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THE AFRICAN DEVELOPMENT FUND

GOVERNMENT

DOCUMENTS

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HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE

OF THE

COMMITTEE ON BANKING, CURRENCY AND HOUSING HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 4264

A BILL TO PROVIDE MEMBERSHIP
IN THE AFRICAN DEVELOPMENT
FUND

H.R. 6937

A BILL TO PROVIDE FOR THE PAR-
TICIPATION OF THE UNITED STATES
IN THE AFRICAN DEVELOPMENT
FUND

H.R. 6241

A BILL TO PROVIDE FOR THE PAR-
TICIPATION OF THE UNITED STATES
IN THE AFRICAN DEVELOPMENT
FUND

H.R. 8033

A BILL TO PROVIDE FOR THE PAR-
TICIPATION OF THE UNITED STATES
IN THE AFRICAN DEVELOPMENT
FUND

H.R. 8197

A BILL TO PROVIDE FOR THE PAR-
TICIPATION OF THE UNITED STATES
IN THE AFRICAN DEVELOPMENT
FUND

JULY 15, 1975

Printed for the use of the
Committee on Banking, Currency and Housing

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1975

56-518 O

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U.S. GOVERNMENT
INFORMATION



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THE AFRICAN DEVELOPMENT FUND

TUESDAY, JULY 15, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT INSTITUTIONS AND FINANCE
OF THE COMMITTEE ON BANKING, CURRENCY AND HOUSING,
Washington, D.C.

The subcommittee met at 9:40 a.m., in room 2222, Rayburn House Office Building, Hon. Henry B. Gonzalez [chairman of the subcommittee] presiding.

Present: Representatives Gonzalez, Tsongas, Hanley, Rees, Johnson, Grassley, and Fenwick.

Mr. GONZALEZ. The subcommittee will please come to order. We are waiting on, at least, Mrs. Fenwick.

As you know, there is a Space Shot today and most, if not the quorum, of the House is down at Cape Canaveral.

I think we ought to proceed, though, on the basis that Mrs. Fenwick will be here. We have one and another Congressman on his way, two now, I beg your pardon, and we will recognize the Congressmen, so they can get about their business. I think it is significant that they are here and resisted the temptation to go down to the Apollo shot.

As you know his hearing is for the purpose of considering a number of bills to authorize U.S. participation in the African Development Fund. The matter was considered in the Senate the last Congress. It was approved by the Senate. The House did not have hearings, and there were several reasons.

For one thing, the administration and the House leaders, had priority matters. And the Senate beat us to that one last year. This time I think we are ahead of the Senate. I think most of you know what the African Development Bank is. I think it is interesting to know that it was established some 12 years ago. It has about 39 African state members. The membership itself is restricted to bona fide African states.

[The texts of H.R. 4264, 6241, 6937, 8033, and 8197 follows:]

94TH CONGRESS
1ST SESSION

H. R. 4264

IN THE HOUSE OF REPRESENTATIVES

MARCH 4, 1975

Mr. YOUNG of Georgia introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

A BILL

To provide membership in the African Development Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the "African
4 Development Fund Act".

5 SEC. 2. The President is hereby authorized to accept
6 participation for the United States in the African Develop-
7 ment Fund (hereinafter referred to as the "Fund") pro-
8 vided for by the agreement establishing the Fund (herein-
9 after referred to as the "Agreement") deposited in the
10 Archives of the United Nations.

11 SEC. 3. (a) The President, by and with the advice and

1 consent of the Senate, shall appoint a Governor, and an
2 Alternate Governor, of the Fund and a Director and an
3 Alternate Director of the Fund.

4 (b) ~~No person shall be entitled to~~ receive any salary
5 or other compensation from the United States for services
6 as a Governor or Alternate Governor. The Director and his
7 Alternate who shall receive compensation from the United
8 States may, in the discretion of the President, receive such
9 compensation, allowances, and other benefits not exceeding
10 those authorized for a Chief of Mission, class 2, within the
11 meaning of the Foreign Service Act of 1946, as amended.

12 SEC. 4. (a) The policies and operations of the United
13 States representatives of the Fund shall be coordinated with
14 other United States policies in such a manner as the Presi-
15 dent shall direct.

