federal Military Council to obtain approval for their changed Plans.

The device of "spillover" can therefore be interpreted not only as a compromise between the ambitions and the capabilities of the States; it is also the major device to introduce considerable flexibility into State-Federal relationships.

The Plan is essentially a reconstruction Plan. For the first part of the Plan period, it is quite clear what has to be done: the infrastructure has to be rebuilt and factories that have suffered have to be restored so that the economy can grow again. This will be a period of grace in which detailed new projects can be formulated. It will also be a period in which the economy can be restored to a more normal situation, and in which price and exchange controls can be eased or abolished. Despite its centralizing rhetoric, the plan relies essentially on the private sector to provide the growth of the economy—and on petroleum.

The Plan is explicit on the public sector investment programs, although the details of the States' investments must wait the publication of their plans. Its characteristic is that the infrastructure is to be restored; that private initiative will provide the bulk of investments; that the Government will provide increasing savings, which are, by implication at least, partly transferred to the private sector. But the Plan also makes abundantly clear that the economy will have major difficulties to get through the first two years of the Plan period. It is for these reasons that the Study Team has concentrated on these years which are crucial for the future and which are also the only years for which reasonably certain assumptions can be made. For the later years the uncertainties—both economic and political—are much too great to make even rough projections a fruitful enterprise.

The total public investment program (including defense investments and certain financial obligations) is expected to be ₦ 780 Million, if the economy gets through the first two to three years successfully. About 57.7 per cent is expected to be financed from budgetary surpluses, 13.6 per cent from Marketing Board and Public Corporations, 19.4 per cent from abroad, and 9.3 per cent by domestic borrowing, including borrowing from the Central Bank (Plan, pg. 297). The problems raised by the phasing of these figures are discussed below. Private investments are expected to add another ₦ 816 Million (\$2,285 m.) to the public investment effort (Plan, pg. 58).

These investments, but perhaps even more the effect of various policies, and the expansion of petroleum outputs, are expected to raise growth rates from about 4.7 per cent in 1970-71 to 9.3 per cent in 1973-74, ambitious but not impossible rates. The first priorities are stated to be agriculture, industry, transportation, and manpower development; second priorities are stated to be social services and utilities (Plan, pg. 35).

4. Nigeria's Self-Confidence

As the result of having won the civil war without foreign help, of having built up an army virtually out of nothing, of having avoided dependence on any one nation, of having formulated a Plan and policies without more than marginal technical assistance, Nigeria has increased in self-confidence and maturity. This is undoubtedly desirable and all to the good.

There are nevertheless some aspects which will make Nigeria's foreign relations at times awkward and may interfere with as rapid growth as would be possible. Nigerian's believe they know what they need and want. This is probably true. They will choose their own priorities.

They will take advice when they choose to seek it, but they will not take kindly to unsolicited counsel, however well meaning. They will probably overestimate their own capabilities of doing things, with such consequent difficulties as delay in issuing visas for technicians, and work permits for experts, and other evidences of suspicion that foreigners want to make themselves indispensable.

While this will lead to awkward moments, the increased self-confidence should make it, in the long run, easier to be of assistance to Nigerians, and should be welcomed by the United States. The Nigerians are indeed likely to know best what they need as well as what is politically feasible for them to accept. The United States should respond by giving them what they want if it is within our competence and in our national interest to do so.

B. The United States Position in Nigeria

1. General Importance of Nigeria to the United States

From a narrowly economic point of view, tropical Africa is not of major importance to the United States. There are no major American trading or investment stakes in Nigeria, although petroleum investments are rapidly growing in importance. Similarly, the United States has no major strategic or military interests in Nigeria. Politically, however, the United States continues to have an interest in the development of free countries in Africa. Our own black citizens, whose ancestors came mostly from West Africa, show an increasing interest in the development of that part of the world. Although the United States has no strategic interests in Nigeria, Nigeria is the largest and in many respects most important country in Africa. She is bound to have an increasing role in African affairs and in the so-called third world. For these reasons alone she will continue to be of importance to the United States in a way in which most other tropical African countries are not.

2. Consequences of the Civil War

At the time of the First National Plan, America's stock in Nigeria stood very high, partly as the result of the rapid promise to help with the financing of the Plan to the extent of \$225 Million. The fact that this promise was perhaps misunderstood; that many projects were slow to get off the ground—for which the United States was only partly to blame—that AID procedures were felt to be unusually cumbersome, had led to some cooling-off of pro-American sentiments. Nigerian doubts about the United States grew more serious during the civil war. The American refusal to help the Federal Government in its struggle to preserve the unity of the country, the go-slow policy of the United States and the vociferous pro-rebel sentiments of many Americans not only created much bitterness, from which the United States is still suffering; it also reinforced the feeling that the United States was either unable or unwilling to execute its project commitments effectively.

At the same time the United States was marking time in its basic development assistance to Nigeria, it mounted a major program of relief and rehabilitation to the war-devastated areas of the country, committing more than \$100 million to the effort. At the outset this took the form, principally, of foodstuffs and other supplies distributed on both sides of the battle lines by international agencies. At the end of the war this responsibility was taken over by the Nigerian Federal Government, and reconstruction projects for which USAID/Lagos exercised substantial responsibility became important. The speed and efficiency with which these emergency programs were executed perhaps erased somewhat the impression of inefficiency. But they have not entirely erased the political bitterness as the Federal Government contrasts the speed and efficiency with which relief to the war-torn areas is administered with the slowness with which, say, the Ibadan water-supply project is completed.

C. The Nigeria Policy Review Team

1. Designation of the Study Team

The end of the civil war and the issuance of the Second National Development Plan thus made it timely and desirable that the Agency for International Development review the United States program of economic and technical assistance to Nigeria for the purpose of determining the "types, targets and implementing arrangements of United States assistance best suited to Nigeria in this decade, especially the next 3-4 years." To assist in this review the Agency designated a special Policy Review Team whose findings and conclusions are embodied in this report.

The Study Team, composed of Leland Barrows, Research Analysis Corporation, Cleveland L. Dennard, The Washington Technical Institute, Wolfgang F. Stolper, The University of Michigan and Arthur Boehme and Lloyd Jonnes, Agency for International Development, began its work with a review of documentation and a series of briefings in Washington, D.C. in October 1970. The Team spent the month of November 1970 in Nigeria, making an on-the-spot examination of AID programs and projects, engaging in intensive discussions and the study of documents, including particularly the Second National Development Plan, which became available in early November.

In addition to its work in Lagos, the Team visited Ibadan and Ife in the West; Zaria, Kaduna, Kano and Kainji in the North; Port Harcourt, Aba, Onitshu, Enugu and Nsukka in the East. The Team consulted as a team or individually with officials of the Federal Ministry of Economic Development and Reconstruction and other relevant Federal and State ministries, the Vice Chancellors of the several universities, the United States Ambassador, the USAID Director and other United States officials in Nigeria, representatives of the IBRD and UN agencies and representatives of the British, Canadian and German Governments. En route to and from Nigeria, members of the team conferred in Bonn and

London with German and British officials responsible for aid to Nigeria and in Paris with the staff of the OECD.

2. Terms of Reference

The Terms of Reference describe two general purposes this study is intended to serve: first, to help United States officials determine the types, targets and implementing arrangements of future United States assistance to Nigeria, and second, to stimulate complementary planning between the United States, other major donors and the Federal Military Government of Nigeria. The Team was instructed to base its survey and recommendations upon the following assumptions:

a. Nigeria will be an important recipient of United States bilateral aid for the next five years, although the need for concessional aid may decline.

b. United States aid will not be great enough, however, to attain independent significance.

c. The team should therefore give particular weight to Nigerian development plans and programs, to the projects and purposes of other donors and to means of assistance in which the United States has demonstrated particular competence.

d. The Team's recommendations should take into account changes in the form of United States assistance likely to result from the recommendations of the Peterson Commission.

The Terms of Reference then set forth a series of questions concerning Nigerian requirements and development strategy, the recommended role and strategy of the United States, and the means best suited to achieving United States objectives. The formal Terms of Reference are supplemented by two appendices directing the Study Team's attention to sectoral and other questions of especial interest to AID. Because of the comprehensive, and detailed nature of the terms of reference, they are included as an appendix to this report.

The Study Team has found the Terms of Reference a useful guide to the conduct of its study and has responded to them in as much detail as possible. There are, however, three major aspects in which the analysis of the situation which the Team found in Nigeria makes it impossible to meet the demands which these terms impose. First, it is unrealistic to try to give any idea of aid requirements beyond the first two years of the Plan. The basic data are too uncertain to make such an exercise of more than arithmetic interest.

The team has therefore limited its analysis to the first two years of the Plan, and suggests that a new look has to be taken at Nigerian problems at frequent and regular intervals.

The second aspect is related to the first. There is no way to quantify aid requirements in abstracto, or to define what is "needed" to reach "selfsustaining" growth at an "acceptable" rate. The fact is that the Nigerian economy could survive without our aid, particularly after petroleum revenues become important. It could even grow. We have also pointed out before that the newly found self-confidence and the strengthened nationalistic spirit make it highly unrealistic to assume that the United States—or any other donor, for that matter, including the IBRD—can exert a substantial influence.

Finally it has seemed unrealistic to the team to consider in particular the problem of Nigerian regional disparities. The team feels that the United States must work through the Federal Government exclusively. This is consistent with responding to requests for projects designed to reduce regional disparities.

As to the two basic purposes of the study, the Team doubts that it has done much to stimulate complementary planning between the United States, other major donors and the FMG, or that on reflection this could be considered a reasonable objective of a short-term study of this kind.

Useful and friendly exchanges of views were had with representatives of the IBRD, UN and several bilateral donors, and the the idea of coordination was discussed frankly with the Nigerian authorities. Unfortunately, the Nigerian Plan was not available until the team had completed a third of its field work, and no firm information was available from the IBRD until the end of December. Consequently the various donors were able to give only the most general indications of their intentions. The Team's efforts may have laid the groundwork for future coordination, and they did give evidence of United States interest in complementary planning.

The major purpose of the review, however, provision of help to U.S. officials in determining the form, objectives and strategy of United States assistance, is better served in the chapters of this report which follow. The general scope and nature of Nigeria's development needs and plans, the planned use of domestic resources and the expectations of external resources are revealed in the analysis and appraisal of the Second Plan presented in Chapter II. Such information as the Study Team could obtain concerning the plans of the IBRD, UNDP and bilateral donors are set forth in Chapter III. Chapter IV reviews United States experience in aiding Nigeria and draws such conclusions from that experience as seem to offer guidance to future action. In Chapter V the Team presents its substantive and operational recommendations, based upon the factors discussed in the preceding chapters.

II

THE NIGERIAN SECOND NATIONAL DEVELOPMENT PLAN 1970-1974

A. General Characteristics

1. Emphasis on Reconstruction

The Nigerian Second National Development Plan 1970-74 is a unified design, a strategy and a framework for decision-making to achieve various ends—"a great and dynamic economy," a "just and egalitarian society," a "united, strong and self-reliant nation." The major means to these ends is an increased rate of income growth, at which the planners aim their strategy. New investment is the cutting edge of the program. About ₦1.6 billion (\$4.5 b.) or approximately 17 per cent of total available resources, is scheduled for investment during the Plan period.

Approximately two-thirds of the financing for the investment is to come from domestic savings—personal, corporate and governmental—while foreign private capital and foreign aid would account for the other one-third. Foreign aid of some \$423 million is believed to be necessary to support the Plan—this would finance just under 10 per cent of gross capital formation. About \$240 million of the aid would be needed in the first two years.

In current prices, growth rates of GDP are expected to rise from 2.9 per cent for 1968-69 to about 11 per cent in 1973-74. In real terms, the economy declined by 7.6 per cent in 1968-69 but should reach the pre-civil war level in the current year 1970-71 (when GDP may run at

about EN 1.9 billion (\$5.3 b.) in current prices). The projected rates of growth are further put into perspective by realizing that despite the civil war the Nigerian population has probably increased by about 10 million between 1962-63 and 1970-71, reaching perhaps the 65 million assumed by the Plan.

The major growth sectors are expected to be mining (petroleum), manufacturing, communication, electricity and water, and health. (Table I, pg 17). Conspicuous are the low projected growth rates for agriculture, distribution, general government and transport. The transport and distribution sectors seem unreasonably low. On the other hand, mining is likely to do even better than the Plan forecast. Aside from the question of realism, one cannot help but feel that the projections hide policy targets, i.e., that they are projected in part on the basis of a desired rather than an expected outcome.

