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of an African Development Bank
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REPORT OF TEAM B2 ON CONSULTATIONS
WITH NON-AFRICAN GOVERNMENTS AND INSTITUTIONS
CONCERNING THE ESTABLISHMENT OF AN AFRICAN DEVELOPMENT BANK

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INTRODUCTION

1. The members of consulting Team B 2 were:

Mr. Mamoun Beheiry
(Team Leader)

Governor
Central Bank of Sudan

Mr. Lonfenie Akinrele

Under Secretary of Federal
Ministry of Finance, Nigeria

Mr. Albert Njeng-Bikim

Development Bank of Cameroon

2. Dr. A.G. El Emery, Banking Consultant to the Secretariat, was with the Team during its visits to Sweden, Denmark, the Netherlands, the United Kingdom, France and Belgium. In its visits to the Federal Republic of Germany and Switzerland the Team was accompanied by Mr. H. Caustin, the United Nation Secretariat.

3. The Team visited the following countries between 28 September and 5 November: Sweden, Denmark, the Netherlands, the United Kingdom, France, Belgium, Federal Republic of Germany and Switzerland.

4. The Team received a friendly welcome from all the governments of the countries visited.

The Leader and members of the Team wish to express their thanks to the governments concerned and to the Heads of the United Nations Information centres in Copenhagen, London and Paris for the welcome accorded and for the facilities made available to them. They request the Committee of Nine and the Secretariat of the Economic Commission for Africa to convey their gratitude to those concerned.

Special mention should also be made of the valuable services which Dr. A.G. El Emery rendered to the Team in his capacity as consultant. His wise counsel and devotion to the cause of the African Development Bank will always be remembered with appreciation and gratitude.

Mr. H. Caustin was of great assistance to the Team during its visits to the Federal Republic of Germany and Switzerland. The Leader and members of the Team wish to record their appreciation of his services.

5. In the following paragraphs of this report a statement of the project of the African Development Bank as outlined in the various discussions by the Team will be given; an analysis of the reactions of the governments visited will be attempted and finally some of the more important conclusions that can be drawn will be indicated.

THE PROJECT OUTLINED

6. The main points almost invariably stressed by the Team in introducing the subject were as follows:

(a) On the basis of the recommendations of a panel of experts, composed of Africans as well as non-Africans, African governments have in March of this year accepted the principle of the establishment of the African Development Bank.

A Committee of Nine from amongst the Economic Commission for Africa members was formed to study the financial and administrative structure of the proposed Bank and to make governmental and other contacts relevant to its establishment.

(b) At its first session in June 1962 in Monrovia the Committee of Nine worked out proposals concerning the basic features of the Bank. These proposals were communicated to all African member and associate member governments of the Economic Commission for Africa and became subsequently the subject of detailed consultations with the individual governments.

(c) Last September the Committee met in Douala to plan its future programme of work in the light of the consultations held with African governments. The Committee was satisfied that all African governments have once more affirmed their acceptance of the principle of the establishment of the African Development Bank. There were a number of technical and procedural points raised by individual governments. But they were not such as to lead the Committee to defer the completion of its task. The Committee therefore decided to send two teams to selected non-African capitals to explore in a general way the possibilities of co-operation between the capital and skill exporting countries and the proposed Bank.

(d) The purpose of the Bank is to promote economic and social development of African countries, individually and collectively.

In pursuing this objective, the Bank should seek to fill in gaps and supplement resources on the national and multinational levels, which could not otherwise be met. It should neither seek to replace nor disturb any existing bilateral or multilateral arrangements which may be in force, nor limit the freedom of any African country to make fresh independent arrangements if it so desires.

(e) It follows therefore that duplication and overlapping should as far as possible be avoided by the Bank. In due course the Bank will seek to establish suitable working relationships with all aid organizations operating in Africa. Consultation and exchange of information in particular seem to come readily to the mind as essential.

(f) The prospects of "additionality" would lie most in multinational projects, hitherto largely unexplored, in a more regional approach to industrialization and in the intensification of technical assistance to individual members in the formulation and appraisal of their development projects.

(g) The share capital is to be subscribed entirely by African states. This was necessary not only to preserve the fundamental character of the Bank as an African institution but also to protect the Bank against the play of possibly conflicting external political influences, once the door is opened, however, narrowly to non-African participation. Full subscription of the share capital by Africans would also demonstrate the measure of self-help the Africans themselves are providing.

The share capital envisaged is US\$ 200 million. One half i.e. US\$ 100 million would be paid in over a period of five years in the currency or currencies which the Bank may determine. The other half i.e. US\$ 100 million would be callable capital.

(h) Due prominence was given to the over-riding necessity of creating an institution free from political influences, run along sound banking principles with the most competent technical skill Africa can provide.

Where necessary the African management would have the latitude to employ the non-African skills that may be required.

(i) The Bank would finance both productive and infrastructural projects. Transport and communications, river valley development and industrialization were prominent in the minds of Africans. Of course the nature of resources available to the Bank will determine the type of projects to be undertaken. Commercial type loans will have to be employed in directly productive projects while soft term loans will be employed in infrastructural projects. The separation of the different types of resources and activities was considered essential for sound operations.

In addition to financing the Bank will be authorized to undertake technical assistance operations.

(j) The approach of the Bank should be broad and permissive. Thus it would be able to invest in equity capital, make loans of various kinds, make feasibility studies, help African members in obtaining financing from other sources, organize consortia etc.

(k) The visiting team have not come to seek firm commitments. It was there essentially to indicate the basic elements of African interest and thought on the proposed Bank, to discuss any technical or other suggestions they might have, to create a better understanding of the project and to ascertain in a general nature their reactions and the broad possibilities of co-operation with the Bank, once it is established.

ANALYSIS OF CONSULTATIONS

7. The eight countries visited can be divided as far as reactions to the project are concerned into three categories.

8. The Scandinavian group i.e. Sweden and Denmark clearly favour in principle the multinational approach to matters of economic development and aid to underdeveloped countries. The African Development Bank is one of the type of institutions through which they would normally consider channelling aid. Naturally as small countries they had reservations with regard to their ability to provide aid beyond what they are actually doing now. There is also some understandable caution on their part: some further practical and positive steps will have to be taken by the Africans that will show their resolution and indicate more clearly the shape that the Bank will take.

9. The Federal Republic of Germany and Switzerland seem to represent a second school of thought. There is a clear welcome for the project on their part and an appreciation that as conceived it may prove to be an effective tool of economic development in Africa. Again consideration of co-operation with the Bank will have to await further tangible steps by the Africans.

10. The Netherlands, the United Kingdom, France and Belgium with varying degrees of frankness and emphasis, have shown doubts about the utility of the proposed Bank. Though the consultations might help in leading to a better understanding of the project and perhaps to some softening of attitudes, no fundamental changes in outlook at governmental levels could be observed at the time.

11. In all the three categories of countries the questions and points raised covered very much the same ground. While in some cases they represented understandable and justified desire for clarifications they were in a number of cases a dwelling on difficulties and problems rather than enquiries about solutions or search for answers.

12. Fears of "duplication" and doubts about the prospects of "additionality" were prominent in the consultations.

It seems to be generally appreciated that if suitable relationships covering at least consultation and exchange of information between the proposed Bank and other aid agencies operating in Africa are worked out in due course, there need not be fears of duplication. There are so many gaps that could be usefully filled in by the African Development Bank. Particularly in the field of multinational projects, the Bank should be able to impart a new element.

