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McNamara Papers

Contracts
Liberia (1968 - 1980)

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President's papers - Robert S. McNamara Contacts with member countries: Liberia - Correspondence 01

LIBERIA

LIBERIA

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Cyril R. Bright, Secretary for Planning
Ambassador S. Edward Peal

- 4/18/68 Milton Weeks, Secretary for the Treasury
Ambassador S. Edward Peal

- 7/13/70 Othello Coleman, former Bank ED

2. 4/3/72 Stephen Tolbert, Minister of Finance
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3. 1/16-18/73 Notes on Visit (*Filed in R Me K office*)

4. 1/18/73 Meeting with President Tolbert
(Monrovia)

5. 1/16-18/73 Rocheforte L. Weeks, Minister of Foreign Affairs
(Monrovia) Stephen A. Tolbert, Minister of Finance
Clarence L. Simpson, Jr., Minister of Justice
McKinley A. DeShield, Minister of Postal Affairs
Allen H. Williams, Minister of National Defence
E. Jonathan Goodridge, Minister of Local Government, Rural
Development and Urban Reconstruction
G. Flamma Sherman, Minister of Education
James T. Phillips, Jr., Minister of Agriculture
Gabriel J. Tucker, Minister of Public Works
William E. Dennis, Minister of Commerce, Industry and Transportation
Edward B. Kesselly, Minister of Information, Cultural Affairs
and Tourism
Franklin Neal, Minister of Planning and Economic Affairs
E. Reginald Townsend, Minister of State for Presidential Affairs
A. E. Nyema Jones, Minister of Mines and Lands
J. Jenkins Peal, Minister of Labour and Youth
Taylor E. Major, Chairman, Public Utility Authority
Mai Padmore, Minister of Health and Welfare

- Mr. Horton, President of the Bank of Liberia
Mr. Hukson, President of the Bank of Monrovia

- Mrs. Ellen Sirleaf-Johnson, Assistant Minister of Finance
Edwin Williams, Deputy Minister of Finance
Louis Russ, Deputy Minister of Agriculture
Mr. Richards, Deputy Minister of Public Works
George Tubman, Chairman of the National Port Authority

- Charles Greene, Vice President, Bank of Monrovia
P. Clarence Parker, President, LBIDI
Olle Wijckstrom, General Manager, LAMCO (at Nimba)
Dr. Advertus Hoff, President of the University of Nigeria
C. Campaigne, UNDP Representative

5. 1/19/73
(Contd)

Young Liberians:
Stanton Peabody, Editor, Liberian Age
Milton Graves, Commentator, ELTV
Vittorio A. J. Weeks, Student, University of Liberia
John W. McClain, Special Asst. to Minister of Foreign Affairs
James Marshall, Editor, Liberian Star

6. 6/12/80

Mrs. Ellen Johnson-Sirleaf

7. 6/25/80

Mr. S. Othello Coleman, Liberian (former?) Ambassador
to the EEC

(C.V. filed: Personnel - Coleman)



OFFICE MEMORANDUM

TO: The Record

DATE: October 3, 1968

FROM: M.S. Ram SUBJECT: Meeting of Mr. Milton Weeks with Mr. McNamara - LIBERIA

Mr. Milton Weeks, Secretary for the Treasury in Liberia, accompanied by Ambassador Peal, Mr. Cyril R. Bright, Secretary for Planning, and Mr. Coleman, Executive Director for Liberia, met with Mr. McNamara on September 28. Present at the meeting for the Bank were Messrs. Knapp, El Emary and Ram.

Mr. McNamara opening the discussions, informed Secretary Weeks: he was happy to note that the Bank was making good progress on a project to dredge the Port of Monrovia and would take up the power expansion project and an oil palm project in Liberia as soon as studies now under way to establish their feasibility are completed. The lending for the Monrovia dredging project would be by the Bank owing to anticipated delays in IDA replenishments.

Mr. McNamara observed that the Bank would not be able to take up the project for development of Port Harper because it cannot justify an investment in this port at present.

Mr. Weeks stated that as far as the Port Harper project is concerned, his feeling is that there has not been an objective and thorough examination of this project by the Bank staff. He stated that in spite of his request to the Bank to have the question of development of Port Harper examined in detail, two recent missions to Liberia did not go into this question in greater detail.

Mr. McNamara replied that in his judgment Port Harper was at best a marginal project and there was no justification for the Bank to use its money on a project of this nature in preference to other priority projects considered important for the development of the Liberian economy. The Bank has looked into this project sufficiently to be able to arrive at this judgment and there is no case for further examination of the merits of this project at present.

Mr. Weeks stated that large reserves of iron ore exist in southern Liberia and for successfully exploiting this iron ore and exporting it, development of Harper was important to his country. The mining companies will not invest in a project to exploit iron ore without assurance of port facilities being available to export the ore. Mr. McNamara replied that should circumstances change and large mining operations justify the development of this port, the Bank would be happy to have another look at it at the appropriate time.

Mr. Bright stated that as soon as oil palm studies which are under

way now are over, Liberia would like to propose a larger oil palm project covering 30,000 acres as against the 5,000 acre project now under consideration. Mr. McNamara replied that having regard to the importance Bank attaches to agricultural projects, it will be prepared to examine the feasibility of palm oil development in Liberia fully in due course. He was looking forward to the completion of the study and Bank assisting Liberia to set up its first palm oil project.

MSRam:bc

Cleared with and cc: Mr. El Emary
cc: Mr. Knapp
cc: Mr. Carmichael
cc: Mr. Elsby
cc: Mr. McIvor
cc: Mr. Rowe
cc: Mr. Steckhan

2

Mr. Robert S. McNamara

- 2 -

April 5, 1972

The Finance Minister assured Mr. McNamara that there was now a determined political will to move ahead on the obstacles to development and to ensure that the economic benefits were being shared broadly by the people of Liberia. He had been encouraged by his initial discussions with Bank officials earlier in the morning and was quite anxious to ensure that communications between his Government and the Bank were strengthened.