The Plan foresees private consumption by 1973-74 rising by about one-third, i.e., growing slightly more rapidly than income. General government consumption, on the other hand, is expected to grow by 54 per cent. Gross domestic capital formation is expected to grow by only 19 per cent, and will by 1973-74 be only 16.8 per cent of GDP compared to 18.4 per cent in 1970-71. This is puzzling until it is noted that the first two years of the Plan contain heavy and unusual expenditures on reconstruction and rehabilitation. Exports are expected to grow by 35 per cent and imports by 38 per cent, both rates of increase greater than the rate of GDP growth. The higher rate of growth of imports is explicable both by development needs and an expected easing of foreign exchange restrictions. With twelve new states, keeping the growth of general government to only 12 per cent hides a strong and questionable assumption on the reduction of military spending.

For the first two years, the Plan assumes a gross foreign exchange gap of about EN 85 million (\$238 m.) and a net gap (after debt servicing) of EN 47 million (\$132 m.). The foreign aid of EN 85 million, the

TABLE I
Sectoral Growth Rates, (1973–1974)/(1969–1970)
Gross Domestic Product in Constant 1962 Prices at Factor Cost^a

Sector	Amount, millions of Nigerian pounds ^b		1973–1974 as percent of 1969–1970
	1969–1970	1973–1974	
1. Agriculture	801.8	880.6	110
2. Mining	68.4	266.5	390
3. Manufacturing and crafts	142.7	246.4	173
4. Electricity and water supply	11.2	15.8	141
5. Building and construction	76.3	99.9	131
6. Distribution	190.0	212.9	112
7. Transport	50.4	57.8	115
8. Communications	8.1	12.6	156
9. General government	52.0	58.0	112
10. Education	49.2	63.3	129
11. Health	9.7	13.7	141
12. Other services	54.0	65.8	122
Total	1513.8	1993.3	132

^aNigerian Second National Development Plan, 1970–1974, Table 7, page 52.

^bOne Nigerian pound = \$2.80.

government surplus of EN 109 million, and borrowing from the central bank in the amount of EN 190 million would be the sources of financing public sector investment in this period.

For the first two years of the Plan, the heavy emphasis of investment will be upon making good the physical losses of the war. Thus, there is far more explicit detail on projects for reconstruction than upon those for later development. The very length of the Plan—four years—is tailored to the reconstruction period. And public sector investment is scheduled to decline rather sharply, both absolutely and relatively, in the last two years of the Plan. During the period of the Plan, public sector investment is to account for some 47 per cent of total investment.

2. Unknowns and Unknowables

While the Plan is an impressive document, particularly in view of the short time available for its preparation, its assessment at this time is made difficult by a great number of unknowns and unknowables. The major unknowns include the fact that the Plan document available to us is a summary without details which are to be published in twelve individual State plans. Not one of these plans was available at the time the Study Team left Nigeria and indeed only one State Plan (for the S.E. State) was officially introduced by its Military Governor before December, 1970. Since more than half of public investments is to be executed by the States, this lack of knowledge of their detailed Plans is fairly serious.

A second difficulty stems from the fact that the statistical underpinnings of the second Plan are hardly better than those of the first, and in two important respects are probably worse. Agricultural statistics are as bad as ever, particularly those relating to the food crops. On the aggregative level, the Plan makes estimates for GDP by industrial origin for 1967-68—1969-70 for the Federation as a whole. There is, however, no real evidence on the production in three Eastern

States for these years, the estimates having been made on the basis of more or less assumed damage by fighting and population movements. To use such a basis for a detailed analysis of percentage distribution, consistencies and the rest, seems almost an idle exercise. The principal utility of the data is to convey general intentions.

In one important respect the present plan, through no fault of its authors, is less well grounded than its predecessors. Few feasibility studies corresponding to the Ashby report on education and the Stanford report on transport, which provided a foundation for the First Plan, were available to the authors of the Second Plan. So far as the Study Team could determine, there are virtually no projects ready to be financed, beyond the essential rehabilitation and reconstruction projects which will be executed during the first two to two-and-a-half years of the Plan. The IBRD shares this opinion. Those new projects which were ready for initiation as the war broke out have been delayed by it.

The Plan has long lists of priorities for investments, so long in fact that they can hardly be considered guidelines for action. Nor is it to be expected that they be: at the margin, all expenditures are equally important. Nevertheless, two major principles stand out as guidelines for the public sector—restore the capital infrastructure of the economy so that normal economic life and growth can again begin, and set in motion those projects delayed by the war. The first involves the speediest possible reconstruction of roads, bridges, telephones, water supplies, power facilities, etc. On the whole, that part of the task is reasonably clear. Involving essentially (although not entirely) the restoration of the status quo, it involves only minor feasibility and engineering studies. Its limitations come essentially from executive capacity (which the war also disrupted) and from budgetary and foreign exchange limitations. The second element involves a quick review of the projects delayed by the war to reconfirm their economic benefits and then put them in motion.

3. The Plan's Major Themes

Several major themes emerge from the Plan. First, two overwhelming preoccupations are those of nationalism and centralism, seen not only in the exhortations of the documents but also in the proposed expanded role for the Government in establishing and operating industrial establishments: it is emphasized that "government cannot plan effectively what it does not control" and suggested that the war-time experience has "demonstrated that the policy-maker in a neo-colonial economy need not throw up his hands in helpless desperation." And the Government does intend to accelerate the process of "indigenisation" by establishment of an enforcement agency, to work with the expatriate quota committee in the implementation of a timetable for Nigerianization of various parts of the economy.

The theme of centralism permeates most of the general sections of the plan. This is a natural reaction to the civil war in which an effort at secession was defeated. The planners have underlined their judgment that Nigeria has been transformed from a loose confederation of powerful regions to a federal system in which the central government is dominant. They appear to believe that one of the functions of the Plan is to reinforce this new concept of federalism. Remarking that in the past the country lacked a national sense of purpose, they add that the federal government will "occupy the commanding heights in the quest for national development."

At yet, while the Plan purports to be a National Plan, coordinated in all details and espousing these policies, the means to accomplish these policies is weak. There is, in effect, less than meets the eye—which we believe is all to the good. In fact, the coordination of the public investment program, consists mainly in adding up the individual programs by economic sector, and in phasing them—both improvements over the first Plan. But the relations of the projects to each other are nowhere shown and probably could not be. On the policy level one gets at times the feeling that everyone had his say, yet the numbers and the words do

not always jibe. Thus the words emphasize the role of Government. But the numbers, as well as the absence of new projects ready to go ahead or expected to pay off within the Plan period, show that it is the private sector which is expected to produce the growth. All of this seems to add to the political and economic flexibility of the Plan. At the very least this seems not too serious and suggests that the private sector will have a far greater role than the Plan indicates.

The Government's statement on African regional development is limited and unenthusiastic. Noting the theoretical benefits of regionalism, the Plan continues by suggesting that action in Africa must be on a subregional basis, that in the case of Nigeria the most appropriate regional grouping would be West Africa, but that in this area a necessary condition of economic integration or even cooperation of a lesser degree would be the removal of the "present reverse preferences granted to the developed countries."

The policy toward public enterprises is to expand their orbit, notwithstanding a remarkably frank analysis of the past failures of state enterprises. In the Study Team's views, the population policy statement is both discouraging and encouraging. After recognizing the rising birth rate and the declining death rate, with some of the implications thereof, the authors of the Plan suggest that the country's resource base and development potentials obviate any need for "stringent population control measures on a national scale" and that the more urgent problem is the "distribution and movement of population to reflect relative economic opportunities." They then espouse increased integration of voluntary family planning schemes into the over-all public health program, to remain voluntary. The action is mildly encouraging. The arguments are mildly discouraging.

Finally, there is a most regrettable omission from the Plan, that of any serious examination of the consequences of the oil sector for the

economy. A variety of factors may explain this, including the political need to avoid explicit recognition of the dependence upon what is still and will continue to be a foreign sector, or a desire to emphasize the need to push on with development of the rest of the economy. At least in one place, (pg. 28) the Plan even denies that oil may be a crucial determinant of growth. It is regarded rather as helpful but not crucial in breaking the constraint of foreign exchange upon development. And yet, current estimates are that petroleum production in 1975 will be at least 300 per cent greater than in 1969. If so, the Government's revenues and foreign exchange earnings will expand accordingly, or even more rapidly, as the original exploration and development costs are written off and the respective shares in revenue tilt toward the government. On fairly conservative assumptions, however, by 1974, foreign exchange earnings from oil alone would cover roughly 75 per cent of the value of imports projected in the Plan for that year. Such growth of petroleum operations should in fact give Nigeria the resources—domestic and foreign—to maintain a high rate of income growth without recourse to concessional aid.

B. The Study Team's Views of the Plan

1. Not a Long Term Plan

In examining the implications of the Plan for the U.S. aid program we have concluded that one must view the Plan as the Nigerian Government's design for dealing with the reconstruction period, not for longer-term development. Even on this basis, the poor quality of data and the lack of information about the current situation bespeak limiting judgments on the validity of the projected needs for external financial aid requirements to relatively short periods. For our purposes, we have limited this period to the first two years of the Plan. Because of the problems of phasing (the Plan theoretically began on April 1, 1970), we have adopted the convention that the first year of the Plan begins January 1, 1971. We believe that for the period January 1, 1971—

December 31, 1972, the reconstruction prospects are reasonably stated in the Plan, that the government's view on the priorities for restoration of transport, communications and other infrastructure facilities is a fair one and that the IBRD's view that Nigeria can manage the size of program set forth in the Plan for the next two years is in order.

At the same time the Team must emphasize its judgment that the Nigerian government has a number of major problems of economic policy—tax policy, exchange rates, agricultural pricing policies, wage policy—with which it must cope and that reasonable action on these should be a pre-condition to action on requests for aid in the post-reconstruction period. It is quite clear from our visit that the government will need advice on the entire range of its fiscal and monetary policies, and yet, it is far from clear where it will be able to obtain this advice. As noted, the mood of the government is not such as to welcome either expatriate advice on such policy matters or concerted action by aid donors to encourage changes in Nigerian policies. This situation quite clearly will require a maximum degree of tact and diplomacy on the part of donor nations, but the need for such qualities should not diminish donor interest in the Nigerian self-help effort. The problems of how to define the self-help required and how to engage the government's attention must be the subject of discreet discussion among donors.

2. Two Resources Gaps

The Plan posits two resources gaps in the economy over the next four years. Here we shall examine only those for the next two years. First, there is a savings-investment gap, after foreign private investment, on the order of ₦ 270 million (\$756 m.), to be financed in part by foreign aid, in part by central government borrowing. (Table II, pg 24.) Second, there is a deficit in the balance of payments which, also after foreign private investment, would amount to some ₦ 85 million (\$238 m.) during the two-year period. (Table III, pg. 25.)

TABLE II
Savings-Investment Gap
Nigeria
1970-1972
(In millions of Nigerian pounds)^a

Item	1970-1971	1971-1972
I. Investment		
A. Gross Fixed Capital Formation	355	399
1. Public Investment (including Defense)	— 190	— 212
2. Private Investment (including petroleum)	— 165	— 187
II. Savings		
A. Gross Domestic Savings	135	207
1. Government Surplus on Current Account	— 33	— 76
2. Marketing Board Surplus and Public Corporations	— 22	— 22
3. Private Savings	— 81	— 109
B. Foreign Private Capital	75	92
C. Government Borrowing	107	88
D. Foreign Assistance (Net)	38	12
1. Foreign Assistance Gross	— 58	— 28
2. Debt Servicing	— -20	— -17

^aTotals may differ from sums of items because of rounding. One Nigerian pound = \$2.80.

Source: Nigerian Second National Development Plan, 1970-1974.

TABLE III
Balance of Payments
Nigeria
Selected Years
(In millions of Nigerian pounds)^a

Item	Actual		Plan estimates	
	1965	1969	1970-1971	1971-1972
I. Current Account				
Exports	263	320	462	544
(of which, Petroleum)	(68)	(136)	(260)	(330)
Imports	268	231	330	363
Net Services	-69	-128	-167	-201
Balance	-64	-39	-35	-21
II. Capital Account				
Private Investment	20	51	20	30
(excluding Petroleum)				
Short-term Liabilities	—	—	-20	-14
Debt Servicing and Miscellaneous	—	-12	-23	-23
Balance	+20	+39	-23	-7
III. Aid Requirement	44	0	58	28

^aOne Nigerian pound = \$2.80.

Source: Nigerian Second National Development Plan, 1970-1974.

Readiness of the Government of Nigeria to depend upon central bank borrowing to the extent now planned to finance public sector investment is a source of concern to the Team, notwithstanding the Plan's assurances that there would be little ground for fearing the consequences thereof. This implies, first, an expansion of money supply beyond that probably needed for economic expansion and, second, undoubtedly further price increases. As is also implied above, however, the opportunities to encourage the government to follow more restrictive policies on its expenditure side, to introduce new fiscal policies and to examine its exchange rate policies are limited. This situation strengthens our view that foreign capital assistance during the next year should be designed to support reconstruction; the emphasis should lie upon the measures to accomplish this most effectively. But during the months to come the international agencies should establish a very close scrutiny of Nigeria's more general economic policies.

