RESTRICTED

Report No. EA-79

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE ECONOMY OF NIGERIA

April 18, 1958

Department of Operations -
Europe, Africa and Australasia

CURRENCY EQUIVALENTS

Unit: West African £

1 West African £ = £1 Sterling = U.S. $2.80

In this report the £ sign, when not otherwise identified, means the West African pound.

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BASIC STATISTICS

Area: 373,250 square miles

Population: 34.0 million (Mid-1957 estimate)

Of which:

Northern Region	18.5 million
Eastern Region	7.8 "
Western Region	6.6 "
Southern Cameroons	0.8 "
Lagos (capital)	0.3 "

Domestic Product (1956/57) £807 million ($2,260 million equivalent)

Per Capita Product (1956/57) About £24 ($66 equivalent)

	Percent of Gross Domestic Product (1956/57)
Gross Capital Formation	about 10%
Current Federal and Regional Expenditure	8%
Total Exports	16%

External Trade, 1956:

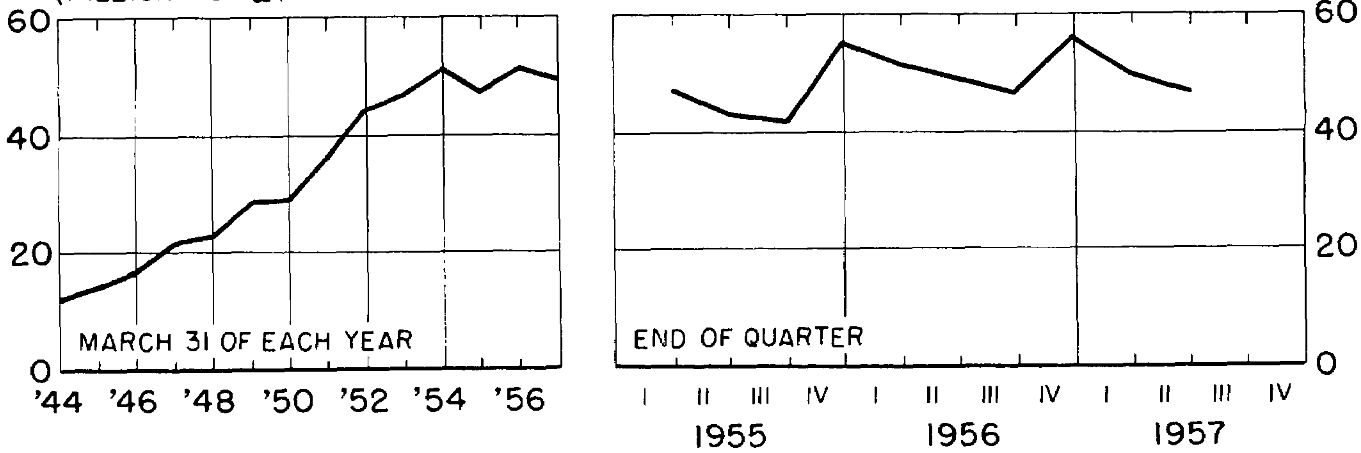
Exports £132.5 million of which:		Imports £152.6 million of which:	
Palm oil and kernels	26.7%	Textiles	21.4%
Groundnuts	21.0%	Machinery and vehicles	21.0%
Cocoa	18.1%	Food and beverages	14.0%
Cotton	5.4%	Chemicals	5.0%
Rubber	4.8%	Petroleum products	4.8%
Timber	2.9%	Other manufactures	33.8%
Tin and columbite	6.9%		
Other primary products	14.2%		
	100.0%		100.0%

Sterling Assets (£ million)

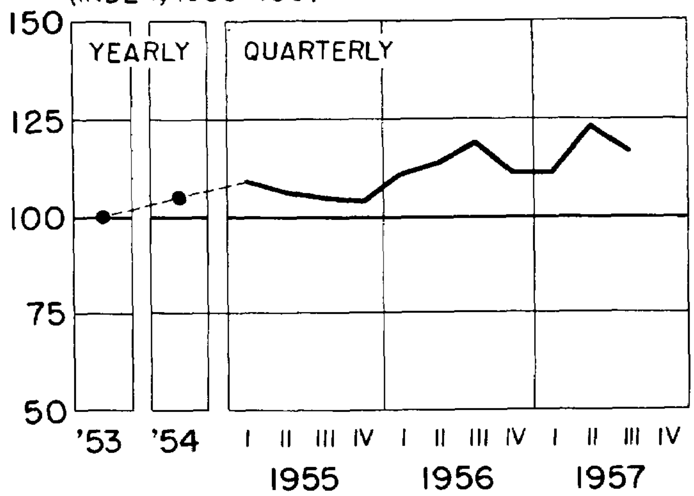
	March 31, 1957
Government (Federal, regional, local)	105.7
Marketing Boards	58.5
Currency Board	60.8
Development Corporations, etc.	6.9
Other semi-official	12.1
Banks (net)	22.5
Total	£266.5 million
	$746.2 million equivalent

NIGERIA

CURRENCY IN CIRCULATION
(MILLIONS OF £)



RETAIL PRICES (ALL ITEMS, IBADAN)
(INDEX, 1953=100)



GROSS DOMESTIC PRODUCT
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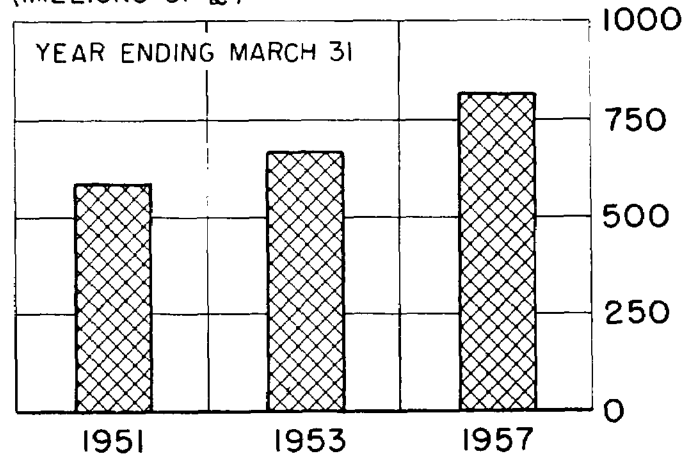

STERLING BALANCES
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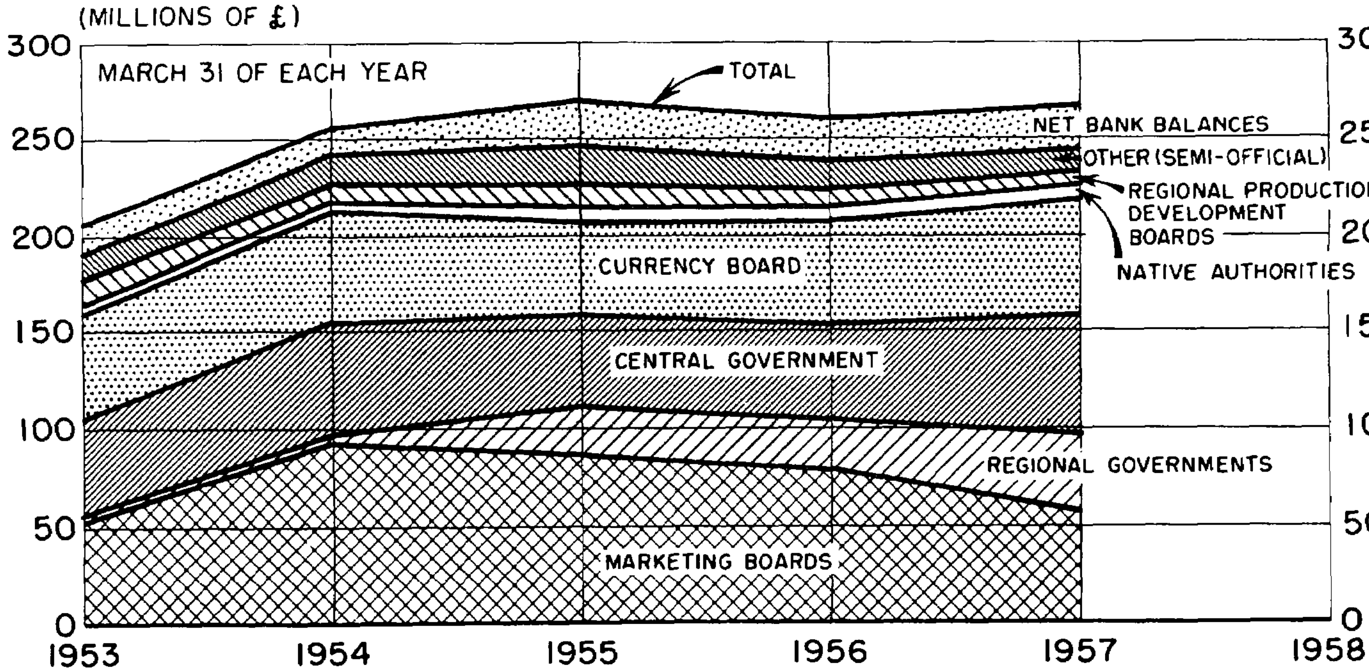

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FEDERAL AND REGIONAL GOVERNMENTS: REVENUE AND EXPENDITURE
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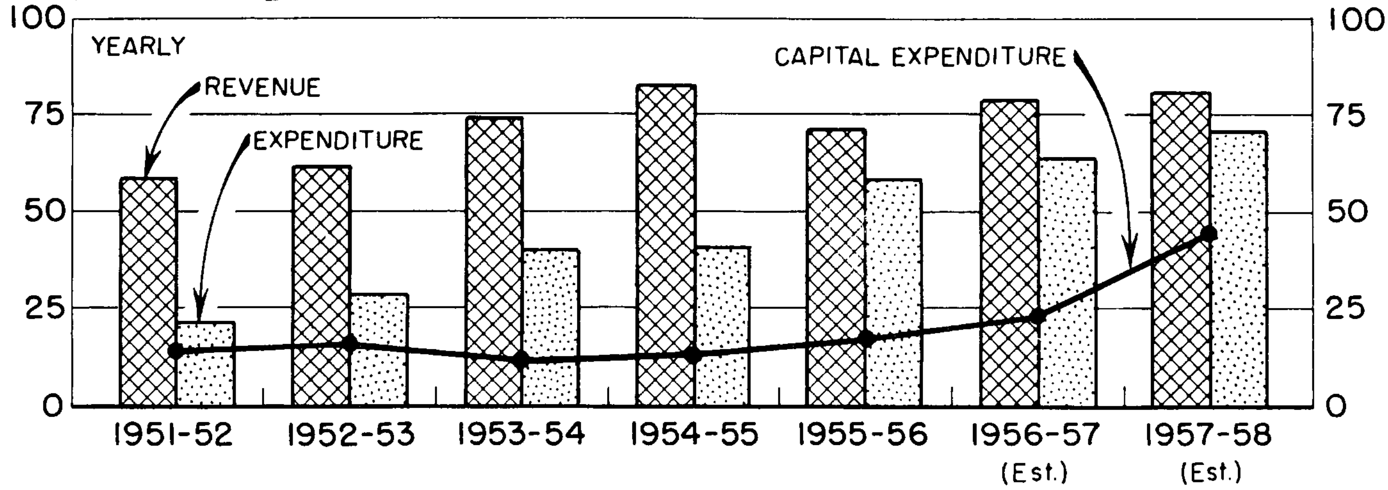

VEGETABLE OIL PRODUCTS: NIGERIA'S SHARE OF THE WORLD MARKET
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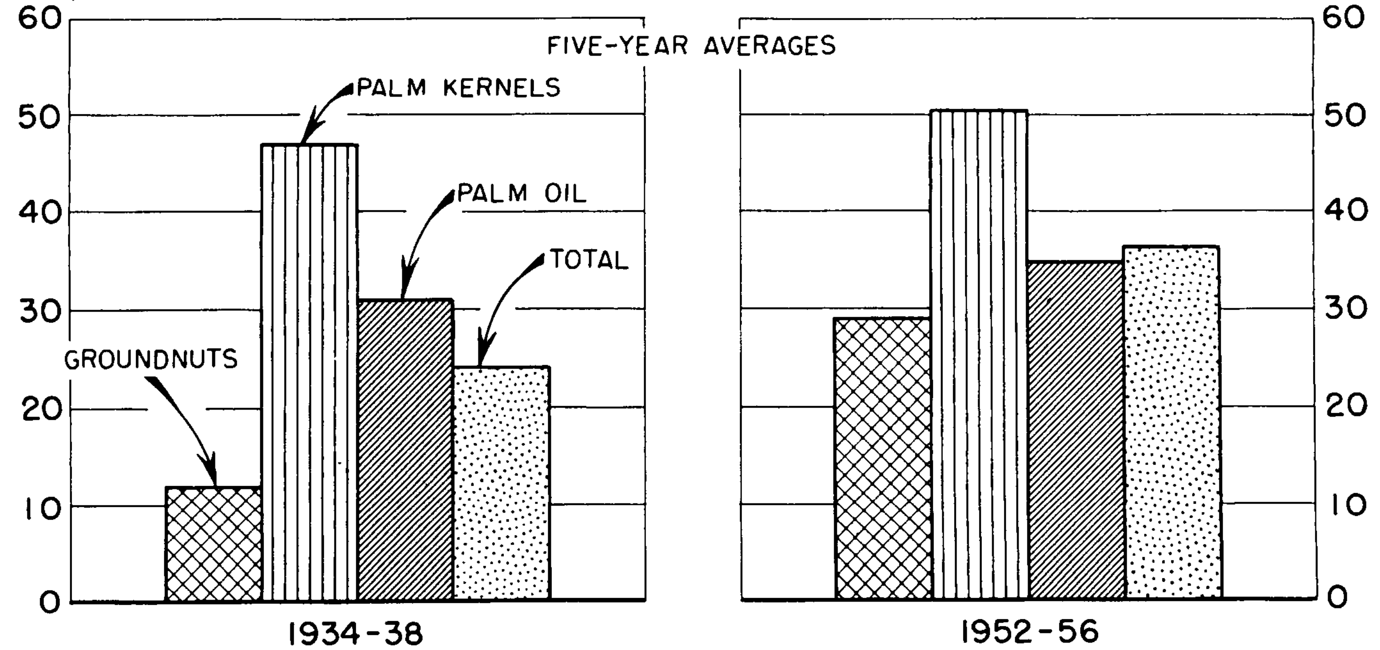

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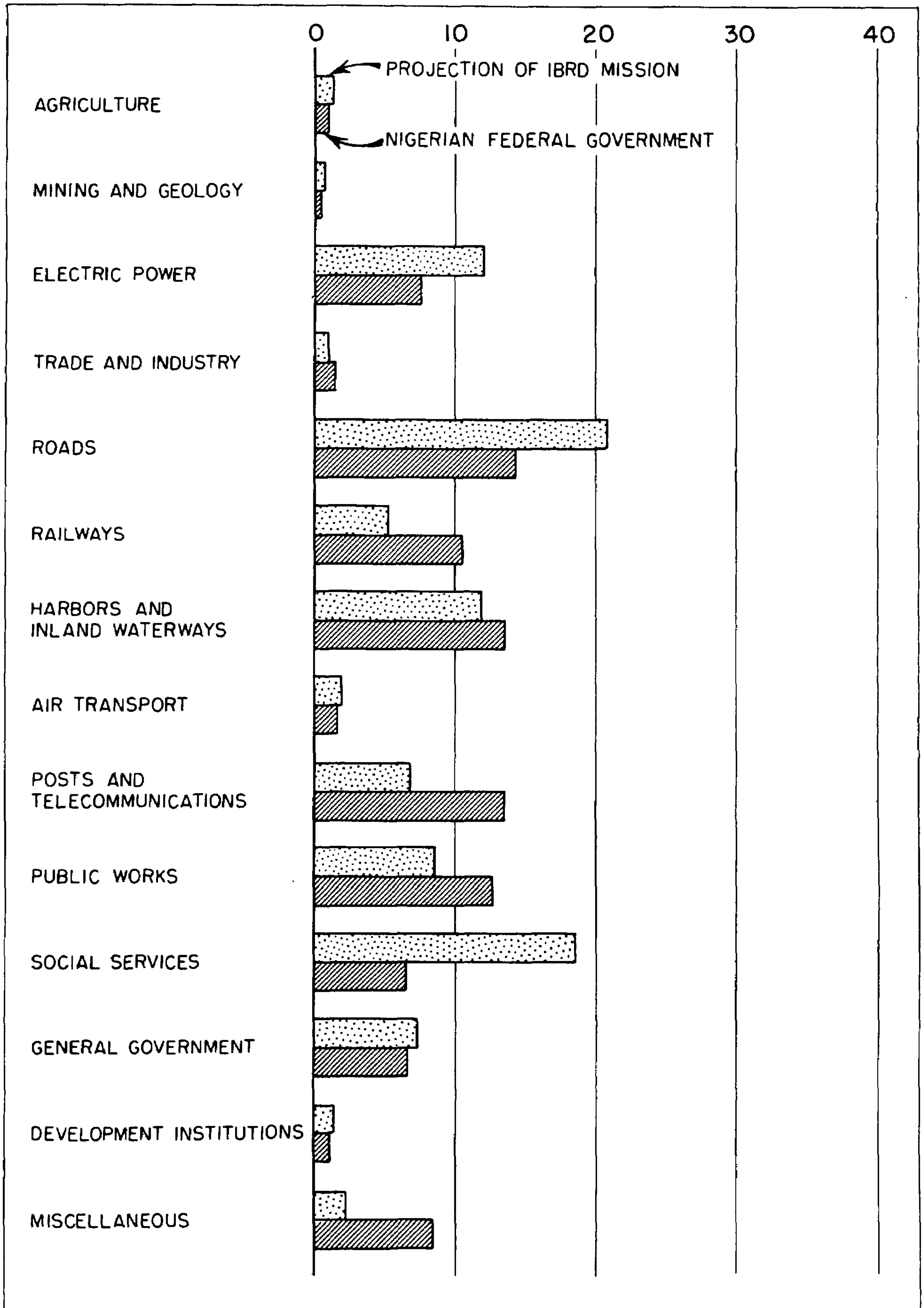
(PERCENT OF TOTAL)



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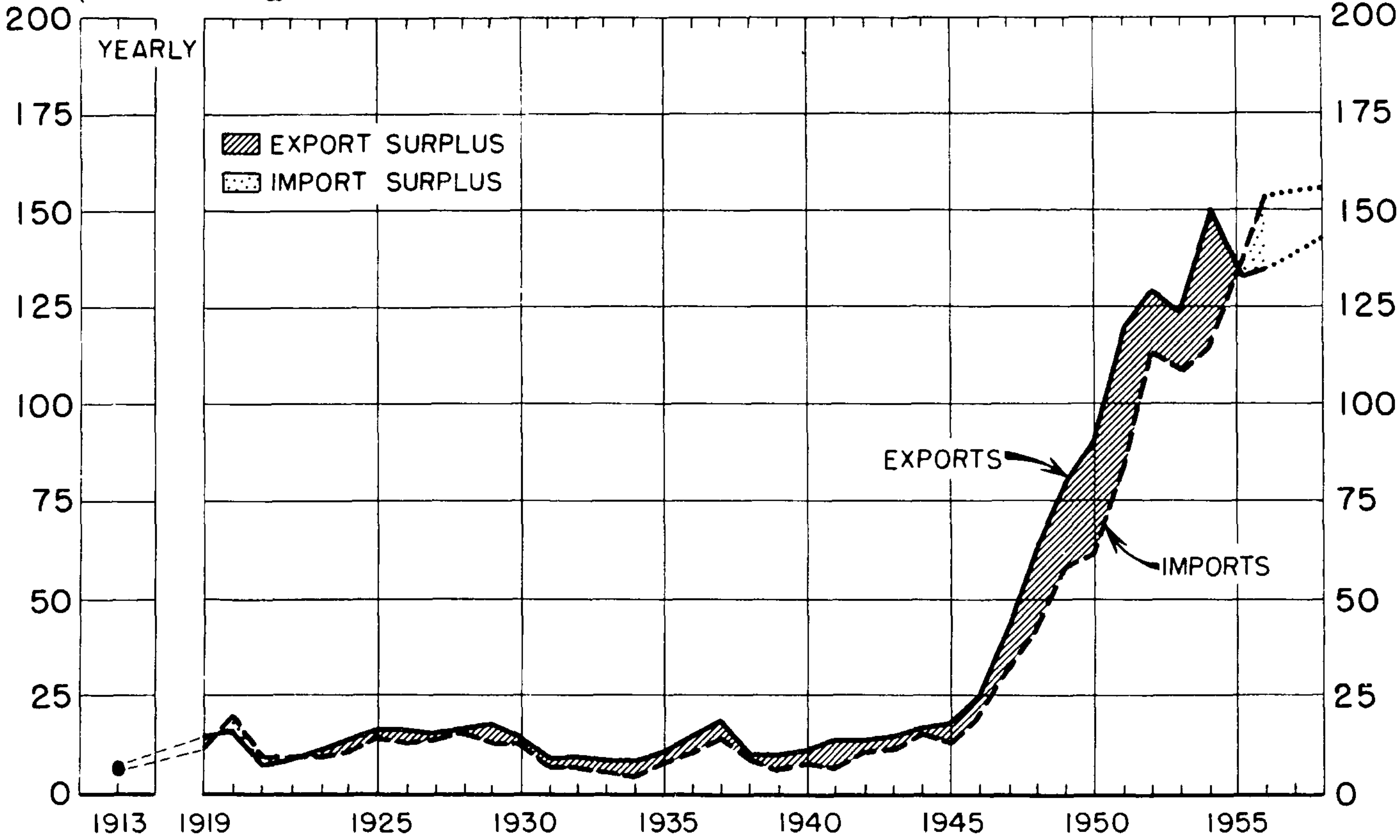
(MILLIONS OF £)



