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ECONOMIC COMMISSION FOR AFRICA  
Committee of Nine on the establishment  
of an African Development Bank  
First meeting  
Monrovia (Liberia), 18-22 June 1962

ESTABLISHMENT OF A NEGOTIATING GROUP  
AND ADOPTION OF ITS TERMS OF REFERENCE

Provisional Agenda, item 5

(Prepared as a basis of discussion  
by the participants at the meeting)

- I -

TERMS OF REFERENCE OF THE "NEGOTIATING GROUP"

The Committee may wish to entrust the "Negotiating Group" with the responsibility of undertaking consultations with governments and conducting enquiries or interviews with business and financial circles and governmental financial institutions in Africa on the one hand and in potential capital supplying countries outside Africa on the other hand. These contacts, enquiries and interviews may concern the following aspects of the establishment of the African Development Bank.

- A. MEMBERSHIP
- B. RESOURCES
  - Capital: authorized, issued, paid up;
  - Loans: from financial institutions outside Africa;
  - Special resources: possible grants by foreign governments and institutions for specific programs or projects.
- C. FIELDS OF ACTIVITY
  - Economic and social infrastructure;
  - Productive activity;
- D. ORGANIZATION AND MANAGEMENT
- E. FORMS OF FINANCIAL ASSISTANCE
  - Loans;
  - Participation in equity investment;
  - Guarantees of loans obtained from other sources;
  - Assistance to other financial institutions;
  - Investment promotion and technical assistance;
- F. LOCATION OF HEADQUARTERS
- G. DESIRABILITY OF ESTABLISHING SUB-REGIONAL OFFICES

In order to carry out its assignment, the "Negotiating Group" may be split into two teams .

- The Committee may wish to assign to the first team the task of:
1. undertaking consultations with member governments of ECA on the

points listed in the attached draft questionnaire. It might be expected that in the case of a representative selection of these governments, the consultations might be conducted through personal visits while, in the case of the other governments, consultations might be by mail.

2. consulting with African business and financial circles regarding the points raised in the questionnaire and in particular on:

- a. the most suitable fields of activity for the Bank;
- b. the forms of financing to be provided by the Bank;

The Committee may wish to assign to the second team the task of undertaking consultations with international financial institutions and with governments and private circles in capital-supplying countries, in order to secure their views on the points listed in the questionnaire, specially from the point of view of the bases on which financial contributions could be secured from them through participations in the Bank's share capital, loans to the Bank, grants for or participation in special projects and programmes.

- II -

QUESTIONNAIRE<sup>1/</sup>

Financial structure

It has been estimated by the Panel of Experts (on the basis of the capital contributed by the Latin American countries to the Inter-American Development Bank) that an amount of \$40 million a year or \$200 million in five years might represent the level of contribution that African states would be able to subscribe to the Bank's capital (Doc. E/CN.14/129).

1. On what basis should African share capital subscriptions be assessed:
  - a) an equal subscription from each member, irrespective of size or wealth?
  - b) population?
  - c) national income?
  - d) prorata basis similar to that used by the United Nations?<sup>2/</sup>
  
2. What should be the basis for the distribution of voting power to African members :
  - a) should all African members have equal voting power and subscribe equal amounts?
  - b) should each African member have equal voting power but subscribe according to such criteria as size, population, national income or prorata basis similar to that used

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<sup>1/</sup> This questionnaire does not cover the management aspect of the Bank. This part will be prepared in the course of the meeting after discussions of the points raised in the Secretariat's note on the subject which will be put at the disposal of the participants.

<sup>2/</sup> To give an idea of the possible distribution of this \$40 million subscription, an Annex has been prepared on the basis of the contributions of the African countries, holding full membership in the ECA, to the annual budget of the United Nations.

by the United Nations?

- o) should each African member be given a basic number of votes, equivalent to a minimum subscription, and receive additional voting power in proportion to subscriptions in excess of this minimum? If so, figures should be suggested for both subscriptions and equivalent voting power.
3. If your Government has any other views or suggestions on the question of voting power, please give full details.
4. Would your government be willing to pay its entire subscription to the Bank's capital in convertible currencies? If not, what proportion of its subscription would it be willing to make in convertible currencies?
5. If part of the subscription is made in national currency, would those obtaining loans in this currency be free to employ it as they wish or would certain restrictions be imposed?  
In the latter case, please give details.

In order to operate on even a modest scale, the Panel was of the opinion that the Bank should dispose of additional resources totalling approximately \$800 million. Apart from possible grants or soft long-term loans from foreign governments or non-African governmental financing institutions which would not be based entirely upon economic considerations or strict banking criteria, the Bank's capacity to mobilize additional resources will depend upon:

- the portfolio of loans made for productive purposes;
- the liquid assets in cash and marketable securities;
- the uncalled capital stock.

The first two assets will depend upon the volume of the bank's effective resources. The borrowing capacity will depend finally on the size of the share capital or on the size of the callable capital.

6. In what forms could non-African contributions be attracted to the African Development Bank:
  - a) by participation in the share capital?
  - b) by participation in the paid-in capital?
  - c) by participation in the callable capital?
  - d) by the purchase of debentures?
  - d) by guaranteeing loans granted to the Bank?
7. To what extent do you think that non-African contributions may be expected in each of the forms enumerated in the preceding question?
8. If substantial non-African contributions should be forthcoming, is it, in your opinion, desirable that they be distributed among the forms enumerated in question 6 in specific proportions? In the affirmative, please give details of the distribution your government would recommend.
9. What participation in policy control and management could be accorded to non-African contributors?

