

NND 969042

By JSB Date 2 June '98

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: May 27, 1971

SUBJECT: U.S.-Nigerian Relations -- Paris Consultative Group Meeting -- Future U.S. Economic Assistance

PARTICIPANTS: His Excellency Joe Iyalla, Ambassador of Nigeria
Michael O. Ononaiye, First Secretary, Nigerian Embassy

Robert S. Smith, Deputy Assistant Secretary, AF
John W. Foley, Jr., Director, AF/NI

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The meeting was held at the request of Ambassador Iyalla to discuss the sessions in Paris on May 3-4 of the Consultative Group for Nigeria and future U.S.-Nigerian aid relationships. The essential points covered were:

CONSULTATIVE GROUP MEETING

The Ambassador reiterated the disappointment of Finance Permanent Secretary Ayida, Economic Development Permanent Secretary Ebong, and himself over what they considered to have been our unresponsiveness in Paris. He described the debate that had taken place within the FMG before Nigeria agreed to a Consultative Group meeting, noting the negative feeling of Nigerians on previous meetings before the civil war which they viewed as having been counterproductive in providing benefits for Nigeria and excessive in self-approbation by donor countries. On balance, however, it had been decided that the Paris meeting could be useful as a means of measuring current attitudes of the potential donors toward the Second Four-Year Development Plan. It was thought moreover that the meeting would furnish the opportunity to outline the urgent need of the FMG for external foreign exchange assistance in the period immediately ahead to

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(Drafting Office and Officer)

Clearance: AF - Mr. Smith

FORM DS-1254
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GROUP 3

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to sustain Nigeria's economic recovery pending the full resumption of its potential foreign exchange earnings.

This frame of reference had brought the Nigerians to Paris and they had expected that the United States would take the lead in helping to fill the substantial balance of payments deficit. Instead our delegation had given a negative and desultory performance that aggravated the Nigerians and, according to Iyalla, left Bank officials and other countries' delegations puzzled. Contrary to the imagination and forthcomingness of the United Kingdom, Germany and Canada, Iyalla claimed that the United States presentation seemed to look backward rather than focusing on avenues for future assistance. In his view, our behavior at Paris certainly was not conducive to a speedy mobilization of external financial resources for Nigeria.

In particular he felt that it was the U.S. delegation's sanctimonious attitude that had caused the greatest disappointment--the way in which we had repeated the pledge of a \$15 million program loan when in fact it had been offered immediately at the end of the war for 1970 and in no sense related to future assistance. Moreover, the U.S. delegation had given the unhappy impression that this was not for immediate draw-down but would be disbursed over the next 18-24 months. According to Iyalla, if limitations on future aid were such that we could not make a commitment, the Nigerians believed that the United States representatives at Paris should have honestly admitted our problem and not have adopted a self-congratulatory position which conveyed the impression that the United States was contributing significantly to Nigeria's present needs.

FUTURE U.S. AID RELATIONS IN NIGERIA

Ambassador Iyalla dwelt extensively on the need to improve AID's image in Nigeria. He said that it was difficult for Nigerians to understand the limitations on our providing large-scale assistance when the feeling is that the United States could help if it really wanted to. He argued that we, as a special friend of Nigeria, had failed his country once with our refusal to sell arms when Nigeria most needed our aid. The reasons for our posture during the war had finally begun to be appreciated by much of the populace. But now in peacetime we were again turning Nigeria aside when significant help was anticipated as a reflection of our increased political good will.

In light of the unfavorable attitude regarding the level of U.S. assistance, Ambassador Iyalla stressed that everything possible had to be done to tailor our aid actions in Nigeria to reflect the

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constraints that now exist on future assistance programs. This he felt might help develop an awareness of the legislative limitations in the United States which presently prevail on making future commitments. He suggested that USAID personnel in Nigeria should not get involved so much in discussions of new project proposals with state authorities which raise false hopes and unrealistic expectations. He thought now that our technical assistance funds were limited that they could be more judiciously employed and applied to more useful areas of endeavor. In his view many of our projects, though possibly altruistic, were useless and not of much impact in development of the country. In this connection, he singled out particularly the university programs which he maintained were bogus, suspect and self-perpetuating. Instead of setting up departments in academic institutions, he believed that the funds should be used for the training of more Nigerians abroad. He criticized exchange programs which brought intellectual specialists, basketball and tennis players, and other "exotic" experts to Nigeria. Finally, he condemned severely the waste of money which occurs on feasibility studies for projects which never get underway.

U.S. POSITION

In responding to Ambassador Iyalla, Mr. Smith spoke of the usefulness of the Consultative Group meeting. If for no other reason, he indicated that it had been invaluable because it had led to a frank exchange of views that promised more candid communication between the United States and Nigeria in future relationships regarding aid. He suggested, however, that there was no point engaging in recriminations over past activities. Instead we should look to how best we could work together in the years ahead. Mr. Smith stressed that the time for multi-year aid commitments from the United States was gone and therefore our delegations could not usefully talk about major future assistance to Nigeria. On the IBRD, he felt that the door remained open for additional program loan support. Much would depend on the expedition and sagacity with which the present \$80 million loan was drawn down. If disbursement were handled responsibly, Mr. Smith believed there would be a sympathetic and positive interest by the United States for another World Bank loan. Mr. Smith hoped that the Nigerians understood that 40% of the Bank's resources come from the United States. Thus indirectly we had contributed significantly to Nigeria by means of the \$80 million loan.

As for bilateral assistance from the United States, Mr. Smith pointed out that it was hard to tell at this stage how much money would be available. If the present \$15 million program loan were disbursed rapidly, he believed additional program aid might be

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considered. However, Mr. Smith speculated that perhaps a sector loan or project loan would be a more feasible way of using limited available resources. Ambassador Iyalla was not enthusiastic about more project loans, citing past bad experiences; but he thought a sector approach might be useful.

Mr. Smith stressed that we wanted to follow the FMG's lead regarding priorities for projects and technical assistance. It was up to the FMG to make these priorities clear to us. Moreover, when problems developed and the FMG considered that performance under a technical assistance contract was not turning out as anticipated, Mr. Smith asserted that we wished to be told and would in agreement with the Nigerian Government work ourselves out of it as quickly as possible. In reference to Ambassador Iyalla's contemptuous remarks on the economic worthlessness of some of our projects, Mr. Smith noted that the Ambassador was apparently mixing up USAID assistance with our cultural programs. To set the record straight, Mr. Smith thought this confusion should be cleared up by our providing a list of various U.S. programs in Nigeria which carefully delineated between those financed by USAID, USIA and CU.

One final point which Mr. Smith emphasized concerning bilateral assistance was to draw Ambassador Iyalla's attention to the usefulness of the ExIm Bank as a source of future financing in Nigeria. Mr. Smith stressed the vaster resources and flexibility which the ExIm Bank possesses in negotiating loans and guarantees. He suggested now Nigeria had become accustomed to working with the Bank and familiar with its procedures, and was soon coming to the point at which soft terms would be less critical, that the latter could become a valuable adjunct in Nigeria's development effort.

AID REORGANIZATION

The meeting with Ambassador Iyalla closed with a discussion of the President's plan to reorganize AID. Ambassador Iyalla's inquiries were focused primarily on the nature of the humanitarian agency to be set up in the Department, the investment guaranty program of OPIC, and the means by which the Secretary of State would be able to provide foreign policy guidance to the new individual agencies administering foreign assistance.

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Although candid, the discussion was conducted in a calm manner. Ambassador Iyalla and Mr. Smith both welcomed the opportunity to get these matters on the table.

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