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ECONOMIC COMMISSION FOR AFRICA

First Meeting of the Technical
Preparatory Committee of the
Whole

Addis Ababa, 3-8 April 1980

ECONOMIC COMMISSION FOR AFRICA

Fifteenth session of the Commission/
Sixth meeting of the Conference of
Ministers

Addis Ababa, 9-12 April 1980

**REPORT OF THE MEETING OF PLENIPOTENTIARIES ON THE AFRICAN
INDUSTRIAL DEVELOPMENT FUND**

Addis Ababa, Ethiopia, 15-17 October 1979

I. Introduction

1. The meeting of Plenipotentiaries on the African Industrial Development Fund was held at Addis Ababa, Ethiopia, 15 and 17 October 1979.

Participation

2. Representatives of the following States members of ECA participated in the meeting: Algeria, Benin, Botswana, Burundi, Djibouti, Egypt, Ethiopia, Gabon, Ghana, Guinea, Guinea-Bissau, the Ivory Coast, Kenya, the Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Uganda, the United Republic of Tanzania and Zaire.

3. Representatives were present from the United Nations Industrial Development Organization (UNIDO), the United Nations Development Programme (UNDP), the Food and Agriculture Organization of the United Nations (FAO), the African Development Bank and the Organization of African Unity (OAU).

Opening statements

4. The Executive Secretary of ECA welcomed the representatives to the meeting and recounted the events which had led to convening the meeting.

5. He described the Fund as an important instrument for initiating and undertaking or directing investment studies and giving support to sound development projects which would contribute to the realization of structural change and overall industrial development within the national policy of each member State. It would also provide all essential link with other projects planned by the ECA secretariat. Thus, its creation would supplement other industrial development efforts in Africa.

6. The minimum cost of the Fund had been estimated at approximately \$US 20 million for the first three years. The principal section of the meeting would be the signing of the Constitution which would bring the Fund into legal existence.

7. He concluded by paying a tribute to the role played by UNDP in financing the preparatory activities of the project.

8. Mr. F.O. Songuru, the Vice President of the African Development Bank commended the efforts of the sponsors of the Conference of African Ministers of Industry and referred to the Conference's dedication to rapid and sustained industrialization in Africa through the implementation of sectoral programmes and inter-country projects and the adoption of strategies and policies designed to promote internally self-sustaining

development and collective self-reliance. By co-operating with other regional and international institutions had always been closely identified with the fulfilment of their aims and objectives. He referred to the progress made in implementing inter-country projects, including the Regional Centre for Engineering Design and Manufacturing, the African Centre for Technology and the African Industrial Development Fund.

9. With regard to the financing of prefeasibility and feasibility studies in Africa, a problem with which the Fund was expected to deal. He said it had been the Bank's experience that the flow of viable and bankable projects for funding in the industrial sector was inadequate. The activities of the Fund would complement those being carried out in the priority areas identified by the African Ministers of Industry. However, feasibility studies per se would be of little value if they did not result in actual investment funding. Thus, the creation of the Fund was only the modest beginning of an effort which must be intensified and sustained. The Fund stood to benefit from being managed by the Bank with its experience in the efficient and economical management of other funds.

10. The representative of UNIDO stressed the magnitude of the industrial investments required by the African region to implement the Lima Declaration on the one hand and the serious constraints on African Governments in their attempts to generate an adequate flow of industrial projects on the other. In such circumstances, it was necessary to exchange African capacities to finance and conduct pre-investment projects.

11. In most African countries the link between pre-investment studies and investments was weak, with the result that repeated studies were carried out on the same project in the hope of promoting actual investments. Moreover, the pre-investment studies and feasibility studies carried out were of poor quality and inadequately substantiated. It was therefore crucial to develop and strengthen national machinery and skills in such studies if the resources available for conducting them were to be used effectively, thereby generating satisfactory flow of bankable industrial projects.

12. In 1973 UNIDO had issued a manual for the preparation of industrial feasibility studies which had proved to be an authoritative source of know-how and provided a valuable base on which to undertake feasibility studies and develop and implement training courses for project personnel in developing countries.

13. Multinational industrialization had made slow progress in Africa because of the difficulties encountered in translating the will for co-operation into commitments and practical working arrangements where profit-sharing and the location of industries were concerned. The creation of an African multinational corporation for setting up large-scale industries promised to provide a sound means for solving the issue of location and in that way would give new and much needed impetus to industrial co-operation in Africa.