It is our informal understanding from the IBRD staff that they believe governmental expenditures on capital account may be running as much as a quarter to a third below Plan estimates for the current year, but should accelerate rapidly and reach at least the level projected for 1970-71 during the next year. These estimates are not easily susceptible to analysis, primarily because in the Plan the details and annual phasing of the total public investment programs for the four years are based on total of £N 1.025 billion (\$2,870 m.) whereas the planners use a figure of £N 780 million (\$2,184 m.) as their benchmark in all aggregates. While there is an allocation of the expected "spillovers" by years in the Plan, the States do have authority to spend the larger sums, one may expect this to happen in greater or lesser degree, and we have little basis for predicting the extent to which it will happen.

Uncertainty prevails also in analyzing the balance of payments. Because of their view that actual imports during the present year will be higher than estimated in the Plan, the IBRD staff assumes a somewhat higher deficit on the current account of the balance of payments for 1970-71 period than the Plan does, and a somewhat larger deficit on

capital account for 1971-72. The detailed estimates upon which these assumptions rest are not yet available and are subject to further revision. For the present year, the difference on current account reflects a lower level of non-petroleum exports, and higher levels of petroleum earnings and imports than are shown in the Plan. Table II includes summaries of the Plan estimates of the Balance of Payments.

3. The 1971 Need for External Assistance

It is the Study Team's view that, as a consequence of increasing private investment, the needs for rapid reconstruction, and the continuing buoyant levels of consumption, Nigeria does have an urgent need for external financial resources during the next twelve months and perhaps for the next twenty-four months. Our initial impression is that the IBRD estimates of the balance of payments provide a reasonable statement of Nigeria's needs and a satisfactory basis upon which a Consultative Group could act, but this impression must be reviewed against the IBRD report when it becomes available. For the next twelve months, a requirement for new commitments for external financing of approximately ₦ 50 million (\$140 m.) appears to be in order. By both the Plan and the IBRD staff calculations, the need for further new commitments of aid should decline sharply in 1972, reaching ₦ 20 million (\$56 m.).

The question of whence will come the assistance needed over the next two years is complicated by the differing approaches of the donors. Apparently the IBRD regards Nigeria's needs in a two-year perspective, and is prepared to provide a program loan of \$80 million for the entire period. The Team does have misgivings about forecasting beyond the current year, and because of these recommends that a further assessment of aid needs be completed, perhaps in mid- or late 1971. This assessment should take into account the use and impact of the pending \$15 million AID program loan, and the aid provided by other donors, as well as the effectiveness of Nigerian administration, the appropriateness of Nigerian policy, and the success of the development program. Until this review

is completed; the Team does not believe the United States should consider further program lending beyond the pending \$15 million loan.

This approach would not prejudice Nigeria's chances of securing the full amount of aid needed for the current year. Assuming a requirement of \$140 million against which there will be an IBRD loan of \$80 million and a U.S. loan of \$15 million, the balance of the country's needs should be obtained without serious difficulties. From our discussions with the British and German authorities, it seems reasonable to expect loans from both of these governments to Nigeria for financing reconstruction, loans in each case of \$15-30 million. At the worst then this would leave a gap of perhaps \$20 million which could be met by some combination of IMF funding and aid from other donors such as Canada and the Netherlands. It should, of course, be emphasized here that one characteristic of reconstruction aid must be timeliness, both in commitment and availability for use. This underlines the need to complete the pending AID program loan promptly, and to move as rapidly as possible with those projects in the pipeline.

III

RESOURCES AND ATTITUDES OF OTHER DONORS

A. Nigerian Reliance Upon External Assistance

1. The Need for External Resources

In the preceding chapter we examined Nigeria's need for foreign assistance as it is revealed in the revenue and expenditure figures of the Second Plan. We also pointed to the difficulty of arriving at figures for the period after 31 December 1972, but reached the conclusion that there is a serious immediate need for resources on concessional terms. We turn now to the question of the likelihood that the developed countries and the international aid-administering agencies will respond to this need. How realistic has the Government of Nigeria been in projecting an investment program which can be completed only if foreign aid is available? For this purpose we will take the resource and investment projections as they are presented in the Second Plan, rather than the Team's more limited estimate of need during the first half of the Plan period.

The Plan assumes (pg.48) that foreign aid disbursements will total LN 151 million (\$423 m.) during the four year period. This, the Plan points out, is 19.4 per cent of the projected public sector investment, contrasting with the corresponding figures in the First Plan, when it was assumed that foreign aid would equal 50 per cent of a public sector investment program of LN 652.8 million (\$1.752 b.). The role assigned to foreign aid in the Second Plan period is thus more modest than in the First Plan. It is also more realistic, reflecting Nigeria's experience with the delays inherent

in the execution of foreign aid-financed projects. The Study Team was unable to find performance figures to compare with the £N 326.6 million (\$914 m.) of foreign aid projected in the First Plan, but believes a good indication is provided in USAID/Lagos TOAID A-531, which states (pg 2) "Balance of Payments statistics show gross official capital inflows of only £N 151 million (\$423 m.)." It is, we assume, only coincidental that this figure corresponds to the estimated foreign aid disbursements projected in the Second Plan.

Moreover, Nigeria's planners (Plan, pg. 299) estimate that to insure disbursements of £N 151 million, commitments of about £N 250 million (\$700 m.) will be required. The Plan supplies no pipe-line figures, however, so it is difficult to evaluate this estimate. It is relevant, and perhaps significant, that the IBRD estimates that disbursements against past aid commitments totalling £N 50 million (\$140 m.) will be made during the first two years of the Plan.

In addition to the implied lag in project-aid disbursement, the Plan accounts for an unspecified proportion of the difference between the disbursement and commitment figures by stating that it "will have to be used to finance local currency costs, especially the indirect or secondary foreign exchange costs of capital projects." To finance local currency costs, aid funds must be used to import goods for sale, goods which may take the form of capital or be otherwise development-related, but cannot be used in the project for which the local-currency financing is needed. In short, there must be non-project aid. It is not surprising, therefore, that this discussion of gross foreign aid needs appears in a section of the plan designed to justify program and sectoral loans. Unfortunately, Nigerian practices in the use of foreign aid and the preferences of virtually all the aid donors have in the past been so project-oriented that the Plan does not make the well thought out and clear-cut case for program aid which Nigerian circumstances warrant.

Another factor which makes it difficult to relate aid performance to aid commitments is the problem of crediting technical assistance expenditures to the total of investments. As the Plan states, (pg. 300) "The quantum of technical assistance expected over the Plan period cannot be determined in advance; but technical aid is expected to be a major external input for the implementation of the Plan, especially in areas where the technical know-how is not available locally." The Study Team has not found that the aid donors have gone any further in quantifying the need for technical assistance than have the Nigerian planners. This problem is complicated by the fact that most technical assistance has been provided to Nigeria as a grant, most capital in the form of loans.

Obviously technical assistance forms a part of every capital project in which foreign technology or foreign technicians are used. If the Plan consisted of a firm list of well-conceived and fully-planned projects, any contribution to the completion of one of them could be counted as a contribution to the fulfillment of the Plan. Some technical assistance now has that effect. But much is provided independently of all developments specified in the Plan. It can even be said that much technical assistance creates, or at least identifies and gains recognition for, the need it satisfies. There is, in short, ample ground for the Plan's statement that "The quantum of technical assistance . . . cannot be determined." This does not mean that technical assistance is not needed; it means simply that it should not be added in with capital projects which clearly form a part of the investment plan.

2. Expected Response of Donors

What is the likelihood that foreign aid donors will meet Nigeria's needs as they are described in the Second Plan? The Study Team's conclusion at this time is that, so far as total requirements are concerned, Nigeria's expectations are reasonable and well-founded. Disbursement of £N 151 m. over a four-year period does not appear to be more than the aid donors who have assisted Nigeria in the past could be expected to provide.

This judgment, it must be emphasized, is based upon the past performance of the principal donors, informal conversations with most of them, and the Team's own appraisal of the Nigerian Plan. No firm, official information concerning future plans was made available to the Team by any donor except the IBRD whose spokesman informed us orally at the end of December 1970 of the Bank's intentions. In saying that the sum of £N 151 million does not exceed an amount which might be expected from the donor group, we do not mean to endorse this figure. For the reasons discussed in Chapter II, we believe there are too many uncertainties in the Nigerian situation to permit a firm estimate of need to be made for the entire Plan period. If the Plan somewhat understates petroleum earnings, it may also be optimistic as to the Nigerian government's ability to control current spending, particularly in the military establishment and to maintain the monetary and fiscal policies necessary to achieve the planned level of investment. Under most favorable circumstances, the £N 151 million estimate may overstate the need for external aid, but given the uncertainties in the situation it is not an unreasonable figure to be included in the Plan.

While most of the variables affecting the need for foreign assistance are in the hands of the Nigerians, the response of aid donors to the requirements of the next year or eighteen months will have a decisive impact upon the success of the Plan and upon the need for external resources after the initial reconstruction period. The question of timing is crucial. All donors with whom the team spoke agree, in principle at least, that Nigeria's urgent need is now, and seem disposed to help meet that need. There are inertias in the donor's systems, however, and in the Nigerian government, which may cause the aid to move more slowly than it should.

Almost as important as the question of timing is the question of the form of aid. Because of the demands of reconstruction, the needs of delayed maintenance and the lack of project design and preparation during the war years, the case for program aid to Nigeria at this time is very strong, much stronger than the Nigerians have made for themselves.

The principal donors seem to agree with this appraisal, but the preference for project assistance is so ingrained and wide-spread among their staffs that a major program lending effort, completely free of project tying, may be hard to launch.

With respect to all these questions, the amount, the timing and form of aid, the leadership of the IBRD is of first importance. Fortunately, the Bank is prepared to accept that responsibility. It has taken the decision to make a substantial program loan to Nigeria, entering into the loan agreement within the first quarter of CY 1971 and completing disbursements within one year to eighteen months. It has apparently informed the other principal bilateral aid donors of its intentions and is encouraging them to make similar program loans. The IBRD made as a condition of its assistance, and the Nigerians accepted, the establishment of a Nigerian Consultative Group.

Beyond the immediate future, Nigeria has a continuing need for the design and preparation of sound capital projects. Whether these projects are ultimately submitted for loan financing by aid donors, the preparation offers a fruitful field for technical assistance. Technical assistance will be available to Nigeria from many sources; the UNDP and Specialized UN agencies, the principal bilateral donors and many others. Nevertheless, the sources of genuinely useful technical assistance are not numerous, and the United States, in the Study Team's opinion, is one of the most valuable.

B. Principal Foreign Assistance Programs in Nigeria

1. Multilateral Agencies

a. The IBRD Complex. Since the end of the civil war, the World Bank has assumed a role of active leadership among governments and international agencies providing aid to Nigeria. In addition to the normal lending of the Bank and IDA, which began early in the First Plan period, the Bank has conducted several studies of the Nigerian economy,

has established a permanent representative in Lagos, was given privileged access to the Second Nigerian Plan, and has in preparation an evaluation of the Plan. It has laid plans for the creation of a Nigerian Consultative Group and is prepared to make a substantial contribution from its own resources to the execution of the Second Plan. Despite their sensitivity about foreign interference and some initial skepticism as to the utility of a Consultative Group the Nigerian authorities have apparently accepted and encouraged this active role for the Bank. It is the Team's impression, however, that the Nigerians will expect the Consultative Group to be limited to serious donors.

So far as one can now judge, the Bank's leadership will also be effective among the bilateral donors. The IBRD response to the Nigerian situation is entirely consistent with the shift in emphasis from bilateral to multilateral forms of aid administration recommended by the Peterson Commission and endorsed in President Nixon's message of 15 September 1970 to Congress. The United States, therefore, should take particular satisfaction in the way in which the Bank is assuming responsibility in Nigeria and should support and follow the leadership of the Bank. Other bilateral donors may be less disposed to give up their independent positions, but they will no doubt participate in the Consultative Group and will, at the least, be influenced by the Bank's example. Bilateral response to the need for program loans will probably be the first important test of the Bank's influence.