To the extent that the Bank would be able to produce suitable productive schemes that can bear the traditional terms, finance should not normally be difficult. Borrowing on the capital markets must be a relatively long-term objective of the Bank; it will have to establish the name and show the record that will command the confidence of private investors. Soft loans, the need for which is obvious, can only come from governments and semi-government agencies. The non-African governments consulted could not go beyond saying that they would consider the matter when the Bank is established. Some have even expressed doubts about their ability to provide more than what they are already doing.

Not even the most enthusiastic of supporters of the Bank could be reasonably expected to go further at such a preliminary stage of the project. 13. Somewhat related to this is the African desire to restrict the share-capital subscription and the control of the affairs of the Bank to African governments only.

The non-Africans consulted could in most cases see the wisdom in the restriction. It should be remembered that the proposed Bank is designed to embrace African governments of all shades of political and economic thinking. To allow non-African share-capital subscription and participation in the control, however limited in character and scope, may well lead to the introduction of conflicting external factors certainly detrimental to the institution as a

bank. To have only certain selected non-Africans in is the surest way of widening divisions in the continent rather than help to close them.

But creditor countries will have to be somehow associated with and assured of the uses of the funds they may provide. This restriction should not by itself deter willing co-operators. The Bank could be empowered by its charter to work out, as and when needed, the general or special arrangements that would provide the reasonable assurances to non-African governments inclined to make soft loans or grants to the Bank.

14. Offers of technical assistance from non-African governments were generous. It is clear that non-African governments feel that this is where the greatest need lies. Though not openly said, it is also indicative of their doubts of the practicability of manning the Bank entirely by Africans.

The Committee of nine has always been conscious that sound management and technical skill are factors that can make or unmake the Bank. The legitimate desire of having an African-owned institution staffed with Africans need not conflict with employing non-African skill on an ad hoc basis or otherwise as and when necessary.

15. Preference for bilateralism in an economic sense is still rife in many of the countries visited. The reasons for that need not be adduced. However, the progress towards multilateralism must be accepted as a slow process.

16. Some latent fears seem to exist that the Bank may be instrumental or help in severing some of the bilateral relationships that are currently in force, that the intention to deal with all non-African countries where acceptable arrangements can be agreed may lead to "undesirable" political entanglements and that such an all-African institution may turn out to be an embarrassing and uncontrollable power.

Such fears are easy to answer. It is not the design to disturb or supplant any existing bilateral relationship nor curb the power of individual members to maintain or even develop such relationship. The Bank would deal with all capital and skill exporting countries, but only to the extent that its objectives and interests as a bank would justify. An all-African institution of the objectives and functions envisaged must prove to be a power for good and co-operation.

17. How unanimous are the Africans in their support for the project was also one of the recurrent questions. The Team always maintained that on the principle there was no disagreement amongst African governments and that though there were still a number of technical and procedural problems to be resolved, they were not insuperable.

18. All governments consulted invariably ended by saying that they would consider ways and means of co-operation once the Bank is established. Whatever the reasons might have been it was basically an attitude of "wait and see".

19. On the other hand it must be admitted that these governments laboured under genuine difficulties. Some of these were:

- (a) lack of adequate prior knowledge of the project;
- (b) a first reaction to new ideas;
- (c) apparent difficulties in the way of Africans to absorb the funds already allotted;
- (d) the Bank may well mean more funds and some may be genuinely strained in resources or psychologically not yet disposed to give more to such institutions;
- (e) there was nothing material to show from the African side, not even a charter.

CONCLUSIONS

20. It may be rightly asked what is the sum total of all this, what are the lessons to be drawn that would guide future action?

The answer in a few words is that African governments must take effective steps to show that they mean business.

African unanimity is essential. Some of the non-African governments who may be wavering in their support of the project or even disposed to be hostile, will sooner or later see matters in a different light once a really all-African institution is in sight.

There should be reasonable speed in the preparation of a sound charter and in taking other practical steps that would give the project a more practical and definite shape, and show that Africans are prepared to help themselves first.

21. In short Africans must and can rise to the challenge.

The first part of the report deals with the general situation of the country and the progress of the war. It is followed by a detailed account of the operations of the various units of the Army, including the 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st, 32nd, 33rd, 34th, 35th, 36th, 37th, 38th, 39th, 40th, 41st, 42nd, 43rd, 44th, 45th, 46th, 47th, 48th, 49th, 50th, 51st, 52nd, 53rd, 54th, 55th, 56th, 57th, 58th, 59th, 60th, 61st, 62nd, 63rd, 64th, 65th, 66th, 67th, 68th, 69th, 70th, 71st, 72nd, 73rd, 74th, 75th, 76th, 77th, 78th, 79th, 80th, 81st, 82nd, 83rd, 84th, 85th, 86th, 87th, 88th, 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th, 97th, 98th, 99th, and 100th Divisions. The report also includes a list of the names of the officers and men who were killed in action during the war.

ANNEX IS W E D E NREPORT ON CONSULTATIONSINTRODUCTION :

Team B 2 was in Stockholm from 28 September to 4 October 1962.

During the visit meetings were held by the team with the Swedish Commercial Bankers' Association, representatives of the Central Bank of Sweden, Economic Branch of the Ministry of Foreign Affairs and finally with a joint team headed by a representative of the Ministry of Finance including members from the Ministries of Commerce and Foreign Affairs.

The various Swedish representatives were :

Government Representatives

Mr. K. Wickman

Secretary of State,
Ministry of Finance

Mr. H. Lundstrom

Head of Division,
Ministry of Finance

Ambassador Myrdal

Ministry of Foreign
Affairs

Mr. H. Berg

Ministry of Foreign
Affairs

Central Bank of Sweden

Mr. Per V. Asbrink

Governor,
Central Bank of Sweden

Mr. Sven Joge

Deputy Governor
Central Bank of Sweden

Swedish Banker's Association

Mr. Per Boman

Svenska Handelsbanken

Mr. Carl Bertil Wingoist

Enskilda Bank

Mr. Hans Swedberg

Skandinaviska Banken

Summary of Discussions

All discussions were preceded by a brief outline of the proposed African Development Bank and the purposes of the team's visit as indicated earlier in the main report.

The talks were generally friendly and useful. They indicated an unmistakable Swedish preference for channelling aid through multilateral institutions whether international, continental or regional. The interest of the Swedes at both official and private levels in the proposed Bank was clear as witnessed by the painstaking and detailed discussion of the project as outlined by the visiting team.

There was, however, a certain keenness to remind the team that Sweden was not a capital or skill exporting country in any sizeable degree. The Government had been able to provide aid on multilateral and bilateral basis in the past, but the chances of finance from the private capital market were, except for some isolated cases, rather meagre. Indications were that official circles did not generally favour the export of private capital. Though regulations to this effect could be at times relaxed, there were still the basic hinderances of a rate of interest generally higher than that obtaining in alternative financial centres and the absence of a Government Export Guarantee system in contrast to other capital exporting countries.

Nevertheless, there was readiness on the part of commercial banks to explore the possibilities of co-operation once the Bank is established.

Official circles could express a fairly positive interest. For the proposed institution represented one of the very types through which it was their established policy to channel official aid. Such an expression of interest, however positive, could of course in no way be interpreted at this stage of the project as a firm commitment or unqualified support.

Major Points Discussed

Swedish Banker's Association

In the meeting with the Bankers' Association, fear was expressed by some representatives of the banks that the African Development Bank may meet with certain difficulties especially at the start. In their view, the financial resources of the proposed Bank were bound to be limited in relation to the needs. That was why it was necessary for the A.D.B. to give particular attention to its ability to formulate projects and to provide assistance to its members to do so, whenever necessary. An attitude of first come first served may well develop at the start because of the lack of carefully examined and well prepared projects. The result in such a case would most likely be uneconomic use of scarce financial resources, and countries with ready projects would get an unduly large share of the Bank's facilities.

