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PROVISIONAL SUMMARY RECORD OF THE ONE HUNDRED AND EIGHTH MEETING

held at Africa Hall, Addis Ababa,
on Wednesday, 26 February 1964, at 9.10 a.m.

Chairman: Mr. MASSAQUOI (Liberia)

Secretary: Mr. SYLLA

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AFRICAN DEVELOPMENT BANK (Agenda item 7) (E/CN.14/260)

Mr. N'LIBA, Deputy Executive Secretary, presenting the Progress Report on the African Development Bank (E/CN.14/260), said that the draft Agreement adopted by the Conference of Finance Ministers on the establishment of an African Development Bank in August 1963, at Khartoum, had now been ratified by thirteen Governments: Cameroun, Congo (Leopoldville), Guinea, Ivory Coast, Kenya, Mali, Morocco, Niger, Sierra Leone, Sudan, Tanganyika, Togo and Uganda. Five of them (Kenya, Sierra Leone, Sudan, Tanganyika and Uganda) had also paid the first instalment of their subscription. The Ivory Coast had paid its first instalment but not yet deposited its instrument of ratification. The Governments of Ghana, Nigeria and Tunisia had received parliamentary approval for the ratification of the Agreement, and Dahomey, Ethiopia, Liberia, Senegal, Somalia and the United Arab Republic were in process of doing so. The Agreement would come into force when twelve instruments of ratification or acceptance had been deposited and not less than 65 per cent of the Bank's authorized capital of $211 million had been subscribed. On its entry into force the United Nations would appoint a trustee, invite member governments of the Bank to appoint a governor and convene the first meeting of the Bank's Board of Governors. At that meeting, the nine members of the Board of Governors would be elected and the first President of the Bank appointed; the site of the Bank's principal office would be chosen, and arrangements would be made for deciding the date on which the Bank would start operations.

Signatory Governments were being informed by cable of the deposit of instruments of ratification and the secretariat would notify all African Governments when the entry into force of the Agreement was approaching.

The work of the first two sessions of the Committee of nine set up by the Conference of Finance Ministers was described in the Progress Report. The Committee had approved a budget of $200,000 for the Executive Secretary's preparatory activities and had authorized him to call for the first two instalments of contributions pledged at the Conference of Finance Ministers. To date only the Governments of Cameroun, Central African

Republic, Ethiopia, Kenya, Morocco, Sudan and Tanganyika had paid their first instalments; Ethiopia and Tanganyika had also paid their second instalments and Burundi; while Uganda had notified the secretariat that contributions would be forthcoming. The total sum received was only US$58,500. The third session of the Committee of Nine was to be held from 16 to 21 March 1964, in Tunis, and countries which had ratified the agreement in the interim would be invited to attend.

Two years from the time when the idea of it was first suggested, the African Development Bank had almost become a reality. The pioneer work had proceeded in a spirit of co-operation and understanding, which would surely persist on the Board of Governors.

Ato MENGESHA (Ethiopia) congratulated the secretariat on its Progress Report and thanked the Executive Secretary and other responsible officials for their keen and personal interest in the project.

The Committee of Nine, of which he was a member, was also much indebted to the Inter-American Development Bank and to IBRD for assistance in the form of advice and experts, also to the Government of Brazil, the first non-African country to give financial assistance. He was pleased to learn that the United States Government was willing to offer technical assistance and financial participation in particular projects, and hoped that similar offers would be received from other industrialized countries.

He was encouraged by the amount of support for the Bank shown during the session. The African Development Bank was the first co-operative venture for African countries conceived and executed by Africans, and he hoped it would be followed by even more ambitious undertakings. The success of the venture would determine the pace of future co-operation in the economic and other fields. He urged African governments to take the necessary steps to complete the measures required to enable the Bank to start operations as soon as possible. His own government was making every effort to speed up ratification of the Agreement; he hoped other governments would do likewise. Ethiopia had voluntarily increased its

contribution from \$6.3 million to \$10.3 million; other governments, it was to be hoped, would make similar gestures. It was essential for the Bank to start with a strong financial foundation.

He had prepared a draft resolution to which he would revert later, after it had been circulated.