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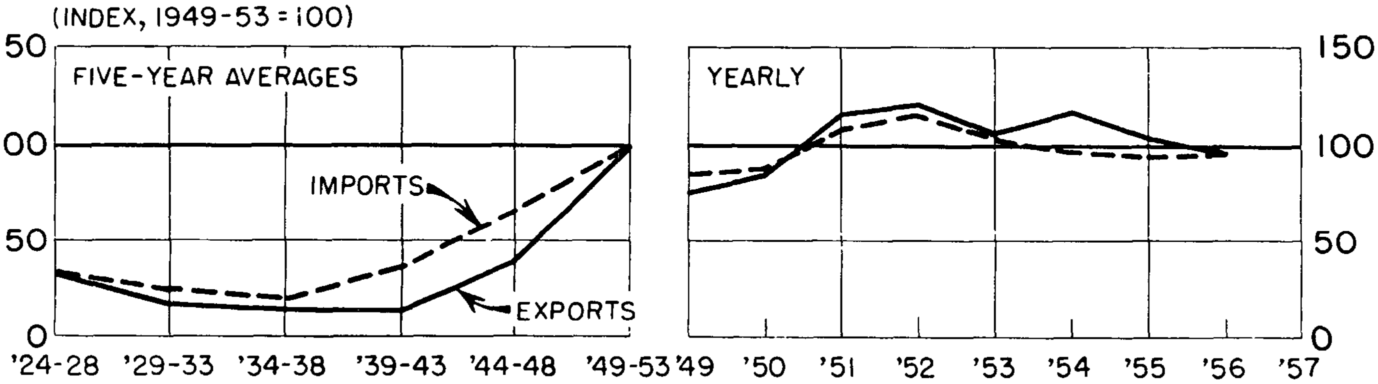

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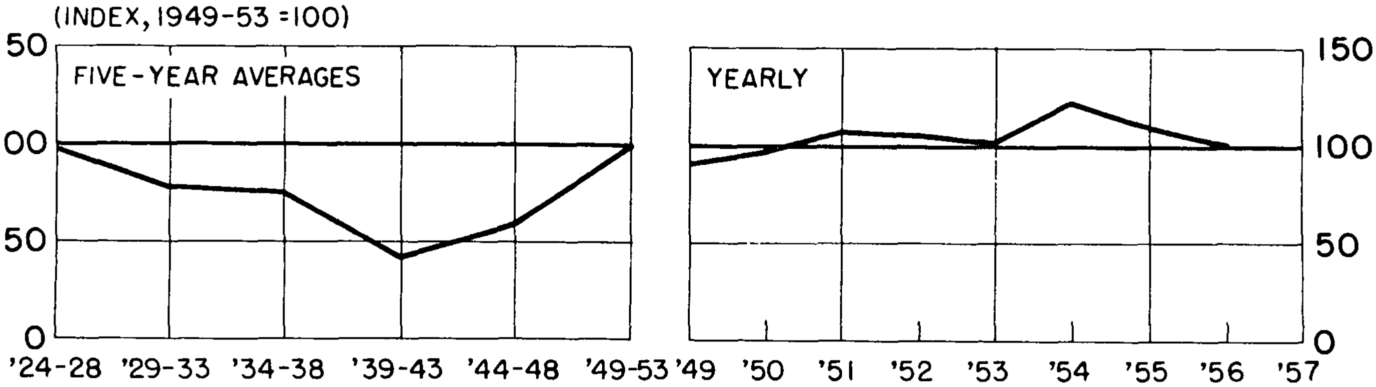

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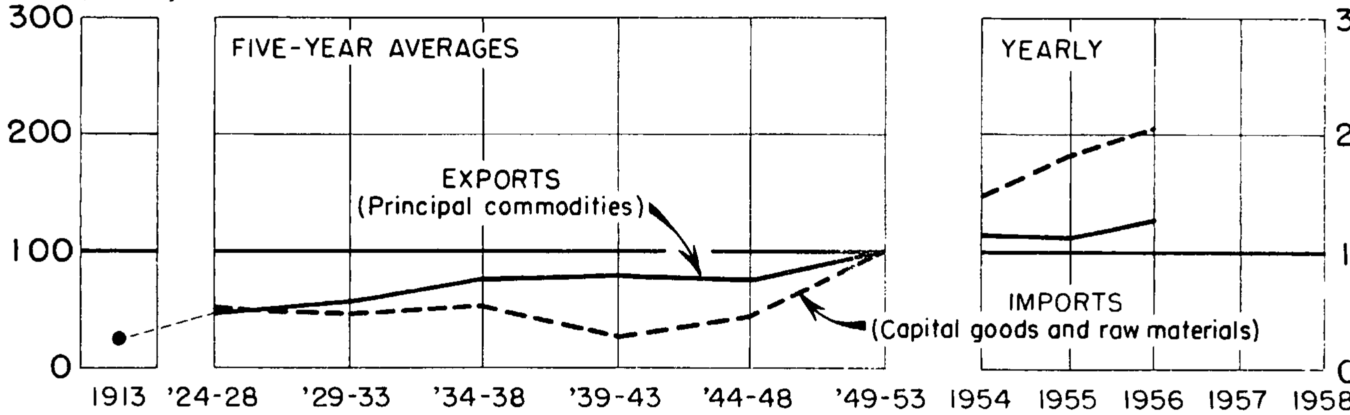

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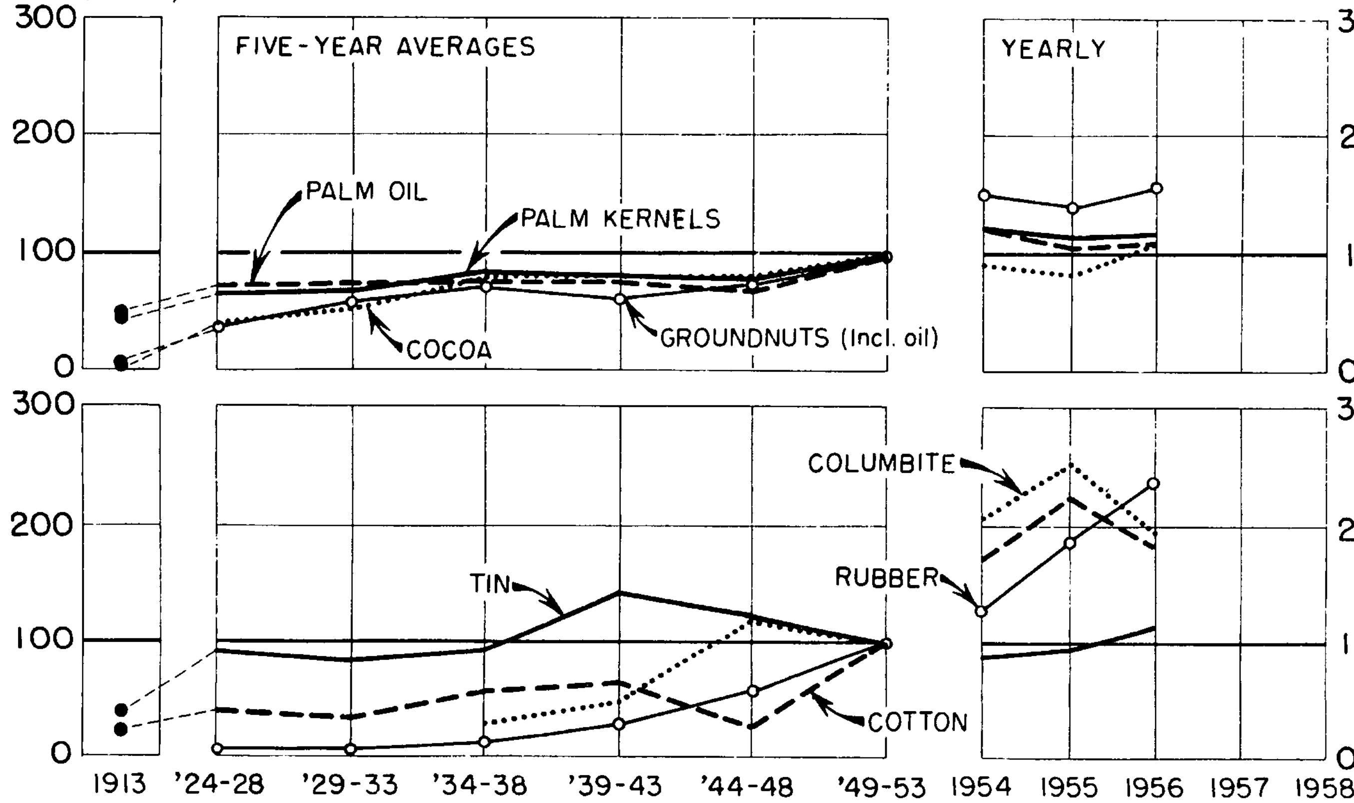

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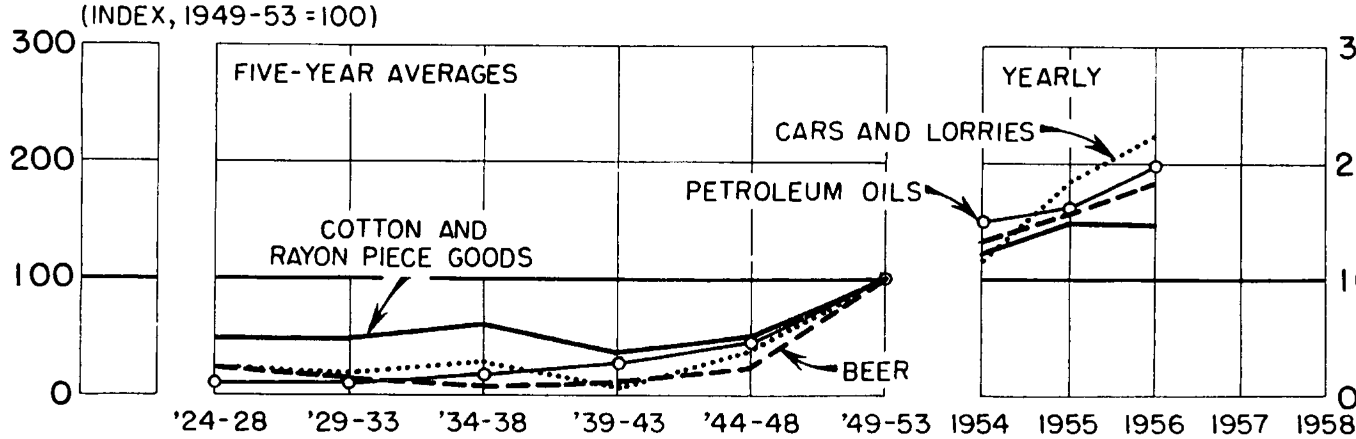

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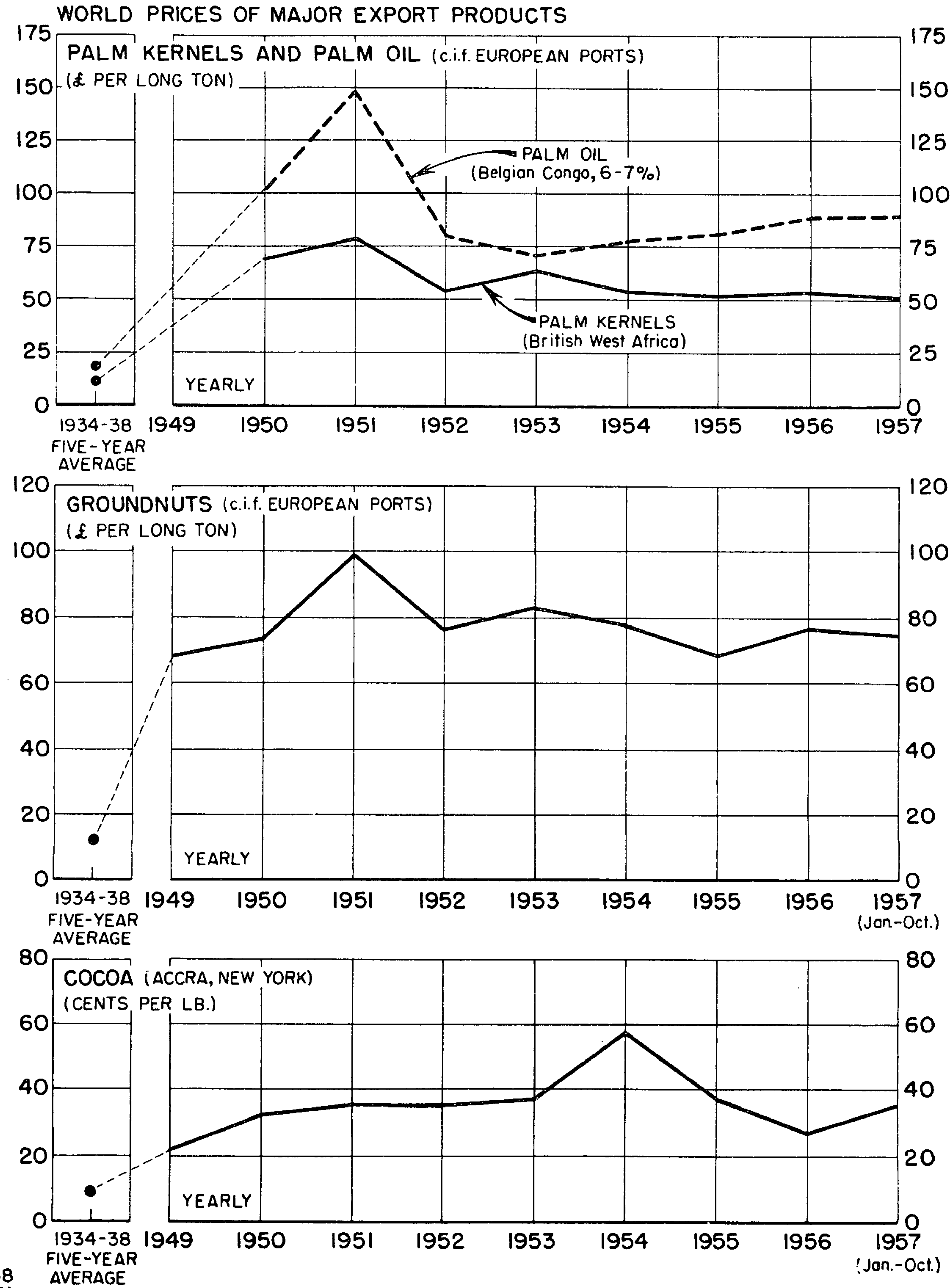

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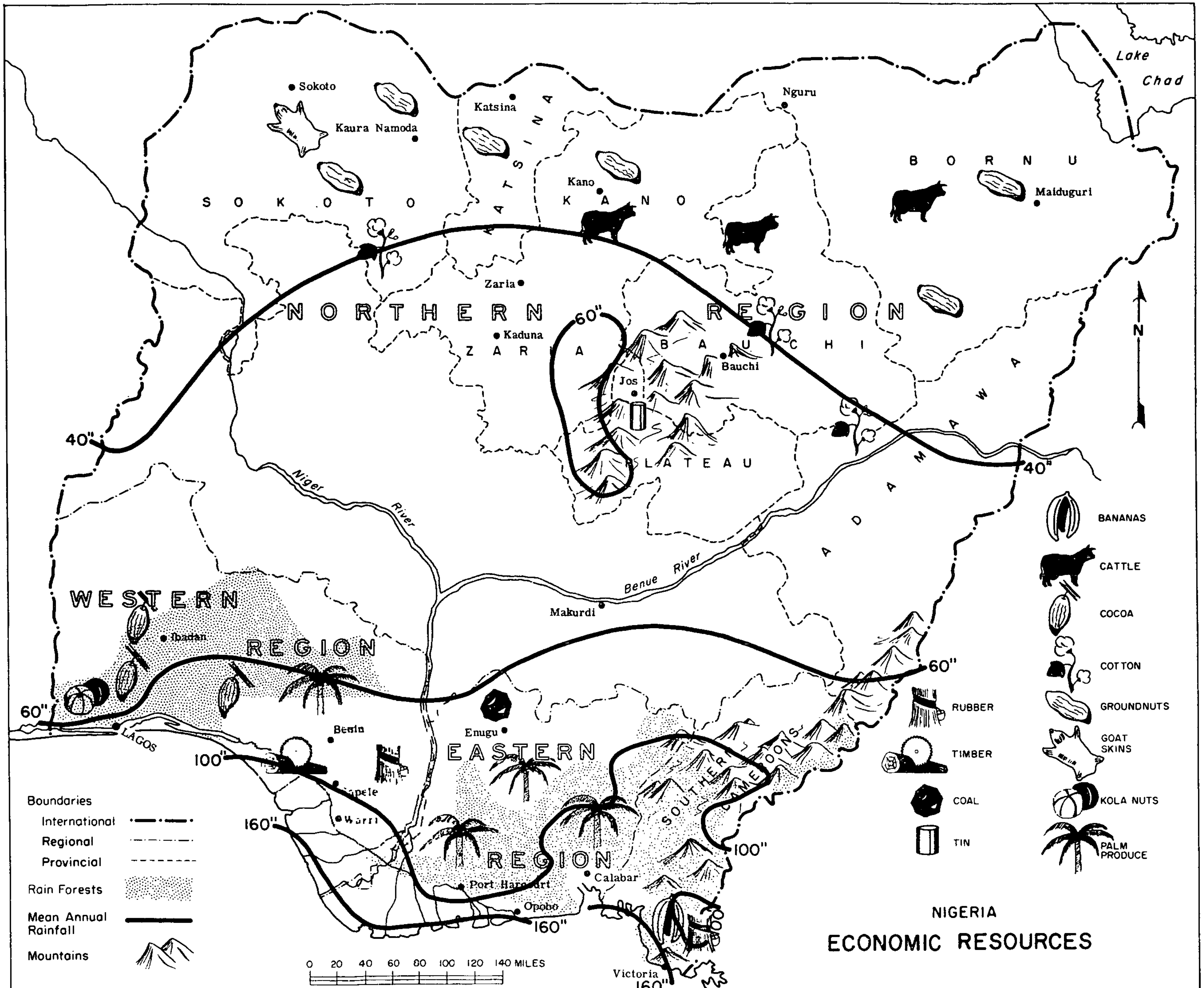