Since their first loan was made in May 1958, IBRD and IDA have made 12 loan commitments to Nigeria totalling \$277 million (Table IV, pg. 35.) The first of these, a \$28 million loan for the railways was made to the United Kingdom before Nigerian independence. The remainder have been made to the Nigerian government or organizations such as the Electricity Corporation of Nigeria or the Niger Dams Authority. The early loans, made before 1965, have been fully disbursed; on those made since 1965 the record of disbursement suggests that the projects have encountered delays comparable with those which marked the AID

TABLE IV
International Bank for Reconstruction and Development
International Development Association
Loans to Nigeria^a
July 1970

Year	Borrower	Purpose	Commitment, millions of dollars		Undisbursed, dollars
			IBRD	IDA	
1958	United Kingdom	Railways	28.0	—	0
1962	Nigerian Ports Authority	Ports	13.5	—	0
1964	Electricity Corp. of Nigeria	Power	30.0	—	0
1964	Niger Dams Authority	Power	82.0	—	0
1965	Nigeria	Roads	17.5	—	7,642,756
1965	Nigeria	Roads	14.5	—	5,678,679
1965	Nigeria	Education	—	20.0	18,484,584
1965	Nigeria	Northern Road Project	—	15.5	405,823
1968	Niger Dams Authority Authority	Power	14.5	—	7,878,832
1969	Nigerian Industrial Development Bank	Industry	6.0	—	4,095,480
1969	Nigeria	Roads	10.6	—	10,600,000
1970	Nigeria	Transport	25.0	—	25,000,000
Total, IBRD and IDA			277.1	—	79,786,154

^aInternational Bank for Reconstruction and Development, Statement of Loans, 30 June 1970.

program during the same period. Of a commitment of \$98.6 million in eight IBRD-IDA loans made between March 1965 and June 1970, \$54.8 million, or 56 per cent, remained undisbursed as of 31 October 1970. Of all AID loan commitments, the total of which is shown in Table V, pg. 37, those made between December 1963 and June 1968 totalled \$61 million. Of that amount \$25.4 million or 42 per cent remained undisbursed on October 31, 1970.

The importance of the Bank's future role is best measured by the action the Bank has decided to take in response to the resource needs set forth in Nigeria's Second Plan. The Study Team has been told orally, but officially, that the IBRD is prepared to make Nigeria a World Bank program loan of \$80 million. This will be made on current Bank terms, i.e. 20 years with five year's grace, and an interest charge of $7\frac{1}{4}$ per cent. The loan will be free of all project tying and will be planned for most expeditious execution. The Bank expects the loan to be signed by the end of March 1971, and disbursements to start immediately, to be completed by 1 March 1972 at the earliest, 31 December 1972 at the latest. The Bank expects the first meeting of the consultative group to be held in April 1971. At the meeting, the Bank will no doubt report on the progress of the loan and will encourage other donors similarly to make resources available in the form of program loans. In short, the IBRD will set an example, as well as provide advice to other donors.

b. The United Nations Development Program and UN Specialized Agencies. The Study Team did not, for a variety of reasons, examine the United Nations Development Program in detail. Although the UNDP is apparently being restructured to take account of the recommendations of the Jackson report, it remains a loose federation of technical assistance programs conducted principally by the specialized agencies. UNDP intends to introduce a system of country programming and to strengthen the role of the Resident Representative, but the effect of these changes is not yet evident. Consequently it is difficult to obtain a coordinated and comprehensive picture of the UNDP without the expenditure of more time and effort than the Team had available.

TABLE V
Agency for International Development
Capital Development Loans to Nigeria^a
31 October 1970
(In dollars)

Loan title	Date approved	Commitment	Undisbursed balance
N.P.A. Warehouse	12-30-59	663,600.00	0
Nigerian Railway Track	8-31-61	1,498,599.11	0
Ibadan Water Supply	12-4-63	24,300,000.00	7,072,972.75
Calabar Ikom Road	12-4-63	17,400,000.00	8,495,248.56
Niger Dam	6-16-64	1,950,000.00	287,689.70
Pt. Harcourt Secondary School	12-29-64	1,800,000.00	1,709,580.00
Telecomm. Engineering Services	12-29-64	5,500,000.00	1,590,145.36
Teacher Training Schools	8-31-65	5,500,000.00	3,058,626.67
P. H.-Umuezeala Road	8-31-65	379,239.44	0
Umudike Agricultural Center	8-31-65	40,923.05	0
Expan. Telecomm. Systems	2-11-66	1,200,000.00	149,701.28
West. Ave.-Agege Motor Road	6-25-68	3,000,000.00	2,999,950.58
Nigerian Railway Track	8-31-61	1,498,599.10	0
Total		64,730,960.70	25,363,914.90

^aOffice of the Comptroller, USAID/Lagos.

Unlike the AID Development Grant program in Nigeria which, although primarily technical assistance, has included a substantial capital component, UNDP is practically pure technical assistance. Requirements for this form of aid, as is pointed out above, are not quantified in the Plan, and technical assistance is not measured as a part of foreign aid's contribution to plan fulfillment. Moreover, there is no institutional or operational connection between the UNDP and the IBRD Complex, except in the restricted but important field of feasibility studies, some of which are financed by the UNDP as a grant contribution to development but are conducted under IBRD direction.

Despite the weakness of direction of UNDP country missions, and the lack of formal central coordination of technical assistance, the Study Team believes that the details of USAID and UNDP technical assistance are well coordinated, particularly in Agriculture and Health, where AID professional staff and the UN specialized agencies, FAO and WHO, have long had close professional and working relations. USAID management is well informed about UNDP programs in general and is able to avoid duplication and encourage cooperation. The Study Team does not believe that at this time the UNDP can assume the leadership role in conducting and coordinating technical assistance which the IBRD has assumed in the analysis of Nigerian requirements and the provision of capital assistance.

2. Bilateral Programs

a. The United Kingdom. United Kingdom bilateral aid to Nigeria primarily supplements the salaries of OPEX personnel, who presently number about 900. Half of this number work in the field of education. While the United Kingdom also fully finances certain long-term experts (with only a nominal Nigerian contribution), it sees Nigeria now as moving into a stage of development where there will be an increasing need for short-term consultants and an expanded use of the "team approach" for special tasks.

The United Kingdom provided one capital grant to Nigeria in 1968. Other than that, capital aid has been extended in the form of interest-free loans, and more recently at 3 per cent interest, with an average grace period of 2-7 years and repayment in 25 years. With Nigeria's present major balance of payments problem the United Kingdom is anticipating continuing the provision of program loans over the next few years. United Kingdom loans have been entirely for the government account, and consist mostly of capital goods. The United Kingdom made a loan for relief and reconstruction of £ 5.0 million, sterling, following the war. It is still being drawn down. A new balance of payments loan is planned. United Kingdom officials were not willing to speculate about its size during our discussions as they had not completed their study of the Second Plan and were also waiting to learn IBRD's intentions, but we have informally learned in Washington it is likely to be of the order of \$30 million.

b. Canada. Between 1966 and 1969 Canada committed \$20.23 million (Canadian) under its bilateral program in Nigeria. Half of this amount was in the form of loans. Discussions with Canadian High Commission officials in Lagos indicate a substantial, perhaps increasing, Canadian capital assistance role in Nigeria. The Canadians are proud of their very low use of overhead personnel but expressed appreciation for United States financed facilities (e.g. housing) of which their personnel have been able to take advantage.

c. The Federal Republic of Germany. Nigeria has been a key country in FRG aid programming in Africa. The FRG has committed a cumulative total of assistance (grants, loans and "humanitarian aid") to Nigeria which totalled about \$82 million (DM 299 m.) as of June 30, 1970. The major share of this (DM 203 (\$73.8 m.) million out of DM 299 m. was in the form of loans. The Study Team discussions in Bonn took place before the Germans had had time to complete their study of the Nigerian Plan. Indications are, however, that the Germans will continue to prefer the project assistance approach rather than program lending.

Their signal success in building the EKO Bridge in Lagos would support their preference. A 50 million Deutch mark loan, (\$13.8 m.) signed early in 1970, is still largely to be drawn down.

d. Other Donors. A large number of other countries have provided bilateral assistance to Nigeria in the past and can be expected to offer aid in the future. Most have had very small programs, largely scholarships and other forms of technical assistance. A few, Italy and Japan, for example, have made capital loans of significance. The Soviet Union and some other communist countries have also been forthcoming, and may provide aid in the future, but the Team found no way of estimating what may be available from them. In the aggregate the contributions of these other donors, if past performance is the measure, will not seriously affect the need for United States assistance.

IV

UNITED STATES PREFERENCES, STRENGTHS AND WEAKNESSES

A. United States Aid Before the Nigerian Civil War

1. Nigeria: An Emphasis Country

Since it gained its independence in 1960, Nigeria has been one of the most important recipients of United States aid in Africa. It has been an "emphasis" country. It is one of the few countries in the world to which the United States made a blanket, multi-year commitment of funds not based on a specific project or program proposal. It will undoubtedly command United States attention in the future.

2. The \$225 Million Aid Commitment

In 1961, the United States agreed to provide \$225 million in support of the First Nigerian Development Plan. The Study Team is not informed as to the precise terms of this commitment or the expected distribution between capital loans and development grants. As the program developed in the years 1962 to 1968, the proportion proved to be 2/3 development grants, 1/3 capital loans. Performance fell substantially short of the initial commitment, actual obligations during the First Plan period amounting to \$165 million. Additional obligations over the past two and half years have increased United States commitments significantly, but they still fall short of the original \$225 million engagement. Disbursements, especially in the capital loan component of the total program, which in October 1970 involved obligations of nearly \$65 million,

have lagged still further. Cumulative capital loan disbursements, at the end of October 1970, totalled \$39 million (Table V, pg. 37.).

The Nigerian authorities are aware that the United States commitment was not fulfilled. For this and other reasons they are somewhat disappointed in the United States AID program as a whole, although their specific criticisms are directed much more at the capital loan program than at the use that has been made of development grants. The review team recognizes that it has neither the authority nor the competence to evaluate the past United States AID program, or to appraise the validity of the Nigerian criticisms, but it believes that some understanding of past performance must enter into its recommendations for the future.

B. Impact of the Civil War

1. Delay in the Development Program

At the outset one must recognize that every aspect of Nigerian national life, the United States Assistance program included, was seriously affected by the civil war. The war had a direct impact upon all United States AID activities within the battle areas. A good example is the capital loan project for the construction of the Calabar-Ikom road. This road traverses an area which was a scene of actual conflict. USAID/Lagos reports that the execution of the project was six months ahead of schedule at the time the war forced suspension of work, and the project might now be cited as a glowing example of American efficiency if it had been situated somewhere outside the battle zone. A good many other AID projects, both grant and loan, were similarly affected.

The war also had serious indirect effects. On the Nigerian side, shortages, especially of imported goods, price rises, and loss of skilled manpower were all precipitated by the war and the displacement of population which accompanied it. On the United States side, two

significant policy decisions growing directly out of the war had a serious impact upon the AID program. First, for a period of more than a year, the United States adopted what has been called a "standstill" policy. Faced with the uncertainty created by the war the United States decided to undertake no new commitments. This policy was applied even in areas well removed from the scene of conflict. For example, in the loan project for the development of the Ibadan water supply, a major capital project which has been plagued by serious delay, an essential loan of approximately \$10 million for the construction of the basic water treatment plant was held up for more than a year.

2. The Conte-Long Amendment

In the second place, it was decided, presumably after consultation with the interested Congressional committees, that the Conte-Long amendment to the Foreign Assistance Act (Section 620 (v)) required a reduction in the AID committed to Nigeria. The Conte-Long provision stipulates that United States aid to a developing country must be reduced by the amount of money the aided country spends on sophisticated weapons. Nigeria was spending substantial amounts of money to buy artillery and other weapons and ammunition it needed in the conduct of the civil war. While it was argued by the United States Embassy and USAID Lagos that these were not sophisticated weapons within the meaning of the statute, and that in any event the statute was not intended to prevent a country from arming itself to put down a rebellion or maintain the integrity of its national territory, it was nevertheless decided that the statute did apply and the penalty must be imposed. The necessary reduction was effected by the elimination of a highway project in what are now the Rivers and East Central States of Nigeria. The "standstill" and Conte-Long decisions were both policy actions taken in Washington, but their effect in Nigeria, in addition to whatever political impact they may have had, was to reinforce the belief that United States assistance is burdened with complex and restrictive procedures, and is slow of execution and unresponsive to the needs of the aided country.

3. Relief and Rehabilitation

The comments set forth in the preceding paragraphs concern the basic, long-term United States AID Program in Nigeria. In addition, during the war and the post war reconstruction period, the United States has supported a major Relief and Rehabilitation program, providing various forms of grant aid totalling more than \$100 million. Much of this took the form of food and other relief supplies distributed by international agencies operating on both sides of the battle lines. As territory was reoccupied by the federal forces, relief and reconstruction efforts began. Receipt and distribution of relief supplies, and conduct of reconstruction projects in these territories became a responsibility of USAID/Lagos.