Mr. PARKER (Liberia) endorsed the comments of the Ethiopian representative, particularly his tributes to the Executive Secretary and his staff. He was gratified at the progress made with the project, and urged member countries to endeavour to ratify the Agreement by the end of the current year: his own country's ratification was expected by the end of February.

Offers of a site for the Bank had now been reduced to four. He hoped that governments which had withdrawn their invitations would not submit them again; the Board of Governors, at its first meeting, would then have a relatively simple task and would be able to reach a decision on the subject in a short time.

Mr. Djim SYLLA (Mali) said that he was prepared to support a draft resolution embodying the views expressed by the Ethiopian representative.

It would be useful if the letter which the Executive Secretary had sent to certain governments could be distributed to representatives before the close of the session, so that representatives might urge their governments to ratify the Agreement without delay.

Mr. HOCINE (Algeria) informed the Commission that his Government would shortly be making its contribution; the necessary formalities had been completed.

Mr. M'HEDEBI (Tunisia) expressed satisfaction at the progress made towards establishing the Bank. With regard to the appeal made by the Liberian representative on the subject of offers of a site, he reminded the Commission that when the Bank had first been discussed, at the Fifth session, the Tunisian representative had proposed Tunis as the headquarters.

At that time there had been no offer from any other country; Tunisia had had no intention of starting a competition. He hoped that the matter would not become a prolonged subject of dispute. The Board of Governors should chose the site simply on a basis of sound practical criteria.

Mr. BENNANI (Morocco) urged that instruments of ratification of the Agreement should be deposited as speedily as possible, and hoped that contributions would soon reach the figure required for the Bank to start operations.

He did not agree with the Tunisian representative that the site of the Bank was a cause of dissension: it was rather a manifestation of the interest felt by all African countries in the realization of the project. He suggested that the secretariat and the Committee of Nine should get in touch with the four countries still wishing to offer a site for the Bank and try to prepare the way for a final decision by the Board of Governors.

Mr. COULIBALY (Ivory Coast) said that people taking part in the preliminary discussions on the Bank would have been surprised to know how quickly their discussions would produce concrete results. He was sure that the Bank would never be the means of dividing African countries and that the problem of a site would be settled with the wisdom and amicability that had characterized past negotiations.

Mr. SEFIA (Nigeria) observed that the Bank offered African governments a unique opportunity for a joint venture to help solve their economic, financial and development problems. It was vital that the venture should not fail; and to be successful the Bank should operate independently of political and other influences. Through it, hitherto neglected multinational projects would be possible. New resources for development would be brought to Africa. The Bank should be run on sound principles and with the highest quality staff obtainable.

Mr. BROUGH (Kenya) remarked that, although his Government had suggested Nairobi for the headquarters of the Bank, on account of the excellent facilities possessed by that city, there was no reason why the issue should become a source of dissension. The question to concentrate on was how to start the Bank's operations as soon as possible.

Mr. WINE (Northern Rhodesia) congratulated the secretariat on its work towards establishing the Bank. He agreed with what the representative of the Ivory Coast had said on the subject of the decision on its site.

Mr. OCHS (UNESCO), speaking at the invitation of the Chairman, said that UNESCO was extremely interested in the potentialities of the Bank for accelerating the development of Africa's vast natural and human resources. The reference to human resources, which covered the field of education and training, in the preamble to the Agreement was encouraging, for education was not only an end in itself but an important part of the whole development process.

UNESCO looked forward to co-operating with the Bank, by advice and assistance on education and training, and in any other way possible.

Mr. N'LIBA, Deputy Executive Secretary said that, in view of the number of the countries which had ratified the Agreement and made financial contributions, and of those which were in the process of doing so, it was hoped that the Bank would be able to start operations before the end of 1964. The first meeting of the Board of Governors would probably take place towards the middle of the year.

Most of the more important countries outside Africa - including Brazil, the Federal Republic of Germany, France, Pakistan, the United Kingdom and the United States of America - had shown great interest in and willingness to assist the Bank.

The problem of the site had still to be settled, but he was confident that agreement would soon be reached.

He was grateful to representatives for their comments and encouragement and particularly to those who had appealed for speedy ratification of the Agreement. He also thanked the members of the Committee of Nine for their devotion, efficiency and co-operation.

