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ECONOMIC COMMISSION FOR AFRICA  
ORGANIZATION OF AFRICAN UNITY

African Ministerial Meeting  
Preparatory to UNCTAD III

Addis Ababa, 8-14 October 1971

Meetings of the African Group at the 1971 Annual  
Meetings of IBRD and IMF

The attached extracts of the memoranda of the African Group at Washington to Mr. Robert S. McNamara, President, International Bank for Reconstruction and Development and its Affiliates and to Mr. Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund and a Communiqué by the Chairman of the African Caucus of the IMF and World Bank is reproduced for the information of participants.

Memorandum of the African Group Annual Meetings,  
Washington D.C. 1971 to Mr. Robert S. McNamara,  
President, International Bank for Reconstruction and  
Development and its Affiliates.

Introduction

The African Governors note that during the five-year period 1963/1968 the Bank Group made \$803 million investment in Africa. They recall the target set at the initiative of the President to triple this amount in the 1968/1973 period, and believe that this can be achieved. In this respect they compliment the President and his staff for the results which have already been achieved. While showing their appreciation in general for the past performance, the African Governors would, however, wish to draw the attention of the President to the fact that the momentum which started in FY 1967/1968 has slowed down considerably in the past two fiscal years, i.e. the combined loans and credits to Africa totalled \$345 million in FY 1968/1969 increasing to \$443 million in FY 1969/1970, and only to \$468 million in FY 1970/1971. They express the hope that appropriate measures will be taken to keep the flow of World Bank Group development assistance to Africa at the momentum which was obtained in the first two years of the five-year programme.

The African Governors express their concern about the low level of IFC operations in Africa during FY 1970/1971. Whereas in the course of the preceding two fiscal years the African continent received assistance from IFC representing an annual average of over 10 per cent of its total commitments, during the year under review only one investment (\$600,000) was made in Africa, representing only 0.6 per cent of IFC total commitments. The Governors are perturbed by this low level of IFC investment and urge that in the coming years IFC should take a more active role in the economic development of Africa.

Distribution of IDA Resources

In spite of last year's appeal to the President for a more equitable geographical distribution of IDA resources the African Governors have taken note of the fact that the amount of IDA funds allocated to African countries fell from \$161 million in FY 1969/1970 to \$121 million in FY 1970/1971 (a decline of \$40 million in absolute terms and over 24 per cent in relative terms). They have also observed that this decline was so much greater than anything experienced by other geographical areas. The African Governors see this decline as a very serious erosion in the available external development funds going to Africa as a result they would call the President's attention to this matter and reiterate that the existing criteria of eligibility for IDA resources be reviewed. The matter is far more urgent at this particular point of time due to the current delays in meeting the conditions of effectiveness of the Third Replenishment.

In this connection, they urge the President of the IDA to use his influence to secure an early settlement of this crucial matter.

#### International Finance Corporation

The present policies of IFC do not allow it to participate in projects in which a government has a majority interest. In view of the reluctance of foreign private investment to come to the relatively less developed countries especially of Africa, we strongly urge the Bank to modify the present policies of IFC so that it may be able to participate in financing enterprises in which African Governments have a majority interest.

#### Programme Loans

The African Governors are pleased to note that during FY 1970/1971 the first programme aid to an African country was granted. They hope that in the future similar requests in appropriate circumstances will be given due consideration, taking into account the great need of such financing by African countries.

#### Local Costs Financing

While the African Governors express their appreciation for some flexibility which the Bank and IDA have shown in financing the local costs component of projects, they still urge the Bank and IDA management to be more liberal in their approach to this matter.

Experience has shown that development can come by a concerted action directed at a well integrated programme. It is, therefore, essential that both donors and recipients of aid give considerable attention not only to the sectors which easily lend themselves to external assistance, but also to those sectors which are conventionally regarded as eligible only for local currency finance. As in the case of projects with high foreign exchange component, the success of projects with high local cost component depends on the efficiency with which they are prepared and executed. It is essential, therefore, that the Bank Group should devise a bolder lending technique that would permit it to assist the timely preparation, execution and financing of small projects calling mostly for local currency expenditures.