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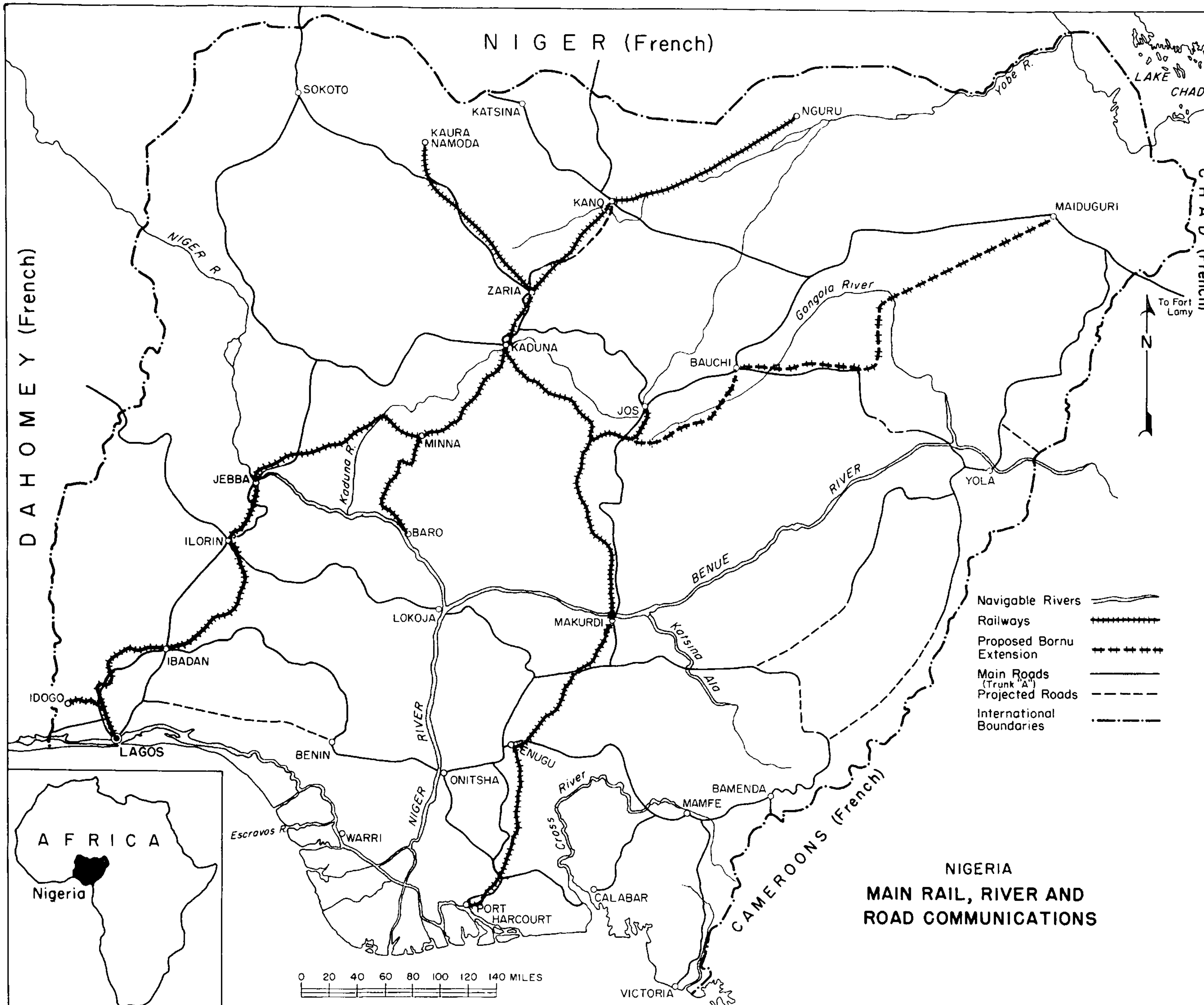

JANUARY 1958

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SUMMARY AND CONCLUSIONS

1. The Federation of Nigeria, located on the west coast of tropical Africa, is a British dependency now approaching full independence. With 34 million people, all Africans, it is the continent's most populous country. The population, now subdivided into four more or less autonomous Regions, including the U.N. Trust Territory of the Southern Cameroons, have widely differing tribal and religious backgrounds. Tribal loyalties are still strong and in the coming years much will still remain to be done to strengthen national unity. The few Europeans living in Nigeria, most of whom are temporary residents, still hold responsible positions in the Government and business, though, under the Government's policy of "Nigerianization" an increasing number of Nigerians are now replacing them.

2. Nigeria depends on peasant agriculture to feed her growing population and to pay her way in the world. With the exception of the oil palm, all her major export products, which include cocoa, groundnuts, cotton and rubber, have been developed during the last 50 or 60 years and Nigeria has moved more and more from a basic subsistence and internal exchange economy to peasant export production.

3. The standard of living is still low. Most Nigerians are small farmers or herdsmen. The major export products are sold abroad by a Marketing Board organization controlled by the Regional Governments. Among exports of minerals, tin and columbite are prominent. Explorations for oil seem to be yielding encouraging results.

4. The bulk of the public revenue is derived from external trade. In the postwar period export prices were good and the Marketing Boards and Federal and Regional Governments accumulated substantial sterling reserves for use in development or as "stabilization" or "revenue equalization" reserves. At the Government's request a Bank Survey Mission visited Nigeria in 1953 to appraise the country's development potential and to make recommendations for practical steps to accelerate development. This mission's report has had a very great influence on the Federal and the Regional Governments' present development plans under which a total expenditure of about £185 million is provided for in the five-year period to March 1960, mainly to improve and expand facilities in the fields of transportation and communications, public health, education, and other social or more directly productive services and for the construction of public buildings. Since 1950 the economy has been growing at about 3% per year, and, taken as a whole, these development plans are suitable to Nigeria's present stage of economic development and should contribute to maintain Nigeria's rate of economic growth at a satisfactory rate.

5. In the first few years, the execution of these development plans was rather slow, but an acceleration is already apparent as most of the preliminary work is now completed. A general shortage of technical and managerial skills,

rather than of finance, still remains the major bottleneck, although the Nigerian authorities are now attempting to overcome this by hiring more European contracting firms and engineering consultants to supplement the Government's own technicians. It is likely that the total expenditure at the end of the present planning period will fall somewhat short of that planned and that the execution of these development plans will be extended to 1962.

6. The development plans are financed largely from current revenue surpluses and accumulated reserves, leaving a relatively small deficit to be financed by domestic and external borrowing, including the proposed loan for railway development from the Bank. Even after the planned use of about £59 million by 1960, Nigeria's accumulated sterling balances should still be comfortably high and there should be a margin for financing further development in the following years. Yet, because of her comparatively high dependence on world demand and prices for her primary exports, and of her still modest rate of domestic savings and inflow of foreign capital, Nigeria has to maintain her reserves relatively high, at least during the crucial years of her transition to independence.

7. The currency now in circulation in Nigeria is the West African pound, issued by the West Africa Currency Board under the usual sterling exchange system. Recently, however, Nigeria has passed legislation to establish a central bank and is planning to have her own currency, at par with sterling, by 1960. As a part of the sterling area she can freely transfer funds to or from other sterling area countries and, since there is as yet no domestic capital market, she uses banking facilities in London. So far, Nigerian financial policy has consistently been conservative.

8. Prospects for continued economic growth are favorable. When completed, the present development plans will provide a basic network of transport facilities for a better distribution of the increasing supplies of domestic food and exports. In future, the output of groundnuts, cotton and rubber should increase rapidly, that of cocoa and palm products more gradually. Since 1954 the prices for these export crops have declined somewhat, but they are still remunerative enough to encourage further development. Nigeria's production costs are relatively low and she is in a good position to increase her exports for most of her export commodities. Nigeria's external debt is very low for the size of her economy.

9. The long-term prospect for continuing economic progress is contingent on the Nigerians' success in eliminating tribal or regional antagonisms and maintaining reasonably high standards in public administration. Although the imminent transition to independence must inevitably introduce some elements of uncertainty into the country's economic and political development, these risks do not appear unreasonable.

I

GENERAL BACKGROUND

Natural Setting

1. The Federation of Nigeria, including the U.N. Trusteeship Territory of the Cameroons, is a country of about 34 million people on the west coast of tropical Africa. About 650 miles long and 700 miles wide, it is nearly four times the size of the United Kingdom, or roughly equal to the area of Pakistan (see the attached economic map).

2. Its coastline is fringed by a 10 to 60 mile belt of mangrove swamp forest, intersected by a network of creeks through which the Niger and many smaller rivers empty themselves into the Gulf of Guinea. Beyond this belt is a 50 to 100 mile wide zone of tropical rainforest and oilpalm bush. Further inland, the country rises to about 2,000 feet above sea level and the vegetation changes to low forests and upland savannah, merging in the extreme north into the Sahara Desert. Nigeria has few mountains except along the eastern boundary of the British Cameroons. In the center, around Jos, there is a plateau rising to about 4,000 feet.

3. The dry and wet seasons are well marked throughout the country. The dry season extends from about November to April in the south and from October to April in the north, during which time the prevailing wind - the dust-laden Harmattan - blows from the Sahara and moderates the humidity in the south. In the hot, humid mangrove swamps rainfall is high, varying between 60 inches in the west and over 140 inches in the Southern Cameroons, and there is relatively little seasonal variation in temperature. In the tropical forest and oil palm bush zone the annual rainfall is slightly lower and there are moderate seasonal variations in temperature. This part of the country is densely populated and provides the bulk of Nigeria's exports of cocoa, palm products and timber. In the savannahs farther north rainfall declines to less than 30 inches in some parts and variations in seasonal and daily temperatures become more pronounced. This zone produces Nigeria's groundnuts and cotton and provides the bulk of her livestock.

4. Most of the country is in the Niger river system. That great river flows through Nigeria for the last third of its 2,600 mile course from the northeast part of Sierra Leone to the Gulf of Guinea. With its largest tributary, the Benue, which rises in the French Cameroons, it provides a long waterway into the interior. Navigation is, however, hindered by heavy silting and by the seasonal variations in flow. On the coast a large number of smaller rivers drain the mangrove swamp belt and provide outlets for inland ports. In the north the Yobe and other rivers flow eastwards and eventually lose themselves in the dry heat of the Lake Chad area.

Population

5. With its 34 million people, almost one-sixth of the total population of Africa, Nigeria is the most populous country on the continent. It has no European settlers and none of the interracial tensions now prevalent in many

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Population

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parts of the continent. The small non-African minority (less than 20,000) consists of European (largely British) employees of the Government and large European companies, and of some Levantine traders.

6. Average density of population in Nigeria is about 91 persons per square mile, relatively high for Africa. However, the population is unevenly distributed. Certain areas in western and central parts of the rain forest and oil palm bush belt have rural densities as high as 300-500 persons per square mile, while extensive areas in the low forest-land (the Middle Belt) and in the Cameroons have an average density of less than 50. This uneven distribution leaves some good lands in the country virtually unattended while in others there is overpopulation and heavy pressure on resources.

7. In the last 25 years the Nigerian population has increased by about 1.5% per year. By 1966 it may reach the 40 million mark, twice the 1931 figure. The present rate of population growth may increase as health and welfare conditions continue to improve.

8. Of Nigeria's total labor force of 14.4 million at 1952/53 census, four-fifths earned their livelihood in agriculture, including forestry, animal husbandry and fishing. Less than 15% were engaged in trade or had clerical jobs, less than 5%, about half a million, were craftsmen or industrial workers, and under 2% had administrative, professional or technical occupations. Non-agricultural employment is significant only in the important ports and inland commercial or mining centers.

9. Although the Nigerian population is of the same African origin, it is far from homogeneous. There are some 250 tribal groupings. The Yorubas in the southwest (about 5 million), the Ibos and Ibibios in the southeast (about 6.5 million) and the Hausa-speaking people and the Fulanis in the north (about 9 million altogether) are predominant. These major tribal groupings are identified with Nigeria's three regions, the West, the East and the North, respectively, although large settlements of Yorubas and Ibos are also found in the north, while communities of Hausas are found in the south.

10. The Yorubas have a tradition of strong central organization. They are mainly a peasant farming people, but for a part of each year many Yoruba farmers take up residence in larger urban centers. The continent's largest African town, Ibadan (population close to 0.5 million), and five other towns (including Lagos, the Federal Capital) of over 100,000 each are located in the west.

11. The Ibos and Ibibios, by contrast, never developed a highly organized political system. They are also enterprising and independent-minded small farmers, who have taken particularly to clerical and white collar jobs.

12. The Fulanis of the north (about 3 million) are mainly herdsmen. Their ancestors established their authority over the northern part of the country many years ago. The more numerous Hausas are peasant farmers and traders. Over two-thirds of the population in the north are Moslem, the remainder consisting of "pagan islands" of older resident groups. Until recently the Northerners have shown a marked resistance to European modes of thought and behavior. Even

today only 8% of those over the age of seven are literate, compared with the Nigerian average of 12%.

13. The Southerners have moved much further towards the assimilation of European modes of thought and habits of life. Both in the West and the East provision is made for universal primary education. In the Western Region Christianity and Islam each accounts for about one-third of the total population, the remainder being still pagan. The Eastern Region is split almost equally between Christians and pagans. Over the country as a whole Islam is growing fairly rapidly. English is the official and commercial language understood in the larger towns.

14. Tribal loyalties are still strong, particularly in the north where the chiefs or Emirs, who are also religious leaders, retain most of their traditional authority and exercise it through the "Native Administrations."

Political Setting

15. Nigeria has been described as an "arbitrary block of Africa." The present boundaries were drawn in the 19th Century as a result of economic and political rivalries between the European powers for control of West Africa. By 1914 the Lagos "colony" and the Northern and Southern "protectorates," the main constituent parts of Nigeria, were united under the British crown. The British administration has been the major force which held various ethnic and religious groups together, though historical fears or suspicions, particularly strong between the north and the south, divided them and the system of indirect rule (Native Administration) perpetuated most of the political organization of Moslem emirates in the north. Now that the British are preparing to leave, the major task for Nigerians is to preserve and strengthen the degree of unity they have gained and, in achieving independence, to attain nationhood.

16. Particularly in the last decade Nigeria has made rapid progress towards self-government both in the Regions and for the country as a whole. With the Constitution of 1954 it became a Federation consisting of five component parts: the Western, Northern and Eastern Regions, plus the Federal Territory of Lagos and the Southern Cameroons under United Kingdom Trusteeship 1/. At a constitutional conference held in June 1957 the Western and Eastern Regions were given immediate self-government, the Southern Cameroons virtually became a fourth Region while the Northern Region agreed to take self-government in 1959. The grounds for some minor tribes' fears of coming under Ibo, Yoruba or Hausa domination are now being examined by a special commission which is concerned with the question of providing safeguards to these tribes, including, as a last resort, the creation of two or three smaller Regions within the Federation. No date for Nigerian independence has yet been set, although the expectations are that it will come some time in 1960 or 1961.

17. There is an elected representative legislature both in the Federal Government at Lagos and in each of the four Regions. The Regions have upper houses, consisting of traditional chiefs. An all-African Federal Council of

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1/ The Northern Cameroons is administered as a part of the Northern Region.

Ministers, including a Federal Prime Minister, is chosen from the Federal House of Representatives and is presided over by a British Governor-General, who still possesses wide reserve powers. The Regions have British Governors.

18. The Federal Government exercises authority only in specific fields, either alone or concurrently with the Regional Governments. It has sole responsibility for foreign trade, currency and banking, and almost all transport and communications, including railways and ancillary services, but excluding secondary roads. External borrowing for Federal and Regional purposes is the province of the Federal Government. Industrial development, electricity, technical research and higher education, inter alia, are on the concurrent list. The Regions have primary responsibility for agriculture, health and education.

19. Nigeria has three major political parties, each broadly representative of a Region and a major tribe. The Action Group (West) favors more political and financial autonomy for the Regions and supports the allocation of public revenue on the basis of its regional origin, while the National Council of Nigeria and Cameroons "NCNC" (mainly East) favors a stronger central government and a reallocation of public revenue among the regions "according to their needs." The views of the Northern People's Congress "NPC" (North) which represents the North's Moslem way of life seem closer to those of the Action Group. Each of the major parties seems to be supporting separatist claims by minor tribes in the Regions controlled by its opponents. In the present Federal House of Representatives the NPC has a larger number of seats than any other party, but no political party is in a position to command a majority without support from another major party. Under a gentlemen's agreement among the parties a coalition government has been formed with a Prime Minister from the North. There is no organized Federal Opposition. The term of the present Federal House extends to the end of 1959 at which time the number of the parliamentary seats is to be substantially increased and a new Federal Senate with delaying powers over bills (other than money bills) is to be established.

20. To satisfy the Nigerians' desire to see a rapidly increasing number of Africans in public service, the Nigerian Governments have a policy of "Nigerianization" under which certain government positions are reserved for Nigerians and no European may be appointed to unreserved vacancies unless no qualified Nigerian is available for these. The European employees in the permanent service have been offered generous separation benefits which, particularly in the case of men in their late thirties, have provided a strong incentive to leave and look for jobs elsewhere. About a quarter of the senior expatriate staff in the East and West have already left and at least another quarter are expected to do so before independence. In the North and in the Federal public service, the rate of separations is still relatively low and may remain so until 1959 or 1960/61 when the British Governors would no longer have their reserve powers and pensionable officers could resign and apply for their lump-sum compensation. The North has a policy of "Northernization," designed to increase the Northerners in the Region's public service. There expatriate staff are generally preferred to Southerners if no qualified Northerner is available. Nigerian Governments are making great efforts in training young Nigerians for various public or private positions. At the present pace of Nigerianization it seems rather doubtful that enough suitable recruits can be provided to administer the country without some decline in the present high standards of the public services.

II

STRUCTURE OF THE ECONOMY

Economic Growth

21. Nigeria depends on peasant agriculture to feed her growing population and to pay for the imports she needs. Over the last 50 or 60 years Nigeria has moved more and more from a basic subsistence and internal exchange economy to peasant export production. With the exception of the oil palm all her major export products have been introduced from abroad during the last 50 or 60 years with far-reaching effects on the people's levels of living and the country's development potentialities. Cocoa, introduced from Brazil just before 1900, reached an export volume of 9,000 tons by 1915 and exceeded 100,000 tons by 1937. Since then exports have risen only gradually (see the accompanying chart and the Statistical Annex). Groundnuts, introduced to West Africa from the New World by the Portuguese as a food crop, have been a major export crop for about 40 years. From about 8,000 tons immediately before the First World War, exports increased to over 100,000 tons in the late 'twenties and exceeded 300,000 tons immediately after the Second World War. Exports in the current year will probably be twice as high. The present cultivation of cotton owes its origin to development of American varieties from 1902 onward. Cotton exports have increased almost sixfold from 1938 to the present and are expected to grow further. The opening of the way for steadily growing exports of rubber dates back about 55 years when the more suitable and higher-yielding Hevea was introduced. Exports in 1956 amounted to over 38,000 tons, compared with 2,500 tons before the First World War. The exports of timber increased nearly tenfold during the same period. The exports of palm products have more than doubled from 1913 to present. The production of foodstuffs for domestic consumption has kept pace with the growth of population and higher income originating in the export sector.

22. The growth and diversification of the economy was not confined to agriculture. With the extension of the railway to Jos in 1914 commercial exploitation of the plateau tin deposits began. Exports were stimulated during the Second World War and several years thereafter by heavy world demand. Since then exports have been continuing at a somewhat reduced rate. At first columbite, a by-product of the tin mines, was discarded but starting in 1933 it became saleable, output rose gradually to 800 tons in 1943 and to a peak of over 3,000 tons in 1955. Since the opening of the first colliery at Enugu in 1915, Nigeria's coal output has risen to roughly 800,000 tons per year and now provides a small exportable surplus. From 1948 to the present, the installed capacity of Nigerian power plants increased about sixfold.

23. In general, the resources near the coast were developed first. The development of less accessible areas has been possible by the provision of transport facilities. Cocoa production grew rapidly after 1901 when Ibadan was linked to Lagos by railway. The extension of the railway to Kano in 1911 likewise brought a rapid extension of groundnut cultivation and has increased exports of hides and skins more than tenfold. The exploitation of the Enugu coal mines dates essentially from 1916 when a new line from Port Harcourt was built.

24. This increased income enabled Nigerians to purchase a rapidly expanding volume of imported goods, as is indicated by the following table:

Table 1

Imports of Some Selected Goods

Imported Goods	Unit	1934	1939	1949	1954	1956
Corrugated iron sheets	Thousand tons	6.9	5.8	14.4	40.5	49.9
Sewing machines	" units	2.5	3.2	19.5	25.9	45.5
Bicycles	" "	5.2	6.6	129.6	168.3	180.9
Cotton piece goods	Million sq.yds.	63.2	60.7	185.2	172.1	149.4
Rayon " "	" " "	5.1	3.1	15.0	82.3	157.6
Cement	Thousand tons	35.1	51.1	161.9	368.1	488.6
Kerosene (less re-exports)	Million Imp.gals.	1.7	2.0	4.7	14.3	16.9
Commercial vehicles (new registration)	Number	538	559	2356	4332	7337

At the same time it made possible a large increase in Government revenue and the accumulation of substantial reserves by the Government and the Marketing Boards through which Nigeria's major agricultural exports are sold. The increase in the public revenue has made possible a steady expansion in public spending for education, health, transport facilities, and for other development purposes.

