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Fonds: Records of the Office of the President

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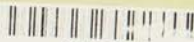
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McNamara Papers

Contacts
Ghana (1968-1975)

The World Bank Group
Archives



177 1062

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Contacts with member countries - Ghana - Correspondence 01

DECLASSIFIED
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APPOINTMENTS WITH BACKGROUND MATERIAL AND/OR
MEMORANDA OF CONVERSATION TABBED NUMERICALLY

GHANA

GHANA

1. 7/31/68 Ambassador Ebenezer Moses Debrah
- 7/18/69 Joseph W.L. Mills, Chief Education Officer, Government of Ghana, Accra
(Aspen - Eisen. Ex.)
- 9/29/69 Ghana Delegation: J.H. Mensah, Minister for Finance and Economic Planning
Dr. Jones Ofori-Atta, Parliamentary Secretary, Ministry of Finance and Economic Planning
Ambassador E.M. Debrah
2. 10/21/69 Prime Minister K. Busia
J. Mensah, Minister of Finance
Victor Owusu, Minister of External Affairs
S. Asante, Solicitor-designee
Ambassador E.M. Debrah
3. 9/25/70 J. H. Mensah, Minister of Finance and Economic Planning
(Copen.)
4. 11/19/70 J. H. Mensah, Minister of Finance and Economic Planning
Ambassador Ebenezer M. Debrah
5. 5/20-21/71 Mr. McNamara's Impressions *(Filed in R. Mark office)*
6. 8/9/71 Dr. A. Kwabong, Vice Chancellor, University of Ghana
7. 5/20-21/71 Memorandum of Conversation covering all meetings
- 5/20/71 J.H. Mensah, Minister of Finance
(Accra)
- 5/21/71 Meeting with Cabinet Ministers:
(Accra) J.H. Mensah, Minister of Finance
R.A. Quarshie, Minister of Trade Industries and Tourism
R.R. Amponsah, Minister of Education
S.W. Awuku Darko, Minister of Works and Housing
T.D. Brodie-Mends, Minister of Lands and Mineral Resources
Jatoo Kaleo, Minister of Transport & Communications
A.A. Munufie, Minister of Rural Development and Social Welfare
Dr. Jones Ofori-Atta, Ministerial Secretary, Planning Secretariat
- " Prime Minister Dr. K.A. Busia
J.H. Mensah, Minister of Finance
Dr. Jones Afori-Atta, Ministerial Secretary, Planning Secretariat
- " President Edward A. Akufo-Addo

5/21/71
(Accra)

Meeting with Minister of Finance and Senior Officials of the Ministry of Finance, the Development Planning Secretariat, Bank of Ghana and State Financial Institutions:

J.H. Mensah, Minister of Finance
Dr. Jones Afori-Atta, Ministerial Secretary, Planning Secretariat
C.O. Nyanor, Governor, Bank of Ghana
K. Tyasi Twum
E.N. Afful
E.L. Gymapoh
Dr. Amon Nikoi
H.P. Nelson
J.H.K. Folsom
Dr. Kwame Fordwor
Alex Ashiabor
B.K. Mensah
Mrs. Gloria Nikoi

5/21/71
(Akosombo)

E.L. Quartey, Chief Executive, The Volta River Authority
O.K. Poku, Ministerial Secretary, State Protocol
Dr. Jones Afori-Atta, Ministerial Secretary, Planning Secretariat
C.O. Nyanor, Governor, Bank of Ghana

Others possibly met:

Prime Minister's office: A.A. Abedi, Information
Oheneba Kow Richardson, Information
S.K.C. Osei-Baidbo, National Service Corps.

Cabinet Ministers: J.K. Lamptey, Minister responsible for Parliamentary Affairs
William Ofori-Atta, Minister of Foreign Affairs
S.D. Dombo, Minister of Health
Victor Owusu, Minister of Justice and Attorney-Gen.
N.Y.B. Abado, Minister of Internal Affairs
Dr. W.G. Bruce-Konuah, Minister of Labour and Cooperatives
K.G. Osei-Bensu, Minister of State and Chief of State Protocol
Dr. K. Safo Adu, Minister of Agriculture
D.K. Adams, Minister of Defense

Ministerial Secretaries and Deputies:

Shanni Mahama, Agriculture
A. Antwi-Kusi

Kwaku Baah, Defense

J.K. Fynn, Education and Sports
Carl Reindorf

J.A. Kuffour, Foreign Affairs

Badu Nkansah, Health

Ministerial Secretaries and Deputies, cont'd

Abdul Saaka, Internal Affairs
Justice Boateng

A. Appiah-Menkah, Justice and Attorney-General

A.A. Aboagyo de Costa, Labour and Cooperatives

K.P. Agyekum, Rural Development & Social Selfare
S. Opon

Stephen Krakue, Trade, Industries and Tourism
Adam Amandi

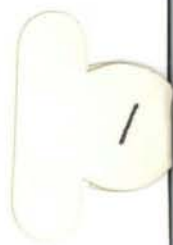
Yaw Manu, Transport and Communications
Osei Akoto

M.K. Osei, Works and Housing
Kofi Sakey

Saki Schedk, Parliamentary Affairs

8. 9/28/71 J.H. Mensah, Minister of Finance
Ambassador E.M. Debrah
Amon Nikoi, Principal Secretary, Ministry of Finance
H.P. Nelson, Principal Secretary, Development Planning Secretariat
Prof. Sam Sey, Deputy Governor, Bank of Ghana
(Also Memorandum of Conversation with the West Africa Department)
9. 2/11/72
9. 2/11/72 Mr. Darko, Executive Vice President, International African Chamber
of Commerce (Thanaian)
Mr. Davis, and others
10. 2/22/72 Brig. N. Ashley-Larsen, Chief of Defense Staff, and Commissioner
in Charge of Trade, Industry and Tourism Ministry
Dr. S. Asante, Solicitor-General
Ambassador E.M. Debrah
- " 2/23/72 Brig. N. Ashley-Larsen, Chief of Defense Staff, and Commissioner
in Charge of Trade, Industry and Tourism Ministry
Dr. S. Asante, Solicitor-General
Ambassador E.M. Debrah
11. 3/20/72 Ambassador E.M. Debrah
12. 8/7/72 Ambassador Harry R. Amonoo
13. 2/1/73 Professor Bentsi-Enchill, Chairman of the Volta River Authority
Mr. Quartey, Chief Executive of VRA
Mr. Kalitsi, Executive Secretary and Finance Director of VRA
Ambassador Harry R. Amonoo
- 3/20/73 J. H. Frimpong-Ansah, Vice Chairman of the Committee of Twenty
14. 8/16/73 Mr. Gyasi-Twum, Alternate Executive Director

- 6/3/74 Dr. and Mrs. Alex Kwapong, University of Accra (Lunch)
- 12/17/75 Dr. Frederick T. Sai (Population Advisory Panel) (MemCon filed India)
15. 10/4/76 R. K. A. Gardiner, Commissioner for Economic Planning,
(Manila) Ministry of Economic Planning
Amon Nikoi, Governor, Bank of Ghana
- 1/30/79 J. H. Frimpong- Ansah
- 7/15/80 Alex Quaison-Sackey, Ambassador to the U. S.



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 31, 1968

FROM: A. G. El Emary *ay 8/8*SUBJECT: GHANA - Visit of the Ambassador

1. We understand that His Excellency Ebenezer Moses Debrah, the Ghanaian Ambassador, will call on you today at 5:30 p.m. We have no knowledge of any specific business he may want to discuss.

2. A brief on Ghana was sent to you on April 16, 1968 (copy attached). There is very little to add. The following will bring the operational aspects of this brief up-to-date:

- a. The credit of \$10 million for power distribution was signed on June 14.
- b. We have been asked by the Government to finance the 5th and 6th generators for the Volta dam, which will complete a project financed by the Bank in 1962 with a \$47 million loan. The appraisal mission is presently in the field and we expect to negotiate a credit of about \$5 million in November.
- c. The FAO report on a fishing project was sent to the Government in May and we are awaiting their reaction. Appraisal has been tentatively scheduled for this fall.
- d. The credit application for the Accra-Tema water and sewage project was received and we plan to appraise the project in October.
- e. Regarding trunk road development, the Government has expressed its intention to apply for an engineering credit, which we would appraise later this year.

3. We participated as observer, earlier this month, in a preliminary meeting of Ghana's creditors, which was held in preparation for the second round of rescheduling of Ghana's medium-term external debt. Also, we plan to send an economic mission in September/October. Its report would be made available to the Ghana Aid Meeting which is tentatively scheduled for February 1969.

Attachment

President has seen

WHammel:di

OFFICE MEMORANDUM

TO: The Record

DATE: August 1, 1968

FROM: Werner Hammel *W. Hammel*SUBJECT: Meeting of the Ghanaian Ambassador with Mr. McNamara

The Ghanaian Ambassador, Ebenezer Moses Debrah, accompanied by Mr. Tazi, visited Mr. McNamara on July 31. The Ambassador explained economic and political developments during the past two years and said Ghana was looking forward to a continued close relationship with the Bank. He also conveyed an invitation for Mr. McNamara to visit Ghana. No commitments were made.

Original and one cc: Mr. McNamara ✓
cc: Messrs. El Emary/McIvor
Africa B file

WHammel:di

President has seen

April 16/68

GHANA

1. When the Bank made a loan of \$47 million for the Volta project in Ghana, there was some anxiety about the success of the project, particularly as it depended upon construction of a U.S.-financed aluminum smelter (Kaiser and Reynolds) to purchase an important part of the power output of the Volta dam and political relations between Ghana and the U.S. were subject to jolts and strains from time to time. At the same time, Ghana's general economy was healthy and there was little anxiety about its ability to service the debt thus far incurred. Within a few years this had changed dramatically. The project went smoothly, at lower costs than estimated, while the ability of the economy to service debt deteriorated rapidly as the then President, Nkrumah, borrowed abroad for many dubious investments. The overthrow of Nkrumah in February 1966 opened the way to more sensible policies which the Government has since been trying to follow, with the help of advice from both the Fund and the Bank who have worked very closely together in aiding Ghana's economic rehabilitation.

I. Political

2. Ghana, the former Gold Coast, became fully independent and a Republic within the Commonwealth in 1957. Nkrumah was elected the Gold Coast's first Prime Minister in 1952 and President of Ghana in 1960. After independence the country was increasingly dominated by Nkrumah and his party; parliamentary government virtually ceased, organized opposition was neutralized and many of its best elements left the country. The range and depth of party penetration in the society and the personal authority of the party leader went further than in any other state in Africa (except Guinea and U.A.R.).

3. Since the army and police took control of the country while Nkrumah was abroad in 1966, a National Liberation Council (NLC), comprising an equal number of army and police leaders, has governed the country. The NLC rule has been moderate and pragmatic with a pronounced adherence to liberal and constitutional processes. The sweeping stringent economic measures introduced by the new regime to cope with the economic crisis inherited from Nkrumah and the passage of time has eroded its popularity somewhat, but the regime continues to be generally accepted by the Ghanaian public as a welcome alternative to Nkrumah's dictatorial rule.

4. From the very beginning the army and police have expressed their intention to lead the country back to civilian rule. A draft constitution has been prepared and a constituent assembly is now expected to be appointed in early 1969. Thereafter a referendum and subsequent general elections may be feasible in the course of 1970. Impatience with this process is widespread, particularly among would-be politicians, and their maneuvers are of increasing importance, even though party politics have not yet been officially permitted again. Prospects for a smooth return to civilian rule cannot be judged with confidence given the political vacuum left when the Nkrumah party was dispossessed. However, the marked aptitude of Ghanaians for political activities and the range of educated experienced people and the character of the NLC, gives Ghana a better chance than most to make an orderly peaceful transition to civilian rule.

II. Economic

5. Ghana is the world's leading producer of cocoa, which mainly accounts for its comparatively high per capita income of about US\$200. Production of timber, gold, diamonds, manganese and bauxite are important features of the modern sector but not large enough to offset the dominance of cocoa. The country has developed a relatively advanced system of roads, ports and electricity facilities, as well as trading and banking institutions. It also emerged from the Nkrumah period with a rapidly growing nucleus of industrial development. There is an appreciable base of educated Ghanaians. The population's entrepreneurial spirit and the quality of its civil service compare well with other African countries.

6. Under the Nkrumah regime an over-ambitious development effort resulted in ill-devised and badly managed public sector investment, a severe foreign exchange crisis, shortage of food, spare parts and raw materials and a stagnating growth rate. The new Government has since been involved in a stringent effort to rescue Ghana from the economic crisis and is concentrating on stabilizing the economy. In December 1966 Ghana's medium-term external debt was rescheduled. In general, 80% of amortization and interest payments due through December 31, 1968 were extended over 8 years following a grace period of 2-1/2 years. Discussion on a further round of rescheduling is expected late this year. The Bank's loan has not been rescheduled. In two successive budgets expenditures were reduced and brought in line with available resources. Inflationary borrowing from the banking system was greatly restrained. Through tight licensing the level of imports was brought down by 36% within the last two years. Further improvements are expected from the 30% devaluation of the cedi in July 1967. The economy also benefitted from recent improvements of the world cocoa prices. Since cocoa accounts for 60-65% of exports Ghana has been particularly vulnerable to fluctuations of world market prices which have been pronounced from time to time in the past. The new regime's policy of consolidating the large public sector and stimulating private investment in agriculture and industry has made a promising start, but the continued balance of payments constraint, slower than anticipated reorganization of Government machinery and the unknowns on the political front makes it uncertain how far and fast the policy will continue to succeed.