With the end of the war and the reoccupation of former enemy territory by the federal government, international agencies were eliminated from the relief and rehabilitation program and responsibility was assumed by the federal government. United States assistance was then channeled to the federal government through the regular USAID organization in Nigeria. USAID had added a substantial temporary staff to handle this program. In addition to large amounts of food and other supplies, the relief and rehabilitation program has involved the initiation and execution of 75 separate projects costing more than \$25 million, and encompassing a wide and varied range of activities, including the reconstruction and staffing of hospitals, provision of vehicles and boats, rehabilitation of plantations, distribution of seed and many other activities. This emergency program has been administered with speed and flexibility, in noticeable contrast with the delay which has marked the handling of the basic development projects.

4. The Pending Program Loan

In reviewing United States experience in providing bilateral aid to Nigeria, a brief look should be had at the program loan which AID is

in the process of preparing. The Review Team understands that, as a final step in the provision of emergency assistance to help meet the extraordinary demands of relief and rehabilitation, the United States will offer Nigeria a \$15 million concessional loan for the purchase of essential commodities not tied to specific projects.

The United States has long used non-project aid in its programs throughout the world, and has had more experience in the provision of this form of assistance than any other aid donor. This pending loan, however, is the first significant use of United States resources to provide program assistance to Nigeria. It is being offered in recognition of the fact that the war and reconstruction substantially depleted Nigeria's reserves and created an urgent immediate need for foreign exchange. The Study Team believes that the success or failure of this loan must be taken into account in determining the form of future United States assistance to Nigeria.

In conditions such as exist in Nigeria program loans have certain clear advantages over other forms of development assistance. Well planned and administered, they introduce resources quickly, and provide an effective offset to inflation. They can utilize the channels of private trade, and may be used to build up private stocks of spare parts and other essential supplies. They support the economy as a whole, can be implemented by the demand of the market, and, if the list of eligible commodities is sufficiently long, minimize the uneconomic effect of the source-tying of aid. Notwithstanding the rhetoric of the Plan, Nigeria will depend heavily in the future, as it has in the past, on private investment for its development. Program aid is the best form of assistance to meet the needs of widely scattered private investment. For this reason the Study Team believes it extremely important that the pending United States loan be completed rapidly.

The Study Team is satisfied that the pending \$15 million loan to Nigeria can be executed promptly and believes that procedures now under consideration in Washington and in USAID/Nigeria will provide a basis for effective implementation of the loan. According to most recent trade figures, about 12 per cent of Nigeria's normal imports come from the United States. A considerable range of American products is competitive in the Nigerian market, and as Nigerian import restrictions are relaxed this range is likely to increase. If the sumptuary restrictions on the use of United States assistance could at the same time be relaxed, for example by recognition of the fact that refrigeration and air conditioning equipment are not the luxury in Nigeria that they would be in more temperate climates, there is little doubt that the \$15 million in the proposed loan would be promptly committed.

C. Past Experience as a Guide to the Future Program

1. Criticisms of Capital Loans

The Nigerian authorities no doubt appreciate the impact of the war upon the execution of the United States assistance program, but they appear to feel that it has suffered from inherent limitations which the war may have exacerbated but did not create. They feel that the development grant program has been, on the whole, satisfying and successful. They note that while its purpose can best be described as technical assistance, it has included a substantial capital component in the form of local construction and imported equipment. The prevailing Nigerian view of the Capital Loan Program is that it has been slow, cumbersome and inflexible. AID loan procedures are regarded as unnecessarily complicated and time-consuming.

The Study Team is not prepared to accept these criticisms as fair or to endorse them as valid. We are not even certain that they are entirely representative of all informed Nigerian opinion, although

they come from a high and responsible source. Nigerian criticisms which the team heard did not, it is certain, give adequate consideration to Nigerian delays and failures which contributed at least as much as American deficiencies to poor performance of the Capital Loan Program. Lack of timely supporting action, such as the acquisition of land, delay in making essential planning decisions, changes in approved plans, and similar Nigerian failures played a significant part in retarding completion of the program. At the same time AID capital loan procedures place primary responsibility for capital project execution upon the borrowing country. AID has the means and authority to provide administrative and technical personnel to help push such projects through to completion, but it does not appear to have made extensive use of this facility in Nigeria.

Such information as the Study Team has been able to obtain suggests that the initial United States AID commitment was made in the belief that Nigeria was better equipped with planned development projects awaiting financing than proved to be the case, and better staffed with personnel capable of executing the projects. Moreover, not all projects have been equally suitable for capital loan financing by AID. The team suspects that the existence of the overall \$225 million commitment, and the general pressure within AID to use loans wherever possible instead of grants, may have caused the agency to undertake some projects more in hope than in confidence that they could be executed promptly.

2. Success of Development Grants

The Development Grant Program's record of success is about as high as can be expected. By and large AID's contribution to education, particularly to university education, has been extraordinary and of lasting value. Outstanding work has also been done in the field of agriculture. In singling out these two sectors the team does not wish to cast any reflection upon other fields of technical assistance work, since the team made no effort to make a careful and complete appraisal of

the Development Grant Program. Two aspects of the program have been particularly important to its success. First, the participant program has provided Nigeria with a body of personnel whose competence and skill have been substantially increased by their American experience. They have been of especial value to the American aid program as a whole because of their understanding of American methods, attitudes, and values, and their ability to make use of the other technical assistance resources provided by the program. Second, the Development Grant program has benefitted by the intimate association of American technical personnel with the individual developments, including grant-financed capital developments, which American aid was attempting to foster.

Just as the presence of an adequate American technical staff, and the responsibility it has been able to exercise in project execution, may have contributed to the success of the Development Grant program, so the relative absence of responsible American technicians may account for much of the criticism of the capital loan program. The Study Team notes that the various educational projects under the Development Grant program which involve the construction of buildings generally moved well, while the Capital Loan program for the construction of teacher training colleges in Northern Nigeria has run into difficulty. In short, those American AID projects in which American technical assistance personnel or American contractors are able to exercise initiative and responsibility, and can stimulate necessary Nigerian action, or substitute for it when it is lacking, tend to move the best. Such information as the team obtained about the programs of other AID donors indicates that their experience has been similar.

At the same time, exercise of too much authority by Americans exposes the Development Grant program to another criticism. University contractors, for example, are seen as often too paternalistic. Two major, and essentially meritorious, research projects which have been conducted by university groups, the study of Nigerian Rural Development (CSNRD), and the Education and World Affairs Human Resources Development

project were disowned entirely by a high Nigerian spokesman, who said he had been assured that these studies did not constitute a part of the program of aid to Nigeria, and were conducted in Nigeria merely as a matter of convenience to the American scholars who directed them. This does not alter the Team's conclusion, however, that full use should be made of American technical personnel, and that the capital loan and development grant programs should be managed in such a way as to supplement and support each other.

THE FUTURE UNITED STATES AID PROGRAM IN NIGERIA

A. A Rationale for United States Assistance1. Nigeria's Resource Need as a Guide to United States Policy

As the foregoing discussion of Nigeria's Second National Development Plan--1970-1974 points out, the investment projections and supporting data set forth in the Plan do not permit a satisfactory quantification of Nigeria's need for foreign aid resources during the whole period covered by the Plan. When one turns from the question of the overall resource need to the question of the proportion of that need which the United States should expect to meet, other uncertainties enter into account. Other aid sources, bilateral as well as multilateral, are available to Nigeria. Thus, whatever may prove to be Nigeria's need for resources provided on concessional terms during the Second Plan period, it can be assumed that a substantial proportion of those requirements will be provided by multilateral agencies and bilateral donors other than the United States. In the aggregate these sources can be expected to provide substantially more aid than the United States has provided in the past or will have available in the future.

To summarize, to the extent that Nigeria's need for foreign assistance depends upon the existence of a resource gap, the measurement of that gap is difficult even for shorter periods, United States aid is only one of several available sources of such assistance, and the fact of rapidly increasing petroleum earnings could lead to a disappearance of need for aid within a relatively short time.

2. Foreign Aid as A Source of Technical Assistance

To take the resources gap as the sole measure of the need for foreign aid, however, overlooks the institutional contribution a well-planned and well-administered aid program provides. To bring development, resources must be well and wisely used. Investments must be planned and executed, new skills acquired and new technology introduced. Resources may open the way to development, but their availability gives no assurance that they will be effectively employed. The prospect of a rapid increase in Nigeria's resources arises not from widespread, well-planned growth, in which people are trained and institutions built by the very process of creating new wealth, but from a sudden windfall based upon the exploitation of a large but limited natural resource by foreign enterprise and exotic technology. This increases the likelihood that Nigeria's resources will outstrip the ability to use them.

Foreign aid in the form of technical assistance and development loans may therefore have a significant role to play in Nigeria even after earnings from petroleum have brought the country to the point at which the planned investment program can be financed with Nigeria's own resources. This view assumes that the Nigerian authorities will continue to want the kind of assistance which foreign aid programs can provide. Notwithstanding the increased sense of independence and self-reliance evident in Nigeria since the war, growing sensitivity of Nigerians to foreign interference, the nationalist rhetoric of the Second Plan, and the limited influence foreigners can expect to exercise over larger questions of Nigerian domestic and foreign policy, AID can make valuable, even essential, contributions through programs and projects designed to deal with specific problems. Nigerian spokesmen have expressly recognized that they will continue to need technical assistance, and have indicated that for certain kinds of assistance they would regard the United States as the best source. The United States should consider such requests sympathetically, taking account not only of the resource gap, but also of the special technological contribution U.S. technical assistance and U.S. financed and executed capital projects might provide.

It must be emphasized, however, that a typical technical assistance program, or even a few development loans, cannot be expected to give AID significant influence over broad questions of Nigerian policy or administration; this should be the expectation in any aided country. A successful foreign aid project will, nevertheless, give the donor an insight into the affairs of the country and an opportunity for dialogue which he would not otherwise have. By its nature, technical assistance seeks to introduce new ideas, to stretch minds and to change habits. Consequently, it inevitably meets resistance and can seldom entirely avoid conflict. A record of 50 per cent success in achieving technical assistance goals is a high record indeed. In any case the influence the technical assistance project seeks to achieve is defined by the terms of the project itself. Similarly, the technical input in a capital development project should be largely confined to those aspects of the local situation which are essential to the successful completion of the project.

B. Essentials of A Future United States Program

1. No General Aid Commitment

In the preceding pages, the Study Team has presented its review of the Nigerian development plan, its evaluation of the lessons of United States experience and its understanding of the intentions of the IBRD, the UNDP and the principal bilateral donors of aid to Nigeria. Combining the guidelines thus provided with the indications of United States foreign aid policy provided in its Terms of Reference, the team has arrived at the following recommendations as to the "objectives, types and scale of United States assistance most appropriate to Nigeria in this decade."

No general aid commitment on the pattern of the \$225 million engagement entered into in 1962 is either desirable or necessary. While Nigerian planning authorities might gain some advantage from knowing about how

much aid can be expected from each donor during a given fiscal period, the amount of assistance likely to be provided by the United States is so small a part of the total resources Nigeria will have available that lack of a firm planning figure from the United States will not create a serious problem. The United States appropriation process and administrative procedures do not lend themselves to the fulfillment of general engagements. Moreover, the need for financial resources will be relatively short-lived, and if a general commitment or line of credit must be implemented by the approval of specific projects, it cannot provide any assurance as to the availability of resources within a specific time frame.

2. Support for Consultative Group

Although the United States should not attempt to quantify its prospective support, it should associate itself generally with the development objectives of the Second Nigerian Plan and should indicate its willingness to consider requests for assistance. The United States should participate in and otherwise support the Consultative Group on Nigeria which the IBRD intends to organize.

3. Emphasis on Technical Assistance

Emphasis in the future United States program, as in the past, should be on technical assistance provided in the form of grants. Of the various forms of technical assistance the following appear to be the most promising:

- a. The Participant Program, including advanced degree training, particularly for personnel working in programs, institutions, or fields of study to which the United States is providing other forms of aid.
- b. Reconnaissance and Feasibility Studies to provide the basis for future capital development. Such studies should be designed to meet the lending criteria of

the IBRD as well of the United States capital development program.

- c. Technical assistance otherwise associated with capital developments, whether the developments themselves are financed by the United States or not; this may include the provision of technical consultants, and support for the building of institutions needed in the execution of the development, or in the utilization of its product.
- d. Continued use of American universities and private research and consulting organizations to provide coordinated teams and programs of support to selected Nigerian institutions.
- e. Special efforts should be made to assure that predominantly Black American colleges and universities are utilized along with Black management consulting organizations.

