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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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NATIONAL DEVELOPMENT PLAN 1962-68  
THE PROBLEM OF FINANCE FOR FISCAL YEAR 1966/67  
NIGERIA

June 27, 1966

Africa Department

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NIGERIA NATIONAL DEVELOPMENT PLAN 1962-68

THE PROBLEM OF FINANCE FOR FISCAL YEAR 1966/67

1. The Nigerian Government<sup>1/</sup> presented a proposal to the Nigerian Consultative Group in Paris on February 10-11, 1966, requesting additional non-project external resources of about £88 million to finance the last three years of the 1962-68 Development Plan. The Consultative Group supported the implementation of the 1965-68 capital expenditure program, and commended the Nigerian effort to mobilize domestic resources as reasonable. To the Nigerian request for non-project finance of £88 million, the Group requested that the Nigerians present an analysis based on the results of the fiscal year 1965/66, but with the focus on the specific, forthcoming budget for 1966/67. This memo is a report on a joint review of the Nigerian presentation requested by the Group. The review was conducted in Washington in early May 1966 by representatives of the Nigerian Government and the Bank followed by discussions in Lagos at the beginning of June.
2. There is a crucial need for a definition of the size of the current 1966/67 fiscal year resource gap resulting from expected capital expenditures less available domestic resources and disbursements from already committed external loans and credits. It would also be necessary to know what part of the resulting gap might be financed by disbursements under new externally financed project commitments against new projects included in the 1966/67 budget. The balance of the gap will require non-project types of external finance, or the equivalent in local cost financing and/or new policies on "eligible" projects for external finance.
3. It was apparent from the review that a specific quantitative answer to each of the crucial questions would be difficult to obtain. This followed from the contingencies inevitably involved in estimating each variable, and the multiple combinations possible when several variables are combined. For example, in estimating cash disbursements compared with budgeted capital expenditures, the familiar slippage or shortfall factors, depend upon judgments made about individual project implementation, when projects vary enormously in stage of preparation; what weight to place on past expenditure trends

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<sup>1/</sup> The Governments are designated either "Federal" or "Regional" in this paper for the sake of convenient reference to earlier documents submitted to the Consultative Group.

compared with amounts budgeted in the light of changing political circumstances in Nigeria; and to what extent shortfalls in expenditure will result in concomitant shortfalls in external finance in already externally financed projects included in the budget, etc. It was agreed, therefore, to attempt to define the minimum and maximum range for each critical variable: capital disbursements, existing external finance disbursements, and disbursements from new externally financed project commitments. If the estimated range is reasonable, it is possible to define the minimum resource gap requiring non-project finance by combining the lowest estimate of capital expenditure disbursements with the highest estimate of resources available from domestic sources, existing externally financed commitments (both loans and grants), and disbursements arising from new externally financed project commitments.

4. The results may be highlighted here: the minimum resource gap requiring non-project finance, or its equivalent, in fiscal 1966/67, is £19 million (\$58 million) and could rise to £25.6 million (\$72 million) if the high expenditure disbursement level materializes. The remainder of this note summarizes the considerations supporting these conclusions. The annexes attached describe the methods and details of the analysis. Annex I covers capital expenditures, Annex II sources of finance.

#### The Level of 1966/67 Capital Expenditures

5. The combined Nigerian Governments have budgeted capital expenditures during 1966/67 of about £181.9 million gross including transfer payments; the amount net of transfer payments is £179.1 million. The estimated cash disbursement is between £155 million and £163.6 or 8 to 13 percent less than the budgeted £179 million (see Table I). The main points of the review supporting this judgment are 1/:

- (a) The Federal Government capital budget, excluding statutory corporations, is about 100 percent over the level of 1965/66. 1965/66 is a misleading base year as Government held up release of funds for the last six months: at first because matching finance was not forthcoming, and then because of the change of government. More important, about 85 percent of the 1966/67 budgeted increase is associated with ongoing

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1/ See Annex I for details.

and primarily large projects, many of which are externally financed. The shortfall from budgeted levels is estimated at a maximum of about 8 percent resulting in total disbursements of £51.4 million at the lowest possible level (see Table A, Annex I).

- b) The capital expenditures of the Federal statutory corporations are the easiest case to evaluate. Ninety-four percent of the budgeted amount is accounted for by four programs: ports, electricity, Niger Dam, and railways. The shortfall is estimated as upwards to a maximum of 12 percent resulting in total disbursements of £45.1 million (see Table B, Annex I).
- c) The Eastern Region has budgeted a 46 percent increase in 1966/67 over 1965/66. Seventy-five percent of the increase is related to ongoing, primarily externally financed projects. Executive capacity has been demonstrated in this Region, and 1965/66 expenditure levels are misleading for the same reasons as with the Federal Government. The shortfall is estimated as upwards to a maximum of 21 percent, largely related to new projects only, or a total disbursement of £15 million (see Table C, Annex I).
- d) The Mid-West Region has budgeted the highest increases, about 170 percent over 1965/66. On the other hand, about 75 percent of the total capital budget is associated with ongoing projects of which two-thirds are large contractually obligated commitments. The shortfall is, therefore, estimated as upwards to a maximum of 23 percent resulting in total disbursements of £6.7 million (see Table D, Annex I).
- e) The Northern Region has budgeted capital expenditures at 61 percent above 1965/66 levels. Seventy-nine percent of the 1966/67 total budgeted is associated with ongoing projects. Special features characterize implementation in this Region. The Federal Military Government has adopted a policy of taking all necessary steps required to implement and, if possible, surpass the budget target. Expenditure shortfall is estimated as upwards to a maximum of 10 percent resulting in total disbursements of £18.8 million (see Table E, Annex I).
- f) The Western Region has budgeted capital expenditures at 150 percent above the 1965/66 level. The estimate of 1966/67 disbursements is most difficult to relate meaningfully to previous years, in view of the extent to which instability prior to January 1966 had impaired the considerable executive capacity of the Region. Seventy-seven percent of the budgeted total is related to ongoing projects. The most reasonable

estimate that can be made is that shortfall will be upwards to a maximum of 21 percent resulting in disbursements of £18 million (see Table F, Annex I).

Capital Expenditures

6. In summary<sup>1/</sup>, capital expenditures on a disbursement basis are:

	<u>£ Million</u> <u>1966/67</u>	
	<u>Minimum</u>	<u>Maximum</u>
Federal	51.4	51.4
Federal Statutory Corporations	45.1	49.7
East	15.0	15.5
Mid-West	6.7	7.2
North	18.8	19.8
West	<u>18.0</u>	<u>20.0</u>
Total	<u>155.0</u>	<u>163.6</u>

Resources Available

7. Estimated resources available to finance the 1966/67 program total £133 million assuming the total budgeted capital program is implemented.

	<u>£ Million</u> <u>1966/67</u>
Budget Surpluses	27.8
Marketing Board Profits	10.5
Internal Resources of Statutory Corporations	7.8
Internal Borrowing (including Central Bank)	15.1
Use of Cash and Other Reserves	5.0
Existing external finance commitments	<u>66.8</u>
Total	<u>133.0</u>

8. These resource estimates were reviewed in the context of past trends, the Bank report of 1965, and the government presentation of February 1966 (see Annex II for details). The major conclusions of this review are that the estimated domestic resources are consistent with the

<sup>1/</sup> See Annex I.

1965 Bank report, but exceed the Bank report's high resource alternative in respect of budget surpluses by a substantial amount. Increased budget surpluses result from increased petroleum revenues, new taxes, and savings on recurrent expenditures. This estimate for total domestic resources in 1966/67 is judged to be the highest that could be realized. It is most unlikely to be exceeded and there are distinct possibilities that it could be less.

### Resource Gap

9. Combining available resources with estimated capital budget disbursements, before any further adjustments, results in an apparent resource gap ranging from £22 million to £30.6 million. This resource gap must, however, be adjusted for two reasons. First, existing committed external finance inflows will be less to the extent that expenditure shortfalls are associated with already externally financed projects, and secondly, some additional externally financed disbursements, not yet available, are expected to materialize for new projects included in the 1966/67 capital budget. <sup>1/</sup>

10. As to the first point, the estimated range of 1966/67 capital budget disbursements involves a shortfall from budgeted capital levels of between £15.4 and £24 million. There will be a concomitant shortfall in estimated external finance inflows. It is difficult to be precise about the magnitude of this resource shortfall because of the uncertainties as to where expenditure shortfall will result in terms of specific projects. The best judgement is that estimated external finance from existing commitments will fall short between £4 to £6 million. The greater the capital expenditure shortfall, the greater will be the shortfall of external finance inflows. The apparent resource gap, after making allowance for the estimated shortfall in external finance from existing external loans and grants, would range between £28.0 to £34.6 million.

11. As to the second point, there is about £23 million of disbursements included in the 1966/67 capital budget resulting from new projects more or less eligible for external financing on a project basis. The foreign exchange component included in the 1966/67 capital budget for these new projects is about £11 million. How much of the apparent resource gap could be filled by new external financing on a project basis depends upon to what extent estimated expenditure shortfall involves these new projects; how many of these new projects are in fact picked up by donors in fiscal 1966/67; and the percentage of total project cost financed by the external donor. It is our best judgment that additional new external finance arising from new project commitments included in the 1966/67 capital budget will range between £4 million and £9 million. To the extent that these additional resources materialize, the resource gap will be reduced.

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<sup>1/</sup>

See Annex II, page 3, paragraphs 10 to 12.