7. The Government's determined rehabilitation effort has resulted in a reestablishment of confidence in Ghana's standing with the international financial community. New foreign private investment has come into Ghana since 1966. Three Aid Meetings have so far been held under the auspices of the IMF, and new long-term external aid of US\$80 million, in addition to US\$77 million drawings from the IMF, has been committed to Ghana since February 1966. The Government is expected to ask the Bank in the course of 1969 to convert the Aid Meetings into a Consultative Group.

8. The country's future growth potential in agriculture and industry is favorable, and efforts to reestablish the institutional base for development are in progress. In the long term, however, Ghana's economic policies will have to be directed to growth and diversification of exports and agricultural production in order to overcome the balance

of payments constraint which is severely limiting the country's capacity to pursue expansive development policies.

III. Bank Loans as of March 31, 1968

| Loan Number | Year | Borrower | Purpose | Amount (US\$ million) | |
|-------------|------|---|---------|-----------------------|-------------|
| | | | | Bank | Undisbursed |
| 310 GH | 1962 | Volta River Authority | Power | 47.0 | 0.3 |
| | | Total (less cancellations) | | 47.0 | |
| | | of which has been repaid to Bank and others | | 0.7 | |
| | | Total now outstanding | | 46.3 | |
| | | Amount sold | 0.1 | | |
| | | of which has been repaid | 0.1 | - | |
| | | Total now held by Bank | | 46.3 | |
| | | Total undisbursed | | 0.3 | 0.3 |

IV. Prospective Bank/IDA Operations

9. After the first Bank loan of 1962, no further loans or credits were extended as Ghana became ineligible on grounds of both performance and creditworthiness. Our position now is that we are prepared to consider suitable projects for financing on concessional terms, provided Ghana's economic performance continues to be satisfactory and assuming other donor countries also provide assistance on similar terms.

10. Negotiations are in progress for a credit of \$10 million for power distribution.

11. A project to finance the construction of fishing boats is in the final stages of preparation by the FAO/IBRD Cooperative Program. The Permanent Mission in Western Africa is assisting in the preparation of palm oil, rice, and cocoa rehabilitation projects. The Government has also approached the Bank for financial assistance for a water supply and sewerage project, of which further details are awaited; the total cost of this would be about \$8 million. The Bank is Executing Agency for a feasibility study of two trunk roads in Ghana. The report is expected to serve as a basis for a Government request for Bank/IDA financial assistance towards the end of 1968. The two roads will cost approximately \$40 million.

12. Proposals by the National Investment Bank (NIB) to restructure its capital and transfer control from Government to private hands are under consideration in the IFC.

Africa Department
April 16, 1968

Mr. McNamara:

to see

Lec
10/24

OFFICE MEMORANDUM

TO: FILES

DATE: October 22, 1969

FROM: H. J. Nissenbaum *HJN*SUBJECT: GHANA: Busia - McNamara MeetingParticipants:- Government of Ghana

Prime Minister K. Busia
Minister of Finance, J. Mensah
Minister of External Affairs, V. Owusu
(Solicitor-designee) S. Asante
Ambassador E. Debrah

- Bank

Mr. McNamara
Mr. Knapp
Mr. Chauffournier
Mr. Nissenbaum

During an approximately 25-minute meeting, Dr. Busia and Mr. Mensah outlined several Ghanaian economic problems for which they sought Bank assistance. In his introductory remarks, the Prime Minister stressed the need for the new civilian government to deal quickly with the areas of great public pressure (since it did not have the "halo of liberation" of the NLC). He identified unemployment (citing the registration of 600,000 unemployed in a 2.4 million workforce, apart from the chronic under-employed) and rural development as the two priority concerns. Mr. McNamara noted that the Bank's operations represented agreement as to the importance of these two subjects.

Mr. McNamara expressed his appreciation for the gravity and sensitivity of the unemployment problem but cautioned the Ghanaians not to expect that Bank aid over the next few years could resolve this difficulty. In this connection, Mr. Chauffournier pointed out that a fully integrated rural development strategy would require intensive preparations. That would necessitate about a year's work and the results of the analyses Ghana's present advisors (Harvard and Nathan) are now compiling.

Mr. Mensah spoke of Ghana's need for broad approaches with rapid impact on the two problems cited above. This would have to entail, he said, maximizing the use of labor in agriculture, road-building, low-cost housing, and teaching carpentry and related technical skills at the local level. In agriculture, the Minister spoke of turning away from large-scale plantation schemes to expanding small to medium-sized food production. An essential component would have, he added, to be community approaches to improving trunk roads. He felt Ghana's marketing problems also required particular attention.

President has seen

In discussing what role the Bank might play, Mr. McNamara and Mr. Mensah spoke of possible aid to Ghana's Agriculture Bank. Mr. Chaufournier suggested that a member of the cocoa appraisal mission, which is going to Ghana early in November discuss this possibility with Government officials.

The remainder of the meeting dealt with two additional subjects:

"VALCO"

Mr. Mensah requested the Bank's help in obtaining advice on how the Government should proceed with Kaiser Aluminum's interest in possible expansion of its operations in Ghana. He indicated that the Kaiser company was pressing for a decision on a possible aluminum rolling plant, which was needed by the end of 1970.

In an exchange with Mr. Knapp, Mr. Mensah stated that (a) an initial 7,000-8,000 tons of aluminum was being considered as an initial annual target but 12,000 tons "would make more sense"; (b) production of that volume was necessarily designed for regional consumption, particularly in the Ivory Coast (rather than simply VALCO's and any other purely Ghanaian requirement); (c) Nigeria's facility was too small to satisfy the demand foreseen. He said that the present railroad and water system would need to be extended.

(After the meeting, Mr. Chaufournier explained to Mr. Mensah the current division of responsibilities with the UNDP for the financing and execution of preinvestment studies and indicated that, as a first step, the Bank may be a help in preparing the terms of reference for a study.)

Aid Group Meeting

Mr. Mensah repeated the Ghana Government's interest in a fairly early meeting, particularly to enable it to facilitate aid planning. Mr. McNamara agreed and spoke of the tentative plan to convene a mid-February session, depending on the November mission to Ghana. He also cited the plausibility of a more comprehensive, fall Aid Group Meeting, based then on the findings of an early (1970) Bank economic survey mission report.

HJNissenbaum/prc

cc: Hoffman
Christoffersen

OFFICE MEMORANDUM

TO: Files

DATE: October 5, 1970

FROM: Roger Chaufournier *h*

SUBJECT: Annual Meeting, Ghana: Meeting between Mr. McNamara and Minister Mensah

1. Mr. J.H. Mensah, Minister of Finance of Ghana, was to meet with Mr. McNamara on Friday, September 25, at 8 a.m. at the Bella Center. Unfortunately, due to some misunderstanding he was directed to the Hotel d'Angleterre where he was waiting for Mr. McNamara there. The Ministerial Secretary, Mr. C.O. Nyanor on the other hand, was at the Bella Center promptly at 8 a.m. We have not yet been able to find out who misinformed the Minister. The Minister had requested earlier that all arrangements for the meeting be made through their Executive Director, Mr. Tazi. We had complied with this request although, in order to make sure, I had written Minister Mensah on September 14, with a copy delivered to his Copenhagen office, confirming the time and place of meeting.

2. In the circumstances Mr. Mensah was only able to shake hands with Mr. McNamara and express to him his Government's pleasure to hear about the possibility of his visit in January. Another meeting was arranged for the Minister to meet with Mr. Knapp on Friday afternoon.

cc: Mr. Christoffersen
Mr. Reitter

RChaufournier/cn

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: December 16, 1970

FROM: Roger Chaufournier *RC*SUBJECT: GHANA: Minister Mensah's meeting with Mr. McNamara

Mr. J.H. Mensah, Minister of Finance of Ghana, met with Mr. McNamara at 5.30 p.m. on November 19. He was accompanied by Ambassador Debrah. Mr. Chaufournier summarized the discussions which were held with the Minister at the staff level. We had explained to the Minister the difficulty we had in recommending substantial external financial support to Ghana in the absence of a program which would give promise of a markedly more rapid rate of growth than was contemplated in the present Ghanaian short term plan. The Minister said he agreed that the targets of growth which had been stated at the debt meeting were too modest and that it "would not be worth risking his political life" for such modest achievements. He pointed to the difficulties of developing a program in the few months the new government had been in office and stressed some of the constraints to growth. In reply to Mr. McNamara's query Mr. Mensah explained that Ghana had no advantage to expand its cocoa production more rapidly than the increase in world consumption; an attempt to increase Ghana's share of the world market, now 28%, would have an adverse effect on price and lead to a reduction in Ghana's earnings from cocoa. A brief discussion ensued on the evolution of Ghana's production.

The Minister then referred to the debt meeting proposed for December 1971 in Paris, asking whether the general debt study prepared by the Bank would be ready in time. Mr. McNamara replied that the debt study would likely take much longer, that it was getting into some difficulty with some member governments. He advised Mr. Mensah to proceed with his own plans without waiting for the study.

Finally the visitors said they understood that Mr. McNamara's proposed visit to Ghana, which had been envisaged earlier for mid-January, was now being postponed to later next year because of the Prime Minister's absence. They asked whether it would be possible for Mr. McNamara to travel in the first week in January before the Prime Minister departs. Mr. McNamara said this would not be possible and the visitors did not press.

President has seen

Background Information

Mr. J. H. MENSAH
Minister of Finance and Economic Planning
Government of Ghana

Mr. Joseph H. Mensah, Minister of Finance, is the single most powerful and important man in the Government of Ghana on the economic side. A professionally trained economist, Mr. Mensah assumed his first ministerial position in September 1969 but had already been quite influential in Government economic policy and decisions for several years before then. In his present situation, Mr. Mensah's responsibilities encompass both the finance and planning functions. He plays a key role as well in determining monetary, credit and balance of payments policies.

Born in 1928, Mr. Mensah began his government career in 1961. His first significant position was that of executive secretary to the Ghanaian National Planning Commission in 1963. Shortly thereafter, he became its leader when the Commission concluded an over-ambitious, highly capital-intensive development plan which led to many unwise and uneconomic investments. The final contents of that plan are reported to reflect Mr. Mensah's own personal contribution. After that, in common with many other Ghanaians but later than most, Mr. Mensah disassociated himself from the Nkrumah government and left the country. In 1964, he joined the U. N. Economic Commission for Africa, under the auspices of his compatriot, Robert Gardiner, ECA's Executive Secretary. His work there included helping to form an association of African central bankers and drafting the constitution for the proposed West African economic community.

After Nkrumah fell, Mr. Mensah returned and was appointed a special economic advisor to the military government of the National Liberation Council. He remained in that capacity, closely associated with the NLC economic commissioner. In 1969, at the time of preparations for the return to civilian rule, Mr. Mensah was regarded as the logical candidate for the ranking government economic position and, in fact, moved into the top post several months before the elections. He launched an unexpected move to obtain additional debt relief from Ghana's creditors before the NLC left office which led to a debt conference last July.

During his one year in office, Mr. Mensah has become Ghana's economic czar, as well as a major political figure. He has taken personal charge of the country's family planning program. He was personally responsible for many major policy decisions in the recent budget statement governing Ghana's 1970-71 fiscal year.

President has seen



OFFICE MEMORANDUM

TO: FILES

FROM: K. Mortimer and Peter Reitter

SUBJECT: GHANA - Visit of Dr. A. Kwapong, Vice-Chancellor of the
University of Ghana, August 9, 1971

DATE: August 17, 1971

Dr. Kwapong was visiting the Bank to follow up on his meeting with Mr. McNamara in Ghana in May 1971. He wished to sound out the Bank as a possible source of capital assistance for the universities in Ghana. In particular he mentioned a center for continuing education for adults and bilingual conference hall facilities as high priority projects he had in mind. We explained that Bank assistance was framed in terms of priorities of a given sector as a whole, and that projects in the university sub-sector had to be assessed in this context. However, to enable us to form proper judgments it was helpful to us to have contact with, and obtain the views of, persons outside the Government such as Dr. Kwapong. We agreed with him that the universities, preferably through the National Council for Higher Education, should actively participate in Government planning for the education sector and that in this way their priority needs would be adequately taken into account.

In the afternoon of August 9, 1971, Dr. Kwapong paid a visit to Mr. McNamara. Dr. Kwapong explained that following Mr. McNamara's visit to Legon University he wanted to return the courtesy while in Washington. He explained that the purpose of his visit to the U.S. was to participate in a conference of chancellors of universities in Massachusetts on the subject of science and technology in education. Mr. McNamara stressed the growing importance the Bank was attaching to the subject in question. He indicated that this was fundamental for the development of education in developing countries.

Subsequently, Dr. Kwapong outlined his plans for the university of Legon along the lines of his earlier meeting with us. He referred again to the center for continuing education for adults and other needed facilities and pleaded for Bank Group support for these projects. In addition, Dr. Kwapong outlined his plans for enlarging the University's agricultural and livestock experimental stations in order to provide a visible demonstration effect to existing and prospective farmers. Upon a question by Mr. McNamara he emphasized that results within a limited period of experience had been encouraging. In conclusion, Mr. McNamara expressed appreciation of Dr. Kwapong's visit and indicated the Bank's interest in helping Ghana in the education field.

cc: Messrs. Chaufournier
Cheek
Christoffersen

Aug 13 3 00 PM 1971

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Bruce M. Cheek *Bmk*

SUBJECT: Visit of Dr. A. Kwapong, Vice Chancellor,
University of Ghana (Legon).

DATE: August 6, 1971

Dr. A. Kwapong, whom you met on your recent trip to Ghana, will call on you on Monday, August 9, 1971, at 6.00 p.m. A biography is attached.

From all we know, his visit is merely a courtesy call. However, it may be useful to have some background information on relevant subjects.

