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Fonds: Records of the Office of the President

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McNamara Papers

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Folder 2

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16.

OFFICE MEMORANDUM

*Mr. McNamara
Peter Wright will attend
10/20*

TO: Mr. E. Peter Wright

FROM: Humayun Mirza

SUBJECT: NIGERIA: Briefing for meeting with Ambassador Garba

DATE: October 20, 1972

1. Since his appointment to Washington, Ambassador Garba has not paid an official call on the President of the Bank. He has, therefore, requested an appointment today to pay a courtesy call on Mr. McNamara. Attached is a short biography of Ambassador Garba. The present state of relations between Nigeria and the Bank is very good. We have worked effectively with Ambassador Garba's predecessor, Ambassador Iyalla, and in the short time that Ambassador Garba has been in Washington it has become clear that the same degree of cooperation will continue. As you know, Ambassador Iyalla has returned to Nigeria and is now the Permanent Secretary of External Affairs in the Federal military Government.

2. After the last CPN review in April 1972 the strategy approved by Mr. McNamara has been agreed with the Nigerian Government and a new expanded lending program formulated. This program (attached) will be the subject of our next CPP due for Presidential review in December. It is the result of the efforts of the past two years to prepare projects for Bank financing and provides a solid base for us to significantly increase our activities in Nigeria.

3. You will note that we are proposing a substantial increase in the Bank's operation in Nigeria over the next 6 years. This program calls for a commitment of up to 49 loans (17 of them in agriculture) amounting to \$1.4 billion during FYs 1973-78. This compares with total Bank/IDA commitment to Nigeria to date of 16 loans and 2 credits amounting to \$493.7 million.

4. The overall strategy as exemplified by this lending program is for the Bank to maintain a large presence in Nigeria through the traditional sectors in which we have operated there, namely transportation and power, and, using this as a base, move into more difficult sectors where considerable institution-building is still necessary. A major effort is needed in the agricultural sector but this is going to be difficult, first because of the fact that the Federal Ministry of Agriculture is extremely weak, and second because responsibility for implementing the agricultural program rests with the twelve state governments. Nevertheless, although in absolute amount the agricultural program is not large compared to the other sectors, it does represent 16 percent of a much expanded program as opposed to our present exposure of only 1.5 percent. You will note that in the latter years the agricultural program picks up considerably and it is our hope that as the program gets under way and the figures are further refined the agricultural sector would comprise an increasingly larger proportion of our overall lending program.

President has seen

5. In our next CPP we shall be proposing that as our efforts at institution-building begin to bear fruit, we would increasingly look to joint financing to implement our program. Specifically, in the years 1974 onwards, where large power and highway loans are coming up for consideration, we would hope to reduce the overall Bank exposure by financing projects jointly with other external lenders. This means that in the fiscal years 1974 onwards the totals shown in the lending program could be reduced by increasing participation from the Consultative Group countries. The net commitment, therefore, on an annual basis of the Bank would depend upon how much success we have in this respect but our hope is that we could lend on an average of about \$200 million a year during the period covered by the program.

6. The agreement on the above program and on the various steps needed to implement it was reached with the Nigerian Government last August and further discussed during the Annual Meeting. The Nigerians understand that this program is tentative and must be reviewed in the Bank in the light of our resource availabilities but at least there is a meeting of the minds on what they would like us to do. An important element in the implementation of the is the expansion of the Resident Mission from the previous strength of two to a complement of five. The proposed mission would include the Chief of Mission, an economist, and specialists in transport, agriculture and education. Only the transport specialist is in the field at present and we are hoping to assign a Chief of Mission soon. We are hoping also in the next few months to fill the other spots. It was agreed with the Government that a mission of the minimum strength of five as defined above is essential to the successful implementation of the agreed lending program.

Attachments

HMirza:cn

Biographical Sketch

Mr. John Mamman Garba Nigerian Ambassador to the United States

Born: September 1918

Education: Igbobi, Lagos
The School of Agriculture, Lagos
London School of Economics - Agricultural Economist.

Career: Served in various capacities in the Nigerian Department of Agriculture in many areas of the country before joining the foreign service.

Counsellor in the Nigerian Embassy in Washington.

Executive Director of the Bank for Nigeria and other African countries October 7, 1963 until October 31, 1966.

November 1966 appointed Nigerian Ambassador to Italy in Rome with responsibility for Nigerian affairs in Greece and Cyprus.

August 1972 appointed Nigerian Ambassador to the United States.

General: Mr. Garba is highly respected by General Gowon and other senior civil servants. At the conclusion of his tour of duty as ambassador in Rome he is said to have expressed the desire to return to private life in Nigeria and was a candidate for Chairman of the Board of the newly created Nigerian Agricultural Bank (NAB) and the Nigerian Industrial Development Bank (NIDB). However, at the request of General Gowon, he agreed to defer his retirement to accept the post as ambassador to the United States.

Married with children, interested in the Boy Scout movement and was Northern Nigeria's representative to the first World Jamboree in England, 1929.

N I G E R I A
LENDING PROGRAM (1973-1978)
(in \$'000,000)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>Total</u> <u>1973-1978</u>
Livestock I	8.0						
Livestock II			10.0				
Livestock III					20.0		
Livestock IV						30.0	
Mambilla Plateau Development			10.0				
Western State Cocoa II		15.0					
Western State Cocoa III					15.0		
Oil Palm I		10.0					
Oil Palm II				20.0			
Oil Palm III						25.0	
Rubber I			10.0				
Rubber II						10.0	
Forestry				10.0			
Agricultural Credit I			7.0				
Agricultural Credit II					7.0		
Seed Multiplication			7.0				
Cotton and selected Food Crops		15.0					
Education III	50.0						
Education IV			50.0				
Education V					30.0		
Industry I				30.0			
Industry II					30.0		
Industry III						40.0	
Small Scale Industry			5.0				
NIDB III		15.0					
NIDB IV				20.0			
NIDB V						20.0	
Power V		75.0					
Power VI					75.0		
Telecommunications I		50.0					
Telecommunications II				50.0			
Telecommunications III						50.0	
Water Supply I (Lagos)			30.0				
Water Supply II (Unidentified state)				10.0			
Water Supply III (Unidentified state)					10.0		
Water Supply IV (Unidentified state)						10.0	
Sewerage (Lagos)				40.0			
Roads VI	60.0						
Roads VII		60.0					
Roads VIII				60.0			
Roads IX						30.0	
Ports II	42.0						
Ports III			20.0				
Ports IV						50.0	
Railways II			40.0				
Railways III						50.0	
Airports I (Ikeja)			25.0				
Airports II (Ikeja II, Kano and selected domestics)					25.0		
Lagos Mass Transit Project			20.0				
TOTAL	<u>160.0</u>	<u>240.0</u>	<u>234.0</u>	<u>240.0</u>	<u>212.0</u>	<u>315.0</u>	<u>1,401.0</u>
Number of loans	4	7	12	8	8	10	49

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: November 13, 1975

FROM: Roger Chaufournier *for Mr Pearce*SUBJECT: Meeting with Nigerian Delegation - Sheraton Park Hotel - September 2, 1975

1. The Nigerian delegation to the 1975 Annual Meetings of the Boards of Governors of the Bank and Fund called on Mr. McNamara at 8:30 a.m. on Tuesday, September 2, 1975 at the Sheraton Park Hotel. A list of those present is attached as Annex I.
2. Mr. McNamara, in welcoming the delegation to Washington, said that, following the launching of the Third National Development Plan in April, he was anxious to know what assistance the Bank might be able to provide Nigeria in the implementation of its development objectives and also what help Nigeria might be able to give to the Bank in mobilizing resources to meet the capital requirements of all developing countries. In the latter connection, Mr. McNamara expressed the Bank's appreciation for Nigeria's support of the recent Two-Year Central Bank Bond Issue.
3. Replying Mr. Ebong said that, following the change in government of July 29, 1975 the new regime intended to review the Plan at an early date in order to identify the bottlenecks to its implementation that were already becoming apparent and, if necessary, to establish a revised order of priorities to render it more effective. Mr. Damcida added that rural development and water supply were two priority sectors in which the Bank had been active during the past two years and, pending the outcome of the review of the Plan, remained the most appropriate areas for ongoing Bank activities. Mr. McNamara commented that efforts to diffuse the benefits of the petroleum and related industries throughout the economy were of particular importance at this stage in Nigeria's development.
4. Turning to the possible ways in which Nigeria might help the Bank in mobilizing additional resources for development, Mr. McNamara said that there were three areas, two general and one specific, in which Nigeria could play a significant role. The two general areas both related to the forthcoming Fifth Replenishment of the International Development Association (IDA). First, although no longer a recipient of IDA credits, he hoped that Nigeria would itself fully support the efforts now under way to secure as large a replenishment of its resources as possible. Second, Nigeria, as a developing country but not an IDA beneficiary, was in particularly favorable position to advocate the needs of the IDA Part II recipient countries vis-a-vis the IDA Part I contributing countries because of its lack of direct self-interest in the outcome; moreover, as a member of OPEC, it could emphasize to potential OPEC contributing countries the need for as large a Fifth IDA Replenishment as possible. Thirdly and specifically, Mr. McNamara said that he hoped that Nigeria would support and subscribe its full share to the proposed selective increase in the Bank's capital scheduled

November 13, 1975

for 1976 which, in Nigeria's case, would about double its subscription and voting power. The proposed increase in the Bank's subscribed capital would become essential to a continued expansion in Bank lending within the next few years and would also permit an adjustment in subscriptions and voting power to reflect the relative economic position of countries concerned.

5. At the request of the Nigerian delegation, Mr. McNamara elaborated in some detail the rationale for and procedural mechanism of the proposed selective capital increase as it would affect Nigeria's subscription and voting power in the Bank. The specific proposal would be considered by the Executive Directors during the last quarter of 1975 and, if approved, would be conveyed to the Board of Governors for approval early in 1976, following the Ministerial meeting in Jamaica in January.

6. The meeting concluded at 9:05 a.m.

Attachment

cc: Mr. McNamara's Office (2)
Mr. Knapp o/r
Messrs. Wright, Povey/Taylor-Lewis (WAI)
Reitter/Pearce (Nigeria)

DPearce/msr

List of Participants

NIGERIA:

A.E. Ekukinam, Federal Commissioner for Finance

I.M. Damcida, Permanent Secretary, Federal Ministry of Finance

I.J. Ebong, Permanent Secretary, Federal Ministry of Economic Development

C.N. Isong, Governor, Central Bank

H.M. Osha, Under Secretary, Federal Ministry of Finance

G. Osakwe, Legal Adviser, Federal Ministry of Finance

J.O. Adekunle, Permanent Secretary, Cabinet Office

S. Daniyan, Managing Director, NIDB

C.K. Okobi, Managing Director, NBCI

BANK:

R.S. McNamara, President

J. Burke Knapp, Senior Vice President, Operations

R. Chaufournier, Regional Vice President, W. Africa

D. Pearce, Resident Mission, Lagos

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OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: December 23, 1975

FROM: E. Peter Wright, Acting Regional Vice President, Western Africa *EPW*SUBJECT: Visit of Nigerian Ambassador

1. The Nigerian Ambassador to the US, Mr. Sanu, paid a courtesy call on Mr. McNamara at 6:00 p.m. on Tuesday, December 23. He was accompanied by Mr. Ani, the Economic Counselor at the Embassy. I was also present.
2. Mr. McNamara welcomed the new Ambassador and said that the Bank was ready to help Nigeria in any way it could with the very difficult task of economic development now facing the country. He drew attention to the fact that there were eight Bank loans to agriculture which had been approved by the Executive Directors, but which were not yet effective, and he expressed the hope that everything possible would be done on the Nigerian side to complete the conditions of effectiveness. There were three more loans which had been negotiated, but which had not yet been cleared by the Nigerian authorities for presentation to the Executive Directors, and Mr. McNamara hoped that these too would be acted on quickly. He recognized that, with the change of Government last July, there were special reasons for the delays that had occurred and asked the Ambassador how things were settling down in Lagos. The Ambassador said that he thought the problems attendant on the many changes in Government personnel had now largely been overcome, and that from the beginning of January the administration should be getting back into its normal stride.
3. Mr. McNamara commented on the acute problems of congestion in Lagos, and the Ambassador said that a lively debate was currently in progress on the possibility of establishing a new federal capital which, if it was established, would probably be in the middle of the country at the junction of the Niger and Benue rivers.

cc: Mr. Knapp
Mr. Chauffournier o/r
Mr. Thalwitz, Mr. Taylor-Lewis (WA)
Mr. Reitter (Lagos)

EPWright:vr

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 22, 1975

FROM: E. Peter Wright, Acting Regional Vice President, West Africa *EPW*SUBJECT: Visit of Nigerian Ambassador

1. The new Nigerian Ambassador to the United States, Mr. Sanu, whose curriculum vitae is attached at "A", will be calling on you at 6.30 p.m. on Tuesday, December 23. He may be accompanied by Mr. Ani, the Economic Counselor at the Embassy. I will also be present.

2. As you will see, Mr. Sanu is an economist and has had a distinguished career in the foreign service, serving most recently as Ambassador to Belgium, where, among other things, he was the chief negotiator for the 46 ACP countries in the talks leading up to the Lome Convention. Since your meeting with the Finance Commissioner, Mr. Ekukinam, at the Annual Meeting, we have had no high-level contacts with the Nigerian Government; many of the senior officials with whom we deal in Lagos have been changed (Mr. Ekukinam is still there, but the Permanent Secretary to the Ministry of Finance and the Governor of the Central Bank are both new); and we have been told that April would be the earliest date at which the Government would be ready to receive Mr. Chaufournier for discussions on future Bank/Nigeria relationships. You might like therefore to take advantage of the Ambassador's visit to review some of our principal concerns both with respect to Bank activities in Nigeria and more generally with respect to the Bank's capital requirements and the proposal for a selective capital increase.