The visiting team appreciated that the resources may prove limited in relation to the needs. The problem of wise use of resources will always be with the Bank at all stages of its life. The availability of carefully worked out projects was essential and the Bank had to play a positive role in this respect. The development of a competent technical assistance service would have therefore to be one of the major tasks of the proposed Bank. But the vicious circle had to be broken somewhere and it was the belief of the visiting team that the Bank would be able in the course of time to help, and at times take the lead, in the technical study and preparation of both national and multinational projects.

In all such matters, the visiting team was of the opinion that the competence and technical ability of the management and staff of the Bank were some of the primary safeguards.

The Swedish bankers also suggested that it would be necessary to co-ordinate the activities of the A.D.B. with those of International aid agencies operating in Africa. It was agreed by the visiting team that duplication and overlapping must be avoided as far as possible. There was therefore an obvious need for liaison, consultation and co-operation with all such agencies. At the appropriate time steps will have to be taken to formulate mutually acceptable working relationships.

The Swedish bankers enquired whether the establishment of the Bank was dependent on the results of discussions to be held in non-African countries. The team replied that it was the African desire and hope to seek and mobilize non-African support for the Bank, but it was extremely remote that the project would be abandoned only because such support was not forthcoming.

With regard to the possibilities of co-operation of the Swedish Banks with the A.D.B., they reiterated the difficulties summarized in the opening chapter of this report. They however expressed their interest in the Bank. Apart from the normal commercial type credits, they suggested that whenever it was decided that Swedish capital goods and skill were the best for the purposes of a certain project, the possibilities of Swedish private capital participation could be fruitfully explored.

Central Bank of Sweden :

Representatives of the Swedish Central Bank saw in the "general and permissive" approach to the definition of the tasks of the proposed Bank an attempt to have the I.B.R.D., I.F.C. and I.D.A. all in one organization right from the start. This they thought may be a little too ambitious.

The visiting team indicated that the "general and permissive" approach to the definition of the Bank's functions and operational policies was prompted by the desire to provide the institution with the maximum flexibility in seeking to promote its objective of African economic development. In any case not all the functions and powers which may be listed in the Bank's charter need be performed or used all at once. It will be up to the Bank to work out its priorities and define its spheres of activity in the light of the resources available and the practical problems that may be faced. The powers of the Bank must provide the latitude necessary for performing its functions in varying circumstances, though certain financial and banking limitations may be inevitable from the start.

Economic Branch of the Ministry of Foreign Affairs :

Representatives of this Ministry showed an obvious interest in the project. They were, however, anxious to ascertain the degree of support amongst the African states for the establishment of the Bank.

The visiting team assured them that on the principle of the establishment of the Bank there was unmistakable unanimity. The consultations of the Committee with individual African governments have shown no fundamental objections to the proposals of the Committee regarding the basic features of the proposed Bank. A number of technical and procedural suggestions were, however, made at the time of consultations by the various governments. But they were capable of technical solutions. More recently a number of African states, though still adhering to the principle of the A.D.B., have decided to give priority to the creation of national development banks and sub-regional associations and unions of such banks. In the view of the visiting team these were steps in the right direction and in no way constitute a contradiction. In fact it can be said that the African Development Bank may provide a useful stimulus to the creation of national, sub-regional and regional organizations.

Meeting with Representatives of the Government of Sweden :

In this final meeting a number of important questions were posed by the Swedish representatives. They would be reproduced hereunder together with the answers provided by the visiting team.

How soon is the A.D.B. likely to be established?

The visiting team felt it was difficult to give a firm answer. The Committee of Nine should be able to submit its final report by the end of January 1963. Member and associate member governments of E.C.A. should be able to decide on the Committees' report early March of the same year. A great deal would depend on the decisions to be taken by governments at the said meeting. A period of two to three months may thereafter be necessary to effect the legal requirements of the individual agreements of governments to join the Bank. With the appointment of the Chief Executive of the Bank and his senior assistants, the speed will be primarily conditioned by the size and nature of the physical problems that have to be resolved. On the whole it may prove possible to establish the Bank by the end of 1963 or some time in 1964.

Have any African governments expressed the desire not to participate?

The reply given to the representatives of the Ministry of Foreign Affairs in an earlier part of this report was stated in this context once more.

What are the prospects of the achievement of the "additionality" of funds which is the main justification for the establishment of the Bank?

The visiting team also felt that the question of "additionality" was absolutely vital. By its very constitution, the Bank would be enabled to operate in multi-national projects, a field hitherto largely if not totally unexplored. To the extent that suitable projects could be formulated and financed, these must represent additional resources to the Continent as a whole. The association of all African states in a multinational institution of this order should enhance their capacity to attract additional finance. If the technical assistance of the Bank could effectively fill in gaps on the national level and lead to proper formulation of projects, this should also constitute a possibility of additional benefits.

The need for technical assistance by the Bank is recognized. But in view of the general shortage of economists and highly skilled men, how will the A.D.B. solve the problem of technical assistance?

The general shortage of skills the world over was recognized by the visiting team; though it was particularly marked in the case of Africa, yet it was not a problem peculiar to it. The problem of relative shortage of skills would be with the world for many years to come. But that could not be an argument for sitting

ANNEX I

still. The Bank should be able to recruit a nucleus of highly skilled staff; it could utilize the services of consultants whenever appropriate and seek possibly the assistance of the technical assistance service in the various countries. However, wise management would dictate the undertaking of only the tasks that the technical ability available permits. In the formative years there may be inevitable limitations, but in time such problems should be largely solved out.

What would be the relationship between the A.D.B. and other national development banks in Africa? Will the A.D.B. take them over?

The visiting team pointed out that the A.D.B. should seek the maximum co-operation with such banks. Rather than take over existing ones, on the contrary the A.D.B. should help stimulate the creation of new ones and the growth of those existing.

Will the capital put up by African governments serve as a guarantee of the Bank's borrowing or will it be used for lending?

The answer was that every attempt should be made to enhance the borrowing capacity of the Bank. The Bank's lending activity may have to depend a great deal in the early years on its own capital and it may therefore be inevitable that good part of the paid up capital would be used for that purpose.

What is the African view on the general tendency of donor countries to tie their credits or loans to exports from their respective countries?

The visiting team answered that preference would naturally be on aid given in free convertible currencies. This would enable the African to buy in the best market. The A.D.B. would therefore generally seek to obtain loan or contributions which would be available in freely convertible currencies. Association of particular countries with certain projects, but without export ties, is also welcome.

What will be the size of aid funds required?

A precise answer was of course impossible at this stage of the project. The visiting team, however, suggested that an indication may be possible by the adoption of a debt equity ratio of 4:1 which is now generally acceptable in the case of development banks. On this basis amounts required may reach some US\$800 million. The aim, however, would be to obtain the maximum resources that would be most effectively utilized.

In summing up, the representatives of the Swedish Government at this final meeting indicated their reactions to the A.D.B. project which were as follows :

- a) The Swedish Government prefers the multilateral approach to the problems of economic development. It is their policy to channel as far as possible aid through multilateral institutions.
- b) They were convinced that for the purposes of economic development, results could be best achieved not by unilateral decisions but by mutual co-operation between the industrialized countries and the developing countries. The setting up of the appropriate machinery and consultation groups was therefore necessary to this end.
- c) They indicated that they were confronted with the difficulty of finding projects suitable for assistance. If E.C.A. could establish an organization of the type discussed which could prepare and appraise projects, they would be interested in working in close co-operation with such an organization.
- d) When the Bank was finally established they seemed certain that the Swedish Government would work and co-operate with the Bank and offer the assistance which may be possible.