16 (b) An annual report with respect to United States
17 participation in the Fund shall be submitted to the Congress
18 by such agency or officer as the President shall designate.

19 SEC. 5. Unless Congress by law authorizes such action,
20 neither the President nor any person or agency shall, on be-
21 half of the United States—

22 (a) agree to an increase in the subscription of the
23 United States to the Fund;

24 (b) vote for or agree to any amendment of the
25 agreement which increases the obligation of the United

1 States, or which would change the purpose or functions
2 of the Fund; or

3 (c) make a loan or provide other financing to the
4 Fund, except that funds for technical assistance may be
5 provided to the Fund by a United States agency created
6 pursuant to an Act of Congress which is authorized by
7 law to provide funds to international organizations.

8 SEC. 6. (a) There is hereby authorized to be appropri-
9 ated without fiscal year limitation as the United States sub-
10 scription, \$15,000,000 to be paid by the Secretary of the
11 Treasury to the Fund in three annual installments of
12 \$5,000,000 each.

13 (b) Any repayment or distribution of moneys from the
14 Fund to the United States shall be covered into the Treasury
15 as a miscellaneous receipt.

16 SEC. 7. Any Federal Reserve bank which is requested
17 to do so by the President shall act as a depository for the
18 Fund, and the Board of Governors of the Federal Reserve
19 System shall supervise and direct the carrying out of these
20 functions by the Federal Reserve banks.

21 SEC. 8. For the purpose of any civil action which may
22 be brought within the United States, its territories, or pos-
23 sessions, or the Commonwealth of Puerto Rico, by or against
24 the Fund in accordance with the agreement, the Fund shall
25 be deemed to be an inhabitant of the Federal judicial district

1 in which its principal office or agency appointed for the pur-
2 pose of accepting service or notice of service is located, and
3 any such action to which the Fund shall be party shall be
4 deemed to arise under the laws of the United States, and the
5 district courts of the United States (including the courts enu-
6 merated in title 28, section 460, United States Code) shall
7 have original jurisdiction of any such action. When the Fund
8 is defendant in any action in a State court, it may at any
9 time before the trial thereof, remove such action into the dis-
10 trict court of the United States for the proper district by
11 following the procedure for removal of causes otherwise
12 provided by law.

13 SEC. 9. The agreement, and particularly articles 41
14 through 50, shall have full force and effect in the United
15 States, its territories and possessions, and the Common-
16 wealth of Puerto Rico, upon the acceptance of participation
17 by the United States in, and the entry into forces of, the
18 Fund. The President, at the time of deposit of the instrument
19 of acceptance of participation of the United States in the
20 Fund, shall also deposit a declaration that the United States
21 retains for itself and its political subdivisions the right to
22 tax salaries and emoluments paid by the Fund to its citizens
23 or nationals and may deposit a declaration providing for
24 reservations on other matters set forth in article 58.

25 SEC. 10. (a) The President shall instruct the United

5

1 States Director of the African Development Fund to vote
2 against any loan or other utilization of funds of the Fund for
3 the benefit of any country when the government of such
4 country or any government agency or subdivision within
5 such country—

6 (1) has nationalized or expropriated or seized own-
7 ership or control of property owned by any United
8 States citizen or by any corporation, partnership, or
9 association not less than 50 per centum beneficially
10 owned by United States citizens, or

11 (2) has taken steps to repudiate or nullify existing
12 contracts or agreements with any United States citizen
13 or any corporation, partnership, or association not less
14 than 50 per centum beneficially owned by United States
15 citizens, or

16 (3) has imposed or enforced discriminatory taxes
17 or other exactions, or restrictive maintenance or opera-
18 tional conditions, or has taken other actions, which have
19 the effect of nationalizing, expropriating, or otherwise
20 seizing ownership or control of property so owned, and
21 such country, government agency, or government sub-
22 division fails within a reasonable time (not more than
23 six months after such action, or, in the event of a
24 referral to the Foreign Claims Settlement Commission of
25 the United States within such period as provided herein,