Bank Group Operations in Nigeria

3. A note on this subject is attached at "B". Of the five agricultural loans approved by the Board in December 1974, not one is yet effective, and the same is true of the three oil palm projects approved last June. In addition, we are still awaiting government's clearance of loans for irrigation and rubber negotiated last May. This sorry state of affairs essentially reflects the near-paralysis of the machinery of government resulting from the sweeping changes in personnel at the Federal and State levels that followed the change in military leadership last July. Our resident mission in Lagos has been in almost daily contact with the Ministry of Finance in recent weeks over the actions needed to make the various loans effective, and with luck the Funtua and Gusau rural development loans will be effective before the end of December. The delays in making these two loans effective are particularly critical, since the projects have otherwise got off to a good start and are now confronted with difficult problems in paying their staffs and financing imports of fertilizers and other farm inputs urgently needed for the 1976 planting season.

4. Mr. Taylor-Lewis and I will be calling on the Ambassador before he meets you, so he will be aware of these problems (he has been away from Washington for most of the time since he arrived). You may nevertheless wish to underline your concern over the delays that have taken place, which have deprived the rural population of some of the intended benefits of Bank

*not expected
only done*

lending, and express the hope that everything possible will be done to expedite the action still needed to make the eight agricultural loans effective and to bring the other three loans (Kano irrigation, rubber and small industries) to the Board.

5. Pending resolution of these issues, it is perhaps premature to discuss further lending. As you know, we have told the Nigerian Government that we are ready in principle to continue Bank lending as a vehicle of technical assistance, particularly in the agricultural sector, provided that Nigeria is willing to lend part of its temporary financial surpluses to the Bank. Two additional rural development projects have been prepared (\$50 million), and a water supply project appraised (\$20 million), with this end in view, and these could all be brought to the Board in FY77 if the necessary action is forthcoming on the Nigerian side.

Financial Matters

6. If the proposal for a selective increase in Bank capital paralleling the increase in IMF quotas goes forward, Nigeria will be one of the countries which will have an above-average increase in its subscription from the present \$115.2 million to \$294.1 million (1944 \$), with an accompanying increase in voting power from 0.49 percent to something in the range of 0.85-0.88 percent. Rather than go into the details, you may want simply to emphasize the importance you attach to early action on a capital increase and point out its significance for the continuation over the long term of a high level of Bank lending to LDCs, including Nigeria.

7. In addition to the special bond issue of \$240 million arranged with Nigeria a year ago, Nigeria now holds \$64 million of two-year Central Bank bonds, and we have been informed that \$30 million of the recent \$750 million US issue was purchased on Nigerian account.

Attachments

cc: Mr. Knapp
Mr. Chauffournier o/r
Mr. Goodman
Mr. Reitter (Lagos)
Mr. Taylor-Lewis

EPWright/PTaylor-Lewis:vr

BIOGRAPHICAL DATA

NAME: Edward Olusola Sanu

DATE OF BIRTH: March 24, 1930

MARITAL STATUS: Married

RELIGION: Christian-Protestant Denomination

EDUCATION: Ibadan Grammar School
Howard University, 1950-53
Harvard University - Littauer Fellow (1953-56)

QUALIFICATIONS: Cambridge School Certificate
B.A. (Econ.) cum Laude (Howard University)
M.A. (Econ.) - (Harvard)
M.P.A. (Harvard University)

CAREER: Joined the Nigerian Foreign Service in September 1958.

First Secretary in charge of Economic and Finance Desk, Nigerian Embassy, Washington, D.C., U.S.A., 1960-61.

Head of Economic Department and later Head of International Department, Ministry of External Affairs, Lagos, 1961-62.

First Secretary, Nigeria Permanent Mission to the U.N.

Counselor, Nigeria Mission to the U.N., 1964-65.

Elected by the U.N. General Assembly in December 1961 to serve in a personal capacity as member of U.N. Advisory Committee on Administrative and Budgetary Committee (1962-64); re-elected 1965-67 and 1967-69.

Chief of Protocol in the Ministry of External Affairs, Lagos, 1965-66.

Permanent Under-Secretary, Cabinet Office, Lagos, 1966-67.

Ambassador to Ethiopia, 1968-73.

Member of the Executive Committee of Economic Commission for Africa, 1970-72.

Elected Chairman of the Finance Committee of the U.N. (5th Committee) at the 26th Session of the U.N. General Assembly in 1971.

CAREER: (cont'd)

Chairman to the E.C.A. Executive Committee, 1972.

Appointed Ambassador to Belgium and the European Economic Community, 1973.

Elected Chairman of the African Group negotiating with E.E.C. in October, 1973, and later became Chairman and Chief Negotiator of the 46 African, Caribbean & Pacific Countries (ACP) for the duration of the negotiation of the ACP/EEC. Lome Convention.

Appointed Ambassador of Nigeria to the U.S.A., August, 1975.

NIGERIA

Status of Bank Group Operations as at December 19, 1975

A. Loans Signed But Not Yet Effective

- (i) \$29.0 million - Loan 1092-UNI (Funtua Agricultural Development Project): Approved by Board of Executive Directors on December 19, 1974 and signed on March 20, 1975.

Requirement for effectiveness: The only outstanding action to satisfy the conditions of effectiveness is the signing of the Legal Opinion by the Federal Attorney General in accordance with Section 11.04 of the General Conditions.

- (ii) \$17.0 million - Loan 1099-UNI (Gusau Agricultural Development Project): Approved by Board of Executive Directors on December 19, 1974 and signed on April 6, 1975.

Requirement for effectiveness: The only outstanding action to satisfy the conditions of effectiveness is the signing of the Legal Opinion by the Federal Attorney General in accordance with Section 11.04 of the General Conditions.

- (iii) \$21 million - Loan 1091-UNI (Livestock Development Project): Approved by the Board of Executive Directors on December 19, 1974 and signed on March 20, 1975.

Requirements for effectiveness: Completion of the requirements for effectiveness of this loan has been delayed as a result of problems relating to the staffing of project entities; the establishment of ranching companies; and, more recently, the lack of a clear directive as to who should bear the subsidy involved in the Nigerian Agricultural Bank (NAB) receiving proceeds of the Bank loan at 8½ percent and relending to farmers at 5 percent, which is the ceiling established by the Federal Government for smallholder credit in Nigeria. It is understood that this issue is now being referred to the Federal Executive Council for a ruling and that it is expected to be resolved over the next few weeks.

- (iv) \$17.5 million - Loan 1103-UNI (Rice Development Project):

Approved by the Board of Executive Directors on December 19, 1974 and signed on April 25, 1975.

Requirements for effectiveness: Outstanding actions to satisfy the conditions of effectiveness of this loan include the completion of an aerial photo mosaic map of the project area, the execution of the subsidiary loan agreements and the establishment of project organizations.

- (v) \$21 million - Loan 1164-UNI (Gombe Agricultural Development Project): Approved by the Board of Executive Directors on December 19, 1974 and signed on September 29, 1975.

Effectiveness Date: January 27, 1976 has been established as the terminal date for effectiveness of this loan. Although the various project actions, including staffing, required to satisfy the conditions of effectiveness of this loan have been proceeding satisfactorily, it now appears unlikely that the loan would become effective on schedule, in view of present uncertainties regarding the possible splitting-up of the North Eastern State into two or more states.

The delay in completing the requirements for effectiveness of the above loans continue to pose substantial problems relating to staffing and procurement, and unless such problems are resolved quickly, it may be difficult to take maximum advantage of the 1976 planting season.

B. Loans Approved by the Board of Executive Directors But Not Yet Signed

- (i) \$29.5 million Loan (Mid-Western State Oil Palm Project):

This loan was approved by the Board of Executive Directors on June 17, 1975, and the next critical step is the signing of the Loan Agreement which has been delayed, pending the convenience of the Nigerian Ambassador.

- (ii) \$17.0 million Loan (Western State Oil Palm Project):

This loan was approved by the Board of Executive Directors on June 17, 1975. It is understood that the signing of the Project Agreement has been delayed as a result of certain questions raised by the State's Military Governor with regard to the on-lending rate of proceeds of the Bank loan to the Western State Oil Palm Company (WOPC). At present WOPC could borrow all it needs from NAB at 5 percent, whereas proceeds of the Bank loan are to be on-lent to WOPC "at a rate not lower than the Bank's lending rate". It is further understood that the Federal Government is reluctant to make any special concessions in favor of the Western State on this issue, for fear that it might encourage the other States to come up with a request for similar treatment, and it is hoped that the memorandum which is being prepared for discussion by the F.E.C. on the Livestock Project would provide a useful occasion for the F.E.C. to review and enunciate a common policy on the subsidization of interest rates in the agricultural sector.

- (iii) \$19.0 million Loan (East-Central State Oil Palm Project):

This loan was approved by the Board of Executive Directors on June 17, 1975 and, to date, the Project Agreement has still not been signed by the State Government inspite of repeated assurances to the contrary.

C. Loans Already Negotiated and Awaiting Final Clearance by Government

- (i) \$14.0 million Loan (Mid-Western State Rubber Development Project): This project was negotiated in May 1975, and it is understood that the draft Project Agreement is still awaiting the approval of the Mid-Western State Government, after which it would be submitted to the F.E.C. for final clearance.
- (ii) \$40.0 million Loan (Kano Irrigation Project): This project was negotiated along with the Mid-Western State Rubber Project in May 1975. Up to the time of negotiations, it had been envisaged that the project would be executed by the Kano State Government, and the draft loan documents were prepared accordingly. However, since negotiations, the Federal Government has decided to take over the execution of the entire project, and in the light of the changed circumstances substantial revisions and/or possible re-negotiation of the draft loan documents would now appear to be necessary. Arrangements are being made for a Bank lawyer to visit Lagos about January 12, 1976, to assist the Government in working out an acceptable redraft of the loan documents for subsequent clearance by Management and the Federal Government.
- (iii) \$30.0 million Loan (Small-Scale Industries Project): This project was negotiated in November 1975, and the present indications are that the Federal Government remains anxious to proceed as quickly as possible with its implementation. It is anticipated that, if the present level of interest is maintained, the project would be ready for Board Presentation in late January or early February 1976.

D. Project in an Advanced State of Preparation

\$20 million Loan (Kaduna Water Supply Project): A Yellow Cover Appraisal Report has been prepared and discussed with the Nigerian authorities for a proposed loan of \$20 million to assist in a project for an execution of the Kaduna Water Supply Scheme. Both the Federal Government and the North Central State Water Board remain keenly interested in Bank financing of the project, but further processing of the project has been suspended pending an assurance from the North Central State Government of its continued interest in the project.


FY77-78 Lending Program

Discussions on a lending program for FY77-78 have been consistently deferred since the April 1975 CPP Review at the instance of the Nigerian authorities. At present, the FY77 lending program provides for two rural development projects for development of food crops in the Benue Plateau (\$35 million) and Kwara (\$15 million) States (to be appraised in early 1976). The Kaduna Water Supply Project (\$20 million), if it goes forward, could also be brought to the Board in FY77. Possibilities for FY78 include a project for oil palm development in the Rivers State (\$35 million) and a rural development project (\$30 million) yet to be identified.

OFFICE MEMORANDUM

TO: Files

DATE: June 17, 1976

FROM: William Clark 

SUBJECT: Dr. Adebayo Adedeji's Meeting with
Mr. McNamara - June 15, 1976

The new (Nigerian) head of ECA paid a courtesy call on Mr. McNamara accompanied by two assistants.

He told us of the work of ECA which has some 200 professionals in Addis, and deals with various Pan African matters such as Trans African highways, and telecommunications (which are also dealt with by the African Development Bank).

6/17
He raised the matter of economic reporting in Africa where ECA is supposed to produce an annual report on each member country, but has little capacity to do so. He wished for better liaison with Bank economic report teams. Mr. McNamara told him that he would be glad to arrange this and asked me to follow up.

The interview was cordial but revealed the terrible lack of skilled personnel, funds and technical liaison with other African bodies that exists in the ECA.

WDClark:sf

cc. Mr. Chenery
Mr. Chauffournier
Mr. Please
Mr. Wapenhans

OFFICE MEMORANDUM

TO: Files

DATE: October 27, 1976

FROM: E. Peter Wright *EPW*SUBJECT: NIGERIA: Discussions at 1976 Annual Meetings

1. Messrs. Chauffournier and Wright met with members of the Nigerian delegation in the Philippine International Conference Center in Manila at 2:30 PM on Tuesday, October 5. The Commissioner of Finance had not yet arrived, and in his place Mr. Musa Bello, Permanent Secretary of the Ministry of Finance, took the lead. He was accompanied by Mr. Chikelu, Permanent Secretary of the Ministry of Economic Development, Mr. O. Sanu, Nigerian Ambassador to the United States, and Messrs. U.K. Bello and M.O. Fashola of the Ministry of Finance.
2. Mr. Musa Bello opened the meeting with a suggestion that the Bank might consider supporting Nigeria's current five-year development plan by program lending of, say, \$100 million a year or \$500 million over the five years. A recent review of Plan expenditures had revealed the likelihood of a substantial financing gap, and it would be very helpful for Nigeria to know in advance what contribution the Bank would be ready to make towards covering this gap.
3. Mr. Chauffournier responded by recalling his discussions with Nigerian officials earlier this year when it had been agreed that Nigeria did not need finance from the Bank so much as technical assistance, and the objective had been to identify sectors in which the Bank could provide technical assistance without slowing down the implementation of the public investment program. With this consideration in mind it had been agreed that the Bank should concentrate its lending in agriculture, leaving external financing for investments in other sectors to come mainly from private sources. The Bank was currently thinking in terms of annual commitments of loans to Nigeria of the order of \$100-150 million, principally for projects in agriculture and rural development; we were also considering ways in which project implementation could be speeded up, e.g., by expediting the training of Nigerian project staff. Mr. Chauffournier added that the Bank's policy on cost sharing was fairly flexible, but as a general rule we felt that we would be making a significant contribution by financing foreign exchange costs up to approximately one-third of total project costs.
4. Mr. Chauffournier wondered whether the Nigerian Government had changed its views on its need for Bank assistance. Were there other sectors besides agriculture where the Bank could help, given that the transfer of capital was not the principal objective?
5. Mr. Musa Bello once again said that the Nigerians were seeking a specified amount of financial assistance from the Bank, ideally in the form of a line of credit. The Bank might also be able to help Nigeria in arranging co-financing for major investment programs and projects.