25. The accompanying chart shows Nigeria's prices of exports and imports and the terms of trade since 1924. Prices of both exports and imports have shown wide fluctuations, although the variations in export prices were much more pronounced. In the prosperous period of the 'twenties Nigerian exports commanded high prices and production was encouraged. Thereafter, at the depression of the 'thirties the terms of trade deteriorated by one-quarter and fell by another quarter during the war so that she was able to obtain with the same amount of exports only half of the imported goods she had got in the 'twenties. The output of her major export products, other than minerals and rubber which had good prices, hardly increased during the war. In the postwar period, with a steep increase in her export prices, Nigeria's terms of trade improved rapidly. The Korean boom pushed export prices up further, so that in the years 1949-1954 Nigeria's terms of trade were even better than in the 'twenties. Since then they have worsened slightly but are still favorable enough to encourage continuing development of exports.

National Accounts

26. Data on Nigeria's national accounts are presented in Table 4 of the Statistical Annex. The share of the Government sector in the gross domestic product has risen steadily while that of agriculture, which still accounts for almost two-thirds of the total, has declined.

27. On the basis of these estimates, the average growth in the real output from 1950/51 to 1956/57 may be roughly estimated at 3% per annum. As Nigeria's population increased at an average rate of about 1.5% per year during the same period, per capita real income must have risen by 1.5% per annum. This modest rate of increase is perhaps attributable to the relatively low rate of gross investment, only about 6% of gross domestic product in 1950/51, increasing to slightly over 10% as the execution of the public development programs has gradually gathered momentum. This investment rate is less than that of Ghana and roughly one-third of that of the Federation of Rhodesia and Nyasaland. In 1956 about £13 million or one-sixth of the finance required came from abroad.

28. Average income per head in 1956 was £24. This is only about half the figure for Ghana but compares favorably with the figures for Ethiopia and Liberia. The figure varies greatly from Region to Region. It is £36 in the West (including Lagos) where the bulk of Nigeria's cocoa crop is raised, less than half as high in the North, and about £28 per head in the East.

Economic Organization

29. Large European companies such as the United Africa Company of Nigeria Ltd., John Holt & Co. (Nigeria) Ltd., Cie. Française de l'Afrique Occidentale, Paterson, Zochonis & Co. Ltd. and others, many of whom have been operating in Nigeria for half a century or more, occupy a very important place in Nigeria's economic life. Started principally as trading companies, these firms have increasingly diversified their operations to include shipping, processing of primary produce and a wide variety of industrial activities. They employ an increasing number of Nigerians and have a wide distribution system for imported goods. They also purchase local commodities, acting as agents for the Marketing Boards. Few plantations are owned by foreigners. There is also a small minority of Lebanese, Indian or Syrian traders who have accumulated substantial savings and are now investing in fields such as hotels, public transport operations and construction.

30. As already indicated, most Nigerians are peasant farmers. Most of the local trade and handicrafts is also in Nigerian hands. On the other hand, local capital in mining, foreign trade, industry, banking, etc., is still confined to a few scattered cases. Many Nigerians are still reluctant to invest their savings in productive enterprises outside of domestic trade, and prefer keeping them in liquid form or investing in real estate rather than joining with others in joint stock companies. Gradually, however, this attitude is losing ground.

31. Although private enterprise plays a prominent part in Nigeria's economic development and is receiving encouragement, the role assumed by the Governments in the country's economic life has increased in the war and postwar years. Partly because of the low level of private domestic savings and of their dissatisfaction with the rate of growth of Nigerian private initiative in fields such as industry and basic services, the Governments have undertaken many trading activities. Besides having direct responsibility for most basic services, including electric power, rail and air transport, port facilities, they engage in coal mining and the purchase and sale of the major export products, and they own a number of agricultural, industrial and housing enterprises,

particularly in fields relatively new in Nigeria. The Federal, regional and local authorities, including the statutory corporations, employed in September 1956 275,000 persons, or over 60% of all recorded employment, the remainder being accounted for by private mining, construction, manufacturing and service industries.

32. A major part of the Federal Government's economic activities is carried out by the statutory corporations. These derive their capital from public funds and have taken over functions formerly directly administered by the Government. Among these corporations are the Nigerian Railway Corporation, the Nigerian Ports Authority, the Electricity Corporation of Nigeria, the Nigerian Coal Corporation, the Broadcasting Corporation, and the West African Airways Corporation in which Nigeria has a share. They control all or a very large part of the activities in their respective fields and enjoy a high degree of administrative and financial autonomy.

33. Five statutory Marketing Boards, one in each of the four Regions and a Central Marketing Board, are responsible for the purchase in Nigeria and the sale abroad of the principal export crops, including mainly oil palm products, cocoa, groundnuts and cotton. Originally a Marketing Board was established for each major crop but in 1954 these were replaced by four regional boards, each with jurisdiction over all controlled commodities produced within the region. The Central Marketing Board is responsible for setting standards of quality and for arranging transportation and marketing overseas. The principal tasks of the regional Marketing Boards are the stabilization of producer prices, the promotion of the economic development of the producing industries and areas of production, and the encouragement of research. At the beginning of each crop year the Boards announce prices at which the firms licensed as the Boards' buying agents will purchase crops from producers during the year (see Table 7). These prices are fixed with due regard to international price levels and to the need for stabilizing income for Nigerian producers. In general, the change in producer prices each year does not exceed 10%, as recommended by the Bank Survey Mission.

34. The Marketing Boards have become one of the most important factors in Nigeria's economic life and financial structure. They have stimulated production and have strengthened her competitive position in the world market. During the larger part of the postwar period when raw material prices were exceptionally high the Marketing Boards accumulated large surpluses in sterling, as world prices for their products rose more rapidly than the prices they paid to the producers. Since 1954 these Boards have allocated substantial sums to development agencies or lent to governments and at September 30, 1957 their reserves were reduced to £52 million, the bulk of which would be retained for price stabilization (see accompanying chart and Table 24). Short of any new boom in world prices, the Marketing Boards do not expect to add substantial sums to their present reserves in the coming years.

35. Development Corporations and Loans Boards of the Federal and Regional Governments are assuming increasingly important roles in Nigeria's agricultural and industrial development. They have obtained most of their resources from Marketing Board funds and in their present form they execute various development projects either solely or jointly with private enterprise, and grant loans to

small-scale local entrepreneurs for agricultural and industrial purposes. They are not subject to close parliamentary control or external audit, although they cooperate with the Departments of Commerce and Industries in selecting particular industry branches to be encouraged. A brief description of these institutions is given in the attached Annex I, and Table 5 of the Statistical Annex presents data about the Development Corporations' disbursements and their available resources.

36. The Development Corporations are engaged in a variety of agricultural or industrial schemes. A larger number have not yet reached fruition and may yet bring results, but not all appear particularly well chosen. Moreover, it does not seem appropriate for them to assume responsibility for road-building, irrigation schemes, the awarding of scholarships and the like. With effective planning and adequate technical and financial management, some of their mistakes might have been avoided. Indeed, some are already being rectified. For instance, the Western Region Production Development Board now finances new industrial projects only in partnership with private entrepreneurs having the necessary know-how and some risk capital. Moreover, it has now streamlined its functions and depends for its new capital on loans from the Western Region Government.

III

DEVELOPMENT OF MAJOR SECTORS

Agriculture

37. Agriculture is by far the most important sector of the economy. As was indicated earlier, four-fifths of the population depend on it for their livelihood, and it contributes two-thirds of the national product and 90% of total exports.

38. Production comes from millions of peasant farmers, almost all of whom till their small farms (of about four acres) with primitive hand tools. The most widespread soils are shallow sandy loam, easy to cultivate by these tools, but less fertile than the heavier clay soils found in the Lake Chad area and the Niger delta. Land is not individually owned but the farmer has usufructuary rights to the land granted to him as long as he cultivates it. Land tenure problems are the responsibility of the Native Authorities. Each year about 10% of the total area of Nigeria is under crops, most of which are annual. Forest covers about a third of the country and the remainder is partly potential agricultural land, uncultivated grazing areas and fallow, partly useless for agriculture.

39. The methods of cultivation in use are primitive. Only a fraction of the land cultivated receives manure and is cultivated each year. All the rest is cultivated for two to four years and then allowed to lie fallow for several years to avoid soil exhaustion. Inter-cropping is employed extensively. It protects the soil against erosion especially in the south with the heavy tropical rains. The system works well as long as there is land enough for three to five years of fallow. In some places in the south and around the towns where population is increasing rapidly, over-cropping and declining fertility is apparent.

40. Production of food is the original and still the primary concern of the Nigerian peasant. As a rule, food production is ample for local needs. However, though starchy foods in the form of roots and grains are produced in surplus, local protein deficiencies exist over large areas. Consequently, the main food products transported are of high protein content, such as cowpeas, beans, dried fish and meat, and local food shortages develop especially after a bad crop year and in the rainy season. At present most of the produce carried by truck and rail goes to the larger towns and to the mining areas on the plateau. The volume transported is increasing and should continue to do so as more reliable and cheaper means of transport become available.

41. Livestock production is as a whole limited to the tse-tse free areas in the extreme north. Cattle raising is mainly in the hands of the nomadic Fulani tribe who graze the cattle in the northern provinces and transport about 600,000 head annually on the hoof or by rail to southern markets. Total production is about one million head of cattle for slaughter and about three times as many goats and sheep.

42. While basic agricultural research is a responsibility of the Federal Government, applied research, administration and extension services come under the regional authorities. The Development Corporations are also active in developing new crops or improving the existing ones in their own farms. Research and extension work is fairly well developed. However, the work of passing on research results to the farmers is hampered by a shortage of trained junior African staff. Good results are being obtained and farmers are becoming increasingly aware that practices recommended to them bring higher yields and incomes. In the north, for instance, farmers are beginning to adopt ox-drawn ploughs - which entails an investment of about £50 and enables a farm family to cultivate about 15 acres and increase its income from about £23 to about £90 annually. Also spreading is the use of fertilizer and improved seed, more, however, in the case of cash crops than of food crops.

43. Cocoa is grown mainly in the Western Region. Apart from seasonal fluctuations, production has been relatively stable in recent years at 100,000-115,000 tons. The average cocoa farmer has 3.5 acres under cocoa, 3 acres under food crops and 6 acres in fallow. Most of the first class cocoa land in Nigeria is occupied in this way so that scope for extending the area under cocoa lies mainly in doing so on existing farms. The land under cocoa brings about £25 per acre per year, whereas the 9 acres in the food crop-fallow rotation is estimated to give an annual return of only about £4 per acre in cash sales and £2/10/- per acre in subsistence products. Improved communications with other food producing areas may thus encourage farmers to grow more cocoa but this will be slow. The present price paid by the Marketing Boards to the producers is profitable to the farmer and could be maintained (see Tables 7 and 25).

44. Diseases and pests present major hazards. Black pod disease caused losses estimated at £5 million in 1947/48, but due to the activities of the extension service, it has now been brought under control. Infestation with capsids is widespread but it is slower in its effects on production and is also being brought under control. Swollen shoot, which can only be combatted by tree eradication, offers dangers for the future unless control measures are developed from current research. At present, new plantings with improved varieties are barely at replacement level, while fertilizer is not yet being used on farms. Overall, technological improvements should maintain but not more than gradually increase unit yields. Since neither the area planted nor the yields obtained is likely to increase rapidly, the outlook is for a gradually increasing trend to a "normal" crop of about 120,000 tons by 1963 and 125,000 tons by 1968 (see Tables 6, 21 and 22).

45. Oil palm products, which are exported as palm oil and palm kernels, are the largest group of exports. About two-thirds comes from the Eastern Region and most of the remainder from the Western Region. Nigeria produces about one-third of world exports of palm oil and over half of those of palm kernels.

46. Peasant production is still the rule with only about 6% coming from plantations. The traditional method of oil extraction by pounding is giving way to hand presses, the proportion so treated having increased from 40% in 1953 to 85% in 1957. The hand press increases the extraction rate by 10%. A further 10-15% increase in extraction is possible with larger mills but the proportion

so treated has remained static at 5% because of poor mill management and problems of collection and transportation. The Marketing Boards have obtained very satisfactory results by offering premium prices for higher quality. For example, a special grade of oil with less than 4.5% free fatty acid was introduced in 1950 and by 1957 about three-quarters of exported oil was of this grade.

47. Production methods have improved less than processing. Most palms grow more or less wild and harvesting is often too early or too late. Research has shown that 1 pound of potash per tree per year will increase yields by 50%, but fertilizer is not yet used on farms. The yield from improved varieties is double that at present. There is a firm demand for improved seed from the research station but this is just beginning to increase output. Large areas of sandy soils are still available for new plantings.

48. In recent years production of both palm oil and palm kernels has been relatively static and this seems likely to continue although the impact of research and extension services should be increasingly reflected in gradually increasing yields, particularly of oil. By 1963 production might be about 470,000 tons of palm kernels and 205,000 tons of palm oil. By 1968 the respective figures could rise to about 480,000 tons and 220,000 tons, as compared with an average output of 430,000 tons and 213,000 tons in the five years to 1957.

49. Groundnuts come next to oil palm products in importance and Nigeria supplies 29% of world exports. They are grown in the Northern Region, mainly in the 20 to 30 inch rainbelt, on about 8% of the cultivated land of the region. Additional land is already available for production and much more will be opened up by the proposed railway extension. Transport to railhead is a major consideration in cash costs of production and access to the market has been one of the main factors limiting expansion. With increased efficiency of the railway, a steadily increasing volume of groundnuts has been hauled and the carryover at the end of 1956/57 has been eliminated (Table 8).

50. Production is entirely by peasant farmers using primitive methods. Except for some recent development of ox-drawn ploughs, hand methods of cultivation prevail. However, as a result of the work of research and extension services, production practices are improving. Improved seed is widely sown, and the use of fertilizers which increase yields by at least 50% is beginning to expand rapidly. Only two years ago hand decorticating machines, which give a better product, were introduced and already half the crop is so treated. As a result, 70% of the crop is now classified as special grade.

51. Production fluctuates greatly with seasonal conditions but the general trend is upwards. After an average of about 425,000 tons from 1952 to 1955, 1956 production was 530,000 tons, and 1957 production only 358,000 tons. Production in 1958, an exceptionally good season, is estimated at up to 650,000 tons, but a "normal" crop at the present time would be not much above 500,000 tons. By 1963 production could increase to a "normal" crop of over 600,000 tons and, with the influence of the rail extension, to 800,000 tons by about 1968. Nigerian costs are low and it is more than likely that production would continue expanding even if the price paid by the Marketing Boards to the producers were reduced by as much as one-third.

52. Cotton for export is grown in the Northern Region and production has expanded rapidly since 1948. The type corresponds to American Middling one inch staple and the quality exported obtains a premium price at Liverpool. Three-fourths is grown in areas served by the existing railways and there relatively little land is available for further expansion. The remainder comes from the area to be served by the rail extension where plenty of suitable land is available. Production is entirely by peasants and, although methods are still in general primitive, improved practices are being adopted more rapidly than is the case with other export industries. Higher yielding varieties have been developed and distributed to all growers; a fertilizer scheme is well under way and plough farming is being adopted quite rapidly. Average yield per acre is still low (60-80 pounds of lint per acre) but a considerable increase can be expected in the coming years. Pest control is not a serious problem so far. The British Cotton Growing Association has organized a system of ginneries whose capacity has been increased to keep pace with production.

53. Producer prices of about 6.0d. per pound of seed cotton 1/ have in recent years provided a great incentive for expansion and local experts consider that farmers would continue to grow cotton even if prices were 20-30% lower. Production has increased from 64,000 tons of seed cotton in 1952 to 81,000 tons in 1956 and the 1958 crop is expected to exceed 100,000 tons. By 1963 the crop, given average weather conditions, is estimated to reach 130,000 tons, and by 1968 production could be about 180,000 tons.

54. Though still comparatively small, rubber is rapidly increasing in importance as an export, production having risen from an average of 14,000 tons in 1948/52 to 38,000 tons in 1956. It is grown in the Western and Eastern Regions and the Southern Cameroons. Production is mainly from peasant farmers who tap the trees indiscriminately and for the most part process the latex by simple methods. Both trees and output suffer from poor tapping and collecting methods and primitive processing results in a poor quality product. However, some large rubber companies and the Regional Development Corporations are actively engaged in developing plantation rubber and improving peasant production. Some 25,000 acres of plantation rubber is already producing and a further 45,000 acres has been planted. Research and extension are still in their infancy, although improved plants are now being distributed and local cooperative processing stations established. Considerable additional areas are well suited for growing rubber and production should continue to increase, but more slowly than in recent years.

55. Timber production is limited to the forest reserve areas of some 29,000 square miles under supervision of the regional forest administrations. Exploitation is strictly planned and controlled. Under present market conditions, only a few tree species of the hardwood and semi-hardwood type are cut. If more species could be utilized the volume of timber produced could be increased considerably. Although forestry improvement programs are continuing, they will be slow to bear fruit, and it seems unlikely that production will increase very much over the next decade.

1/ The yield of cotton from seed cotton is one-third and this price is equivalent to a fibre price of about 1s. 6d.

Mining

56. Although Nigeria's full mineral potentialities have not yet been fully surveyed, so far there is little evidence, aside from some hope for oil, to count her among the world's minerally rich countries. At present only three products, tin, columbite and coal, are economically significant, the first two being produced for export and the third largely for domestic use. Mining gives work to about 55,000 people, accounts for slightly over 1% of Nigeria's gross domestic product and, on the average, provides less than one-tenth of the total export receipts (see Tables 9, 21 and 22).

57. Tin and columbite are found, usually in close association, in alluvial deposits on the Jos Plateau. Nigeria accounts for about 5% of the world's supply of tin and nearly 90% of its columbite. Proven reserves of both have risen in the last few years so that Nigerian production of tin and columbite could be maintained at about the present level for another decade during which time new reserves would probably be added. Production is from open cast mines. The larger companies are highly mechanized, but the smaller mines still depend on hand labor. Future operations will often involve the removal of progressively more overburden and hence will be more expensive. On the whole, however, Nigerian production costs are not high and the producers should be able to maintain their position. With no more being bought by the U.S. for stockpiling purposes, however, the markets for both metals are for the time being rather depressed. Tin has dropped to about £730 a ton, the floor price envisaged under the International Tin Agreement, while columbite has become very difficult to dispose of and some marginal mines have closed down. Since the previous high price had encouraged the extensive use of substitutes such as titanium, the columbite industry now faces difficulty in resuming its sales through previous outlets and in adapting to lower prices.

58. At present Nigeria is the only country in West Africa which produces coal. In 1956 total output of about 787,000 tons of medium-quality 1/, non-coking coal was obtained from three mines around Enugu. A fully mechanized new mine in the same area, with a total reserve of about 13 million tons, will be opened by 1960, raising the total annual capacity to roughly one million tons. Apart from about 70,000 tons exported to Ghana, the main users are the railways which account for more than half of the total demand, the power stations, purchasing about one-fifth of the total output, the Ports Authority, and two river fleets operating on the Niger and the Benue.

59. The coal mines are administered by the Nigerian Coal Corporation which after a period of losses now seems to have reached the break-even point. Costs and prices 2/ are relatively high, largely because labor costs have more than doubled in the last 10 years while per capita output has not. Productivity has improved slightly since 1953, but is still far below the level attained in the previous decade. Labor unrest which troubled the industry many years now seems to be quietened but the industry now faces the possibility of keener competition from oil. If this materializes, it will have to cut its costs and increase efficiency if it is to maintain its present position.

1/ 11,680 B.T.U. per pound.

2/ Average cost per ton in 1955/56 was 38s. 9.4d., and the sales were made at the pithead at an average price of 39s. 11.8d.