#### Costs and Procedures of Bank Group Project Preparation

The African Governors realize the importance to be attached to the proper preparation of projects before resources are spent on them. However, they have observed that the costs of preparing Bank Group projects (up to the time of actual investment) are becoming increasingly expensive on the budgets of most governments. Part of the problem may be due to the rigid adherence by the Bank to existing procedures, and to the serious delay between project preparation and implementation practices.

The African Governors would like to draw the President's attention to the problem and would hope that a review of pre-investment preparations of Bank Group projects be undertaken with the view to reducing the increasing costs and the time taken by their procedures.

#### Industrial Development

Realizing the important role which industrialization can play in the economic development of Africa, the African Governments in their individual capacities are searching for possible approaches to deal with the problem. In this respect, they can benefit from any guidance that the Bank Group can give. The African Governors, therefore, would like to impress upon the President the importance and necessity for a carefully thought-out policy of industrialization by the World Bank Group. They suggest that in the next fiscal year the Bank should undertake a special study on possible measures to accelerate industrialization in Africa.

#### Livestock, Fisheries and Tourism

The African Governors consider that well-organized development schemes for the livestock, fisheries and tourism sectors could play an extremely important role in the economic development of many African countries. They are disturbed that in spite of the President's previous assurances, there is still no clear evidence of a bold and dynamic approach on the part of the Bank Group to promote substantially those sectors in Africa.

#### Problems of Transports

The African Governors, aware of the role of transport in general and air transport in particular in the economic development of their countries, recalling the second development decade strategy which recognize the right of land-locked countries for disenclavement, urge the President of the World Bank to strengthen the participation of the World Bank in this important development sector.

#### World Bank Group Financial Assistance to Development Finance Companies

While recognizing the efforts which have been made since 1960, the African Governors would still like to see the World Bank more committed to providing technical and financial assistance to Development Finance Companies in Africa, to allow them to play their intermediary role more usefully in channelling funds to assist in the implementation of small-scale projects.

Supplementary Financial Measures

The African Governors are aware that the existing sources of funds for development are not sufficient in comparison to the needs especially when unexpected shortfalls in export earnings occur. Consequently, every effort should be made to diversify the sources of development funds. In the light of this, the African Governors call upon the President of the World Bank Group to reconsider his decision not to undertake at this stage the study of supplementary financing schemes requested by the governing body of UNCTAD. They do not believe that the matter of carrying out the study should be made dependent at this moment on the availability of funds from Part I countries. The matter is of particular importance at the present time in view of the possible adverse effects on exchange earnings of developing countries of the current monetary problems among the developed countries.

Memorandum of the African Group Annual Meetings  
Washington, D.C., 1971 to Mr. Pierre-Paul SCHWETZER, Managing  
Director of the International Monetary Fund

Current International Monetary Crisis

African Governors view the current international monetary crisis with deep concern as they are fully aware of its adverse effects on their external trade, payments and general economic development. They note with appreciation the Managing Director's initiative and the effort the Managing Director's proposals to the Group of Ten Meeting held in London on September 15.

In giving this support they want to reiterate their belief that the Bretton Woods system based on fixed parities, has worked well and that every effort should be made to reach agreement as soon as possible on realignment of major currencies. In the present circumstances, SDRs, suitably modified, would appear to be the desirable substitute to a reserve currency and international unit of account. Moreover, they would expect that in addition to the wider use of SDRs, the administration of this asset would be in such a manner as to compensate less developed countries for any loss arising from the current monetary crisis as well as to correct any adverse effect on their long-term trade and payments.

The African Governors believe that in searching for a solution to this problem the whole international financial community should fully participate in the process of decision making. In this regard the role and the authority of the Fund should be fully re-established and strengthened in all matters that concern the whole international community as the only way of safeguarding the interest of all member countries.