The Finance Minister then urged Mr. McNamara to visit Liberia and said his Government would hope that it would be possible for Mr. McNamara to include Liberia in his next trip to Africa. Mr. McNamara said that he had just returned from a visit to that continent and could not yet say when he would be able to visit it again. In principle, he would like to visit Liberia but for the time being he could not give any definite promise.

cc: Messrs. Knapp
Chaufournier
Cheek
de Vries

LEChristoffersen:di

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Roger Chaufournier *RC*

SUBJECT: LIBERIA - Visit of Minister of Finance Tolbert
Monday, April 3, 12 o'clock

DATE: March 31, 1972

I. Personal Information

4/3/72

Stephen Tolbert, youngest brother of President William Tolbert, was named Secretary of the Treasury (and thus Governor of the Bank Group) on January 10, 1972. His title was subsequently changed to Minister of Finance. Stephen Tolbert is a successful entrepreneur who, in the last 16 years, has built a thriving commercial fishing industry on the West African coast and has branched out into other enterprises - soap, industrial gases, livestock feed - called the Mesurado Group. Annual sales of the Group are estimated at \$10 million. Mr. Tolbert is 50 years old and studied forestry at the University of Michigan. In 1950, at the age of 29, he was named Deputy Minister of Agriculture and Commerce. He represented Liberia on the governing body of the United Nations Food and Agriculture Organization in Rome. In 1955 he requested that FAO undertake an evaluation study of commercial fishing in Liberia. The Liberian government refused to commit funds, however, and Tolbert left the government to start his own commercial fishing business. He established a network of cold storage depots throughout the country to which fish are transported in refrigerated trucks. Similar enterprises have been established by Mr. Tolbert in Sierra Leone and Nigeria. In 1960, Mr. Tolbert re-entered the cabinet as Secretary of Agriculture and Commerce. He held that post for five years before resigning after a quarrel with then President Tubman. Mr. Tolbert is a hard driving administrator, but also an inspiring one. In the last two months, he has managed to attract to his department some of the brightest young economists and administrators in Liberia, including one or two who had been living in a kind of self-imposed exile in the United States. One of Mr. Tolbert's daughters lives in Washington and is a student at Trinity College. Another daughter is a student at Radcliffe. (Attached is a New York Times article on Minister Tolbert.)

II. Bank Group Lending Program

The Bank has made five loans for projects in Liberia, totalling \$20 million and IFC has made one investment of \$250,000 in the Liberian Bank for Industrial Development and Investment (LBIDI), of which Stephen Tolbert is board chairman. The Bank's loans have been for roads, port expansion and power. Project execution has generally met expectations. Future lending will emphasize agricultural and educational development, in line with government's new development priorities. The first IDA credit for education (\$7.2 million) was approved March 28. The first agricultural lending operation, involving

President has seen

a proposed IDA credit of \$1.2 million, is scheduled to be considered by the Board on April 25, but may be advanced to April 18. A proposed Bank loan of \$1.0 million to LBIDI is also scheduled for presentation to the Board later this year.

The education project is tentatively scheduled to be signed on April 12. It provides construction and equipment for two new comprehensive high schools in rural areas each to accommodate 360 pupils at junior level (grades 7-9) and 240 pupils at senior level (grades 10-12); construction and equipment for new college of agriculture and forestry at Fendall (outside Monrovia); extension of an elementary teacher training institute including a demonstration school for 240 elementary pupils; equipment for science and technical teacher training; technical assistance for manpower and educational planning, secondary education and project implementation.

The proposed agriculture project would include feasibility studies and detailed investment proposals for two integrated rural development projects (Lofa and Bong counties); survey of the Liberian-owned rubber industry and a pilot scheme to determine whether medium/small farmers can learn to rehabilitate and replant rubber in a productive, efficient manner; rice research at Suakoko research station; technical assistance to plan reorganization of the Ministry of Agriculture and to train Liberians so that they can prepare investment projects and carry out rice research.

Agricultural development has highest priority of the new administration. It is particularly interested in helping the large subsistence sector and in aiding the Liberian-owned rubber industry, which employs more than 20,000 people. The future of the industry is in some jeopardy because of declining world prices for natural rubber and because of poor management and farming practices. If Minister Tolbert raises this problem, I believe that there is perhaps not much the Bank can do in the short-run, given the paucity of sectoral planning and almost total absence of meaningful agricultural data. However, the proposed IDA project is designed specifically to attack these problems. A major purpose of the project is to examine whether rubber production can be made more economical, or, whether other crops have better possibilities for Liberian farmers. In either case it should lay the groundwork for further lending in this sector.

A recent DFC mission found that while LBIDI still has some management weaknesses, it has improved its project appraisal work, has strengthened staff and has eased a once serious arrears situation. The institution needs resources, however, and the proposed \$1 million loan, together with a \$0.5 million loan being considered by the African Development Bank, would cover foreign exchange needs for about two years, if annual commitments reach the forecasted \$1 million level.

III. Economic Developments

The economy lost some of its buoyancy in 1971, mainly because of adverse external developments. The iron ore sector, which accounts for some 70% of the value of exports and 25% of GDP, failed to expand. This was due largely to the general economic slowdown in the industrial countries and especially the reduced European demand for iron ore. The rubber industry was even more adversely affected in 1971. Prices received by Liberia rubber producers fell sharply throughout the year. These events had serious repercussions for domestic incomes; public revenues failed to rise and the fiscal position deteriorated. In view of the weak budgetary situation the government last December negotiated an IMF Standby arrangement for \$4 million. The government is also trying to exact more from the concessionaires and is attempting to improve public administration generally.