60. Extensive prospecting for oil is now under way by the Shell-B.P. Petroleum Development Company of Nigeria Ltd., mainly in the Niger delta. The company started exploration in the southern part of the country about 20 years ago. Starting with 1953, several wells near the coast showed small quantities of oil. More hopeful finds were made in 1956 at Oloibiri and Afam, both in the delta area. Four of the seven wells now dug at Oloibiri and four wells out of six dug at Afam area produced oil in quantities. To allow the running of production tests, the company is now laying two pipelines of 10" and 6" from these locations to the port of Port Harcourt at a distance of 65 and 25 miles, respectively, and is planning test production at an approximate rate of 6,000 barrels a day. Appraisal drilling still continues in these areas to prove the extent of these finds. If they prove commercially exploitable, a dredging of the Bonny River entrance to the port would be required to permit the full use of 18,000 ton oil tankers. It seems more likely, however, that these finds would probably be insufficient by themselves to justify large-scale development. The Shell-B.P. intends to extend its explorations in the delta area in the coming years at a cost of over £10 million per year. Besides this, an affiliate of the Socony-Vacuum Oil Company has recently obtained an exploration license covering the Northern Region. Although Nigeria is not likely to become an oil producer on the scale of the Middle East, the chances for finding commercially exploitable oil now seem quite good.

Industry

61. The contribution of industrial output to Nigeria's domestic product is not yet significant. Though growing, manufacturing industries still employ only about 15,000 people and, together with crafts and public utilities, account for only 2-3% of the gross domestic product. Of Nigeria's 238 industrial establishments, only a few are large or medium-sized enterprises, mainly located in the south, and the remainder consists of a wide assortment of small shops, dispersed all over the country. Among the larger industrial enterprises, most of which are financed by private foreign capital, are the United Africa Company's large veneer and plywood mill, two cement factories, three cotton textile factories, three cigarette factories processing largely domestic tobacco, two breweries, soap factories, groundnut crushing mills, cotton gins, palm oil mills, sawmills, tire retreading plants and soft-drink bottling plants. Most smaller shops are owned and operated by Africans.

62. Nigerian Governments are encouraging new industries to provide employment, particularly in the over-crowded areas. The local market is now fairly wide for simple types of manufactured goods and the supply of unskilled labor which can be trained for semi-skilled industrial jobs is adequate. Among the limiting factors are a serious shortage of managerial and technical skills, high costs of fuel and power and inadequate transportation. Private domestic savings are still low and shy of industrial investment. To compensate for this, the Regional development agencies have been active in financing, largely along with foreign private investors, new industrial enterprises which can be maintained without large subsidies and could provide training and employment for Nigerians in senior posts. Incentives such as the provision of industrial sites, loans and generous tax concessions are granted to foreign investors. The industries encouraged consist largely of light consumers' goods, substituting for imports and utilizing mostly local raw materials.

63. The numerous but weak trade unions, covering all principal industries, have the right to conclude collective agreements. Subject to some restrictions in electricity and water undertakings, strikes are legal, although the funds owned by the unions are inadequate to support a strike of some duration. There is little permanent negotiating machinery outside the government service and the statutory corporations. The unions are active in pressing for increased wages and expanded benefits. Aside from workmen's compensation against injury or death, there are no general social insurance schemes.

64. A closer coordination of the various Governments' activities in promoting industry is desirable. Although Nigeria is considered as an economic unit, the Regional Governments operate largely on their own and seem to be planning industrial development largely on a Regional basis.

65. The Federal Government's effectiveness in influencing industrial expansion is confined to its powers in granting concessions under the Federal income tax and customs tariff. Domestic manufacturers can obtain relief from import duty on capital goods and raw materials used in their production. The Federal Customs Tariff Advisory Committee, however, is convinced that, "apart from exceptional cases where strategic or other special considerations are involved, protective measures should not be continued indefinitely and should normally be granted only in cases where the local industry will eventually be able to compete with imported goods without protection."

Electric Power

66. The consumption of electricity is still low and only about one Nigerian in every hundred has electric light in his home. Largely because of increasing commercial and domestic use, however, consumption has grown at an average rate of over 20% per year since 1954 and this is likely to continue in the near future. Generating capacity, about 128,000 Kw. in March 1957, has doubled in the same period, still leaving a backlog of demand in some larger centers. The hydropower resources are severely limited for the larger rivers flow mostly in flatlands and most smaller rivers dry up almost completely during the dry season. Except for 20,000 Kw. in the Jos area and the Southern Cameroons from hydro stations, all Nigerian electricity is generated at thermal plants operating on domestic coal or imported oil. Partly because of high fuel costs the cost of power in Nigeria is high.

67. Electricity generation is largely a Government responsibility. The Electricity Corporation of Nigeria (ECN) generates two-thirds of the total power supply (see Table 10) and is executing development programs to meet future demand. The only other major supplier is the Nigerian Electricity Supply Corporation Ltd. (NESCO), a private British company, which operates four hydroelectric stations in the Jos area to provide power for the tin mines and nearby towns.

68. The Electricity Corporation's charges for power were increased roughly 20% in 1956 and, for the first time, it was able to balance its current accounts in 1956/57 without a loss. However, no interest was paid to the Government on account of its loans to the Corporation so that the present tariffs do not enable the Corporation to pay its way fully, including a reasonable return on capital and some provision for future growth. To ease the Corporation's financial position

during its major construction period, the Federal Government has granted a four-year moratorium on interest and redemption payments on the Government loans.

69. To meet the future demand for power, the Electricity Corporation has now under way its second development program to add 40,000 Kw. and new transmission lines in the period 1957-1962, requiring about £11.7 million, largely to be borrowed from the Federal Government. All new plants projected are thermal plants. The Northern Region Development Corporation is exploring the possibilities of establishing a hydro-station on the Kaduna river, through the Shiroro Gorge, but the demand for power in the area seems low.

Transportation

70. For Africa, Nigeria has a relatively well-developed transport system, consisting of major arteries of railways and highways and an intricate system of inland waterways (see the attached transport map). Yet, because of the long distances, difficult terrain and climatic conditions, transport poses special problems and the system still needs much improvement if the economy is to continue its development.

71. The railway carries roughly 60% of the estimated total traffic, largely long distances. Although no new lines have been added to its 1,780 miles since the 'thirties, its efficiency and carrying capacity have since increased appreciably, particularly in the course of the past few years. Detailed information is presented in the Technical Report on the Nigerian Railway Corporation and its present development program.

72. About one-third of total traffic moves on 36,000 miles of roads, roughly one-tenth of which is tarred. Route mileage for the area of the country is relatively high for Africa, particularly in the south. One-sixth of the road system (Trunk A roads), consisting of two main arteries leading north from Lagos and Port Harcourt and four lateral roads running from east to west, is maintained by the Federal Government. Another sixth (Trunk B roads), which serves primarily to link provincial capitals and other larger towns with the Trunk A roads, is the responsibility of the Regional Governments. The remaining 23,000 miles are local roads, built and maintained by various local authorities and carrying mainly local traffic. The road authorities have spread their limited funds and personnel over as great a mileage as possible and this policy has permitted deterioration on roads carrying heavy high-density traffic. Trunk A and Trunk B roads are often poorly kept, while local roads are often mere tracks which become impassable during the rainy season. The Department of Works and Surveys is now experimenting with new road construction methods.

73. Improvements in the road system have not kept pace with the growth in number of vehicles on Nigerian highways. Motor vehicle registrations rose from 23,000 in 1953 to 40,100 in 1957, representing an average annual increase of 29% in the number of commercial vehicles and 20% in passenger cars.

74. Nigeria's 4,200-mile system of inland waterways carries close to one-tenth of the total traffic. Through an intricate network of rivers and creeks, of which the Niger and the Benue are the main traffic arteries, produce and supplies can be moved at low cost from Dahomey in the west to the Southern Cameroons, and from the French border in the north all the way to Port Harcourt. This traffic is handicapped by sandbars and rapids but mainly by the fact that the river craft, now operated by the United Africa Company and the John Holt line, can operate only in the flood season which, in the upper reaches of the Benue, is virtually confined to a period of about six weeks.

75. The ocean ports are all located several miles inland on coastal rivers or lagoons and dredging is required to keep their approaches open. The two important ports, Lagos and Port Harcourt, are at a distance of 6 miles and 41 miles, respectively, from the sea. Cargo from river craft is trans-shipped to seagoing vessels at smaller ports in the Niger delta and on the Cross river. The Escravos Bar, only access to delta ports by ocean-going vessels, is shallow and is threatened by silting. A scheme which would cost about £6.3 million by 1964 has now started to clear and enlarge this entrance.

76. In 1956 Nigerian ports handled a total cargo of 4.1 million tons, compared with 3.7 million in 1953. Over three-fourths of this was foreign trade. The Nigerian Ports Authority operates Lagos, Port Harcourt and other ocean ports and their approaches. To expand the capacity of these ports, the Ports Authority expects to spend about £4.0 million on wharf extensions at Port Harcourt and about £3.2 million on other port improvements, including new sheds in Lagos. About half of the total cost will be borrowed from the Federal Government. The Authority has adequate revenue to finance its current expenditure.

77. Internal air services are expanding rapidly in Nigeria. They are supplied by the West African Airways Corporation, an inter-territorial statutory corporation formed in 1946 to serve Nigeria, Ghana, Sierra Leone and Gambia. Nigeria covers the bulk of the Corporation's yearly deficit.

IV

CURRENCY, BANKING AND PUBLIC FINANCE

Currency and Banking

78. The currency and banking system grew largely out of the needs of foreign trade. In the early years, the large foreign trading companies introduced a variety of European currencies. A consolidation of the currency system, which even until quite recently included a variety of commodity monies and European currencies, was effected in 1912 when the West African Currency Board, a joint organization for the British West African territories, was established. The Board has in circulation the West African pound which is issued under the sterling exchange system. The sterling acquired against the issue of West African currency is invested almost entirely in U.K. securities.

79. Since Nigeria is part of the sterling area, funds can be freely transferred to or from other sterling countries, and since there is as yet no domestic capital market, the Governments, the Marketing Boards, as well as banks and the large trading companies, invest their surpluses and use banking facilities in London. In the course of the year the seasonal pattern of export trade gives rise to appreciable changes in the liquidity of the Nigerian economy (see accompanying chart) and this results in corresponding movements of short-term funds between Nigeria and London.

80. A large share of the banking business is done by large expatriate banks, mainly Barclays (D.C.&O.) and the Bank of West Africa Ltd. (owned by British shareholders) which are still expanding their network of branch offices in Nigeria. There are now also four African banks, two of which (the National Bank and the African Continental Bank) have support from the Western and Eastern Regional Governments respectively. The banking system's liquid assets (cash plus deposits in London) still fluctuate between 50-65% of total deposits and are slightly less than total demand deposits (Table 12). Such high liquidities are not maintained by the African banks which seem, in fact, to go to the other extreme.

81. Though still only a minor section of the population deals with banking institutions, expansion of the money economy has been rapid over the past decade. Currency in circulation, now about £50 million, has expanded almost ten-fold since 1939, as exports increased rapidly and the economy has expanded. Over the same period the proportion of notes in the money in circulation rose from a mere 4% to over half, showing in part at least a growing confidence in paper money (Table 11). Bank advances, slightly over £25 million at the end of 1956, have more than doubled since 1954, largely because of increased lending for domestic trade and other non-agricultural purposes (Table 13). Interest rates seem rather high, particularly for unsecured loans, probably reflecting a relatively high rate of defaults. Bank deposits, though growing quite rapidly, are still substantially less than the total currency in circulation. This compares with deposits six times as high as currency in the Federation of Rhodesia and Nyasaland and about 50% higher in Ghana. Since 1952 the increase in the volume of currency in circulation has slowed down to about 2% per annum as the growth in export receipts has leveled off.

82. The available price indices for the three southern capitals show an average increase of 4-5% per year in retail prices since 1953 (Table 14) which may be due partly to rapidly increasing public and private spending in these centers and partly due to imported inflation, mainly from the U.K.

83. Generally in line with the Bank Survey Mission's recommendations, the Federal Government has passed legislation to establish a central bank which would issue the new Nigerian currency, serve as the principal depository of public funds, be empowered to buy and sell Government securities, and supervise the activities of banks. At the Government's request, Mr. J.B. Loynes of the Bank of England has set out the way in which such an institution should be organized and the major policies it should follow in order to maintain a sound Nigerian currency and develop a local money and capital market. He rightly emphasizes the importance of providing the new bank with competent management and of keeping it above party politics. The Government expects that the necessary preparation both for the central bank and the new Nigerian currency will be completed by 1960. With the new central bank, reserves of 60% would be maintained against currency issued, compared with over 110% under the present system.

Public Finance

84. Responsibility for collecting and spending public monies in Nigeria is divided among the Federal Government, the Regions and the Local Authorities. Of a total revenue of about £86 million in the fiscal year ending March 31, 1956, the Federal Government spent roughly £30 million (35%), the Regions together spent £39 million (45%) and local governments (Native Authorities) £17 million (20%). The Federal Government collects almost six-sevenths of the Federal and Regional revenue, and distributes about half of the total proceeds to the Regions according to the origin of the revenue. Under this arrangement the Western Region receives roughly 42% of the Regions' share, the North about 30% and the East about 27%, leaving about 1% for the Southern Cameroons.

85. The present method of allocating revenue among various Regions has been criticized, particularly by the Eastern Region, which feels that it does not receive enough to maintain a satisfactory rate of development. A Fiscal Commission set up after the recent Constitutional Conference is now examining the present division of powers in taxation and the present system of allocating revenue, and is also considering the adequacy of present arrangements for coordinating loan policies. It is expected that the Commission will make its recommendations by mid-1958 and they will be reviewed, probably before the end of this year, at a Resumed Constitutional Conference. Although the Resumed Conference might decide to transfer some of the Federal Government's present responsibilities to the Regions it does not seem very likely that the Federal Government's position would be weakened seriously. It should be noted, however, that at present personal income tax collections from Africans residing outside Lagos accrue to the Regions. Although the amount collected is now relatively low, in the long run this may develop into a major source of revenue.

86. Government revenue has increased more than tenfold since prewar. More than one-half comes from import and export duties, one-third from excise duties, produce sales taxes and other indirect taxes, and only one-sixth from direct taxes, mainly corporate tax and Federal and Regional personal income tax (see Table 15 and Annex II).

87. Since these indirect taxes are highly susceptible to changes in foreign trade and business activity, the Governments have set aside various reserve funds, the largest of which is the Revenue Equalization Fund. Thanks to the large income from export duties during the postwar export boom, these reserves stood at about £80 million, a full year's revenue, at April 1, 1957. Although a substantial part of these reserves would have to be retained against any future decline in the public receipts, a portion is being used in financing capital expenditure.

88. Direct taxation is quite heavy, although various exemptions are made to encourage new business enterprise. The present corporate tax rate is 8 shillings in the pound compared with 9 shillings in relatively rich Ghana, 7 shillings in the Federation of Rhodesia and Nyasaland, and 5 shillings in East Africa. It can hardly be raised without discouraging investment. Neither is there much scope for increasing revenue from other direct taxes, except as real incomes rise and tax administration is improved. Following the Bank Survey Mission's recommendation, the Government raised customs duties in 1956 to an average rate of roughly 20% of the import value. There may still be some room for increasing these duties.

89. Federal and Regional expenditures have also increased tenfold since prewar. The largest increase occurred in education, for which the estimates tripled from 1953/54 to 1957/58, due largely to heavy costs of enforcing universal primary education in the Eastern and Western Regions and to increased recurrent expenditure for higher education, notably in the new and elaborate Teaching Hospital and in the University College in Ibadan (Table 16). Expenditure on education will remain high in years to come. Among the other major sectors for which expenditure roughly doubled in the same period were public works, public health, and natural resources, including agriculture and mining. Public debt charges more than doubled as a result of long-term borrowing by the Federal and Regional Governments from the Marketing Boards but are still less than 4% of total Federal and Regional revenue. Allocation for "pensions and gratuities" also increased, reflecting partly the increase in wages and partly the gratuities being paid to overseas staff resigning. It appears that the present system of public audit and accounting in Nigeria is not as effective as in many other countries. Most Nigerian Governments realize this and intend to introduce in the next few years an exchequer and audit system on the pattern of the similar legislation in the U.K.

90. On the whole, the policy in incurring expenditure has been conservative. The level of spending has been geared closely to revenue expectations, which, being consistently under-estimated, provided frequent surpluses for capital expenditure (see accompanying chart). Since 1953/54, however, export prices have been somewhat lower, and revenue has grown more slowly, while both Federal and Regional expenditure have risen quite rapidly. The revenue surpluses have declined steadily and both the Federal and Regional Governments have had to finance an increasing proportion of their capital works either from reserves or by borrowing (Table 16).

91. Local authorities, still responsible for the collection of substantial direct taxes and local "rates" from Africans, differ from Region to Region. In the North where the traditional system of Native Authorities persists, they wield greater influence and have ampler resources to maintain their current operations as well as to carry out some development work, such as water supplies, road construction, medical and agricultural services. In the East and to a lesser extent in the West, local authorities consisting of Native Authorities and Local Government Councils depend largely on Regional grants to maintain their current operations, mainly education, and have little scope for executing capital works.

Public Development Plans

92. A major factor in the recent rapid growth of current expenditure has been the development programs being carried out by the various Nigerian Governments. The first development plan started in April 1946 and under it a total expenditure of about £53 million was envisaged, including U.K. grants of £23 million from the Colonial Development and Welfare Fund, largely for education, water supplies, roads, public health and public buildings, over a ten-year period. When this proved too long to permit reasonably accurate programming, the plan was divided into two five-year programs. While the second of these was in progress, the present Federal Constitution came into force late in 1954, and development planning had to be regionalized. By March 1955, £56 million had been spent under the first development program and its extensions, about half of which came from the C.D.&W. grants. The Federal Government introduced an interim program 1/ for 1955/56, authorizing a total expenditure of £19.7 million, and both the Federal and the Regional Governments prepared new development plans, totalling £185 million altogether, covering the five-year period ending on March 31, 1960. In this they were influenced by the Bank Survey Mission's report and by the U.K. Colonial Development and Welfare assistance which was extended to 1960. Although since modified somewhat, these plans have set the basic pattern of public investment in Nigeria for several years to come (see Tables 17 and 18).

93. The first postwar development plan and its extensions provided Nigeria with some basic facilities and services, including particularly general and technical education. Under the development plans now being executed, means are being provided to extend most of these earlier works and, as the following table shows briefly, more emphasis is being placed on services more closely related to production.

Table 2

Capital Expenditure by Major Sectors Under Development Plans 1946-56 and 1955-60

Economic Sectors	1946-56 Plan £ million	1946-56 Plan % of total	1955-60 Plans £ million	1955-60 Plans % of total
Transport and communications	11.1	21	69.1	37
Education, health, housing, etc.	22.8	43	41.7	22
Public works (excluding transport)	9.0	17	25.5	14
Agriculture, mining, industry, power	5.3	10	18.5	10
Defense, general administration, contingencies, etc.	4.8	9	30.2	17
	53.0	100	185.0	100

1/ This program has later been amalgamated in the new development plans.

94. On the whole, the new development plans seem suitable to Nigeria's present stage of economic development. Although the total amounts involved exceed the Bank Survey Mission's estimates by as much as 50%, the shares of the various sectors are quite similar (see accompanying chart). The rise in total cost is due partly to higher costs of labor and materials, partly to the inclusion of additional projects such as the railway extension to Bornu and the dredging of Escravos bar, which the Mission considered worth doing if the studies then being carried out demonstrated their soundness, and partly from increased emphasis on road construction and telecommunications.

95. Although machinery for coordination between the Federation and the Regions was provided for, it does not appear to have worked as well as would have been desirable. The Regions' desire to exercise their newly-won autonomy has probably limited the Federal Government's effectiveness in this matter. On the other hand, the influence of the Bank Survey Mission's report on both the Federation and the Regions seems to have in some measure compensated for this lack.

96. Mainly because of the time required for preliminary technical investigations and for the preparation of tenders, the execution of the programs has so far been slower than planned. A general shortage of qualified staff has also caused delay. Of a total capital expenditure by the Federal Government of £11.5 million in 1955/56 and £16.5 million in 1956/57, only £2.3 million in 1955/56 and slightly over £10 million in 1956/57 were chargeable to the new Federal development plan, the remainder consisting of works included in previous programs. Nevertheless, as much of the preparatory work is done and a number of important contracts have been placed, the rate of spending is increasing. This is particularly noticeable in the execution of the highways and telecommunications programs where foreign engineering consultants and other contracting firms are hired to supplement the Government's own facilities. The revised estimate for the Federal Government's expenditure in 1957/58 under its development plan is £16.3 million and the Government expects that the spending in 1958/59 would be as much as £35 million. At the earlier stage of the execution of their development programs the statutory corporations have been encouraged to utilize their own surplus funds and borrowing facilities in financing the expenditure. As the funds from these sources are exhausted, they will draw increasingly on loans and grants allocated for them under the Federal Government's Development Plan, resulting in an increased rate of spending for the Governments. In summing up, the annual rate of spending under the Plan should continue to increase in the coming years, although this increase may not be as fast as now envisaged by the Federal Government. This conclusion applies also to the Regional development plans.