14. The meeting unanimously elected Mr. Adugue M. Mundakaya, Junior Minister of Industry of the United Republic of Tanzania as Chairman, Mr. I.S. Fofana, Minister of Trade and Industry of Sierra Leone as its Vice-Chairman and Mr. Leshwango Mbei, First Secretary at the Embassy of Zaire in Ethiopia as its Rapporteur.

Adoption of the agenda

15. The following agenda was unanimously adopted:

- Opening of the meeting and election of officers
- Adoption of the agenda and organization of work
- Adoption of the Constitution
- Signing of the Constitution
- Creation of the Constitution
- Any other business
- Adoption of the report

Adoption of the Constitution

16. Consequent upon the discussions on the draft the following amendments were made:

Preamble

Bearing the first word of the first sentence is replaced by 'sharing'

Article I

Sub-paragraph (b) is placed at end of (c) to form part of it.
Sub-paragraphs (f) and (g) are deleted and the whole paragraph re-designated (a) to (f).

Article 2

The word 'concrete' on the fourth line is deleted and 'will' on the seventh line is replaced by 'shall'.

Article 3

Sub-paragraph (c) - 'for' is inserted between 'investment' and 'projects'.
Sub-paragraph (e) - the last sentence starting with 'and' is deleted.
Sub-paragraph (h) amended to read 'supplement the financial and technical development agencies which deal with the identification, promotion and implementation of project studies of the Members by joint financing, and the fund may also use such agencies as channel for financing specific projects in the priority sectors'.
Sub-paragraph (i) - the last phrase beginning with 'and' in the third line is replaced by 'and at the request of member States shall assist in their follow up'.
Sub-paragraph (k) 'specific' is deleted.

Article 4

Sub-paragraphs 1(b) and 4 are deleted. Para. 3 - the words 'inter-governmental organizations' in the first line are deleted para. 5 - 'Secretary-General' on the last line of the paragraph is replaced by 'Fund'.

Article 6

At paragraph 2, the space left on the fifth line is completed by the insertion of 'six months'.
The whole of paragraph 4 is deleted.

Article 7

Paragraph 4 is deleted.
Paragraph 1 - the words 'on terms and conditions consistent with paragraph 4 of this article' appearing at the end of page 5 and the beginning of page 6 are deleted.

Article 8

Paragraph 1 is amended to read "Subject to the following provisions of this Article, the Fund may enter into arrangements to receive other resources, grants and in the form of soft loans from Members and States which are not Members of the Fund and from any public or private entity or entities".

Paragraph 2 is amended to read "Arrangements entered into pursuant to paragraph 1 of this Article shall be on terms and conditions which are consistent with the objectives, operations and policies of the Fund notably the criteria for the granting of loans and grants to member States and the definition of priority sectors which impose no undue administrative or financial burden on the Fund".

Paragraph 3 is amended to read "Two-third of the majority of the total voting power of the Fund in the Board of Governors shall be required for the approval of arrangements with a State which is not a Member of the Fund or with a private agency of such a State or private enterprises".

Article 13

Paragraph 3 - the words 'Board of Governors' on the first and third lines are replaced by 'Conference of African Ministers of Industry' and 'Bank' on the fifth line is replaced by 'Fund'.

Paragraph 6 is amended to read 'The Board of Governors shall meet biannually and may hold extraordinary meetings as may be provided for by the Board of Governors or called by the Board of Directors'.

Paragraph 7 is amended to read "The biennial meetings of the Board of Governors shall be held in conjunction with the biennial meetings of the Conference of African Ministers of Industry".

Paragraph 9 - the word 'Fund' in the first line is replaced by 'Board of Governors'.

Article 14

The last line of the article is deleted.

Article 15

Sub-paragraph (e) - first sentence is amended to read submit to the Board of Governors, for approval at its biennial meeting, the accounts for the two preceding years in a form".

At sub-paragraph (f), first line, 'annual' is replaced by 'biennial' and 'an' in the second line is deleted.

Paragraph 2 is now amended to end at 'Fund' on the second line.

Paragraph 3 is amended to read "Each Director shall be entitled to cast the number of votes which the Member or Members he represents is entitled to cast in the Fund. He shall cast his vote as a unit.

