

UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



418343



Distr.  
LIMITED

E/CN.14/FMAB/21  
16 July 1963

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA  
Preparatory Meeting : Conference of  
Finance Ministers on the Establishment  
of an African Development Bank  
Khartoum, 16-27 July 1963

REPORT OF THE COMMISSION ON  
CAPITAL SUBSCRIPTIONS AND OTHER  
TECHNICAL MATTERS

KHAR-63-81

STATEMENT BY THE CHAIRMAN

The Chairman of the Commission on Capital Subscriptions and other Technical Matters presents herewith the Report of the Commission to the Preparatory Meeting for its approval and presentation to the Conference of Finance Ministers.

As indicated in the Report of the Commission, the recommendations of the Committee of Nine were supported by it. It agreed on the use of economic capacity as the criterion for the allocation of country subscriptions. The Commission unanimously selected the integrated formula based on current prices included in Table 12, Column 4 of the Note by the Executive Secretary (Document E/CN.14/FMAB/11) as a preferable alternative for determination of capital subscriptions. It also unanimously agreed with the recommendations of the Committee of Nine on the amount of authorized capital subscriptions and their division into an equal number of paid-up and callable shares. The Commission agreed with the recommendations of the Committee of Nine that, in order to avoid extreme differences between member subscriptions, there should be minimum and maximum limits equivalent, respectively, to 1 million and 30 million units of account. On the allocation of voting power the Commission agreed that it should be based upon the principles of equality and proportionality.

Furthermore, the Report includes certain recommendations regarding the specific problems of a few Member Countries which in the view of the Commission deserve special attention by the Preparatory Meeting and the Conference of Finance Ministers.

I should like to thank the members of the Commission, the Representatives who participated in its work, the staff of the Secretariat, the interpreters and translators for their co-operation and assistance throughout its work. It was, indeed, a great pleasure to work in such a harmonious atmosphere.

Report of the Commission on Capital Subscriptions  
and other Technical Matters

1. The Commission on Capital Subscriptions and Other Technical Matters completed its work in three successive sessions held on 18, 19 and 20 July 1963. The Commission was composed as follows and representatives of many other Member Countries also participated in its deliberations.

Chairman:	Mr Olufemi Akinrele of Nigeria
Vice-Chairman:	Mr. Gnan Félix Mathos of Guinea
Members:	representatives of Chad, Liberia, Mauretania, Mauritius, Somalia, UAR, Uganda and Zanzibar. The representative of Upper Volta was not present.

Messrs. H.W. Singer and N.D. Ganjoi served as Secretaries and Mr. El Emery as Consultant to the Commission.

A. Bases for allocation of Capital Subscriptions and adoption of  
criteria for measurement of economic capacity of Member Countries  
(Articles 6, 65 and Annex A to the Draft Agreement -- Document  
E/CN.14/FMAB/4/Add.1)

2. The Commission discussed in considerable detail the criteria on the basis of which capital subscriptions of the Bank should be allocated among Member Countries. There was general agreement on the principle of economic capacity recommended by the Committee of Nine as the criteria for allocation of capital subscriptions. A number of representatives raised questions on the methods adopted in the Note by the Executive Secretary (Doc. E/CN.14/FMAB/11) for the determination of economic capacity and also indicated some doubts as to the reliability of some of its statistics. The Commission agreed that the determination of relative economic capacity and formulation of the bases for capital allocation did not lend itself to scientific precision, particularly taking into account the widely varying economic structure of African countries, the inadequacy of statistical data and the lack of up-to-date information. The members

who had participated in the work of the Committee of Nine (whose report (E/CN.14/FMAB/1) was at the disposal of the Commission) and the Secretariat, too, indicated that in the course of their work they had examined many alternative formulae; those included in the document before the Commission represented a fairly satisfactory selection of the most applicable and relevant formulae for the purpose. It was specifically emphasized that application of the various formulae and assignment of varying weights to different economic factors did not result in a great deal of variation in the allocation; this was thought to be indicative of some measure of reliability in the computation made and the bases of relative economic capacity arrived at.