97. Although the Eastern Region and the Southern Cameroons are now beginning to find their relatively limited resources a major handicap in their planning, so far the lack of finance has not been a serious obstacle to the execution of the present development plans. Over the last four years practically all the funds required were raised within Nigeria and only a fourth of these were borrowed, largely from the Marketing Boards. The bulk was provided out of current surpluses of the Federal and Regional budgets and of statutory corporations.

98. With the planning period more than half over, both the Federal and Regional Governments have been revising their development plans to take account of changing emphasis, past experience regarding their capacity to carry out various works, and future financial possibilities. Although this work is not yet finished, it is very likely that the basic structure of the plans will remain unchanged. Both the Federal Government and the Regions have agreed in principle that the execution of the present plans would be extended to March 31, 1962 and new projects, such as new governmental buildings in Lagos and further sums for highways and other purposes as required, would be included. In the light of these revisions now under way, Table 19 of the Statistical Annex sets forth the Federal Treasury's preliminary estimate of capital expenditure in the three years ending March 31, 1960 by the Federal and Regional Governments and of the way in which they might be financed. Of a total scheduled capital expenditure of about £142 million, roughly 10%, or about £14 million, would remain unspent, largely because of unforeseen delays in the execution of the various programs. To finance this somewhat reduced rate of spending Nigeria would draw on her accumulated reserves in an amount of about £59 million, or nearly half the required finance. Two-fifths, or about £51 million, would be obtained from current budget surpluses, Colonial Development and Welfare grants and miscellaneous receipts, leaving about £19 million, or 15% of the total, to be financed from domestic and external borrowing. The Federal Treasury estimates that about half this amount would be raised within Nigeria, mainly from the Northern Region Marketing Board and other institutional savers. The estimate for external loans includes mainly a total withdrawal of about £9 million by March 31, 1960 from the proposed Bank loan, and about £0.5 million from London.

99. The foregoing estimate assumes that the annual rate of capital expenditure of the Federal Government and the Regional Governments during the next three fiscal years would average roughly £42 million. Total capital expenditure by the Federal and Regional Governments averaged roughly £15 million a year from 1951/52 to 1955/56 and is expected to be about £23 million in 1956/57 (see Table 17). Capital expenditure in 1957/58, estimated by the Federal and Regional Governments at £44.5 million before the fiscal year, will probably be around £35-38 million. On the basis of the Federal Treasury's provisional estimate a total capital expenditure of about £90 million, therefore, remains to be made during the two fiscal years ending March 31, 1960. As described in paragraph 96 above, the rate of public capital expenditure should increase substantially in the coming years and, considering this, the Federal Treasury's estimate does not seem unrealistic.

100. A number of major works included in the present development plans, such as the Bornu railway extension, the dredging of the Escravos Bar, and improvements in ports and waterways, will not be completed for several years after 1960. When these works and other projects under the development plans are completed, Nigeria should be well equipped with a basic network of transport facilities to meet the requirements of both domestic and foreign trade for some years to come. This should contribute to increased production and better distribution of local food products and to increased exports. Substantial additions are also being made to the country's stock of public buildings, including schools and hospitals. In the short run these may not contribute much to the expansion of production and will require a continuing high rate of recurrent expenditure. But they should bring increasing dividends in the long run as more and more Nigerians are trained for public administration and various economic activities. In some parts of the

country, such as the Eastern Region, however, there is a tendency to encourage too fast a rate of growth of these services. Although this may be highly desirable, the recurrent expenditure involved may easily outstrip revenue and could pose a serious problem, particularly should revenue decline sharply.

101. As public expenditure grows, sterling assets accumulated in London in the postwar boom years are now to be progressively used in financing both domestic and foreign expenditure. Provided that Nigeria is able to maintain a relatively free flow of imported goods without running down her reserves too fast, the goals of the present development plans should, in normal circumstances, be realized without upsetting financial equilibrium.

Prospects for Public Finance

102. If present trends continue, public revenue should normally increase probably at an average rate of 5% per year, while current expenditure may well grow twice as fast, if the many new institutions and installations established under the development plans are to be properly serviced and maintained. In addition to new recurrent costs resulting from public investments, there are costs which have to be borne as Nigeria approaches and eventually achieves political independence. Among these are defense expenditure, estimated at roughly £3 million per year, which is to be assumed progressively over the next three years, and of diplomatic representation. After independence, Nigeria will no longer be eligible for the Colonial Development and Welfare grants, estimated at about £12 million for the three years ending March 31, 1960, or for new loans by the Colonial Development Corporation. There is probably some scope for economies in both Federal and Regional Governments and the Federal Government may raise tax revenue, largely by increasing some import duties. On balance, however, the current surplus of the Federal and Regional budgets, which has already been reduced to roughly one-seventh of the total estimated expenditure in 1957/58 (Table 16) may continue to decline, although Nigeria is expected to continue to meet her current expenditure from current revenue. With the lower current surpluses, Nigeria will depend increasingly on her reserve funds and on borrowing to finance public investment.

103. As already mentioned (paragraph 87), the Revenue Equalization Funds stood at about £80 million in March 1957. These were part of the £244 million of sterling holdings owned by Nigerian official and semi-official agencies. The remainder was made up largely by the Marketing Boards' price stabilization reserves, the currency reserve and various short-term funds, such as seasonal excess revenue of the Governments and the statutory corporations. Since 1954 the overall level of the sterling balances has shown little change, although there have been shifts from the Marketing Boards to the Federal and Regional Governments, as new loans or grants were made to the latter (see accompanying chart and Table 24). The Federal Treasury's preliminary estimate (see Table 19) of the present sources of funds available for financing the current development plans envisages a total drain on these funds of about £59 million by March 1960, mainly from the Federal and Regional Governments' various reserve funds and the West African Currency Board's reserves, on the assumption that a 60% sterling cover would be maintained for the new Nigerian currency with the establishment of the new central bank.

104. Even after the planned use of about £59 million in financing the current development plans, Nigeria's sterling balances will remain comfortably high and there should be a margin for financing further development after 1960. Yet the magnitude of Nigeria's sterling balances should not be overemphasized. Since her export receipts and public revenues are highly sensitive to changes in the commodity prices, Nigeria has to maintain a relatively high level of "stabilization" or "revenue equalization" reserves. Savings through the pooling of various reserves owned by the Governments and the Marketing Boards are hardly practical under present conditions. Some reduction in these assets is likely with the establishment of the new central bank and development of a domestic capital market as a result of which a part of these, consisting mainly of short-term funds, would be invested within Nigeria. Furthermore, should the European trading companies reduce after independence the substantial working capital they have been providing in Nigeria, a further liquidation of the sterling assets would be necessary to provide an increasing volume of working capital to the economy. Of course, most of these factors are variable and closely related to governmental policies. The amount of the sterling assets that would be available for development purposes in the period after 1960 will, therefore, be affected largely by changes in these factors and policies.

105. Possibilities for borrowing locally are limited. Among the potential investors in Government bonds are the Post Office Savings Bank, provident and pension funds, and insurance companies. Annual savings from these sources will not probably exceed £500,000. Except for a Federal issue of £300,000 in 1946 which was not particularly successful, there is no experience in the floating of internal loans. Although the new central bank would in the long run be valuable in developing a market for Treasury bills and Government securities in Nigeria, not much should be expected in the first few years. There remains, of course, the London market from which Nigeria, as a member of the Commonwealth, could normally expect to borrow more than it could raise domestically.

106. If Nigeria is to continue developing her resources at the rate now envisaged for the next few years, the "disposable" part of her sterling reserves would be spent probably by the mid-'sixties. After that, short of new windfall gains from exports or substantially higher inflow of foreign capital, Nigeria would have to adjust her rate of spending for both current and capital purposes. To reduce public expenditure sharply would be difficult, particularly for leaders in a newly independent country. It may be expected, however, that the rate of spending will be rather slower than now envisaged, that domestic savings will increase more rapidly than at the present and that such a readjustment will not be as radical as might now appear. It should, however, be realized that, should a radical readjustment become necessary, political expediency or administrative shortcomings might delay or prevent it from being carried out properly. Such a risk is inherent in most lending in underdeveloped countries and there are no grounds for believing it to be excessive in Nigeria.

Economic Coordination

107. As has already been indicated, there is a growing need for closer coordination of the policies of the Federal and Regional Governments in economic and financial matters. Present Nigerian institutions set up for this purpose are still very new and although some progress has already been made, they have not yet fully proved their effectiveness. Their scope is limited since they are all purely consultative, and they do not yet have adequate permanent technical services and

staff to guide them in their consideration of broad policy questions. On the whole, however, although it is still too early to pass judgment on the effectiveness of the early mechanisms, the chances for better coordination of Federal and Regional policies appear to have improved appreciably in the last few years, as all governments concerned now seem in agreement about the desirability of coordination.

108. The most important coordinating body is the National Economic Council, established in 1955 on the Bank Survey Mission's recommendation, as "a forum in which the Federation and the Regions might meet to discuss many economic problems common to each - and such of their development policies as may have consequences reaching beyond their respective constitutional spheres." The Council meets about twice a year under the chairmanship of the Governor-General, and each Government, except the Southern Cameroons, which has half of the representation granted to the other regions, sends four members of ministerial rank. Although the Council can only make recommendations to the governments concerned, its status is such that its recommendations are usually accepted. In the five meetings it has had the Council has discussed wages, the coordination of loan policies, the encouragement of foreign capital, railways, technical education, sales taxes, and power development. Its effectiveness would probably be increased if it had a permanent secretariat to prepare the major issues for the Council's discussion and to watch the action taken by various governments after decisions have been approved.

109. Another body designed to coordinate Federal and Regional policies is the Loans Advisory Board, established in 1956 to consider and make recommendations to the Federal and Regional Governments on the amount of external borrowing and its allocation between various governments. Its original terms of reference do not include domestic borrowing, although the Federal Government intends to propose the inclusion of this. It consists of the Ministers of Finance of each government, with the Federal Minister of Finance acting as the Chairman. The Board's first meeting was to take place in January 1958 to discuss the external finance required for the Federal and Regional development plans. Now that the Fiscal Commission has been specifically assigned to examine the adequacy of the existing arrangements for coordination of loan policies, the Board will be subjected to a close examination.

110. With the coming of regional autonomy last year, a National Council of Establishments has been set up as a permanent consultative body to assist in obtaining uniformity of practice in civil service administration. Its membership consists of a cabinet minister from each government, with the Federal Minister acting as the Chairman. Although the Council has not yet become active it could well develop into a center at which important policy questions, such as Nigerianization and a uniform scale of wages, could be profitably discussed.

V

BALANCE OF PAYMENTS AND CREDITWORTHINESS

External Trade

111. From the early 'twenties until a few years ago Nigeria's balance of trade consistently showed an export surplus. This was very substantial from 1947 to 1954 and made possible the accumulation of large sterling balances. Partly due to lower export prices, but particularly because of stepped up capital expenditure and an increase in inflow of private capital, for the last three consecutive years Nigeria has had an import surplus (see accompanying chart). From 1950 to 1956 exports increased in value about 50%, while imports rose three times as much (Table 23). Manufactured consumer goods (over 50% of the total) and food (about 14%) are still very important in total imports, but the share of machinery and vehicles rose from 18% of the total in 1954 to 21% in 1956 (Table 20). Short of any major setback in export income, imports may be expected to increase steadily in the coming years, as the execution of the public development plans progresses further.

112. In view of her strong financial position Nigeria's import licensing policy is quite liberal. With few exceptions, mainly petroleum products and gold, imports from the sterling area and the OEEC countries are free of restrictions. Specific licences are required for imports from the dollar area, Japan and the Soviet bloc. Licences for dollar imports, which were expected to amount to about $17.5 million in 1957, are issued liberally for heavy machinery and equipment, tobacco, flour, second-hand clothing and motor cars and, except probably for the last item, no repressed demand appears to exist for those classes of items permitted to come in.

113. In the coming years the output of Nigeria's major export products is also likely to increase, though more slowly. Export prices have declined somewhat since 1954 but are still remunerative and, allowing for the fact that some Nigerian export prices are prone to sudden short-run changes, should remain so in the foreseeable future. It is reasonable to expect, therefore, that Nigeria's export proceeds should expand gradually.

114. Over half of Nigeria's foreign trade is done with the sterling area. and 25-30% of it with the OEEC countries, mostly Germany, the Netherlands and Italy. In 1956 the U.K. purchased over 63% of Nigeria's exports and provided about 45% of her imports. The United States accounted for roughly 9% of total exports, consisting largely of cocoa and, to a lesser degree, of columbite, hides and skins and rubber, and less than 4% of total imports. Nigeria has been a net contributor to the sterling area dollar pool.

Balance of Payments

115. The inflow of long-term private capital to Nigeria has increased appreciably in recent years, as foreign firms (largely from the U.K. and the U.S.) have established manufacturing plants or branch offices to serve the gradually widening African market (Table 23). In 1956 it was estimated at £13.5 million, of which about £5.5 million was composed of reinvested profits.

This is quite modest when compared with the inflow of foreign capital into the Federation of Rhodesia and Nyasaland, but compares favorably with a flow of about £5 million per annum to Ghana. Licences for the repatriation of non-sterling capital and profits are granted liberally.

116. Thanks to her modest inflow of foreign private capital, Nigeria's sterling balances have registered little change since 1955, despite a current account deficit of £9.3 million in 1955 and of £23.5 million in 1956 (Table 24).

Creditworthiness

117. Over the past half century or so, economic, social and political progress in Nigeria has been rapid. With the exception of the oil palm, almost all the major export crops have been developed during this period. The economy has been gradually diversified, and substantial expansion has taken place in almost all major sectors. As in many other young countries which depend for their prosperity on exports of primary products, the pace of development has not been even. During the depression of the early 'thirties and again during the Second World War the world demand for most Nigerian exports declined and economic growth was slowed down considerably. In most of the post-war period, however, Nigerian exports have been sold at very good prices and the rate of growth has been unprecedented. To broaden the social and economic base of these recent gains and to contribute to further growth, the Nigerian Governments have started public investment programs, partly to be financed from savings accumulated from the earlier export surpluses.

118. As in the past, Nigeria's prosperity and economic growth in the future will depend largely on her exports, which are made up almost entirely of primary products. Export earnings are consequently bound to be somewhat erratic from year to year, although Nigeria enjoys a degree of diversity in her export income. The export of oil palm products, which still accounts for the largest individual share (slightly over a quarter) in Nigeria's export receipts, is not greatly influenced by changing weather conditions. The growing output of groundnuts, now accounting for over a fifth of export receipts, is highly susceptible to weather conditions, but its price is less prone to large fluctuations. The export of cocoa, the price of which is subject to violent changes, accounted in 1956 for less than a fifth of the total export receipts. The remaining third of total exports is made up of various products, notably cotton, rubber, timber, hides and skins, tin and columbite. As was amply demonstrated from 1954 to 1957 when the cocoa price was more than halved, this diversity in export income makes Nigeria relatively less vulnerable.

119. Another feature of importance is that, in the short run at least, the output of most Nigerian export products is not greatly affected by declines in price, as the bulk of production comes from a large number of peasant farms or is gathered by peasants from wild oil palm forests to provide necessary cash income for peasant families. As already mentioned (paragraphs 43, 51 and 53) Nigerian production costs are low, owing mainly to primitive methods of production and low levels of living and the producers can bear even drastic price cuts without curtailing their output seriously, although such lower prices would reduce government revenue and hamper economic development.

120. As already discussed in part III of this report, the present outlook for increasing the output of Nigeria's main export products is fairly good. The output of groundnuts, cotton and rubber should increase quite rapidly, that of cocoa and palm products more gradually. Since the last war the increase in Nigeria's exports of vegetable oil products consisting of palm oil, palm kernels and groundnuts has been more rapid than the growth in total world exports of these products, so that Nigeria has succeeded in raising her share from below a quarter before the war to over a third of the total. These products are sold mostly in the U.K. and Continental Europe. Their use in the manufacture of margarine, shortening and cooking oil has generally been growing and as population increases and higher living standards are attained, they should continue to do so, though probably at a somewhat reduced rate. The amount of vegetable oils used in soap making, a less important market, has remained static or decreased in the face of vigorous competition from synthetic detergents and will probably show no increase in the future. On the whole, imports of vegetable oils into Western Europe, including the U.K., will probably increase in future at an average rate of about 2.5% per year. If, however, Nigeria continues to expand her share of the world market by encouraging more sales to Continental Europe where the outlook for increased consumption of vegetable oils seems to be better than in the U.K., she could probably maintain a somewhat higher annual rate of growth in her exports of vegetable oils. In the European market, however, keen competition from cheaper copra and soya bean oils is to be faced and this may lead to some reduction in Nigeria's export prices. The loss to export receipts should be more than offset by the increasing volume of exports.

121. With the long boom of 1948-55 barely over, the price of cocoa has again risen by over 50% in a year to above £300 a ton, as a result of lower crops in West Africa. This may not be maintained beyond the present season and, aside from frequent short-term fluctuations, the "normal" price in future would probably be around £250 a ton. If the present cocoa boom with prices above this level continued for a longer time, this may encourage further development of substitutes for cocoa butter which are now in use, on a limited scale, by chocolate manufacturers. At a price of £250 a ton these substitutes should not threaten the natural product seriously.

122. Of the lesser exports, cotton and rubber are growing steadily in importance and should in the future provide more than their present share (over 10%) of total export receipts. At present marketing the present supply of cotton, rubber, hides and skins poses no particular difficulty. Although the sale of Nigeria's hard woods seems for the time being to be slowed down by credit restrictions in the U.K., the outlook for it too is fairly good.

123. The immediate prospects for Nigeria's mineral exports, consisting mainly of tin and columbite, do not seem bright. Due largely to the cessation of purchases by the U.S., the price for tin has declined by more than 50% since 1951, to a point where restriction of exports by over a quarter had to be decided under the International Tin Agreement to halt further decline. Although in the long run demand should increase with high industrial activity and better living standards, it is more than likely that the price will remain on the low side unless heavy purchases by the U.S. are resumed. The future outlook for columbite will also be affected by the policies of the U.S. Government. One apparently bright spot in the mineral sector is that the likelihood of discovering oil in commercial quantities has increased appreciably in the last year or two.

124. It is still too soon to know what effect the advent of the Common Market may have on future sales of Nigerian products in Western Europe. In 1956 Nigeria sold about a fourth of her cocoa, one half of her groundnut oil, a third of her hardwoods and less than 10% of her columbite in the Common Market countries. The uniform rate of 9% which has already been agreed for cocoa should put producers in the French African Territories in a better competitive position and, in the long run, should stimulate output in these areas. Yet, because of the greater demand in Europe, it is more likely that the agreed rate, which in all probability will not come into force for four to six years to come, would largely be borne by the consumers, with relatively little effect on the f.o.b. price accruing to producers in the British African Territories. The bulk of Nigeria's exports of wood products are made to West Germany and Holland free of duty and it remains to be seen to what extent, if any, these exports would be affected by a common tariff. Under the Treaty, oilseeds from all sources will enter duty free. While the Common Market rates for vegetable oils are yet to be negotiated, it seems unlikely that these would change substantially the Common Market countries' dependence on outside supplies and affect seriously Nigeria's competitive position. As a general policy the bulk of the Nigerian groundnut crop has been sold in the form of whole nuts and, because of government restrictions, the local crushers barely exceed 100,000 tons a year, of which more and more is used domestically.

125. The Nigerian economy is flexible enough to adjust itself to changing conditions in the balance of payments, although such adjustments would necessarily affect the country's rate of economic development. As indicated earlier, over half of the imports consists of manufactured consumers' goods which could be curtailed drastically in a relatively short period at least, should a sharp drop occur in the export receipts. In the meantime, to restore the internal balance, the relatively high prices now paid by the Marketing Boards for major export products could be cut very substantially without materially affecting the output (Table 25).

126. Along with the economic progress, great social and political changes have taken place in Nigeria, particularly over the last decade, so that the country now stands at the threshold of full independence within less than half a century of its consolidation under British rule. This rapid social and political development injects some uncertainty into the picture for it is difficult to predict how the advent of independence will affect the development of the Nigerian economy.

