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ECONOMIC COMMISSION FOR AFRICA
Conference of Finance Ministers on the
Establishment of an African Development Bank
Khartoum, 31 July - 9 August 1963

MAIN FEATURES OF THE AFRICAN
DEVELOPMENT BANK

(Prepared by the Executive Secretary)

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MAIN FEATURES OF THE AFRICAN DEVELOPMENT BANK

PURPOSE AND FUNCTIONS:

The purpose of the Bank is to contribute to the economic development and social progress of its members-individually and jointly.

To implement its purpose the Bank uses the resources at its disposal for the financing of investment projects and programmes relating to the economic or social development of its members -with special emphasis on multi-national projects.

The Bank endeavours to mobilize and increase in Africa, and outside Africa, resources for financing of such projects and to promote investment in Africa of public and private capital. It also provides technical assistance as may be needed in Africa for the study, preparation, financing and execution of development projects and programmes. It performs its functions in cooperation with national, regional and sub-regional development institutions in Africa.

MEMBERSHIP:

Any African country which has the status of an independent state may become a member of the Bank.

(A special Protocol makes it possible for Kenya to sign the Agreement and, on acquiring independence, to deposit its instrument of ratification).

STRUCTURE:

The Bank shall have as principal organs, a Board of Governors, a Board of Directors - composed of nine members - a President, at least one Vice-President, such other officers and staff to perform such duties as the Bank may determine.

It may create subsidiary bodies.

AUTHORIZED CAPITAL:

The authorized capital stock of the Bank is at present 200 million units of account (one unit equivalent to one US Dollar) half of which will be paid-in and half callable.

It is divided into 20,000 shares of a par value of 10,000 units of account each share, which will be available for subscription by members. The authorized capital is divided into an equal number of paid-up and callable shares; the authorized capital may be increased as and when the Board of Governors deems it advisable.

Kenya's membership would entail an increase of 6 million units of account in the authorized capital).

SUBSCRIPTION OF SHARES:

Each member initially subscribes shares of the capital stock of the Bank, as specified in Annex A to the Agreement.

The allocation of shares is recommended by the Preparatory Meeting following the proposals of its Commission on Capital Subscriptions which distributed subscriptions according to each member's economic capacity assessed on the basis of criteria formulated by the Executive Secretary which would continue the gross domestic product, government tax revenue and exports earnings.

In order to avoid extreme variations between members' subscriptions, minimum and maximum limits, equivalent respectively, to one million and thirty million units of account are established.

PAYMENT OF SUBSCRIPTIONS:

Initial subscriptions must be paid in convertible currency in six instalments, the first of which is five percent, the second thirty-five percent, and the remaining four instalments each fifteen percent of the subscription.

The first instalment shall be paid by the Government on or before

the date of the deposit of the instrument of ratification of the Agreement; the second instalment shall become due after six months from the entry into force of the Agreement or from the deposit of the ratification instrument by the member concerned - whichever is the later date; the third instalment shall become due after eighteen months from the entry into force of the Agreement; the other three instalments are payable at yearly intervals.

SPECIAL FUNDS:

The Bank may establish or be entrusted with the administration of, Special Funds designed to serve its purpose and come within its functions. It may receive, use, or otherwise dispose of resources appertaining to such Special Funds. Such "special resources" shall be kept apart from the "ordinary capital resources" of the Bank and shall be subject to special rules and regulations as may be required.

BORROWING POWERS:

The Agreement provides powers for borrowing, subject to specified ceilings, of funds for inclusion in its ordinary and special resources.

SPECIAL BORROWING POWERS:

In order to increase the Bank's resources, the Agreement provides that the Bank may borrow local currencies from member countries to finance expenditure in respect of goods or services produced in the territory of the lending members for the purpose of a project to be carried out in the territories of other member countries.

OPERATIONS:

The Bank may carry out its operations by making or participating in direct loans from various resources available to it, by investment of funds in the equity capital of an undertaking or institution, and by guaranteeing, in whole or in part, loans made by others in accordance with specified terms and conditions. It may make global loans to national development banks and other suitable institutions.