IV. Bank-Government Issues

Lending Policy. The Liberian Government is disappointed by declining US aid and is pressing for more substantial Bank Group lending. I propose to have the major outlines of our lending intentions explained to Minister Tolbert. I shall particularly emphasize that our plans for expanded aid must be linked with improved government fiscal performance, public administration and development planning.

Project Identification. Minister Tolbert is expected to ask the Bank for more assistance in project identification and preparation. We have provided some help for precisely those purposes in the aforementioned agriculture and education projects. I will discuss similar help in the transport sector as well as general pre-investment assistance. If you wish, you could mention that I shall discuss with Mr. de la Renaudiere how the Abidjan office best can help Liberia on this point.

Public Utilities Authority. The government's decision to add several new functions (radio, television and telecommunications) to the Authority's existing power, water and sewerage functions is contrary to assurances obtained in connection with Loan 684 LBR. These matters are now under study within the government. Mr. Stephen Tolbert wrote an explanation of government's actions, arguing that expansion of the Authority's responsibilities does not jeopardize its effectiveness. I responded on March 20 that, considering PUA's limited management capacity, the Bank remains concerned about the expansion of these responsibilities and suggested that government review the situation (copy of letter attached).

Brother of Liberia's President Develops an Industrial Empire

By CHARLES MOHR
Special to The New York Times

NOV. 14, 1971

MONROVIA, Liberia — Black Africa is full of spellbinding politicians, but it has relatively few "big" businessmen and even fewer entrepreneurs who have created new industries—and new wealth.

One such man is Stephen S. Tolbert, a Liberian who in the last 16 years has built a thriving commercial fishing industry on the West African coast and then branched out into almost a dozen other enterprises called the Mesurado group of companies.

Mr. Tolbert is the younger brother of Liberia's new President, William R. Tolbert Jr. Their father was the son of freed American slaves who emigrated to Liberia in the 19th century. He became prosperous as a coffee and rice farmer. The eldest son, President Tolbert, who was Vice President for 19 years, owns a thriving rubber plantation.

In much of Africa most private industry, and even a large part of retail trade, is still in the hands of whites and Asians. Many educated Africans tend to gravitate to government service or to the professions. Africans have also tended to concentrate in such fields as farming and in businesses such as transport where the ability to get licenses may be as important as managerial skill.

Steve Tolbert himself entered government service almost as a matter of course.

Studied Forestry in U.S.

Mr. Tolbert, now 49 years old, studied forestry at Michigan State University and in 1950, at the age of 29, became Deputy Minister of Agriculture and Commerce. He represented Liberia on the governing body of the United Nations Food and Agriculture Organization in Rome.

In 1955 Mr. Tolbert requested that the organization undertake an evaluation study of commercial fishing in Liberia, but the Liberian Government refused to commit funds for the project.

This political setback jolted Mr. Tolbert out of Government and into a new career.

"I knew nothing of business but I felt obliged to see something done about the project," Mr. Tolbert explained.

He borrowed \$80,000 from a Swiss banker, plus \$5,000 from his brother, plunged into business with one chartered fishing boat and resigned from his government post.

"All I had was an idea and some guts," he said.

Today Mr. Tolbert's group of companies has annual sales of about \$10-million. He has 700 employes and an annual payroll of \$1.2-million—a figure that does not include the costs of 1,500 women market workers and agents who help distribute fish nor the crews of boats chartered from Japan, the Soviet Union and Poland. Canoe fishing had kept much

of coastal Liberia supplied with fish in a sporadic way, but in the interior, with its bad roads, little fish was eaten because of distribution difficulties.

Mr. Tolbert set up a network of 14 cold storage depots throughout Liberia to which fish are transported in refrigerator trucks. His Mesurado fishing company now sells more than 20 million pounds of fish annually, almost 20 pounds for each Liberian citizen.

A foreign resident said that Mr. Tolbert had thus fundamentally changed Liberian eating habits and promoted better health through more protein. "People in the bush were eating monkeys to get protein before," the foreign resident said.

Mr. Tolbert has set up similar fishing enterprises in neighboring Nigeria and Sierra Leone.

His companies now also manufacture all the industrial gases used in Liberia, including those used by this country's large mining industry. They also make soap, and recently he opened the nation's only livestock feed mill. A poultry and egg company in his group now supplies most of the country's needs.

In 1969, Mr. Tolbert moved into the shrimping business and now he owns 30 shrimping trawlers. His factory on Bushrod Island north of Monrovia packages frozen shrimp for export to supermarkets in the United States, Japan and Europe.

Exports Earnings Are High

He also exports prepacked sole fillets, lobster, shark fins and some other luxury fish. Total export earnings in 1971 are expected to exceed \$3-million.

In 1960 Mr. Tolbert re-entered the Cabinet as minister of agriculture and Commerce and held the post for five years. Then he quarreled with the late President William V. S. Tubman and resigned. The political and social prominence of his family apparently had little bearing on Mr. Tolbert's business success, and his financing came mostly from foreign banks.

"He is an outstanding and highly pragmatic manager," said a foreign economic observer. "He's the success story we like to show off around here."

Mr. Tolbert, whose accent and gregarious manner make him seem American, is now considering further expansion in real estate, a glass-making plant, a trading company and a packaging plant.

His right-hand man and executive vice president is a slender young Englishman named Keith Bradshaw. A few other foreign whites occupy a handful of top-level managerial posts, and a number of engineering and technical jobs are held by expatriates on contract.

March 20, 1972

The Honorable Stephen Tolbert
Secretary of the Treasury
Treasury Department
Monrovia, Liberia

Dear Mr. Secretary:

Thank you for your letter of March 2 and the clarifications about Government's decisions regarding the Public Utilities Authority (PUA).