4. Combine Capital Loans with Technical Assistance Grants

In the future the United States should limit the use of development grants to the provision of American experts, participant training, the topping-off of salaries and other strictly technical assistance expenses. Capital may be included when it is clearly essential to the effective use of other forms of assistance, but, at this stage in Nigerian development, it should not be necessary to use grant funds for local construction or for the large scale importation of capital equipment. To provide such major capital elements in technical assistance projects, AID should explore the possibility of financing imported supplies and equipment through capital loans, using American technical assistance personnel to assist in the preparation of loan applications and in the procurement and installation of capital equipment.

5. Complete or Cancel Pending Capital Projects

An especial effort must be made to clean up the backlog of pending capital loans. It seems highly desirable to take Nigerian criticisms

seriously and to undertake a formal review of all pending projects in cooperation with the appropriate Nigerian authorities. Lagging projects should be cancelled, or a course of action chosen to bring them to an early completion. AID would be justified in assigning special expediting personnel without charge to the project loan.

6. Be Receptive to Future Project Loan Requests

Finally, the United States should be prepared to consider loan applications for new capital development projects in Nigeria, even though it is unlikely that there will be a heavy demand for United States assistance in this form. In the immediate future there will be no lack of project loan funds from the IBRD and bilateral lenders, but in certain fields, Nigeria will possibly turn to the United States no matter what other aid is available. Through its technical assistance program the United States will be able to participate to some degree in Nigerian development planning. Through participation in the Consultative Group, it will be informed about the plans of other aid donors. Annually, or at other regular intervals the United States can decide whether its own availabilities and interests, Nigerian needs, and other circumstances warrant its undertaking project commitments.

C. Areas of Possible Concentration

1. Emphasize Nigerian Preferences

Future United States aid to Nigeria should be concentrated on a limited number of activities which we can do well. Concentration of effort will, as the Terms of Reference say, simplify planning and management, and will enable the United States to use the limited amount of resources likely to be available with maximum effect. The Study Team does not believe, however, that the goal of concentration, thus defined, would be achieved by the a priori selection of some sectors for American attention and the complete exclusion of other from consideration. Let the United States examine individual Nigerian aid

requests as they arise, considering each in light of its importance to Nigerian development and its suitability for United States execution, taking account of available American personnel and other resources, American experience in the execution of related projects elsewhere, and guiding United States foreign aid policy at the time.

Although the United States must make its own independent judgment of Nigerian requirements, it is most important that United States decisions be guided by Nigerian preferences. This will present no insurmountable problem in Nigeria in the future. The United States will be in a position to be selective in its choice of projects and under no compulsion to meet a blanket commitment. It should be able to choose only those undertakings in which United States preferences and Nigerian priorities coincide. The temptation to use control over funds to push through unilateral American programs, a temptation which is particularly strong where grant funds are provided, must be resisted.

The following comments upon possible areas of concentration are offered in response to the specific language of the Terms of Reference. These are based primarily upon our appraisal of AID experience in Nigeria, and constitute selective impressions rather than the comprehensive evaluations essential to judgment in this area, but which the team did not have the time to undertake. Consistent with its doubt about the necessity of establishing sectoral priorities, the Team wishes to point out that it has limited these comments to the sectors specifically listed in the Terms of Reference, and to emphasize that projects and programs which are very appropriate for United States assistance may arise in sectors not included in the following discussion.

2. Agriculture

Agriculture remains the most important sector in the Nigerian national economy. The United States, particularly through its technical assistance program, has made significant contributions to Nigerian agricultural development. On the other hand, one of the largest United

States efforts, the CSNRD Report, has not been well received by all Nigerian authorities (primarily because they considered it a unilateral United States project) and probably cannot, therefore, provide the foundation on which to base United States aid to agriculture in the immediate future. The Study Team reaches this conclusion with some regret since it believes that the findings of the report are sound, and the guidelines it sets point in the right direction. It is not unreasonable to expect that the conclusions of the CSNRD study will eventually find their way into Nigerian national policy, but that does not seem likely in the immediate future.

Meanwhile, it seems most appropriate for the United States to continue to support its project commitments in the field of agricultural education to their planned completion. The undertaking of any additional university level, general agricultural education commitments does not appear to be indicated.

Existing projects in the fields of agricultural research, extension, economics, credit, soils, crops and livestock production should be completed as expeditiously as possible. Consideration of possible future aid in the areas of research and extension should pay particular attention to strengthening institutional links between the two, as well as the means of meeting requirements for middle and lower level trained agricultural personnel. While future assistance in the fields of agricultural economics, marketing, and credit may be most effectively provided at a Federal rather than State level, it may indeed be preferable to relate aid in these areas to the peculiar production needs of specific Nigerian crops. An interdisciplinary approach to any further assistance in the livestock sector would seem strongly to be indicated. Questions of government policy, marketing board management, differing traditional patterns of rural life for example, are as crucial as matters of veterinary science in bringing about substantial improvements in Nigerian livestock production.

The United States should not attempt to resolve the question of the distribution of functions between the Federal Ministry of Agriculture and the State Ministries. The general United States strategy of dealing scrupulously with the Federal Government and of trying to design the entire aid program in such a way as to strengthen national integration may have the effect of strengthening the Federal Ministry, a consequence which the Study Team believes to be intrinsically desirable.

3. Education

The importance of education and manpower development in Nigeria, and the generally high level of success the United States has had in the past in this field warrant emphasis upon education in future United States assistance. While the United States should continue to lend support to Nigerian universities and other post-secondary institutions, this support should emphasize completion of existing programs as planned, and provision of advanced degree and non-degree training for Nigerian educational personnel in the United States.

The Team recognizes that there will be fruitful opportunities for further work in higher education, teacher-training and similar fields in which AID and cooperating American institutions have already done commendable work, as well as in helping to make good losses to the formal educational system resulting from the war, but believes a higher priority should be accorded to non-degree and non-formal educational programs designed to meet the widespread need for sub-professional and technical manpower. Use of appropriate American institutions to aid in institution-building in this field, as American universities have in the past participated in the development of Nigerian university education, should be explored.

As AID has in the past recognized in its programs in Agriculture, Health, Public Safety, Industry, Public Administration and Transportation, human resource development is a requirement in every sector of the economy. The Team believes that the United States should continue to view Nigeria's educational needs broadly. The need for non-formal, job-oriented skill training can often best be met outside the formal educational context. It is hard to conceive of an aid project the United States would be prepared to undertake which did not include manpower training and development as one of its essential elements. In planning and evaluating its role in assisting Nigerian education, AID therefore should consider the manpower development contribution of its entire program, designing the elements so that they support and supplement each other and, in the aggregate, constitute a consistent and effective system.

The disparity in education between Northern and Southern Nigeria is a serious problem, but the United States should expect to deal with it only to the extent that it is recognized by the federal authorities in the Government of Nigeria, and United States aid is expressly solicited. This is only one of many aspects of the sensitive problem of federal-state relations which the United States should be prepared to recognize but should be careful in approaching. Clearly, the Government of Nigeria must decide what the proper emphasis should be in closing the educational gap between the North and South.

4. Transportation

Transport is recognized in the Plan as a high priority need in Nigerian development. As the terms of reference point out, many donors of foreign assistance are contributing to the solution of problems in this field. The United States itself, through its capital loan commitments to the Calabar-Ikom Road and the Western Avenue-Agege Road and its R&R project for the development of a planning unit in the Federal Ministry of Transport is making a substantial contribution

here. The United States should concentrate on pushing its existing projects through to successful and speedy conclusion. This is a sector in which the United States can appropriately wait to see what initiatives other donors take. It is also appropriate that the United States take into account its own national interests in the transport field, for example, the importance to the United States balance of payments of the earnings of the United States aircraft industry and American international airlines. This might justify United States assistance in projected improvement of Nigeria's airlines and international airports, to the extent to which Nigeria gives priority to these fields.

5. Public Administration

Orderly, systematic and disciplined management of public organizations and private enterprises is one of Nigeria's most obvious needs. Creation of twelve new states in the new federal structure increases the need for trained administrators. Through its assistance to institutes and schools of Public and Business Administration, the United States has recognized the needs in this area, and on the whole its contribution has been significant and successful. Here again the Study Team believes the United States should concentrate on bringing its existing efforts to completion as planned. Further special emphasis on aid to specialized schools of Public Administration is not indicated. The United States should remain responsive to proposals for increasing Nigerian capacity in accounting, budgeting, statistical analysis and other techniques contributing to organizational discipline. Support for institutions such as the Centre for Management Development (Plan, pg. 262) and the proposed Business Management and Training Division of the National Supply Organization (Plan, pg. 232) might be fruitful.

6. Industry

Training in business management and other industrial skills is an appropriate form of United States technical assistance. Present projects should be brought to an orderly conclusion. The United States should be prepared to consider requests from the Government of Nigeria for the provision of technical assistance to the Ministry of Industry in industrial planning and in efforts it may make to improve the climate for industrial investment. Effective contribution in this field of industrial training is limited by the fact that private business can provide its own training and the publically owned enterprises have such a sorry record of management that fruitful work with them might be difficult. In general, the Study Team believes that the most effective United States contribution to industrial development can be made through the encouragement of private investment, both foreign and domestic.

7. Private Enterprise

The United States should continue its encouragement of American private investments in Nigeria, through the OPIC program and otherwise. The heavy United States investment in the petroleum industry and the growing Nigerian sensitivity to foreign economic domination make it desirable that United States efforts in this direction be kept at a low key. The United States should also lend its discreet support to Nigerian private investment. This is a sensitive question on which it would not be fruitful for the United States to take a doctrinaire position. The Nigerian Plan recognizes that the private sector has an important role to play in its four-year development program, and as our appraisal of the Plan suggests, development may be even more dependent upon the private sector than the Plan contemplates. Consequently, appropriate United States action to support private investment in Nigeria should be acceptable. In this connection the Study Team believes that one of the most useful things American aid can do is to

provide program aid in a form designed to meet the foreign exchange needs of the private sector. The beneficial effect of this form of aid will be maximized if it can be used to provide spare parts, machines and essential raw materials for commercial stocks as well as for specific investments.

8. Health

Except as the United States may find it desirable to approach the population problem through the medium of assistance in the field of Public Health, a possibility which is discussed further below, the Study Team concurs in the decision to phase out Health assistance upon completion of the present emergency program.

9. Population

Nigeria is faced with a serious and growing population problem. This is probably recognized as fully in Nigeria as in other African countries, even though the discussion of population in the Plan falls well short of the cry of alarm which should no doubt be sounded at this time. This is an area where United States help should be available, but cannot be pushed. In Nigeria, as generally in Africa, the question of family planning has racial and tribal, as well as religious and national overtones. Consequently, American initiative can easily be counter productive. This should not discourage the United States from continuing to explore possibilities of aiding and influencing the government of Nigeria in the direction of a strong and effective population policy. A useful approach might be, through Public Health assistance, to encourage a program of child and maternal care, infant nutrition and communicable disease control which would present itself as an affirmative support for family development rather than population control. It would give access to family life and health, and perhaps to family planning.

10. Public Safety

The Study Team's general recommendation of participant training as an effective form of United States aid does not exclude participant training in the field of Public Safety. Beyond that, the team sees no reason at this time to do more in the field of Public Safety than to meet the commitment to construct the Nigerian Police Officers Training College. During the execution of this project it may be appropriate to take a further look at this sector to determine whether joint Nigerian-United States interests warrant further aid in the Public Safety field.

11. Rural-Urban Aspects of Nigerian Development

The problem of a rapidly rising urban population, and the social and economic consequences of the shift in populations are present in Nigeria as in the developing world at large. To some extent national policies adopted in the interest of development may contribute to the changing urban-rural balance. For example, the use of the marketing boards to obtain funds for public sector investment has the effect of taxing the rural, agricultural sector for benefit of developments which are for the most part in the urban areas. At the same time, it must be recognized that urbanization is an integral part of the modernization process.

The problem of rural-urban equilibrium in Nigeria has certain distinctive characteristics. That part of Nigeria inhabited by the Yoruba people has a long urban tradition. In the 1952-53 census the urban proportion of the Western Region (people living in cities with 20,000 population or larger) was 29.1 per cent; for Nigeria as a whole it was 10.1 per cent. In the 1963 census the urban proportion for the Nigerian population as a whole had risen to 11.2 per cent; for the Western State it was 44.4 per cent. Thus for a large proportion of the Nigerian population, urban life is normal and traditional.

Nigeria does not yet have the problem of a dominant city. Lagos, the political capital and principal seaport, is also the largest industrial city and most populous metropolitan area. But it has only in recent years outstripped Ibadan, often described as the largest strictly native city in Black Africa. The large size and great diversity of Nigeria give it a number of other urban centers of importance. Creation of the twelve new states will give political and economic strength to the state capitals, some of which are traditional economic, religious and political centers of historic importance.