A major development in Ghana has been the proposal to set up a Student Loan Fund from which students may borrow to cover their accommodation fees rather than, as now, receiving Government-provided scholarships. The legislation for this politically courageous and socially justifiable step has now been presented to Parliament by the Prime Minister himself. There has been some opposition to the Bill. The most important criticism concerns the class-creating effect of the Loan Fund which would occur if the parents of poorer children are frightened off by the incurring of the debt and/or are unable to stand as guarantors themselves or find others to do so.

The present students also raised the point that a more effective step, from a budgetary point of view, would be to reduce the very high recurrent cost of university education. It is true that in addition to reducing scholarships, a reduction in university costs is imperative. For an enrollment of approximately 5,000 students, the two universities and the University College of Cape Coast absorb more than 20 percent of the total education budget. A part of the expenses is due to the very high standard of teaching and living to which the universities and their vice-chancellors aspire, and to the social services with which Legon in particular provides local residents. To a large extent also, the problem is one of weak financial administration and lack of control. As an example, of both these tendencies, at the University of Ghana in 1970-71 the number of non-academic staff increased from 3,200 to nearly 3,900 while student enrollment went up by only 24 persons and at 2,525 students is well below the number of non-academic staff.

President has seen

The Bank is proposing as part of the first education credit to Ghana, scheduled for FY 72, a study of university financing in Ghana in all its aspects. Such a study has the full support of the National Council for Higher Education, the agency nominally in control of university budgets and responsible for coordinating their expansion plans. We attach great importance to this study and the implementation of its recommendations for greater economy and improved management. Since previous studies on related subjects have remained on the shelf due to the political power of the universities, and since we are anxious that this fate does not befall the study we are supporting, you may wish to stress this point.

The main thrust of the proposed education credit is to achieve a reduction in the length of the pre-university education process, presently very long (up to 17 years), and to reform the system of technical and vocational education at secondary level. As such, the project does not directly affect the universities although it should improve the quality of entrants to the University of Science and Technology at Kumasi and of Science students generally. The project is designed to assist and accelerate the overall reform of education in Ghana, a priority objective of the Ghanaian Government itself. The goals of the reform have been discussed with us; the precise form which it will take is now under discussion within the Government and will be decided in principle before negotiation of the proposed education credit which we expect to occur after the Annual Meeting.

KMortimer/PReitter:df

KWAPONG, Alex A.

Vice-Chancellor, University of Ghana

Dr. Kwapong is a leading African intellectual with close links to academic and scientific communities throughout the world.

Dr. Kwapong has been a frequent visitor to the United States in recent years. He participated in the 1967 Williamsburg Conference -- held to consider ways to carry out the ideas of the global education act recommended by President Johnson at the Smithsonian's first international symposium in 1965 -- and has served as visiting professor of classics at Princeton University.

Born in 1927 at Akrapong in the Akwapim region of Ghana, Dr. Kwapong was educated at a local Presbyterian school, later majoring in Greek and Latin at Achimota College near Accra.

At King's College, Cambridge University, he won a prize as best scholar in classics, and was awarded the Doctor of Philosophy Degree in 1953.

Ten years later, after serving as Dean of Faculties and Professor of Classics at the University of Ghana, he was appointed pro vice-chancellor. And, in 1966, he succeeded Dr. Conor Cruise O'Brien as vice-chancellor.

Despite his numerous administrative duties, Dr. Kwapong has managed to keep alive his scholarly interests in historical studies about the interplay between Greek and early African civilizations, particularly those in Mediterranean North Africa.

He served as chairman of a Smithsonian symposium on "Man and Beast" and directed the forum assessments of the relationship of animal behavior to human behavior as interpreted by eleven distinguished scientists and scholars from the United States and abroad.

OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Peter Reitter

SUBJECT: Mr. McNamara's Visit to Ghana - May 20-21, 1971

DATE: October 5, 1971

Summary Record of MeetingsI. Meeting with Cabinet Ministers - Friday, May 21, 1971 - 9-10.15Present:

Mr. J.H. Mensah, Minister of Finance
Mr. R.A. Quarshie, Minister of Trade Industries and Tourism
Mr. R.R. Amponsah, Minister of Education
Mr. S.W. Awuku Darko, Minister of Works and Housing
Mr. T.D. Brodie-Mends, Minister of Lands and Mineral Resources
Mr. Jatoo Kaleo, Minister of Transport & Communications
Mr. A.A. Munufie, Minister of Rural Development and Social Welfare
Dr. Jones Ofori Atta, Ministerial Secretary, Planning Secretariat

Accompanying Mr. McNamara: Mr. Chaufournier, Mr. W. Clark
Mr. Christoffersen, Mr. Reitter

After welcoming Mr. McNamara, the Minister of Finance introduced the other members of the Cabinet. He referred to Mr. McNamara's visit as a welcome opportunity for a broad and frank exchange of views on Ghana's development problems and the assistance the World Bank Group could provide.

Mr. McNamara, in referring to the development objectives and strategy acknowledged the difficult situation and structural problems Ghana was facing. He felt among the key issues was the balance of payments development, in terms of export growth and import substitution and the reduction of unemployment, and invited the Minister of Finance to outline the Government's policy with regard to these issues.

The Minister of Finance saw the balance of payments problem in two dimensions: The longer term prospects for an increase and diversification of exports and possibilities for import substitution; and the short term problem characterized by a substantial shortfall of foreign exchange resources which Ghana found difficult to cope with. He stressed the volatility of the balance of payments because of sharp fluctuations in cocoa prices, the heavy dependence of the economy on imports and the heavy debt burden. Concerning Ghana's cocoa export prospects, the Minister of Finance felt that Ghana faced a real dilemma in terms of the impact of increased cocoa production and exports on world market prices. He stressed that Ghana might in fact not be any better off in terms of foreign exchange earnings by increasing its production and exports.

President has seen

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Mr. McNamara observed that he felt an expansion of cocoa production exports over the presently 385,000 tons was a first order of priority, in order to maintain Ghana's share in the world market which had dropped sharply over the past decade. Over the medium and longer term, therefore, Ghana's exports would need to grow by about 4 percent to meet this objective, roughly in line with world demand for cocoa. The Minister of Finance, on the other hand, felt that fluctuations in production on account of climatic or other conditions had a very significant influence on world market prices and questioned the case for increased cocoa production. He admitted, however, that total production or optimum levels had not been projected and that in this respect Ghana's cocoa policy had not been defined. Mr. McNamara urged that this be done as a matter of highest priority.

With respect to the problem of export promotion, the Minister of Finance referred to the bonus system which the Government had introduced for non-traditional exports. But he warned that the possibility of expansion was limited. He saw some possibility in steel and aluminum manufactured goods in the Nigerian and perhaps other markets in West Africa.

On the import side, the Minister of Finance confirmed the Government's intention to continue with the liberalization program. He acknowledged the problem of increased food imports and admitted that it was difficult to reduce imports substantially in this area. He stressed the importance of domestic production of oil palm, sugar, cotton, etc., as a means of both alleviating the balance of payments pressure and fostering development of the non-cocoa sector. Brief reference was made to the Cimao cement project on which Ghana had not yet come to a decision.

Turning to the question of unemployment, the Minister of Finance said that the Government had not yet found effective means for putting people to work. A kind of volunteer job corps had been established but had not yet had any major impact. He referred to reforestation as a possibility for increasing employment through labor intensive methods. He felt, at the same time, that more schemes for a concerted and rational effort to alleviate the employment problems were necessary.

As a basic requirement for coping with the unemployment problem, the Minister of Finance emphasized the importance of rural development by providing needed rural infrastructure like water, electricity, access roads and housing. Mr. McNamara agreed with the Minister's emphasis on rural development and admitted that the Bank's experience in the area of rural infrastructure was limited and that this area needed further study and investigation. He referred to the problem of rural water supply schemes which in their majority did not prove viable undertakings and had, therefore, not received Bank Group support. The same was true for rural electrification.

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Among urban problems, the Minister of Finance emphasized the urban transport as a key issue. He referred to the high transport costs for commuters, particularly in the Accra-Tema area. Again, no effective means had been devised to cope with this problem.

Invited to briefly summarize the Government's plans in education, the Minister of Education described the Government's intended reform of the system. He acknowledged the fact that the system was costly, and not geared to manpower requirements, particularly at the middle level. The adaptation of the education system to these needs deserved highest priority. The Minister outlined the need for reforming secondary school curricula to permit the introduction of technical streams and the need for a solution at the middle school level. He expressed gratitude for the prospective Bank Group assistance in the field of education which he considered of crucial importance in helping Ghana to reorganize and economize its system.

Mr. McNamara commented on the question of reform and the technical and vocational orientation of educational systems which he considered basic.

Responding to Mr. McNamara's general assessment of Ghana's development prospects, the Minister of Finance said that the indications of accelerated growth in 1970 were encouraging. He said that the medium term target was to reach a growth rate of $4\frac{1}{2}$ percent - 6 percent. At the same time, he considered the acceleration in food production from 4 - 6 percent another major objective.

Turning to the areas in which the Government expected Bank Group assistance, the Minister of Finance referred to cocoa, rice, maize, cotton, irrigation in the North, assistance for reforestation, and the expansion of the Tema harbor. All of these the Minister had previously discussed with Mr. Reitter. In addition, he expressed the hope that the Bank Group would provide assistance in the industrial sector, for the bauxite alumina industry and in transportation. He concluded by reiterating Ghana's hope for receiving program assistance from the Bank Group.

II. Meeting with Minister of Finance and Senior Officials of the Ministry of Finance, the Development Planning Secretariat, Bank of Ghana and State Financial Institutions - Friday, May 21, 1971 - 10.20-10.30

The Minister of Finance introduced Mr. McNamara and apologized for the short time available. Mr. McNamara then addressed the group briefly. After expressing his expectations for increased Bank Group assistance to Ghana, he referred to the Bank Group's role in developing countries in general. He stressed the importance of the understanding on the part of the Government and its institutions of the Bank Group's objectives and how it attempted to achieve them. A mutual understanding between the Bank

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and the member countries was vital for effective cooperation and was largely vested in such senior officials he was addressing. Mr. McNamara said that he was aware that the Bank was often criticized for its slow response to priority needs in the various countries. There were, however, very often false expectations about the speed with which development could take place and with which projects could be implemented. It was a slow and complex process which raised many questions and issues to which the Bank had not found ready answers. In order to be increasingly effective, the Bank needed to explore many basic issues further.

III. Meeting with Prime Minister Busia at Osu Castle - Friday, May 21, 1971 - 10.45-11.30

Present: Mr. J.H. Mensah, Minister of Finance, Dr. J. Ofori-Atta, Ministerial Secretary, Planning Secretariat.

Accompanying Mr. McNamara: Mr. Chauffournier, Mr. W. Clark
Mr. Christoffersen, Mr. Reitter

The Prime Minister welcomed Mr. McNamara and expressed his appreciation for the visit which he considered a visible sign of the close cooperation with the Bank Group and the increased assistance Ghana was obtaining. He referred to his meeting in May with Mr. Chenery which had given him a first opportunity for discussing some of the basic policy issues and problems confronting Ghana and to receive the benefit of the Bank's views on these problems. He was reassured by the assistance the Bank Group was providing, both in the economic field and in the preparation of projects.

In referring to the present economic situation and prospects, the Prime Minister underlined the basic difficulties in achieving accelerated growth of the economy. He distinguished between the more longer term objectives and the most immediate problems, particularly in Ghana's balance of payments position. The structural problems, widespread unemployment and Ghana's debt burden, did not leave the country much room for development without substantial external assistance. He acknowledged that while a beginning in the formulation and implementation of consistent policies had been made, a far more concerted effort on the part of Ghana was needed. He emphasized the need for better coordination within the Government for economic decision-making and referred to the role he had personally assumed early in 1971 in putting the Planning Secretariat under his immediate responsibility.

Addressing himself to the question of Bank Group assistance, he singled out five specific areas:

- a) Assistance in future debt negotiations;
- b) Bank Group lending for housing, urban development and social programs;

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- c) Assistance in economic planning and project preparation;
- d) Program lending; and
- e) Assistance in the bauxite/alumina sector.

In responding, Mr. McNamara referred first to the question of economic policy and planning and stated that, pursuant to the Prime Minister's request to Mr. Chenery, he had decided to station a Bank resident representative in Ghana. That, he felt, was necessary in view of a rapidly expanding Bank Group program and the need for close cooperation and coordination with the Government at all levels and in all relevant sectors. It was also designed to make aid coordination and the Consultative Group mechanism more effective. With respect to economic policy, he was glad to share the Prime Minister's view that the Bank representative could play an important role serving as a catalyst between existing advisers, the donor countries and the Government. The presence of a Bank representative should permit a realistic assessment on whether and how the Bank could provide assistance in the field of planning and project preparation over and above current efforts.

With respect to Bank assistance in future settlements of Ghana's medium term debt, Mr. McNamara replied that the Bank's role would need to be limited to providing the framework for any such negotiations in terms of thorough analysis of the balance of payments and debt problems. This limited role was dictated by the reluctance of many creditor countries to accept the Bank's intervention in debt reschedulings.

Turning to the Prime Minister's request for Bank financing of housing and social projects in general, Mr. McNamara regretted that he could not comply with Bank support in this field. While there was an obvious need for creating better housing and social conditions, both in urban and rural areas in practically all developing countries, the Bank had not entered that field, even though it had begun to review the problems of rural development, unemployment and urbanization. Mr. McNamara stressed that the most effective contribution of the Bank was in the productive sectors, apart from infrastructure and education. He emphasized, however, that the Bank was reviewing the problem of urbanization and unemployment, with a view to finding an effective approach to them..

In referring to the possibility of program lending, Mr. McNamara stated that the Bank had adopted clear policies and that we would be prepared to review this question and Ghana's case once the medium term development plan had been completed. He confirmed the Bank's interest in providing assistance for bauxite/alumina development. He also reiterated the Bank Group's increased assistance in general and to the agricultural sector in particular.