As was explained to Minister Bright, our main concern is that the new organizational structure provide sound management both in PUA as a whole and in PUA's Power Division. More specifically our concern is that (i) PUA, which is the borrower of Loans 684-LBR and 778-LBR, remain in a sound financial position, and (ii) the Power Division of PUA, to whose operations the loans were directed, have full-time competent management to carry out day-to-day work, to supervise the multi-million dollar projects now under way, and to plan for future power requirements. We have examined the newly enacted changes in PUA with these objectives in mind.

The Bank's experience in developing countries shows that multi-purpose organizations tend to be less efficient. Moreover, the consolidation of different types of utilities almost always results in some of the individual utilities becoming less and less efficient. This is mainly due to the fact that the diversified activities divide attention of the top management. In the case of PUA, as early as the appraisal for the first loan (684-LBR), the Bank had some misgivings even about the association of water and sewer with electricity operations particularly because of the management problems involved. For this reason, the Bank proposed and the Government agreed, in connection with the loan, that it would be desirable to avoid extending the scope of PUA's operations. Section 5.14 of the Loan Agreement specifically provides that PUA would not engage in non-power activities, other than water and sewer, unless it first satisfied the Bank that such additional responsibilities would not adversely affect the efficiency of power operations. The seriousness of that provision was underscored by the fact that any material change in the law affecting PUA operations without the prior approval of the Bank was specified as an event of default (Section 6.02). Similar assurances were obtained in connection with the second loan (778-LBR).

We feel that the recent increase in the scope of PUA's operations may very well adversely affect the efficiency of power operations. We do not feel that PUA's staff has yet achieved the desired level of efficiency for even the previous set of functions.

The Hon. Stepher Tolbert

March 20, 1972

In view of our common desire to maintain the financial viability of FUA, and to improve the management of power operations, we urge that your Government review the consequences of the aforementioned changes of FUA.

Sincerely yours,

Roger Chauffournier
Director
Western Africa Department

cleared with & cc: Messrs. Memon, Poncia
cc: Messrs. Cheek, Minnig

TABlinkhorn/TPL

LIBERIAN BANK FOR INDUSTRIAL DEVELOPMENT AND INVESTMENT (LBIDI)

1. LBIDI, the only source of long-term capital in Liberia, was established in 1965 with the assistance of IFC, which subscribed 25% of LBIDI's share capital of \$1 million. The Government of Liberia also owns 25%, and private Liberian investors 1%, while foreign-owned financial institutions, the Firestone plantations and two mining companies own the remaining 49% of LBIDI's shares. Mr. Stephen Tolbert, Secretary of the Treasury since January 1972, has been in LBIDI's Board since 1969 and was elected Chairman on March 7, 1972. In December 1971 Mr. P.M. Mathew replaced Mr. Ali A. Khosropur as IFC's representative in LBIDI's Board.

2. LBIDI's influence in the Liberian economy has been small due to its low volume of operations. When IFC participated in LBIDI's share capital in 1965, an annual level of operations of \$1 million was envisaged for the next few years. This level has not been achieved in any single year. Although in 1969 investments approved reached \$860,000, they have been much lower in 1970 and 1971 (\$82,000 and \$266,000 respectively). LBIDI's low level of operations seems due to several constraints: insufficient aggressiveness in the search for business, rigid collateral and security requirements, and lack of coordination with the Liberia Development Corporation, a Government agency responsible for project promotion. Despite its low volume of operations, LBIDI has played a useful role; its investments have gone mostly to Liberian sponsored projects, and have had a positive effect on value added, employment and exports.

Proposed Bank Loan

3. In 1965 LBIDI received a DM 10 million loan from Kreditanstalt für Wiederaufbau; this amount was considerably in excess of LBIDI's needs, and LBIDI was unable to commit it before it expired. As a result, in August 1971 the uncommitted balance of DM 6 million was reallocated to another project in Liberia at the Government's request, and LBIDI was left in a precarious resource situation.

4. A Bank mission appraised LBIDI in 1969 and concluded that it was not a suitable borrower for a Bank loan. Firstly, it had more resources than it could use (the KfW loan), secondly its management and procedures were weak, and thirdly the level of arrears in its portfolio was very high. In the meantime LBIDI's management has been strengthened with the appointment of a competent Ceylanese General Manager who works in a team with the Liberian President of the company. Project appraisals have improved considerably and the level of arrears has been reduced to an acceptable level. When the KfW loan was transferred in August 1971, LBIDI applied for loans to the African Development Bank and to the World Bank. A Bank mission visited LBIDI in December 1971, and found that LBIDI has improved considerably since 1969 and that there was sufficient demand for term financing in industry and agribusiness in Liberia so that LBIDI could achieve the \$1 million of business volume per year which was envisaged at the time of its creation. Thus the mission has recommended a Bank loan of \$1 million which, together with a proposed loan of \$0.5 million from the African Development Bank, will cover LBIDI's import financing commitments for the next two years. The appraisal is now ready for the Loan Committee.

5. The appraisal report recommends that, during negotiations, in order to facilitate the achievement of LBIDI's projected volume of operations, understandings be reached with LBIDI concerning aggressive promotion of business, efforts to develop a cooperative relationship with the Liberia Development Corporation, more active involvement of the General Manager in operations, and willingness to be more flexible in deciding lending terms. Understandings with LBIDI should also be reached regarding the establishment of an effective follow-up system, measures to strengthen staff, and increased use of economic analysis in project appraisals.

NOTES OF MEETING WITH PRESIDENT TOLBERT

January 18, 1973

1. I stated:

a. He was served by very able Ministers in the fields of finance, planning, and agriculture, but

b. The needs and plans of his government far exceeded the available resources and therefore

c. It was essential that priorities be established; (for example, should agriculture continue to receive only 2% of the government expenditures while the University was planning to relocate at a cost of \$36 million, and the Minister of Education (who was very weak) looked forward to an unlimited expansion of primary and secondary school education.

d. The situation required the preparation of a national development plan for which we would be prepared to provide a portion of the cost in the event the UNDP would be unable to finance it completely.

e. No acceptable development plan could be financed without additional public savings (at the present level of 2% of GDP they were far too low).

f. An increase in public savings would require a much tighter control of government expenditures, as well as additional revenue.

g. I strongly agreed with the priority which he and his government were assigning to agriculture, but agricultural expansion would require much further support from both extension and credit services.