SDR Scheme

It is the view of the African Governors that the excessive flow of dollars in the international monetary system should be treated as a separate problem and not be confused with the activation of the SDR scheme. They are, therefore, perturbed by suggestions from certain quarters that there should be no further creation of SDRs in the second basic period.

Since the African Governors believe that under the present circumstances SDRs appear to be the best substitute for the dollar, they call upon the Managing Director to institute the necessary machinery that will ensure the strengthening of the SDR system and its allocation in the second period.

They also note with pleasure that since the last Meeting, the Managing Director has taken steps to pursue the study of the link between special drawing rights and development financing. They look forward to the early conclusion of these studies and hope that the results will greatly contribute to development financing in their countries.

#### Buffer Stock Financing Facility

The Governors have noted that it has been possible for the Fund to make available the buffer stock facility which has enabled some members to contribute to the Fourth International Tin Agreement. This decision was a step in liberalizing the use of this facility which the Governors had called for at the last Annual Meeting and they appreciate the Managing Director's personal contribution in making this possible. However they again urge the Fund and World Bank to approach members' commodity problems in a practical and constructive manner.

Communiqué by Chairman of the African Caucus  
of the IMF and World Bank

The African Governors of the IMF and the World Bank view with deep concern the current international monetary crisis. Although the causes of this crisis are lack of alignment between the economies of the major industrial countries and the resultant speculative capital flows between them, the adverse effects of the crisis are being felt on a world-wide basis and are particularly damaging to the economic of the less developed countries. The restrictions already imposed by some industrialized countries on international trade and payments and other palliative measures being contemplated are prejudicial to the economies of the developing countries which so much depend on earnings from commodity exports. Not only are the African countries' deteriorating terms of trade being made worse by the adjustment mechanism between the industrialized countries, but the little reserves they hold in the currencies of these countries will be eroded in the process. Thus the less developed countries are becoming innocent victims in an arrangement in which they take no part, and from which they cannot easily extricate themselves.

Moreover, the African Governors are perturbed by the current trend to resolve problems which intimately affect their countries' development outside the international institutions designed for this purpose. They consider that any genuine solution to the current disorders cannot treat their interests as irrelevant and that such solution must be evolved in the international forums which make it possible for all Governors to fully participate. They believe that it is only by concerted and collaborative international action which takes full account of the interests of all members, particularly the weaker members of the international community, that a lasting and equitable solution can be found. They further believe that piecemeal approaches to change, like those currently being contemplated, cannot be expected to yield lasting beneficial results to any country, particularly the less developed countries.

The African Governors therefore consider that it is within the context of the IMF, which is representative of the entire international financial community, that all substantive discussions aimed at resolving the current issues, both on short and long-term basis, should be conducted. In this connexion, it is their conviction that agreement should be reached as soon as possible on the realignment of major currencies and a return to the system of fixed par values. They believe that the Fund should undertake, as a matter of urgency, the task of developing the SDR scheme as a substitute to the reserve currency system which has so far been tied to gold and national currencies. They envisage that in order to be equitable, an enlarged SDR scheme should be designed so as to compensate less developed countries for losses arising from the adjustment processes between industrialized countries and that it should automatically correct any adverse effects on less developed countries' terms of trade and payments as well as facilitate a smooth flow of development resources.

The African Governors would urge the US Government to terminate the 10 per cent import surcharge recently imposed on some products from African countries. Further, in view of the fact that US aid to Africa has been so small in comparison to the flow of US aid to other parts of the world, the African Governors are disheartened by the US decision to cut by 10 per cent its foreign aid programme, a decision which has been made at a time when the rate of increase in the overall flow of aid to Africa has substantially declined.

The African Governors hope that in the spirit of maintaining international stability the US's contribution to multilateral aid institutions will be maintained and enhanced. They hope that, in this connexion, legislative approval of the third replenishment of IDA resources will be forthcoming promptly.

The African Governors would appeal to all the Governments concerned to endeavour to find remedial measures of their current problems which at the same time safeguard the interests of all countries especially those of the less developed countries.