Article 16

At paragraph 4 (c) 'claim' in the first line is replaced by 'call'.

Article 17

Paragraph 4 'depend' in the last line is replaced by 'managed by'.

Article 18

This article is amended to read "Unless so otherwise determined by the Board of Governors, the office of the Fund shall be the office of the Bank".

Article 19

Paragraph 1 'publish' in the first line is replaced by 'issue'.

Article 21

Paragraph 2(b) is deleted and paragraph 13 is amended to read, "the Fund shall ensure that every loan contract entered into by the Fund shall enable its management to exercise when necessary all powers to supervise, examine, inspect and approve the contents of the study and related matters in agreement with the borrower".

Article 22

Paragraph 2 (b) the following has been inserted between 'establishing' in second line and 'circumstances' in the third line.
'the terms of financing take into account primarily the conomic'

Paragraph 3 (b) 'parastatal' is inserted between 'any' and 'institution'.

Paragraph 3 (c) is amended to read 'any regional or subregional agency or institution concerned with development in the territories of Members, all such financing shall, in the opinion of the Fund, be for the furtherance of the purposes of this Agreement.

A new paragraph 4 is added and reads "Where the borrower is not itself a member, the Fund shall require a suitable governmental guarantee or guarantees.

Article 24

The space provided on the sixth line of this article is completed with 'two-thirds of the'.

Article 28

'In' on first line is replaced by 'of'.

Article 29

Paragraph 1 of the second line 'two-thirds majority' is inserted between 'of' and 'the Board'.

Article 31

Paragraph 1 on the first line 'two-thirds majority' is inserted between 'of' and 'the Board'.

Article 39

Sub-paragraph (b) last sentence is amended to read, 'than are accorded by the Member concerned to the Representatives, officials and employees of comparable rank of any other international financial institutions of which it is a Member'.

Article 42

Paragraph 1 on the seventh line 'seventy-five' is inserted between 'having' and 'per cent'.

Article 43

Paragraph 1 'affected' is inserted after 'particularly' on the fourth line. Paragraph 2, line 5 'at' is replaced by 'act'.

Article 44

The following clause is inserted between 'arbitration' and 'of' on seventh line 'Either party has not appointed an arbitration or if within thirty days of the appointment'.

Article 45

The first line of the article is completed by insertion of 'six months'.

Article 47

The phrase 'or intergovernmental organization' appearing on the first line of the article is deleted.

Article 50

Paragraph 1 'possible after' is inserted between 'as' and 'this' in the first line.

Paragraph 4 is deleted.

The constitution of the Fund was adopted after the above mentioned amendments have been made a resolution calling on ECA, immediately after the entry into force of the agreement establishing the AIDF, to hold consultations with the Bank on the question of management of the Fund by the Bank was adopted by the meeting and it is annexed to this report.

The report of the meeting was adopted while the signing of the constitution of the AIDF was postponed to Saturday, 21 October 1979. The following countries have so far signed as members: Benin, Djibouti, Ghana, Senegal, Uganda and Upper Volta.

RESOLUTIONS

1(i) The Meeting of the Plenipotentiaries of the African Industrial Development Fund:

Realizing that the African Development Bank (hereinafter called "the Bank") has been established to contribute to the economic and social progress of its member States individually and collectively, and to reinforce African solidarity by means of economic co-operation between the said member States,

Recognizing the important role played by the Bank in the establishment of the African Industrial Development Fund (AIDF);

Believing that the objectives of the AIDF would be best realized if its administration is assured by an experienced regional development finance institution of the stature of the Bank;

Noting that the Bank is empowered by Article 3 of the Agreement establishing the African Development Bank to accept the administration of funds of this nature;

1. Decides to entrust to the Bank the Administration of the AIDF as soon as the AIDF is established;

2. Urges the Bank immediately after the Agreement establishing AIDF enters into force to undertake the preliminary measures necessary for it to discharge the functions and responsibilities set out in the Agreement establishing the AIDF in an effective and efficient manner;

3. Calls upon the Economic Commission for Africa (ECA) immediately after the entry into force of the Agreement establishing the AIDF to hold with the Bank to determine the ways and means to be adopted in order to achieve the objectives referred to in the preceding paragraphs;

4. Authorizes immediately the Executive Secretary of the ECA to negotiate with the Bank a Management Agreement and submit it to the Board of Governors of the AIDF for approval.