Summary of the Resource Gap

12. The resource gap after incorporating the adjustments described above, may be summarized as follows:

1966/67 Capital Expenditures and Financing

£ Million

Budgeted Capital Expenditures	179	179
Estimated Capital Expenditure Shortfall	<u>15.4</u>	<u>24</u>
Total Capital Disbursements	163.6	155
<u>Less Resources Available Before Adjustments</u>	<u>133</u>	<u>133</u>
Apparent Resource Gap	30.6	22
<u>Add Existing External Finance Shortfall</u>	<u>4</u>	<u>6</u>
<u>Sub-total</u>	34.6	28
<u>Subtract Maximum New External Finance Disbursements on Project Basis</u>	<u>9</u>	<u>9</u>
Net Resource Gap Requiring Non-Project Finance	<u>25.6</u>	<u>19</u>

13. The conclusion that emerges from this joint review conducted by Bank staff and Nigerian officials is that the minimum 1966/67 resource gap requiring non-project finance, or its equivalent, is about £19 million (\$53.2 million). To the extent that financing is not made available, the Nigerian Government would be forced into additional, and unplanned, deficit financing, as is now seen to have happened in 1965/66, essentially because of the shortfall in anticipated financing, especially external financing. This would ultimately result in a drawing down of Nigerian external reserves which are now at the minimum level consistent with a convertible currency country.

14. To the extent that capital expenditures materialize above the estimated minimum disbursement level of £155 million and/or resources are less than estimated, the resource gap requiring non-project finance will obviously increase. The above analysis indicates that the gap could rise to about £25.6 million (\$72 million).

Attachments (Annexes I and II)

June 8, 1966



Table I: NIGERIA - CAPITAL EXPENDITURE 1962-68: ACTUALS AND PROPOSALS  
 Net of Transfer Payments  
 (In Thousands)

	1962/63 (Actual) <sup>1/</sup>	1963/64 (Actual) <sup>1/</sup>	1964/65 <sup>2/</sup> (Actual)	1965/66 Revised Est <sup>2/</sup>	1966/67 <sup>2/</sup> (Budget)	1967/68 <sup>2/</sup> (Budget)	Total 1962-68	Total 1965-68	Mission Ex- pectations 1965-68 <sup>1/</sup>
Federal Government	24,006	31,531	38,737	27,935	55,823	34,124	212,156	117,882	145,398
Federal Statutory Corp.	20,168	20,720	27,805	39,723	51,673	26,077	186,166	117,473	114,241
(Sub-Total)	(44,174)	(52,251)	(66,542)	(67,658)	(107,496)	(60,201)	(398,322)	(235,355)	(259,639)
Eastern Region	9,395	10,055	12,196	12,334	19,011	17,640	80,631	48,985	47,022
Western Region	9,017	6,430	8,014	9,214	23,016	29,136	84,827	61,366	70,758
Northern Region	8,276	9,181	9,575	12,900	20,803	20,359	81,094	54,062	54,465
Mid West Region	-	-	2,046	3,152	8,733	6,776	20,707	18,661	22,339
TOTAL <sup>5/</sup>	70,862	77,917	98,373	105,258	179,059	134,112	665,581	418,429	454,223
Minimum Cash Disbursement Basis <sup>3/</sup>	70,862	77,917	98,373	105,258	155,036 <sup>3/</sup>	158,088 <sup>4/</sup>			
Maximum Cash Disbursement Basis <sup>3/</sup>	70,862	77,917	98,373	105,258	163,636 <sup>3/</sup>	149,488 <sup>4/</sup>			

1/ World Bank Report of 1965 Volume II

3/ Cash disbursement equals actual expenditures 1962-65 and revised estimates 1965/66, 1966/67 estimated by Bank staff and government authorities in the form of an estimate of range. See Annex I for details.

2/ Government Budgets. Highly provisional.

4/ 1966-67 underspending from budgeted levels added to 1967-68 provisional budgeted levels. See Annex I for details.

5/ Totals need not add because of rounding.

Table II

## NATIONAL DEVELOPMENT PLAN 1962/68

Sources of Finance 1965/66

(After adjustments)

All Governments

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Source	Fed. Govt. (Excl. Stat. Corp.)	Stat. Corp.	East	West	North	Midwest	Total
Budget Surpluses	7,109	-	3,114	654	6,223	1,340	18,440
Domestic Borrowing <sup>2/</sup>	14,055	-	-	-	-	-	14,055
External Reserves and other Funds	-	-	279	2,057	3,104	-	5,440
Internal Resources of Statutory Corporations	-	6,906	-	-	-	-	6,906
Marketing Boards	-	-	2,000	1,000	-	50	3,050
Foreign Aid	16,350	14,929	1,297	2,766	2,553	2,034	39,929
Other	-	-	338	1,433	365	-	2,136 <sup>3/</sup>
Short-term Domestic Borrowing <sup>4/</sup>	15,302	-	-	-	-	-	15,302
TOTAL	52,816	21,835	7,028	7,910	12,245	3,424	105,258

1/ See Annex II.

2/ Long-term development stock.

3/ Add to budget surplus

4/ Treasury Bills, and Ways and Means advances. Some of which was transferred to the regions.

National Development Plan 1962/68  
Sources of Finance 1966/67  
All Governments

Table III

Source	Federal Government (Excluding Statu- tory Corporations)	Federal Statutory Corporations*	East	West	North	Midwest	Total
Budget Surpluses	11,593 <sup>1/</sup>	-	1,096	2,801	7,151	3,249	25,890
Domestic Borrowing	15,130 <sup>2/</sup>	-	-	-	-	-	15,130
External Reserves and Other Funds	-	-	-	1,603	3,424	-	5,027
Internal Resources of the Statutory Corporations	-	7,806	-	-	-	-	7,806
Marketing Boards	-	-	2,500	3,000	4,700	300	10,500
Foreign Aid	27,335	18,161	4,367	6,670	7,177	3,069	66,779
Other	-	-	655	672	565	60	1,952 <sup>3/</sup>
<b>TOTAL</b>	<b>54,058</b>	<b>25,967</b>	<b>8,618</b>	<b>14,746</b>	<b>23,017</b>	<b>6,678</b>	<b>133,084</b>

\* Transfers from the government to the Corporations have been excluded.

- 1/ Includes £4 million expected to be derived from new fiscal measures.
- 2/ Part of this amount will be transferred to the Provincial Governments.
- 3/ Add to budget surplus.

## ANNEX I

### Nigerian Government Capital Expenditures 1966/67

#### General

1. The Government of Nigeria has formulated and authorized capital (development) expenditure budgets for the current fiscal year 1966/67 which began April 1, 1966. The budgets also include revised capital expenditure estimates for the fiscal year 1965/66 which will approximate actual expenditures within a 10 percent margin of error. The budgets also give provisional capital expenditure estimates for fiscal year 1967/68, so that, taken together, the capital expenditure estimates cover the last three years of the 1962-68 Development Plan. The estimates for 1967/68 may be subject in a number of instances to considerable revision. Tables A to F include the 1967/68 estimates to allow comparison of the 1965-68 totals with the Bank mission's expectations for these last three years of the 1962-68 Plan, but the focus of the present paper is on 1966/67 and the apparent implications for 1967/68 are not analyzed here, pending a further detailed review to be made in early 1967.

2. The three-year 1965-68 capital estimates are on a budgeted or commitment basis although they were prepared, as far as possible, on a cash disbursement basis. This annex analyzes these estimates with respect to 1966/67 in terms of:

- (a) The capital expenditures on an estimated cash disbursement basis as compared with a gross commitment (or authorized) basis given in the budgets. This requires the elimination of financial transfer payments to statutory corporations and other governmental units, and an estimate of the probable level of actual cash disbursements for fiscal year 1966/67. The methods employed in and the results of this analysis are described below.
- (b) Relating as appropriate the resulting 1966/67 capital expenditures with the three-year program <sup>1/</sup> presented by the Nigerian Government to, and approved by, the Nigerian Consultative Group in Paris (February 10-11, 1966); and where useful, comparing the government estimates to the 1965 Bank Report on Nigerian Economic Prospects.

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<sup>1/</sup> See Consultative Group Meeting, February 1966  
Presentation by the Nigerian Government

3. Estimating 1966/67 Capital Expenditures on a Net Cash Disbursement Basis. Estimating a 1966/67 financial gap and its composition requires that both resources and expenditures be estimated on a cash basis. In the case of capital and recurrent expenditures, this involves an estimate of the probable cash disbursements resulting from implementation of the authorized budget estimates. This analysis resembles an estimate of the customary under or over spending that will probably take place against authorized budget estimates. The assumptions and sources employed in this analysis are as follows:

- (a) The primary sources of the information are the published estimates of the governments for fiscal year 1966/67, <sup>1/</sup>information available to Nigerian authorities, and information available to the Bank staff. The Nigerian Federal representatives who participated in the exercise were informed as to the budget preparation activities of March and April 1966. These comprised the preparation and review by each government of their respective budgets; the subsequent review of all government capital budgets by the National Advisory Planning Council, and finally, the review conducted by the Executive Council of the Federal Military Government. Bank staff had the results of the analysis of the Bank mission of May-June 1965, and more recent information on some projects involving Bank operations, e.g. tree crop projects, roads, ports, electricity, secondary education, etc. The most reliable information was available covering Federal government and statutory corporations, although the Nigerian authorities possessed significantly more information on Regional programs than in the past.
- (b) It was assumed that the total capital budget would be financed and implemented with explicit assumptions about the date when individual projects would be begun. This assumption is valid provided the bulk of new external finance is arranged by July 1966. Any delay beyond that date will result in increasing underspending against budget or disbursement estimates with regard to new projects identified by each region conditional upon the availability of finance. Substantial delay in arranging program financing would obviously result in underspending on other new and ongoing projects for all governments, assuming there would be no recourse to deficit financing.