1 not more than twenty days after the report of the Com-
2 mission is received) to take appropriate steps, which may
3 include arbitration, to discharge its obligations under
4 international law toward such citizen or entity, includ-
5 ing speedy compensation for such property in con-
6 vertible foreign exchange, equivalent to the full value
7 thereof, as required by international law, or fails to take
8 steps designed to provide relief from such taxes, exac-
9 tions, or conditions, as the case may be; and such sus-
10 pension shall continue until the President is satisfied that
11 appropriate steps are being taken, and the provisions of
12 the section shall not be waived with respect to any coun-
13 try unless the President determines and certified that
14 such a waiver is important to the national interests of the
15 United States and such certification shall be reported
16 immediately to Congress.

94TH CONGRESS
1ST SESSION

H. R. 6241

IN THE HOUSE OF REPRESENTATIVES

APRIL 22, 1975

Mr. MITCHELL of Maryland (for himself and Mr. FAUNTROY) introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

A BILL

To provide for the participation of the United States in the African Development Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the "African
4 Development Fund Act".

5 SEC. 2. The President is hereby authorized to accept
6 participation for the United States in the African Develop-
7 ment Fund (hereinafter referred to as the "Fund") pro-
8 vided for by the agreement establishing the Fund (herein-
9 after referred to as the "agreement") deposited in the Ar-
10 chives of the United Nations.

1 SEC. 3. (a) The President, by and with the advice and
2 consent of the Senate, shall appoint a Governor, and an Al-
3 ternate Governor, of the Fund.

4 (b) The Governor, or in his absence the Alternate
5 Governor, on the instructions of the President, shall cast the
6 votes of the United States for the Director to represent the
7 United States in the Fund. The Director representing the
8 United States and his Alternate, if they are citizens of the
9 United States, may, in the discretion of the President, receive
10 such compensation, allowances, and other benefits not exceed-
11 ing those authorized for a Chief of Mission, class 2, within
12 the meaning of the Foreign Service Act of 1946, as amended.

13 SEC. 4. The provisions of section 4 of the Bretton Woods
14 Agreements Act, as amended (22 U.S.C. 286b), shall apply
15 with respect to the Fund to the same extent as with respect
16 to the International Bank for Reconstruction and Develop-
17 ment and the International Monetary Fund. Reports with
18 respect to the Fund under paragraphs (5) and (6) of sub-
19 section (b) of section 4 of said Act, as amended, shall be
20 included in the first report made thereunder after the United
21 States accepts participation in the Fund.

22 SEC. 5. Unless Congress by law authorizes such action,
23 neither the President nor any person or agency shall, on
24 behalf of the United States:

1 (a) agree to an increase in the subscription of the
2 United States to the Fund;

3 (b) vote for or agree to any amendment of the
4 agreement which increases the obligations of the United
5 States, or which would change the purpose or functions
6 of the Fund; or

7 (c) make a loan or provide other financing to the
8 Fund, except that funds for technical assistance may be
9 provided to the Fund by a United States agency created
10 pursuant to an Act of Congress which is authorized by
11 law to provide funds to international organizations.

12 SEC. 6. (a) There is hereby authorized to be appro-
13 priated without fiscal year limitation, as the United States
14 subscription, \$150,000,000 to be paid by the Secretary of the
15 Treasury to the Fund in three annual installments of
16 \$50,000,000 each.

17 (b) Any repayment or distribution of moneys from the
18 Fund to the United States shall be covered into the Treasury
19 as a miscellaneous receipt.

20 SEC. 7. Any Federal Reserve bank which is requested to
21 do so by the President shall act as a depository for the Fund,
22 and the Board of Governors of the Federal Reserve System
23 shall supervise and direct the carrying out of these functions
24 by the Federal Reserve banks.