In pointing to the medium term plan, Mr. McNamara raised the question of the development strategy and the difficulty in coping with conflicting objectives. He emphasized the need for Ghana to increase her

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exports and to pursue a policy of economic import substitution as the only means to assure the longer term viability of the balance of payments. He felt that Ghana certainly had the potential for vigorous development and that the key requirement was the formulation and implementation of appropriate policies. External assistance could only supplement the internal effort. In this connection, Mr. McNamara warned of unrealistic optimism on the availability of development aid from all sources and about too optimistic a view about the time horizon in coming to terms with Ghana's fundamental problems.

The Prime Minister, while agreeing largely with the points stressed by Mr. McNamara, put the development problems of Ghana into the political and social perspective. He referred to the constraints of the present democratic system in Ghana, the aspirations and expectations of the people and the need for his Government to show results in visibly improving living conditions in Ghana. While he fully recognized the serious problems Ghana was facing, he was optimistic about the medium and longer term prospects for Ghana in consolidating its political and social structure and in forming the kind of society the Ghanaian people aspired to. He reiterated his confidence in the ability and willingness of the Ghanaian people and his Government to meet the challenge. He expressed the hope at the same time to justify the substantial external assistance Ghana required.

The meeting concluded after Mr. McNamara had acknowledged the Prime Minister's points of view and had expressed his own confidence in the future development of Ghana.

Cleared with and cc: Mr. Chaufournier

OFFICE MEMORANDUM

TO: Files

DATE: October 19, 1971

FROM: H. J. Nissenbaum *HJN*SUBJECT: GHANA: Meeting with Mr. Mensah

On October 4, 1971, Ghana's Finance Minister, Mr. J. H. Mensah, met with Mr. Chauffournier and other staff members to review a broad range of matters concerning Bank activities in Ghana. The topics discussed were the following:

Debt Rearrangement

Mr. Mensah's intention is to pursue the arrangements for the next round of debt rescheduling talks with the U. K. authorities. Since the creditors disapproved of the Bank's proposing a formula (contrary to his interpretation of the consensus of the last meeting), he plans to suggest that the Government of Ghana would propose a formula to be discussed in a later conference. In between, he plans to lobby with individual creditors for support of the proposed formula with all the creditors. The British representatives at the Annual Meetings indicated that the debt meetings should be preceded by some solution of Ghana's short-term private debt problem. It appeared that the U. K. Treasury felt that the IMF should be responsible for a solution to the trade credits problems. Mr. Mensah was dubious about that possibility but agreed that some multilateral framework would be needed for a solution. The latter was not likely to be achieved readily. He feared that creditor representatives at the proposed medium-term debt conference might be suspicious that any relief they provided would be used to substitute for that solution and be used to roll over the short-term debt. Accordingly, he indorsed the British idea of examining all aspects of Ghana's overall debt problem. For this, Mr. Mensah requested the presence of a Bank representative in Accra at the November Fund mission's visit. (This has now been arranged.)

While in London, Mr. Mensah hoped to establish that the British desire for the IMF team's findings did not mean awaiting its official report. This could permit convening the debt conference early next year. He also noted that U. K. did not believe that the completion of the medium-term development plan was necessary for that meeting.

Mr. Chauffournier reiterated his remarks about the Bank's participation in debt rearrangement activities. He also said that the Bank might be as helpful to the Government if it were not chairing the meeting and so was free to indorse the Ghanaian formula when asked to comment.

CG Meeting

In response to Mr. Chauffournier's comment that we were not pressing for an early meeting, Mr. Mensah felt that the next CG Meeting should be delayed to allow sufficient time for the Bank to make its decision on possible program lending. He had accepted this suggestion from the U. S. which coincided with the Minister's desire to have the next meeting concentrate on balance of payments assistance, not new capital projects.

The Minister said that it would be most important for the IBRD to indicate its intention to consider providing program aid at the meeting. The Germans had agreed to re-emphasize balance of payments assistance and the French were agreeable to that form of aid, as well. He had been told that the U. S. could not readily participate without a more substantial contribution from the Bank. The U. S. also requested a delay in order to take account of the results of the pending debt meeting.

Mr. Chauffournier stated that any December (1971) meeting would be too early to enable the Bank to establish whether there was an adequate basis for possible Bank program lending. Such an examination would entail an assessment of the balance of payments gap and the existence of a suitable development program. He cautioned the Minister that, although the new Bank policy was considerably more flexible, the very same donors who through their aid representatives express the wish to see the Bank participate in program lending in Ghana did not always take such a forthcoming position in their stance at the IBRD Board.

Level of Bank Lending

Mr. Chauffournier acknowledged the Minister's reference to the need for increasing the flow of Bank resources to Ghana. He indicated that the level of planned project authorization was likely to use the full limit of IDA funds available for Ghana, amounting to a very large share of the Department's total this year. He added that, while IDA limits represented a problem, the IBRD could consider greater Bank lending on the assumption that an easing of Ghana's debt service obligations would improve its creditworthiness base. To this, Mr. Mensah agreed that Ghana needed Bank-type resources as a supplement to possible IDA funds. He saw no objections whatsoever to Bank lending for projects in infrastructural fields such as railroad improvements.

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Guidelines for Bank Lending

In response to Mr. Chaufournier's request for clarification of the Government's position on future Bank Group assistance, the Minister called for a re-direction of the present pattern and acceleration of Bank lending. Noting the heavy emphasis on infrastructural projects, he called for a "correction" of the balance of Bank activity to conform more to the Government's priorities on rural and agricultural development. He questioned particularly the Bank's emphasis on the commercial viability of the corporations which it had helped to create in the fields of water and sewerage as well as electricity. He underscored also the danger that these institutions might fail to address themselves to the priority needs of Ghana precisely because of their relationship with the Bank. He felt that there was a need for directing future Bank Group assistance much more in the fields of rural development than in the past. Mr. Mensah called for our support of those activities of these corporations in the rural areas. He asked that the Bank revise its approach in transportation as well to help in the financing of feeder road improvements. While acknowledging the funds for this purpose in the cocoa project, Mr. Mensah asserted that feeder road improvements were much more essential in the food-producing areas than in the Eastern region.

Mr. Mensah also asked for more Bank help in conducting sector studies.

Agriculture

In this sector, Mr. Mensah expressed considerable concern that the Bank's emphasis concentrated too narrowly on the direct role of the Ghanaian Government itself rather than as the Government was trying to do, directing its efforts in agriculture to assisting private farmers in mostly smallholder operations. Because Ghana's managerial base in agriculture is essentially in the smallholder sector, the Minister felt that it would be most desirable to provide maximum opportunity for the participation of many smallholders, although he recognized that plantations were needed for some operations. He stressed also the need for more flexible approaches to institutions involved in projects to take account of various sizes of farms and types of farmers. On the question of project area, the Minister asserted that the tendency to concentrate on crops in a few selected areas was incompatible, as in the case of maize, with the widespread pattern of production of some crops. He felt also that we needed to concentrate more on the center of the cocoa-growing industry to obtain more production.

.../

The Minister asked that the Bank also review its position on the organization of agricultural projects to alter its present project approaches, particularly regarding their economic justifications. The rice project should be directed to assisting all rice farmers in the Northern region. Maize was grown everywhere in Ghana and should therefore not be restricted to that region. On that project, Mr. Mensah questioned the proposal to consider adding a storage component (in order to expand its foreign exchange component) which was incompatible with the practices of Ghana farmers. On other aspects, the Minister asked that Bank projects be defined to use and strengthen existing institutions as much as possible rather than to duplicate or ignore them. He questioned particularly the tendency to establish new organizations which lead to dispersion of efforts in the agricultural field. Citing particularly a proposal to create an authority similar to the existing Cotton Board, he contended that this would lead to an unduly high level of overhead and unnecessary duplication.

Referring to his previous proposal for an agricultural line of credit, Mr. Mensah recommended that the Bank's definition of agricultural projects should not always be conceived of in terms of a limited geographic area or a particular amount of acreage or production to be developed. Somewhat more flexible and faster assistance should be provided in the form of a loan to the Agricultural Development Bank which could on-lend to suitable farmers. This could help to expedite Bank lending, as was needed, to meet the Government's timetable. The Minister said, somewhat generally, that ADB's use of the funds could be controlled by forecasting and reporting arrangements. Production targets for particular crops could be set by analyzing Ghana's demand and taking account of price levels. A specified segment of a Bank loan could then be related to portions of such targets.

Another important question in agriculture, the Minister said, was the Bank's approach to local cost financing. He contended that the level of import requirements of projects should not be the base for determining the amount of Bank lending. Against the background of Ghana's balance of payments problems, what account was taken of the fact that many prospective agricultural projects would not lead to earning any foreign exchange?

Finally, the Minister asked that the Bank proceed with the Ministry of Agriculture's oil palm proposal, and expressed the hope that Ghana would not have to wait until 1974 for a maize project since the current grain deficit was too great for that. He indicated that the rice program was already under way.

.../

In commenting on these remarks, Mr. Chauffournier indicated that the Bank had no difference of opinion as to the desirability of meeting the Government's concern and priorities. The infrastructural concentration was the result of slow process of project preparation. The feeder road problem needed attention. The focus on rural development, rather than solely commodity-oriented approaches, was a major preoccupation of the Bank. One indication of this was the fact that 8 of 10 African agricultural projects concerned smallholder farming. Another was the proposed rural development activity in Upper Volta.

Regarding local cost financing, Mr. Chauffournier explained that the sugar project included none because the foreign exchange needed (which the Bank was meeting completely) was so high, leading to our covering about 72% of total project costs. He explained also that local cost financing was determined more by the needs of the economy than each particular project's financial requirements. The Bank recognized, moreover, that agriculture projects involved in most cases local cost financing.

On the question of institution-building, Mr. Chauffournier agreed with the Minister that there was a need to consider carefully the best way to approach each instance. He emphasized though that it was also important to distinguish between short and longer-term goals, which was where the differences arose. We had to take into account the trade-off between the risks and the costs of delays in trying to perfect institutions.

Consultative Group

Minister Mensah said that the Consultative Group for Ghana had as yet not developed a clear personality. He thought that such a personality might emerge from the presentation to the group of an overall development program. Using the test of increased aid as a measure of the successes and failures of the Group, the Minister pointed out that, at least up to the present, no aid had been made available to Ghana that would not have been provided had there been no Group. The Minister recognized that donors consider the Group useful to them; aside from this, he found it difficult to say precisely where the Group's contribution might lie. If any donor had been influenced by the Group, it was perhaps the United States. In contrast, the U. K. continued to shift its aid from program to project assistance, even though it was apparent to anyone that Ghana's aid needs could not be covered by project aid. Commenting on the difference between the Group as sponsored by the Fund and later sponsored by the Bank, the Minister said that the donors tended still to regard the Group as being merely a device to get a clean bill of health on the Ghanaian economy. In his view, this was an insufficient basis for the group as chaired by the Bank.

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Mr. Chauffournier pointed out that the success or failure of an aid coordination group could be measured by determining precise objectives in advance of each meeting, and that not all meetings were the same in this respect. He hoped that Ghana and the Bank could agree on precise objectives in advance of future meetings and state them frankly to the donors at the outset.

The Minister said that the Consultative Group discussions tended to focus too heavily on the Government's economic policies and insufficiently on aid to Ghana. He said that the Government's list of projects had evoked some response, but such a list could be presented just as easily to the donors individually as collectively. In fact, Ghana was now preparing a specific list of projects for the U. K.. If there were joint financing with the Bank, then at least three parties would be involved, but even in that case there would still be no need for a full discussion of the list bringing all the donors together.

The Minister noted that once a document was submitted to the Consultative Group, it appeared to have a fairly long life. He observed that some project proposals make little progress from year to year, and found that many items were insufficiently prepared. Hence the mobilization of human resources for project preparation following consultative group meetings was particularly important. In a sense, this was a chicken and egg problem. If a government agency saw no prospect of obtaining external finance for a project, its approach to preparation was lukewarm, but unless there was a sufficiently prepared project, the donors' response was unenthusiastic. For this reason he thought there might be a need for work outside the Consultative Group to build up a sufficient project pipeline for Ghana; only if such a pipeline were established would it be appropriate to bring in the group.

In response to a question concerning the possibility of increasing preinvestment work by the UNDP, the Minister said UNDP's program was rigid, and the net addition of resources each year was too small to be able to have a significant impact on Ghana's preinvestment needs.

The Minister said that another reason for difficulties in the Consultative Group was the lack of agreement on Ghana's balance of payments projections. Some donors, he said, did not desire to or at least were not authorized to discuss balance of payments problems at Consultative Group meetings. Referring to the July 1970 debt meeting, he had proposed the establishment of a sub-committee to consider the matter, but the creditors had not been willing to give any status to the conclusions that would emerge. He suggested that Bank and Ghanaian officials try to establish the technical requirements for an objective evaluation of Ghana's needs and then to determine jointly whether the donors could meet them.

.../

The Minister considered that the Bank's economic reports should form a background for Consultative Group deliberations but not actually constitute material for its discussion. The discussion, he said, should focus on assistance to Ghana rather than economic policy. If the Group became a really active one, he thought meetings might be held as frequently as every six to nine months. He said he was currently endeavoring to organize a subsidiary multilateral group in Accra as well as meetings on individual sectors. The 2-day Consultative Group sessions were so short that there was insufficient time to discuss projects, or the country's program as a whole, either at the meetings or outside the meetings with individual delegations. To discuss Ghana's total program, the Minister said that more senior donor country officials than Consultative Group participants were necessary. For this purpose, visits to the donors' capitals were necessary.