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<sup>1/</sup>

See annexed Tables 1 to 7

(c) Estimated disbursements (or the reciprocal under-spending) resulted from application of several criteria:

- (i) Each project was reviewed to determine its stage of preparation and/or progress with judgments made about reasonable probabilities of encountering delays or estimating errors. Ongoing projects are the least difficult to estimate but the source of the estimate and past record of reliability were evaluated, and construction works subject to weather factors introduce some uncertainties. New projects were judged on the basis of the probable time span needed to complete the usual feasibility, appraisal, finance negotiation, tendering, contract award, and procurement cycles appropriate to each type of project for each government. The margin of error is obviously greater for new projects.
- (ii) Sector and total programs were evaluated in terms of several internal and external criteria. Important internal criteria included the percentage of total capital expenditure comprising large ongoing projects, ongoing projects with existing contractual obligations and loans to existing statutory corporations. Generally speaking, these types of projects have the better estimates and/or the highest probability of fulfilling expenditure estimates compared with other new or ongoing projects. External criteria included past spending performance records; recent politico-administrative changes that bear on executive ability; idiosyncratic factors influencing the prior years, especially 1964/65 and 1965/66 expenditure performance and the probability of their non-recurrence; evaluation of procurement and construction abilities relevant to each sector; and evaluation of the time needed to arrange project financing where relevant.

- (d) The Federal Government capital budget includes financial transfer payments to statutory corporations, and regional government. These are subtracted from the Federal Government capital expenditure budgets to avoid double counting (for details see notes to Table A attached).

4. In general, results are most reliable for the estimated disbursements on capital expenditures of the Federal Government and statutory corporations. Of the Regions, the estimates are more reliable for the Eastern, and to a lesser extent, the Northern and Mid-West Regions. The idiosyncrasies surrounding the Western Region estimates are the result of prevailing politico-administrative dislocations in recent years resulting in a difficult assessment of reliability.

5. Given the multiple contingencies and the necessarily large element of judgment involved in such estimates, the estimated disbursements are shown in a range of the probable highest and lowest levels for each government's capital expenditure program. In effect, this is a decision that the lowest level of disbursement on capital expenditure will be the minimum possible level, and that disbursements will probably be higher if the total capital program is implemented in an orderly fashion, including availability of external finance in good time.

6. Federal Government Capital Expenditures

The budgeted capital estimates for the Federal Government are given in Table 2 attached. The classification is that of the Nigerian Government and may be compared to their February 1966 presentation in Paris.<sup>1/</sup> The February presentation did not include the budget information which has been received since that time covering revised estimates for the 1965/66 fiscal year and shown in Table 2.

7. More revealing is the comparison of these figures with those in the Bank report of 1965 where Federal capital expenditures are shown net of all financial transfer payments to statutory corporations and Regional Governments. This comparison involves reclassifying the Federal budget and is shown in Table A attached. The Federal Government's 1965-68 capital program is £117.9 million compared with the Bank's estimate of £145.4 million; a difference of 19 percent. This is a significant reduction even if allowance is made for a notional reduction from the Bank's estimate of about 6 percent for this program yielding a total for the Federal Government program proportional to the £426 million overall three-year program supported in the Paris meeting.<sup>2/</sup> This feature of the 1965-68 program

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1/ See Annex 3 of the Nigerian Presentation of February 1966.

2/ The Bank mission estimated capital expenditures at about £452 million and suggested a level of £400 million. The Paris meeting supported the Government's proposed program of £426 million.

reflects reductions in government office buildings, and more important, the preparation of the estimates on a rigorous probable disbursement basis. For example, the total budget for 1966/67 of £51.4 million may be compared to initial Ministry requests for budget authorizations of about £95 million.

8. A second feature of the three-year Federal program is the annual phasing where, as with all five governments, the 1966/67 budgeted total is sharply above the 1965/66 level.

9. A detailed analysis shows briefly the following (see Table A):

- (a) The revised 1965/66 expenditure level is a misleading base year for comparison, as it reflects the effect of a concerted policy of the Government whereby funds are not to be released until the external financial counterpart is firmly in hand, and the subsequent hold up in the release of funds for the last two months of the fiscal year after take-over by the new Government. This is illustrated by a comparison of 1965/66 expenditures against the figures for expenditures for the two previous years: the actual levels achieved were respectively 12 and 39 percent above the 1965/66 revised capital expenditure total.
- (b) The 1967/68 budget is highly provisional. The decrease from 1966/67 assumes total financial availability in both years, and complete fulfillment of the 1966/67 budgeted level. Any shortfall in 1966/67 would normally be a carry-over into 1967/68 thereby increasing the implied expenditure level in the last year of the Plan. Further no account is taken of possible new commitments in 1967/68 in anticipation of the next Plan starting in 1968/69. As noted earlier, for these various reasons no attempt is made here to analyse the significance of the 1967/68 estimates as they stand.
- (c) The apparent sharp increase in capital expenditures in 1966/67 is largely a result of increases in expenditures in a few ongoing and generally very large projects and sector programs. The increase of 1966/67 budgeted capital expenditures over 1965/66 is about 100 percent, or £27.9 million. About £23.7 million or 85 percent of this increase can be attributed to the following major projects:



- (i) The increase of £1.5 million in the allocation for industry is related to the second government loan of £2 million to the Nigerian Industrial Development Bank as a counterpart to the proposed World Bank loan with a reduction in other items of this category.
- (ii) The increase of £7.3 million allocated to transport is related to the £5 million increase for five ongoing externally financed roads, £0.9 million in loans to the airways and the national ship line; and the £1.4 million increase for the long delayed and priority aviation communications and Lagos airport runway projects.
- (iii) The increase of £7.7 million for communications is related solely to the implementation phasing of the high priority National Telecommunications Plan (Phase II and III).
- (iv) The increase of £2 million for education is related to increases in priority programs, most of which are externally aided, in such areas as technical education (£0.7 million); sixth-form and science schools (£0.6 million), and secondary and primary schools in Lagos.
- (v) The increase of £3.7 million for administration is related to an increase of £4.7 million allocated for police and defense with reductions in other administrative programs.

10. Summary Federal Government. On the basis of the above evaluation of the Federal capital budget of £55.8 million both in terms of projects and programs, the collective judgment of the Bank staff and the Nigerian officials led to the conclusion that underspending might range up to a maximum of £4.4 million. This implies a minimum capital program on a cash disbursement basis of about £51.4 million. However, cash disbursements might well exceed this level: this is a carefully defined budget consisting primarily of ongoing projects; there might be some overspending on roads and civil works; and potentially significant underspending can only be identified with one project, Phase III of telecommunications.

11. Federal Government Statutory Corporations

The 1966/67 capital expenditure budget for statutory corporations (classified in the Bank format) is £51.7 million. Together with the revised estimates for 1965/66 and the provisional budget of 1967/68, the three-year program amounts to about £117.5 million (see Table B attached). The Nigerian presentation of February 1966 excluded the Niger Dam. If included, the presentation provides for capital expenditures by statutory

corporations of £119.5 million. The difference of £2 million from the authorized budget is due to slight changes in specific project estimates and the addition of about £0.9 million for airways and shipping. The three-year 1965-68 budgeted capital program is also very similar to the Bank's estimated program of 1965 with the increase of £3.2 million the budget resulting from the same factors described above.

12. The major feature of the three-year capital program and the 1966/67 capital expenditure estimates for statutory corporations is the dominance of four programs: Niger Dam, Electricity Corporation, Ports Authority and Railways Corporation. Allocations for these four programs amount to 93 percent of the 1965-68 program and 94 percent of the 1966/67 budget. Furthermore, the increase in the 1966/67 budget over the 1965/66 revised estimates (about 30 percent) is essentially the result of increases for these four programs. Of the £11.9 million increase in 1966/67 over 1965/66, about £11.3 million, or 95 percent, can be traced to these four programs.

13. All of these programs were estimated on a cash disbursement basis. The possibility of underspending is therefore related essentially to assumptions regarding the implementation dates of new projects. Both the railways and the Niger Dam are ongoing projects and the smaller allocations for shipping and airways corporations are contractual obligations. The possibility of underspending is therefore a question of the new project elements of the Ports Authority and Electricity Corporation's programs, and the imponderables of delays due to logistics and weather for all projects. On the basis of recent information, there is a real possibility of delays in the implementation of the new project elements for the Ports Authority and the electricity program.

14. Summary - Federal Statutory Corporation 1966/67 Capital Program. It is estimated that underspending might be £6.6 or more implying a minimum cash disbursement capital program for 1966/67 of about £45 million. It should be noted that underspending in the statutory corporation program would clearly result in a parallel shortfall in the estimated resources available from already committed external aid.

#### Eastern Region Government

The 1965-68 capital program for the Eastern Region is budgeted at £48.9 million compared with £46.4 million in the February 1966 Paris presentation and the Bank report "estimated" program of £47 million (see Table C attached and Annex 5 of the February 1966 presentation). The differences are small in terms of three-year totals for either the overall program, or to a lesser extent, any one specific sector. The changes in the present 1966/67 budget compared with the estimates contained in the Paris presentation reveal reductions in primary production, education and administrative sectors, and increases in allocations for industry, water supplies, and town and country planning. These changes are the result of more up-to-date information on the expenditure commitments of the ongoing programs and new policies resulting, for example, in the reduction of the allocation for the administrative sector.