1 SEC. 8. For the purpose of any civil action which may be
2 brought within the United States, its territories or possessions,
3 or the Commonwealth of Puerto Rico, by or against the
4 Fund in accordance with the agreement, the Fund shall be
5 deemed to be an inhabitant of the Federal judicial district in
6 which its principal office or agency appointed for the purpose
7 of accepting service or notice of service is located, and any
8 such action to which the Fund shall be party shall be deemed
9 to arise under the laws of the United States, and the district
10 courts of the United States (including the courts enumerated
11 in section 460 of title 28, United States Code) shall have
12 original jurisdiction of any such action. When the Fund is
13 defendant in any action in a State court, it may, at any time
14 before the trial thereof, remove such action into the district
15 court of the United States for the proper district by following
16 the procedure for removal of causes otherwise provided by
17 law.

18 SEC. 9. The agreement, including without limitation
19 articles 41 through 50, shall have full force and effect in the
20 United States, its territories and possessions, and the Com-
21 monwealth of Puerto Rico, upon the acceptance of participa-
22 tion by the United States in, and the entry into force of, the
23 Fund. The President, at the time of deposit of the instru-
24 ment of acceptance of participation of the United States in
25 the Fund, shall also deposit a declaration that the United

- 1 States retains for itself and its political subdivisions the right
- 2 to tax salaries and emoluments paid by the Fund to its
- 3 citizens or nations and may deposit a declaration providing
- 4 for reservations on other matters set forth in article 58.

94TH CONGRESS
1ST SESSION

H. R. 6937

IN THE HOUSE OF REPRESENTATIVES

MAY 13, 1975

Mr. FAUNTROY (for himself, Mr. MITCHELL of Maryland, Ms. BURKE of California, Ms. CHISHOLM, Mrs. COLLINS of Illinois, Mr. CONYERS, Mr. DELLUMS, Mr. HARRINGTON, Mr. METCALFE, Mrs. MEYNER, Mr. MURPHY of New York, Mr. RANGEL, Mr. REES, Mr. SEIBERLING, Mr. SOLARZ, and Mr. STARK) introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

A BILL

To provide for the participation of the United States in the African Development Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the "African De-
4 velopment Fund Act".

5 SEC. 2. The President is hereby authorized to accept
6 participation for the United States in the African Develop-
7 ment Fund (hereinafter referred to as the "Fund") pro-
8 vided for by the agreement establishing the Fund (herein-
9 after referred to as the "agreement") deposited in the Ar-
10 chives of the United Nations.

1 SEC. 3. (a) The President, by and with the advice and
2 consent of the Senate, shall appoint a Governor, and an Al-
3 ternate Governor, of the Fund.

4 (b) The Governor, or in his absence the Alternate
5 Governor, on the instructions of the President, shall cast
6 the votes of the United States for the Director to represent
7 the United States in the Fund. The Director representing
8 the United States and his alternate, if they are citizens of
9 the United States, may, in the discretion of the President,
10 receive such compensation, allowances, and other benefits
11 not exceeding those authorized for a Chief of Mission, class
12 2, within the meaning of the Foreign Service Act of 1946,
13 as amended.

14 SEC. 4. The provisions of section 4 of the Bretton Woods
15 Agreements Act, as amended (22 U.S.C. 286b), shall apply
16 with respect to the Fund to the same extent as with respect to
17 the International Bank for Reconstruction and Development
18 and the International Monetary Fund. Reports with respect
19 to the Fund under paragraphs (5) and (6) of subsection
20 (b) of section 4 of said Act, as amended, shall be included
21 in the first report made thereunder after the United States
22 accepts participation in the Fund.

23 SEC. 5. Unless Congress by law authorizes such action,
24 neither the President nor any person or agency shall, on
25 behalf of the United States—

1 (a) agree to an increase in the subscription of the
2 United States to the Fund;

3 (b) vote for or agree to any amendment of the
4 agreement which increases the obligations of the United
5 States, or which would change the purpose or functions
6 of the Fund; or

7 (c) make a loan or provide other financing to the
8 Fund, except that funds for technical assistance may be
9 provided to the Fund by a United States agency created
10 pursuant to an Act of Congress which is authorized by
11 law to provide funds to international organizations.

12 SEC. 6. (a) There is hereby authorized to be appropri-
13 ated without fiscal year limitation, as the United States sub-
14 scription, \$150,000,000 to be paid by the Secretary of the
15 Treasury to the Fund in three annual installments of \$50,-
16 000,000 each.