Resident Mission

Mr. Mensah indicated that he would give us comments on terms of reference for the Bank's resident mission in Accra. He indicated that these could stress assistance in planning and strengthening coordination both between the IBRD and the Government, as well as within the Government itself.

cleared with and cc: Mr. Chaufourmier
cc: Messrs. Chadenet
Cheek
Hoffman/Elmendorf
de Vries
McGibbon
Chaudhri
Reitter
Miss Mortimer

HJNissenbaum:crm

OFFICE MEMORANDUM

TO: FILES

FROM: Peter Reitter

SUBJECT: GHANA - Annual Meetings 1971
Ghana Delegation - Meeting with Mr. McNamara on
September 28, 1971 - 8.30 - 9.00 a.m.

DATE: October 20, 1971

Ghana Delegation: Mr. J.H. Mensah, Minister of Finance
H.E., E.M. Debrah, Ambassador of Ghana
Mr. A. Nikoi, Principal Secretary,
Ministry of Finance
Mr. H. Nelson, Principal Secretary,
Development Planning Secretariat
Prof. S. Sey, Deputy Governor, Bank of
Ghana

Bank: Mr. McNamara, Mr. Knapp, Mr. Chenery,
Mr. Chauffournier, Mr. Reitter

After welcoming the Minister of Finance and the other members of the delegation, Mr. McNamara invited Minister Mensah to raise any issues of importance concerning Ghana's relationship with the Bank.

The Minister responded that the most important issue for Ghana was to obtain the Bank's assistance in arranging for a long-term settlement of Ghana's medium-term debt. He said that general agreement had been reached at the London Debt Conference in July 1970 that the Bank would assume this role. He had the impression, however, that the agreed upon role of the Bank had been reduced to providing only factual information and statistics on Ghana's external debt, together with an assessment of the current and prospective economic situation and balance of payments development. This, in the opinion of Minister Mensah, was not sufficient. He urged that the Bank assume a far more active role in working out a formula or proposal for a debt settlement.

Mr. McNamara replied that it was not the Bank's policy to assist countries in terms of making proposals for debt settlement, a position which had been strongly endorsed by the Executive Directors earlier this year. He added that the Bank would only assume this role if specifically requested by the creditor countries and the debtor country in question. He enquired whether Minister Mensah had any indication from the U.K or other countries to that effect. Minister Mensah replied that while the position of the U.K. towards Ghana and the need for a longer-term settlement had become more favorable, he was uncertain about the British position. Mr. McNamara suggested that, as a first step, the Ghanaians should explore the attitude of the U.K. and perhaps other creditor countries and that we would likewise pursue this question with the British delegation to the Annual Meetings. He suggested that we would be prepared to meet with Minister Mensah and his delegation again later in the week, or the following week, on this issue.

President has seen

October 20, 1971

As a second point, Minister Mensah referred to the Bank's approach on project lending, particularly in the agricultural sector. He felt the Bank's criteria were too narrow and he had noticed a tendency on the part of the Bank to create new institutions or institutional arrangements for the projects it assisted, rather than to utilize existing channels. He agreed with the need for institution building, but felt that this should, first and foremost, be applied to existing institutions, rather than in the form of establishing new ones. He specifically referred to the Agricultural Development Bank and the National Investment Bank in Ghana, and stressed the need to incorporate them fully into the Bank's lending operations in these two sectors. The problem was not only an institutional one, but also reflected the Bank's policy to confine its assistance to individual crops and its insistence on setting up individual project administrations in the various parts of the country. This, the Minister stressed, ran counter to the Government's development policies. He urged the Bank to reconsider its approach and to provide financial assistance to the Agricultural Development Bank for on-lending to farmers for the type of crops and activities already supported by it. In this connection, he emphasized the importance of the Government's efforts to increase production of rice and maize in the country, programs for which he counted on the Bank Group's support.

Mr. McNamara inquired whether the Minister had in mind substituting the programs outlined for projects in the agricultural sector which the Bank had currently under consideration and, if so, whether he considered this feasible in the foreseeable future. He also asked Mr. Knapp to comment on the question of Bank Group lending to financial intermediaries. Mr. Knapp emphasized, while this was often the most convenient way to assist the agricultural sector, it was the Bank's policy to support specific programs rather than to provide general lines of credit. Mr. McNamara and the Minister agreed that these questions should be pursued further in meetings with Mr. Chaufournier and his staff.

The only other point the Minister said he wanted to raise were the terms of reference for the Bank's resident mission in Ghana which the Prime Minister had asked him to review while in Washington. Mr. Chaufournier stated that such terms of reference had been prepared and that he wanted to take this matter up in a separate meeting.

Following, Mr. Chenery asked the Minister of Finance to outline briefly current economic developments with particular reference to resource mobilization, expenditure control, export promotion and import management, as well as to give a more general assessment of the prospects for accelerating growth of the economy. In his reply, the Minister referred to his recent budget message and indicated that the Government had taken a number of measures to increase revenues for meeting increased development expenditures. He mentioned the development levy on urban wage and salary earners which had not made him altogether popular. He also referred to further strengthening of the tax administration. On the expenditure side, the budget had provided

October 20, 1971

for an expansion of development expenditures, while holding down the increase in current expenditures. The latter was not an easy undertaking, but he personally felt that the Government's determined policy in this field should have visible results.

Turning to the export side, he considered the near and medium-term outlook for cocoa somewhat pessimistic on account of the current price trend on the world market. This posed clearly a dilemma for Ghana, since there was no great scope for expanding rapidly non-traditional exports even though some partial indications of the Government's export bonus scheme were encouraging. Ghana, the Minister felt, had to supplement its efforts on the export side by concentrating on import substitution, particularly in agriculture. The program for increased domestic rice production was aimed at that goal. With respect to import management, further measures to control and reduce imports had been introduced with the new budget ranging from the prohibition of car imports to tightening commercial credit. He was not sure, however, at this moment, how far these measures would go. In general, he felt that the policy measures taken so far had been successful, and he felt confident about the prospects of accelerating growth, particularly on account of the encouraging developments in the agricultural sector.

The meeting adjourned after Mr. McNamara had thanked the Minister for his visit and acknowledged his appreciation for the views he had expressed.

Cleared with and cc: Mr. Chaufournier
cc: Mr. McNamara
Mr. Knapp
Mr. Chenery
Mr. Chadenet
Mr. Cheek
Mr. de Vries
Mr. Rowe/Mr. Denness
Mr. McGibbon
Mr. Chaudhri
Mr. Nissenbaum
Miss Mortimer

Preitter:VM

OFFICE MEMORANDUM

TO: Files

DATE: October 20, 1971

FROM: H. J. Nissenbaum *HJN*SUBJECT: Annual Meeting - Discussion with Ghana Delegation

On Tuesday, September 28, 1971, following Mr. Mensah's meeting with President McNamara, he and the Ghanaian delegation met with the Western Africa Department. Present on the Ghanaian side were Minister Mensah and Messrs. Afful, Fordwor, Gyampoh, Gyasi-Twum, Nelson, Nikoi, Pianim and Sey. The Bank attendees included Miss Mortimer and Messrs. Chauffournier, Cheek, De Vries, Reitter, McGibbon, Bazin and I.

In a brief review of operational questions, the Minister first raised the question of possible Bank Group lending to intermediate Ghanaian credit institutions for a broader range of development needs than those contemplated in our current projects. Mr. Chauffournier responded by reminding the Minister of Mr. Knapp's comment that Bank Group assistance to such institutions had to be related to their specific programs rather than simply the overall needs of those institutions. It was agreed that we would meet with Messrs. Afful and Gyampoh afterwards to pursue this matter.

Turning to the question of bauxite development, Mr. Mensah referred to the transportation studies for such development, for which he requested Bank funding. He wanted such a study to go beyond the scope of work of the projected assessment of the railway transportation from Kibi to Tema and port facilities at Tema which is to be included in the preliminary Kaiser study. Mr. Mensah felt that such a study should consider transportation requirements related to possible Ghanaian development of its other bauxite resources which might entail assessment of transportation to and port facilities at Takoradi. While the Bank had already agreed to help review the terms of reference for the Kaiser study, Mr. Mensah asked that the Bank go further and become more involved earlier. He wanted to insure that the Kaiser assessment took into account the full scope of Ghana's transportation requirements in the area, not simply those related to the possible alumina development's railway and other transport needs.

On the sugar project, the Minister urged the Bank to examine very carefully any possible recommendation for further increases in sugar taxes which might be contemplated in connection with the project. He felt that the Government was not likely to agree to any such further increases.

.../

On the education project, Mr. Mensah inquired as to whether the Bank wanted a letter from the Government on the nature of the prospective educational reform. He elaborated, saying that it was not likely that the final decision on that reform would be taken immediately and that he hopes that this uncertainty would not prejudice the timetable for this project. The Minister was assured that no further information was required from the Government at this time.

Mr. Mensah expressed his interest in the status of and the assumptions underlying the Bank's input to the potential debt conference. By way of background, he said that he had originally conceived of the Bank's role along the lines of a neutral source suggesting a formula to the group of creditors. He still felt this was advisable since it would be difficult for the Ghana Government to frame any very new proposal. By the same token, he feared that the creditors would settle for the "least common denominator". Accordingly, the Minister intended to check with the UK on the acceptability of the Bank's performing a much broader function than simply providing the statistical analysis. Regarding the timing of the upcoming meeting, the Minister asked if the Bank saw any advantages accruing from a possible linkage of the debt and Consultative Group meetings. He felt personally that some might result in this instance particularly since the delays on the UK side could conceivably lead, given their political commitment to Ghana, to their agreeing to a better aid-debt package to Ghana's benefit.

In responding, Mr. Chauffournier depicted the Bank's role on a spectrum between simply compiling statistics on the one hand and organizing and running a debt meeting to which it also proposed a formula, on the other hand. He felt the latter option was unlikely because of the opposition of the creditors. He cautioned the Minister that donor countries in general feared that CG's were drifting towards matters of debt settlement. They felt that the Bank's role should be limited to questions of new aid flows with far less substantive involvement in multilateral debt meetings. In the case of Ghana, while the Bank would not prepare a formula for a settlement, its analysis would in fact serve as a basis for such a formula. He recommended, however, that the Ghana Government might "test" donors as to what more the Bank might do. If the creditors wanted the Bank to take the leadership, this would open the matter for discussion.

Mr. Chauffournier added that the forthcoming Bank economic report indicated that, without long-term debt relief, no substantially greater level of Bank Group resources could be provided to Ghana. Consequently, the donors would have to bear in mind, more bilateral assistance would be needed. On the other hand, Ghana could be considered eligible for more

.../

Bank-type funds if there was a long-term debt solution. He concluded by advising the Minister to seek a debt accommodation based partly on Ghana's recent policy actions and its forthcoming development plan.

The Minister said that he was skeptical about making any further judgments as to how the Ghanaian economy was proceeding, let alone long-term forecasts on that point. On the reference to the development plan, he indicated that he was concerned about proposals in multilateral meetings which have the effect of tying down very specific conditions for Ghana. He felt therefore that the development plan should be handled in such a way so as not to be a hindrance. Considering Ghana's experiences in the past two years, he felt that the time had come for donors and creditors to make their judgments far more on the basis of the present economic situation in Ghana than on planned future actions. In any event, he doubted that all the creditors placed very much emphasis on the requirement for a development plan. To this point, Mr. Chauffournier indicated that, at last year's Nigeria CG meeting, the central issue for the donors was the Bank's judgment on the extent of the realism of the new Nigerian Plan. But there was an understandable difference in viewpoints on this question.

Mr. de Vries said that the Bank and Ghana had the same objectives on the debt question. The Bank's approach was to provide the best possible analysis, not just the figures although these were important. He suggested, however, the Government was in a better position than the Bank to suggest a formula for solution. Creditors were much more interested in Ghana's policies than the development plan as a paper

Turning to the question of the short-term debts, Mr. Mensah said he agreed that this represented a background factor for the debt meeting but did not see how it could readily be solved before that. Messrs. de Vries and McGibbon suggested that while those short-term debts would not be subject to consideration at such a meeting, they felt that the creditors would be concerned about their status. Mr. Mensah said he proposed to have the discussion of the short-term debts confined to a meeting of creditors alone before the medium-term debt conference. Mr. Chauffournier remarked that it was advisable to clarify the impact of any settlement of the short-term credits on the medium-term debt and on the balance-of-payments.

.../

In response to the Minister's comments on the CG's timing, Mr. Chauffournier said that everything depended on Ghana's objectives for such a meeting. The Bank would be prepared to organize an aid meeting immediately following the Debt Meeting but it would have to be directed to the need for the next 12 to 18 months, since Ghana would not yet have a development program in which the Bank could comment. In these circumstances, the CG meeting should have a quite limited objective such as support for the debt meeting discussion and consideration of the financing of the next 18 month's project requirements. Mr. Chauffournier and the Minister agreed to discuss the matter again in a few days.

Cleared with and cc: Mr. Chauffournier

cc: Messrs. Cheek
Hoffman/Elmendorf
de Vries/McGibbon
Chaudhri
Miss Mortimer

HJNissenbaum:crm



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Bruce M. Cheek
SUBJECT: Visit of Mr. Darko

DATE: February 10, 1972

1. At noon on Friday, February 11 you are having a visit from Mr. Darko the Executive Vice President of the International African Chamber of Commerce. All that I have been able to glean about Mr. Darko and his organization is based on discussion with Mr. Adomakoh.
2. The Chamber of Commerce is a creature of Mr. Darko himself and formerly operated from Chicago. It now works out of L'Enfant Plaza because Mr. Darko tries to maintain close contact not only with U.S. business men but with ambassadors from African countries. From time to time he sponsors large meetings to create interest in African affairs and U.S. investment in the continent. He supports the Chamber partly by appealing for funds from various individuals in the U.S. business community.
3. Mr. Darko himself is a Ghananian, age 30-35 years. He is what I would term an 'operator' and pushes for contacts which would promote his interests in African development.
4. Mr. Adomakoh met Mr. Darko some months ago and adopted a cautious approach to avoid any intimate involvement in the Chamber of Commerce. We do not have any clue on the specific reason why Mr. Darko wishes to see you or what ideas he has developed in recent months. I can only repeat that he is striving to generate interest in African matters, particularly among the U.S. business community. He is also apparently well received by some African ambassadors. However, we have no real evidence either on his specific objectives or on the tangible achievements of Mr. Darko and his Chamber of Commerce.