Some of the developments projected in the Plan will have the effect of providing guidance to urban growth. An effort will be made to provide adequate highway and other forms of transport to the new state capitals. Three main north-south highways, each connecting a seaport other than Lagos with the interior of the country are planned. In short, the problems associated with rapid urbanization in Nigeria are not concentrated in a single urban area, but appear under a diversity of circumstances offering an opportunity to experiment with a variety of solutions.

D. Second Generation Technical Assistance

1. U.S. Controls on Concessional Aid

An adequate reply to the questions raised in Annex I of the Terms of Reference would require a separate study of substantial proportions. This problem could not be adequately explored by the Study Team in the time and with the resources at its disposal. A few observations on the future of technical assistance do, however, grow out of the team's work.

A number of Nigerian institutions, particularly the universities, have acquired a considerable knowledge of technical assistance resources available from the United States and will be able in the future, so far as their competence is concerned, to play a larger and more independent

role in obtaining such assistance from America. The difficulty in giving the Nigerians more independence and authority over the use of technical assistance resources provided by the United States arises rather on the American side. The Study Team has not explored the contracting process in detail, but has collectively had enough experience to gain the impression that the United States is unable to transfer significant responsibility for the use of United States technical assistance funds to the aided countries. Third-country contracts, it appears, must conform to United States law and regulation, and are subject to United States audit as fully as if they were contracts to which the United States itself is a party. If this is indeed a necessary condition for the use of United States resources for technical assistance, any effort to allocate real responsibility to the aided country is likely to meet with frustration and disappointment.

AID loan funds are subject to similar controls. Consequently, the transfer of technical assistance from a grant to a loan basis will not effect any substantial transfer of responsibility to the aid receiver. The end of concessional aid, of course, would have that consequence; that is, if the aided country is using its own resources, United States Government fiscal procedures would not appear to apply, although to the extent that United States Government agencies supply the aid, even on a reimbursement basis, some restrictive United States legislation may still be applicable.

2. Nigerian Inhibitions on the Use of Non-Concessional Technical Assistance

The possibility of shifting to non-concessional technical assistance, in the team's judgment, encounters serious obstacles in Nigeria. The growing sentiment in favor of "indigenization," which is expressed in various parts of the Plan, and which has led to the imposition of restrictive foreign personnel quotas upon private business, will make it increasingly difficult for the Government of Nigeria to spend its own funds for foreign

experts. Even though individual Nigerians in responsible positions, university administrators, permanent secretaries and the like, may see the need for outside help and feel justified in spending the money to obtain it, the general atmosphere in Nigerian government and society is not likely to be favorable to such expenditure. As Nigerian spokesmen have said, it is one thing to accept technical assistance as a gift, but another thing to spend scarce Nigerian funds for the same purpose.

If Nigerians do go into the world market with their own resources, they may turn to European and other non-American sources, simply on the basis of comparative price. In some fields in which the United States has a recognized superiority, or to obtain the services of some individuals or institutions which are particularly well recognized in Nigeria, the Government of Nigeria may be willing to turn to the United States. But even if the Government of Nigeria should decide to spend its own money to obtain technical services from the United States, there is no evident reason why it should encumber such transactions with the burdens of intergovernmental relationships. Once the Nigerians are able to pay, and know what they want, they will be able to go directly to American institutions and individuals without United States government intervention. Some United States private or quasi-public institutions, whose expertise AID has used, such as the Overseas Liaison Committee of the American Council on Education, and M.I.D.A., might be used by the Nigerian authorities.

The Study Team understands that some countries no longer eligible for technical assistance on concessional terms have indicated a desire to continue to obtain government-to-government technical assistance and are prepared to pay for it. No doubt the possibility should be further explored in Nigeria at the appropriate time, but that time does not seem to be now. The team feels quite sure that if the United States should terminate concessional technical assistance before other donors reach the same decision the United States Technical Assistance role would disappear. Even now, the UNDP provides without charge surveys and feasibility studies of the kind for which AID often requires a loan.

This appraisal of the future of Technical Assistance in Nigeria leads the Study Team to conclude that for the foreseeable future, that is, through the decade of the Seventies, the United States should continue to provide Technical Assistance to Nigeria on concessional terms. For the next year or two, Nigeria's financial position adds justification to such a policy.

E. Organization, Functions and Staffing of the AID Country Mission

1. Mission Size a Matter of Concern Meriting Careful Study

The size and composition of USAID/Lagos has been very much under discussion during the period of this study. In its Washington briefings, the Study Team was urged to look at the mission staffing and to formulate some judgment as to the appropriate future size, composition and role of the country mission. In Lagos, the team found considerable concern and conflicting views about the size of the mission among Americans, but no interest in the matter among Nigerians. The team is also aware of the attitude toward United States country missions expressed by the Peterson Commission; and of its conclusion that the United States official foreign assistance presence abroad should be substantially reduced.

This is another broad policy question which warrants a more searching and careful study than this team had the time to conduct, but in the course of its work in Nigeria, we gave the question of mission size and function such attention as we could. We offer the following observations as an indication of the direction further study should take.

2. Study Team Observations on Staff Size and Functions

a. Casual observation supports the view that the United States uses more personnel in proportion to the size of its aid program than do the international agencies or other bilateral aid donors. So far as the Study Team is aware, however, this question has not been carefully and

objectively examined. The casual view, supported as it is in Lagos by common gossip, and reinforced by the visibility of the USAID Building, may be misleading. Such comparisons between aid-giving authorities are not likely to be very useful, in any case, since each government and international agency is governed by its own procedural requirements and regulations. Different types of projects require different numbers of people. We have a high proportion of projects that are manpower users. As other agencies do more of these they will become more visible. Moreover, agencies and programs vary in the amount and kind of contribution they demand from the aided country. It is relevant that Nigeria intends to build a United Nations House in Lagos (Plan, pg. 95) to house the local "offices of the United Nations Development Programme and Specialised Agencies."

b. To gain an accurate understanding of the United States AID presence in Nigeria it is necessary to look at the total undertaking, whether the personnel engaged are employed directly by the Agency for International Development, by other government agencies on Participating Agency Service Agreements or by universities and other private organizations by contract. In Nigeria the various categories of jobs and people are often interchangeable. Direct hire, contract and PASA personnel often work together in the same sectors and sometimes on the same projects. Contractors depend upon USAID for various kinds of administrative support. In its travels about Nigeria, the Study Team found it impossible to distinguish one American from another by his employment status, and concluded that in Nigeria all Americans supported by AID funds are regarded as part of the same United States presence. This not only justifies looking at the American presence as a whole, but casts doubt on the idea that the American official profile in Nigeria would be lowered by a further transfer of personnel from direct hire to contract status.

c. The roster of AID-supported Americans in Nigeria as of 1 October 1970, totalled 295. Of these, 60 per cent (178) were employed outside the Lagos State and were for the most part engaged in the provision of advice and assistance to Nigerian institutions. They included OPEX

personnel (individuals employed and paid by Nigerian institutions but with salaries "topped off" with AID funds), contract teams provided by universities and private American firms, and individual direct-hire technicians. Within the Lagos State a substantial proportion of the 117 AID-supported Americans are similarly employed. Only those persons engaged in supervising, accounting, auditing, programming and similar activities can properly be considered overhead. Of this group the most difficult to evaluate are the senior personnel of the technical divisions. They share in the direction of the Mission and to that extent are serving United States administrative purposes. At the same time they bring valuable experience and substantive knowledge to the support of the technical assistance personnel throughout the country and thus participate directly in the planning and execution of projects. It is personnel of this sort which the Peterson Commission has indicated should be added to the overseas staffs of the international agencies.

d. A substantial proportion of the Mission staff is occupied with programming, project planning and management, and accounting and end-use auditing of both funds and property. All these activities require significant numbers of both American and local personnel. While the Peterson Commission has suggested that the United States might give up its country programming and rely upon similar work done by multilateral agencies, no one, so far as the team is aware, has suggested that the auditing process be curtailed.

e. The United States commonly provides more technical and administrative supervision, and invests more manpower in efforts to push grant-aid projects through to completion than do most aid donors. This is especially true of emergency programs like the Relief and Rehabilitation program which has been conducted by the United States in the war-devastated part of Nigeria. More than one-sixth of the USAID staff on October 1, 1970 was directly engaged in the Relief and Rehabilitation program. Generally, in Nigeria, those projects with which American technicians were intimately associated have moved more rapidly and have been more efficiently accomplished than those in which primary reliance was placed on Nigerian management. Parenthetically it may be added that American staff has also

helped to move other donors' projects.

f. A substantial proportion of the Nigerian staff employed by USAID is engaged in auditing, accounting, property management and similar administrative functions and in the provision of administrative services such as transportation, housing, and travel for all contract, as well as direct hire, personnel. So far as casual observation reveals, the facilities thus provided are no more elaborate than those provided expatriate personnel by other bilateral aid donors, international agencies or private business organizations. This administrative overhead would be less conspicuous if it were decentralized to contractors, but it would probably require more people than it now employs.

APPENDIX

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October 23, 1970

NIGERIA POLICY REVIEW TEAM

Terms of Reference

I. The Purpose of This Study

The United States has an important interest in supporting the economic and social development of a united Nigeria. The major means at U.S. disposal for securing this interest is the provision of economic and technical assistance, directed through both bilateral and multilateral institutions. Accordingly, the main purpose of the present review is to help U.S. officials determine the types, targets and implementing arrangements of U.S. assistance best suited to Nigeria in this decade, especially the next 3-4 years. A second purpose of the review exercise is to stimulate complementary planning between the U.S., other major donors, and the Federal Military Government in support of Nigerian reconstruction and development.

II. Operating Assumptions

The Review Team will base its survey and recommendations on these assumptions:

A. Nigeria will continue to be an important African recipient of U.S. bilateral assistance over the next five years at least; the need for concessional aid may, however, decline in this period.

B. U.S. contributions to Nigeria are unlikely to be great enough to attain independent significance out of context of Nigerian and

other donor aims and activities. The team may, therefore, assume the critical import for U.S. assistance to Nigeria of:

1. Nigerian Federal and State priorities, plans and programs for social and economic development;
2. Other donors' projects and purposes;
3. Selectivity of means of assistance in which the U.S. has demonstrated competence; or which lend themselves to necessary new departures;
4. Direction of such assistance to areas of particular utility.

C. The administration of U.S. foreign assistance will undergo changes in this period, as suggested by the Peterson Commission Report and as determined by new legislation.

III. Terms of Reference

A. Nigerian Requirements and Development Strategy

Drawing upon observation, interviews and written sources (to include the 1970 IBRD and IMF economic studies of Nigeria), the Review Team will assess for both the short term (1970-73) and medium term (1973-80), where appropriate:

1. Nigeria's ranking requirements for economic growth and for social well-being, indicating priorities, and pointing up areas in which particular social and economic claims may compete for resources;
2. How adequately Nigeria's Four-Year Reconstruction and Development Plan addresses these priorities;
3. Nigerian financial resources and policies:
 - a. The balance of payments situation and prospects;
 - b. Foreign and internal debt servicing capability;
 - c. The appropriateness of economic policies to social and economic development (budgetary, fiscal, tax policies; public sector savings and investment; monetary, credit, and exchange rate policies);

d. The prospects for Nigerian self-sustaining development an acceptable rate: time-frame, critical factors for external assistance availability (e.g., problems of allocation posed by regional disparities sometimes in conflict with the goal of political unity).

4. Requirements for external assistance, both capital and technical, in types and amounts. How well are these requirements spelled out and directed under the Plan?

B. The U.S. Role

Given these requirements and policies, and taking into account anticipated constraints and policy preferences on the U.S. side, the Review Team will offer recommendations on the objectives, types, and scale of U.S. assistance most appropriate to Nigeria in this decade.

1. Overall Scale of Involvement:

Nigeria has been an "emphasis" country for U.S. aid over the past decade. Substantial amounts of U.S. assistance have been committed in support of the post-Independence National Development Plan, 1962-1968.

The post-Civil War era now poses the question, should the U.S. role in Nigeria be equally extensive in the future, to the end that Nigeria may achieve self-sustaining growth in the shortest space of time?

Or should the U.S. role be more limited in the seventies, pegged to sector targets, balance-of-payments and investment constraints, or some combination thereof?

What are the appropriate levels of U.S. assistance, (a) over the next 3-4 years, and (b) over the rest of the decade?