The first part of the report deals with the general situation in the country. It is noted that the economy is still in a state of depression, and that the government has taken various measures to stimulate it. The second part of the report deals with the financial situation, and the third part deals with the social situation.

The financial situation is particularly serious, and it is noted that the government has had to resort to various measures to raise revenue. The social situation is also a cause for concern, and it is noted that the government has taken various measures to improve it.

The report concludes by noting that the government has made significant progress in various areas, but that there is still a long way to go. It is hoped that the government will continue to take the necessary measures to improve the country's situation.

ANNEX II
D E N M A R K
REPORT ON CONSULTATIONS

INTRODUCTION :

Team B 2 was in Copenhagen from 4 to 9 October 1962.

During the visit the team held two meetings with representatives of the Danish Government at the Ministry of Foreign Affairs. The team had also separate discussions with representatives of the Ministry of Commerce and the Danish Commercial Bankers' Association.

The Danish Government representatives were :

Kontorchef A. Rosenstand Hansen	Foreign Ministry
Kontorchef Alice Bruun	Finance Ministry
Fuldmaegtig Sven Aage Nielsen	Danish Board of Technical Co-operation with the Developing Countries
Fuldaegtig K. Kjaersgaard Eriksen	Ministry of Trade
Fuldmaegtig Nordgaard Jargensen	Danish National Bank

Summary of Discussions

All discussions were preceded by a brief outline of the proposed African Development Bank and the purposes of the team's visit as indicated earlier in the main report.

An atmosphere of cordiality generally prevailed. It appeared that in principle the Danish Government was in favour of multilateral institutions of the kind proposed. However, from the outset, and almost on all occasions, the team was reminded by the various Danish representatives, with rather unnecessary bluntness, that Denmark itself was a capital-importing country and that its size naturally set limitations on the scope of their technical assistance services. Nevertheless they indicated their readiness to explore the possibilities of co-operation once the Bank was established. In this connection the team was informed that the Danish Parliament had recently passed a law dealing with the question of aid to developing countries. Financial as well as technical assistance were envisaged in this law. But the operational policies consequent upon its enactment were yet to be fully worked out.

It should be recalled that the Danish Government had filed in an application to join the European Common Market. The caution of the Danes with regard to such a far-reaching project as the African Development Bank must be partly explained by the vagaries of their own position vis-a-vis the Common Market and its aid policies to African countries.

Major Points Discussed

A number of questions were raised by the Danish representatives, many of which were similar or identical to the ones raised in Sweden and need not therefore be reproduced here. Suffice it to stress that the Danes showed an interest in the relationship envisaged between the Bank and the various non-African technical assistance committees and institutions such as the I.S.R.D. On its part the team indicated that the proposed Bank would naturally seek to co-operate with all aid agencies operating in Africa. Duplication and overlapping must be avoided and with this in view at least the possibilities of exchange of information and consultation would have to be actively explored in due course.

The Danish bankers expressed the hope that the African Development Bank may be able to play an effective role in fostering the "rules of conduct" that would encourage the inflow of private capital to African countries. The team expressed the view that the Bank would naturally be interested in the encouragement of the inflow of private capital and would no doubt seek to help create the conditions that would facilitate its influx on fair and equitable terms to all.

ANNEX III

THE NETHERLANDS

REPORT ON CONSULTATIONS

INTRODUCTION:

Team B 2 was in the Hague from 10 to 13 October 1962.

During the visit the team held a meeting with a group of official representatives of the Dutch Government at the Ministry of Foreign Affairs. Separate meetings were also held with senior officials of the Ministry of Finance, the Vice-Governor and two Directors of the Central Bank and representatives of the chief commercial banks.

The various Dutch representatives were:

Baron S.J. van Tuyll van Serooskerken

Secretary-General
Ministry Foreign Affairs

Professor Dr. J. Tinbergen

Director Economic Institute,
at Rotterdam

Professor Dr. P. de Wolff

Director Central Planning
Bureau at The Hague.

Ministry of Foreign Affairs:

Dr. L.G.M. Jaquet

Director African Department

Mr. F.R.A. Walraven

Acting Head International
Organizations Department

Mr. A.A.J. Warmenhoven

Director Bureau for
International Technical
Assistance

Mr. P.J.G. Kapteyn

Department European Economic
Co-operation

Mr. B. van Eldik

International Organizations
Department

Ministry of Finance:

Mr. S. Boomstra

Director Foreign Payments

Mr. C. van der Tak

Head Bureau Multilateral
Affairs

Ministry of Economic Affairs

Mr. A.A. van der Voort

General Affairs Department

Central Bank:

Prof. S. Posthuma

Dr. A. Houwink

Mr. J. Schreuder

Commercial Banks:

Mr. C. André de la Porte

Mr. H. Ragetli

Dr. R.F. Roos

Mr. J.C. Wurfbain

Dr. P. Gunning

Dr. P.W. Rost Onnes

Director De Nederlandsche
Bank N.V.

Director De Nederlandsche
Bank N.V.

Director-Secretary De
Nederlandsche Bank N.V.

Director Amsterdamsche
Bank N.V.

Director Nederlandsche
Handel-Maatschappij, N.V.

Director Rotterdamsche
Bank N.V.

Director De Twentsche
Bank N.V.

Director Nederlandsche
Overzee Bank N.V.

Director Hollandsche
Bank-Unie N.V.

Summary of Discussions

All discussions were preceded by a brief outline of the proposed African Development Bank and the purposes of the team's visit as indicated earlier in the main report.

The discussions were generally useful. The Netherlands is certainly a capital and skill exporting country. In the Team's view borrowing in the Dutch capital market could not be an immediate possibility for the African Development Bank. A confidence-building record will have to be shown by the Bank over the years. In any case borrowing in the capital market could only be on the traditional or hard terms. The need of the African Development Bank for soft term resources requires no emphasis. Herein lies the importance of co-operation between the A.D.B. and the non-African official and semi-official sources of finance and perhaps also where the immediate possibilities reside. On technical assistance the Dutch were clearly encouraging. On the possibilities of financial aid they were obviously cautious. They expressed the view that the restriction of the share-capital participation only to African countries constitutes a serious financial limitation and may well lengthen the process of building prestige and confidence. In the Dutch thinking

there was a preference for channelling aid through multilateral institutions. But this could also lead them to strengthening existing institutions rather than creating new ones. It was, however, clear to the team that co-operation with the Bank could not be the subject of a unilateral decision on the part of the Dutch because of their Common Market connexions.

The team of course emphasized that the restriction of the share-capital only to African countries was the most practical course under the circumstances. The establishment of the Bank would mean the beginning of co-operation, of a general character, amongst African countries in the economic field. The original share-capital envisaged may appear small but its augmentation as the Bank develops should not be ruled out. Further under the present circumstances if participation in the share-capital by non-Africans were to be allowed it would have to be open for all. This may lead to the presence of external and conflicting political influences which would in turn certainly destroy the very confidence we wish to have for the institution as a bank. The team also emphasized that it was not the object of the Bank, nor would it be within its capacity, to disturb or supplant current aid relationships with African countries. But by opening up new avenues for economic development in Africa, the Bank would present an opportunity for additional co-operation with the African continent.

However, the Dutch maintained during the discussions that once the Bank is established they would certainly explore the possibilities of co-operation.