Cleared with and cc: Mr. Adomakoh

BMCheek:ia

President has seen



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Roger Chaufourmier *z*

SUBJECT: Meeting with Ghanaian Officials

DATE: February 22, 1972

You are scheduled to meet briefly at 9 a.m. with two representatives of the new Ghana Government administration:

- Brig. N. Ashley-Larsen, chief of the defense staff and the former air force commander; a senior member of the governing National Redemption Council (NRC); also designated as commissioner in charge of the trade, industry and tourism ministry.
- Dr. S. Asanté, Solicitor-General and a member of the civilian group advising the military regime; former member of the Bank's Legal Department.

Their mission is to express directly to you their Government's desire for continued collaboration with the Bank in the assistance field. In addition, they came to explore the pro's and con's of enlisting the Bank's services in the resolution of the current issue over Ghana's external debt problem. They may present you with a letter from Col. Acheampong, the new Ghanaian leader, on these points.

On aid, apart from underlining the importance of agricultural development, the delegation is not expected to make any new requests. Please note that during my recent visit to Accra, I urged the Government to define its economic policies as a basis for our determining whether we could proceed with a sizable array of projects. We have a total of about \$ 55 million for sugar, education, water supply, road rehabilitation and telecommunications projects which could be authorized over the next six months.

On debt, the two Ghanaians will probably express their appreciation for last week's indication of your willingness to consider a mediating role for the Bank. In a preliminary session yesterday, they indicated that their task is to recommend to the NRC later this week whether it should formally seek such help.

The delegation, accompanied by Ambassador Debrah, understands that this morning's meeting is to be as brief as possible. They will meet with us afterwards and see Mr. Tazi and U. S. Government officials later.

They learned this indirectly from the British

Hj 3/2

President has seen

OFFICE MEMORANDUM

TO: Memorandum for the Records

DATE: March 7, 1972

FROM: H. J. Nissenbaum *HJNissenbaum*SUBJECT: GHANA: Visit of Delegation

46-2/15
On February 22-23, 1972, a two-man delegation from the Government of Ghana visited the Bank for discussions concerning Ghana's external debt problem and Bank relations with the new Government. They personally delivered the letter of February 16 from Col. Acheampong to Mr. McNamara (copy attached).

Brig. N. Ashley-Larsen (Commissioner of Trade, Industry and Tourism) and Mr. S. Asante (Solicitor General) met twice briefly with Mr. McNamara and several times with Messrs. Broches and Chaufournier. Mr. Cheek and other members of the Western Africa Department attended the meetings, as did Amb. Debrah.

Initially, the delegation indicated that its purposes were to assure the Bank of the National Redemption Council's desires to keep open the lines of communication, most particularly in the aid field. Its main goal, however, was to pursue the question of possible Bank involvement in the Government's external debt problem.

The Government had been considering asking the Bank to mediate the difficulties arising from its February 5th statement and to help bring about their settlement. It, however, was reluctant to request the Bank officially to do so, if only because of the constraints which Mr. Chaufournier had cited to Col. Acheampong in their meeting on February 8th. In addition, the Government was not clear of the creditors' position on this matter. Therefore, the delegation had come to obtain up-to-date and comprehensive information on these questions which would be used in advising the Government on how to proceed.

The results of the discussions are summarized in the "Minute" of February 24th (copy attached). In addition, it should be noted that:

1. Much of the discussions consisted of a recitation of the status of the situation and an exploration of what might be entailed from Bank involvement. In discussing developments on the debt scene, Mr. Chaufournier declined to detail what transpired at the London creditors conference because our representatives had attended purely as observers. (This gap was filled, subsequently, by information obtained from U. S. sources.) With that understanding and the statement of the Bank's position given to the creditors, the delegation appreciated the environment and trends favoring reliance on the Bank's "good offices".

President has seen

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2. Mr. Chaufournier outlined some possible approaches to providing that role as well as their implications. It was noted, for one, that an essential basis for proceeding would be the assurance on the creditors' part of a willingness to consider a long-term debt rearrangement consistent with Ghana's developmental needs. Correspondingly, it was equally essential that the Government of Ghana be prepared to define an acceptable program of economic policies, provide assurances that the Government is prepared to take the actions required to achieve a viable and more sustained development effort, and give evidence of its willingness to discuss the terms of a suitable debt settlement. It was recognized that any discussion of suitable terms for a debt settlement would necessarily have to take into account the prospects for future development assistance to Ghana. The Bank indicated that it was prepared to help the Government in the formulation of such a program, with the assistance of the Fund which had expressed the same readiness.
3. On the last point, the extent to which the IMF might be involved and its implications concerned the delegation significantly. (It was for this reason that the delegation failed to see the Fund during the visit.) We indicated that some association seemed clear but we could not predict what might emerge from the Fund's involvement (particularly since there had not been any discussion with them on this subject). Mr. Chaufournier depicted a wide range of possibilities extending from the IMF giving purely advisory views on questions to an eventual debt settlement being tied to Fund assistance. He was able, moreover, to indicate that any such involvement did not automatically mean the imposition of a standby or demand for reversal of the Government's action on the cedi. Conversely, we made it clear that the short-term and other aspects of Ghana's current economic problems were particularly amenable to the Fund's expertise. In addition, the Bank and the IMF could have quite similar views on some of the Government's current problems. We emphasized, however, that the Bank was interested in seeing a debt settlement which did not entail "stagnation". In addition, it was suggested that the extent of the Fund's involvement partly depended on how the Government approached the short-term credit problem.

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4. Other parts of the discussion concerned the separation of legal issues from matters involving the pro's and con's of particular repayment terms. Further, Mr. Chauffournier emphasized that the creditors' positions were bound to be affected by debt situations in other countries and other external factors. He also told the delegation that such problems carried considerable weight in matters of Bank lending. Conversely, Mr. Ashley-Larsen suggested that the Bank and the creditors bear in mind that Ghana too faced unpredictable and seemingly extraneous problems, for which some flexibility was required.
5. A sticky procedural problem arose over the question of communications. The Government had written the creditors about the February 5th statement -- how and when was this to be replied? If the Government wished to request the Bank's assistance, how could it do so before officially learning of the London meeting's results and, more important, before knowing the other "side" had acted first? This was worked out by our indicating that we would inform the Government of the creditors' request (assuming this eventuates) and, correspondingly, the minute reflected the delegation's agreement that the Government would communicate "as soon as possible" with the Bank on the understanding that the Government would not act first.
6. Mr. Chauffournier described a probable sequence of events which might follow requests to the Bank from the creditors and the Ghana Government. There would first be a discussion with both parties to confirm the conditions for a settlement, including the factors cited in para. 2 above. With this, the Bank would proceed to an assessment of the Government's near-term economic program and development plans, plus an understanding on the Fund's participation. At the same time, we would be formulating several debt rescheduling-aid alternatives.

Apart from the coverage of the debt subject, there was considerable discussion about the Bank's lending policy towards Ghana. Mr. Chauffournier underscored the importance of the Government's deciding upon an adequate economic program, the subject of the upcoming Bank review of the situation in Accra. He added that any recommendation to the Executive Directors would have to reflect some movement on the debt problem. In this connection, Mr. Chauffournier pointed out the difficulties of convening any meeting of the Consultative Group (to which Col. Acheampong's letter referred). Such a meeting was not very likely at the time that Ghana's debt problem was at issue.

IBRD
Western Africa Department
February 24, 1972

MINUTE

The following is to summarize the discussions and understandings between representatives of the Ghana Government and the Bank in Washington on February 22-23, 1972, following up on the letter from the Chairman of the National Redemption Council (NRC) to Mr. McNamara of February 16.

With respect to lending activities, the Bank wishes to continue to assist Ghana in its development efforts. As indicated in the meeting in Accra with Colonel Acheampong on February 8, this depends on the Government's formulation of its economic policies and investment priorities governing the next 18-24 months. It was agreed that a Bank mission, concentrating particularly on measures to improve Ghana's balance of payments and budget positions, would be desirable in the very near future. Prospects of a solution to the present external debt impasse were also essential for the Bank to recommend new operations to the Executive Directors.

The major part of the discussions then focussed on the external debt problem. The Government representatives indicated that, following reference to a possible Bank role during Mr. Chauffournier's visit, they had come to Washington to explore and learn more about this possibility. The representatives of the Ghana Government said that they would like to know the definitive reaction of the creditor countries as a basis of their recommendation to the NRC. The Bank indicated that the February 17 meeting of Ghana's major Western creditors which it had attended in an observer capacity, concluded with a generally favorable attitude towards a possible Bank mediation role as a means of resolving the debt question. However, the Bank had not yet had any official communication from the creditors of their positions and would not expect to receive any until they had completed their consultations within their own government.

In the discussion, the Bank representatives noted that the Ghana Government officials were approaching this matter with an open mind. Mr. Chauffournier restated the position outlined to the London conference in response to inquiries by some creditor countries, i.e., that the Bank would be prepared to lend its good offices if requested by both sides provided preliminary soundings indicated the likelihood of an effective and productive contribution on its part.

February 24, 1972

- 2 -

In reply to the delegation's inquiries, Mr. Chaufournier outlined some possible approaches to providing good offices as well as their implications. It was noted, for one, that an essential basis for proceeding would be the assurance on the creditors' part of a willingness to consider a long-term debt rearrangement consistent with Ghana's developmental needs. Correspondingly, it was equally essential that the Government be prepared to define an acceptable program of economic policies, provide assurances that the Government is prepared to take the actions required to achieve a viable and more sustained development effort, and give evidence of its willingness to discuss the terms of a suitable debt settlement. It was recognized that any discussion of suitable terms for a debt settlement would necessarily have to take into account the prospects for future development assistance to Ghana. The Bank indicated that it was prepared to help the Government in the formulation of such a program, with the assistance of the Fund which had expressed the same readiness.

In summary, the Bank indicated that, should it receive a confirmation from Ghana and from the creditors that they want the Bank to use its good offices in helping to resolve the external debt issue, it would proceed with the proposed approach. In doing so, it would be in close consultation with the IMF. The Bank would undertake immediately to consult with both parties as to the basis on which they would be prepared to enter into negotiations and as to the extent of its own role. In addition to being prepared to send the aforementioned representatives to Ghana immediately to review the Government's short-term program, the Bank will promptly begin to formulate alternative approaches to serve as a basis for subsequent negotiations.


The Bank representatives invited the Government of Ghana to indicate at an early date whether it would welcome the Bank's good offices should the creditors confirm their favorable attitude towards a Bank mediation role. The Ghanaian Delegation said the Government would communicate with the Bank as soon as possible.

During the conversations, the general role and functions of the International Centre for the Settlement of Investment Dispute were explained to the Government representatives.



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Roger Chaufournier 

SUBJECT: GHANA - External Debt Problem

DATE: March 20, 1972

27/30
You are scheduled to meet briefly at 12:20 p.m. today with Ambassador E. M. Debrah of the Government of Ghana. The purpose of this call is to deliver a letter to you from the head of state concerning the Ghana external debt problem.

Based on the briefing we received from Mr. Broches this morning, the letter is likely to contain a request for the Bank to begin exploratory work on resolving the impasse between Ghana and her major western creditors. The letter would represent a follow-up to the visit of the Ghanaian delegation here on February 22-23 and your letter to Col. Acheampong of February 29 (copy attached). The gist of this letter, as Mr. Knapp informed you, was conveyed to Mr. Broches by Col. Acheampong in their meeting last week.

With the receipt of this letter, I now believe that it is advisable to initiate the preliminary soundings on this problem promptly. These would be purely exploratory and intended solely to establish whether there is a basis for the Bank to assume the role of an intermediary in this dispute. In the light of the French position on this question, I believe that a brief round of talks with officials in Bonn, Paris, London, The Hague and Tokyo would be most useful in clarifying the Bank's role in this matter. It would also help Ghana and the major creditors take the important first steps towards the necessary debt settlement. Accordingly, I propose to visit the aforementioned capitals during the remainder of this week and the first half of next week with a subsequent trip to Accra.

Attach.

cc: Mr. Knapp
Mr. Broches

HJNissenbaum:crm

President has seen

February 29, 1972

Colonel I. K. Acheampong
Chairman
National Redemption Council
The Castle
Osu, Accra
GHANA

Dear Mr. Chairman:

I was glad to welcome Brigadier Ashley-Larsen and Mr. Asante who called on me on February 22, 1972 and to meet with them again when they were about to return to Ghana. It was good to have your letter of February 16 which the Brigadier gave me. It confirmed some of the main points of your discussions with Mr. Chauffournier in Accra on February 8 and gave a clear statement of the Government's position with respect to Ghana's economic problems. It also provided a good background for the three days of discussion which our staff had with your delegation.

I should like to confirm to you the Bank Group's sincere concern for Ghana's economic situation and our desire to help the Government undertake measures designed to resolve the current problems and to promote economic development.

With respect to external debts, I note particularly the emphasis you place on avoiding undue strain in Ghana's relations with donor countries and your willingness to have disputes submitted to ICSID. Arrangements with regard to the medium-term debts are indeed important to any program for the longer term development of Ghana's economy. In response to your delegation's inquiries we have explained that the Bank would be prepared to lend its good offices if requested by both sides provided preliminary soundings indicated the likelihood of an effective and productive contribution on its part.