October 27, 1976

6. Mr. Chaufournier replied that it would be impossible to make a case for program lending to Nigeria in present circumstances; it was not a situation in which there was a temporary gap to be covered in the balance of payments. In principle, sector program lending might be considered as an alternative provided that there was agreement on the general objectives to be achieved in the sector, and subject also to the Bank satisfying itself that there had been a sharp change in Nigeria's fiscal and balance of payments prospects such as would justify a substantial capital transfer. Mr. Chikelu commented that there had been sharp increases in the costs of Nigeria's public investment program and a large expansion of investment in such sectors as housing, education and water supply. Meanwhile oil production had leveled off at around 2 million barrels a day, and the financial situation was no longer as comfortable as it had been. Revised estimates of Plan expenditures were about to be submitted to the Military Government for formal approval.

7. In the discussions which followed it was agreed that the Ministry of Finance would provide the Bank with further information about the country's economic and financial prospects, and that consideration might be given to the possibility of the Bank extending financial support for public investment in sectors other than agriculture. The Nigerian delegation mentioned specifically transport, telecommunications and housing. Housing was, of course, ruled out, but Mr. Wright said that, if a case could be made for extended Bank assistance, there might be advantages in focusing on sectors with which the Bank was already familiar, and where there was an institution known to the Bank which could serve as the borrower (e.g., NEPA or NIDB). The meeting closed with an understanding that further discussions on the lending program should take place in Lagos in the fairly near future, but no date was set.

cc: Mr. Chaufournier
Mr. Gue
Mr. Reitter (Lagos)
Mr. Taylor-Lewis

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: October 29, 1976

FROM: E. Peter Wright *EPW*SUBJECT: NIGERIA: Mr. McNamara's Meeting with the
Nigerian Delegation in Manila

1. Mr. McNamara met briefly with the Nigerian Commissioner of Finance, Mr. Ekukinam, and other members of the Nigerian delegation immediately following the meeting of the African Caucus at the Philippine International Conference Center in Manila at 4:20 PM on Wednesday, October . The Commissioner was accompanied by Mr. Musa Bello and Mr. U.K. Bello from the Ministry of Finance and by the Nigerian Ambassador to the United States, Mr. O. Sanu. Messrs. Chauffournier and Wright were also present.
2. The Commissioner wanted to inform Mr. McNamara that Nigeria saw a need for continued borrowing from the Bank, principally in agriculture and rural development, but also in other sectors. Nigeria was not a rich country, and it needed external capital to support its development program. The Commissioner also extended an invitation to Mr. McNamara to visit Nigeria again, so that he could see something of the changes that had taken place in the country since his previous visit in 1971.
3. Mr. McNamara welcomed the Commissioner's approach and said that he would very much like to visit Nigeria again when the opportunity offered. Nigeria was the largest country in Africa, and the Bank was ready to continue its support of Nigeria's development program, particularly in the area of rural development. The details of the lending program should be worked out with the Bank's staff.
4. The Commissioner also mentioned his Government's concern that Nigerians should be appointed to senior positions in the Bank. Mr. McNamara recognized this concern. At the same time, as he had just said in answer to a question on this subject at the African Caucus, if the African countries wanted to exert influence on Bank policies, the most effective channel for such influence was the Board, and one of the problems here was that the tenure of African Executive Directors tended to be too short. Africa was excellently represented through its present three Directors, and if they stayed longer on the Board, their influence would be that much greater.

cc: Mr. Knapp
Mr. Chauffournier
Mr. Gue
Mr. Burmester
→ Mr. Reitter (Lagos)
Mr. Taylor-Lewis

OFFICE MEMORANDUM

TO: Memorandum for Record

FROM: Peter Reitter, Chief of Mission

SUBJECT: NIGERIA: Meeting of Mr. McNamara with Nigerian Delegation to Annual Meeting on September 27, 1977

DATE: October 10, 1977

Nigerian Delegation:

Major General James Oluleye - Federal Commissioner for Finance

Mr. Musa Bello - Permanent Secretary,
Federal Ministry of Finance

Mr. Gilbert Chikelu - Permanent Secretary,
Federal Ministry of Economic
Development

Bank:

Messrs. Knapp
Chaufournier
Gue
Burmester
Reitter

1. The delegation was first briefly received by Mr. Knapp who expressed the Bank's appreciation to the delegation for Nigeria's significant financial contributions to international development institutions, including the African Development Bank and the World Bank. Subscriptions to bond issues over the past three years, including two-year bond issues, had exceeded Bank lending to Nigeria over the period.
2. In welcoming the Nigerian delegation, Mr. McNamara stressed the importance which the Bank attached to close relations with Nigeria. General Oluleye responded by expressing the gratitude of the Nigerian Government for the role the Bank had assumed in fostering economic development in the world under Mr. McNamara's leadership, and congratulated him on his opening address to the Annual Meeting.
3. Turning to Nigeria, the Commissioner thanked Mr. McNamara for the assistance the Bank had rendered to his country. Regarding Nigeria's current economic situation and prospects, the Government was in full agreement with the Bank's assessment and policy recommendations contained in a recent economic report which had been discussed in separate meetings with Bank staff, and action had in fact already been initiated in a number of areas along the lines recommended by the Bank.
4. Nigeria, the Commissioner stressed, in spite of its oil resources, was currently facing difficulties with the execution of its development plan on account of changed economic conditions characterized by a rapidly

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widening resource gap and serious domestic price inflation. Given the magnitude of the country's development problems and the relatively low per capita income of US\$290 (the Bank's figure is around \$350), the development plan could not be considered ambitious. Substantial investments in infrastructure, agriculture and industry were essential to assure sustained growth of the economy.

5. Nevertheless, the Government was conscious of the fact that public sector expenditures had to be contained, and drastic cuts in this year's capital budget had therefore been applied. Expenditure control was an essential part of future Government policy, and to that effect, it had been decided to freeze recurrent expenditures for the next two years at the current level. At the same time, every effort was being made to generate higher resources from non-oil sources. Subsidies for public services such as electricity, railways, air transport, etc. would be phased out or eliminated and tariffs would be cost related. In order to cope more effectively with the tasks ahead, the Federal Ministry of Finance had been reorganized. In this connection the Commissioner referred to the present inadequate budgeting procedures and budget controls which would be greatly improved by the introduction of a project performance budget with effect of next year.

6. In combating domestic price inflation, the Government had been successful in reducing the rate from 43 percent in 1975 to about 20 percent in 1976. It was the intention to lower inflation to 15 percent in 1977 and to 10 percent in subsequent years.

7. In summarizing his remarks, General Oluleye expressed the hope that the Bank appreciated Nigeria's efforts in the areas he had outlined, and that the Government therefore could count on substantial assistance from the Bank. While the scope of many projects was being scaled down, Nigeria needed to borrow large amounts of funds abroad to enable it to carry out its program, and he expected the Bank to contribute US\$500 million per annum over the next years. The Government was in broad agreement with the projects and priority sectors selected by the Bank, and placed particular importance on the provision of technical assistance and training in connection with the Bank's lending activities. Nigeria needed Bank expertise most in project identification and in the management and execution of projects.

8. The Commissioner concluded by stressing that the present Military Government in its efforts to keep the economy on a sound basis was in fact planning for the return of the country to civilian rule by late 1979. It was therefore determined to carry out its program meticulously and to follow policies which would assure a strong and viable economy at the time of 'hand-over'. General Oluleye thanked Mr. McNamara again and reiterated his Government's invitation (extended by his predecessor at last year's Annual Meeting) to visit Nigeria in the near future.

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9. Mr. McNamara in acknowledging the Commissioner's remarks, said he was pleased to accept the invitation and would be available to come to Nigeria in early November. He emphasized that the Bank was anxious to help in every way it could. He regretted that the time was too short to discuss the issues and policy measures the Commissioner had outlined but intended to pursue these matters with the Government during his forthcoming visit. The Bank stood ready to extend economic advice and in fact hoped to maintain a close and fruitful dialogue with Nigeria in this area. The Bank was furthermore prepared to assist in the financing of projects in priority fields and to undertake or organize sectoral or broader studies relevant for the formulation of appropriate objectives and policies which the Bank could support.

10. Mr. McNamara emphasized that Nigeria was a large country, and that there was therefore scope for a substantial involvement of the Bank in assisting the Government's development efforts. He was impressed by the magnitude of the problems but equally so, by the Government's determination to come to terms with them. The Bank, Mr. McNamara said, in expanding its lending significantly, would necessarily want to be assured that the investment plans were soundly conceived so as to avoid waste of resources. Of equal importance was the containment of inflation. He was therefore looking forward to discussing these and related matters in Nigeria.

11. In concluding the meeting, Mr. McNamara referred to the Bank's role as that of a "servant of the developing countries". Nigeria stood to gain by taking advantage of it.

c.c. Messrs. McNamara, Knapp, Chauffournier o/r, Gue o/r,
de la Renaudiere, Thalwitz, de Azcarate, Koch-Weser, Burmester,
Myers, Taylor-Lewis, Senf.

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: January 5, 1978

FROM: Peter Reitter 1/SUBJECT: Mr. McNamara's Visit to Nigeria
November 2-6, 1977Meeting with the Head of State, Lieutenant-General Olusegun Obasanjo,
at Dodan Barracks on November 3, 1977 (1430-1610 hours)

Others present:

Nigeria:

Major General T. Oluleye - Federal Commissioner for Finance

Mr. Musa Bello - Permanent Secretary,
Federal Ministry of Finance

1/12 Mr. S. N. Mbamarah - Principal Secretary
External Finance, Federal Ministry of
Finance

Mr. T. Thahane - Executive Director for Nigeria

Mr. S. Abdulai - Advisor to Mr. Thahane

Bank:

Mr. Roger Chaufourmier

Mr. C. Koch-Weser

Mr. P. Reitter

1. The Head of State welcomed Mr. McNamara and stated how pleased the Government and he personally were that Mr. McNamara had accepted the invitation to visit Nigeria. Mr. McNamara in turn acknowledged the welcome and expressed his appreciation for having been given the opportunity of visiting Nigeria again after more than six years, to which he had been very much looking forward. In reviewing the Government's program and priority areas for development, the Head of State stressed the emphasis given to agriculture and rural development. Nigeria, in spite of its oil resources, was a developing nation and as such needed assistance from institutions such as the Bank. This important fact, the Head of State underscored, was often overlooked, particularly by a vocal urban elite which tried, and often succeeded in conveying a different impression. The truth was that at this juncture the country could not even produce enough food for its population and depended to an increasing extent on imports.

1/ Typed from P. Reitters hand-written manuscript which was sent from the Resident Mission to Headquarters.

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2. It was obvious to his Government that it could not neglect the rural areas where the majority of the people live and the wealth of the nation lies. It had therefore embarked upon determined efforts to increase agricultural production and rural incomes. Past governments had not recognized this to the same extent. The massive wage and salary increases in 1975 had merely benefited workers and employers, not the farmers.

3. In referring to the development of agriculture, the Head of State acknowledged that it was a slow process unlike the building of infrastructure, and that no dramatic impacts could be expected overnight. However, in travelling around the country, he had seen encouraging evidence of development in rural areas, particularly in respect of an expanded network of farm-to-market roads, housing and industrial development. Particularly the latter was of great significance, and was fully supported by Government policies.

4. The Head of State stated that he had recently visited the Funtua Agricultural Development project assisted by the Bank by which he was most impressed. Funtua type projects were a key factor in rural development, and as far as he was concerned should be replicated fifty or even a hundred times all over the country to meet Nigeria's needs. Realizing that this was not possible, he stressed that at least one such project should be set up in each of the 19 States. The Bank had a major role to play by providing assistance in this area. Of vital importance in the basic concept of these projects was the fact that there was no uprooting of people and that they could stay on their land. The project, so to speak, came to them. In Funtua, the Head of State added, there had been visible evidence of increased living standards of the farming population in the short span of two years. What had impressed him most in this regard was to see next to a farm service center a cooperative store with supplies for the personal needs of the farmers. A major bottleneck in accelerating agricultural development in most parts of the country generally, the Head of State said, was the problem of land clearing and land preparation. Shortages of rural labor and comparatively high wages caused by the country's massive infrastructural program necessitated increased mechanization. In this area in particular, Nigeria needed outside assistance.

5. In turning to the industrial sector, the Head of State explained that Nigeria was embarking upon the establishment of some basic industries like iron and steel, LNG, cement and fertilizer. These were vital to the economy. However, of similar importance to the Government was the setting up of industrial establishments, particularly small-scale industries, in rural areas. He expressed the hope that the Bank could be of assistance in this respect.

6. Another major requirement of the Country was power development. Power demand had grown dramatically in the last years and supply could not keep up with it. The suppliers in most urban centers were grossly overloaded

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with the result that serious breakdowns and failures had become almost a daily routine. A number of new hydro and thermal generating facilities were in various stages of execution such as the Sapole, Jebba and Shiroro plants. Further expansion of generating capacity was already being planned. Large investments were also required in transmission and distribution facilities. The problem of power distribution in most urban centers was particularly critical and outside assistance was needed for its solution. Some efforts, said the Head of State, had been made in expanding rural electrification but results so far had not been significant and much more needed to be done.