BOARD OF GOVERNORS:

As a general rule, all the powers of the Bank are vested in the Board of Governors; in particular, the Board issues general directives concerning the credit policy of the Bank. The Board may delegate to the Board of Directors most but not all of its powers. Each member is represented on the Board of Governors and appoints one governor and one alternate governor who serve for five years without remuneration though reasonable expenses are reimbursed. They must be African. The Board of Governors holds an annual meeting and such other meetings as may be provided by the Board or called by the Board of Directors.

BOARD OF DIRECTORS

The Board of Directors is composed of nine members who cannot be governors or alternate governors and are elected by the Board of Governors.

They must be African. Each Directors appoints an alternate. They are elected for three years and may be re-elected.

VOTING:

Each member has 625 votes and, in addition, one vote for each share of the capital stock of the Bank held by that member.

THE PRESIDENT:

The Board of Directors, by a majority of the total voting power of the members, elects the President of the Bank and, on his recommendation, one or more vice-Presidents. They all must be African.

The President's term of office lasts five years. He appoints the staff having full regard to the need of appointing Africans to executive grades.

OFFICES OF THE BANK

The principal office of the Bank shall be located in
The Bank may establish agencies or branch offices elsewhere.

STATUS, IMMUNITIES, EXEMPTIONS AND PRIVILEGES:

The Bank possesses full juridical personality and may enter into agreements with members, non-members states and other international organizations. In the territory of each member, the Bank and its personnel are accorded specified immunities, tax exemptions and privileges.

ENTRY INTO FORCE AND ACQUISITION OF MEMBERSHIP:

The agreement, deposited with the Secretary-General of the United Nations shall remain open until 31 December 1963 for signature by the Governments whose names are set forth in Annex A to the Agreement.

It shall enter into force upon the deposit of instruments of ratification by twelve signatory Governments whose initial subscriptions in aggregate comprise not less than 65 percent of the authorized capital stock, provided that the 1st of January 1964 shall be the earliest date on which the Agreement may enter into force.

Instruments of ratification shall be deposited by the Signatory Governments before 1st July 1965.

The Agreement provides for accession to membership after the Agreement has entered into force on such terms as the Board of Governors may determine.

TRUSTEE:

According to a Protocol to the Agreement, the Secretary-General of the United Nations is appointed Trustee who, before the Agreement's entry into force, keeps the funds received from the Signatories in a special account to be transferred to the Bank not later than on the date of the first meeting of its Board of Governors.

COMMENCEMENT OF OPERATIONS:

As soon as the Agreement enters into force, each member shall appoint a governor.

The Trustee calls the first meeting of the Board of Governors in order to elect the nine directors and determine the date of commencement of operations.

INTERIM ARRANGEMENTS:

A Protocol to the Agreement, to be signed by its Signatories, provides for the establishment of "Interim Arrangements," an autonomous body, in order to bring about, as early as possible, the actual establishment of the Bank and to prepare its work on projects.

Interim Arrangements shall, as its principal organs, comprise a Governing Body, a Chief Executive, assisted by a staff and an Advisory Committee of nine members.

The Governing Body is composed of the Ministers of Finance of the Signatory Governments.

The Chief Executive and the members of the Advisory Committee (all of them must be African) are elected by a two-thirds majority of the Governing Body, each Minister having one vote.

Members of the Advisory Committee serve in a personal capacity.

The Signatory Governments will contribute to the cost of this body which is also expected to receive financial and technical assistance from the United Nations organs and other international organizations. They must contribute the equivalent of 940,000 units of account in two half-yearly instalments each of which amounts to 20,000 or 40,000 units of account, - according to the group to which the Government is allocated. Furthermore, they may be called upon, after a year, to pay, altogether, another 1,060,000 units of account.

Subject to exceptions, the contribution is payable in convertible currency.

In view of close co-operation with ECA, Addis Ababa is considered to be a suitable seat for Interim Arrangements.