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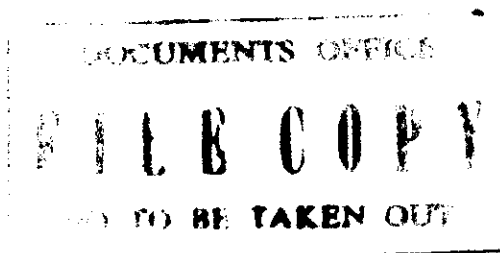
Item 6b (iv) of the provisional agenda

ECONOMIC COMMISSION FOR AFRICA

Nineteenth Session of the Commission  
and tenth meeting  
of the Conference of Ministers

Conakry, Guinea, 26-30 April 1984

Item 8 II(d) of the provisional agenda



PROGRESS REPORT ON THE ESTABLISHMENT OF AN  
AFRICAN MONETARY FUND

Executive summary\*

\*The present summary constitutes the main document for consideration.

## I. INTRODUCTION

1. The Economic Commission for Africa (ECA) together with the other co-operating institutions, namely - the Organization of African Unity (OAU), the African Development Bank (ADB), the African Centre for Monetary Studies (ACMS) and the African Institute for Economic Development and Planning (IDEP) - continued to make progress on the feasibility study on the establishment of an African Monetary Fund. Since the last progress report (Document No. E/ECA/CM.9/9) submitted to the meeting of the Technical Preparatory Committee of the Whole held in Addis Ababa, Ethiopia, in April 1983, further achievements have been made in implementing this project and the draft feasibility study has been completed.

## II. ACHIEVEMENTS DURING 1983-1984

2. Due to the importance and scope of the study on the establishment of an African Monetary Fund and in order to fully make use of the experiences and expertise of different institutions, the various subheadings of the feasibility study were allocated to each of the co-operating institutions as follows:

(a) ECA - Background and justification for the Creation of the African Monetary Fund

The first part of the study deals with the identification of economic, financial and monetary problems of the African region; analyses the past, current and future balance-of-payments deficits arising from intra-African trade and over-all African trade; reviews the external indebtedness of African countries and on the basis of the above findings proposes ways and means of dealing with the issues within the context of the Fund;

(b) IDEP - Structure and Objectives of the African Monetary Fund

The Second part of the study concentrates on the formulation of the objectives and functions of the proposed fund taking into account the present international monetary system and makes proposals on the organizational and managerial structure, it also indicates the possible linkages and areas of co-operation of the Fund with other subregional, regional and international financial and monetary institutions and organizations;

(c) OAU - Lending procedures and Conditionalities of the African Monetary Fund

Part three of the study reviews possible future sources of financing balance-of-payments deficits of African countries examines the financial resources of the Fund, the facilities expected to be provided, and the conditionalities to be attached thereto;

(d) ADB - Financial Resources of the Fund

Part four of the study explores the possibilities of obtaining finance from external sources to supplement members' subscriptions to the Fund; the feasibility of creating a special facility Fund(s) on the basis of voluntary contributions made by members, non-African countries and multinational institutions and organizations, it also examines the financial viability of the Fund and the capacity of the Fund to borrow;

(e) AfMF - Operational Mechanisms of the Fund

Part five of the study examines the issues concerned with the determination of a unit of account; the harmonization of monetary and financial policies of members; the standardization of exchange rate and exchange control policies, as well as examining prospects for the convertibility of African currencies and the development of a common African currency.

3. In accordance with the work schedule adopted by the meeting of the Intergovernmental Group of Experts held in Addis Ababa, Ethiopia in October 1982, it had been anticipated that all missions to the relevant and identified monetary and financial institutions would be undertaken during November and December 1982. It had also been envisaged that the five co-operating secretariats should undertake one joint mission to all external institutions visited instead of separate individual missions. However due to the difficulties of co-ordination with the other co-operating institutions, all the missions were not undertaken in 1982 as previously scheduled and as such the study was not completed in 1983 as envisaged by the Intergovernmental Group of Experts.