7. Another sector of highest priority for the Government was water supply along with agriculture, the Head of State explained further. This included both potable water in urban and rural areas and irrigation. Among the irrigation schemes he mentioned the Bakalori dam in the vicinity of Sokoto and the Lake Chad irrigation scheme which the Government was executing. In order to cope effectively with water development, a new Ministry of Water Resources had been created. In addition, River Basin Authorities had been established in all the major riverine areas which could be responsible for the planning, execution and operation of irrigation schemes together with the development of agriculture in the basin areas.

8. The Head of State then turned to housing. Here, he said, the Government had made many mistakes and had to revise its policies. Even though there were vast needs in providing social services, including housing, for the masses, there was a limit to what the country could afford. Much more emphasis therefore had to be placed on self-help, private initiative and cost reduction in housing construction. To illustrate the point, the Head of State referred to Festac Village, a housing development which initially accommodated the participants in the Black Arts Festival staged in Lagos in February 1977, which was subsequently handed over for occupancy by Nigerians, mainly middle class, drawn by lot. In the first instance, construction costs per unit were too high thus necessitating substantial government subsidies. Secondly, standardization of design of housing units of varying sizes had drawn nothing but criticism from occupants since individual tastes and preferences had not been taken into consideration. These and other factors had to be considered in future. The Head of State emphasized that housing was a national issue and not an urban problem alone. Consequently, the Government considered housing in rural areas of equal priority as in urban centers.

9. In summary, the Head of State pointed out, there were many areas where Nigeria needed assistance, not only in financial terms but also in strengthening and expanding the country's executive capacity. Institutions such as the Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Industry and Commerce (NBIC), the Nigerian Agricultural Bank (NAB) and

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the Federal Mortgage Bank were well established but still needed assistance. External assistance in general was often a controversial subject in Nigeria and there were heated debates on whether it was in Nigeria's interest to adopt foreign ideologies and systems. This, in the mind of the Head of State, was not the issue. The key, in fact, was the question of what constituted appropriate and correct development strategy for the country. It had to be clear to everybody that Nigeria was still a poor country. It was also a very large country both area and population wise. The aspirations and expectations of the Nigerian people were irrepressible and this had to be taken into account in development planning, which had not always been the case in the past. His Government, the Head of State said, was absolutely convinced that the strategy for the next Development Plan (1980-85) had to be developed from the grassroot level and this meant going down to the people. They, after all, were in the best position to determine their requirements and priorities, and without their involvement and commitment no meaningful development plan and strategy could be drawn up. Only in this way could the Government assure that the overall national priorities were properly defined.

10. In concluding his remarks, the Head of State stressed that even though Nigeria was in need of outside assistance herself, his Government would, to the extent possible, continue to extend assistance to other African countries. Nigeria was firmly committed to ECOWAS in an effort to ensure regional balance and unity. An economic oasis in Nigeria, the Head of State remarked, would seriously impair stability in the Region, and it was therefore in his Government's own interest to help in bringing about a more balanced development of the countries concerned.

11. Mr. McNamara thanked the Head of State for the detailed review of Nigeria's development goals and constraints, and said that there was no doubt in his mind that the country needed external capital inflows on a substantial scale to supplement domestic resources which were insufficient in relation to Nigeria's development programs. The Bank was prepared to increase its lending significantly, even up to a level of \$500 million per annum which the Government had mentioned as a target. While there were no difficulties on that account, he doubted, however, that such a level could be attained quickly. The present pipeline was thin and needed to be built up which would take time. It was of urgency, therefore, to initiate a major effort in project identification and preparation for which the Bank was ready to provide every assistance.

12. Mr. McNamara said that he was particularly glad to note that there was no difference of opinion as to the priority areas of development which the Head of State had outlined and in which the Bank could play a major role. Agriculture and rural development were clearly the number one priority and this was an obvious area for substantial Bank assistance. Mr. McNamara also agreed with the Head of State on the priority given by the Government to industrial development. Of the large projects mentioned he had no difficulty with the Bank supporting the proposed fertilizer

project. This was of direct importance for agricultural development and a field in which the Bank had considerable experience. He was less sure, however, of the other major planned investments in industries and the Government's strategy for industrial development in general. He had gained the impression from his earlier discussions with various Commissioners that each Ministry was only looking at its own investment plans without regard to overall priorities and the need for assuring a balanced program within the limits of available resources, both in terms of domestic revenues and external borrowings. In the absence of an appropriate and realistic development strategy there was the imminent danger of "overloading the circuits" (an analogy to the overloaded power system which the Head of State had mentioned earlier), particularly in industries. The average investment cost of ₦ 50,000 per job created in industries exemplified the absence of an appropriate and feasible development concept. At such a cost, Mr. McNamara emphasized, there was not enough money in the world for providing employment on the scale required in Nigeria. It was clear, therefore that other solutions had to be found which could provide employment at a cost of no more than ₦ 2,000 to ₦ 3,000. This was why the Bank gave highest priority to assisting countries in the development of small scale industries. Mr. McNamara admitted that this was a difficult field, in which the Bank had much less experience than in rural development and assistance to small farmers. The development of small scale industries required the setting up of new institutions and particularly careful planning and preparation which took time. It was therefore of great urgency to address this problem, and the Bank stood ready to provide every possible assistance. The Bank's role, Mr. McNamara stressed, was to be of service to its member countries in solving some of the fundamental problems of development. This involved, as a matter of highest priority, assistance to small farmers and small scale industries. This did not mean that the Bank was not interested in supporting the development of infrastructure. In Nigeria there was a clear case for major Bank involvement in the power sector covering both generation and distribution. There was much less justification and need, on the other hand, for Bank assistance in other infrastructural sectors, at least for the time being.

13. The Head of State acknowledged Mr. McNamara's response by saying that he was in broad agreement with the views he had expressed. He also fully endorsed the development philosophy of the Bank. What concerned him in respect of the Bank's ability to discharge its unique role effectively, however, was the increasing politicization of the institution by one of its member countries. While it was true, Mr. McNamara responded, that there had been an attempt on the part of the United States Congress to impose certain restrictions on the Bank's lending policy, politicization was not a real issue. Up to now, the Bank had faced no operational problems, and he was confident that there would be no interference in future either. The basic issue the Bank was confronted with was to get the necessary funds and performing its role well. Concerning the latter the Bank was obviously not immune from making some mistakes but the real issue was to solve some of the fundamental problems of development.

Money and funds for development were a problem on the other hand. The Western World was rich but most countries were increasingly giving priority to domestic needs. Nigeria, Mr. McNamara said, could be of help in this respect. He suggested to the Head of State that if he felt the Bank played a useful role in Nigeria and elsewhere he should raise the point with President Carter during his forthcoming visit.

14. Returning to Nigeria, Mr. McNamara said that the magnitude of the development program would require substantial external borrowing over and above what the Bank would be able to provide. He saw no problem in this respect, however, on account of Nigeria's relatively strong economic position and excellent creditworthiness. Of concern to him was the impression gained from earlier discussions in the day with several Commissioners, particularly in the Ministry of Economic Development, that investment plans did not take account of available resources. Every project or program appeared to have the same high priority but the result expenditures were out of balance with domestic and external resources. There were obvious limits to what the country could borrow from abroad. It was of paramount importance in Mr. McNamara's view, therefore, for the Government to define its priorities and to plan realistically so as to assure a balanced application of resources, and in the final analysis a balanced growth of the economy.

15. Replying, the Head of State said that he did not agree with the views expressed by Mr. McNamara. To him planning was a short-term process and almost a daily exercise. Investment plans and programs were periodically reviewed by the Federal Executive Council and appropriate decisions taken. It was therefore not true that investment decisions were not properly considered and coordinated. Neither could he accept Mr. McNamara's view that the size of the development program was out of balance with available resources, and its composition out of tune with priority needs of the Country. The Government was fully aware of its financial constraints, and several projects had already been reduced, deferred or dropped altogether. In connection with the latter category, he mentioned the original plan of establishing a third oil refinery in the country purely for export of refined products which was abandoned. The Head of State assured Mr. McNamara that planning in Nigeria was not as uncoordinated as it might appear and that the Government was fairly well on top of the situation. There was obviously room for improvement and this was why he strongly favored planning at the grassroot level.

16. The Head of State in conclusion expressed his appreciation for the assistance the Bank had provided in the past and the greatly expanded program the Bank had agreed to mount in the coming years. Nigeria had high expectations and it was his hope that the Bank would move rapidly and shorten the time for project studies. Inordinate delays were found to create frustrations and this was neither in the interest of the Bank nor Nigeria.

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17. The Head of State concluded the meeting by expressing his most sincere gratitude and thanks to Mr. McNamara for his personal contribution to the Bank and for the special interest he had personally devoted to the developing countries and their people. He was delighted that Mr. McNamara had accepted a third 5-year term as President of the Bank and extended his best wishes for the future.

Cleared w/& c.c. Messrs, Chauffournier, Koch-Weser

c.c. Messrs. Steckhan, Thalwitz, Van Gigch, Pouliquen, King,
de Azcarate, Schmedtje, Wadsworth, Brandreth, Guetta, Singh,
Salazar, Soges, Cole, Taylor-Lewis

PREitter:js

OFFICE MEMORANDUM

TO: Files

DATE: December 21, 1977

FROM: P. Taylor-Lewis, Liaison Officer, WALDA

SUBJECT: NIGERIA: Visit of Mr. McNamara, November 2-6, 1977
Minutes of Discussions held on Thursday, November 3

Meeting with Major-General J.J. Oluleye,
Federal Commissioner for Finance

1/4

1. The Commissioner welcomed Mr. McNamara noting that his visit was of the greatest significance to Nigeria coming at a time when Nigeria was facing major problems in her development efforts and consequently, a need for substantial assistance from the Bank. He apologized for the delay in meeting overdue service payments and stated that all outstanding payments had been made. The Commissioner restated that the Federal Government was in broad agreement with the recommendations of the Bank's recent economic mission, short of the recommendation suggesting a devaluation of the Naira which he said would be unwise on political grounds, in view of the impending return of the country to civil rule. He stated that it is the intention of the Federal Government to relate the exchange rate of the Naira to a weighted basket of currencies, drawn from Nigeria's leading trading partners - a system which the Government is planning to introduce with effect from January 1, 1978. He said that most of the remaining recommendations were already being implemented, including a reduction of Government's recurrent and capital expenditures and also, an upward revision of tariffs, as was recently done in the case of the Nigeria Electricity Power Authority and the Nigerian Ports Authority. A special task force has also been commissioned to review the entire interest rate structure of the country, as Government is of the view that it would be wrong to look at any one rate in a given sector, in isolation. The Commissioner advanced the view that Nigeria has wrongly been classified as an OPEC capital surplus country and that this has, in turn, denied Nigeria of much needed assistance from bilateral and multinational agencies. He hoped Mr. McNamara's visit would enable him to appreciate the vastness of the country and also, the many complex development needs of Nigeria.

2. In reply to the Commissioner's opening remarks, Mr. McNamara stated that the main purpose of his visit was to review with the Commissioner for Finance, the Head of State and other top officials of the Government, what role they think the Bank could continue to play in support of Nigeria's development objectives and, in turn, what forms of assistance Nigeria would expect the Bank to provide. He stated that as a major source of long-term concessionary financing, it is only appropriate for Nigeria to look to the Bank for assistance in its development efforts. The Bank is ready to make a major effort in those areas where it is mutually agreed that the Bank could make a significant impact. Mr. McNamara stated that the needs of Nigeria over the next five years would invariably differ from those over the past five years and distinguished three types of assistance from which Nigeria could benefit, namely:

(a) macroeconomic advise; (b) technical assistance; and (c) transfer of funds.

3. With regard to the transfer of funds, he stated that he had understood that it was the Government's wish to engender a level of annual commitment from the Bank of US\$500 million. This, he said, was not an issue as there were no immediate financial constraints on Bank lending to Nigeria, given Nigeria's present status of creditworthiness. He cautioned, however, that it may be difficult to achieve this level of commitment in the near term in view of the non-availability of soundly prepared projects and the time it would take to build up a pipeline to the desired level of commitments. While he conceded the need for a substantial flow of funds to Nigeria, he nevertheless, emphasized that the Bank is equally obligated to ensure that the loans it extends are made in support of sound viable projects. To do otherwise would expose Nigeria to financial loss and also, undermine the Bank's credibility.

4. In the area of technical assistance, Mr. McNamara stated that as a result of the sharp increases in oil prices over the past four years large amounts of money have been injected into the Nigerian economy which, however, have been unevenly distributed. The Bank could help, if requested, in providing technical assistance in connection with various sector studies in helping to advise on more equitable and effective incomes distribution policies.

5. Mr. McNamara said that the Bank would be prepared to work more closely with Nigeria and provide advice on macroeconomic issues and policies. He recognized the size and complex nature of the political, social and economic problems involved but was confident that this is an area in which the Bank had relevant experience and could be of assistance to Nigeria. He said that what was needed was a new type of relationship quoting the case of Brazil and Indonesia where the problems were similar to those of Nigeria and, in both of which, the Bank had been doing useful work in terms of macroeconomic advice.

6. The Commissioner for Finance expressed the view that large amounts of technical assistance may be required in the area of project preparation in order to build up a pipeline for the next five years. He stated that it is the intention of Government to diversify the economy. Hence the emphasis being placed on agriculture where the aim is to attain self-sufficiency. This has not been easy because of the drought experienced in 1973 and early this year and also, in view of the constant drift of the young from the rural areas. In an effort to help arrest the latter trend, Government had recently introduced the system of cooperative farming.