As you will note from the Minute of our meetings with your delegation (copy of which is attached), we look at the debt question in the context of Ghana's overall financial situation, development requirements and needs for external aid. Should the Government of Ghana decide to follow the course of action outlined in the Minute, we would then expect to meet with the Government and the creditors to discuss the debt question in conjunction with the more general economic considerations which would normally be the theme of a Consultative Group meeting. To this end, I would agree with you that it is important to proceed promptly with the budget reviews and the medium-term plan preparation, as proposed in your letter.

In this regard, we are proceeding to issue the Bank's economic report which is based on last year's review of the economic situation and prospects of Ghana. In addition, we are prepared to send a Bank mission to Ghana to discuss the economic situation and the Government's plans as soon as you feel this would be of help. As was indicated to the delegation, the results of such a mission and reasonable efforts on the part of Ghana to find a solution to external debt problems are important to further Bank Group operations in Ghana. More broadly, I believe that such joint efforts could contribute to a more effective flow of aid from abroad and to the implementation of your Government's own plans for promoting sound and rapid economic growth in Ghana.

Sincerely,

Robert S. McNamara
President

Attachment

cc: Messrs. Broches
Chenery
Cope
de Vries

HJNissenbaum:BMCheek:crm

OFFICE MEMORANDUM

TO: The Record STRIKED 4 6 1972 DATE: March 20, 1972
FROM: Leif E. Christoffersen *Lee*
SUBJECT: GHANA - Meeting between Ambassador Debrah and Mr. McNamara

4/7/72
Mr. McNamara met today at 12:20 with the Ambassador of Ghana, E. M. Debrah, who delivered a letter from the head of the new military government, Colonel I. K. Acheampong. This letter, dated March 15, responded to Mr. McNamara's letter of February 29, the Ambassador mentioned, and he communicated his government's hope that the Bank could now move to help reach solution to Ghana's external debt problem. Mr. McNamara expressed his gratitude to the Ambassador for the receipt of the letter and said he and his staff would study it very carefully and then determine how the Bank could best proceed on this matter. There was no further substantive discussion.

cc: President's Office (2)
Mr. Broches
Mr. Chaufournier
Mr. Cheek
Mr. de Vries
Mr. McGibbon
Mr. Nissenbaum

LEChristoffersen:di

President has seen

OFFICE MEMORANDUM
RECEIVED

DATE: March 22, 1972

MAR 21 3 14 PM 1972

TO: The Board

FROM: Mr. [Name]

SUBJECT: [Topic]

Mr. [Name] was today at 12:30 with the Ambassador of [Country].
The Ambassador, who delivered a letter from the new military
government, [Country], to the [Country]. This letter, dated March 19,
referred to Mr. [Name]'s letter of February 19, the Ambassador
mentioned, and he commended the government's hope that the bank
could now move to help reach solution to [Country]'s external debt problem.
Mr. [Name] explained his return to the Ambassador for the receipt
of the letter and said he and his staff would study it very carefully
and then inform him the bank could proceed on this matter.
There was no further substantive discussion.

- cc: [Name]'s Office ()
Mr. [Name]
Mr. [Name]
Mr. [Name]
Mr. [Name]
Mr. [Name]
Mr. [Name]

2150
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: August 4, 1972

FROM: Roger Chaufournier *RC*SUBJECT: GHANA: Meeting with New Ambassador

You are scheduled to meet with Mr. Harry R. Amonoo, the new Ghanaian Ambassador to the United States, at 6:30 p.m. on Monday, August 7. He may be accompanied at that time by Mr. Johnson Appiah, the equally new Minister-Counselor.

44-year old H. R. Amonoo is a career civil servant. He has worked principally in Ghana's diplomatic corps since joining the Government in 1952. Three years later, he was selected as one of the first Ghanaian foreign service officers. In 1957, he came to the Embassy here as First Secretary. From 1958 until 1963, Mr. Amonoo represented his Government with the United Nations in New York and later its Geneva organizations. After five years with the Ministries of Foreign Affairs and Defense in Accra, he assumed his first Ambassadorial position, in Ethiopia in 1968. His assignment is part of a worldwide restaffing of Ghana's embassies directed by the new Government.

Mr. Amonoo's visit is part of his first round of courtesy calls on the major institutions in Washington. It is not likely that he will raise any particular points of business although the Ambassador is apt to refer to the highlights of current Government-Bank relations which are treated below.

The Economic Situation and Outlook

The National Redemption Council (NRC) which took over the administration of Ghana on January 13, 1972 confronts a difficult, hard core economic situation. A Bank mission which completed a month's visit to Ghana on July 18 concludes that the past assessments still remain valid. Basically, the economy has had an overdependence on cocoa for foreign exchange earnings and as the source of government revenues. Ghana equally depends unduly on imports for its consumption as well as production needs. The rising burden of external debt service severely strains its resources. The mission's review of recent developments indicates that the country's foreign exchange reserves have been almost totally liquidated. The recent patterns of budget and public sector finance have led to strong inflationary pressures.

President has seen

In its white paper on economic policy last June, the NRC has showed a clear understanding of these problems. It is treating economic management over the next two years on a "war emergency" basis. The intention is to contain and correct adverse short-run developments while promoting longer-term structural changes. The NRC has instituted an intensive self reliance program particularly in domestic production of food and raw materials. The government has reintroduced central import license control and imports in 1972 are to be reduced to about two thirds of their 1971 level. While this will effect a much needed elimination of luxury consumption imports and a more economic restructuring of imports, such a reduction, if sustained, would impair development possibilities.

The general budget and public sector financial prospect is disquieting. Early action by the Government to correct the fiscal imbalance is necessary although the Government is faced with very real political and social constraints on the measures that can be quickly introduced or implemented. The recent mission which returned from Ghana two weeks ago made a number of budget and economic policy recommendations to the Government. The intention is that the mission leader will return to Accra in about a week's time for further discussion with the Ghanaian government.

Debt Resolution

There has been a significant improvement recently in the prospects for resolution of the problems arising from the Government's February 5 statement on its medium-term debts. A high-level British Foreign Office representative seems to have persuaded the Ghanaians of the U. K. Government's desire to arrive at an early and generous settlement. Shortly afterwards, on July 18-19, a meeting of creditors agreed upon approaching Ghana in the near future with much more favorable terms than past arrangements. The current plan calls for the creditors to review our new long-term resource projections later in August. It was agreed that, based on these data, there should be a full scale creditors meeting in mid-September to negotiate a formula for presentation to the Government of Ghana.

The Bank's role in the matter remains quite central. The creditors await the pending economic report and appear receptive to the direction of our recommendations. For their part, while there are in Ghana some hard liners with reservations, the Government continues to welcome our participation and the leaders now appreciate that our involvement is a central factor for most creditors.

Aid Matters

The developments on the debt front and indications that the Government is moving suitably to correct some of its problems point to the prospects of resuming external assistance to Ghana. During the last creditors meeting, there seemed to be strong support from Germany, the U. K. and U. S. that new commitments would be important to the NRC and could facilitate the favorable movement towards a debt solution. The U. K. specifically asked whether we could proceed with Bank lending and indicated they hoped to release one of the projects in their pipeline.

Accordingly, while awaiting the final economic report, if the creditors plans proceed, we may be able to advance a sugar rehabilitation project on which we are actively working for consideration by the Board before our Annual Meeting.

The Government understands clearly that our ability to proceed with the fairly large number of projects we have in the pipeline depends on the elaboration of an economic program which gives promise of resumption of growth and on some progress in the debt dispute.

HJNissenbaum:crm

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: August 8, 1972

FROM: Roger Chaufournier *RC*SUBJECT: GHANA: Visit of Ambassador Amonoo with Mr. McNamara

7/8

Ghana's new Ambassador to the United States, Mr. Harry R. Amonoo, paid a courtesy call on Mr. McNamara on August 7, 1972. After the usual exchange of courtesies, the Ambassador said that some Ghanaian officials were concerned that the Bank was not yet able to proceed with pending operations in Ghana. He said it would be regrettable if such delays in processing projects were interpreted as a means of exercising pressure by the Bank on the Ghanaian Government to reach a settlement in its dispute with the creditors. He said the relations between Ghana and the Bank were excellent, and wanted to make sure that no misunderstandings about the Bank's position cast any cloud over these relations. He said Mr. Knapp had reassured him on this point. Mr. McNamara reassured him that the Bank's objectivity would not be influenced by the desire to protect the narrow interest of any creditor. The Ambassador said he was personally satisfied with all the explanations he had received and would convey them to his Government to help dispel any misunderstanding that might exist.

cc: Mr. Ljungh

RChaufournier:sm

Project has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: E. Peter Wright, Director, Western Africa 1

SUBJECT: GHANA: Meeting with Volta River Authority Officials

DATE: February 28, 1973

(6.30)

1. Tomorrow afternoon, you are scheduled to meet with three senior officials of Ghana's Volta River Authority (VRA). The delegation consists of Prof. Bentsi-Enchill, Chairman of the VRA Board; Mr. Quartey, Chief Executive of VRA; and, Mr. Kalitsi, VRA's Executive Secretary and Finance Director. They will meet with Mr. Knapp earlier in the afternoon. It is expected that Mr. H. Amonoo, Ghana's Ambassador to the US, will accompany them.

2. There is only sketchy information available as to the purpose of the request for a meeting with you. The delegation has not yet arrived from Europe and the Embassy of Ghana is uncertain about the matter. The delegation is believed to be carrying a message to you from the Chief of State, Col. Acheampong, the Chairman of the National Redemption Council. This may be a statement of the Government's reaction to the proposals of the Western creditors for relief of Ghana's medium-term external debt obligations. If this is so, since none of the delegation are known to be involved in that matter, we would not expect more than a perfunctory exchange of comments on this subject. We will attempt to find out what other subject may be involved and inform you during the day.

3. We do not expect that the visitors will raise any matters concerning VRA with you. As indicated in the background details which follow, there are a number of active questions and activities about the Authority which concern the Bank but there are no problems or issues of any particular gravity at present.

Volta River Authority

4. VRA was established in 1961 to construct and operate the Volta river project principally involving the dam at Akosombo which was built over the period 1961-65. VRA is the oldest Bank borrower in Ghana with the dam having been partially financed by a \$47 million Bank loan of 1962. An additional \$6 million was lent to VRA in 1969. These two loans constitute over half of all Bank Group lending to Ghana.

5. When the Bank began to contemplate helping VRA in 1960, there was considerable concern about the risks that were then envisaged. These, in fact, did not materialize. The dam itself was built faster and more economically than had been anticipated. Ghana has had an adequate and reliable supply of power which, thanks to the second VRA loan and allied Canadian support, VRA now also supplies to Togo and Dahomey.

6. All obligations under the Bank's loans undertaken by Ghana have been fulfilled and agreements respected. The VRA has been operating satisfactorily on the whole and its principal power consumers have been well serviced. Except for some organizational and overstaffing problems caused by social and environmental responsibilities of VRA and by governmental pressures, the management of VRA appears to have performed better than expected. Technical performance has been satisfactory, with small transmission losses and capacity out of service kept to a reasonable level. Mainly because of lower capital costs than expected, and partly because of higher sales than expected, VRA has apparently been able to earn slightly more than the expected rates of return. Its financial position and outlook for 1973 are satisfactory and no overall tariff increases appear necessary, except for VALCO (ref. para. 10(a)).

Delegation

7. By far the senior and most important of the delegation is Mr. E. L. Quartey, who is literally "Mr. Power" of Ghana. You met him on your tour of the Akosombo dam during your visit to Ghana in May 1971. Mr. Quartey was appointed to the position of VRA's Chief Executive in 1966 after considerable experience in Nigerian as well as other Ghanaian power activities prior to that. He has worked with Bank officials over the past decade and knows several of them on an exceedingly close basis.

8. Prof. Bentsi-Enchill is relatively new to VRA affairs. A prominent politician for many years, he served as a Supreme Court Judge in the past and has been a law professor at the University of Ghana. He was appointed Chairman of the VRA Board last September.

9. Mr. Kalitsi has been associated with VRA since its founding. His training in sociology brought Mr. Kalitsi to an active role in VRA's resettlement activities from their very beginning. He has risen over the years to the position of Mr. Quartey's principal aide.

10. We have been in close touch with Mr. Quartey recently on several topical matters which we are prepared to pursue in meetings with the delegation on Friday. For your information, the following summarizes the items which are likely to most concern them:

- (a) Increase in VALCO Power Rate -- Just recently, VRA and its principal power purchaser, the Volta Aluminum Company, agreed to a small increase in VALCO's power rate. This represented the first increase in the power contract which was signed eleven years ago. The change, bringing VALCO's rate to 2.75 mills/kwh, would continue to provide

power to the Kaiser consortium smelter at quite inexpensive costs by international standards. Subsequently, Mr. Quartey told us that VRA considered this amendment to be provisional and, hopefully, only the first of a series of increases. One of the major reasons for his visit at this time is to meet with Kaiser officials on this matter. He asked for a letter from the Bank that might help to correct the pricing situation which is now out of line. We have prepared one for this purpose that I plan to give him.