15. As with the Federal capital budget, the most notable feature of the 1965-68 program is the increase of about £5.7 million, or 46 percent, in the 1966/67 capital budget over 1965/66 level. The main features of the 1966/67 capital budget are as follows:

- (a) Primary production increases £1.8 million, or 65 percent, over 1965/66. Over half of the increase and the bulk of the sector program is for ongoing or externally aided smallholder tree crop projects, plantation tree crops, and farm settlements. The balance of the increase is related to ongoing agricultural machinery and new livestock and poultry schemes.
- (b) The increase for industry of about £0.7 million, or 50 percent, is for the expansion of industrial estates and loans to financial institutions with the bulk of the program relating to contractual obligations.
- (c) Rural electricity increases £0.5 million, but is subject to policy review.
- (d) The major increase of about £1.4 million, or 100 percent, is for roads. £1.2 million of the increase is related to two externally aided road projects with the balance ongoing projects.
- (e) Increases of about £0.9 million, or 66 percent for education. This increase is related to two externally financed projects: one comprehensive school and one technical college.
- (f) Town planning shows a budgeted increase of £0.9 million, or 150 percent; the bulk of the increase is for three projects that are reserved pending policy review, and underspending is probable.

16. The budgeted increases cited above account for over £6 million of the increases in the 1966-67 budget. Most of the increases are related to ongoing or externally financed projects although one quarter of the increase is reserved pending policy review.

17. Summary Eastern Region. The Eastern Region Government has, along with the Federal Government, the strongest demonstrated executive capacity. Comparison of the 1966/67 budgeted capital expenditures with actual levels attained in the previous year are bound to be misleading in that expenditures were deliberately held down pending availability of matching external finance which did not materialize. This is the principal reason why 1965/66 capital expenditures remained at about the level of the previous year 1964/65, after a period of increasing rates of expenditures.

On the other hand, about £4.9 million of the total budgeted £19 million has been reserved pending the availability of finance or policy reviews. The latter will result in some underspending as new policies are applied. It is estimated, therefore, that underspending might be £4 million or more, implying minimum capital expenditures in 1966/67 on a disbursement basis of about £15 million.

18. Mid-Western Region Government

The three-year 1965-68 capital program of the Mid-West Region is £18.7 million. This is about £2.4 million less than in the February 1966 presentation of the Government and £3.7 million less than the Bank's "estimated" program (see Table D attached and Annex 8 of the February 1966 presentation). The budget reflects increases in primary production, roads and education, and decreases in industry, water supply and town planning sectors. This reflects a better founded estimate as well as policy changes incorporated in the latest budget.

19. The notable feature of the 1965-68 capital program is the increase in the 1966/67 capital budget over the 1965/66 level: from £3.2 to £8.7 million. As might be expected from an overall increase of this magnitude, the relative increase is very large in all individual sectors except social welfare. In absolute terms, the major increases are in primary production (£0.5 million), industry (£1.4 million); roads (£1.5 million) and water supply, education, health and town planning (£1.4 million).

20. Estimating 1966/67 capital disbursements against the previous year's performance is very difficult for this Region. This will be only the third year's existence of a development program in the Mid-West and past performance is therefore not a reliable guide. Development expenditures have increased in the two previous years mainly due to recourse to contractor finance. A notable feature of this year's budget is the continued influence of expenditures related to ongoing contractor executed projects. Together with loans to financial institutions, those contractual obligations amount to about £4 million or 46 percent of the total 1966/67 capital budget. The Government has further reserved about £2.2 million of expenditures pending the availability of finance: half of this amount is for the Benin City drainage and road projects. This leaves a balance of about £2.5 million primarily for ongoing projects not externally financed. In effect, underspending can only be reasonably related to the latter two categories amounting to about £4.7 million in expenditures, and particularly to the new projects in the "reserved" program (see Part II of the official 1966/67 capital estimates).

21. Summary Mid-Western Region. Given the questionable basis of expenditure performance in the past year and the character of the 1966/67 capital program, underspending in 1966/67 is estimated as ranging between £1.5 and £2.0 million. This implied a minimum for the 1966/67 capital expenditure program on a disbursement basis of about £6.7 million.

22. Northern Region Government

The three-year 1965-68 capital expenditure program of the Northern Region is £54.1 million. This is about £1.8 million less than appeared in the February 1966 presentation and about the same as the Bank's "estimated" program. The 1965-68 budgeted program differs from the other two programs in allocations per sector: allocations are lower for primary production (£1 million) and social welfare (£0.5 million). They are higher than the Bank's "estimated" program in industry, transport, health and social welfare, but lower in primary production and education. (See Table E attached and Annex 7 of the February Presentation).

23. The outstanding feature of the three-year budgeted program is the sharp increase in the budget allocation for 1966/67 over 1965/66: an increase of about £7.9 million, or 61 percent. The increase is a result of increases in primary production (£0.4 million); electricity (£0.6 million), roads (£2.2 million), water supply (£2.4 million), education £1.7 million, health (£1 million) and administration (£0.3 million). About £7.3 million, or 92 percent, of the increase is related to four sector programs: roads, water supply, education, and health. The increase for roads is related to ongoing and largely externally financed projects. The increases for water supply, education, and health are also related to ongoing and largely externally financed projects, but in addition include provisions for new projects contingent on availability of finance (health £0.2 million, education £1.6 million, and water supply £0.6 million).

24. The estimate of cash disbursements under the 1966/67 capital expenditure budget is based, as with the other governments, on an evaluation of circumstances unique to the particular Region. There are strong indications that the recent change in government has created circumstances that will result in more accelerated decision making. One element in this judgment is the new Federal Military Government policy that all necessary action be taken to insure that capital expenditure programs in the Northern Region are fulfilled and, if possible, over-fulfilled. Another element is that the Regional Government has a new incentive to fulfill expenditure targets, in that failure to do so might result in Northern Region surpluses being transferred to other Regions under the new budgeting procedures. A final feature is the high percentage of the total program associated with ongoing and/or externally financed projects: about £16.4 million <sup>1/</sup>, or 79 percent,

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<sup>1/</sup>

Estimates of projects in progress in the budget.

of the total 1966/67 capital budget. The estimates made against these ongoing projects are judged to be especially "tight" or realistic. In a sense, any underspending will be primarily a decision on the implementation of the £4.4 million balance of the program. Even here, some larger projects are at mature stages of negotiating new external finance.

25. Summary Northern Region. Given the circumstances outlined above, underspending from the 1966/67 capital budget estimates is estimated at between £1 and £2 million. This implies a minimum 1966/67 capital budget on a disbursement basis of about £18.8 million.

26. Western Region Government

The three-year 1965-68 development program for the Western Region is £61.4 million. This compares with the February 1966 presentation of £63.1 million and the Bank's "estimated" program of £70.8 million. It should be noted that the circumstances in the Western Region when the Bank estimate was made in 1965 necessarily resulted in estimates of a provisional character regarding both total or sector allocations, and the comparison is only significant in that the recently budgeted 1965-68 capital program is about 13 percent below the Bank's "estimated" program.

27. As with other Governments, the notable feature of the Western Region capital program is the sharp increase in the 1966/67 budgeted level over the revised expenditures of 1965/66: from £9.2 million to £23 million. As might be expected with an overall increase of this magnitude, the increase for individual sectors is over 100 percent for all sectors except water supply. It is important to note, however, that £5.1 million of the total allocation is reserved contingent upon securing additional finance, hereafter denoted "special list", and that £1 million is related to existing financial obligations. This leaves a balance of £16.9 million for primarily ongoing or already externally financed projects in the 1966/67 capital program.

28. The £16.9 million program is largely characterized by sizable allocations for only a few projects within each sector. £2.2 million, or 86 percent, of the allocation for primary production is for the ongoing farm settlement program and two tree crop projects, one of which is financed from abroad. Similarly, 90 percent of the £1.6 million allocation for industry program is for three projects which are ongoing or for which financial commitments exist. Six road projects receive 78 percent of the total allocation for roads, of which the bulk is already committed. Similarly, 85 percent of the £3.8 million allocated for water supply is for ongoing contractually obligated projects of which £2 million is for one externally aided project. About £2.3 million, or 89 percent, of the allocation for education is for three ongoing externally financed projects.

29. Estimating 1966/67 cash disbursements for the Western Region is difficult given the unusual events in this Region in recent years. The Region has experienced a fundamental change of administration beginning in 1963/64, development expenditures actually declined during 1963/64 and rose to the 1962 level only by 1965/66. On the other hand, this Region had the highest, relatively, executive capacity in Nigeria before 1962, and many of the experienced staff continue under the present arrangements. Moreover, development expenditures have increased during recent years reaching £9.2 million in 1965/66, the year when disruptive factors were more pronounced than in any other year. Finally, the bulk of the program, exclusive of the "special list", is as described above, related to ongoing or externally aided large projects. This implies that 1966/67 capital expenditures might well rise very sharply compared with previous years and underspending should be primarily related to the £5.2 million allocated for the "special list" projects.

30. Summary Western Region. Based on the considerations outlined above, our best judgment is that underspending against the 1966/67 capital budget might range between £3 to £5 million. This implies a minimum cash disbursement program of £18 million.