127. Among the encouraging features is that Nigeria has none of the difficult problems now faced in many multi-racial societities of Africa. A sound base for economic, social and political progress already exists through which all talented Nigerians could achieve their legitimate ambitions. The country is large and politically too diversified to be dominated by a single political faction. In general, Nigerians are a peaceful and law abiding people. Social differences are not acute. Under good leadership Nigeria should have good prospects for steady and peaceful development.

128. There are, nevertheless, some problems as yet unresolved. Nigeria still has a long way to go before developing to full nationhood. Tribal loyalties are strong and most of the political activity still takes place in the Regional arena. Past antagonisms dividing various ethnic or religious

groups still persist. Yet, despite these shortcomings, the Federation is steadily growing in importance and should be able to consolidate its position.

129. Orderly economic growth could be endangered if the pace of "Nigerianization" of the public services were to be forced and the high standards of public administration thus allowed to deteriorate. For one thing, this would limit seriously the various governments' ability to plan and execute development programs and to control public finances. Another possible danger is that, should export prices be disappointing, political expediency might induce the Marketing Boards to subsidize producers at the expense of the rest of the community. As things are now going, however, some decreased speed and efficiency will probably occur as the transfer of the public administration from European staff to less experienced Nigerians progresses, but it is not likely to damage the machinery of government seriously.

130. Nigeria's external debt, all in sterling, amounted on March 31, 1957 to the equivalent of $40.2 million, net of accumulated sinking fund contributions (Table 3). About $35.7 million of this consists of four public issues in London and the remainder is made up by a Colonial Development Corporation loan to the Lagos Executive Board and a small loan by Barclays Overseas Development Corporation to the Cameroons Development Corporation. The publicly issued bonds are covered by annual payments to a sinking fund.

131. Between 1957 and 1963 service on the existing external debt will be less than $2.5 million equivalent per annum, or about 0.7% of current export receipts. Thereafter it falls gradually, except in 1963 and 1966 when the redemption of two London issues raises it to $4.1 and $17.5 million equivalent, respectively. This is quite low in relation to Nigeria's resources and the proposed Bank loan of about $28 million equivalent should be within Nigeria's creditworthiness.

ANNEX I

Development Corporations and Loans Boards

1. Until towards the end of 1954, the statutory bodies responsible for development were three Regional Production Development Boards, one in each of the three Regions, and four Development (Loans) Boards, one in each of the three Regions and one in Lagos. After the Constitution of 1954, new corporations and boards were established and have taken over the funds and functions of the previous agencies.

2. The following is a brief description of these new bodies:

a) Federal Loans Board: Established in 1956 for lending to industrial projects in Lagos and elsewhere in the Federation. The Federal Government is the main source of its funds.

b) The Northern Region Development Corporation: Established in 1956 for formulating and financing agricultural and industrial development projects and for lending to agricultural, industrial and commercial enterprises within the Region. It has palm oil and sugar plantations, executes agricultural resettlement projects and has investment in a modern textile mill at Kaduna. It has also financed a number of irrigation, road construction and tsetse control projects and maintains general agricultural research. The bulk of the Corporation's capital comes from grants by the Northern Region Marketing Board.

c) The Western Region Production Development Board: Established in 1955 to promote agricultural and industrial development in the Region. It owns extensive plantations of rubber, oil palms, cocoa, citrus, pineapple, etc., a sheep and cattle ranch and has set up fruit juice canning, rubber processing, and plastic factories. The fruit juice canning and rubber processing plants now operate below capacity because of inadequate supplies of citrus fruits and raw rubber. The Board now obtains its funds from the Regional Government in the form of loans.

d) The Western Region Finance Corporation: Established in 1955 for lending to various agricultural and industrial projects and for providing short-term loans to farmers in the Region. For smaller agricultural loans the Corporation operates through local Loans Boards. It now obtains funds for its operations from the Regional Government in the form of loans.

e) The Eastern Region Development Corporation: Established in 1955 with the purpose of developing the resources and production of the Region. It has various plantations growing coconut, oil palm, cashew nuts and cocoa, a cattle ranch, palm oil extraction mills, and has invested in a large cement plant along with British capital. A fertilizer scheme has proved a failure. It also financed some road construction projects in rural areas and grants scholarships. The former Eastern Region Finance Corporation was amalgamated in 1956 with the Development Corporation. From its loanable funds the Corporation is financing several "development" corporations within the Region which are concerned with printing, pharmaceuticals, tourism and the cinema. The Corporation's capital is provided mainly by the Marketing Board.

f) <u>The Southern Cameroons Production Development Board</u>: Came into operation in 1956 with the purpose of promoting economic development of the areas of production of the produce from which its funds are derived. In addition to executing development schemes, it could provide credit to the producers for agricultural and other productive purposes. It owns a coffee estate planted with Arabica coffee. The bulk of the Board's funds is contributed by the Southern Cameroons Marketing Board.

g) <u>Cameroons Development Corporation</u>: Established in 1947 to operate some 250,000 acres of former German plantations, growing bananas, rubber, oil palm, cocoa and tea. It is operated as a commercial enterprise, though large sums are being spent for the welfare of its 18,000 employees. Any operating surpluses accrue to the Southern Cameroons Government to be spent on welfare and capital improvements within the territory. The Corporation has borrowed from the Federal Government and Barclays Bank D.C.O. to help finance its capital expenditure.

ANNEX II

Major Sources of Federal, Regional and Local Authority Revenue

Federal Revenue

1. Under the present Constitution the Federal Government has sole responsibility for matters dealing with external trade. Uniform schedules of import and export duties apply to the whole country and provide the largest share of total public revenue. Import duties, which generally average about 20% of the value of imported goods, vary from 10% or less to as high as 75% for some luxury goods. Goods such as machine tools, electrical machinery, fertilizers, machinery for industrial, agricultural, mining and scientific purposes, locomotives, rolling stock and various railway construction equipment are imported duty-free. Among the items which produce most of the revenue are cotton and rayon piece goods, tobacco, spirits, salt and gasoline. One-half of all import and export duties and excise taxes collected (but the whole of the import duty on motor spirit) is allocated to the Regions on the basis of their imputed or actual origin.

2. Export duties are levied on goods controlled by the Marketing Boards at a basic rate of 10% ad valorem, subject to progressive surcharges if export prices exceed certain levels, which are £150 a ton for cocoa, £65 a ton for groundnuts, £50 a ton for palm kernels, £65 a ton for palm oil and £325 a ton for cotton. For non-controlled commodities there are relatively low specific duties. The crops which provide the bulk of the revenue are cocoa, palm products, groundnuts, rubber, and hides and skins. Duties are levied at the same rates irrespective of the country of destination.

3. The Federal Government collects a Corporate Tax at a flat rate of 8 s. per £ (or 40%) from profits of limited liability companies and certain statutory corporations in the whole country. In addition to the "pioneer companies' relief" granted to recognized new industries, small companies with profits up to £3,000 a year are granted certain tax exemptions during the first few years of their establishment in Nigeria. Corporate taxes are retained in full by the Federal Government.

4. Income tax is payable by both non-African and African residents of Nigeria on their earnings. The Federal Government retains the proceeds of income tax collected from both African and non-African residents of Lagos and from non-African taxpayers in the rest of the country. Proceeds of collections from Africans residing outside Lagos accrue to the Regional Treasuries concerned. The rate of the Federal income tax varies from 4½ d. in the £ for the first £200 of "chargeable" income - that is, after all deductions have been made and personal allowances to individuals have been granted - (or 1-7/8%) to 15 s. in the £ (or 75%) on that portion of "chargeable" income which exceeds £10,000 a year.

5. Among the remaining sources of revenue are the excise duties levied by the Federal Government on tobacco and beer. Mining royalties are collected by the Federal Government mainly from companies producing tin and columbite and allocated in full to the Regions of origin.

Regional Revenue

6. Expenditure by Regions was first authorized in the 1948/49 fiscal year and was financed by grants from the central government. Under the present Constitution (which came into force in 1954) the Regions have greater autonomy and receive statutory shares from the centrally collected revenue. At present these allocations account for two-thirds of total Regional revenue.

7. Under the present revenue allocation system, one-half of the Federal revenue from import duties (excluding those from gasoline and tobacco) is divided among the Regions as follows: 40% to the West, 30% to the North, 29% to the East, and 1% to the Southern Cameroons. These percentages represent roughly the consumption pattern of imported goods in these Regions. The Regions' shares of the duties from gasoline and tobacco are divided in proportion to the actual amounts consumed. One-half of the total export duties collected is divided among the Regions on the basis of regional origin of dutiable exports, which falls roughly as follows: revenue from cocoa and rubber and a third of palm products to the West; receipts from groundnuts, cotton, and hides and skins to the North; receipts from two-thirds of palm products to the East. The Northern Region receives the bulk of the mining royalties. On the whole, the largest share of the centrally collected revenue accrues to the Western Region which received about 42% of the total in 1956/57, compared with 30% for the North and 27% for the East.

8. As a U.N. Trust Territory, the Southern Cameroons receives its share of the Federal revenue originating in the Region against which its share of the cost of the Federal Government is charged. It also receives profits from the Cameroons Development Corporation and special grants from the Federal Government.

9. Taxes collected under Regional laws include General Tax or Regional Income Taxes, Produce Sales Taxes, Cattle Taxes, Purchase Taxes on petrol and liquor, and Entertainment Taxes. Revenue is also obtained from various licence fees, mining leases, interest charges, use of water, and the C.D.&W. grants.

10. The General or Capitation Tax is the major direct tax for most Africans. It is collected by local governments or native authorities, at slightly varying per capita rates (from 4 d. to 8 or 10 s.), from each male African, and a minor share of the proceeds is allocated to the Regional Treasuries. There is also a tax on wealthy traders based on individual assessment. Both the Eastern and Western Regions have now substituted their Regional Income Taxes for the General Tax, with higher tax yields. Under the Federal Income Tax Ordinance, income taxes paid by individual Africans living outside Lagos are allocated to the Regions on the basis of the residence of the individual taxpayer. The Cattle Tax (Jangali) is collected by the local governments on herds of cattle and sheep and a minor share is allocated to the Regions. In the Northern Region and some parts of the Southern Cameroons it is a major source of regional revenue.

11. Produce Sales or Purchase Taxes are generally collected by the Marketing Boards on groundnut, cocoa, palm products, benniseed and cotton at specific rates per ton of the produce purchased. The Western Region has just introduced a Produce Sales Tax on rubber. Both the Eastern and Western Regions levy Purchase Taxes on petroleum and have Entertainment Taxes. In the Eastern Region Purchase Taxes are also levied on liquor. Unlike in the North and the West, the Native Authorities in the East have little responsibility in collecting Regional revenue.

12. The major source of revenue of the Local Authorities consists of the General Tax (capitation) and various service charges, such as those for use of water and court fees. In the North the Cattle Tax is important. In the East and West the Local Authorities depend on regional block grants more than on the Direct Tax they collect.

STATISTICAL APPENDIX

Table 3

Summary of External Public Debt
(thousand £)

	March 31, 1953		March 31, 1957	
	Outstanding Amount	Sinking Funds	Outstanding Amount	Sinking Funds
Publicly-issued bonds				
£5.7 million Nigerian stock, 4%, 1923-1963	5,700	2,605	5,700	3,205
£4,188,000 Nigerian stock, 3%, 1935-1955	4,188	1,043	-	-
£1,250,000 Nigerian stock, 2½%, 1947-1971	1,250	81	1,250	146
£3 million Nigerian stock, 3%, 1949-1977	3,000	94	3,000	238
£6.8 million Nigerian stock, 3½%, 1951-1966	6,800	138	6,800	451
Sub-total	20,938	3,961	16,750	4,040
Privately placed debt				
£350,000 Barclays Overseas Corp. (Cameroons Development Corp.) 6%	-	-	350	-
U.K. Government loans				
£25,000 British Government to Government of Nigeria, 1947-1957	25	-	-	-
£1,250,000 Colonial Development Corporation to Lagos Executive Development Board, 4½%, due 1991	-	-	1,250	-
Sub-total	25	-	1,250	-
Total	£20,063	3,961	18,350	4,040

Source: Data provided to the mission (data rearranged)

Table 4

Gross Domestic Product by Source
(at market prices, million £)

		1950/51	1952/53	1956/57
I.	Agriculture			
	a) Farm crops	295.9	(409.5	357.8
	b) Forest products	74.9	(	84.5
	c) Livestock products	30.5	34.4	57.2
	d) Fishing	6.3	6.3	7.4
	Sub-total	407.6	450.2	506.9
II.	Minerals	7.8	9.5	9.7
III.	Industry and Public Utilities			
	a) Craft industries	8.6	9.5	11.4
	b) Manufacture and public utilities	2.4	3.9	8.1
	Sub-total	11.0	13.4	19.5
IV.	Building and Civil Engineering	41.6	48.3	89.4
V.	Ownership of Buildings	5.1	6.0	6.3
VI.	Services			
	a) Transport and distribution	88.0	104.5	109.1
	b) Banking, insurance, professions	0.9	1.1	2.4
	c) Missions	2.2	3.0	5.7
	d) Domestic service	2.9	3.5	4.9
	e) Miscellaneous services	6.4	6.4	7.0
	Sub-total	100.4	118.5	129.1
VII.	Government	19.2	30.4	46.0
	Total	592.7	676.3	806.9
VIII.	Totals - Percentages			
	a) Agriculture	68.8	66.6	62.8
	b) Minerals	1.3	1.4	1.2
	c) Industry and public utilities	1.9	2.0	2.4
	d) Building and civil engineering	7.0	7.1	11.1
	e) Ownership of buildings	0.9	0.9	0.8
	f) Services	16.9	17.5	16.0
	g) Government	3.2	4.5	5.7
	Total	100.0	100.0	100.0

Sources: For 1950/51 estimates: A.P. Prest and I.G. Stewart, "The National Income of Nigeria"; the estimates for 1952/53 were prepared at the request of the Bank's survey mission by the Dept. of Statistics of the Nigerian Government. The estimates for 1956/57 were made at the mission's request by the Government Statistician by up-dating the estimates made for 1950/51.

Table 5

Resources and Disbursements of Development Institutions
(Million £)

	Total	Federal Loans Board	Northern Region Development Corp.	Western Region Production Development Board	Eastern Region Development Corp.	S. Cameroons Production Development Board
Available funds at April 1, 1954	14.3	0.2	4.2	6.9	3.0	-
Grants and other income, April 1, 1954 to March 31, 1957	7.6	0.2	2.2	2.1	2.8	0.3
Total	21.9	0.4	6.4	9.0	5.8	0.3
Net disbursements, April 1, 1954 to March 31, 1957	-11.7	-0.3	-1.7	-5.5	-4.0	-0.2
Available funds, April 1, 1957	10.2	0.1	4.7	3.5	1.8	0.1
Estimated grants and other income in 1957/58	2.5	0.2	1.1	1.0	-	0.2
Total	12.7	0.3	5.8	4.5	1.8	0.3
Estimated net disbursements in 1957/58	-3.6	-0.1	-1.1	-2.2	-0.1	-0.1
Estimated available funds at April 1, 1958	9.1	0.2	4.7	2.3	1.7	0.2

Source: Data provided to the mission

Table 6

Agricultural Production - Major Export Products
(thousand tons)

Years 1/	Cocoa 2/	Palm Kernels 2/	Palm Oil 2/	Groundnuts 3/	Rubber 4/	Seed Cotton 3/
1938	97.1 5/	312.0 4/	110.0 4/	180.0 4/	3	17.6
1948	68.7	327.0 4/	139.0 4/	329.6	8	14.3
1950	90.9	376.4	173.0 4/	188.2	14	33.4
1951	105.8	324.4	150.9	142.7	21	42.4
1952	100.1	403.5	199.0	425.6	18	63.7
1953	102.1	422.3	236.9	430.7	21	51.0
1954	84.2	451.0	227.7	424.6	21	76.8
1955	72.7	416.5	209.8	372.8	30	100.2
1956	99.7	455.3	200.3	530.2	38	81.1
1957 (est.)	122.0	402.0	190.0	357.8	42	71.7
1958 (prel. est.)	120.0 4/	450.0 4/	170.0 4/	600-650	n.a.	100.0
Mission's Estimates						
1963	120.0	470.0	205.0	600.0	n.a.	130.0
1968	125.0	480.0	220.0	800.0	n.a.	180.0

1/ Crop years ending by August for cocoa, October for groundnuts and calendar years for the others.
2/ Produce graded for export (cocoa main crop).
3/ Produce purchased.
4/ Amounts exported or export forecasts.
5/ In calendar year.

Source: Digest of Statistics and data provided to the mission

Table 7

Agricultural Production - Basic Producer Prices Fixed by Marketing Boards

Years 1/	£ per ton				d. per lb.
	Cocoa Grade 1	Palm kernels	Palm oil Grade 1 4/	Groundnuts (Standard) 4/	Seed cotton
1948	62.5	21	32.25	16	4 3/
1949	120	26	42.75	19.2	4
1950	100	26	42.75	21.2	4
1951	120	32	55	21.2	4
1952	170	36	61	36	6
1953	170	34	58	36	6
1954	170	34	50	36	6
1955	200	30 2/	38 2/	36.5	6.1
1956	200	30 2/	38 2/	36.4	6.1
1957	150	30 2/	38 2/	33.4	6
1958	150	29 2/	40 2/	33.9	6

1/ Crop years ending by August for cocoa, October for groundnuts and calendar years for the others.
2/ The Eastern Region.
3/ Estimate.
4/ In 1957/58 about three-fourths of the crops are expected to be "special grade" and be eligible for higher purchase price.

Source: Digest of Statistics and data provided to the mission

TABLE 8

Groundnuts[1/] - Purchase and Haulage by Railways for Export
(thousand long tons)

Years	Purchased By Marketing Boards	Hauled	Carryover
1950/51	143		107
1951/52	426	210	323
1952/53	431	359	395
1953/54	425	421	399
1954/55	383	557	225
1955/56	530	543	212
1956/57	357	569	0

1/ Including Oil and Oil Cakes

Source: Data provided to the Mission.