7. In addition to agriculture, the Commissioner said Government would also welcome Bank assistance in support of industry (including the fertilizer project); housing; manpower development; power (including rural electrification to promote dispersal of industry and help arrest a drift from the rural areas); and DFC lines of credit to NIDB, NBCI, NAB and the Mortgage Bank.
8. While endorsing the priority areas for Bank assistance as outlined by his Commissioner, Mr. Musa Bello, Permanent Secretary of the Federal Ministry of Finance, stressed the important role the Bank could play in strengthening the hands of the operating ministries, through the provision of essential information necessary to aid the decision-making process.
9. Mr. McNamara responded by stating that the Bank fully recognizes the importance of agriculture to the Nigerian economy. The experience already acquired in this sector justifies the Bank's confidence in coming to the view that it can continue to play an effective role. The present need is to establish a long-range program for future assistance that would provide for a large number of projects. The Bank intends to provide massive assistance in support of this sector and the sector mission scheduled for June 1978 should provide the basis for a long-range future program.
10. While there is a good case for Bank assistance in support of the proposed fertilizer project in view of its relevance to agriculture and, in turn, income generating potential for the rural farming population, Mr. McNamara stated that the Bank would avoid the financing of any large capital intensive industrial project that is not sufficiently employment generating. Conceivably, there may be a need to design and implement new institutions that could provide a relatively low capital investment per job created, if Government accepts the need for placing greater emphasis on employment generation as a basic objective in its industrialization program.
11. In the area of housing, Mr. McNamara said that if the objective of Government is to provide basic shelter in order to meet the needs of the lower 10th-40th percentile, then the Bank would have no difficulties in extending assistance to this sector. He equally envisages no difficulties in assisting the Government in its manpower development efforts, which is already an area of relative high priority.
12. Mr. McNamara said that power is a sector in which the Bank has acquired a lot of experience and cited the case of Latin America where the Bank has financed about 25 percent of the development program in that sector. He regards the power sector as being fundamental and stated that

the Bank could offer substantial assistance, provided the objective is to establish sound financial viable institutions. He stated that in addition to assistance in support of distribution, the Bank would also be prepared to examine NEPA's power generation program with a view to extending assistance in support of generation, where the program is considered sound and is in keeping with an overall balanced budget.

13. As regards support for the development of small scale industries, Mr. McNamara said that in spite of the fact that this is an area in which the Bank has limited experience, the Bank would nevertheless be prepared to work together with Nigeria, in evolving suitable programs of assistance given the critical nature of this sector to Nigeria's overall development efforts.

14. The Commissioner expressed his appreciation to Mr. McNamara for the Bank's positive reaction to Nigeria's request for an expanded program of assistance.

15. The Permanent Secretary stated that the need for sound planning and financial management is now gradually being accepted by all. The principle of zero base budgeting has already been accepted by Government and, the recent extensive tour of the country by the Head of State has resulted in a number of realistic cuts now being made by the various States in their respective capital budgets. He stated that Government has tried to arrest a potentially dangerous situation and was hopeful that the next year would show a further improvement.

16. Mr. McNamara responded by stressing the Bank's interest in seeing Nigeria maintain a balanced investment program consistent with Nigeria's financial resources.

17. In reply to two further points raised by the Commissioner in his concluding remarks, Mr. McNamara stated that (a) the Human Rights issue had, so far, not precluded any loan from being approved by the Bank's Board of Executive Directors, even though some Executive Directors had on one occasion expressed the views of their Governments on the issue and, ultimately, abstained from voting and; (b) that it is unlikely, if not inconceivable, to anticipate that a general increase in the Bank's capital would result in a reduction in the present voting strength of the Latin American and African group of countries.

Meeting with Dr. R. Adeleye,
Federal Commissioner for Industry

18. The Commissioner stated that as Africa, in general, and Nigeria, in particular, proceeds on the path to economic development, greater

emphasis would have to be placed on the development of industries in order to hasten the pace of development and provide for a more balanced growth of the economies involved. Nigeria, he said, had lagged behind in the area of industrialization and was determined to make up for lost ground. He expressed appreciation to the Bank for its assistance in the establishment of the Nigerian Industrial Development Bank and also, for the two loans the Bank had made to that institution in the past.

19. Dr. Adeleye stated that the broad policy of the Federal Government is to leave to the private sector those areas of activities in which it had comparative advantage adding, however, that in his view, the role of the private sector in terms of capital formation in Nigeria would for some time be limited.

20. He said that most of the projects that his Ministry would be referring to the Bank for consideration, are projects for which the necessary studies have been completed and could therefore be regarded as being ready for early implementation. These include: the fertilizer project; the natural gas and petrochemical project; the pulp and paper project; the iron and steel project; the sugar project; and further lines of credit for the Nigerian Industrial Development Bank.

21. Mr. H. M. Osha, Managing Director of the Nigerian Industrial Development Bank stated that NIDB has expanded its operations substantially over the past three to four years and that Federal Government funding has not been able to keep pace with the expanding needs of NIDB. Total disbursements of NIDB had increased from ₦12 million in 1975 to ₦ 32 million in 1976 and are projected to total ₦ 45 million in 1977. Sanctions (approved loans), have increased from ₦ 56 million in 1975 and are projected to total about ₦ 60 million in 1977. In 1976, NIDB received a total Federal Government contribution of ₦ 44 million in the form of equity and loan financing.

22. Mr. McNamara said that the Federal Commissioner for Finance had identified Industry as one of the priority areas for which external financing is required and confirmed that this is a sector in which the Bank could be of assistance. He emphasized, however, there was a need to define priorities much more clearly, citing the Fertilizer and NIDB as two areas in which the Bank could focus its initial assistance to the industrial sector. Mr. McNamara stated that the Bank is particularly interested in ensuring that all elements of society are made to benefit from its assistance. The basic question in support of industry would be that of how best could the needs of an expanding labor force be met or, in other words, the employment potential of each industry to be considered. Consequently, the Bank would be primarily interested in those industries which are labor intensive, that is, with a large employment generating

potential, in preference to industries that are capital intensive. The Bank would be prepared to regard the fertilizer project as a special case in view of its relevance for the overall assistance being extended to the agricultural sector and also, because of its linkages effect in terms of rural employment generation and income distribution. He sees the Bank as an important source of NIDB financing and agreed that the Bank could play an important role in helping NIDB raise additional funds in the World's capital markets. However, he does not believe the present level of ₦ 50,000 per job created, which is the basis of NIDB's assistance, would be an effective solution for Nigeria's present employment problems. What may be required is assistance to provide for say, ₦ 3,000 per job created which may suggest the need for an alternative strategy. The Bank would be willing to assist in the formulation of such a strategy which may involve the creation of additional new institutions in Nigeria. The Commissioner agreed with Mr. McNamara's views and stated that given the state of the art, the area of small scale industries would be one in which he would expect much needed technical assistance from the Bank.

Discussions with Dr. Omoniyi Adewoye,
Federal Commissioner for Economic
Development and Planning

23. The Commissioner stated that the Federal Government's Third Development Plan (1975-1980) has been revised to reflect a reordering of priorities and also the creation of new States. Total Plan investment resulting from the revisions made, had increased from ₦ 30 billion to ₦ 43 billion of which about 10 percent has been achieved so far.

24. Dr. Adewoye said that the economics of the developing countries, of which Nigeria is one, are in poor shape and stated that there is an overall financing gap of about ₦ 33 million under Nigeria's Third Plan. He said the Federal Government would prefer to see future Bank assistance take the form of sector lending in preference to project lending as a means of accelerating the flow of funds.

25. Mr. McNamara stated that the Bank is fully aware of the financing gap under the Government's Third Plan, noting that it might take 3-4 years to develop a pipeline of high priority projects that would fit into a balanced budget. While it may be possible to provide for sector lending through NIDB, it would nevertheless be difficult to develop a program for sector lending in the absence of a sector program. Mr. McNamara took exception to the Commissioner's statement that the Bank is bureaucratic and often slow in its response. He explained that if the process of realizing Bank assistance is slow, it is often as a result of problems which the Bank considers need to be resolved in the interest of the borrower,

26. Mr. McNamara cited the Power Sector as one which offers prospects for Bank lending on a large scale. The same may also be true of NIDB. Other areas in which the Bank could be of assistance to Nigeria, he said, include that of manpower development for planning and planning analysis. The possibility of seconding staff to help develop planning capabilities and training of Nigerian personnel to assist in the monitoring and evaluation of the program would also be explored. EDI has been assisting and will continue to assist Nigeria in its training needs and the Bank has recently appraised a project for the establishment of an agricultural management training institute that will help meet Nigeria's training needs in the area of middle and upper management in agriculture.

27. The meeting was concluded on the understanding that the Ministry, in conjunction with the Federal Ministry of Finance, would forward a list of specific areas in which the Federal Government considers Bank assistance would be useful, for consideration by the Bank.

Meeting with Lieutenant-Colonel Mukhtar Mohammed
Federal Commissioner for Housing, Urban
Development and Environment

28. The Commissioner stated that assistance in support of housing development is channelled mainly through two institutions, namely, the Federal Mortgage Bank and the Federal Housing Authority, with the former catering for the needs of the upper and middle income groups and the latter, those of the lower income groups. Loans made by the Mortgage Bank are restricted to an upper limit of N 65,000 per owner occupied family house with interest at 3 percent per annum. The Federal Housing Authority has been charged with the responsibility of constructing a total of 200,000 units over the Third Plan period of which 30,000 units have so far been constructed. The Commissioner also stated that his Ministry would welcome Bank assistance in the area of urban development (including urban re-development) and also in support of manpower development in the area of urban and environmental planning and policy formulation.

29. Mr. McNamara explained that under existing Bank policies, Bank assistance in the area of housing and urban development will be limited to the development of sites and services and the provision of basic shelter. The Bank would only wish to be associated with those schemes that are designed to be within easy reach of the lowest 10 percentile. The Government would have to come up with an alternative strategy as, on the basis of its current unit cost, it is doubtful whether the necessary funds could be mobilized to finance the housing program under the Third Plan. Mr. McNamara stated that there are some 800 million people in the World in need of basic shelter and that there is a limited supply of money all round

to meet this need. The Bank would be prepared to work with Nigeria in developing an alternative strategy based on its experience derived from a number of past and ongoing operations in a variety of countries.

30. Mr. Oyegun, Permanent Secretary of the Ministry, stated that there has already been a shift in his Ministry's policy in the light of the Ministry's recent dialogue with the Bank. The Ministry is keenly interested in exploring further, the approach adopted by the Bank and would welcome Bank assistance in the formulation of its policies.

Meeting with Mr. B.O.W. Mafeni, Federal
Commissioner for Agriculture and Rural Development

31. The Commissioner opened the discussions by expressing his gratitude for the valuable assistance his Ministry has been receiving from the Bank. He stated that he had formerly been critical of the Bank over what had appeared to be unnecessary delays in the implementation of various projects but that he had later come to appreciate much more fully, the complex nature of the Bank's ongoing rural development projects and the time it takes to get such projects off the ground. The Commissioner admitted that there had been some constraints on the part of Nigeria, adding that he had been most impressed by the success of the three northern agricultural development projects. He stated that the Federal Government had been impressed by the degree to which these projects had substantially increased the productivity levels of income and, the quality of life of small farmers in the rural areas, and that the Federal Government was therefore anxious to see these projects replicated in each of the nineteen states comprising the Federation. The Federal Government would welcome Bank assistance for the implementation of similar projects in Oyo, Ogun and Ondo States and also, for the establishment of the proposed Agricultural Management Training Institute.

32. The Commissioner said that in contrast to the northern projects, the Bank-assisted tree crop projects in the South had not made satisfactory progress. In the Commissioner's view, some of the reasons that account for the relative lack of progress in the southern projects are; the level of wages being offered in respect of land clearing which he considers low; the lack of an adequate incentive package; the delay in the construction of mills; and the relatively low prices being offered to smallholders for the produce. The Commissioner stated that mixed-cropping is entrenched in the farming practices of Nigeria and expressed the view that smallholder schemes should preferably be developed around nucleus estates, with the company operating the latter being responsible for the development of feeder roads, as well as, land clearing. Specific areas for which Bank assistance would be welcome, in addition to agriculture, include: fishery and forestry development; and also, in the construction of paper mills. The Commissioner

concluded by admitting that following an analysis of the problems impeding progress under the livestock project, he had come to the conclusion that most of the problems involved were attributable to internal factors and could only be resolved by the competent authorities in Nigeria.

33. Mr. McNamara expressed his appreciation to the Commissioner for his opening remarks, adding that the Bank would be prepared to work closely with Nigeria in building up a substantial pipeline of projects. He said that he had been struck by the strong similarity of interest and sense of purpose shared by the Commissioner. Mr. McNamara stated that he would like to see the Bank set its sights much higher in Nigeria, where he could perceive the need for the Bank to start laying the foundation for a long-term program to support Nigeria's development efforts. Mr. McNamara was of the view that what is required in the area of fisheries development is more in the form of technical assistance.

Cleared w/& c.c. Messrs. Chauffournier, Koch-Weser

c.c. Messrs. Gue, Thalwitz, Van Gigch, Pouliquen, King, Bottelier,
de Azcarate, Schmedtje, Wadsworth, Brandreth, Guetta,
Singh, Salazar, Soges, Cole.