17 (b) Any repayment or distribution of moneys from the
18 Fund to the United States shall be covered into the Treasury
19 as a miscellaneous receipt.

20 SEC. 7. Any Federal Reserve bank which is requested to
21 do so by the President shall act as a depository for the Fund,
22 and the Board of Governors of the Federal Reserve System
23 shall supervise and direct the carrying out of these functions
24 by the Federal Reserve banks.

1 SEC. 8. For the purpose of any civil action which may
2 be brought within the United States, its territories or posses-
3 sions, or the Commonwealth of Puerto Rico, by or against
4 the Fund in accordance with the agreement, the Fund shall
5 be deemed to be an inhabitant of the Federal judicial district
6 in which its principal office or agency appointed for the pur-
7 pose of accepting service or notice of service is located, and
8 any such action to which the Fund shall be party shall be
9 deemed to arise under the laws of the United States, and the
10 district courts of the United States (including the courts
11 enumerated in title 28, section 460, United States Code)
12 shall have original jurisdiction of any such action. When the
13 Fund is defendant in any action in a State court, it may, at
14 any time before the trial thereof, remove such action into
15 the district court of the United States for the proper district
16 by following the procedure for removal of causes otherwise
17 provided by law.

18 SEC. 9. The agreement, including without limitation
19 articles 41 through 50, shall have full force and effect in the
20 United States, its territories and possessions, and the Com-
21 monwealth of Puerto Rico, upon the acceptance of participa-
22 tion by the United States in, and the entry into force of,
23 the Fund. The President, at the time of deposit of the
24 instrument of acceptance of participation of the United States
25 in the Fund, shall also deposit a declaration that the

- 1 United States retains for itself and its political subdivisions
- 2 the right to tax salaries and emoluments paid by the Fund
- 3 to its citizens or nationals and may deposit a declaration pro-
- 4 viding for reservations on other matters set forth in article 58.

94TH CONGRESS
1ST SESSION

H. R. 8033

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1975

Mr. GONZALEZ (by request) introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

A BILL

To provide for the participation of the United States in the African Development Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the "African De-
4 velopment Fund Act".

5 SEC. 2. The President is hereby authorized to accept
6 participation for the United States in the African Develop-
7 ment Fund (hereinafter referred to as the "Fund") provided
8 for by the agreement establishing the Fund (hereinafter
9 referred to as the "agreement") deposited in the Archives
10 of the United Nations.

1 SEC. 3. (a) The President, by and with the advice and
2 consent of the Senate, shall appoint a Governor, and an
3 alternate Governor, of the Fund.

4 (b) The Governor, or in his absence the Alternate
5 Governor, on the instructions of the President, shall cast
6 the votes of the United States for the Director to represent
7 the United States in the Fund. The Director representing
8 the United States and his Alternate, if they are citizens of
9 the United States, may, in the discretion of the President,
10 receive such compensation, allowances, and other benefits
11 not exceeding those authorized for a Chief of Mission, class 2,
12 within the meaning of the Foreign Service Act of 1946,
13 as amended.

14 SEC. 4. The provisions of section 4 of the Bretton Woods
15 Agreements Act, as amended (22 U.S.C. 286b), shall apply
16 with respect to the Fund to the same extent as with respect
17 to the International Bank for Reconstruction and Develop-
18 ment and the International Monetary Fund. Reports with
19 respect to the Fund under paragraphs (5) and (6) of sub-
20 section 4 of said Act, as amended, shall be included in the
21 first report made thereunder after the United States accepts
22 participation in the Fund.

23 SEC. 5. Unless Congress by law authorizes such action,
24 neither the President nor any person or agency shall, on be-
25 half of the United States:

1 (a) agree to an increase in the subscription of the
2 United States to the Fund;

3 (b) vote for or agree to any amendment of the
4 agreement which increases the obligations of the United
5 States, or which would change the purpose or functions
6 of the Fund; or

7 (c) make a loan or provide other financing to the
8 Fund, except that funds for technical assistance may be
9 provided to the Fund by a United States agency created
10 pursuant to an Act of Congress which is authorized by
11 law to provide funds to international organizations.