Major Points Discussed

Many points of interest were raised by the Dutch. They will be reproduced hereunder but only those not covered in previous reports will be discussed.

Meeting with official representatives at the Ministry of Foreign Affairs

The usual concern regarding the relationship with national development banks, regional banks operating in Africa and international aid agencies such as the I.B.R.D. was expressed.

The Dutch felt that the different activities of the A.D.B., i.e. hard loan and soft loan portfolios, should be separated and in fact questioned the wisdom of having them in one organization. The team confirmed that the creation of separate compartments or even different entities was envisaged. At this stage of planning the project, it was difficult to talk of affiliates or separate institutions when the parent body itself had not been established. In any case the patterns evolved by the I.B.R.D. and I.A.D.A. were interesting and relevant.

Before embarking on financing projects, the Dutch thought it may prove necessary for the Bank first to study the needs of the continent in the way of infrastructure, agriculture and industry. If the appropriate studies at the Bank's level were not made in time many countries may push ahead with small-size and perhaps uneconomic industries with the consequent loss of the benefits of a broader and more regional approach to industrialization. The team appreciated that the Bank would need to spend a good part of its energies at the formative stage in making the appropriate studies particularly on the regional and multilateral needs. But it was not practical to suggest the freezing of national development efforts until the Bank had completed its studies. There were obvious merits in regional industrialization, but here the absence of adequate means of transport between the various African countries and regions was a serious hindrance. Nevertheless it was the strong belief of the team that the Bank would in time provide the organ for a more co-ordinated and regional approach to problems of African economic development.

The Dutch expressed surprise that the Bank would finance education. The team informed them that the possibilities of financing education were mentioned in some of the earlier studies made by the panel of experts. Though financing of education was not envisaged at this stage, the Bank must have a lively interest in the problems of education and training particularly with a view to promoting new skills and improving existing ones. To the extent that the nature of its resources permit, the Bank may in due course play a useful role in this field which is a vital link in the chain of economic development.

Meeting at the Ministry of Finance

Here the question of the separation of the activities of the Bank was uppermost in the minds of the Dutch. They also expressed their doubts regarding the effectiveness of the size of the share capital envisaged. While they appreciated that it may be necessary to restrict share-capital participation to Africans only, they suggested it may be advisable to associate a body like the I.B.R.D. with the management or loan policies of the Bank in order to give the creditor countries some voice in the administration of the Bank. On this last point the team suggested that the African Development Bank would certainly seek to co-operate with such institutions as the I.B.R.D. Technical assistance possibilities may have to be explored. But the nature and extent of co-operation will have to be a matter of careful consideration. However suitable forms of consultation and exchange of information could be, where necessary, worked out and evolved.

Meeting at the Central Bank

The central bankers were interested in knowing about the Bank's training policies for its staff and were rather concerned at the tendency of African States to undertake "Spectacular" development schemes. The team informed them that the need for training of staff would be there but it was not possible at this stage to indicate the nature and scope of requirements. A gentle reminder was made by the team to the effect that Africa has witnessed in recent years some solid and far-reaching development activity but it was unfortunate that only the so-called "Spectacular" projects receive the maximum publicity.

Meeting with Commercial Bankers

At this meeting, which took place during lunch, the political risks inherent in dealing with African States were emphasized. The team suggested that whatever political risks that may be inherent in such dealings, they would certainly be largely removed by dealing with a multinational organization as the one proposed.

Meeting with some Industrialists

During a luncheon party arranged by the African Institute, the main point made by the Dutch was that their supplier's credits could be made for much longer periods if the African Development Bank would provide the required guarantee.

ANNEX IVTHE UNITED KINGDOMREPORT ON CONSULTATIONSINTRODUCTION:

Team B 2 was in London from 13 to 18 October 1962.

During the visit two meetings were held by the team with representatives of the British Government at the Foreign Office. The team had also separate discussions with representatives of the Commonwealth Development Corporation, the Commonwealth Development Institute, the Commonwealth Development and Finance Corporation and commercial banks.

The various British representatives were as follows:

U.K. Government

Sir Denis Wright K.C.M.G.	Foreign Office
P.S. Milner-Barry Esq. C.B. O.B.E.	Treasury
J.B. Loynes Esq.	Bank of England
L.B. Walsh Atkins Esq. C.V.O.	Commonwealth Relations Office
F.C. Mason Esq., C.M.G.	Economic Relations Department, Foreign Office
W.A. Morris Esq., C.M.G.	Head of Economic General Department, Foreign Office
V.E. Davies Esq., O.B.E.	Commonwealth Relations Office, Foreign Office
R.J. Stratton Esq.	West & Central African Department, Foreign Office
H.M.S. Reid Esq.	Economic Relations Department, Foreign Office
D. Kirby Esq., M.V.O., M.B.E.	West & Central African Department Foreign Office

Commonwealth Development Finance Company Ltd.

Mr. A.S.G. Hoar	Managing Director
Mr. G.S. Sanways	Director Technical Advisory Services

Commonwealth Development Finance Company Ltd. (Cont'd).

Mr. B. Berkoff	Head of the Legal Division
Mr. W.W. Russell	Member of Technical Advisory Services Division
Mr. D.F. Pearl	Member of Technical Advisory Services Division

Commonwealth Development Corporation

Commonwealth Development Institute

Mr. William Clarke	Director
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Summary of Discussions.

All discussions were preceded by a brief outline of the proposed African Development Bank and the purposes of the team's visit as indicated earlier in the main report.

The talks were generally useful. The British representatives said that they would welcome the Bank so long as the Africans wanted to have it. They doubted if the U.K. could do more than what it was doing already both in the multilateral and bilateral fields. They were prepared however, when the Bank is established, to consider co-operation in the light of the circumstances prevailing. In the view of the team, for countries like the U.K. the possible effects of the A.D.B. on its bilateral relationships with Commonwealth African countries must be a matter of serious concern, in spite of the team's assurances that such relationships should in no way be upset by the establishment of the Bank. The British position must be further complicated by the possible adjustments that may have to be introduced in its bilateral aid arrangements with African Commonwealth countries upon its joining the Common Market.

However, the various Commonwealth aid agencies visited by the team expressed their readiness, within their existing patterns, to co-operate with the Bank once it is established.

Major Points Discussed.

Meetings with Representatives of the U.K. Government:

The British side thought that the Bank would only deal in hard loans and not in soft loans as well. The team pointed out that dealing in both kinds was envisaged and stressed that soft loans were the ones that would be mostly needed. The Continent was in need of many infrastructural projects. Many of the African states, because of the movement of the terms of trade, were experiencing difficulties in their balance of payments. The servicing of their prospective debts on the basis of the hard loan terms, would add to their difficulties; hence the need for the non-African Governments' loans to the Bank. The team also pointed out that there would be a good number of industrial and agricultural projects that would stand market terms. The point was raised as to whether the donors of the soft loans to the Bank would not require representation on the boards or the loan committees of the Bank. It was the view of the team that it was not possible to be definitive about this problem at this stage but no doubt the Bank will need to evolve the type of relationship that would encourage the flow of assistance.

A question was raised as to whether the required additionality was solely that of capital. The team explained that additionality meant capital as well as technical assistance in the way of helping the different country members to make a better study of their programmes and projects. Additionality was also to be expected in the kind of projects the bank would finance. So far nothing had been done in the way of the multinational projects. It was the team's belief that the Bank, because of its African character, could promote an understanding among the African states which would lead to the undertaking of multinational projects.