3. The Commission discussed the relative merits of the alternative formulae and agreed that classification of countries according to different groups and categories was the least desirable formula. A number of representatives considered the possibility of applying the UN assessment scale but thought the lower limit should be considerably reduced as it would impose an excessive burden on the small countries. The discussion which followed showed clearly that since a large number of African countries fall into the minimum category under the UN assessment formula, determination of their relative position would require the use of some criteria and the result would not differ materially from the alternative formulae shown in the Note. Some members also pointed out that the adoption of the UN assessment scale would obviously tend to favour the larger countries which, however, did not press for its selection. The Commission evaluated the distribution of capital subscriptions according to the integrated formula presented in document E/CN.14/FMAB/11 and found the resulting allocation of subscriptions among the Member Countries in conformity with the relative economic capacity of members as far as it could be ascertained in the light of available data. The Commission thus recommended the adoption of the capital allocations shown in the Annex to this Report which are primarily based on the integrated formula - at current prices - included in the Note by the Executive Secretary.

4. The Commission also unanimously agreed with the recommendation of the Committee of Nine that in order to avoid extreme differences between members' subscriptions there should be minimum and maximum limits equivalent, respectively, to 1 million and 30 million units of account. Representatives of the smaller countries stressed, however, that this lower limit would still represent a heavy burden for them and that acceptance of the lower limit would reflect a great measure of sacrifice on their part in the cause of African solidarity.

5. The Commission considered the special position of Kenya whose date of independence was recently announced. However, the Commission decided that in view of technical difficulties of rearranging the data, it was not possible at this late stage to concur fully with Kenya's proposal. At the same time the Commission recommended that suitable arrangements be made as soon as possible for determination of Kenya's contribution.

B. Authorized Capital and Payment of Subscriptions  
(Articles 5, 7 and 65 of the Draft Agreement - Doc. E/CN.14/FMAB/4/Add.1)

6. The Commission unanimously supported the recommendations of the Committee of Nine on the authorised capital, as specified in Article 5 of the Draft Agreement. The Commission felt that the authorized capital of 200 million units of account (equivalent to US dollars) would be inadequate having regard to the growing needs for development funds in Africa, but expressed the hope that the financial resources of the Bank would be substantially increased in the course of its operation. The Representatives also indicated their agreement with the division of the authorized capital into an equal number of paid-up shares and callable shares.

7. As to the payment of subscriptions and the schedule of instalments, the small countries expressed the same concern regarding the size of early instalments as they had shown with respect to the allocated amount of their share subscriptions. The Representative of Congo (Leopoldville)

drew the attention of the Commission to the present economic difficulties of his country and proposed special treatment whereby instalments would be paid in lower amounts in early years and be distributed over a period of ten instead of five years, as envisaged in the Article 7 of the Draft Agreement. The Commission sympathetically examined this proposal but decided that it was inadvisable to provide for exceptions in the text of the Agreement. It assured the Representative of Congo (Leopoldville), however, that in view of the special situation of his country it would bring the matter to the attention of the Plenary Meeting recommending that a resolution on the subject should be placed before the Conference of Finance Ministers.

C. Allocation of Voting Power

(Article 35 of the Draft Agreement - Doc. E/CN.14/FMAB/4/Add.1)

8. The Commission felt that since it had accepted the principle that initial subscriptions of members should vary according to their economic capacity, it agreed that a formula allocating voting power to members strictly in proportion to their subscriptions, for instance one share - one vote, would conflict with the principles underlying African solidarity. The Commission also agreed that the allocation of voting power to members strictly on equal terms would not correspond to the true nature of the venture. It was realized that in a financial organization of this nature there should be some differences between the voting power assigned to large contributors as compared with small subscribers, the aim, of course, being that no single country or groups of countries should be able to exercise undue influence on the policy organs of the Bank. The Commission adopted the recommendation of the Committee of Nine which seeks to reconcile the principles of equality and proportionality of voting power, as specified in Article 35 of the Draft Agreement. A table showed that the voting power of the large contributors was considerably lower in proportion to their capital subscriptions as compared with the small contributors. The data are reproduced in the Annex to this report.