12 SEC. 6. (a) There is hereby authorized to be appro-
13 priated without fiscal year limitation, as the United States
14 subscription, \$15,000,000 to be paid by the Secretary of the
15 Treasury to the Fund in three annual installments of \$5,-
16 000,000 each.

17 (b) Any repayment or distribution of moneys from the
18 Fund to the United States shall be covered into the Treasury
19 as a miscellaneous receipt.

20 SEC. 7. Any Federal Reserve bank which is requested
21 to do so by the President shall act as a depository for the
22 Fund, and the Board of Governors of the Federal Reserve
23 System shall supervise and direct the carrying out of these
24 functions by the Federal Reserve banks.

25 SEC. 8. For the purpose of any civil action which may be

1 brought within the United States, its territories or posses-
2 sions, or the Commonwealth of Puerto Rico, by or against
3 the Fund in accordance with the agreement, the Fund shall
4 be deemed to be an inhabitant of the Federal judicial district
5 in which its principal office or agency appointed for the pur-
6 pose of accepting service or notice of service is located, and
7 any such action to which the Fund shall be party shall be
8 deemed to arise under the laws of the United States, and the
9 district courts of the United States (including the courts
10 enumerated in title 28, section 460, United States Code)
11 shall have original jurisdiction of any such action. When the
12 Fund is defendant in any action in a State court, it may, at
13 any time before the trial thereof, remove such action into
14 the district court of the United States for the proper district
15 by following the procedure for removal of causes otherwise
16 provided by law.

17 **SEC. 9.** The agreement, including without limitation
18 articles 41 through 50, shall have full force and effect in
19 the United States, its territories and possessions, and the
20 Commonwealth of Puerto Rico, upon the acceptance of par-
21 ticipation by the United States in, and the entry into force
22 of, the Fund. The President, at the time of deposit of the
23 instrument of acceptance of participation of the United
24 States in the Fund, shall also deposit a declaration that the
25 United States retains for itself and its political subdivisions

1 the right to tax salaries and emoluments paid by the Fund
2 to its citizens or nationals and may deposit a declaration
3 providing for reservations on other matters set forth in
4 article 58.

5 SEC. 10. The President shall instruct the United States
6 Governor of the Fund to cause the Executive Director repre-
7 senting the United States in the Fund to cast the votes of
8 the United States against any loan or other utilization of the
9 funds of the Fund for the benefit of any country which has—

10 (1) nationalized or expropriated or seized owner-
11 ship or control of property owned by any United States
12 citizen or by any corporation, partnership, or association
13 not less than 50 per centum of which is beneficially
14 owned by United States citizens;

15 (2) taken steps to repudiate or nullify existing con-
16 tracts or agreements with any United States citizen or
17 any corporation, partnership, or association not less than
18 50 per centum of which is beneficially owned by United
19 States citizens; or

20 (3) imposed or enforced discriminatory taxes or
21 other exactions, or restrictive maintenance or operational
22 conditions, or has taken other actions, which have the
23 effect of nationalizing, expropriating, or otherwise seizing
24 ownership or control of property so owned;

25 unless the President determines that (A) an arrangement

1 for prompt, adequate, and effective compensation has been
2 made, (B) the parties have submitted the dispute to arbitra-
3 tion under the rules of the Convention for the Settlement of
4 Investment Disputes, or (C) good faith negotiations are in
5 progress aimed at providing prompt, adequate, and effective
6 compensation under the applicable principles of international
7 law.

94TH CONGRESS
1ST SESSION

H. R. 8197

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 1975

Mr. BIESTER (for himself, Mr. HAMILTON, Mr. ANDERSON of Illinois, Mr. BINGHAM, Mr. FRASER, Mr. HARRINGTON, Mr. METCALFE, Mr. MIKVA, Mr. OTTINGER, Mr. PEPPER, Mr. REES, Mr. ROE, Mr. ROSENTHAL, Mr. SEIBERLING, and Mr. WHALEN) introduced the following bill; which was referred to the Committee on Banking, Currency and Housing

A BILL

To provide for the participation of the United States in the African Development Fund.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. This Act may be cited as the "African De-
4 velopment Fund Act".