ANNEX I

Table 1  
National Development Plan 1962/68  
Capital Expenditure Programme 1966/67  
All Governments 1/

Sector	£000																																																																																																																																																																																																				
	Federal	Federal Statutory Corporations.	Eastern Provinces	Western Provinces	Northern Provinces	N/Western Provinces	Total	% of Total	Foreign Exchange Component.	Local cost																																																																																																																																																																																											
Economic											Primary Production	2,801	-	5,737	2,826	2,584	830	14,781	8.4	3,681	11,100	Trade & Industry	3,221	-	2,703	1,621	2,870	2,510	12,925	7.3	7,757	5,168	Electricity	22,500	13,450	510	-	600	103	37,193	21.0	24,782	12,411	Transport	17,813	12,891	2,660	4,037	4,415	2,452	44,336	25.1	23,837	20,499	Communications	11,433	-	-	-	-	-	11,433	6.6	8,503	2,930	Water Supplies	345	-	1,503	3,913	3,425	878	10,064	5.7	5,402	4,662	Total Economic	58,116	26,341	13,143	12,397	13,962	6,773	130,732	74.0	73,962	56,770	Social Overhead											Education	4,685	-	2,111	2,829	3,495	771	13,831	7.8	4,142	9,689	Health	1,116	-	584	358	1,662	246	3,966	2.3	1,773	2,193	Town Planning	2,604	1,757	1,536	425	53	314	6,689	3.8	2,915	3,774	Co-operatives & Social Welfare	558	-	267	39	880	10	1,754	1.0	354	1,400	Information	209	-	433	326	131	147	1,246	0.7	902	344	Total S. Overhead	9,172	1,575	4,931	3,977	6,221	1,428	27,486	15.6	10,086	17,400	Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338
Primary Production	2,801	-	5,737	2,826	2,584	830	14,781	8.4	3,681	11,100	Trade & Industry	3,221	-	2,703	1,621	2,870	2,510	12,925	7.3	7,757	5,168	Electricity	22,500	13,450	510	-	600	103	37,193	21.0	24,782	12,411	Transport	17,813	12,891	2,660	4,037	4,415	2,452	44,336	25.1	23,837	20,499	Communications	11,433	-	-	-	-	-	11,433	6.6	8,503	2,930	Water Supplies	345	-	1,503	3,913	3,425	878	10,064	5.7	5,402	4,662	Total Economic	58,116	26,341	13,143	12,397	13,962	6,773	130,732	74.0	73,962	56,770	Social Overhead											Education	4,685	-	2,111	2,829	3,495	771	13,831	7.8	4,142	9,689	Health	1,116	-	584	358	1,662	246	3,966	2.3	1,773	2,193	Town Planning	2,604	1,757	1,536	425	53	314	6,689	3.8	2,915	3,774	Co-operatives & Social Welfare	558	-	267	39	880	10	1,754	1.0	354	1,400	Information	209	-	433	326	131	147	1,246	0.7	902	344	Total S. Overhead	9,172	1,575	4,931	3,977	6,221	1,428	27,486	15.6	10,086	17,400	Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338											
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Education	4,685	-	2,111	2,829	3,495	771	13,831	7.8	4,142	9,689	Health	1,116	-	584	358	1,662	246	3,966	2.3	1,773	2,193	Town Planning	2,604	1,757	1,536	425	53	314	6,689	3.8	2,915	3,774	Co-operatives & Social Welfare	558	-	267	39	880	10	1,754	1.0	354	1,400	Information	209	-	433	326	131	147	1,246	0.7	902	344	Total S. Overhead	9,172	1,575	4,931	3,977	6,221	1,428	27,486	15.6	10,086	17,400	Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																			
Health	1,116	-	584	358	1,662	246	3,966	2.3	1,773	2,193	Town Planning	2,604	1,757	1,536	425	53	314	6,689	3.8	2,915	3,774	Co-operatives & Social Welfare	558	-	267	39	880	10	1,754	1.0	354	1,400	Information	209	-	433	326	131	147	1,246	0.7	902	344	Total S. Overhead	9,172	1,575	4,931	3,977	6,221	1,428	27,486	15.6	10,086	17,400	Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																														
Town Planning	2,604	1,757	1,536	425	53	314	6,689	3.8	2,915	3,774	Co-operatives & Social Welfare	558	-	267	39	880	10	1,754	1.0	354	1,400	Information	209	-	433	326	131	147	1,246	0.7	902	344	Total S. Overhead	9,172	1,575	4,931	3,977	6,221	1,428	27,486	15.6	10,086	17,400	Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																																									
Co-operatives & Social Welfare	558	-	267	39	880	10	1,754	1.0	354	1,400	Information	209	-	433	326	131	147	1,246	0.7	902	344	Total S. Overhead	9,172	1,575	4,931	3,977	6,221	1,428	27,486	15.6	10,086	17,400	Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																																																				
Information	209	-	433	326	131	147	1,246	0.7	902	344	Total S. Overhead	9,172	1,575	4,931	3,977	6,221	1,428	27,486	15.6	10,086	17,400	Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																																																															
Total S. Overhead	9,172	1,575	4,931	3,977	6,221	1,428	27,486	15.6	10,086	17,400	Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																																																																										
Administration	12,915	-	837	484	620	532	15,388	8.7	7,350	8,038	Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																																																																																					
Finan. Obligations	1,900	-	100	1,050	-	-	3,050	1.7	1,920	1,130	Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																																																																																																
Grand Total	82,103	28,098	19,011	17,908	20,803	8,733	176,656	100.0	93,318	83,338																																																																																																																																																																																											

1/ Government classification. Budget estimates April 1966.



ANNEX I

NATIONAL DEVELOPMENT PLAN 1962/68  
CAPITAL EXPENDITURE PROGRAMME 1966/67

Table 2

FEDERAL GOVERNMENT (Excluding Some Statutory Corporations but including transfers to Regions)

Sector	Revised Estimated Capital Expendi- ture 1965/66	Estimated Capital Expenditure 1966/67	% of Total	Foreign Exchange Component	Local Cost
<u>ECONOMIC</u>					
Primary Production	3,393	2,804	3.5	377	2,427
Trade and Industry	1,504	3,221	4.0	1,329	1,892
Electricity	16,189	22,500	27.6	15,525	6,975
Transport	9,868	17,205	21.1	10,389	6,816
Communications	3,673	11,433	14.0	8,503	2,930
Water Supplies	138	345	0.4	216	129
Total Economic	34,765	57,508	70.6	36,339	21,169
<u>SOCIAL OVERHEAD</u>					
Education	2,568	4,685	5.7	999	3,686
Health	232	1,116	1.4	342	774
Town Planning	729	2,604	3.2	577	2,027
Co-operative and Social Welfare	32	558	0.7	100	458
Information	146	209	0.2	188	21
Total Social Overhead	3,707	9,172	11.2	2,206	6,966
Administration	9,201	12,915	15.9	6,263	6,652
Financial Obligations	125	1,900	2.3	1,900	-
<b>G R A N D T O T A L</b>	<b>47,798</b>	<b>81,495</b>	<b>100.0</b>	<b>46,708</b>	<b>34,787</b>

L/ Government classification.

ANNEX I

National Development Plan 1962/68  
Capital Expenditure Programme 1966/67  
Federal Statutory Corporations

Table 3

Corporation	Revised Expected Capital Expenditure 1965/66	Estimated Capital Expenditure 1966/67	Foreign Exchange Component	Local Cost
Nigeria Railway Corporation (Nigeria Airways) 1/	1,512 ( -- )	5,894 ( 465 )	3,325 ( n.a. )	2,566 ( n.a. )
Nigerian Ports Authority (Nigeria Coal Corporation) 1/	5,698 ( -- )	7,000 ( 210 )	4,375 ( n.a. )	2,625 ( n.a. )
Electricity Corporation of Nigeria	11,000 ( -- )	13,450 ( 400 )	8,559 ( 400 )	4,891 ( 400 )
(Nigeria National Ship Lines) 1/ Lagos Executive Development Board	2,234 ( 16,189 )	1,757 ( 22,500 )	917 ( 15,525 )	840 ( 6,975 )
Niger Dams Authority) 1/	23,514 ( 39,733 ) 1/	28,098 ( 51,673 ) 1/	17,176 ( 33,101 ) 1/	10,922 ( 17,897 ) 1/

1/ Shows under government capital budget in Table B.

ANNEX I

National Development Plan 1962/58  
Capital Expenditure Programme 1965/67  
Eastern Nigeria Government

Table 4

Sector	£000				
	Revised Estimated Capital Expenditure 1965/66	Estimated Capital Expenditure 1966/67	% of Total	Foreign Exchange Component	Local Cost
<u>Economic</u>					
Primary Production	3,872	5,737	30.2	1,510	4,227
Trade & Industry	1,954	2,703	14.2	1,804	899
Electricity	38	540	2.8	378	162
Transport	1,368	2,660	14.0	1,332	1,328
Communications	-	-	-	-	-
Water Supplies	1,775	1,503	7.9	1,207	296
Total Economic	9,007	13,143	69.1	6,231	6,912
<u>Social Overhead</u>					
Education	1,219	2,111	11.1	846	1,265
Health	259	584	3.0	233	351
Town Planning	644	1,536	8.1	920	616
Co-operatives and Social Welfare	197	267	1.4	88	179
Information	402	433	2.3	266	145
Total Social Overhead	2,751	4,931	25.9	2,375	2,556
Administration	176	837	4.5	490	345
Financial Obligations	100	100	0.5	20	80
Grand Total	12,334	19,011	100.0	9,116	9,895

✓ Government classification.