2. The President accepted my comments and stated he was obsessed with the need for speed in achieving such objectives. He stated he must try to awaken the people to the need for change: "To see us as we are and as we might be." He is obviously a deeply religious man, truly concerned with the development of his people.

MR. MCNAMARA'S VISIT TO LIBERIA, JANUARY 16-19, 1973

Mr. and Mrs. McNamara, accompanied by Messrs. Wright, Clark, Ljungh and Christoffersen, visited Liberia January 16-19, 1973. The following is a summary of the main events and the meetings which were held during that visit.

1. Summary of Events

Arriving from Sierra Leone by a special plane, Mr. McNamara and party were met at Spriggs Payne Airport, Monrovia, on Tuesday, January 16, at about 3 p.m. by an official welcoming committee headed by the Minister of Finance, Stephen Tolbert. After a courtesy call on the Minister of Foreign Affairs, Rochefort L. Weeks, Mr. McNamara attended a general briefing session in the Ministry of Finance, chaired by the Minister of Finance, and attended by the Ministers of Planning, Agriculture, Information and Public Works, and the Chairmen of the Public Utility Authority and the National Port Authority. Mr. McNamara thereafter met with the UNDP Resident Representative, Mr. C. Campaigne, at the Ducor Hotel.

Early Wednesday morning, January 17, Mr. McNamara and party flew to Upper Lofa County accompanied by the Ministers of Finance, Planning and Agriculture. He visited the Foya Rural Development Project and was installed as Honorary Paramount Chief of the Kiwi tribe in Foya. After an informal outdoor luncheon with local officials, the party flew to Zorzor where a brief visit was paid to the Teachers' Training Institute. Continuing by private plane, the party next stopped at Sanniquellie to inspect local housing schemes, and was then taken by car to Nimba where a visit to the LAMCO mining area followed. Staying overnight at the LAMCO Lodge, the party was entertained at a private dinner at the house of LAMCO's General Manager, Mr. Wijckström.

Thursday morning, January 18, a special plane brought the party to Robertsfield Airport. After a visit to a smallholder rubber farmer and to a Liberian rubber plantation, during which Mr. McNamara received briefings on rubber production by Mr. Bodily, rubber expert under the IDA-financed agriculture credit, the party returned by car to Monrovia. In the afternoon Mr. McNamara visited the University of Liberia where he met with Dr. Hoff, its President, and the Deans of the University. Returning to the hotel, he then met with six young Liberians for general discussions about development in Liberia and thereafter had a session with four Liberian bankers. At 5 p.m. he briefly met with the Minister of Commerce, Industries and Transportation, William E. Dennis. That evening President Tolbert gave an official dinner.

President has seen

Mr. and Mrs. McNamara left Liberia on Saturday, January 19, at 4:45 p.m. by plane for New York.

2. General Briefing by Minister of Finance and Senior Officials on January 16, 1973

The Minister of Finance, Stephen Tolbert, chaired the meeting. Also present were: Minister of Planning, D. Neal; Minister of Agriculture, J. Phillips; Minister of Information, E. Kessely; Minister of Public Works, G. Tucker; and Deputy Ministers Williams (Finance); Russ (Agriculture); and Richards (Public Works); Assistant Minister Ellen Johnson-Sirleaf (Finance); and the Chairman of the Public Utility Authority, T. Major, and of the National Ports Administration, G. Tubman.

The Minister of Finance welcomed Mr. McNamara and his party to Liberia and explained that the purpose of the meeting was to deliver a general briefing on Liberia's development prospects and problems. Mr. McNamara thanked the Minister and said that he was particularly interested in hearing about the present development problems of Liberia, which, in his opinion, were a classical case of a dual economy--an economy largely dependent on foreign-owned enclave industries and with few economic stimuli elsewhere in the economy. He said that, while rural development efforts could help to trigger off such stimuli, in general, effective rural development was difficult to design and implement. The World Bank itself was experimenting in this field and did not know the full answers. For this reason, he would be very interested in hearing what the Liberian Government planned to do in rural development.

The Minister of Agriculture, James Phillips, explained the main thrust of his program, which was to change subsistence farmers into cash crop farmers. His Ministry was attempting to achieve this through an integrated approach to rural development. Part of the development strategy was to provide import substitution for foodstuffs which Liberia presently imported, but in which it had potentials for domestic production. Here marketing was a problem. At the same time, certain crops had export possibilities. He found it very difficult to specify clearly what was the most appropriate action necessary for development in the agriculture sector. Not even the Bank itself seemed to know exactly what to do in this respect. Recently the Bank had turned down an oil palm study; shortly thereafter it rejected a rubber feasibility study and, furthermore, also expressed grave doubts about a preparatory report on sugar development. These negative attitudes by the Bank had frustrated government action in agriculture. The Minister hoped perhaps the Bank could reconsider carefully its approaches to project preparation and evaluation.

A major focus of his Ministry's program was to develop rice production. Recently, a shift had been made away from upland rice to paddy rice, though capital costs were very high indeed largely because of land clearing. Liberia was at least fortunate in having a high land-population ratio compared to other African countries. While, on the average, a farmer could clear by hand a plot of up to 5 acres, the Minister believed farmers could improve their technology by expanding their areas under cultivation up to, say, about 20 acres each. This necessitated capital machinery for land clearing purposes and these costs were high.