5 SEC. 2. The President is hereby authorized to accept
6 participation for the United States in the African Develop-
7 ment Fund (hereinafter referred to as the "Fund" (pro-
8 vided for by the agreement establishing the Fund (herein-
9 after referred to as the "agreement") deposited in the Ar-
10 chives of the United Nations.

11 SEC. 3. (a) The President, by and with the advice and

1 consent of the Senate, shall appoint a Governor, and an
2 Alternate Governor of the Fund.

3 (b) The Governor, or in his absence the Alternate Gov-
4 ernor, on the instructions of the President, shall cast the
5 votes of the United States for the Director to represent the
6 United States in the Fund. The Director representing the
7 United States and his alternate, if they are citizens of the
8 United States, may, in the discretion of the President, re-
9 ceive such compensation, allowances, and other benefits not
10 exceeding those authorized for a Chief of Mission, class 2,
11 within the meaning of the Foreign Service Act of 1946,
12 as amended.

13 SEC. 4. The provisions of section 4 of the Bretton Woods
14 Agreements Act, as amended (22 U.S.C. 286b), shall apply
15 with respect to the Fund to the same extent as with respect
16 to the International Bank for Reconstruction and Develop-
17 ment and the International Monetary Fund. Reports with
18 respect to the Fund under paragraphs (5) and (6) of sub-
19 section (b) of section 4 of said Act, as amended, shall be
20 included in the first report made thereunder after the United
21 States accepts participation in the Fund.

22 SEC. 5. Unless Congress by law authorizes such action,
23 neither the President nor any person or agency shall, on be-
24 half of the United States:

3.

1 (a) agree to an increase in the subscription of the
2 United States to the Fund;

3 (b) vote for or agree to any amendment of the
4 agreement which increases the obligations of the United
5 States, or which would change the purpose or functions
6 of the Fund; or

7 (c) make a loan or provide other financing to the
8 Fund, except that funds for technical assistance may be
9 provided to the Fund by a United States agency created
10 pursuant to an Act of Congress which is authorized by
11 law to provide funds to international organizations.

12 SEC. 6. (a) There is hereby authorized to be appropri-
13 ated without fiscal year limitation, as the United States sub-
14 scription, \$25,000,000 to be paid by the Secretary of the
15 Treasury to the Fund in three annual installments of
16 \$8,000,000, \$8,000,000, and \$9,000,000.

17 (b) Any repayment or distribution of moneys from the
18 Fund to the United States shall be covered into the Treas-
19 ury as a miscellaneous receipt.

20 SEC. 7. Any Federal Reserve bank which is requested
21 to do so by the President shall act as a depository for the
22 Fund, and the Board of Governors of the Federal Reserve
23 System shall supervise and direct the carrying out of these
24 functions by the Federal Reserve banks.

1 SEC. 8. For the purpose of any civil action which may
2 be brought within the United States, its territories or posses-
3 sions, or the Commonwealth of Puerto Rico, by or against
4 the Fund in accordance with the agreement, the Fund shall
5 be deemed to be an inhabitant of the Federal judicial district
6 in which its principal office or agency appointed for the pur-
7 pose of accepting service or notice of service is located, and
8 any such action to which the Fund shall be party shall be
9 deemed to arise under the laws of the United States, and
10 the district courts of the United States (including the courts
11 enumerated in title 28, section 460, United States Code)
12 shall have original jurisdiction of any such action. When
13 the Fund is defendant in any action in a State court, it
14 may, at any time before the trial thereof, remove such action
15 into the district court of the United States for the proper dis-
16 trict by following the procedure for removal of causes other-
17 wise provided by law.

18 SEC. 9. The agreement, including without limitation
19 articles 41 through 50, shall have full force and effect in
20 the United States, its territories and possessions, and the
21 Commonwealth of Puerto Rico, upon the acceptance of
22 participation by the United States in, and the entry into
23 force of, the Fund. The President, at the time of deposit
24 of the instrument of acceptance of participation of the
25 United States in the Fund, shall also deposit a declaration

5

1 that the United States retains for itself and its political
2 subdivisions the right to tax salaries and emoluments paid
3 by the Fund to its citizens or nationals and may deposit a
4 declaration providing for reservations on other matters set
5 forth in article 58.