ECONOMIC CO-OPERATION IN AFRICA (agenda item 8) (E/CN.14/261 and Corr.1, 262, E/CN.14/L.188/Rev.1)

The CHAIRMAN invited representatives of the secretariat to introduce two documents, upon an African common market and on African Payments Union respectively.

Mr. LANDEY (Secretariat) said that the programme of action outlined in the document, Progress towards an African Common Market (E/CN.14/261), were based on a programme of work and priorities established by the Second session of the Standing Committee on Trade. The secretariat wished to modify the tentative suggestions contained in paragraphs 7 and 8: the Commission might consider giving the Executive Secretary a flexible mandate to convene, after the completion of the preparatory work, sub-regional meetings to consider proposals for helping to start government negotiations.

Mr. N'LIBA Deputy Executive Secretary, reminded the Commission that the Commission resolution 87 requested the Executive Secretary to study the possibilities of establishing a clearing system within a payments union between African countries and to report on the situation to the Seventh session. In discussing preparations for the present session, however, certain representatives had suggested including the question in the agenda for information purposes, and the Executive Secretary had welcomed the opportunity of submitting a report, so that his terms of reference might be confirmed or possibly revised or amplified. The technical and political complications of a payments union for a continent with 26 different currencies made it desirable for the secretariat to seek assurance that it had been acting in accordance with its terms of reference or to have them modified if necessary.

In tackling the problem the Executive Secretary had adopted the following principles: not to attempt to change, reject or criticize existing currencies, monetary systems or agreements without careful study because although collectively they might be unsatisfactory for an

integrated African system, individually they all had elements worth preserving; to take all interests into account and work through open discussion, so as to ensure collective support at every stage; not to be too hasty, for in a subject that was both political and technical, a serious mistake could ruin the whole project.

The Executive Secretary had invited Professor Triffin of Yale University to investigate and report on the possibility of setting up an African Payments Union, and had at the same time transmitted the text of resolution 87 to every African Government with an account of the secretariat's proposals and a request for comments and information. Not all the governments had replied, and some of the answers received gave the impression that the Commission's resolution had been taken as a decision which the secretariat was attempting to carry out by revolutionary means. Many replies expressed reserve, concern and even hostility.

He assured the Commission that any such misgivings were groundless. The secretariat had exercised the greatest care in carrying out its task under resolution 87 (V). The Executive Secretary had appointed an Expert Group, chosen to ensure the widest representation of interests as well as the highest technical qualifications, to examine the question; it had met in Tangiers in January 1964, using Professor Triffin's report as its basic document.

The Report of the Expert Group on an African Payments Union (E/CN.14/262) was now submitted to the Council, Professor Triffin's report being reproduced in annex VI thereto. The Group's conclusions were that there was adequate justification for a Payments Union on the basis of existing conditions, but that it raised problems which were not capable of immediate solution and required very careful study. The secretariat had agreed with the Group that it was desirable to proceed in two stages: first of all to deal with measures not involving complex technical or political problems, and then to go on to measures of wider scope requiring careful study and preparation. The conclusions now

submitted to the Commission recommended, as a first step, the establishment of an African Monetary Council, an African Monetary Centre of Studies and Co-operation, and an embryo payments union. In the light of experience and knowledge gained from those three projects it would be possible to decide how and when to embark on the stages of wider monetary co-operation.

He was aware that certain representatives had misgivings about the project and that some thought it was premature, but he assured them that the conclusions he had outlined were not submitted for decisive action, but as objectives to be pursued by joint action. All that the secretariat required at the present juncture was endorsement, or possibly revision, of its terms of references in the matter, and approval for a new phase of activities, as follows. A first meeting of African monetary authorities would be organized, under the joint auspices of IMF and the Commission, concurrently with the next annual session of the IMF Board of Governors and IBRD; the meeting might transform itself into a meeting of the African Monetary Council. And a preparatory meeting of experts from African governments and inter-governmental bodies concerned with monetary questions would be held before that meeting.