2. U.S. Assistance Strategy

A clear strategy, relating means to ends is essential if a coordinated U.S. assistance program in Nigeria is not to be held hostage to the wide range of competing interests, American and Nigerian, which impinge upon Nigerian development. The Review Team will, therefore,

recommend a set of clear guidelines as a basis for decisions regarding the future content of the U.S. aid program and the conduct of U.S. aid business in Nigeria.

a. U.S. Assistance Objectives ("Ends")

Among the policy objectives which the U.S. currently prefers, three deserve the Team's special attention and are offered below with illustrative questions which define the objective more clearly for implementation purposes. The team should not feel limited to consideration of these objectives only, and should consider these in full light of Nigeria views and conditions, as well as of the team's own collective judgement.

1) Nigerian Integration

A guiding principle of U.S. assistance is that it shall support greater national cohesion, an objective with obvious significance in post-war Nigeria.

- What assistance can the U.S. give which will encourage national integration? (e.g., reducing imbalances, strengthening national institutions.)

- What operating principles should the U.S. adopt to encourage integration? (e.g., reducing imbalances, strengthening national institutions.)

- What operating principles should the U.S. adopt to encourage integration? (e.g., reducing imbalances, strengthening national institutions.)

- What operating principles should the U.S. adopt to encourage integration? (e.g., favor Federally operated programs.)

- What programs supporting integration are consistent with good economic returns and with areas of federal emphasis?

2) Africa Regionalism

The promotion of regional cooperation in Africa is a cardinal principal of U.S. assistance strategy. Nigeria is potentially of great significance to her neighbors.

- Does Nigerian planning give priority to any specific activities in, for example, transport and agriculture which could be significant for regional trade and economic integration?

- How may U.S. assistance support regional cooperation, without appearing marginal to Nigeria's own principal concerns?

3) Self-Sustaining Growth

A third key objective of U.S. assistance policy is the attainment by recipient countries of self-sustaining growth at acceptable growth rates. This objective implies the elimination of foreign technical and capital assistance on concessional terms.

- When may this objective be met for Nigeria?

- What forms of U.S. technical assistance, especially, should be introduced which would encourage Nigeria to utilize American expertise after U.S. Government concessional aid is no longer required?⁽¹⁾

b. Related Policy Considerations ("Means")

The Review Team will recommend the means best suited to pursue these objectives, and other objectives the team may raise. These recommendations will include:

- The major sectors of concentration, and sectors of greatest potential impact, for technical and capital assistance;⁽²⁾

- The relative emphasis to be placed on technical and capital assistance;

- The extent and duration of requirements for capital assistance, future loan terms, and the appropriate role of project, sector or program lending;

- The manner in which U.S. assistance intentions should be made known and committed, and the conditions which should be applied to this assistance.

c. Planning and Coordination

As the World Bank, the U.S., and other donors map out their assistance strategies for Nigeria, proper arrangements must be developed for coordinating external assistance. Joint U.S. - Nigeria planning may also be advantageous.

- What effective form of coordination would be acceptable to the Nigerian Government? If the conventional consultative group chaired by the IBRD would not be acceptable to the Nigerians, what alternatives would be acceptable?

(1) See Annex I: "Second Generation" Technical Assistance

(2) Suggested areas and sub-areas, with questions concerning each, appear as Annex II.

- What ground rules would be appropriate for the specific arrangement proposed?

- Is greater Nigerian participation in the planning of U.S. assistance desirable, even in the event that the U.S. may value certain policy objectives (e.g., regionalism, national integration) more highly, or approach them differently, than the Nigerian government?

- If joint Nigerian-U.S. planning would be desirable, what arrangements (groups, levels, parameters) would be most effective? Can joint planning be done systematically, or ad hoc? What joint action should be taken to follow the present review?

ANNEX I



"SECOND GENERATION" TECHNICAL ASSISTANCE

Major Nigerian institutions which have received large amounts of U.S. technical assistance are coming of age. Nigeria may be approaching a time when concessional aid is no longer justified. For these and other reasons, new forms of technical assistance will be needed which contemplate new purposes, and which are provided in new ways.

- What is the nature of Nigeria's "second generation" technical assistance needs for the development of its institutions? Are single large U.S. institution-building efforts less relevant now than problem-oriented assistance involving a range of flexible, more sophisticated and probably shorter-term inputs which cut across two or more Nigerian institutions? What is the appropriate "programming" approach to our future technical assistance?

- How can we help to build lasting institutional bridges within Nigeria and between Nigeria and the U.S., ones which can be increasingly sustained by Nigerians themselves? Is it possible for the Nigerian to take a larger role in direct selection of U.S. resource inputs needed, thereby assuming greater administrative and financial responsibility for our aid? What new methods and procedures should be applied in Nigeria?

- What are the implications of any changes in our technical assistance on the organization, functions and size of the AID Mission staff in Lagos?

Annex II

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AREAS OF POSSIBLE CONCENTRATION

We will want to concentrate our assistance in the future in order to maximize the effective planning, management and impact of our aid. This raises the following questions:

- Would this be acceptable to the Nigerians; can this be done without appearing unduly rigid or unilateral?
- Should our assistance be organized along the lines of traditional activity fields or should it be more problem oriented and interdisciplinary?
- Should we accommodate other programs outside these areas which may have their impetus and strong backing in the U.S. or may otherwise be of importance to the U.S. and Nigeria?

Three of the most plausible sectors or problem areas for major U.S. involvement, and perhaps concentration, in Nigeria in future years are agriculture, education and transportation. The appropriate U.S. emphasis in these areas must be assessed. In addition, questions remain regarding the character of the programs themselves: the specific problems to be addressed; the geographic emphasis of the activity; the degree of involvement with Nigerian federal and/or state ministries; and the extent to which U.S. assistance should be conditioned on Nigerian adoption of favorable policies with respect to that sector/problem.

In shaping the new U.S. strategy, our present program should be reviewed in terms of those activities which should be continued, modified or allowed to expire. Some of the issues and questions regarding the three areas mentioned above are as follows:

1. Agriculture

Agriculture has been and continues to be of major importance to the Nigerian economy. The main questions which we must now resolve are:

- If the Nigerian authorities agree in general with CSNRD¹ recommendations on the priorities for increasing agricultural production, what is involved in translating these recommendations into Nigerian actions and programs of economic significance? To what extent can the U.S. alone, or in concert with others, influence constructive policies in such areas as pricing and marketing where the interests in Nigeria are both diverse and entrenched? Should the U.S. be more directly concerned with overall national economic policies/ programs which inevitably affect agriculture?

- How can the U.S. achieve the greatest impact in this sector taking due account of the spread of our present assistance in (a) degree and sub-degree agricultural education and research, (b) general agricultural planning and management at the Ministry(s) level, and (c) crop production activities operating through the extension services? What is the proper balance and relationship of U.S. efforts in institution-building and production activities in agriculture? How

¹The CSNRD Report: Strategies and Recommendations for Nigerian Rural Development 1969-1985, Consortium For the Study of Nigerian Rural Development, 1969. A four and one-half year study financed by AID.

would our overall aid strategy (section B above) affect our conclusions in this respect?

- As the lines of authority and responsibility between the Federal Ministry of Agriculture, the state ministries of agriculture and other agricultural organizations begin to crystalize, what is the proper U.S. posture in assisting one vis-a-vis the others? At what points or levels are we most likely to achieve the necessary impact?

2. Education

Most of our previous educational objectives of an institution-building nature have been met and we are now at the crossroads of deciding upon the new directions of our educational assistance. Some of the more apparent questions we face are:

- Should the U.S. concern itself with the major disparity in education which exists between northern and southern Nigeria? What attitude would Nigerian officials take on this, and could we enlist their support as well as that of other donors in attempting to redress the imbalance? What is the proper balance between U.S. education assistance to the north and south, and what differing strategies should be adopted as to quantitative vs. qualitative improvement?
- Apart from the question of geographic emphasis, above, what are the sub-sectors of education (primary, secondary, teacher training, university) that warrant U.S. assistance? Are these various education sub-sectors so highly interdependent that to achieve effective impact in one requires comparable work with all? If so, could the U.S. work in selected areas under arrangements with other donors who would work in the related sub-sectors?



- Are those areas more specifically within federal purview (broad educational planning, curriculum, teacher standards, national examinations) appropriate for U.S. emphasis? Do these offer ways of building educational linkages nationally and between states in Nigeria?
- What attention should we give to job oriented training? Can this be done outside the formal school system in order to avoid the traditional vocational school approach? How well does the OIC project fit this need?

3. Transportation

Transport is likely to require the largest proportion of investment over the next few years of any sector in Nigeria. The Nigerians could look to the U.S. for major support. However, certain issues will have to be resolved, as follows:

- In view of the wide interest in this sector shown by other donors (Dutch, British, Canadians, Germans, World Bank), what arrangements and mechanisms would be required to ensure that the assistance of the U.S. and others is provided in a rational way? Could the necessary technical appraisal and financing be coordinated by the World Bank working with the Nigerians?
- Which sub-sector(s) or specific technical areas are most appropriate for U.S. assistance, from the standpoint of:

- (a) Nigeria's priority infrastructure needs; (b) linkage with other areas we are engaged in, particularly agriculture;
- (c) their relationship to our technical assistance involvement in the transport sector; (d) other recommended criteria, such as federal-state programs and geographic emphasis?

Other Areas of Interest

In addition to the three areas discussed above, there are a number of other sectors in which we have been involved over the years or in which we have some indication of Nigerian interest. These should be reviewed from the standpoint of their importance for Nigerian development and the appropriateness of supplemental U.S. assistance. The additional sectors are:

1. Public Administration

The creation of a twelve state federation, the task of post-war reconstruction and development and the forthcoming constitutional convention, recently added to Nigeria's normal management concerns, will critically test Nigeria's administrative capacity. We question:

- Whether the U.S. should assist any particular subsector:
 - (a) general administrative management training of the federal or state(s) civil service; (b) training in administration as an element of our assistance in other sector/problem areas; (c) development of specific functional skills in, for example, statistics analysis and data processing or project preparation and planning. If one or more of these are recommended, what is the appropriate type(s) of AID assistance?
- If we decide against a particular emphasis in public administration, should the U.S. still maintain an

open flexible stance in order to meet certain requirements, primarily of a short-term nature, of special importance to the U.S. and Nigeria?

2. Industry

Industry in Nigeria (largely expatriate managed) has expanded rapidly in the past five years. Many new industries - both large and small - will be created in the future to meet the growing demands of the large domestic market. As a result, Nigerian officials now place great importance on industrial project planning and the training of Nigerian entrepreneurial/management personnel. Questions to be examined in this sector are:

- Should the U.S. assist in the development of Nigerian industry directly, either through federal planning in, for example, petrochemicals and agricultural processing, or through technical advice and training in the field of Nigerian small industry at the state level.

- Are there ways in which the U.S., directly or indirectly through American enterprises, could facilitate industrial management training of Nigerians in private business or public enterprise? Could similar efforts be made in technical education for the training of an industrial labor force?

3. Private Enterprise

The expansion of U.S. foreign private investment is of considerable interest to us over the next decade in Nigeria. Should the U.S., as a whole, including AID, OPIC and others, pursue an active policy of stimulating the involvement of U.S. private entrepreneurs and investment in Nigeria, preferably through links with Nigerians in the private sector? What are the techniques that should

be used in and outside of AID?

4. Health

The U.S. is presently involved in a considerable amount of bilateral public health assistance in Nigeria arising out of our relief and rehabilitation efforts during and immediately following the civil war. We plan to phase this assistance out as soon as the emergency needs related to it have been met on the assumption AID regional health programs and other donors will cover future external requirements. The correctness of this course should be confirmed.

5. Population

An AID Agency-wide priority is placed on population and family planning. Although our assistance in this area up to now has been limited to minor activities under Agency-wide funding, we are prepared to support Nigerian requests for regular projects under the Agency-wide or Nigerian bilateral program, as appropriate, should they materialize. Perhaps AID should give greater encouragement to multi-lateral organizations for initial effort in this field in view of its better chance of acceptance by Nigerians.

6. Public Safety

The U.S. has committed up to \$2.4 million of FY 1971 SA loan funds for the construction of the Nigerian Police Officers Training College. The Nigerian Police Force has said it also intends to request technical assistance for the college. Should we initiate long-term U.S. assistance in public safety by providing technicians, participant training, and training material and equipment for the Police College? Other organs of the police establishment? To what extent is it an appropriate sector for assistance from the U.S. in contrast to other potential donors (the British)?

7. Rural-Urban Aspects of Nigerian Development

Are there structural rural-urban disequilibria in Nigeria of proportions requiring special attention:

- Are unemployment and income distribution creating serious political-economic problems and, if so, are there ways we can help overcome them directly or through efforts in particular sectors?

- Are urban over-population and the ill-development of certain urban centers such as to require Nigerian and U.S. assistance, either by means of general programs or specific pilot project(s)?