PTaylor-Lewis:js

OFFICE MEMORANDUM

TO: Files

DATE: July 3, 1979

FROM: Bilisel Alisbah, Director, WACPI

SUBJECT: NIGERIA - Mr. McNamara's Meeting with Permanent Secretary
of Finance

1. Mr. Malam Musa, Permanent Secretary of Finance of Nigeria, accompanied by his assistant, called on Mr. McNamara on June 25. Mr. Abdulai, Mr. Koch-Weser, and I were also present.
2. The meeting was primarily in the nature of a courtesy call.
3. Mr. McNamara congratulated Mr. Musa on the Government's initiative in organizing the recent World Bank Workshop in Lagos. More specifically, he also congratulated the Permanent Secretary on the excellent paper he had presented to the seminar. Mr. Musa presented Mr. McNamara with a draft publication containing the papers presented at the seminar. He indicated that the Government plans to publish the document, and he indicated that he would appreciate the Bank's reaction to some of the recommendations contained in the seminar papers. Mr. McNamara indicated that we would respond. (A letter from Mr. Chauffournier to Mr. Musa is being drafted on this subject.)
4. In the course of the discussion, Mr. McNamara briefly reviewed the Bank's relationship with Nigeria, touching on the reasons for the rather limited Bank Group lending to date. He underlined the readiness of the Bank to assist Nigeria in a more substantial way. The Secretary, pointing to Nigeria's growing volume of Bank Group assistance, expressed his Government's appreciation. He stated that the incoming civilian government was likely to place a heavy emphasis on urban and water supply projects. He indicated that he had discussed with Mr. Chauffournier and his staff earlier in the day the specific means by which the Bank could respond expeditiously to requests for assistance in these fields. Mr. McNamara, while welcoming these new directions, emphasized the importance of continuing with the series of agricultural development projects. He was assured that these projects have a high priority and would continue to figure prominently in the lending program.
5. Mr. McNamara also underlined the importance--in view of Nigeria's longer-term needs--of utilizing appropriate Bank Group projects as a vehicle for co-financing with other lenders. In this connection, he expressed disappointment about the National Electric and Power Authority's (NEPA) ambivalent attitude toward the European Investment Bank's co-financing interest in the recently negotiated loan to NEPA. Mr. Musa indicated that the Government appreciates the desirability of utilizing Bank Group projects as a means of marshalling additional resources. He undertook to make clear to NEPA the Government's view on this subject.

BALisbah:med

cc. Messrs. Chauffournier, Thalwitz, Bouhaouala, van Gigch, Pouliquen,
Reitter, Hornstein, Koch-Weser

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. Roger Chaufoournier, WANVP)
FROM: Bilisel Alisbah *BA.*

DATE: June 25, 1979

SUBJECT: NIGERIA - Your Meeting with the
Permanent Secretary of Finance

1. This is further to my memorandum of June 18 about your meeting with Malam S. Musa, Permanent Secretary of Finance of Nigeria, at 6:30 PM today.

2. As already indicated, the main purpose of the Secretary's call on you is to report on the follow-up to the recent World Bank Workshop in Lagos. The Secretary was instrumental in organizing the workshop and he also chaired the proceedings. His paper on the World Bank was, as you know, well informed, thorough and fair.

6/25
3. Last week we were negotiating the first Nigeria loan of FY80 -- a loan of \$100 million to the National Electric Power Authority (NEPA). This week we will be negotiating our first loan for an urban development project in Nigeria. The proposed loan of \$17.3 million will help finance a project in Bauchi State. We hope this project will prove to be a prototype for low-cost housing schemes in Nigeria. The Secretary is likely to express the hope that this project could be followed up with similar projects in other States. You could indicate that this is also our hope, as evidenced by the fact that the present project makes provision for preparation of future projects. It would, however, also be appropriate for you to emphasize that the speed with which we can proceed with follow-up projects will depend largely on how well the institutional arrangements of the proposed Bauchi project function during the start-up period.

4. During your discussion with the Secretary, you may also wish to make the following points:

- (i) Express your appreciation for Nigeria's support for the Bank's capital increase and IDA replenishment.
 - (ii) Acknowledge the effort made by the Government to keep budgetary outlays to levels more consistent with resource availabilities and implementation capabilities.
 - (iii) Underline our readiness to pursue an expanded lending program against the background of continued sound fiscal management and well prepared projects. In this connection it would be helpful if you could emphasize the desirability, given the magnitude of Nigeria's future resource requirements, of utilizing appropriate Bank Group operations as a means of mobilizing additional external resources. This subject is topical because we expect Nigeria to supplement our proposed
- push
co-financing*

June 25, 1979

loan of \$100 million to NEPA with a \$35 million borrowing from the European Investment Bank (EIB). The Ministry of Finance shares our view of the desirability of expanding Nigeria's external borrowing capacity through well prepared projects involving financially viable Nigerian entities. NEPA, however, appears less keen about cofinancing arrangements, preferring instead to rely on the Government. An indication of the importance you attach to this matter would strengthen the hand of the Ministry of Finance in this important matter. Hence, you may wish to make the point not only in general terms, but also in connection with the proposed loan to NEPA.

The Secretary will be accompanied by Mr. Enodien, Under Secretary of Finance. From the Region, I will join you for the meeting. Messrs. Madinga and Abdulai are also planning to attend.

cc: Mr. Stern
Mr. Chaufournier
Mr. Thalwitz
Mr. Reitter
Mr. Koch-Weser

BA/lgl

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. Ernest Stern) *ES*

FROM: Roger Chaufournier *R*

SUBJECT: NIGERIA: Visit of Malam Musa, Permanent Secretary,
Federal Ministry of Finance

DATE: June 22, 1979

1. In my memorandum of June 18, 1979 (copy attached), I advised you of Malam Musa's visit to the Bank on Monday, June 25, 1979 and the purpose of his calling on you. We have no indication so far that he intends to raise any subjects with you other than those mentioned. I will meet with him earlier in the day and should any specific issue come up of which you should be aware, I will let you know.

6/22
2. We have little information on Malam Musa personally. He is a civil servant by career and was appointed Permanent Secretary, Federal Ministry of Finance in April 1978. Prior to that he served as Permanent Secretary, Federal Ministry of Health and before that, as head of other federal ministries. He is Alternate Governor for the Bank and attended last year's Annual Meetings but was not part of the delegation that called on you.

Attachment

cc. Messrs. Alisbah
Thalwitz
Koch-Weser
Reitter

PR:js

TYPE COPY

Mr. Robert S. McNamara
(through Mr. Ernest Stern, VPO)
Roger Chaufournier, WANVP

June 18, 1979

NIGERIA: Visit of Malam Musa, Permanent Secretary, Ministry of Finance

Malam Musa, the Permanent Secretary of Finance of Nigeria, will be in Washington on June 25 and 26 for general discussions with us.

During this period, he would also like to briefly call on you. I think it would be good if you can see him. He was instrumental in organizing and guiding the recent Nigerian workshop on the World Bank, about which you already know. (Copy of Mr. Alisbah's memo of May 17 on the subject is enclosed for your information.) He would like to present to you in person a document on the Workshop which the Government of Nigeria is planning to print and distribute. He will no doubt also take the opportunity to express his appreciation for the speed with which the Bank's lending program in Nigeria is evolving.

Attachment

cc: Mr. Alisbah
Mr. Thalwitz
Mr. Koch-Weser
Mr. Reitter

BA/lgl

OFFICE MEMORANDUM

TO: Mr. Ernest Stern, VPO

DATE: May 17, 1979

FROM: ^{BA.} Bilsel Alisbah, Dir., WAISUBJECT: Relations with Nigeria

1. I have just returned from Nigeria where, along with Mr. Thalwitz and other colleagues, at the invitation of the Government I participated in a workshop on the Role of the World Bank organized by the Federal Ministry of Finance. Mr. Abdulai was also present. The idea sounded rather intriguing and unique; nevertheless, I had not known quite what to expect.
2. The workshop lasted for four days -- May 7-10. It turned out to be an impressive affair. The basic intention of the Ministry of Finance had been to familiarize key Government officials in the Federal and State Governments with the policies, procedures and programs of the World Bank. They wanted the participants to focus both on the proper preparation of new projects and the implementation problems of ongoing projects. They succeeded admirably. Most Federal Ministries were represented at the Permanent Secretary and Secretary level, and the delegations also included the Directors of key Departments likely to come in contact with the Bank. In addition, seventeen out of Nigeria's nineteen State Governments were also represented by senior officials.
3. Even more impressive than the attendance was the quality of the discussions, which were organized around specific papers. To give you the flavor of the discussions, I enclose two of the key papers presented by Nigerian officials: (i) "World Bank Project Financing in Nigeria: Procedures, Problems and Suggested Remedies", by Mr. S. A. Musa, Permanent Secretary, Ministry of Finance; and (ii) "Review of Performance of World Bank Assisted Integrated Agricultural Development Projects", by Alhaji M. Liman, Director of Agriculture in the Federal Ministry of Agriculture and Water Resources. As you will note, both papers display a striking appreciation of what the Bank is about, and what Nigeria and the Bank are trying to achieve together. As you will also note in the agricultural paper, such sensitive subjects as Nigeria's dependence on expatriate staff are treated with maturity and understanding. The discussion of the same subject which ensued, for example, was also very interesting. It concentrated primarily on means of overcoming internal bureaucratic obstacles to getting the right Nigerians into the right jobs. Training was also emphasized so that over time, reliance on expatriates could be reduced.
4. On some subjects such as cost recovery, the Federal officials sounded more like the World Bank than we did. At the end of the seminar, a number of State representatives expressed interest in organizing similar workshops in their States so that more of their officials could participate and benefit.

5. In the week previous to the workshop I also participated in the discussion of our green cover economic report. This, too, was a very encouraging and positive meeting. It was well attended and all participants were well prepared. The discussion focussed on issues rather than editorial comments. The basic theme the Nigerians sounded was that this is a period of consolidation. If anything, they questioned our macro-economic projections for being more generous on future levels of fiscal expenditures than they planned to be. They were able to back up their statements, at least for the short term, by providing recent information on the effectiveness of their measures to curb fiscal expenditures and imports.

6. These two isolated examples, of course, do not mean that the future is going to be all roses for us in Nigeria. Clearly, the forthcoming elections represent a major element of uncertainty. Depending on who wins, anything is possible. Nevertheless, for me as the newcomer, it was gratifying and encouraging to witness the quality of our dialogue with the key civil servants in the Federal and State Governments. These, after all, are the individuals on whose advice any new government is going to have to rely heavily.

Attachments *(in Nigeria Workshop)*

- cc: Mr. Chaufournier (w/attachments)
- Mr. Merriam "
- Mr. Reitter "
- Mr. Thalwitz
- Mr. Arben (Lagos)

BA/lgl

24

25

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President
(through Mr. Ernest Stern, SVPO)

FROM: A. David Knox, Vice President, WANVP *AK*

SUBJECT: NIGERIA - Background brief for your meeting with Alhaji Gusau,
Federal Minister of Agriculture

DATE: October 7, 1980

1. The Minister of Agriculture, Alhaji Gusau, his Permanent Secretary, Alhaji Liman as well as Dr. Bukar Shaib, advisor to the President on agriculture, are visiting Washington as part of a delegation led by President Shagari. In asking to meet with you we believe the Minister may have in mind to ask for an expansion and acceleration of Bank lending to Nigerian agriculture.
2. Our lending program for agriculture has increased rapidly in recent years. By way of contrast to the sixteen year period prior to FY1975 when only two agricultural loans were made amounting to a little more than US\$27 million (some 4 percent of all lending), the six year period FY75-FY80 witnessed an expansion of agricultural lending to 17 loans for a total of US\$415 million (some 52 percent of all lending). The latest regionally approved five year lending program is predicated upon a continuation of this strong support for agriculture. It is envisaged that a program of 14 agricultural loans amounting to \$1,116 million would constitute some 51 percent of our total program.
3. Bank lending to agriculture falls into three broad categories. As of present, there have been eight loans for the development of specific crops, forestry, and livestock. One loan has been made for the establishment of an agricultural management training institute. The third group consists of nine projects for the comprehensive agricultural development of target areas, and the first three of these agricultural development projects (ADPs) -- Funtua, Gusau and Gombe -- are nearing completion. They have demonstrated the effectiveness of an integrated services package in increasing farm output and farmers' incomes. They have also shown the advantages of establishing a project management unit separate from existing government services, thereby allowing the state government to retain overall control while affording the project's management day-to-day operational autonomy.
4. It is a measure of the success of these Bank-supported projects that the Federal Government is seeking to base its agricultural production strategy upon support for the small-scale farmer along broadly similar lines to the approach adopted by the ADPs. To recommend a plan of action for reducing Nigeria's dependence upon imported food, the Government earlier this year established a food strategy commission in which the Bank was asked to participate. A final report was published in May 1980 and recommended the adoption of a 4 percent annual growth target as the maximum that can be applied realistically to the agricultural sector.

It is particularly noteworthy that, in weighing the alternative strategies of large-scale mechanization against a discerning support for smallholder agriculture, the food strategy report comes down squarely in favor of the latter. "Smallholders currently contribute around 97 percent of gross domestic food supply and this dominant role is likely to continue in the foreseeable future. This dominant role, coupled with the long gestation period of large-scale capital intensive projects leads to the inescapable conclusion that smallholders must be the centerpiece of our incremental food production strategy." If the Government follows through with this recommendation it may be inferred that the primary beneficiaries of the new agricultural policies will be the rural poor.

5. To supplement the program of Bank-supported ADPs the food production report ~~proposes~~ the immediate implementation of a concurrent smallholder program for the residual areas not yet covered by ADPs. To that end, Accelerated Development Areas would be established containing most key elements of the ADP concept but in a less intensive package and with lower managerial demands. Managerial expertise to support this program would be grouped into four regional units coordinated by the Federal Department of Rural Development. Such a nationwide program may well prove suitable for Bank finance complementary to other lending.

6. The Nigerian authorities have been urging the Bank for some time to expand and accelerate its support for agricultural development. In response we have indicated our willingness to press ahead with lending for more ADPs -- many of them on a statewide basis -- as well as with a technical assistance project in support of the proposed accelerated development area program. The successful implementation of such a program, however, would depend upon the satisfactory resolution of a number of issues that currently impair the progress of agricultural development.