Issuance of securities by the Bank

10. Are there opportunities for mobilizing resources from African countries by raising money locally other than by government subscriptions?
11. Would your government permit the Bank to raise funds in the national capital market, should such possibilities prove to exist?
12. Would your government be willing to exempt the Bank's securities from taxation or other charges or at least consider them on the same terms as your country's own prime securities?  
(Mexico has already taken steps to exempt the Inter-American Bank's securities from taxation. In addition, the Committee of Twenty-One at its last meeting in Bogota recommended that Latin-American governments adopt suitable measures, particularly concerning taxation, to facilitate the sale of the

IDB's securities in their capital markets on the same terms as prime securities of the countries themselves.)

Operations of the Bank

The resources of the Inter-American Development Bank are divided into:

- a) ordinary resources, which serve to make loans for directly remunerative undertakings conforming to normal banking requirements and repayable in the currency loaned (along the lines of the IBRD), and
- b) resources for special operations to be carried out on terms and conditions appropriate to special circumstances arising in specific countries or with respect to specific projects (along the lines of the IDA):

13. Do you feel that the African Development Bank should have a Fund devoted to special operations similar to that of the IDB? What should be the objectives of such a Fund?

14. How should a Fund for special operations be financed? Would your government be willing to make special contributions for this specific purpose?

15. On what basis should African contributions to the Special Fund be made?

16. What are your views on the possibility of obtaining non-African governmental grants to complement African contributions to the Fund?

17. What kinds of operations should the Bank carry out?  
(Please check those activities listed below which you feel the Bank should undertake.)

- large scale loans and investments of a regional or subregional character;

- financing national economic and social infrastructure projects;

- financing major industrial and agricultural ventures;
  - financing, perhaps through national development corporations, small scale enterprises;
  - underwriting security issues offered abroad by public and private entities of member states;
  - guaranteeing loans obtained by qualified borrowers from other sources;
  - acting as trustee of funds to be used in the economic development of Africa (the IDB administers special funds entrusted to it by governments for specific programmes or projects);
  - advising member states on the formulation of development programmes;
  - provide facilities for member governments to compare and coordinate their economic development plans, with a view toward the harmonious and well-balanced economic development of the region;
  - encouraging the flow of foreign private investment by promoting desirable projects, providing supplementary financing for them and acting as an information centre for foreign investors;
  - any other (please give your reasons).
18. Should certain kinds of operations be given priority (e.g. as between loans to different entities (public, private, central, local, regional) or for different purposes (infrastructure, industry))? If so, please suggest a scale of priority.
19. Detail your views on the possible role of the Bank in the promotion of intra-African economic cooperation.

Location of Headquarters

20. What, in your opinion, are the main factors which should be taken into consideration in choosing the location of the headquarters?
21. In the light of your answer to question 23, do you have any specific suggestion as to a suitable location for the headquarters?

22. Should the Bank have only a single headquarters?
23. Should the Bank have a headquarters and regional sub-offices?
24. Should the Bank have a headquarters and local agencies?  
(national development banks may act as local agencies of the Bank)
25. Should the Bank have a headquarters, regional sub-offices and local agencies?

The above list of questions is not exhaustive; governments are urged to put forward their views on any matters which they consider important in this connexion.

Amounts to be subscribed by African member states if  
United Nations contributions scale is adopted

	United Nations Contributions Scale	Subscriptions		Annual Payments <sup>1/</sup>
		in percent- age of total	in U.S. dollars	
Cameroun	0.04	2.31	\$ 4,624,278	\$ 924,856
Chad	0.04	2.31	4,624,278	924,856
Congo (Braz.)	0.04	2.31	4,624,278	924,856
Congo (Leop.)	0.04	2.31	4,624,278	924,856
Dahomey	0.04	2.31	4,624,278	924,856
Ethiopia	0.06	3.47	6,936,416	1,387,283
Gabon	0.04	2.31	4,624,278	924,856
Ghana	0.07	4.05	8,092,485	1,618,496
Guinea	0.04	2.31	4,624,278	924,856
Ivory Coast	0.06	3.47	6,936,416	1,387,283
Liberia	0.04	2.31	4,624,278	924,856
Lybia	0.04	2.31	4,624,278	924,856
Madagascar	0.06	3.47	6,936,416	1,387,283
Mali	0.04	2.31	4,624,278	924,856
Mauritania	0.04	2.31	4,624,278	924,856
Morocco	0.14	8.09	16,184,970	3,236,993
Niger	0.04	2.31	4,624,278	924,856
Nigeria	0.21	12.14	24,277,454	4,855,490
Senegal	0.06	3.47	6,936,416	1,387,283
Somalia	0.04	2.31	4,624,278	924,856
Sudan	0.06	3.47	6,936,416	1,387,283
Tanganyika	0.04	2.31	4,624,278	924,856
Togo	0.04	2.31	4,624,278	924,856
Tunisia	0.05	2.89	5,780,347	1,156,068
U.A.R.	0.32	18.50	36,994,216	7,398,842
Upper Volta	0.04	2.31	4,624,278	924,856
<b>Total</b>	<b>1.73</b>	<b>100.00</b>	<b>\$200,000,000</b>	<b>\$40,000,000</b>

<sup>1/</sup> On the assumed basis of five annual subscriptions of \$40 million for a total of \$200 million.