D. Matters referred to the Commission by the Plenary

9. The Commission also considered various matters specifically referred to it by the Plenary Meeting, particularly amendments proposed to Articles 6 and 7 of the Draft Agreement. The discussions resulted in a recommendation by the Commission that the principles proposed by the Committee of Nine should be maintained. The Commission also considered a proposal by the Government of Gambia that the minimum of one million units of account for initial subscriptions should apply to initial members only, not to States which will become eligible for membership on the attainment of independence. General sympathy was expressed with the position of such countries as Gambia and others in similar circumstances, but the Commission did not feel it should recommend an exemption from the minimum in the Agreement. Any special circumstances applying to new Member Countries would no doubt be considered by the Board of Governors at the appropriate time.

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Report of the Commission on Capital Subscriptions and Other Technical Matters

Annex

Recommended Capital Subscriptions and Voting Power

<u>No.</u>	<u>Country</u>	<u>Fixed Votes</u> (Art.35 of Draft Agr.)	<u>Subscriptions and Related Vote</u> <sup>1/</sup> <u>Country Subscr.</u> (Primarily based on integrated formula - current prices - Table 12 Doc.E/CN.14/ FMAB/11) (In milln. units) of account.	<u>No. of Votes</u> 1 vote per share of par value of 10,000 units - Art.5 of Draft Agr.	<u>Total Votes</u> per country (fixed votes +share votes)	<u>Total Votes</u> of each country as percentage of all votes
1.	Algeria	625	4.53	2,453	3,078	7.70
2.	Burundi	625	1.04	104	729	1.82
3.	Cameroun	625	3.97	397	1,022	2.56
4.	Centr.A.R.	625	1.05	105	730	1.82
5.	Chad	625	1.56	156	781	1.95
6.	Congo B.	625	1.46	146	771	1.93
7.	Congo L.	625	13.04	1,304	1,929	4.82
8.	Dahomey	625	1.42	142	767	1.92
9.	Ethiopia	625	6.33	633	1,258	3.15
10.	Gabon	625	1.33	133	758	1.90
11.	Ghana	625	12.80	1,280	1,905	4.76
12.	Guinea	625	2.54	254	879	2.20
13.	Ivory Coast	625	6.04	604	1,229	3.07
14.	Liberia	625	2.55	255	880	2.20
15.	Libya	625	1.87	187	812	2.03
16.	Madagascar	625	5.21	521	1,146	2.87
17.	Mali	625	2.28	228	853	2.13
18.	Mauritania	625	1.05	105	730	1.82
19.	Morocco	625	15.12	1,512	2,137	5.34
20.	Niger	625	1.55	155	780	1.95
21.	Nigeria	625	24.10	2,410	3,035	7.59
22.	Rwanda	625	1.24	124	749	1.87
23.	Senegal	625	5.48	548	1,173	2.93
24.	Sierra L.	625	2.09	209	834	2.08
25.	Somalia	625	1.02	102	727	1.82
26.	Sudan	625	10.11	1,011	1,636	4.09
27.	Tanganyika	625	5.34	534	1,159	2.90
28.	Togo	625	1.02	102	727	1.82
29.	Tunisia	625	6.90	690	1,315	3.29
30.	Uganda	625	4.64	464	1,089	2.72
31.	UAR (Egypt)	625	30.00	3,000	3,625	9.06
32.	Upper Volta	625	1.32	132	757	1.89
Total		20,000	200.00	20,000	40,000	100.00

<sup>1/</sup> Discrepancies added equally to largest contributors.