4. It was, however, possible to reschedule some of the study missions between November 1983 and February 1984 and to this end the following monetary and financial institutions were visited by representatives of the co-operating institutions with a view to collecting information and consulting on the practical operations of similar institutions:

- (a) The Bank of England, London, United Kingdom;
- (b) The Commonwealth Secretariat, London, United Kingdom;
- (c) The Andean Reserve Fund, Bogota, Colombia;
- (d) The Central American Stabilization Fund, San Jose, Costa Rica;
- (e) The International Monetary Fund, Washington D.C., U.S.A.
- (f) The World Bank, Washington D.C., U.S.A.;
- (g) The Bank for International Settlements, Basle, Switzerland;
- (h) The European Monetary System, Brussels, Belgium;
- (i) The European Investment Bank, Luxembourg;
- (j) The Arab Monetary Fund, Abu-Dhabi, U.A.E.;
- (k) The Central Bank of Egypt, Cairo, Egypt.

### III. REVISED WORK SCHEDULE

5. On the basis of the data collected during the missions and the consultations held, the feasibility study is being finalized by the co-operating institutions and will be co-ordinated by the ECA secretariat. Accordingly, the following revised work schedule was prepared and agreed to by all the institutions:

(a) January - March 1984

Preparation and completion of all the technical studies by the five co-operating institutions (i.e. ACMS, ADS, ECA, IDEP and OAU);

(b) April - June 1984

Co-ordination and finalization of all the technical studies into a unified feasibility study. The draft study will be distributed to member States for consideration in July 1984;

(c) September 1984

Convening of the second meeting of the Intergovernmental Group of Experts to review the feasibility study;

(d) October - November 1984

Drafting of the Articles of Agreement of the African Monetary Fund on the basis of the feasibility study as approved by the second meeting of the Intergovernmental Group of Experts;

(e) January 1985

Meeting of the Intergovernmental Group of Experts to be held in conjunction with that of the legal experts from the respective African countries to review the Articles of Agreement of the AMF and to make appropriate recommendations to the joint conference of Ministers of Finance and Trade and Governors of Central Banks;

(f) March 1985

Convening of a Joint Conference of Ministers of Finance and Trade and Governors of Central Banks to consider the report of the Expert Group on the Articles of Agreement and to make appropriate decisions;

(g) June 1985

Convening of the Conference of Plenipotentiaries to adopt and sign the Articles of Agreement.

(h) July - November 1985

Ratification of the Articles of Agreement;

(i) December 1985

Entering into force of the Articles of Agreement;

(j) October - December 1985

Drafting the by-laws Rules and Regulations of the AfMF on the basis of the Articles of Agreement;

(k) January - March 1986

Nomination of Governors by member States who will constitute the Board of Governors of AfMF;

(l) April - May 1986

Nomination of the Executive Directors of the AfMF by the Board of Governors in accordance with the Articles of Agreement;

(m) June 1986

Appointment of the Managing Director in accordance with the Articles of Agreement of AfMF;

(n) July 1986

Commencement of the operations of the African Monetary Fund.

#### IV. PROBLEMS OF IMPLEMENTATION

6. During phases I and II of the feasibility study, the ECA secretariat experienced three major problems in implementing the project; the first problem was the inadequacy of financial resources. Although different sources of financing the African Monetary Fund project had been anticipated (i.e. UNDP, regular budget), the bulk of the activities carried out in 1982 and 1983 were financed from the grant graciously provided to the project by the Government of Algeria. In this connection, the Economic Commission for Africa wishes to express its sincere appreciation and gratitude to the Algerian Government for the continued financial support given to the AfMF project.

7. The second problem was encountered in the recruitment of a suitable co-ordinator to synthesize the various inputs from the co-operating secretariats. Part of this problem arose from the fact that the highly qualified and experienced candidates who had been identified were unwilling to accept appointments for less than one year.

8. The third problem was that due to the large number of secretariats involved in the project (five in all), it was always difficult to meet the deadlines (see also paras 3 and 4) and co-ordinate the missions. This resulted in some delays in meeting the original time-table.

V. CONCLUSIONS

9. The work towards the establishment of an African Monetary Fund has progressed satisfactorily in the past. However, in order to implement this project, additional financing is urgently required. It is anticipated that an additional sum of about US\$500,000 be made available for the project by the Algerian Government. Nevertheless an appeal should be made to member States to contribute additional funds in order to facilitate completion of the project by 1986.