- (b) Expansion in Ghanaian power facilities -- For some time, the Bank staff and Mr. Quartey had been exchanging somewhat contrary views as to whether power development for the future power requirements should be in the form of an additional dam to be located at Kpong (Mr. Quartey's preference) or a thermal station. The issues arose from the Bank's questioning of the conclusions of a VRA-chartered study by the Kaiser Engineering Company. Recently, we reached agreement with Mr. Quartey on the preparation of detailed feasibility studies for Kpong and an oil burning thermal station which would help decide what option would be the next major facility. Since there are no funds available under our past loans for these studies, we have prompted Canadian and US consideration of their financing. This question is still to be resolved. Everything now hinges on the review which CIDA officials are currently making of the draft terms of reference for the studies which we have provided.
- (c) Transmission Problem -- VRA's generating capacity and existing facilities will be adequate for some years except for transmission. The problem involved greatly worries Mr. Quartey who might raise it with you. This concerns the need for a third double circuit 165 KV transmission line between Akosombo and extension of the major switching station at Tema at a cost of about \$1.5 million. Provision for this had been arranged under an Italian bilateral credit. The contract for this has been suspended because of Ghana's position on its debt service payments. VRA asked a Bank mission for IBRD assistance for the transmission line, which is needed now that the load has reached its present amount. Mr. Quartey was advised that in view of the negotiations concerning the debt problem, a future satisfactory settlement could enable the bilateral arrangements to proceed. Since then, Mr. Quartey has turned to CIDA which, we understand, does not plan to meet this request.

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for the Record

FROM: E. Peter Wright, Director, W.Africa I *EPW*

SUBJECT: Meeting of Mr. McNamara with the Alternate Executive Director
for Ghana, Mr. Gyasi-Twum

DATE: August 17, 1973

1. Mr. Gyasi-Twum, Alternate Executive Director for Ghana, called on Mr. McNamara at 6:30 p.m. on Thursday, August 16. I was present at the meeting.
2. Mr. Gyasi-Twum began by expressing his Government's appreciation of the helpful role played by the Bank as an intermediary between Ghana and its creditors in trying to reach a settlement of the external debt problem and went on to express his concern that the Bank's neutrality might be compromised in the event that the Board presentation of the proposed IDA highway credit to Ghana was delayed because of the position taken by some of the creditor governments.
3. Mr. McNamara said that the Bank was not really neutral as between Ghana and its creditors, it was biased somewhat in Ghana's favor, since its principal concern was the economic development of its member countries. However, he would not want to present a credit to the Board if there was a risk of its being voted down - indeed that would not be in Ghana's interest either. Some creditor governments had expressed disappointment over the position the Government of Ghana had taken with respect to the review of contracts underlying the medium-term debts in dispute, and at the July meeting in Accra the Ghanaian representatives had undertaken to reconsider the question and to produce a formula which would permit meaningful debt negotiations to take place in October as the creditors wanted. Some response from the Government of Ghana on this point was necessary to convince the creditor governments that adequate progress was being made towards a settlement.
4. Mr. Gyasi-Twum said that it was regrettable that what was required from Ghana had not been more precisely defined at the July meeting. Considerable progress had been made during the past year towards the solution of the debt problem, and the July meeting itself was a further step in this direction. Mr. Gyasi-Twum was sure that his Government would be ready for further talks in October and he thought it would be very unfortunate if the highway credit was to be held up in the meantime, since this would strengthen the hands of those in Ghana who were opposed to the settlement of the debt issue. However, he agreed that it would be desirable to have a formula for dealing with the review of contracts in such a way as to allow further progress to be made with the debt negotiations in October and he would inform his Government of the importance which the Bank attached to this.

cc: Mr. Knapp o/r
Mr. Benjenk
Mr. Broches
Mr. Chauffournier o/r
Mr. Christoffersen, W.Africa I
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WBG ARCHIVES

August 16, 1973

Mr. McNamara:

Board Presentation of Ghana Road Credit

Since our talk this morning, I have been in touch with Mr. Chaufournier about the presentation of the \$13 million road credit to the Board. He would be very unhappy to see presentation deferred beyond September 11, since he feels this would be interpreted in Africa as another case of the Bank yielding to pressure from Part I countries and might give rise to questions at the Nairobi meeting. At the same time, Mr. Chaufournier agrees that we cannot support a case for going ahead with the credit against possible objections from the UK unless the Government of Ghana comes forward with a formula relating to the review of contracts which would permit meaningful debt negotiations to take place in October.

When Mr. Chaufournier was in Accra a few weeks ago, there was an understanding that such a formula would be worked out by Ghanaian officials, approved by the National Redemption Council and communicated either to the creditors or to the Bank this month. However, we have heard nothing further, and unless we receive something by the middle of next week (August 22-23) it will be too late to proceed with the presentation on September 11, as we have undertaken to give the British at least four days notice before the documents are distributed.

I have underlined this point in a **cable** I have just sent to Mr. Reitter in Accra and I have also tried to impress it on Mr. Gyasi-Twum. If he brings the matter up this evening, perhaps you would make it clear that we are relying on his Government to come up with a satisfactory formula, as they promised, and that unless we get something from them within the next few days we are not prepared to go forward with the credit at this stage, since it could well run into serious opposition at the Board from countries which would argue that Ghana is not making serious efforts to reach an early settlement of the debt dispute.

EPW

E. Peter Wright

President has seen

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WBG ARCHIVES
CHRONOLOGY OF GHANA DEBT NEGOTIATIONS

1972

- February 5 Statement by Colonel Acheampong on external debt problem.
- February 17 Meeting of creditor countries in London to discuss problem. Proposal that IBRD and IMF should act as intermediaries.
- March 15 Colonel Acheampong writes to Mr. McNamara welcoming Bank's "good offices".
- April 11-21 Bank staff visit capitals of principal creditor countries for exploratory talks on debt problem.
- May 3 Mr. Chaufournier reports results of these talks to Colonel Acheampong.
- June 13 Economic policy statement issued by Government of Ghana emphasizing principle of self-reliance, welcoming foreign aid in appropriate forms and reiterating February 5 statement on external debt.
- June 19 Bank economic mission arrives in Ghana.
- July 18-19 Meeting of creditor governments in London with IBRD and IMF as observers.
- August 22 Further meeting of creditors for technical discussions of IBRD's balance of payments projections.
- September 13 Introduction of Ghana's budget for 1973, including measures to improve balance of payments and contain inflation.
- October 9-11 Creditors meeting in London to formulate proposals for debt settlement.
- November 1 Bank transmits creditors' proposal to Government of Ghana: offers rescheduling of medium-term debt over 20 years, including 5 years of grace, with interest at 2-1/2 percent.
- December 6 Ghana announces intention to take 55 percent participation in foreign-owned mining companies.
- December 21 IDA Credit to Ghana of \$15.6 million for sugar rehabilitation approved by Board.

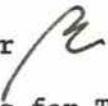
1973

- February 27 Mr. Broches visits Accra for informal talks on Ghana's reply to creditors' proposal.
- March 23 Bank transmits Ghana's reply to creditor governments: Ghana considers proposed terms to be too severe, but does not come up with specific counter-proposals.
- April 4-5 Mr. Chauffournier visits Accra to seek clarification of various points arising from Ghana's reply and to discuss procedures for reaching a final settlement. Creditors informed of Bank's view that further improvement in terms will be needed to reach settlement.
- May 8 Creditors meet in London to discuss Ghana's reply and indicate willingness to consider improvement in terms: propose direct discussions with Government of Ghana under auspices of IBRD, starting as soon as possible after mid-June.
- May 18 Mr. McNamara writes to Colonel Acheampong endorsing idea of direct discussions and offering Bank's European Office for meeting.
- May 25 IDA issues invitation to negotiate proposed highway credit on basis of understanding with UK that credit would not be presented to Board unless Ghana had responded positively to creditors' proposals for direct discussion of debt issue.
- July 3 Ghana replies to creditors' message proposing meeting in Accra in mid-July for purposes of "clarification" of Ghana's previous reply.
- July 23-24 Mr. Le Quesne (UK), as chairman of creditors' meeting, visits Accra for talks with Government of Ghana, accompanied by Mr. Robert Smith (US representative). Mr. Chauffournier participates in the discussions. Ghana insists that government's review of contracts underlying debts cannot be completed until early 1974, casting doubt on feasibility of meaningful negotiations in October, as proposed by Mr. Le Quesne. Government agrees to consider ways and means of accelerating contract review.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: November 13, 1975

FROM: Roger Chaufournier SUBJECT: GHANA - Briefing for Talks with Mr. Kaiser
On November 13

1. I understand that you are dining tonight with the Jamaican Ambassador and may be meeting Mr. Edgar Kaiser there. I should like to brief you on a sensitive issue relating to Ghana - in case Mr. Kaiser were to raise the matter or you might deem it opportune to raise it yourself.

Background

2. In the 1960s the Bank assisted Volta River Authority of Ghana (VRA) to develop the hydro-potential of Volta River at Akosombo through two loans (\$47 million in 1962; \$6 million in 1969). You will recall that VRA then entered into a long-term contract with Kaisers (Volta Aluminium Company - VALCO) for bulk sale of power, acceptability of the "Master Agreement" between the parties was a condition of effectiveness of the first Bank loan. Currently VALCO uses 315 MW of Akosombo firm power capacity of about 600 MW, and has exercised its option under the "Master Agreement" to buy another 55 MW, bringing the total to 370 MW. The contractual obligation for VRA is to sell 370 MW at 2.625 US mills per kilowatt hour, until mid-1990s. However, VRA has been able to persuade VALCO first to raise the price to an interim rate of 3.125 mills, and second to get a mutually acceptable consultant (Shawmont of Canada) to undertake a tariff study for making recommendations on appropriate rates.

3. The Bank was consulted on the terms of reference of the study. The draft study concludes that:

- (a) the rate should be increased to 5 mills/kwh (in 1974 prices) until VALCO's actual purchases increase to 370 MW, when it should be reduced to 4 mills/kwh;
- (b) the rate should be adjusted annually to take into account variation in exchange rates and inflation; and
- (c) the rate should never exceed 2 percent or be less than 1 percent of the price of one pound of aluminium ingot.

4. Kaisers have objected to these conclusions and submitted comments from consultants more favorable to them. VRA has submitted its own counter-comments on Kaisers' objections, and all these comments are being examined by the consultant (Shawmont, Canada) for their final recommendations. Ghana and Kaisers are scheduled to meet in Montreal (Canada) in January to negotiate the final rate to which the original price in the "Master Agreement" is to be revised.

5. In the meantime, VRA has accommodated VALCO by agreeing to sell additional 45 MW of power from Akosombo until 1978 at somewhat higher prices (5-6 mills/kwh). (VRA will have a surplus until then). VALCO will have the option of buying 30 MW firm power and 15 MW interruptible power from the next stage of Volta river power development at Kpong in the 1980s at prices reflecting the marginal cost of generating power at Kpong (estimated around 15 mills/kwh); legally VRA is committed to sell that extra power if the marginal cost comes to 10 mills/kwh or below, and VALCO has the right of first refusal if the cost happens to be above that figure.

6. In parallel, the Government has been pursuing a proposal of securing vertical integration of the aluminium industry within Ghana, involving development of Kibi bauxite deposits and refining to alumina at Tema, near the VALCO smelter. A consortium of Japanese firms and Kaisers (BASCOL) have prepared the feasibility report for the project. You would recall that the Government requested Bank assistance for the project and you had emphasized that the project could be considered only on an "enclave" basis, with suitable guarantees to enable it to be self-liquidating. A high-powered Government delegation recently visited Oakland to negotiate the project, but could not reach any optimistic conclusion with regard to its timing, scale of the project or its financing. With the assistance of the Bank, the Government are now further studying measures for securing possible economies in the project.

Issues

7. Two important but related issues have now arisen: One - a satisfactory settlement of the power rate issue, and two - a practical way of realizing the alumina project so that the local bauxite could be used to produce aluminium within Ghana. Dr. Fordwor, the special Assistant to the Head of the State and responsible for finance portfolio, recently visited the Bank and expressed his disappointment at the lack of progress on the alumina project. He apprehends that if a deadlock were to be reached on both these issues, the pressures of radicals within Ghana would mount on the Government for a more drastic action. He sought the good offices of the Bank in securing a fair and just renegotiation of the power rates, and our advice on the details of a viable alumina project.

8. I was recently in Ghana, and for the present economic management is in sound hands; moderates who would wish to accommodate the Kaisers to the extent possible. I do not get the impression that the people at the top are interested in nationalizing the industry, nor in drastic reduction of profits of Kaisers. But they do have a problem in justifying continued and expanding sales of power to a foreign enterprise at about 3 mills/kwh, when the marginal cost for generating power in Ghana is around 15 mills/kwh. Moreover, Canada, whose assistance for the Kpong project is critical for its financing, has given notice that it could not provide the assistance unless the rates were raised to reasonable levels. Thus the Government is under severe pressure from many directions to revise the long-term commitments entered into in the 1960s.

Recommendations

9. I realize the delicacy of the situation. Although conditions today are radically different from those existing at the time of the original negotiations, Kaiser have an international agreement with VRA, with a residuary life of another 20 years or so, and also with provision for further extension by 20 years. On our part we have counseled the Ghanaian authorities against precipitous action, and I believe that they will enter into negotiations with the serious intent of reaching agreement. Ghana has an interest in keeping Kaisers goodwill, and there should be a basis for a mutually beneficial relationship in the future.

10. I thought of bringing this matter to your attention so that, if the opportunity arises, you might give your own counsel to Mr. Kaiser.

DDutt:mw

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: December 3, 1976

FROM: Roger Chauffournier *R*

SUBJECT: GHANA: Meeting with Mr. Robert Gardiner during Annual Meeting in Manila

Mr. Robert Gardiner, Commissioner for Economic Affairs in Ghana, met with Mr. McNamara on Monday, October 4 at 2:00 p.m. Mr. Knapp and Mr. Chauffournier were also present.

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This was a brief courtesy call where Mr. Gardiner thanked Mr. McNamara for the Bank's efforts in Ghana. Mr. McNamara said he hoped the current economic difficulties now besetting Ghana would be overcome. Mr. Gardiner said the Government had embarked on a program of financial stabilization and that this year's budget was a retrenchment budget.

Mr. Gardiner also asked Mr. McNamara to continue to assist the African Development Bank. He said he knew of the close cooperation we had in the past with that institution and he hoped we could continue to strengthen our ties.

RChauffournier:sm