Mr. McNamara explained that the Bank was in the process of reformulating its own approaches to agricultural development in Africa to see how it best could provide assistance through agricultural projects. In that connection, he mentioned that Bank staff were preparing a series of commodity studies on a worldwide basis. A recent such report on sugar production had revealed that prospects were better than expected for expansion of sugar growing in developing countries. On the other hand, a recent report on tea gave little hope for any significant expansion of this commodity in developing countries. He would see to it that Mr. Christoffersen sent copies of these commodity studies to the Ministry. Mr. McNamara pointed out that the Bank was not willing to finance projects that entailed production of surplus commodities, except when they had low costs of production compared to other developing countries, and when there were limited investment opportunities available elsewhere in the economy. With respect to oil palm production, he believed the Bank should not get involved in it in West Africa other than on an exceptional basis, e.g. Ivory Coast. With respect to rice, he believed Liberia was probably on solid grounds.

Mr. McNamara went on to express his interest in finding out what the Government was doing to bridge the disparities in income which existed among the different groups of people in Liberia and how the Government planned to approach this problem. He was specifically interested in hearing what types of credit facilities would be made available as part of this approach.

The Minister of Agriculture explained that agricultural credit at present was made available in kind rather than in cash, mostly in the form of fertilizer inputs. Labor was provided by the farmer's own family. The Ministry had encouraged the establishment of cooperatives, which could provide institutional arrangements for input supplies as well as marketing. Mr. McNamara asked about the cost involved in administering agricultural credit to small farmers. The Minister of Agriculture said that at present there was no credit mechanism through the Ministry of Agriculture, nor was there an agricultural development bank. The Government was reviewing what to do in this respect and had asked the Bank for technical assistance. The main assistance provided to farmers for marketing was that they were assured certain advantageous minimum price levels for sale of

rice. The Minister of Finance added that this question was part of the more general issue of what type of institutional framework was most effective for channeling credit to farmers. Mr. McNamara explained that during his recent visit to Sierra Leone he had found that administrative costs were as high as thirty percent of loan balances to small farmers.

The Minister of Agriculture explained that agricultural cooperatives in Liberia embraced farmers who owned their own land and who received legal deeds to this land as long as they were actively working on it. The land clearing costs, incurred by an Israeli-operated agricultural machinery corporation (AGRIMECO), were passed on to the cooperatives in the form of a loan obligation which they then had to service. Management costs for a cooperative were subsidized by the Government; part of this subsidy came through a government-financed training program for cooperatives' staff, but the Government sometimes provided more direct help in the form of agricultural officers to help manage the cooperatives at no cost to them. Mr. McNamara asked what percentage of Liberia's farmers were covered by cooperative arrangements. The Minister explained that they involved only a very small percentage. Mr. McNamara then asked how the Government expected to reach the majority of farmers. Was it possible to cover the majority of farmers through such high-cost institutional arrangements as the one the Minister had explained existed in Foya in Upper Lofa County?

The Minister of Finance explained that this question about the pilot program in Foya was a worrisome one. He himself was anxious to combine agricultural credit with the industrial credit operations of LBIDI. A Bank mission would be coming next week to help the Government work out a solution to this problem. Mr. McNamara explained he was quite anxious to learn how small farmers could be reached on a broad scale; it would seem difficult to do so soon. Was one possibility to do something more through an expansion of extension work?

The Minister of Agriculture explained that extension services in Liberia were very inadequate. At present government extension officers covered only about 10 farmers each, and, consequently, they served only a very small percentage of total farmers. The cost of an extension agent was perhaps not very high. The Government was considering further expansion of extension services, but had to fight with budget restraints. Mr. McNamara commented that the 1:10 ratio seemed very low. The Minister explained that through further training one hoped to increase this ratio substantially.

The Minister of Public Works, Gabriel Tucker, explained that his Ministry had received considerable assistance from the Bank in preparation for the recently completed five-year road program. Of major emphasis in that program was to build up an effective maintenance system for Liberia's road network. It should also adapt future road

investments to fit agricultural priorities. He asked Mr. McNamara if the Bank could help finance a West Africa transport research institute, among whose main purposes could be to help governments identify low-cost road construction methods suitable in the region. Mr. McNamara added that recent Bank studies had shown that, generally, the cost of laterite road construction seemed to be about half the cost of construction of paved roads. He asked Mr. Christoffersen to inform Mr. Chenery about the need to consider a research program for laterite roads in Western Africa. He further mentioned that the Bank was involved in helping to finance and establish various research programs of developmental interest. An example of this was the Bank's participation in a consortium with other international agencies for the financing of an international research program for agriculture.

The Chairman of the National Port Authority, George Tubman, gave a short presentation on port development in Liberia. He mentioned that the 1969 Bank loan for Monrovia Port included an obligation by the Government to undertake a national port development plan. He was pleased to inform Mr. McNamara that he intended to carry through this plan now and had asked Bank staff for help to draft its terms of reference. The Port of Monrovia had originally been conceived as a free port; this objective had recently become somewhat diffuse. Within the national port development plan, he would like to see greater emphasis on the free port idea. In Greenville German experts were preparing a feasibility study for port expansion. Another critical need was Port Harper which needed structural improvements. These improvements were necessary, not just because of regular traffic at the port, but also because logging firms hoped to increase exports of logs and forestry products through the port. A sugar project being considered in that region would also need larger port facilities. In general, Mr. Tubman hoped the Bank could provide further assistance to port development in Liberia through the National Port Authority. Mr. McNamara said he thought the Bank would have adequate expertise and resources to help in this field.