7. Prominent amongst these issues is the need to institute an efficient system for the procurement and distribution of fertilizer. The Government now acknowledges that the present arrangements for central procurement and distribution by the Federal Ministry of Agriculture do not work and they have proposed that an independent company be set up to handle these functions. We attached great importance to the establishment of such a company as a means to handle effectively the projected growth in Nigeria's fertilizer requirements.

8. Of parallel importance for tree-crop projects (such as cocoa) which include credit as a prominent component is the establishment of an effective credit system. In this context our principal concern has been to strengthen the institutional framework of financial intermediation so that it may mobilize domestic resources in the service of agriculture. This has led us into a long and complex dialogue with the Nigerian authorities concerning an appropriate level of interest rates that will provide the financial intermediaries with a sufficient spread to cover their costs. The issue is still not resolved even though some progress was made on the subject during the recent Annual Meetings.

9. The two issues of fertilizer supply and agricultural credit are of particular importance for successful project implementation at the present juncture. When a new generation of projects begins to take effect, policy issues of a more fundamental character will assume greater importance than at present. The fiscal cost of fertilizer subsidization will become difficult to finance in a few years time once fertilizer consumption reaches the higher levels now projected. The price competitiveness of domestic food production vis-a-vis imported foodstuffs will become a critical issue once subsistence agriculture gives way to the production of substantial marketable surpluses. This, in turn, will raise the interrelated issues of pricing policies for agricultural inputs and products, import policies, exchange rate policy, tariff policy and so forth.

10. Against this background you may wish to make the following points to the Minister:

- (i) The Bank shares the view of the Government as to the importance of agriculture within the overall context of Nigeria's development and stands ready to expand and increase its program in parallel to the Government's own efforts.
- (ii) We are encouraged by the initiatives undertaken by the new administration in quickly developing a food production plan and preparing the ground for its implementation.
- (iii) We consider it to be particularly important that ongoing Bank-assisted projects be implemented expeditiously and that both Federal and State authorities extend their full support to this endeavor.
- (iv) We should like to resolve as soon as possible the few outstanding issues (such as fertilizer supply and agricultural credit policies), that currently impair processing several important projects.
- (v) In order to provide an appropriate framework for the longer term development of agriculture, the Government will need to give careful consideration to such broader issues as subsidization, exchange rate policies and pricing.

FEarwaker:sh

26

OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Bilsel Alisbah, Director, WAL

SUBJECT: NIGERIA - Meeting with Alhaji Gusau,
Federal Minister of Agriculture

DATE: October 8, 1980

1. The Minister of Agriculture, Alhaji Gusau, his Permanent Secretary, Alhaji Liman and Dr. Bukar Shaib, Advisor to the President on Agriculture called on Mr. McNamara yesterday afternoon. They were also accompanied by Mr. Abdulai, Alternate ED. Messrs. Stern, Knox, Lafourcade and I were also present.
2. The Minister thanks Mr. McNamara for the Bank's assistance to Nigerian agriculture. He indicated that the World Bank has become synonymous with success in Nigerian agriculture. This was why the Government had adopted the Agricultural Development Project (ADP) concept as the basis for the next plan. The Minister went on to explain that the main purpose of their call on Mr. McNamara was to implore him to help Nigeria extend ADP coverage nationally within a three-year period instead of five years. This was essential not only to feed the nation but also to respond to the understandable political pressures which exist under the new democratic form of Government.
3. Mr. McNamara expressed satisfaction with the progress being made in ongoing ADP projects. He indicated the Bank's readiness to do all it could to help Nigeria's efforts in agriculture. He cautioned, however, that the task was immense and manpower constraints were going to be critical to Nigeria's ability to accelerate implementation of the ADP program. He also noted that to start projects which do not produce results would be a political liability as well. Mr. Stern added that there were also constraints on the side of input distribution.
4. The Minister agreed that the manpower constraint is an important issue. Nevertheless, he felt that it could be overcome by a serious effort and by proper phasing during the three-year period.
5. It was agreed that the next day the Region would review the matter with the Permanent Secretary and would report to Mr. McNamara on the extent to which it is possible to accelerate the program. (Note: Throughout this discussion it was not clear to me whether the Nigerians were in effect saying that they did not like the Accelerated Development Areas Concept. This is one of the first points we should sort out with the Permanent Secretary today).

10/09

October 8, 1980

6. The Nigerian delegation also made the point (primarily Dr. Bukar Shaib) that the Bank's livestock project after a shaky start had proven extremely successful and yet the Bank staff were unwilling to follow this up with a second project. I indicated that I was not aware that we were turning our back on a viable second project and I also pointed out that the ADP projects now under consideration would attempt to integrate livestock development within a general agricultural development program. Dr. Bukar Shaib argued that such an approach did not deal with the Fulani. Mr. McNamara indicated that if there was a contribution to be made in the livestock field, he did not see why the Bank should not assist. He requested that this subject should also be further explored with the Permanent Secretary the next day.

7. Finally, the Minister indicated that the Government was formulating programs in fishery development which might be suitable for Bank assistance. Mr. McNamara expressed the hope that employment generation would be an important objective of these programs in addition to their potential nutritional contribution.

8. At the conclusion of the meeting, Mr. Liman indicated that he would come to my office at 2:30 pm today to pursue the matters discussed with Mr. McNamara. Mr. Knox indicated that he would join the meeting at 3:30 pm.

cc: Messrs. McNamara
Stern
Knox
Thalwitz
van Gigch
Grimshaw
Reitter

BALisbah:ebc

27

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: October 29, 1980

FROM: Peter Reitter, Division Chief, WAIA

SUBJECT: NIGERIA - Meeting of Mr. McNamara with the Nigerian Delegation
to the Annual Meeting on October 1, 1980 at 2:30 p.m.

1. The Nigerian delegation consisted of Professor S. M. Essang, Minister of Finance; Mr. Abubakar Alhaji, Permanent Secretary, Federal Ministry of Finance; Mr. G. P. O. Chikelu, Permanent Secretary, Federal Ministry of National Planning; Mr. O. O. Vincent, Governor, Central Bank of Nigeria; Mr. R. O. Mowoe, Deputy Secretary, Federal Ministry of Finance; and was accompanied by Mr. Y. S. Abdulai, Executive Director. Messrs. Stern, Knox, Alisbah, Lafourcade and Reitter participated from the Bank.
- 10/29
2. In his opening remarks, the Minister expressed the gratitude of the Nigerian Government for the leading role the Bank had assumed under Mr. McNamara's presidency as a development institution and for the contribution the Bank had made to assisting Nigeria in its development efforts. The Minister underscored the fact that Mr. McNamara was leaving the Bank at a critical stage and that it was very difficult for any successor to follow the same path in the years to come when the problems of the developing world were expected to get progressively worse.
3. In thanking the Minister, Mr. McNamara acknowledged that he too was not overly optimistic about the prospects of the developing countries to cope with ever widening resource gaps which most of them had no way of covering. It was clear that conventional aid as well as market sources were not sufficient to match requirements, and both the IMF and the Bank simply had to find new sources. Unless the Bank managed to finance the necessary expansion of its lending, the developing countries were the ones to suffer, a situation which could not be allowed to develop.
4. In stressing the need for the developing countries to rally to the support of the Bank in securing financing for an expanded lending program, including greatly increased lending for energy development, Mr. McNamara said that there were several ways in which Nigeria could use its influence: through the African Executive Directors, in the Group of 24 and within OPEC. Strong support of the Bank in the Group of 24 of which Nigeria was the chairman was particularly important. In this connection Mr. McNamara referred to the rather cool support which the proposed energy facility had received in the Group of 24 which in turn had negatively influenced the discussion of the proposal in the Development Committee. With respect to OPEC, Mr. McNamara said he very much counted on Nigeria's influence within OPEC to bring about an increased resource flow to help finance the necessary expansion of energy production. The Minister pledged his full support.

October 29, 1980

5. Turning to Nigeria, the Minister pointed out that the Government was under pressure to accelerate economic development in the country. In order to take full advantage of Bank assistance it was necessary to speed up project processing as much as possible. He admitted that there were some bottlenecks on the Nigerian side which had to be overcome. The Government's priorities were fully in line with those of the Bank with agriculture, health and education receiving prime attention. Equally important was an appropriate regional balance of Bank-assisted projects.

6. Mr. McNamara endorsed the need for a regionally balanced program, particularly in agriculture. He emphasized that the Bank was as anxious as the Government to push ahead with the program as fast as possible. There was need, however, to overcome a number of bottlenecks. To facilitate the monitoring of progress, the Bank and the Government had agreed to undertake quarterly program reviews which would help the Government to measure its own performance in this regard.

7. The Minister acknowledged Mr. McNamara's remarks and the meeting adjourned at 2:50 p.m.

cc: Mr. McNamara's office (2)
Mr. Stern, SVPOP
Mr. Knox, WANVP
Mr. Alisbah, WA 1
Mr. El Darwish, WAP
Mr. de Azcarate, WANVP
Mr. Lafourcade, EXC
Mr. Sonmez, WA1 (o/r)

PREitter:js/pa.

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OFFICE OF THE PRESIDENT

Meeting with Mr. Olujimi Jolaoso, Nigerian Ambassador, March 9, 1981

Present: Mr. McNamara, Ambassador Jolaoso, Mr. Abdulai

Mr. Jolaoso opened the meeting by handing a letter to Mr. McNamara. He explained that his letter from Nigeria's Finance Minister contained an invitation from the Government for Mr. McNamara to visit Nigeria. This visit could take place immediately following the meeting of the Development Committee in Gabon at the end of May. The Ambassador added that the proposal contained in the letter was nothing more than a suggestion and that his Government was very flexible on alternative plans which Mr. McNamara might wish to suggest.

Mr. McNamara offered his thanks for the kind invitation which he said he would make every effort to honor. He added, however, that he was still rather uncertain about his schedule for the four months left before his departure from the Bank. He explained that there are still a number of very important issues to be addressed before his retirement, e.g., the proposed energy affiliate, staff compensation, the budget for next year and IDA VI. In view of this, he asked the Ambassador whether it would be possible to give a firm reply to the invitation in about a month's time, after his return from his trip to India and Pakistan, when the prospects of his being able or not to visit Nigeria would be more clear. The Ambassador replied that he saw no difficulty in a reply being sent some time in April. He insisted again that his country would be greatly honored by a visit.

Mr. McNamara repeated that, in principle, he wanted to visit Nigeria. He explained that he has always been keenly interested in this country and that the Bank is very anxious to help Nigeria in its development.

cc: Mr. Knox

OL
March 12, 1981

U.S. GOVERNMENT PRINTING OFFICE

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OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Joseph J. I. Ingram, Deputy Resident Representative

SUBJECT: Robert S. McNamara, Visit to Lagos, May 22-24, 1981:
Summary of Meetings

DATE: June 5, 1981

1. Mr. McNamara, at the invitation of the Federal Government of Nigeria, visited Lagos from May 22-24. The visit was intended to give the Government the opportunity to thank Mr. McNamara for the contribution he has made to the Bank and to international development during the period of his tenure as World Bank president. It also provided an opportunity for Mr. McNamara to exchange views with senior Government officials on the fourth Five-Year Development Plan and major aspects of macro-economic policy, as well as to identify the areas in which the Bank could best assist Nigeria in achieving its plan objectives.

Meeting with the Honorable Minister of Finance, V. I. Masi and officials of the Federal Ministry of Finance on May 23, 1981

2. The meeting was chaired by the Minister and attended on the Nigerian side by senior officials of the Ministry including the Minister of State for Finance, Mr. Ademola Thomas, and the Permanent Secretary, Alhaji Abubakar Alhaji.

3. In response to Mr. McNamara's question regarding Nigeria's future prospects, the Minister stated that it is essential that Nigeria develop as quickly as possible its agricultural and food production potential, particularly in light of the rapid depletion of its oil resources. Steps must be taken to develop alternative sources of revenue while at the same time reducing excessive domestic consumption of energy. Amongst the measures suggested by the Government for tapping alternative energy sources are the proposed LNG development project, the use on a large scale of associated gas for fueling power generating plants, and the exploitation of Nigeria's coal reserves. In response to Mr. McNamara's suggestion that Government policies on energy pricing did not appear to be conducive to achieving these objectives, the Minister agreed that there was a need to look closely at energy pricing in Nigeria, particularly in the case of fuel oil which is highly subsidized thereby encouraging high consumption. Mr. McNamara emphasized the need to look closely at internal energy pricing with a perspective beyond 1985. Whilst this might require difficult political decisions which would have to be gradually implemented, it was only through realistic pricing policies that consumption of energy could be controlled and optimal use of energy resources achieved.

4. In this connection, the Permanent Secretary voiced concern and his Ministry's general unhappiness with the 1981 Finance Bill recently passed by the Federal legislature. This bill reflected an

June 5, 1981

element of irresponsibility on the part of the legislature in as much as it opened the economy up through modified customs regulations to further importation of luxury goods, such as high performance automobiles.

5. Mr. McNamara pointed out that according to the Bank's current estimates, Nigeria's oil revenues would decline to such an extent that within five years the balance of payments will be in deficit. It is therefore critical that Nigeria now lays its policy foundation for the rapid development of the agricultural and industrial sectors, such that dependence on oil declines gradually, with new exports developed to replace oil revenues.

6. The Minister replied that to achieve the necessary acceleration in the pace of agricultural growth would require a fundamental change in the attitude of most Nigerians to farming and to the product of Nigerian agriculture. The Government should convince large scale farmers to invest in large scale commercial farming. This would more quickly result in production comparable to the quality associated with foreign produced agricultural goods, which he contended were becoming socially prestigious to consume, to the detriment of Nigerian produce.