He hoped he had convinced representatives that neither the Executive Secretary nor the Group had any intention of proposing action in the immediate future which might prejudice existing systems or national interests, or of springing on States a new set of measures which had not received the carefully considered support of all concerned. The proposed first step towards an African Payments Union, which every African country desired, did not involve financial effort, political sacrifice, or technical complications.

Mr. UNWIN (United Kingdom) considered that the recommendations of the Expert Group, particularly those relating to the negotiation of a charter for African Monetary Co-operation, the establishment of an African Monetary Council and the setting up of a permanent African

Monetary Centre of Studies and Co-operation, were valuable. His delegation noted with satisfaction that the Group had stressed the importance of maintaining existing arrangements with major world trading countries and financial centres. Even if, as everyone hoped, Africa developed rapidly, the bulk of its export - import trade, and consequently of its flow of payments, would for many years be to and with non-African countries. Furthermore, membership of a major monetary system assured the African countries access to necessary banking facilities. He emphasized that membership of the sterling monetary system imposed no restrictions on members. If the proposed African Payments Union would help to remove barriers to economic co-operation it ought to be encouraged. It should be noted however that, if the clearing system was to provide automatic credits, some form of central fund would be required, and contributions to such a fund might impose a financial burden on African countries.

His delegation could find no reason why the proposed Payments Union should conflict with systems existing elsewhere in the world, and accordingly welcomed the report.

Mr. DAMIBA (Upper Volta) pointed out that Professor Triffin's Report far exceeded the scope of the study the Commission had requested in resolution 87 (V), and embraced all possibilities of monetary and financial co-operation between African States. Both Professor Triffin's Report and that of the Expert Group were theoretical; they gave no precise information about the difficulties facing countries, and did not suggest possible solutions to those difficulties. Before being asked to express an opinion on the Reports' proposals the Commission ought to see the results of the survey the secretariat had made on the subject.

The periodic meetings referred to in paragraph 15 of the Report of the Expert Group ought to be held in conjunction with the annual meetings of the International Monetary Fund. The Executive Secretary might be requested to invite all member States of ECA, all of which were also

members of IMF, to a first meeting to discuss the secretariat's work, and in particular the document under discussion. African financial officials would then be able to exchange opinions on the question.

With respect to the proposal for setting out an African Monetary Centre of Studies and Co-operation, the Executive Secretary might be requested to study in collaboration with IMF - to which all States would send relevant documentation - ways of making use of that documentation to suit the needs of African monetary officials; and request IMF, which was developing its training centre, to consider the needs of African States.

The participation of IMF was essential, because Africa's monetary problems must be studied in the context of the international payments system and African technicians must be trained to consider all aspects of financial matters.

With respect to the proposal for establishing a clearing system, the secretariat might be requested to determine whether a system similar to the one organized by ECE for Eastern and Western countries might be helpful in settling African countries' payments.

His delegation had submitted a draft resolution[1] embodying those suggestions.

Mr. N'LIBA (Deputy Executive Secretary) agreed that the Reports under discussion were rather theoretical. However, very few governments had replied to the Executive Secretary's communication on the subject, so that it had been very difficult to obtain concrete information. The secretariat would be grateful if representatives, when they returned to their countries, were to request their governments to supply the necessary information.

1/ Subsequently issued as a joint draft resolution of Upper Volta and other delegations (E/CN.14/L.188/Rev.1).

Mr. COULIBALY (Ivory Coast) considered that the training of African financial experts ought to be entrusted to the IMF rather than to a training centre.

In reply to a question by Mr. BARLOW (Uganda), Mr. N'LIBA (Deputy Executive Secretary) explained that what he had meant in his introductory statement of an embryo payments union, was a centre in which would, initially, provide information on member countries' debit and credit balances. It would also advise member States of opportunities for mutual compensation of such balances.

Ato MENGESHA (Ethiopia) said that the proposed African common market and African Payments Union were essential elements of that unity which had been engendered by the Organization of African Unity. Unless, however, the African countries made the necessary economic progress and ensured that their economies were complementary they could never hope to attain a degree of self-sufficiency enabling them to plan at continental level. Traditional relationships ought not to be severed, particularly in view of the fact that it appeared that the European Economic Community might be less exclusive than had originally been feared. Africa could learn from Europe's experience in establishing its common market.