The Chairman of the Public Utility Authority, Taylor Major, explained that Liberia 12 years ago only had power generating capacity of 630 kw. He believed that power generation was one of the primary prerequisites for development in Liberia. He made references to the importance of rural electrification in USA which he understood had helped to deal with important social development questions. Apart from the Bank, the power industry in Liberia had also received assistance from the US Ex-Im Bank and the African Development Bank. He believed that it was important to complement present hydro-electric generating facilities with thermal plants. He would very much hope to establish soon a national power grid which he thought could reduce costs, particularly to users in the rural areas. He noted that Liberia had five suitable rivers for hydro-generating facilities; among these, the best one was St. John River. Mr. McNamara asked what percent of the population was covered by present electricity facilities. The Chairman said that 18,000 connections in Monrovia covered about 25

percent of the total population. He mentioned that he had just finished installing two 500 kw units in Voinjama in Upper Lofa County. Mr. McNamara agreed it was important to look at the hard choices necessary to determine investment needs in the sector compared to priority needs of other sectors. For this reason, he was anxious to see how the Bank could help Liberia establish an effective National Development Plan. On the other hand, he warned against imitating the US experience under President Roosevelt; while he personally had admiration for the rural electrification program in the US, he was, at the same time, convinced that it was extremely costly. Moreover, he reminded the Chairman that it also took place about 100 years after take-off in economic growth of the agricultural sector.

The Minister of Information, E. Kessely, gave a presentation on the tourism industry which he characterized as promising for Liberia's development potentials. He referred to a Bank tourism expert who had recently visited Liberia. A primary focus of tourism in Liberia would be Lake Piso along the northwest coast of Liberia, and it would initially be centered around a 600-acre island called Masateng. Mr. McNamara stressed that the Bank had only limited knowledge of tourism. Mr. Christoffersen added that the tourism expert from the Bank had only been in the field for about three days. The Minister then said that, apart from the Bank, studies were being done by an Israeli group and others. Mr. McNamara said that his particular interest was to help formulate a regional approach to tourism in West Africa. Mr. Wright added that from his own experiences elsewhere, tourism was often a difficult developmental activity since it frequently provided very little retention of foreign exchange earnings; the domestic value added in that sector tended to be relatively low.

Mrs. Johnson-Sirleaf, Assistant Minister of Finance, gave a presentation on the budgetary situation in Liberia. She noted that in 1963 government revenues had been of the order of \$33 million while a decade later they had more than doubled to a level of about \$78 million. In her opinion, the Government needed to make larger claims on resources since it could not rely as much as in the past on the private sector for impetus to development. At present, Government revenues as percent of GNP were 18.5 percent compared to about 15 percent of GNP two years ago.

Mr. McNamara commented on Liberia's public savings performance which he thought was low compared to other developing countries. He believed Government's effort to try to extract more revenues from its concession agreements was very commendable. It was not only important to obtain further financial resources from these agreements, but to ensure that employment also benefitted. He commended the establishment of a concession secretariat in the Ministry of Finance to supervise and administer the concessionaire agreements. Since it was clear that

there would be inadequate resources from aid donors (IDA would have difficulties making significantly larger amounts available for Liberia), the Government had to face up to the need to increase substantially its own efforts in mobilizing domestic resources.

The Minister of Planning, David Neal, pointed out that Liberia had so far no development plan. He recognized the importance of looking carefully at investment priorities, not only among sectors, but also among projects. He had just taken over his responsibilities at the Ministry of Planning and proposed to strengthen its capacity to undertake planning functions. Information and data collection was difficult in Liberia and thus it was hard to formulate an appropriate statistical framework for decision-making. Sophisticated quantitative models, such as input-output matrices, could not be very useful for Liberia at the moment. He believed it was possible for Liberia to obtain more benefits from its mining operations through further expansion of education and from further examination of the potential for value added in processing of mining products. With respect to development planning, it was particularly important to improve middle-level management in public administration. USAID had helped to set up a public administration institute which he hoped would be able to provide valuable assistance in this field in the years ahead. His Ministry intended to look at employment problems more carefully; a manpower profile would be developed in the near future. The most immediate need in his Ministry was to obtain some technical assistance for the planning effort. Last summer the Bank had sent a planning expert for a two-week visit. His report had been submitted to the Government in November. He hoped the Bank could provide some direct assistance in the form of finance for an expatriate planning team.

Mr. McNamara said that the Bank strongly supported the idea of strengthening development planning in Liberia; the Bank would work closely with the UNDP to insure that the planning team would be financed promptly. He also expressed interest in learning in due course what Liberia would do with respect to its unemployment problems. This was a problem which was hard to tackle anywhere in the world and he would be interested in Liberia's experience.

3. Meeting with UNDP Resident Representative, Mr. Curtis Campaigne

Mr. McNamara met privately at the hotel with Mr. Campaigne, the UNDP Resident Representative in Liberia. Mr. Campaigne began by expressing his appreciation for the warm cooperation that existed between the Bank and UNDP in Liberia. This cooperative effort was as efficient and effective as he could have hoped for, and he wanted Mr. McNamara to know that he was very happy with his relationship with Bank staff. Mr. McNamara said that he was very pleased to hear this; it was also in his own belief that it was very important for the two institutions to work closely together.

Mr. Campaigne stressed the need for further planning assistance in Liberia. The planning mechanism at present was very weak, although it had been slightly improved by the arrival of the new Minister of Planning, Mr. Neal. One of the problems of the planning mechanism in Liberia was that it was handicapped by the President's tendency to make ad hoc investment decisions on his own as he traveled throughout the country. In the UNDP country program, he had specifically stressed the high need for planning assistance; unfortunately, very little money was available for new commitments under the program and this assistance therefore faced an uncertain future within UNDP.

Mr. McNamara went on to say that he had been impressed with the constructive dialogue on policy matters which existed between the Government of Liberia and the Bank. He understood from his own staff and from the Government that planning assistance was of high priority. In light of that, and from Mr. Campaigne's conclusion that such assistance was indeed of highest priority, he believed the Bank should consider financing this planning team. He asked Mr. Campaigne to find out if UNDP in fact would not be able to finance the team; if that were the case, the Bank should promptly move ahead and find financing for it. Possibly allowance for the planning team could be included in the forthcoming road project which was likely to be presented to the Board in April or May. He asked Mr. Christoffersen to work out a program showing the financing available for planning experts, and, in light of that, the present need for financing for a planning team. He would be very agreeable to finding a prompt solution to this financing problem. In one form or the other the Government of Liberia ought to receive specific information about how the planning team could be financed by no later than April.