TABLE 5

## ANNEX I

NATIONAL DEVELOPMENT PLAN 1962/68  
CAPITAL EXPENDITURE PROGRAMME 1966/67 1/

Western Nigeria Government

Sector	Revised Estimated Capital Expenditure 1965/66	Estimated Capital Expenditure 1966/67	of Total	Foreign Exchange Component	Local Cost
<u>ECONOMIC</u>					
Primary Production	1,494	2,826	15.8	646	2,180
Trade and Industry	545	1,621	9.0	1,021	600
Electricity	11	-	-	-	-
Transport	1,611	4,057	22.5	1,346	2,691
Communications	-	-	-	-	-
Water Supplies	3,253	3,913	21.9	1,956	1,957
Total Economic	6,914	12,397	69.2	4,969	7,428
<u>SOCIAL OVERHEAD</u>					
Education	1,323	2,829	15.8	814	1,985
Health	94	358	2.0	253	105
Town Planning	181	125	2.4	304	121
Cooperatives and Social Welfare	24	39	0.2	13	26
Information	168	326	1.8	248	78
Total Social Overhead	1,790	3,977	22.2	1,662	2,315
Administration	510	484	2.7	242	242
Financial Obligations	-	1,050	5.9	-	1,050
GRAND TOTAL	9,214	17,908	100%	6,673	11,035

1/ Government classification

ANNEX I

TABLE 6.  
NATIONAL DEVELOPMENT PLAN 1962/68  
CAPITAL EXPENDITURE PROGRAMME 1966/67.

Northern Nigeria Government  $\frac{1}{2}$

Sector	Revised Estimated Capital Expenditure 1965/66	Estimated Capital Expenditure 1966/67	of Total	Foreign Exchange Component	Local Cost
<u>ECONOMIC</u>					
Primary Production	2,183	2,584	12.4	800	1,784
Trade and Industry	3,359	2,870	13.8	1,520	1,350
Electricity	-	600	2.9	300	300
Transport	2,175	4,483	21.5	2,240	2,243
Communications	-	-	-	-	-
Water Supplies	1,075	3,425	16.5	1,440	1,985
Total - Economic	8,792	13,962	67.1	6,300	7,662
<u>SOCIAL OVERHEAD</u>					
Education	1,841	3,465	16.8	1,180	2,315
Health	604	1,662	8.0	830	832
Town Planning	348	53	.3	40	13
Cooperatives and Social Welfare	673	880	4.2	150	730
Information	342	131	.6	80	51
Total Social Overhead	3,808	6,221	29.9	2,280	3,941
Administration	300	620	3.0	150	470
Financial Obligations	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>12,900</b>	<b>20,803</b>	<b>100%</b>	<b>8,730</b>	<b>12,073</b>

$\frac{1}{2}$  Government Classification.

ANNEX I

TABLE 7.

NATIONAL DEVELOPMENT PLAN 1962/68  
CAPITAL EXPENDITURE PROGRAMME 1966/67

Mid-Western Nigeria Government 1/

Sector	Revised Estimated Capital Expenditure 1965/66	Estimated Capital Expenditure 1966/67	% of Total	Foreign Exchange Component	Local Cost
<u>ECONOMIC</u>					
Primary Production	246	650	9.5	348	482
Trade and Industry	1,101	2,510	28.7	2,083	427
Electricity	-	103	1.2	20	83
Transport	971	2,482	28.1	830	1,622
Communications	-	-	-	-	-
Water Supplies	390	878	10.1	583	295
<b>Total Economic</b>	<b>2,708</b>	<b>6,773</b>	<b>77.6</b>	<b>3,864</b>	<b>2,909</b>
<u>SOCIAL OVERHEAD</u>					
Education	300	771	8.1	273	438
Health	28	246	2.8	115	131
Town Planning	20	314	3.6	157	157
Cooperatives and Social Welfare	10	10	.1	3	7
Information	-	147	1.7	98	49
<b>Total Social Overhead</b>	<b>358</b>	<b>1,428</b>	<b>16.3</b>	<b>646</b>	<b>782</b>
Administration	86	532	6.1	205	327
Financial Obligations	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>3,152</b>	<b>8,733</b>	<b>100%</b>	<b>4,715</b>	<b>4,018</b>

1/ Government classification

ANNEX I  
Table A: FEDERAL CAPITAL EXPENDITURES 1962-68 EXCLUDING TRANSFERS TO STATUTORY CORPORATIONS AND REGIONS  
(Totals do not necessarily add because of rounding)

	(\$ thousands)					Total (1 to 6) 1962-68	Total (4+5+6) 1965-68	Bank 1/ mission Ex- pectations 1965-68
	1962/63 (Actual) 1/	1963/64 (Actual) 1/	1964/65 (Actual) 2/	1965/66 2/ (Est. Actual)	1966/67 2/ (Budget)			
<b>I. ECONOMIC</b>								
Primary Production	691	512	427	806	1,204	1,272	4,912	3,282
Trade and Industry	1,088	4,272	2,486	1,504	3,011	875	13,236	5,390
Electricity	-	-	-	-	-	-	-	-
Transport	7,031	7,431	12,064	9,120	16,448	14,002	66,096	39,570
Communications	1,172	1,422	1,549	3,673	11,433	6,678	25,927	21,784
Sub-total	9,982	13,637	16,526	15,103	32,096	22,827	110,171	70,026
<b>II. SOCIAL</b>								
Water Supplies	132	34	117	137	345	315	1,080	797
Education	3,599	1,717	1,991	2,368	4,330	1,191	15,196	7,889
Health	729	818	856	232	1,116	652	4,403	2,000
Town & Country Planning	680	919	2,511	729	2,354	1,221	8,414	4,304
Coops & Social Welfare	310	91	157	27	558	472	1,615	1,057
Information	581	619	327	13	209	137	1,886	359
Sub-total	6,031	4,198	5,959	3,506	8,912	3,988	32,594	16,406
<b>III. ADMINISTRATION</b>	7,589	13,116	14,639	9,201	12,915	7,309	64,769	29,425
<b>IV. FINANCIAL OBLIGATIONS</b>	464	580	1,613	125	1,900	-	4,682	2,025
TOTAL	24,066	31,531	38,737	27,935	55,823	34,124	212,216	117,882
Cash disbursement basis	24,066	31,531	38,737	27,935	51,400 2/	38,500 2/	212,169	117,835

1/ 1965 Bank Report Volume II adjusted to exclude transfers. 2/ Government Budgets.

3/ Estimates by Bank and Government. 1966-67 underspending added to 1967-68 budget total.

ANNEX I

Table B: FEDERAL STATUTORY CORPORATIONS - CAPITAL EXPENDITURE 1962-68

(£ Thousands)

	1962/3 (Actual) 1/	1963/4 (Actual) 1/	1964/5 (Actual) 2/	1965/6 (Est. 2/ Actual)	1966/7 (Budget) 2/	1967/8 (Budget) 2/	1965-8 Total	Bank Mission Expectations 1965-8 1/
<b>A. Transport</b>								
Nigerian Ports Authority	6,411	6,422	5,488	5,698	7,000	3,185	15,883	12,431
Nigeria Railways	4,340	4,939	4,351	4,612	5,891	2,148	12,651	11,680
Nigeria Airways	2,012	1,602	-	-	465	-	465	-
Nigeria Nat'l Ship Lines	2,201	425	204	-	400	1,430	1,830	-
Sub-total	14,964	13,388	10,043	10,310	13,756	6,763	30,829	24,111
<b>B. Electricity</b>								
Niger Dam	-	1,061	8,088	16,179	22,500	13,000	51,689	54,120
Electricity Corp.	4,395	4,486	8,649	11,000	13,450	5,031	29,481	30,365
Sub-total	4,395	5,547	16,737	27,179	35,950	18,031	81,170	84,485
<b>C. Town Planning &amp; Housing Lagos Exec. Dev. Bd.</b>	659	1,485	1,025	2,234	1,757	1,083	5,074	5,645
<b>D. Nigeria Coal Corp.</b>	150	300	-	-	210	200	410	-
Total (A + B + C + D)	20,168	20,720	27,805	39,723	51,673	26,077	117,483	114,241
Cash disbursement basis	20,168	20,720	27,805	39,723	45,073 3/	28,077 4/		
					to 49,673	to 32,677		

1/ 1965 Bank Report - Volume II

2/ Government Budgets

3/ Bank and Government estimates depending on underspending in Ports Authority and Electricity Corp.

4/ Underspending 1966/67 added to 1967/68 budget.



ANNEX I

Table C: EASTERN REGION - CAPITAL EXPENDITURES 1962-68

(£ Thousands)

	1962/3 (Actual) 1/	1963/4 (Actual) 1/	1964/52/ (Actual) 1/	1965/6 2/ (Est. Actual) 1/	1966/7 2/ (Budget) 2/	1967/8 2/ (Budget) 2/	Total 1962-68	Total Mission Ex- 1965-8 pectations 1965-8
<b>I. ECONOMIC</b>								
Primary Production	2,130	2,974	3,731	3,872	5,737	7,425	17,034	19,090
Trade & Industry	1,952	3,076	3,552	1,954	2,703	2,559	7,216	7,617
Electricity	162	1	4	38	540	255	833	595
Transport	1,523	1,105	1,088	1,368	2,660	2,500	6,528	5,842
Sub-total	5,767	7,156		7,232	11,640	12,739	52,909	31,611
<b>II. SOCIAL</b>								
Water Supply	1,003	760	1,176	1,775	1,503	1,049	4,327	2,180
Education	649	609	643	1,249	2,111	1,591	4,951	4,570
Health	162	45	141	259	584	568	1,411	1,483
Town & Country Planning	724	436	741	644	1,536	1,160	3,340	3,523
Social Welfare	44	85	64	197	267	10	474	338
Information	364	180	454	402	433	51	1,884	575
Sub-total	2,946	2,115		4,526	6,434	4,429	23,669	12,669
<b>III. ADMINISTRATION</b>	671	763	585	476	837	422	3,727	1,735
<b>IV. FINANCIAL OBLIGATION</b>	11	21	117	100	100	50	399	150
<b>TOTAL</b>	9,395	10,055	12,196	12,334	19,011	17,640	80,704	47,022
Cash disbursement basis	9,395	10,055	12,196	12,334	15,011 3/	21,140 4/		
					to 15,511	to 21,640		