African countries must do everything in their power to expedite the economic union of the continent. Both the Standing Committee on Trade and the Expert Group on an African Payments Union had emphasized the need for thorough technical studies on the questions under discussion and for a gradual approach to the desired goals. His delegation shared those views and hoped that the secretariat would continue to work along the lines thus advocated.

Mr. CASSIERS (Observer for Belgium) speaking at the invitation of the Chairman, said that the Yaoundé Convention on the relationships of African countries with the European Economic Community had been discussed at the Second meeting of the Standing Committee on Trade. Some delegates at that meeting had said that they feared the effects of

association with EEC might jeopardize the establishment of an African common market. The representative of the EEC had replied that Article 8 of the Yaoundé Convention permitted the establishment of an African common market, and that Articles 7 and 9 would not stand in the way of the economic union of Africa. Machinery existed for solving any difficulties that might arise in the interpretation or application of the Convention.

Mr. SEFIA (Nigeria) observed that his delegation had no difficulty in authorizing the Executive Secretary to follow-up the work the secretariat had already done and to take steps to expedite implementation of the proposals for immediate action contained in the Report of the Expert Group. He was, however, puzzled by the suggestion made in paragraph 16 of the Report that the African Monetary Centre of Studies and Co-operation might be established in connexion with the African Monetary Council. He did not see how those two bodies could operate together in their early stages. The Centre could best be set up either as an institute incorporated in one of the African central banks, or as an autonomous institute.

There was no longer any question as to the need for establishing an African common market. His delegation, however, attached great importance to the time element; the experience of the Latin American Free Trade Association was a sufficient pointer to the need for immediate action. Before inward-looking national industries developed in Africa, and before foreign vested interests were consolidated, action must be taken to make the African common market a reality.

It had been contended that certain barriers, such as the lack of transport and telecommunications facilities and the existence of different customs, currency, fiscal and payments systems and of different political and economic ties with other continents, militated against the establishment of an African common market. Such barriers might place difficulties in the way of the successful operation of such a market, but it was in no

way essential that they be removed before it was established. Indeed, those problems would be more easily solved within the context of an already existing African common market. There were only three pre-requisites to the market's establishment: the necessary political will, economic necessity, and the availability of qualified African personnel able to provide guidance in its formation. Those pre-requisites already existed: the Organization of African Unity supplied the first; the various studies made on the subject demonstrated the second; and Africa now possessed the necessary qualified personnel.

There were two possible approaches to the establishment of an African common market. The first was the gradual evolution of a free trade area, through commodity-by-commodity negotiation and other agreements reached on an ad hoc basis, gradually moving towards economic integration. The second approach was to start with an assumed total economic integration, allowing temporary exceptions in respect of countries having special handicaps and difficulties. The first approach was slow and time-consuming. The second offered quick results which were capable of providing incentives for further action and sustaining the interests of participating countries.

His delegation whole heartedly supported the suggestion, contained in Progress Towards an African Common Market, that a Committee of Nine be set up to expedite the establishment of an African common market and an African Payments Union. The Government of Nigeria had built up a small corps of experts on problems of economic integration and would be willing to make their services available to the Committee of Nine or to the secretariat. The first question the Committee of Nine would have to decide was whether there should be one African common market, or sub-regional common markets. In most cases, the problems of the development of the African continent could best be approached at sub-regional level. Sub-regional common markets might consolidate forces against the final emergence of a single African common market, but that danger could be

circumvented by including, in the Articles establishing the sub-regional common markets, provisions which would automatically propel those markets into a single common market.

Some delegations had contended that the Executive Secretary was not competent to pronounce on the effects of the association of African States with EEC. In the opinion of his delegation, the question of association should not be treated as sacrosanct. It definitely posed difficulties for the non-associated States. It was a question which the Commission must face squarely and for which it must find acceptable solutions.

Mr. DJIM SYLLA (Mali) said that the idea of an African common market pre-supposed increased trade between the countries concerned, and was therefore inextricably linked with the economic development of the region. It was essential that development should proceed harmoniously and that, in industry even more than in agriculture, trade should be based on complementarity. An African common market should progressively reduce tariffs and harmonize customs duties. His delegation was opposed to the Nigerian view that sub-regional common markets ought to be established before the establishment of a single common market.