7. Mr. McNamara emphasized the urgency of beginning immediately to establish the policy framework by which agriculture can again become a growth sector. This would require elimination of the serious distortions created by the incompatibility of agricultural pricing, interest rate, subsidy, and wage policies. He also emphasized the importance of developing the smallholder who for the next decade or two would constitute the bulk of Nigeria's rural population. He stressed that only through productive farming could this rapidly increasing population be absorbed into the labor force. Neither the oil sector nor the manufacturing industry would be in a position to absorb a significant part for a long time to come.

8. Mr. McNamara also expressed concern with the rapid depletion of Nigeria's forest reserves and the Bank's willingness to assist Nigeria in its programs of reforestation. This interest was welcomed by the Minister who confirmed that because of the rapid depletion of forests, Nigeria, once an exporter, was now having to increase its imports of timber. Moreover, erosion and desert encroachment were becoming serious problems in the east and the north. Since wood was also the major source of fuel for Nigeria's rural population, its depletion would also add to the growing local demand for oil and its derivatives.

9. As an indication of its importance for the Bank, Mr. McNamara noted that of the \$30 billion projected in the Bank's program of energy development over the next decade, about \$1.5 billion would be for reforestation activities.

10. In response to the Minister's request to the Bank to provide assistance in the health sector, Mr. McNamara stressed the importance of this sector for the general development of the country. Bank assistance should begin with a complete sector work program as a basis for future project development. He recommended that as in the case of the agricultural development projects, the Bank begin in one state of the federation only, which could then be followed by a series of health projects in other states. While it was generally agreed that shortage of funds for health investments are not the major cause of poor health care delivery in Nigeria, Mr. McNamara emphasized the necessity of extending low-cost preventive care to the mass of rural dwellers. He cited the inappropriateness of high cost western health-care models based on the curative approach to Nigeria's health needs.

11. The Minister expressed his Government's desire to have the Bank assist in the development of Nigeria's industrial and manufacturing base, and expressed satisfaction at the progress of the proposed small-scale industries project. This would be an important element in the Government's attempt to bring more industries to the rural areas. Mr. McNamara underlined the importance of establishing now a policy and incentive framework conducive to a rapid growth in manufacturing and industry. He assured the Minister that the Bank will respond favorably to the Government's request for assistance in formulating an incentives program for industry.

12. The Minister stated that a major concern of his Government was its inability to maintain investments in all sectors of the economy but particularly in highways. Manpower and training in the area of maintenance generally were in short-supply and Bank assistance would be welcomed.

13. Mr. McNamara underscored the high priority which the Bank places on manpower development and training in Nigeria, and expressed the Bank's willingness to assist in the development of a longer-term manpower plan which would identify Nigeria's manpower needs in key sectors, and provide a set of alternative investment scenarios. Different mixes of local manpower versus imported skilled manpower would effectively dictate the pace at which development could take place. In light of the rather poor performance of Bank assisted education projects to date, such a plan would have to be prepared in conjunction with a comprehensive sector review which would then constitute the basis for future Bank assistance.

14. In concluding, Mr. McNamara underlined three areas which in the Bank's view are essential to Nigeria's success in achieving its development objectives. These are:

- (a) the critical need to increase agricultural production, particularly in light of a rapid population growth which will mean several decades of dependence on a growing rural population; rational agricultural pricing policies are essential in this regard;

June 5, 1981

- (b) the need to accelerate manufacturing and industrial development; a national policy framework which would minimize distortions in the wage sector resulting from the oil industry would be essential in this regard;
- (c) the need to ensure that the relationship between prices (of inputs and outputs), interest rates and wages, particularly in energy, agriculture and manufacturing, are in a rational balance.

15. Finally, Mr. McNamara expressed the hope that the Government would give highest priority to employment creation and view the decade of the 1980's as a "labor intensive" period.

Meeting with the Honorable Minister of Agriculture,
Alhaji Ibrahim Gusau and officials of the Federal Ministry of
Agriculture on May 23, 1981

16. The meeting was attended by the Minister, the Minister of State, the Permanent Secretary and other senior officials of the Ministry. The Minister welcomed Mr. McNamara to Nigeria and expressed his Government's appreciation for the assistance which the Bank has been providing to the development of Nigerian agriculture. He acknowledged the poor performance of agriculture over the period of the last development plan, particularly in the tree-crops sector, and expressed a desire to see the Bank accelerate its assistance for agricultural projects generally. He expressed confidence that with 15 percent of the investment programs which had been earmarked in the Fourth National Development Plan for the agricultural sector, Nigeria could achieve a 3 - 4 percent annual increase in agricultural growth over the plan period.

17. Mr. McNamara enquired why agricultural growth has been so poor, and expressed astonishment at the high cost of farm labor, priced at ₦4 - 5 per day. He wondered if the Government did not feel that farm wages were out of balance with the pricing of agricultural commodities generally. His feeling was that this imbalance in both pricing and subsidies was also a major contributing factor to the poor performance of the sector.

18. The Permanent Secretary acknowledged that there was a problem of pricing, though he felt that this applied more to food crops than tree crops. In the case of oil palm, for example, while prices were a problem in the past, there was now little subsidy provided. The problem stems rather from labor shortage, high farm wages, and the general lack of incentives to grow oil palm. The result is that Government is now spending about ₦50 million annually to import vegetable oil. The Government therefore intends to concentrate efforts on developing large estate projects through joint ventures with foreign partners. On the other hand, with food crops, the Permanent Secretary indicated that pricing is a serious problem, as is the limited access to inputs and the increasing exodus of people from the rural areas.

June 5, 1981

19. Mr. McNamara assured the Minister that Nigeria's agricultural development was in the Bank's view of the highest priority, and that the bulk of Bank assistance would be provided to it. In addition to food and tree crops, the Bank was also prepared to consider assistance to other agricultural activities.

20. In this regard the Ministry would welcome assistance in reforestation, fisheries and livestock development. Mr. McNamara agreed to review with the Region the prospects for Bank assistance in these areas as well as for an accelerated program of agricultural development projects (ADPs) to which the Ministry attached the highest priority.

Distribution:

Messrs. McNamara (2)
Stern
Knox
Alisbah o/r
Lafourcade
de Azcarate
El Darwish
van Gigch
Grimshaw
Isenman
Fennell

cc: Mr. Abdulai

Ingram/Reitter:pm

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: June 2, 1981

FROM: Peter Reitter, Chief, WAIA

SUBJECT: NIGERIA - Meeting of Mr. McNamara with President Shagari in Lagos

1. Mr. McNamara called on President Shagari at the State House, Ribadu Road, on May 24, 1981 at 5:00 p.m. Present at the meeting were Mr. Victor I. Masi, Minister of Finance; Mr. Abubakar Alhaji, Permanent Secretary, Federal Ministry of Finance; Mr. Y. S. Abdulai, Executive Director, and Messrs. Knox, Fennell and Reitter.

2. In welcoming Mr. McNamara, President Shagari expressed his personal gratitude for the role Mr. McNamara had played as President of the Bank in fostering economic development in all parts of the world and particularly for the sympathy he had shown for Africa and its development problems. For Nigeria, the Bank had assumed great importance as evidenced by the increasing assistance it provided. President Shagari expressed his profound regret about Mr. McNamara's imminent departure from the Bank as well as the hope that he would continue to serve the cause of development after retiring.

06/04
3. Mr. McNamara, in thanking the President for the government's invitation to visit Nigeria and for the opportunity to meet with him, acknowledged his satisfaction about the expanding Bank program and the close relationship that had been established between the Bank and Nigeria. As the largest developing country in Africa, Nigeria was in need of substantial development assistance, in spite of its temporary oil wealth, and the Bank would provide whatever support it could, particularly technical assistance in addition to lending. Mr. McNamara admitted that he too regretted the fact he was leaving the Bank shortly but stressed that he intended to be very active after stepping down from the Bank's presidency in promoting development.

4. Replying to Mr. McNamara's enquiry in what ways the Bank could assist Nigeria even more effectively, President Shagari listed as his government's top priority the development of agriculture. He stressed that he was greatly encouraged by the support the Bank had provided in this area and expressed the hope that the Bank would continue to give high priority to assisting agriculture, particularly food production, thus helping the government to ensure that the "Green Revolution" became a success.

5. Mr. McNamara voiced complete agreement with the government's choice of agriculture as the number one priority, and pledged the Bank's full support. He pointed out that oil revenues were expected to decline during this decade, possibly by as much as one-third by 1990. It was therefore a simple necessity to diversify the economy and to increase agricultural production. The Bank had assisted eleven agricultural development projects to date of which the first three had been completed. There was every indication that these projects had been highly successful

and had had a very favorable impact on farm output and incomes. Mr. McNamara stressed that the Bank would continue to assist such projects as a matter of priority but doubted whether it was possible to initiate 8 more ADPs in the next two years, thus covering all 19 States of the Federation, as the Minister of Agriculture had earlier requested. Constraints in staffing and administering that many additional projects within such a short span of time would in all likelihood prove a serious obstacle as already evidenced by the problems encountered in the execution of ongoing projects. President Shagari on the other hand, considered it a political necessity to have an agricultural development project assisted by both the Bank and the Federal Government in each State, given the success of the ongoing projects in providing support to small farmers. The Federal Government could not be seen as discriminating against States governed by opposition parties, and it was therefore imperative to treat all States equitably. He acknowledged that manpower was a problem but stated that expatriate staff would be employed whenever necessary in the execution of projects. Mr. McNamara assured the President that the Bank would make every effort to assist the ADP program.

6. Turning to industrial development, Mr. McNamara stressed that it was of utmost priority for Nigeria to create employment opportunities through labor intensive industries. The Bank was already assisting the government in the development of a small- and medium-scale industries project, an area which was as important as support for small farmers. There was equally the need for establishing a macro-economic policy framework conducive to providing proper incentives in the productive sectors of the economy. Mr. McNamara drew attention to the fact that rapidly rising wages in Nigeria constituted a serious problem and a major disincentive to employment generation. As oil resources declined, high wages were bound to make the economy uncompetitive. Iran was a case in point. Nigeria like many other countries had to place primary emphasis on employment creation. Mexico in particular was a country faced with a very rapidly growing labor force and was therefore anxious to increase employment. As rapidly rising wages caused by the oil economy had jeopardized all efforts in that direction, Mexico had approached the Bank for assistance in a study of the wage structure problem in the economy which was currently under way. Mr. McNamara said that the Bank was ready to help Nigeria in this difficult and complex area as well if the government would wish the Bank to do so.

7. President Shagari readily acknowledged the problem of rising wages. The government was increasingly being pressurized by the labor unions into accepting a higher minimum wage. The demands by the unions were totally unreasonable, however, and thus unacceptable to the government. The government intended to stand firm by its own proposals, and while certain alternatives were being explored, it was hoped that political support for economically justifiable wage increases would build up.

8. Another aspect affecting employment raised by Mr. McNamara was mechanization of agriculture. Here the choice was basically employment versus increased production, but often overlooked was the effect of

mechanization on soils as well as on labor. Increased production, Mr. McNamara pointed out, was in many cases possible without mechanization particularly in a country like Nigeria where yields were on average only one-third of those in comparable countries. President Shagari assured Mr. McNamara that Nigeria had no plans for large-scale mechanization of agriculture. The only areas where mechanization with government support was essential were land clearing to bring increased acreages into production, and food processing such as rice milling, in order to compete with imported commodities.

9. There was agreement between President Shagari and Mr. McNamara on the need to address in a systematic way the problem of manpower development in order to meet the expanded requirements in agriculture and industry. Mr. McNamara offered Bank assistance in undertaking a manpower survey and an assessment of educational and training requirements.

10. As a final point, Mr. McNamara acknowledged the strong support, both financial and otherwise, which Nigeria had given the Bank. As a leading nation in Africa, Nigeria had a great deal of influence in international institutions and forums, and the Bank's ability to help the developing countries depended critically on the support of these countries. With respect to Africa, Mr. McNamara mentioned the Bank sponsored study on Sub-Saharan Africa to be published shortly which concluded that in the 1980s the per capita income in the countries of the sub-region would decline in real terms. This, Mr. McNamara said, was totally unacceptable. In order to address the problems of the region as well as elsewhere in the world, there was need for additional finance. As far as IDA was concerned, sources of funds were restricted and could not be expanded rapidly enough. It was necessary, therefore, to shift from IDA financing to Bank loans in cases where this was possible. Egypt was an example. This shift, however, required more IBRD funds. The proposed energy affiliate would replace IBRD money in the financing of power, fuelwood and other energy projects which in turn could release IDA funds for the neediest countries.

11. Mr. McNamara indicated that he viewed the economic problems of Sub-Saharan Africa with grave concern. It was of utmost importance for the developed world to take steps to deal with these problems, and he appealed to President Shagari as a major African leader to use his influence in drawing attention to the plight of the African countries. Mr. McNamara warned that the outlook for many countries in terms of income to required oil imports was simply frightening, and President Shagari agreed that the economic problems of the region were bound to grow into political problems and create disorder and chaos in many countries as a result. Mr. McNamara stressed that it was imperative for the Sub-Saharan countries to develop alternative source of energy, and this included a major effort in aforesaid in Africa which the Bank would support.

June 2, 1981

12. In concluding the meeting, Mr. McNamara thanked President Shagari once more for receiving him, and stressed that after retiring from the Bank he would continue to be available for assisting countries in dealing with their development problems. If Nigeria would wish to avail itself of his services, he would always be happy to come back. President Shagari thanked Mr. McNamara for his visit and wished him every success in his future endeavors.

cc. Mr. Abdulai

Mr. McNamara's office (2)
Mr. Stern
Mr. Knox
Mr. Alisbah o/r
Mr. El Darwish
Mr. de Azcarate
Mr. Lafourcade
Mr. Isenman o/r
Mr. Fennell, Lagos

PREitter:js