1/ 1965 Bank Report - Volume II

2/ Government Budgets

3/ Bank-Government estimates

4/ 1966/67 underspending added to 1967/68 budget total

ANNEX I

Table D: MID-WEST REGION - CAPITAL EXPENDITURES 1962-68

(\$ Thousands)

	1962-64 (Actual)	1964/65 (Actual) 1/	1965/66 1/ (Est. Actual)	1966/67 (Budget) 1/	1967/68 (Budget) 1/	Total 1962-68	Total 1965-68 2/	Mission Expectations 1965-68 2/
<b>I. ECONOMIC</b>	No program							
Primary Production	111		246	830	1,366	2,553	2,442	2,181
Trade & Industry	791		1,101	2,510	1,368	5,770	4,979	10,171
Electricity	-		-	103	227	330	330	330
Transport	<u>479</u>		<u>971</u>	<u>2,452</u>	<u>1,000</u>	<u>4,902</u>	<u>4,423</u>	<u>2,555</u>
Sub-total	1,381		2,318	5,895	3,961	13,555	12,174	15,237
<b>II. SOCIAL</b>								
Water Supply	295		390	878	1,202	2,765	2,470	3,391
Education	287		300	711	1,045	2,343	2,056	1,512
Health	14		28	246	59	347	333	180
Town & Country Planning	-		20	314	202	536	536	824
Social Welfare	7		10	10	82	109	102	41
Information	-		-	<u>147</u>	<u>195</u>	<u>342</u>	<u>342</u>	<u>304</u>
Sub-total	603		748	2,306	2,785	6,442	5,839	6,252
<b>III. ADMINISTRATION</b>	62		86	532	30	710	648	850
<b>IV. FINANCIAL OBLIGATION</b>	-		-	-	-	-	-	-
<b>TOTAL</b>	<u>2,046</u>		<u>3,152</u>	<u>8,733</u>	<u>6,776</u>	<u>20,707</u>	<u>18,661</u>	<u>22,339</u>
<u>Cash disbursement basis</u>	2,046		3,152	6,733 3/	8,276 4/			
				to 7,233	to 8,776			

1/ Government Budgets, 1967/68 provisional

2/ 1965 Bank Report (Volume II)

3/ Bank and Government staff estimate

4/ 1966/67 underspending added to 1967/68 budget estimate

## ANNEX I

Table E: NORTHERN NIGERIA - CAPITAL EXPENDITURES 1962-1968

	(£ thousands)					Total 1962-68	Total 1965-68	Mission Expectations 1965-68
	1962-63/ (Actual)	1963-64/ (Actual)	1964-65/ (Actual)	1965-66 2/ (Est. Actual)	1966-67/ (Budget)			
I. ECONOMIC								
Primary Production	827	1,501	2,118	2,183	2,584	3,010	12,223	7,777
Trade and Industry	1,632	2,699	1,575	3,359	2,870	1,903	14,038	8,132
Electricity	14	14	-	-	600	400	1,028	1,000
Transport	1,548	941	845	2,175	4,483	4,456	14,448	11,114
Sub-total	4,021	5,155	4,538	7,717	10,537	9,769	41,737	28,023
II. SOCIAL								
Water Supply	911	1,121	1,117	1,075	3,425	5,183	12,832	9,683
Education	836	826	1,760	1,841	3,495	3,730	12,488	9,066
Health	474	242	884	604	1,662	872	4,738	3,138
Town & Country Planning	211	450	355	348	53	67	1,184	468
Social Welfare	177	310	336	673	880	204	2,580	1,757
Information	234	102	277	342	131	67	1,153	540
Sub-total	2,843	3,051	4,729	4,883	9,646	10,123	35,275	24,652
III. ADMINISTRATION	1,410	975	308	300	620	467	4,080	1,387
IV. FINANCIAL OBLIGATIONS	-	-	-	-	-	-	-	-
TOTAL	8,274	9,181	9,575	12,900	20,803	20,359	81,092	54,062
Cash disbursement basis	8,274	9,181	9,585	12,900	18,803 <sup>2/</sup>	21,359 <sup>4/</sup>	54,062	54,465
					to 19,803 to 22,359			

1/ 1955 Bank Report Volume II

2/ Government Budgets. Some items in 1964-65 are estimated.

3/ Bank and Government estimates.

4/ Underspending in 1966-67 added to budget estimate for 1967-68.

ANNEX I

Table F: WESTERN REGION - CAPITAL EXPENDITURES 1962-68

(In Thousands)

	1962/63 (Actual) 1/	1963/64 (Actual) 1/	1964/65 (Actual) 2/	1965/66 2/ (Est. Actual)	1966/67 (Budget) 2/	1967/68 (Budget) 2/	Total 1962-68	Mission Expectations 1965-68 3/
<b>I. ECONOMIC</b>								
Primary Production	1,367	1,706	949	1,494	2,826	5,053	13,395	9,624
Trade & Industry	846	1,488	1,508	545	1,621	6,209	12,217	14,830
Electricity	-	-	36	11	-	-	47	1,125
Transport	1,353	388	466	1,611	4,037	4,463	12,318	12,163
Sub-total	3,566	3,582	2,959	3,661	8,484	15,725	37,977	37,742
<b>II. SOCIAL</b>								
Water	1,789	879	3,060	3,253	3,913	6,515	19,409	15,589
Education	3,022	934	1,098	1,323	2,829	1,241	10,447	8,450
Health	40	63	4	94	358	220	779	672
Town & Country Planning	593	753	618	181	425	267	2,837	1,205
Coops & Social Welfare	7	21	0	24	39	225	316	5,040
Information	-	-	-	168	326	43	537	86
Sub-total	5,451	2,650	4,780	5,043	7,890	8,511	34,325	31,143
<b>III. ADMINISTRATION</b>								
	-	198	275	510	484	3,700	5,167	673
<b>IV. FINANCIAL OBLIGATIONS</b>								
Special List or Loans	-	-	-	-	1,050	200	1,250	1,200
TOTAL	9,017	6,430	8,014	9,214	5,108	1,000	6,108	-
Cash Disbursement	9,017	6,430	8,014	9,214	23,016	29,136	84,827	70,758
Basis					18,016 4/	32,136 5/		
					to 20,016 to 34,136			

1/ Bank Mission Report of 1965 Volume II.

2/ Provisional for the Western Region.

3/ 1966-67 underspending added to 1967-68 budget.

4/ Government Budgets.

5/ Estimates by Bank Staff and government authorities.

ANNEX I

Notes to Tables A & B

(In Thousands)

I. The customary government capital budget includes financial transfer payments to statutory corporations and regional governments. These have been subtracted to avoid double counting of the same expenditure on goods and services, and to classify the government budgets in a manner comparable to that followed in the 1965 Bank report (see Volume II). The computations are shown below, and result in a lower total (shown in Table A) for government capital expenditure. To the extent that these are financial transfers, they are already reflected in the capital expenditure estimates of the statutory corporations and regional governments and these transfers are shown on the resource side only of the recipient agency. A few items involve federal government financing not fully reflected in the statutory corporation capital program. These are transferred to the statutory corporation accounts on both the resource and expenditure sides (airways, shipping, and coal corporation - See Table B).

II. 1962-64. Taken from Bank report (Volume II)

III. 1964/65 Actuals = Revised expenditures, or 1962-65 actuals less 1962-64 actuals as per Nigerian Paper, Paris - February 1966.

1. <u>Primary Production</u>	1,047	budgeted
	<u>- 620</u>	loans to regions
	427	
2. <u>Transport</u>	12,564	
	<u>- 500</u>	loans to airways
	12,064	
3. <u>Education</u>	2,301	
	<u>- 310</u>	grants to regions
	1,991	
4. <u>Town &amp; Country Planning</u>	2,531	
	<u>- 20</u>	loans to LEDB
	2,511	
5. <u>Electricity</u>	8,088	
	<u>-8,088</u>	loans to Niger Dams Authority
	0,000	

IV. 1965/66 Actuals = revised estimates

1.	<u>Primary Production</u>	- 3,392	budgeted
		<u>-2,586</u>	loans to regions
		806	
2.	<u>Transport</u>	9,866	
		<u>- 746</u>	loans to Railways
		9,120	
3.	<u>Education</u>	2,568	
		<u>- 200</u>	grants to regions
		2,368	

V. 1966/67 Budget

1.	<u>Primary Production</u>	- 2,804	
		<u>-1,600</u>	loans to regions
		1,204	
2.	<u>Trade &amp; Industry</u>	3,221	
		<u>- 210</u>	loans to Coal Corporation
		3,011	
3.	<u>Electricity</u>	22,500	
		<u>-22,500</u>	loans to Niger Dams
		00,000	
4.	<u>Transport</u>	17,813	
		<u>- 500</u>	loans to Railways
		17,313	
		<u>- 400</u>	loans to National Ship Line
		16,913	
		<u>- 465</u>	loans to Airways
		16,448	
5.	<u>Education</u>	4,685	
		<u>- 355</u>	grants to regions
		4,330	
6.	<u>Town &amp; Country Planning</u>	2,604	
		<u>- 250</u>	loans to LEDB
		2,354	

