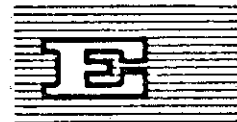


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REPORT ON THE PROGRESS MADE ON THE ESTABLISHMENT OF
AN AFRICAN DEVELOPMENT BANK

(Note by the Executive Secretary)

REPORT ON THE PROGRESS MADE ON THE ESTABLISHMENT OF
AN AFRICAN DEVELOPMENT BANK

1. Having considered the documents submitted by the Executive Secretary (E/CN.14/129 and Add.1) in response to resolution 27 (III), the Commission at its fourth session adopted resolution 52 (IV) which accepted the principle of the establishment of an African Development Bank, subject to further investigations to be carried out by a Committee of Nine member countries: Cameroun, Ethiopia, Guinea, Liberia, Mali, Nigeria, Sudan, Tanganyika and Tunisia. The Committee of Nine was instructed (i) to make governmental and other contacts relevant to the establishment of the Bank, (ii) to study its financial and administrative structure as well as the nature and extent of its operations, (iii) to draft the Charter for the proposed Bank, (iv) to make recommendations on its location and (v) to submit by October 1962 a comprehensive report with supporting documents to member governments for study. The resolution also requested the Executive Secretary to convene a Conference of Ministers of Finance or other appropriate representatives of member and associate member States which would review the report of the Committee of Nine and take the final steps for the establishment of the Bank.

2. The Committee of Nine did not find it possible to adhere to the timetable set by the resolution but will complete its work in January 1963 after having held three sessions under the chairmanship of the Committee member from Liberia (Monrovia, 18-22 June 1962, Douala, 24-27 September 1962 and Casablanca, 14-24 January 1963); conducted consultations with African as well as non-African Governments and institutions, and after having approved a draft Charter for the Bank and made recommendations on the Bank's location. The first draft of the Charter has been prepared under the direction of a Sub-Committee of four member countries, Liberia, Mali, Tanganyika and Tunisia, which held three sessions under the chairmanship of the member from Tunisia (Douala, 24 September 1962, Geneva, 3-10 November 1962, and Casablanca, 7-14 January 1963). The Committee member of the Cameroun Republic participated in the work of the Sub-Committee.

3. The Committee of Nine decided that African consultations should precede the consultations with non-African governments. It was also decided that the Committee should adopt certain views on the character and purposes of the proposed African Development Bank as a guide for the consulting teams; these positions, although endorsed by the Committee as a whole, were not at this stage regarded as the Committee's final views. Chief among them was the view that the Bank should be an African institution, the capital, the direction and management control of the Bank should be wholly African and that its purposes would be to promote and accelerate the economic and social development of African countries, individually and collectively. In addition the Committee adopted certain tentative views regarding the proposed Bank's financial structure and the voting rights which capital ownership might carry, the organization and management of the Bank, and the scope and nature of the operations which the Bank might be expected to undertake.

4. It was decided that the consultations with African governments should be carried out by three teams, each comprising three Committee members and one secretariat official. The teams were headed, respectively, by the Committee members from Guinea, Nigeria and Ethiopia. The Chairman of the Committee was an ex-officio member of all three teams. An ad hoc team, comprising the Committee members from Liberia, Tanganyika and Tunisia and a UN Consultant, was established later for consultations with the Government of Algeria in January 1963.

5. The three teams conducted consultations with thirty-four African Governments in August and September 1962. Agreement in principle was expressed everywhere with the proposal to establish an African Development Bank, which was regarded as a realistic step towards the attainment of African solidarity and as a valuable instrument for the promotion of the economic and social development of the continent. However, divergent views were expressed regarding the steps by which the Bank should be brought into being.

6. The consultations indicated a unanimous view to the effect that the African Development Bank should organize additional financial resources

for the financing of projects located in Africa without diverting or interrupting flows of funds from non-African countries and institutions under existing bilateral arrangements. It was also generally agreed by the governments consulted that the Bank should be owned by African governments and that the members of the Board of Governors and of the Board of Directors, as well as the Chief Executive Officer and his Deputy, should be African. Contributions from non-African sources should be sought in such forms as loans or grants.

7. There was general support for the proposition that the Bank should finance both infrastructure and productive projects, directing its soft loan resources to the former category of projects. The view was also expressed that the Bank could play an important role in promoting needed private foreign and domestic investments.

8. The Committee appraised the results of the African consultations and concluded that there was general support for the establishment of the Bank and that substantially identical views had been expressed on a number of important issues. It felt confident that divergencies of opinion where they occurred could be overcome in the drafting of the Charter. The Committee considered that the views expressed during the consultations should be regarded as provisional and that definitive positions could only be expected in relation to the draft Charter as a whole.

