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THE POSSIBLE ROLE OF THE INTERIM ARRANGEMENTS IN THE PREPARATION OF PROJECTS

(Note by the secretariat)

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In the note by the secretariat on Interim Arrangements for the period between the signing of the Agreement and its coming into force, it is suggested that, inter alia, the Interim Arrangements should "study and prepare a series of development projects for submission to the Bank when it comes into being" (S/CR.14/FMAB/7, II.B(3)).

Since this proposal has given rise to some misunderstanding, this note has been prepared with a view to clarifying the suggestion; it also discusses some of the difficulties which have been raised in the debate in the Commission on Interim Arrangements and the Location of the Bank.

In the first place, it should be made clear that the proposal envisages detailed studies of possible projects to facilitate the task of the Bank when it comes into being. It would seem preferable, however, to avoid any mandate to the Interim Arrangements to make formal submission of projects to the Bank. Furthermore, it should be made clear that the Interim Arrangements have no power whatsoever to commit the Bank, directly or indirectly. It should also be made clear that the Interim Arrangements are not empowered to discuss priorities between one project and another, and particularly between the requirements of one country and another. It follows that it would seem preferable that the main emphasis of the Interim Arrangements' activities in this respect should not be on country projects but rather on multi-national projects of potential interest to more than one country. A number of illustrations may be given of the types of project which fall into this category, all of which are under examination at a more general level in the programme of work of the ECA. Illustrations are as follows:

1. The harnessing of rivers and river basins of interest to more than one country. Thus, preliminary studies have been carried out on the development of the Senegal River, the Niger River and the Chad Basin. These studies show the potentials for development on a co-operative basis of irrigation, agriculture, electric power, navigation, food processing and certain industries.
2. There is scope for the development of medium and large-scale industry, provided this is done on a sub-regional basis, with a view to international

specialization and the creation of larger markets necessary for a minimum economic scale of operations. Thus, studies are proceeding with a view to the possible establishment of an iron and steel plant in a West African country, capable of serving the needs of a large number of countries in West Africa. Similar studies are in hand on such basic chemicals as caustic soda, sulphuric acid and ammonia, and also fertilizers. Studies are also proceeding in the engineering field, for example, assembly of vehicles, production of agricultural implements and certain types of machinery, production of road-making equipment. The same is true of certain building materials and components, such as cement and sanitary equipment. Between now and early next year, the ECA is sending exploratory missions to West, East and Central and North Africa to examine the possibility of industrial development on a sub-regional basis. These missions are likely to give rise to a number of prima facie possibilities which will in turn require more intensive feasibility studies.

3. Studies already carried out in the fields of road and rail transport show the need for development on a sub-regional basis with, as the next phase, much more intensive examination of specific projects.
4. Jointly with the ITU, the ECA is preparing plans for the development of a telecommunication network in Africa. Here again, the next phase must be more intensive examination of specific circuits.
5. The foregoing list is far from exhaustive. However, consideration of multi-national projects of this kind is clearly in accordance with the purposes of the Bank itself.

The objection has been raised that project examination is a time-consuming process, sometimes taking a number of years. This seems, however, to point to the need for a further intensification of such activities without delay.

It has also been objected that project examination is expensive. This is true, and it is clear that the scope of the Interim Arrangements as a whole (of which the most expensive part would be project examination) must be tailored to what African countries can afford. However, it should be pointed out that the contributions which can be expected from the United Nations Special Fund and the United Nations Technical Assistance Programme

are likely to be forthcoming primarily for project studies.

The question has also been raised why it is necessary for the Interim Arrangements to take part in project study, in view of other activities in this field. Experience has shown that donors of aid on a bilateral basis have from time to time experienced difficulty in finding fully worked out projects. The UN Special Fund is seeking more projects in Africa, particularly in the fields of industry, transport and training. The ECA expects to devote increasing efforts to assisting governments to formulate suitable projects for submission to the Special Fund, but it would seem likely that faster progress could be made if more resources could be devoted to these purposes, particularly under the auspices of an African body in intimate touch with governments. It has also been suggested that the ECA could itself do what is required. The ECA expects to make a greater contribution but it should be remembered that it is necessarily operated at a more general level and that more intensive studies require additional resources, particularly teams of economists, technicians and accountants.

The conclusion would seem to be that the inclusion of these activities within the tasks of the Interim Arrangements would represent a significant additional contribution to the detailed study of projects primarily of a multi-national character, with the additional advantage that the work would be conducted by an African body well placed to keep in the closest touch with the thinking of African governments. It goes, however, without saying that the services of the ECA secretariat would be available to work closely with the Interim Arrangements and to put at their disposal the findings of its own studies.