VI. <u>1967/68 Budget</u>	
1. <u>Primary Production</u>	2,672
	<u>-1,400</u> loans to regions
	1,272
2. <u>Trade &amp; Industry</u>	1,075
	<u>- 200</u> loans to Coal Corporation
	875
3. <u>Electricity</u>	13,000
	<u>-13,000</u> loans to Niger Dams
	00,000
4. <u>Transport</u>	14,934
	<u>- 932</u> loans to Railways
	14,002
5. <u>Education</u>	1,743
	<u>- 552</u> grants to regions
	1,191
6. <u>Town &amp; Country</u>	1,717
<u>Planning</u>	<u>- 496</u> loans to LEDB
	1,221

## ANNEX II

### Sources of Finance for Capital Expenditures: 1966/67

#### General

1. The authorized budgets for the fiscal year 1966/67 spell out, with separate estimates for statutory corporations, the probable sources of finance. The budgets also include revised estimates of finance for the year 1965/66.
2. Bank staff, in consultation with Nigerian representatives, reviewed the estimated 1966/67 financial resources in Washington in May 1966 and in Lagos in June, 1966. The methods used in this review are outlined below.
3. The major conclusions of this review were:
  - (a) The estimated domestic resources for 1966/67 exceed the Bank report's high resource alternative. This results from expected increases in budget surpluses which, in turn, reflect primarily higher revenues, but also expected savings due to occur through controlling the rate of growth of recurrent expenditures.
  - (b) On the other hand, it is now clear that domestic resources in 1966/67 are unlikely to exceed the present estimated amount without recourse to additional deficit financing because expected revenues are already approaching the high alternative given in the Bank report in regard to petroleum as well as other revenues. This makes it unlikely that the recurrent surplus can be increased.



1966/67 Financial Resources

4. Total 1966/67 resources are estimated at £133 million of which one-half is domestic and one-half existing external finance (see Table III of the main memorandum). In summary form, the estimate comprises:

	<u>£ million</u>
Budget Surpluses	27.8
Marketing Board Profits	10.5
Internal Resources of Statutory Corporations	7.8
Domestic Borrowing, including from the Central Bank	15.1
Use of Cash and other Reserves	5.0
Available External Finance	<u>66.8</u>
TOTAL	133.0

5. Budget surpluses of £27.8 million are £7.2 million, or 34 percent, above the revised estimate for 1965/66 (See Table IV). This surplus is computed by a straight subtraction of recurrent expenditure from current revenue compared with the Government budget practice involving successive transfers of, first, budget surplus to Consolidated Revenue Fund, and then to the Development Fund. The latter method obscures total budget surpluses by combining them with cash balances. Other adjustments include combining what Government describes as "other" domestic income (e.g. some rents, dividends, and sales) with revenue; subtracting transfers to development funds budgeted as a recurrent expenditure in the North, and increasing budgeted Federal revenues by £4 million.

6. The increase in budget surpluses results primarily from increased revenue, but also from controlling recurrent expenditure other than debt service. 1966/67 budgeted total recurrent expenditures of £191.1 million are about 10 percent above 1965/66. The increase would have been about 11.5 percent if no policy changes had been introduced. However, recurrent expenditures, other than debt service, are budgeted to increase by only 3.5 percent compared with the past trend of 9 percent. The overall increase in recurrent expenditure is, thus, primarily a result of debt service, and highlights both the problem of debt service and public savings, and the significant effort now being made to control recurrent expenditures. On the revenue side, total 1966/67 revenues of £218.9 million are £26.7 million, or 13 percent, above 1965/66 levels (See Table IV).

7. The most notable feature of estimated 1966/67 budget surpluses is that they exceed the high resource alternative estimated in the 1965 Bank report. Budget surpluses for the Federal, Northern and Western Governments all exceed the Bank's high alternative. In absolute terms, it is the increase in Federal retained revenues that accounts for the largest increase. Nigerian authorities estimate that Federal revenues will be about £4 million above the budgeted level resulting from the effects of new taxes and higher petroleum revenue. Petroleum revenues are budgeted on the basis of data supplied by the companies. The estimated increase over the budgeted level brings petroleum revenues to about halfway between the Bank high and low resource estimates. It was agreed that these revenue levels are attainable, but are most unlikely to be exceeded.

8. Estimated 1966/67 Marketing Board profits and internal resources of statutory corporations are consistent with and similar to both the estimates in the 1965 Bank report and the February 1966 Government presentation. These estimates were provided by the respective agencies, and the underlying assumptions were not available for review (See Tables II and III).

9. 1966/67 internal borrowing is estimated at £15.1 million. It is expected that about £9.5 million of this will be subscribed by provident funds and other private savings, leaving about £5.6 million to be held by the Central Bank. Combining the latter with use of cash balances of £5 million results in deficit financing of about £10.6 million. As a corollary, domestic savings should total £55.6 million.

10. External Finance: Resources available from already committed externally financed projects and grants are estimated at £66.8 million. The amount of external finance is, of course, related to estimated disbursements against externally financed projects, and this estimate of external resources assumes disbursements equal to the total 1966/67 budgeted capital program. To the extent that expenditure disbursements are less and the incidence of this shortfall is on externally aided projects, the estimated external resources will also fall short. This possibility is discussed in Annex I, but, in brief, although it is difficult to be precise, it

is estimated that the minimum cash disbursement capital expenditure program of £155 million will result in about £6 million less being available from external resources. This would mean £60.8 million compared with £66.8 million.

11. On the other hand, some capital expenditure disbursements included in the 1966/67 budget may be financed by new project finance from external resources. This element is most difficult to estimate as it involves decisions on the probability of projects being selected by donors, negotiated, and contracted during 1966/67. The possible new projects for 1966/67 are identified in the special lists or categories in the budgets of the Western, Northern and Mid-Western Regions, by the designation "R" in the Eastern Region budget. There are also possibly two eligible projects in the Federal budget (telecommunications and civil aviation communications). This list should be compared with the "shopping list" attached to the Government's February 1966 presentation. 1966/67 budgeted capital expenditures against these combined new projects total about £23 million, of which about £11 million is the foreign offshore cost element.

12. If all these new projects attract external financial commitments in 1966/67, additional external finance of about £11 million, corresponding to the offshore cost element, or rather to the extent that local costs are financed, might be mobilized. This is, however, highly unlikely: shortfall from budgeted expenditure levels will fall most heavily among these new projects resulting in lower levels of disbursements that could be financed by new external loans. In addition, many of these projects are either "non-eligible" under normal project finance rules or, more important, have not been "picked up" after repeated exposure on "shopping lists". The best judgment, given these uncertainties, is that additional external finance arising from new project loans in 1966/67 might be between £4 and £9 million: £4 million because the National Telecommunications Plan II is ripe and involves upwards of £4.2 million in foreign exchange, and £2 million to £5 million on other projects because of shortfall considerations.

13. In summary, the financing position is as follows:

	<u>£ million</u>	
(1) Estimated cash disbursements on capital expenditures	155 to 163.6	
(2) Less resources available assuming no expenditure shortfall, or no new project loans	133	133
(3) Resource gap before adjustments	22 to 30.6	
(4) Add concomitant existing external finance shortfall	+6	+4
Sub-Total (gap)	28	34.6
(5) Less external finance from disbursements under <u>new</u> project commitments	<u>-4 to 9</u>	<u>4 to 9</u>
(6) Minimum gap not eligible for project finance	19 to 24 25.6 to 30.6	

The above table shows that combining the range estimates of capital expenditure disbursements with estimated available resources, and then adjusting for the concomitant shortfall of existing committed external finance plus the external finance disbursements from new project loan commitments, the resulting estimated gap, as a range, will be at least L19 million (\$53 million). The gap could increase to about L25.6 million (\$72 million) to the extent that expenditure disbursements reach the "high" estimate, existing externally financed projects do not fall short, and new project loan disbursements attain the maximum possible level.

ANNEX II

Table 100: GOVERNMENT BUDGET SURPLUSES: 1965/66  
AND 1966-67  
(£ 000)

	<u>Current Revenues</u>	<u>Current Expenditure</u>	<u>Budget Surplus</u>	<u>Budgeted Transfer to Develop- ment Fund</u>
(Revised Est.)				
<u>1965/66</u>				
Federal (from memo)	94,120	87,011	7,109	7,100
East	29,268	26,154	3,114	2,000
Mid-West	9,940	8,600	1,340	1,300
North	35,843	29,620	6,223	7,500
West	<u>22,954</u>	<u>22,300</u>	<u>654</u>	-
Total	192,125	173,685	18,440	17,900
Plus other	<u>2,136</u>		<u>2,136</u>	
Total	<u>194,261</u>		<u>20,576</u>	
(Est.)				
<u>1966/67</u>				
(Approved est.)				
Federal	110,995/2	99,402	11,592	7,530
East	30,680	29,584	1,096	4,000
Mid-West	11,608	8,359	3,249	2,000
North	39,456	32,305/1	7,151	5,012
West	<u>24,247</u>	<u>21,446</u>	<u>2,801</u>	<u>3,000</u>
Total	216,986	191,096	25,890	21,542 3/
Plus other	<u>1,952</u>		<u>1,952</u>	
Total	<u>218,938</u>		<u>27,842</u>	

- 
- /1 Budget recurrent expenditure less budgeted contribution to development Fund included therein.
- /2 Increased by £4 million expected increase resulting from new tax effects.
- /3 1966/67 transfers to development fund are less than budget surpluses (27.8 - 21.5 = 6.3) offset by use of aggregate cash reserves of 50 implying that aggregate cash reserves increased by £1.3 million.