9. As to topics on which a substantial identity of views had been revealed by the consultations, the Committee felt able to reaffirm the following tentative positions adopted at its first session:

- (a) The share capital of this Bank should be wholly African;
- (b) the Bank's primary objective would be to mobilize funds for those economic and social development projects for which an urgent need exists in Africa.
- (c) the Bank's operations should be broadly defined so that it might engage in financing on both hard and soft terms, but a very clear distinction should be maintained between the two activities;

- (d) the management of the Bank should be wholly African controlled; namely, the Governors, the Directors, the Chief Executive Officer and his Deputy should be Africans; it was agreed that the initial employment of non-African technicians might be necessary;
- (e) the principle of additionality should be fully supported; the Bank's efforts, however, should not disturb existing arrangements or relationships - bilateral or multilateral - but would be directed toward the enlargement and supplementing of such arrangements; the Bank clearly has special opportunities in this respect in sponsoring important multi-national projects.

10. The Committee decided that the non-African consultations should be conducted by two teams headed respectively by the Committee members for Ethiopia and Sudan; the first team comprised the Committee member for Guinea and the Chairman of the Committee ex-officio, the second team comprised the members for Cameroun and Nigeria. Each team was accompanied by a United Nations consultant. The itineraries of the teams were established as follows:

- (a) Italy, Czechoslovakia, Union of Soviet Socialist Republics, Japan, Canada and United States of America;
- (b) Sweden, Denmark, Netherlands, United Kingdom, France, Belgium, Federal Republic of Germany and Switzerland.

11. The non-African consultations were conducted in October and November 1962. All governments consulted welcomed the initiative of the African governments in preparing to launch an African Development Bank. They all foresaw the possibility of collaboration, several indicating their willingness to consider ways and means of assisting the Bank when established. However, it was generally felt that specific arrangements or commitments involving governments must necessarily await the establishment of the Bank and the promulgation of the Charter.

12. The need for the maximum co-operation with existing financial institutions and the avoidance of duplication was urged by the majority of

governments, which welcomed the view that the Bank should regard the mobilization of additional resources and services for Africa as its primary objective. It was also generally considered that multi-national projects should be given a high priority; this position was frequently associated with view that the Bank's activities should assist and support the harmonious development of the African continent.

13. At its second session the Sub-Committee considered an explanatory outline of a Charter for the African Development Bank, which described the topics to be covered by the Charter indicating the policy and constitutional issues or technical considerations to be faced in respect of each of them and adding references to the solutions adopted by the principal existing inter-governmental development finance institutions. The Sub-Committee decided to confine itself to a discussion of the principal issues involved in order to arrive at policy decisions which would guide the experts in the preparation of draft texts. These would be submitted to the Sub-Committee at its final session for consideration and thereafter presented to the Committee of Nine.

14. The information obtained by consulting teams regarding the location of the Bank's headquarters was reviewed by the Committee which noted that many governments had expressed their interest in having the Bank established in their territory. The Committee concluded that further consideration should be given to this question but agreed that certain criteria could be established on which the choice of the Bank's location could be based. The criteria discussed included:

- accessibility
- availability of trained staff
- availability of financial institutions
- acceptable living conditions.

Certain political considerations were also noted; no assessment of the relative importance or priority of these criteria was made. It was decided to send a letter to African governments, indicating the facilities required for

the Bank's headquarters in the light of the above criteria, and requesting interested governments to advise the Committee of the facilities which are or could be made available by their countries.

15. At its final session in Casablanca from 14 to 24 January the Committee of Nine considered the final report of the Drafting Sub-Committee, adopted a draft Charter for the Bank including provisions regarding administrative and financial structure and made recommendations on its location; it also presented proposals concerning the Bank for further action prior to, and subsequent to, the Conference of Finance Ministers as well as proposals regarding that Conference. It also adopted its report as well as a communication to the Fifth session of ECA regarding the completion of its work and major decisions taken (E/CN.14/175).

16. In carrying out its tasks the Committee was assisted by experts recruited by the Executive Secretary in accordance with resolution 52 (IV) and by officials of the Department of Economic and Social Affairs at Headquarters and the Technical Assistance Board in response to resolution 874 (XXXIII) of the Economic and Social Council, which requested the Secretary-General to extend to the Executive Secretary the administrative and substantive support required for the purpose of the Bank project. At its seventeenth session the United Nations General Assembly approved requests for funds needed to finance the activities of the Committee of Nine, in response to the hope expressed to that effect in Council resolution 874 (XXXIII).

17. The Committee received valuable support from the International Bank for Reconstruction and Development (IBRD) and the Inter-American Development Bank (IDB). An official of the IBRD was seconded to the Bank project as a consultant while officials of the IDB participated as observers in the first session of the Committee and the second session of the Sub-Committee. One of the teams established for consultations with non-African governments and institutions had discussions with officials of the IBRD and the IDB during its visit to Washington D.C. Both institutions were represented by observers at the final sessions of the Committee and its Sub-Committee in Morocco.