The question of technicians was raised and the British side expressed their doubts as to the advisability of establishing the A.D.B. when the existing international or multilateral institutions find difficulty in recruiting good technicians. The team replied that the Bank would have to start with the best skills available and grow in time to the extent it could fulfil the tasks required. In this connexion it was pointed out by the British representatives that the Bank may be well advised to employ the technicians when available for a long period. The team stated that this was a question for the management who would not fail to act in that direction if the circumstances necessitated.

The question was put to the team regarding the currency in which the share capital would be paid and also the loan capital and whether the Bank would loan in hard or local currencies and whether the repayment would be made in the same currencies. The team replied that so far the idea of the committee of nine was that the \$.100 million paid in capital should be in convertible currencies. The callable part was left to the Bank, when established to decide the method and currencies in which that part is to be paid, if it was to be called. As to the loan capital the Committee expressed the preference that it should be all in convertible currencies. The Bank might loan in convertible currency or in local currency if available, and repayment would be made in the same currencies loaned.

The point was raised by the British as to whether the Bank would spread its resources among the member countries in a certain proportion or look into projects and finance the good ones only irrespective of the geographical distribution of the projects. The team stated that the Bank would certainly follow the banking principles of financing the top priority projects first. But the team believed at the same time that the Bank would find top priority projects in many of the geographical regions in Africa and that without surrendering any of the good banking practices its loans would be distributed on a wide area.

The relationship with the sub-regional groups, the I.B.R.D. and other similar institutes was also discussed.

Meetings with Commonwealth Institutions.

The Commonwealth institutions indicated that they welcomed the establishment of the proposed Bank. They felt that the need for development in Africa was urgent, that an African bank would help to produce well studied and appraised projects, and that they would be prepared to co-operate with the Bank once established.

ANNEX V
F R A N C E
REPORT ON CONSULTATIONS

INTRODUCTION:

Team B 2 was in Paris from 18 to 23 October 1962.

During the visit, separate meetings were held by the visiting team with representatives of the Ministry of Finance, the Bank of France and the Commercial Banks.

The various French representatives were:

Ministry of Finance:

M. Poniatowski	Directeur du Cabinet du Ministre des Finances
M. Perouse	Directeur du Tresor, Ministere des Finances
M. Delattre	Directeur des Finances Exterieures

Bank of France:

M. Calvet	Premier Sous-Gouverneur de la Banque de France
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Commercial Banks

Summary of Discussions

All discussions were preceded by a brief outline of the proposed African Development Bank and the purposes of the team's visit as indicated earlier in the main report.

The talks were very frank. The representatives of the Ministry of Finance stated that in their view the proposed Bank would be a duplication of the existing institutions working in the field of development. They added that in almost every country in Africa a national development Bank was established or in the process of being established. They handle the financing of small or moderately sized projects. As to the big projects there were the different international institutions, such as I.B.R.D. with its two affiliates, that are capable of financing the big projects. The French showed also no enthusiasm for an African institution that would deal with both East and West.

As to financial assistance they stated that the French Government was already giving as much aid as was within its means. France could not give more, unless at the expense of contributions made to different institutions and countries. They suggested that it would have been better for Africa if the National Development Banks would get together, form a study group for the big projects and once those projects were well studied and properly appraised, and the financing assured then and only then an African bank might be established.

The visiting team during the discussions put considerable emphasis on the following points:

1. The proposed Bank should seek to fill in gaps and supplement resources on the national and multinational levels which could not otherwise be met. The multinational aspect was projected amply so as to show that duplication was not in the concept of the proposed Bank.
2. The proposed Bank would neither seek to replace nor disturb any existing bilateral or multilateral arrangements, nor limit the freedom of any African country to make fresh arrangements if it so desired.
3. There were many projects in Africa, infrastructural and productive, that require technicians and finances, the proposed Bank would have to choose from amongst those projects the good and urgent ones and specially those that interest more the one country.
4. The proposed Bank would seek to collaborate with the various African national development banks as well as with the international and regional institutions that work in Africa, in order to avoid overlapping and duplication.
5. In the field of technical assistance the proposed Bank would try to help the different member countries to study, formulate and properly appraise their development projects.
6. The Bank would deal with East and West in its capacity as a financial institution. It will certainly isolate itself from external politics and will adopt the sound banking practices that will enable it to inspire confidence and perform its tasks.

The feelings of the French were obviously dominated by a preference for their existing bilateral relationships with some of the African countries and for a multilateral association such as the one springing from the Common Market set-up. However, the team certainly left Paris with the impression that the French could see that the activities of the proposed Bank should not necessarily lead to duplication and that French dealings with this Bank need not, in an automatic manner, be inconsistent with its existing relationships. Indications were that the French would reconsider their stand particularly if a more comprehensive unanimity was evident amongst the Africans themselves.

Major Points Discussed

The French side enquired whether the proposed Bank would deal in soft loans as well as hard ones and how will the funds for hard loans be obtained in the immediate future. The team expressed the view that the Bank would deal in both soft and hard loans. The team realised that it would take some time before the Bank could go to the capital market to borrow funds for its general purposes. At the start part of its capital could be invested in hard loans and the Bank could submit to the capital market some of the productive projects that may be attractive enough. In due course when the Bank had established the necessary goodwill, it could go to the capital market to borrow for its general purposes and not on project basis. The team also stated that the Bank would not lend soft loans unless it had borrowed on soft terms.

The question was asked whether the Bank would guarantee loans borrowed by national development banks. In reply the team thought this could be one of the Bank's functions.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This ensures transparency and allows for easy verification of the data.

Additionally, it is noted that the records should be kept in a secure and accessible format. Regular backups are recommended to prevent data loss in the event of a system failure or disaster.

The second section focuses on the process of reconciling accounts. It describes how to compare the internal records with the bank statements to identify any discrepancies. This process is crucial for ensuring the accuracy of the financial statements.

It is advised that any differences should be investigated immediately. Common causes include timing differences, errors in recording, or unauthorized transactions. Once the cause is identified, the records should be corrected accordingly.

Finally, the document concludes by stating that consistent and accurate record-keeping is essential for the long-term success of any business. It provides a clear framework for how to approach these tasks effectively.

ANNEX VI

BELGIUM
REPORT ON CONSULTATIONS

INTRODUCTION:

Team B 2 was in Brussels from 23 to 27 October 1962.

During its visit to Belgium the team had discussions with representatives of the Belgian Government, the National Bank of Belgium and commercial banks. The team had also discussions with some of the Common Market authorities. Part I of this report covers the discussions with the Belgian authorities while Part II deals with talks with the Common Market.

PART I

The various Belgian representatives were :

Government Representatives

M. Slebus	Financial Expert, Ministry of Technical Assistance
Prof. Van Bilsen	Secretary General, Ministry of Co-operation and Development.
Ambassador Van Den Bossch	Secretary General, Ministry of Foreign Affairs.

The National Bank of Belgium

M. De. Strijcker	The Director
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Representatives of Private Banks

M. M. De Leyn	Krediet Bank
M. R. Lacroix	Societe Belge de Banque
Mell M.A. Raymackers	Counsellor (Association of Belgian Banks)
M. O.E. Lambiotte	Banque de la Societe Generale de Belgique

Summary of Discussions

All discussions were preceded by a brief outline of the proposed African Development Bank and the purposes of the team's visit as indicated earlier in the main report.