The representative of Upper Volta had suggested that the periodic meetings of African financial experts proposed in the Report of the Expert Group should be held in conjunction with meetings of IMF. In the opinion of his delegation, the meetings should be held in conjunction with those of the Governors of the African Development Bank, and the proposed Study Centre should be attached to the Bank.

<u>The meeting was suspended at 12.05 p.m. and was resumed at 12.30 p.m.</u>

Mr. SOW (Guinea) said that his delegation wholeheartedly supported secretariat's proposals concerning an African common market and an African Payments Union. He urged all member States to support the work the secretariat was doing, so that the African common market might soon become a reality.

Mr. ADOSSAMA (Togo) observed that an African common market could only be set up by stages, in the first place on a sub-regional basis. Political differences between African States often impeded the establishing of close commercial relations; they should be analyzed and discussed in a spirit of co-operation, to enable the difficulty to be overcome. He supported the draft resolution submitted by Upper Volta.

Mr. IBINGIRA (Uganda) warned the Commission, in connection with the proposed Monetary Centre, that the establishing of too many separate centres could lead to difficulties in staffing and accommodation, such as were new being experienced in some measure by the Dakar Institute. It would be more economical if such studies could take the form of post-graduate courses, following an agreed syllabus, at existing universities, which already possessed the appropriate faculties and departments.

Mr. CABOU (Senegal) considered that before an attempt were made to set up an African Payments Union, all relevant information should be collected and studied.

Mr. KALLON (Sierra Leone) associated himself with the tributes paid to the secretariat for its two sutdies. Before proceeding to set up a common market and Payments Union, however, it was desirable to find ways of increasing trade between the African countries. Regarding the proposed Payments Union, he pointed out that in the colonial era such countries as Ghana, Nigeria, Sierra Leone and Gambia all had a common currency, the West African pound, but upon achieving independence they had all, rightly or wrongly, decided to have their own currencies. In the absence of any common currency and of extensive

intra-African trade, the time did not seem ripe for the creation of an African Payments Union.

Mr. AHMED (Sudan) wished to have further details regarding the proposal to set up a Committee of Nine. He suggested that it be composed of more than nine members, and that it might set up two sub-committees to work on different aspects of the task. It might have its first session in 1965, with biennial sessions thereafter.

The EXECUTIVE SECRETARY observed that the secretariat was completely in the hands of the Commission regarding the proposal for setting up the Committee, and would await the Commission's decision in the matter.

Mr. MASSAQUOI (Liberia) agreed with the views on the subject of an African common market expressed by the representatives of Upper Volta and Nigeria. He felt that a common market for the entire continent would be preferable to sub-regional common markets. Although it would be some time before an African Payments Union could be established, that was an ideal they should all work towards. He considered that a Committee, whether of nine members or of more than nine, ought to be set up at the present session, to proceed with the work initiated by the experts.

Mr. RAKOTO (Madagascar) stated that his delegation supported the draft resolution submitted by Upper Volta.

Mr. DAMIBA (Upper Volta) emphasized that decisions as to the composition and working methods of the Committee of Nine should be taken by the Commission, not by the secretariat.

He asked that the draft resolution which he had submitted should be circulated, so that the Commission might discuss it.

The CHAIRMAN said that the resolution would be circulated as soon as the English translation was ready.

Mr. SALIBA (International Monetary Fund) speaking at the invitation of the Chairman, congratulated the Executive Secretary on the paper, Progress towards an African Payments Union, and on his cautious and realistic approach to a complex problem. The question was closely linked with the field of work of IMF; IMF had collaborated with ECLA on a similar proposal, and he welcomed the suggestion that its advice be sought on the matter. IMF would continue to give every possible assistance towards the expansion both of intra-African trade and of African trade with the world as a whole. IMF had a great interest in the creation of an African common market. If such a market were to flourish, progressive reduction in tariffs, co-ordination of taxation and development programmes, and the free movement of capital, should be achieved first. IMF looked forward to continued and increased co-operation with Economic Commission for Africa.

The meeting rose at 1.15 p.m.