4. Field visit to Foya, Zorzor, Sanniquellie and Nimba

Early Wednesday, January 17, Mr. McNamara and party, accompanied by the Ministers of Finance, Agriculture and Planning, flew by private planes to Foya where he visited the local agricultural cooperative, the rice experimental field, and the land cleared areas undertaken by AGRIMCO. He was served an informal luncheon in Foya and was appointed honorary Paramount Chief of the Kiwi tribe. At noon he departed for Zorzor to visit the Teachers' Training College there. In the plane he was briefed by Dr. Melvin Mason, Project Manager for the IDA-financed education project. He was met at Zorzor by the Minister of Education, G. Flamma Sherman. The Minister explained that, although IDA financing was not directly involved in the Zorzor Teachers' Training Institute, it was the sister organization of the Kakata Teachers' Training College which was included under the project. The IDA education project was built around the experience gained at Zorzor. Mr. McNamara was awarded an honorary directorship of the Institute. At about 2 p.m. he departed by plane for Sanniquellie where he toured local government housing programs. After a half hour visit there, he went by car to Nimba where he was briefed at LAMCO headquarters by the General Manager, Mr. Olle Wijckström.

Mr. Wijckström explained the main operational features of the IAMCO iron ore mining operations and pointed out that the future life of the mine might expire around 1986. Increasingly larger volumes of rocks (over-burden) had to be taken away in order to get to the iron ore itself, and thus the mining operations faced increasing costs during the period up to 1986. He also emphasized the relatively rapid pace of Liberianization which had taken place within the mining company's staff. In the evening Mr. Wijckström entertained Mr. McNamara and his party at a dinner in his own home. On that occasion he introduced three new African entrepreneurs who had begun business ventures in and around Nimba (bus services, sewerage services and construction work). At the end of the dinner a fashion show presented African cloth prints and designs developed by the art unit of IAMCO's community development center.

In the morning of Thursday, January 18, Mr. McNamara and party returned by plane from Nimba to Robertsfield Airport near Monrovia. He was taken by car to Kakata, and, after a brief visit to a small self-help hospital, made field visits to rubber farming areas. At a smallholder rubber farm he was briefed by the Minister of Agriculture and by Mr. Bodily, rubber specialist under the IDA-financed agricultural project. After a visit to a Liberian-owned rubber plantation, owned by Mr. Harry Morris, he returned to Monrovia.

5. Visit to University of Liberia

In the afternoon of January 19, Mr. McNamara visited the University of Liberia where he met with Dr. Hoff, the President of the University, and Deans of the various Faculties. Mr. McNamara was informed of the main activities of each of the Faculties. Some discussion centered around the very high cost of the plan to relocate the University at a new site about 30 miles outside Monrovia. Mr. McNamara queried the economic merits of such a move since none seemed to be able to justify the high costs involved. Mr. McNamara was informed that the relocation of the University would cost about \$55 million and would be implemented gradually.

Dr. Hoff explained there were 1200 full-time students at the University, 400 in the business school, 355 in the college of liberal arts, 152 in agriculture, 106 in education, 26 in law and 33 in medicine. Mr. McNamara asked if there was any unemployment among graduates from the University. Dr. Hoff explained that there was none reported although some problems were arising for graduates in the liberal arts program. Mr. McNamara wanted to learn why the number of agricultural graduates were only half of that of liberal art students. Did this mean that agriculture in Liberia had only half the priority of a liberal arts program? Dr. Hoff explained that they were studying these kinds of relationships at the present time, and they were aware of this imbalance. Mr. McNamara wondered how many graduates from the business school went into government or private sector work and he was told that about two thirds went into business and one third into government jobs. Mr. McNamara wondered

if there was an adequate number of extension workers in Liberia. The Dean of the Faculty of Agriculture explained he had a one-year course in extension services which may be extended soon into a two-year program. The Dean of the Business School explained that he was interested in establishing a two-year course. He said that the whole business school program ought to be accelerated. He hoped to make it into a full four-year program later since at present the first two years of the business degree consisted purely of liberal arts subjects. Mr. McNamara concluded by thanking Dr. Hoff for the visit to the University.

6. Meeting with Young Liberians

On his return from the University, Mr. McNamara met at the hotel with six young Liberians for general discussions on Liberia's development and future. These were: Mr. Stanton Peabody-Editor, *Liberian Age*; Mr. Milton Graves-Commentator, *ELTV*; Mrs. Ellen Johnson-Sirleaf-Assistant Minister of Finance for Fiscal Affairs; Mr. Vittorio A.J. Weeks-student, University of Liberia; Mr. John W. McClain-Special Assistant to the Minister of Foreign Affairs; and Mr. James Marshall-Editor, *Liberian Star*.

7. Meeting with Liberian Banking Representatives

Thereafter, Mr. McNamara met at the hotel with four Liberian representatives of the banking sector. These were: Mr. Romeo Horton, President, Bank of Liberia; Mr. Arthur Hickson, Vice President, Bank of Liberia; Mr. Charles Greene, Vice President, Bank of Monrovia; and Mr. P. Clarence Parker, President, LBIDI. The main points arising out of the discussions were that there was support for the establishment of a central bank in Liberia, and that, until then, very little could be done to establish a widespread national banking system outside Monrovia.

8. Meeting with Minister of Commerce, Industry and Transportation

At 5 p.m. Mr. McNamara met with the Minister of Commerce, Industry and Transportation, William E. Dennis, Jr.; accompanied by Mr. George Tubman, Chairman of the National Port Authority. It was essentially a courtesy call.

In the evening Mr. and Mrs. McNamara and party were entertained by President Tolbert at a small official dinner in the Executive Mansion. He left the next day for New York.

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