The talks with the various Belgian representatives were frank and cordial. There was an interest in the project but it was apparent from the discussions that very little was known about it. The Belgian authorities seemed to prefer bilateral aid because of their connexions with certain parts of Africa. Belgium is a charter member of the six community countries. She contributes to the European Development Fund and also subscribes to the share capital of the European Investment Bank. Her former colonies in Africa are associated with the Common Market. It is against this background that one must consider the attitude of the Belgian authorities towards the proposed A.D.B. Nevertheless indications were that the explanations

and answers given by the team have clarified the atmosphere to some extent. Like Holland, because of her Common Market connections, it seemed that co-operation with the A.D.B. could not be the subject of unilateral decision. The Belgians however indicated their readiness to explore the possibilities of co-operation when the Bank is set up.

Major Points Discussed

There was a general desire to have more information about the project. The financial expert in charge of technical assistance expressed keen interest in the project and indicated quite clearly that the Government could provide technical assistance for the Bank when it was established. The assistance could take the form of training facilities in Belgium for the staff of the Bank, or other assistance provided on an ad hoc basis. It was made clear to the team that there were possibilities of co-operation in this field.

At the meeting which was held in the Ministry of Co-operation and Development, the team was favourably impressed by the frank and encouraging discussion with Professor van Bilsen, the Secretary-General of the Ministry. He indicated quite categorically that his Government and some other western European countries were not very enthusiastic about the A.D.B. In the first place, the impression had been created among the Western European Governments that in so far as financial assistance is concerned, they felt they were doing enough, although he personally felt not enough was done. Secondly, some of the western European countries have interest in certain parts of Africa, which they would like to retain; therefore, they would prefer bilateral arrangements as a means of maintaining such interests. Should the western European countries decide to move out of these areas in Africa where they are closely associated, he pointed out that they would prefer not to go to other parts of Africa but to concentrate their efforts in Europe.

He also pointed out that these views were subject to modifications in the light of changing conditions. He referred to recent developments whereby European countries were channelling aid through multilateral organizations, e.g. the World Bank, and hoped that when the A.D.B. is established, western European countries may have to think along the lines of the Bank, and establish a satisfactory relationship with it but it would take some time before this was achieved. In his view the A.D.B. must be established first before any form of assistance could be provided by the Belgian Government.

Apart from direct Government assistance, the Secretary-General informed the team that the European Development Fund might be able to co-operate with the A.D.B. since both institutions would be operating in Africa and facing similar problems. He indicated in a general way the feeling that the Fund should not confine its activities narrowly to certain areas in Africa, but should cover other parts of Africa. Possibility of co-operation might exist, and this should be explored. In the field of technical assistance, he informed the team that it was possible to establish co-operation with the A.D.B. The Secretary General suggested that the Belgian Government would be watching with interest further developments of the Bank, and he specifically indicated that when the Bank had been established, it would be advisable for the Bank's top officials to pay further visits especially to western European capitals, and by that time, it might be possible to obtain firm commitments.

The team also had discussions with the Director of the Central Bank, and the representatives of the commercial banks. The exchanges with the Director of the Central Bank were mainly of a technical nature. The commercial banks indicated quite clearly that they were encouraged by the exposition of the project given by the team, and were pleased to see that the African countries were coming together to tackle the major problem facing them all. They promised to provide technical assistance to the A.D.B. when it was established, and indicated quite firmly that they would wish to be kept fully informed about the progress of the Bank.

A final meeting was held with the various representatives of the Belgian Government in the Ministry of Foreign Affairs under the chairmanship of the Secretary-General. The visiting team gave an outline of the proposed A.D.B. The subsequent discussion that took place was useful. There was clear evidence that the Belgians could as a result of their own experiences see merit in an institution of the kind proposed in spite of some of the attendant difficulties. A particular point they made was that such an institution would certainly be more alive to the needs of the area than other institutions and would be better placed to mobilise the co-operation of African countries.

At the end of the meeting the Secretary-General indicated that at the official level, the Belgian Government had followed with interest the proposed A.D.B. He further pointed out that they were sympathetic with the basic objectives and would watch the future progress of the Bank. When the Bank is established, possibilities of co-operation would be explored.

PART II

The various Common Market representatives were :

Common Market

M. Rochereau Commissioner in charge of African Affairs.

M. Héndus Director General, European Development Fund.

European Investment Bank

L. Formentini The President

Hans Karl von Mangoldt-Reiboldt Vice President

Le Porty Vice President

Summary of Discussions

The discussions the team had with the President of the European Investment Bank and some of the specialists on African affairs from the European Economic Community showed an appreciation for the role that the A.D.B. could play. There was also some clear readiness to explore ways and means of co-operation when the Bank is set up.

The European Investment Bank

The President of the European Investment Bank indicated that he and his colleagues were happy that the team was able to visit them and to discuss the project. He confessed that he and his colleagues were not fully informed about the project. The President gave a brief background of the activities of the European Investment Bank. The Bank was founded on 1st January, 1958 under the terms of the Treaty of Rome establishing the European Economic Community. A major part of the Bank's resources was used to finance projects designed to contribute to the development and the raising of the standard of living of the less developed regions of the European Economic Community. The Bank also made its resources available in cases where the progressive establishment of the Common Market - e.g. the elimination of protective measures: customs duties, quotas, Government subsidies etc., forced certain industries either to modernise or reconvert. The Bank also helped to finance common projects.

It would be observed that the broad activities of the Bank were similar to the proposed A.D.B. The activities of the European Investment Bank were confined to the European territories of the member states; however, it was possible for the

Bank to extend its field of activity to other countries and other areas, subject to authorisation by a unanimous vote of the Board of Governors. It had now been decided in principle already to extend the activities of the E.I.B. to the African associate members of the Common Market.

The President indicated that it would be possible for the Bank to co-operate with the A.D.B., since the basic objectives of the two banks were greatly similar.

The President enquired whether all the African member states of the E.C.A. would be members of the A.D.B. The team replied that all E.C.A. members and associate members were eligible to be members and all had indicated their acceptance of the principle of the Bank. He also asked whether the team had considered the type of relationship which would exist between National Development Banks and the proposed A.D.B., and in particular whether National Development Banks would participate in the share capital of the A.D.B. The team replied that it was not intended that National Development Banks should participate, in the share capital. The shares of the proposed A.D.B. would be taken up by African Governments. The aim, however, was that the A.D.B. should co-operate as much as possible with National Development Banks, and there should be no duplication of efforts or activities; rather the A.D.B. should work through them.

The possibility of approaching the capital market was discussed. The view expressed by the team was that the approach to the capital market would take some time. The A.D.B. must build up its reputation over the years. Initially the Bank must deal with Governments, and semi-governmental bodies; there was the possibility that the A.D.B. may go to the capital market for individual projects which by their nature can bear hard term loans. It was asked whether the A.D.B. would create a Technical Assistance Department. The team expressed the view that the A.D.B. must avoid duplication, and where a technical assistance programme was in force, this Bank should not disturb the arrangement. The Bank should seek to co-operate with other international or national institutions providing technical assistance. Nevertheless, the A.D.B. should be able to build its own staff, and seek to provide technical assistance where this is lacking to member countries.

The President thanked the team for providing information on the project. He reiterated the view that the European Investment Bank would be prepared to co-operate with the A.D.B. when it is established, and as soon as the Investment Bank was permitted to operate in Africa, possibilities of co-operation would be explored.

Visit to Mr. Rocherault, Specialist in African Problems
in European Economic Community

The visit was friendly and constructive. At the start the team gave an outline of the A.D.B. project with some emphasis on the general character of the membership of the Bank. Mr. Rocherault gave a detailed account of the procedure and the functions of the European Development Fund. He pointed out that until this year which is the last year in the first five years they were giving grants to the different associated member states in Africa, sixteen in number, they have already committed U.S. \$.500 million out of U.S. \$.580 million. The funds were given for infrastructural projects such as roads and for social work. The funds were allotted only after the associated member states apply for financing. He stressed the point that the initiative must come from the African countries. It was true, he said that the technicians of the European Development Fund were sent to the different African members to help prepare the development programmes and the different projects, but it was entirely for the African countries to come forward and apply for finances for their projects.