Table 9

Mineral Output

Years	Thousand Tons			Thousand Troy Oz.
	Coal	Tin ore	Columbite	Gold
1938	323	12.4	0.5	24.8
1948	605	12.7	1.1	3.3
1950	583	11.4	0.9	2.5
1951	551	11.8	1.1	1.8
1952	581	11.5	1.3	1.3
1953	700	11.4	2.0	0.9
1954	636	10.9	2.9	0.9
1955	749	11.3	3.1	0.9
1956	787	12.5	2.6	0.5
(First half)1957	402	6.5	0.9	0.3

Source: *Digest of Statistics* and data provided to the mission

Table 10

Electricity Generation

Years ending March 31	Installed Capacity 000 Kw.	Power Generation (million kwh.)			
		Total	Nigerian Electricity Supply Corp. (hydro)	Electricity Corp. of Nigeria	Industrial Undertakings
1948 1/	22.0	89.7	44.4	45.3	-
1950	23.0	115.9	55.4	55.0	5.5
1951	42.9	116.7	51.8	58.9	6.0
1952	49.4	142.5	60.4	73.8	8.3
1953	53.2	164.7	66.6	89.1	9.0
1954	63.8	178.6	63.6	106.3	8.7
1955	85.4	213.6	71.8	131.6	10.2
1956	106.3	242.9	73.2	158.9	10.8
1957 (est.)	128.0	285.0	82.4	191.1	11.5
1958 (prel. est.)	142.0	326.3	73.0	241.1	12.2

1/ Calendar year

Source: Digest of Statistics and data provided to the mission

Table 11

Currency in Circulation
(Million £)

March 31	Notes	Coin	Total	of which held by Banks
1939	0.3	5.6	5.9	n.a.
1946	3.2	14.9	18.1	1.5
1948	5.3	19.3	24.6	2.4
1950	8.9	22.7	31.6	2.9
1952	19.1	31.2	50.3	5.8
1953	20.8	30.6	51.4	4.8
1954	25.7	33.8	59.5	7.7
1955	25.8	27.9	53.7	6.8
1956	30.5	27.8	58.3	7.1
1957	31.8	25.5	57.3	7.6
1956(June 30)	28.2	25.1	53.3	4.6
1957(June 30)	29.8	23.0	52.8	6.3

Source: Digest of Statistics and data provided to the mission

Table 12

Liquidity of Commercial Banks
(Million £)

December 31	Deposits: Demand 1	Deposits: Time 2	Deposits: Savings 3	Deposits: Total 4	Advances 5	Liquid Assets: Cash 6	Liquid Assets: Balances Held Abroad (net) 7	Liquid Assets: Total 8	Liquidity ratio 8:4 9
1947	10.4	2.1	1.2	13.7	1.7	1.5	10.9	12.4	90%
1950	13.2	1.8	1.4	16.4	4.3	2.0	9.7	11.7	71%
1951	18.4	2.4	1.6	22.4	5.5	3.4	12.5	15.9	71%
1952	22.2	3.3	2.3	27.8	9.2	3.9	13.5	17.4	63%
1953	24.5	3.9	2.8	31.2	10.2	5.4	14.3	19.7	63%
1954	32.9	4.3	3.4	40.6	11.9	5.3	22.0	27.3	67%
1955	31.6	4.7	5.9	42.2	19.1	7.4	15.2	22.6	54%
1956	35.4	4.1	6.5	46.0	25.5	6.8	18.6	25.4	55%
Mar. 31, 1956	32.7	4.9	6.0	43.6	15.1	7.1	21.2	28.3	65%
June 30, 1956	33.5	4.7	6.1	44.3	16.2	4.6	22.5	27.1	61%
Sept.30, 1956	37.7	4.4	6.5	48.6	19.4	9.2	18.3	27.5	57%
Dec. 31, 1956	35.4	4.1	6.5	46.0	25.5	6.8	14.6	21.4	47%
Mar. 31, 1957	38.9	5.0	7.2	51.1	20.6	7.6	22.8	30.4	60%

Source: Digest of Statistics (data rearranged)

Table 13

Classification of Bank Advances by Purpose
(Million £)

December 31	Crop Financing: Cocoa and Groundnuts	Crop Financing: Other Export Products	Wholesale and Retail Trade	Others	Total Bank Advances
1952	2.5	0.7	3.4	2.6	9.2
1953	1.9	0.6	4.1	3.6	10.2
1954	4.0	0.7	4.1	3.1	11.9
1955	6.1	1.3	7.8	3.9	19.1
1956	6.1	1.5	8.9	9.0	25.5
June 30					
1956	n.a.	n.a.	n.a.	n.a.	16.2
1957	1.3	1.4	9.2	7.9	19.8

Source: Data provided to the mission

Table 14

Consumer Price Indices
(1953 = 100)

	Food and Drink			All Items		
	Lagos	Ibadan	Enugu	Lagos	Ibadan	Enugu
July 1954	109	109	118	105	105	112
January 1955	112	120	105	107	109	105
July 1955	117	111	116	110	105	112
January 1956	128	124	104	116	111	105
July 1956	129	134	125	121	119	120
January 1957	125	118	101	118	111	105
July 1957	130	126	124	121	116	117

Source: *Digest of Statistics*

Table 15

Current Receipts by Federal Government and Regions
(Million £)

Sources of Revenue	1953/54 Actual	1954/55 Actual	1955/56 Actual	1956/57 Revised Estimate	1957/58 Estimate
Import duties	20.8	22.5	27.6	31.9	29.3
Export duties	17.8	17.5	13.3	11.5	10.1
Excise duties	3.4	3.4	3.7	4.3	4.5
Personal income taxes, company taxes and other direct taxes	6.6	7.2	7.9	10.1	12.2
Mining royalties	1.3	1.9	1.5	1.1	1.1
Licenses, fees and fines	2.0	2.0	2.5	3.3	2.9
Other receipts	8.5	9.7	10.8	14.9	15.8
Total internal recurrent revenue	60.4	64.2	67.3	77.1	75.9
C.D.&W. grants	14.0	18.8	2.9	2.3	4.9
Special and development grants	-	-	1.9	-	-
Grand total	74.4	83.0	72.1	79.4	80.8

Source: Data provided to the mission

Table 16

Current Expenditure by Federal Government and Regions
(million £)

Purpose	1953/54 Actual	1954/55 Actual	1955/56 Actual	1956/57 Revised Estimate	1957/58 Estimate
Natural resources	2.2	2.5	3.1	5.0	5.2
Trade and industries	0.6	0.7	0.9	1.2	1.4
Transport and communications	3.9	4.0	3.3	4.6	5.4
Public works	3.9	4.7	6.2	7.5	8.4
Labor, cooperatives and social welfare	0.3	0.3	0.4	0.5	0.6
Education	5.8	9.1	9.8	12.2	16.3
Public health	3.2	3.6	4.6	5.8	6.3
Defense	1.5	1.4	1.8	1.6	1.7
Pensions and gratuities	5.7 1/	1.6	1.8	2.6	2.6
Public debt	1.2	1.2	1.2	2.2	2.7
Grants to local governments	1.0	0.9	0.3	2.2	1.7
Other legislative and administrative expenditure	10.7	10.8	24.2	18.6	18.0
Total	40.0	40.8	57.6	64.0	70.3
Current Surplus	34.4	42.2	14.5	15.4	10.5

1/ Reflects lump sum payments to widows and orphans under a special act.

Source: Data provided to the mission

Table 17

Capital Expenditure by Federal, Regional Governments and Major Statutory Corporations
(Million £)

Major Sectors	1953/54 Actual	1954/55 Actual	1955/56 Actual	1956/57 Revised Estimate	1957/58 Estimate
Agriculture	0.8	0.6	1.6	2.0	3.2
Mining and geology	0.3	0.1	0.3	0.1	0.5
Electric power	3.0	2.8	2.0	1.9	1.4
Industry	0.1	0.3	1.9	0.4	1.1
Transport and communications	5.8	7.7	11.6	13.4	26.6
Public works	1.6	1.8	3.4	4.1	8.6
Social services	4.8	3.6	6.2	7.6	11.5
General government	1.3	1.1	1.5	2.4	3.2
Miscellaneous	0.9	1.4	0.8	2.8	2.6
Total	18.6	19.4	29.3	34.7	58.7
Of which:					
Major statutory corporations	6.4	6.6	12.7	11.4	14.2
Federal and Regional Governments	12.2	12.8	16.6	23.3	44.5

Source: Data provided to the mission

Table 18

Development Plans of the Federal Government and the Regional Governments, 1955-1960
(Million £)

Purpose	Federal Government	Northern Region	Western Region	Eastern Region	Southern Cameroons (CD&W funds)
I. Agriculture					
a) Agriculture	0.5	2.9	1.1	0.6	0.2
b) Veterinary	0.2	0.4	0.1	0.2	0.1
c) Forestry	0.2	-	0.1	0.1	0.1
d) Fishing	0.1	-	-	0.1	-
e) Marketing and exports	-	-	-	-	-
f) Cooperatives	-	-	0.1	0.1	-
Subtotal	1.0	3.3	1.4	1.1	0.4
II. Mining and Geology	0.4	-	-	-	-
III. Electric Power	7.2	-	0.9	-	-
IV. Trade and Industry	1.3	0.1	0.2	1.1	-
V. Transport and Communications					
a) Roads	13.6	8.9	4.4	3.7	0.7
b) Railways	10.0	-	-	-	-
c) Harbors and inland waterways	12.9	-	-	0.2	-
d) Air transport	1.7	0.1	-	-	-
e) Posts and telecommunications	12.9	-	-	-	-
Subtotal	51.1	9.0	4.4	3.9	0.7
VI. Public Works	12.2	5.4	7.2	0.7	-
VII. Social Services					
a) Education	3.2	3.9	7.8	2.5	0.3
b) Public health	2.6	1.1	2.4	0.9	0.1
c) Water supply	-	3.8	5.4	3.1	0.1
d) Community development & housing	0.5	0.4	2.8	0.8	-
Subtotal	6.3	9.2	18.4	7.3	0.5

(Continued on next page)

Purpose	Federal Government	Northern Region	Western Region	Eastern Region	Southern Cameroons (CD&W funds)
VIII. General Government					
a) Defense	4.5	-	-	-	-
b) General administration	1.9	3.4	-	0.4	-
Subtotal	6.4	3.4	-	0.4	-
IX. Development Institutions	1.0	-	6.2	-	-
X. Miscellaneous					
a) Capital grants and loans	-	0.2	0.8	0.4	-
b) Survey, research	0.3	-	-	-	-
c) State Bank	0.4	-	-	-	-
d) Contingencies	7.4	-	2.3	0.8	-
Subtotal	8.1	0.2	3.1	1.2	-
Total	95.0	30.6	41.8	15.7	1.6

Source: Data compiled by the mission

Table 19

Estimated Capital Expenditure by Federal and Regional Governments, 1957/58, 1958/59 and 1959/60 1/
(£ million)

	Federation	West	North	East	Total
Total Expenditure:					
Scheduled capital expenditure	78.5	29.3	21.5	12.4	141.7
Less: Deduction for delays in execution	7.8	2.9	2.2	1.2	14.1
Estimated capital expenditure	70.7	26.4	19.3	11.2	127.6
Sources of Finance:					
Current surplus	32.7	1.2	1.0	1.4	36.3
Governmental reserves	35.0	18.4	3.9	1.5	58.8
C.D.&W. and I.C.A. funds	3.5	1.2	4.6	3.0	12.3
Miscellaneous revenue	-	0.9	0.3	1.4	2.6
Domestic loans (Northern Region Marketing Board, Post Office savings accounts and other corporate savings)	-	2.7	5.9	0.9	9.5
External loans (including withdrawals of about £9 million from the proposed Bank loan)	9.5	-	-	-	9.5
Total sources of finance	80.7	24.4	15.7	8.2	129.0

1/ Provisional data

Source: Data provided to the mission

Table 20

Imports and Exports by Industrial Origin
(Million £)

Years	Food, Beverages and Tobacco	Raw Materials	Fuels, Lubricants, etc.	Oils and Fats	Chemicals	Manufactured Goods	Machinery and Vehicles	Misc.	Total
Imports (c.i.f.)									
1954	16.5	1.5	5.6	-	4.8	63.6	20.1	2.0	114.1
1955	18.0	1.7	6.5	-	7.1	72.4	27.9	2.5	136.1
1956	21.4	1.9	7.3	-	7.6	79.5	32.1	3.0	152.8
Exports 1/ (f.o.b.)									
1954	44.2	83.6	1.1	17.2	0.2	1.9	0.9	0.4	149.5
1955	30.6	80.1	1.9	16.3	0.3	1.7	0.3	1.3	132.5
1956	28.3	82.1	1.9	19.0	0.2	1.3	0.2	1.6	134.6

1/ Including reexports

Source: *Digest of Statistics*

Table 21

Principal Exports by Volume
(thousand tons)

Calendar Years	Cocoa	Palm Kernels	Palm Oil	Groundnuts	Cotton	Rubber 1/	Tin Ore	Columbite
1934	78.0	289	113	245	5.9	3.6	n.a.	-
1938	97.1	312	110	180	5.7	7.0	10.5	n.a.
1948	91.4	327	139	245	4.6	18.0	12.2	1.2
1950	99.9	410	173	317	12.6	30.0	11.4	0.9
1951	121.5	347	150	141	15.4	46.7	11.8	1.1
1952	114.7	374	167	260	19.3	41.1	10.6	1.2
1953	104.7	403	201	327	17.7	47.6	12.1	1.9
1954	98.4	464	208	428	26.0	46.6	10.3	2.5
1955	88.4	433	182	397	33.2	68.1	11.4	3.0
1956	117.1	451	185	448	27.9	85.5	13.4	2.4
1957 (1st half)	95.3	209	89	180	15.7	46.4	6.6	0.7

1/ Million pounds

Source: Digest of Statistics and data provided to the mission

Table 22

Principal Exports by Value
(Million £)

Calendar Years	Cocoa	Palm Kernels	Palm Oil	Groundnuts	Cotton	Rubber	Tin Ore	Columbite
1938	1.6	2.2	1.0	1.3	0.2	0.1	1.4	-
1948	17.9	11.5	9.0	9.8	0.5	0.7	4.4	0.2
1950	19.0	16.7	12.1	15.2	3.0	2.8	6.0	0.3
1951	31.4	20.1	12.9	9.3	5.0	7.5	9.0	0.8
1952	28.7	22.8	17.1	22.1	6.7	4.1	7.7	1.3
1953	24.9	22.2	13.0	24.9	5.5	3.3	7.1	3.7
1954	39.3	22.8	13.4	29.9	7.4	2.9	5.2	5.1
1955	26.2	19.2	13.2	23.1	9.4	5.6	5.9	5.2
1956	24.0	20.4	14.9	27.8	7.1	6.4	7.3	1.8
1957 (1st half)	16.7	9.4	8.4	12.6	3.9	3.4	3.5	0.5

Source: *Digest of Statistics* and data provided to the mission

Table 23

Balance of Payments
(Million £)

	1950	1952	1953	1954	1955 Provisional	1956 Provisional
Current Account						
Exports (f.o.b.)	88.9	128.6	123.6	149.1	131.5	135.0
Imports (c.i.f.)	63.1	115.2	110.2	115.9	137.8	155.1
Balance of trade	25.8	13.4	13.4	33.2	-6.3	-20.1
Travel	-1.3	-2.0	-2.3	-3.0	-3.6	-2.9
Transport and insurance	0.4	0.7	1.0	1.1	0.3	0.8
Investment income	-3.4	-3.0	-3.2	-1.4	-0.6	0.5
Government transactions	-1.0	0.3	-0.8	-0.8	-0.9	-1.0
Miscellaneous services	-0.7	-0.8	-0.9	-0.8	-0.9	-1.1
Donations - private	-0.5	-0.6	-0.2	-0.8	-0.6	-0.2
- official	3.1	4.6	3.5	3.2	3.9	2.1
Net invisibles	-3.4	-0.8	-4.9	-4.7	-3.0	-3.4
Current balance	22.4	12.6	8.5	28.5	-9.3	-23.5
Capital Account						
Private:						
Private capital	2.6	7.6	5.5	10.4	9.6	13.0
Other (including errors and omissions)	0.4	4.8	9.0	0.5	-3.7	6.1
Official and Banking						
Change in long-term liabilities	-1.7	0.3	-1.0	-4.3	0.5	0.1
Change in assets (net)						
Marketing Board	-12.1	2.1	-2.7	-14.9	6.8	29.2
Currency Board	-5.3	-4.0	-3.8	-1.7	-5.4	-1.4
Banks	-2.2	-1.0	-0.8	-7.7	6.8	0.6
Other official	-4.1	-22.4	-14.7	-10.8	-5.3	-24.1
Balance of Capital Account	-22.4	-12.6	-8.5	-28.5	9.3	23.5

Source: *Digest of Statistics* and data provided to the mission

Table 24

Sterling Assets of Nigerian Official, Semi-Official and Banking Institutions
(£ million)

(At market values)

	March 31					Sept. 30
	1953	1954	1955	1956	1957	1957
Marketing Boards	51.6	90.7	86.9	79.3	58.5	52.2
Currency Board	55.5	55.9	50.7	55.2	60.8	n.a.
Federal Government	47.7	58.3	47.2	48.8	61.6	63.1 1/
Regional Governments	5.4	6.4	24.5	25.0	38.4	n.a.
Local Governments	3.1	6.2	6.2	5.8	5.8	n.a.
Regional Development Corp.	15.1	9.2	10.1	9.1	6.9	n.a.
Other Semi-Official	11.9	15.7	20.2	15.7	12.0	n.a.
Sub-total	190.3	242.4	245.8	238.9	244.0	n.a.
Net Balances of Banks	16.4	15.0	24.5	21.4	22.5	23.7 2/
Total	206.7	257.4	270.3	260.3	266.5	n.a.

1/ In face value
2/ At June 30, 1957

Source: Data provided to the mission.

Table 25

Marketing Boards' cost components of major export products based on estimated long-term CIF prices expressed in £ per long ton:

	Cocoa	Palm Oil (special grade)	Palm Kernels	Groundnuts (special grade)
Long-term CIF London	225 1/	82-10	50	62-10
less CIF costs	10	7	6-10	7-15
FOB selling price	215	75-10	43-10	54-15
less export duty	35	7-10	4-6	5-10
less Board costs	18	15-5	9-16	18-0
Board's break-even producer price at port of shipping	162	52-15	29-8	31-5 2/

1/ On the basis of a long-term CIF price of £250 per ton, the Board's break-even producer price would be estimated at about £177.
2/ Delivered at railhead buying station.

Source: Data provided to the Mission.

Table 26

World Production of Raw Cocoa
(thousand long tons)

	1934/35-1938/39	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58 Forecast
Africa	491	504	468	493	522	576	500
Ghana	280	247	211	220	237	264	230
Nigeria	99	109	97	89	114	135	107
French West Africa	85	119	128	147	136	141	126
Others	27	29	32	37	35	36	37
Western Hemisphere	234	269	280	298	306	301	297
Brazil	123	140	153	148	168	158	150
Others	111	129	127	150	138	143	187
Asia and Oceania	10	11	11	10	12	14	15
World Total	735	784	759	801	840	891	811

Source: Prewar - FAO Commodity Series, Bulletin No. 27 - Cacao (November 1955)
Postwar - Gill & Duffus Ltd. - Cocoa Market Report

Table 27

World Exports of Palm Oil
(thousand metric tons)

	1934/38	1949	1950	1951	1952	1953	1954	1955	1956	1957 (Forecast)
Africa	241	333	345	319	347	368	384	368	374	366
Nigeria	137	171	176	152	170	204	212	185	188	180
Other Br. W. Africa	2	4	2	3	1	1	2	-	-	-
Belgian Congo	60	122	130	128	146	131	136	149	150	150
French Africa	37	21	20	21	15	22	19	23	25	25
Portuguese Africa	5	15	17	15	15	10	15	11	11	11
Asia	206	160	151	149	176	190	189	178	181	180
Indonesia	171	102	97	101	126	140	139	125	125	125
Malaya	34	56	52	46	47	48	50	53	56	55
Others	1	2	2	2	3	2	-	-	-	-
World Total	447	493	496	468	523	558	573	546	555	546

Source: Unilever

Table 28

World Exports of Groundnuts, Shelled
(thousand metric tons - product weight)

	1934/38	1949	1950	1951	1952	1953	1954	1955	1956 (prelim.)	1957 (forecast)
Africa	804	704	617	426	592	697	847	778	1015	960
Nigeria	234	384	316	144	265	332	435	403	455	310
Other Br. W. Africa	44	57	50	41	44	54	38	40	37	35
French Eq. and West Africa	453	219	210	194	209	227	278	187	315	400
Portuguese Africa	48	33	35	30	35	40	26	28	32	35
Sudan	4	10	4	11	19	29	18	38	57	75
Union of S. Africa	-	-	-	-	-	-	28	44	57	55
Other	21	1	2	6	20	15	24	38	62	50
Asia	1046	71	199	154	100	85	192	268	336	337
India	846	55	98	39	18	10	8	32	12	12
Indonesia	18	11	24	15	1	10	15	4	2	3
Thailand	-	-	-	12	20	15	14	20	22	22
Mainland China and Manchuria	182	5	77	88	61	50	155	212	300	300
America	-	161	34	40	19	31	80	24	25	23
Mexico	-	-	10	16	18	20	18	24	20	20
United States	-	161	24	24	1	11	62	-	5	3
All Others	3	9	1	4	2	1	4	26	5	6
World Total	1853	945	851	624	713	814	1123	1096	1381	1326
Oil Equivalent	778	397	358	262	299	342	472	460	580	557

Source: Unilever

Table 29

World Exports of Palm Kernels
(thousand metric tons - product weight)

	1934/38	1949	1950	1951	1952	1953	1954	1955	1956	1957 (Forecast)
Africa	659	747	780	708	714	766	821	799	822	812
Nigeria	333	382	417	353	380	409	472	440	458	450
Other Br. W. Africa	83	88	77	80	86	80	81	70	73	70
Belgian Congo 1/	78	113	117	124	116	120	126	143	137	140
French Africa	144	134	134	118	100	127	116	118	120	120
Portuguese Africa	21	30	35	33	32	30	26	28	34	32
Asia	52	56	53	60	75	82	68	61	63	63
Indonesia	36	29	24	28	38	44	42	39	40	40
Malaya	6	9	9	12	11	13	14	12	13	13
Others	10	18	20	20	26	25	12	10	10	10
World Total	711	803	833	768	789	848	889	860	885	875
Oil Equivalent	320	361	375	346	355	382	399	386	397	394

1/ Includes oil exports from Belgian Congo: in oil equivalent 1934/38, -; 1949, 15; 1950, 15; 1951, 17; 1952, 11; 1953, 15; 1954, 24; 1955, 35; 1956, 44; 1957, 45.

Source: Unilever