As for the coming five years beginning January 1963, the policy of the Fund would be based on both grants and soft loans. The total appropriations for the coming five years would be U.S. \$.730 million for the sixteen African countries. This comprised grants and soft loans. The initiative, he said would still be with the African countries and the Fund would also help, with its technicians in the study of the projects. The Fund would pay for all the studies required. This would cost some money but what was worrying him more was the time wasted. He said that there was a field of collaboration between the proposed Bank and the Fund, the Bank being on the spot.

Another field of collaboration in his views would be in the fact that the Fund sometimes embarks on a project that concerns two to three countries of the associated members and that that project could not be successfully executed without the co-operation of one of the countries outside the associated members. He gave an example of a road or a railway connecting two or three associated member countries that would have to pass through another one or two countries outside the associated members. There the Bank can collaborate with the Fund in planning and executing such a project.

He also mentioned that the Fund could give grants and loans to Governments but it could not participate in the equity capital of a private enterprise while what was needed most in Africa in the way of diversification of resources was industrialisation. But the initial capital to start any industry was lacking in Africa and also lacking were the people to manage the business. Here the Bank could also help in the process of industrialisation and in the promotion of managerial skill.

He also stated that the Fund could build schools, equip them with all that is necessary in the way of material but could not appoint the teachers. He wondered whether the Bank could help in that respect, though he doubted that it would fall within the scope of the Bank's work.

The team expressed their appreciation of the spirit of the collaboration demonstrated and stated that with the exception of preparing teachers for the general education, they considered that the Bank would readily consider collaboration with the Fund in due course. The Bank might at a later stage be interested in education but then it would only be in the technical side of education.

The history of the 17th century is a story of great change and conflict. It begins with the reign of Charles I, who sought to impose a new form of government on his subjects. This led to the English Civil War, a struggle between the king and his subjects over the rights of the individual and the power of the state. The war ended in 1688 with the Glorious Revolution, which established a new form of government based on the rights of the individual and the power of the state. This was followed by the reign of William III and Mary II, who were the first Protestant monarchs to rule England. The 17th century also saw the rise of the scientific revolution, which led to the development of modern science and technology. This was a time of great discovery and progress, and it laid the foundation for the modern world. The 17th century was a time of great change and conflict, and it was a time when the foundations of the modern world were laid.

ANNEX VII
THE FEDERAL REPUBLIC OF GERMANY
REPORT ON CONSULTATIONS

INTRODUCTION:

Team B 2 was in Bonn from 27 to 30 October and in Frankfurt from 30 October to 31 October 1962.

During the visit the team met with representatives of the Federal Government from the Ministry of Economy, Ministry of Economic Co-operation. The team had also separate discussions with representatives of the Federal Bank (Deutschebank), the commercial banks and the Reconstruction Loan Corporation.

The various German representatives were:

Ministry of Economic Co-operation

Federal Bank

Reconstruction Loan Co-operation

Commercial Banks

Summary of Discussions

For the German Government it was stated that there was the greatest interest in and welcome for the economic development and growth of Africa. The broad principles underlying the proposed African Development Bank were already known and had evoked a sympathetic response in that the Bank would clearly be an important instrument for furthering African development. Against this background the team was asked to amplify the statements on the Bank's objects, the manner of its co-operation with institutions inside Africa and those outside.

In reply a full statement was given of the Committee of Nine's position regarding the Bank, the outcome of the African consultations and the provisional policy envisaged for the Bank - e.g. the emphasis on multi-national projects, and the stress on the thorough technical study of projects.

The German position up to date was explained as relying chiefly upon bilateral agreements in respect of financial assistance, except where use was made of existing international institutions. It had been possible to make specific agreements with African states and these had worked well. However, a multilateral approach had

advantages which the Government appreciated, and if joint financing of suitable projects, e.g. of an infrastructure character, were possible, co-operation with the Bank would certainly be welcomed. In particular, the local knowledge which the Bank would be able to draw on would be valuable in ensuring the best use of funds.

The German representatives showed interest in the Bank's relations with other institutions - national or regional development banks and international financial institutions. The explanation that the Bank would supplement - not supplant - national development banks and would co-operate with them wherever they existed was welcomed.

The view that the Bank would place priority on multi-national projects was also favourably commented on by the German representatives. In this connexion they inquired whether the Bank would be able to influence African governments' plans for the diversification of their economies where these might lead to duplication and the wasteful use of resources. It was pointed out that the Bank would be certainly interested and that the thorough technical and economic study of projects which it was intended to make would reveal problems of this kind and that the Bank should be able to advise governments in such cases.

The German representatives attached great importance to these regional features of the Bank's operations. It was noted, however, that the multi-national projects would in many instances be of an infra-structural character requiring soft loans and long terms.

Major Points Discussed

Meeting at the Reconstruction Loan Corporation:

Although this meeting was short it was made clear by the Corporation's Director that parallel participation in financing approved projects jointly with the Bank would be feasible if approved by the German Government; such financing would not, according to the German policy, be tied to German products and account could be taken of the borrowers' financial circumstances in determining the conditions of repayment. In general it was the Corporation's policy to make loans only for specific projects and to exercise some supervision over the expenditure of the loan; however, its resources which come mainly from official funds were limited in amount.

Meeting at the Federal Bank:

The discussion at the Deutsche Bundesbank followed a rather similar course and most of the points raised during the discussion with the Federal Government were raised again. The following questions were put to the team: Was the Bank likely to secure unanimous African support? Did the African governments favour a multilateral approach to the financing of their development? What were the prospects in fact of "additionality"? After these questions had been answered, the Chairman of the Bundesbank group said that the proposal was regarded sympathetically and in fact with welcome.

As to raising funds on the German capital market the Chairman of the German team said he would recommend a gradual approach (such as the IBRD had also adopted) aiming initially at getting the Bank known to investors. Thus, rather than floating an issue it would be better to arrange for participation in particularly attractive projects, having early maturities, until such time as the Bank's standing and reputation were established in the investors' mind.

Meeting with Commercial Bankers:

The team's final meeting in Germany was with representatives of five major banks who showed a great interest in the proposal. The discussion covered the main features of the Bank and the operations envisaged. The possibilities of co-operation were examined and it appeared that the commercial banks would be interested in participating in financing suitably guaranteed projects. It was specifically asked whether the Bank might be able to finance the local currency element of a project; the German supplier could frequently obtain finance (or export credit guarantees) for the foreign exchange costs, but to raise local capital was often a problem. In reply it was said that the Bank would probably be interested in such participations though it would be a matter for the management of the Bank to decide. The risk of nationalization and the security of investment was also raised and the team was asked whether the Bank would be concerned; the answer given was that it would certainly be greatly interested. In concluding the meeting the Spokesman of the German bankers said the emphasis placed on flexibility in developing the Bank's operations was particularly attractive to the commercial banks. In general the participants on the German side seemed interested and prepared to consider ways and means of developing co-operative arrangements with the Bank.

11/18/1944

Dear Mr. [Name],
I have received your letter of the 14th and am glad to hear from you.
The information you have provided is being reviewed and we will get back to you as soon as possible.
I am sure you will understand the need for thoroughness in this process.
Thank you for your patience and cooperation.

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