Mr. GONZALEZ. With the unanimous consent here of my colleague, Mr. Rees, I will dispense with a brief introductory remarks that I had and ask that be put into the record together with some other reports concerning the Bank and substantially defining jurisdiction, composition and the like.

[The opening remarks of Chairman Gonzalez follows:]

REMARKS OF HON. HENRY B. GONZALEZ, CHAIRMAN, SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE

This hearing is for the purpose of considering a number of bills to authorize United States participation in the African Development Fund.

We have with us a number of distinguished colleagues, and two witnesses from the Administration: Assistant Secretary of the Treasury Cooper, and Assistant Secretary of State Davis.

The African Development Bank was established on April 8, 1963, and is composed of 39 African States. Its membership must be genuine African states, and no others may join.

The African Development Fund, which is the subject of this legislation, is an affiliate of the African Development Bank. The Fund originated from discussions dating back to 1966; its establishment came with the signing of an agreement on November 29, 1972.

The African Development Bank holds one-half the voting power of the African Development Fund. The remainder of votes are controlled by contributing countries, with each assigned votes in proportion to their contributions.

As of December 31, the Fund had resources of about \$98 million. The largest contributors are Canada and Japan, with \$15 million each. At that time, only the United States and Italy, of all the original agreement's signers, had failed to take up their subscriptions.

Africa is badly in need of development assistance. No less than 16 of the 25 least developed countries of the world are in Africa; the region has suffered from almost unbelievable natural disasters, from which there can be little hope of recovery for some years, even with outside help. And yet, the African share of development assistance has actually declined in recent years. The entire continent received only a little more than \$4 billion in development help in 1973.

The African Development Fund is a small resource. It can only begin to meet the demand for concessional funds. Yet there is no doubt that as its technical capabilities and financial resources increase, it will become one of the most important institutions in Africa.

This legislation, if it is approved, would be an initial U.S. commitment. The Fund is already considering an expansion of its resources.

Therefore, we are confronted with a serious question of legislative policy.

We need to carefully consider the issues that will be presented here. Some of the questions will be technical, but the underlying issue is how we intend to frame our policy toward the developing countries of Africa. It is a vast region, filled with need, and an area of growing competition between ourselves and other great powers.

I have distributed some background information on the Fund, including its current annual report, the agreement of its founding members, and other information, all of which will be entered into the record at this time, if there is no objection. The reporter will also enter into the record at this point the texts of the bills under consideration, copies of which are also at Members' desks.

[The documents referred to appear at end of hearing on p. 115.]

Mr. GONZALEZ. We will proceed and I will recognize at this time, Congressman Andrew Young, who is here and has several other things.

Mr. YOUNG. Why don't we go together, Mr. Chairman, if it is all right.

Mr. GONZALEZ. We will recognize both you and the Honorable Mr. Biester, both of whom are very ardent and interested supporters.

STATEMENT OF HON. EDWARD C. BIESTER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. BIESTER. Thank you, Mr. chairman. I have a prepared text which I have submitted and I would ask unanimous consent that be considered as read and in your record.

Mr. GONZALEZ. Without any objection, it is so ordered.

Mr. BIESTER. I will work from it, but I won't adhere to every word.

Mr. GONZALEZ. Very good.

Mr. BIESTER. I do appreciate, Mr. Chairman, this opportunity to appear before you to discuss the African Development Fund.

Through service on this subcommittee each of you has undoubtedly become keenly aware of the severity of problems faced by the less developed world. My own active involvement in the specific problems in an African context stems from my service in the 93d Congress on the Africa Subcommittee of the Foreign Affairs Committee. My interest in Africa has taken me there twice over the past 2 years, to nations of East, West, Central, and South Africa.

In the latter of those occasions, my colleague, Hon. Andrew Young, was also present with me.

Africa has impressed me on those two visits for a host of reasons—the creativity, warmth, and vitality of its peoples, the excitement and awesome physical beauty of its terrain, and also the richness of its mineral resources and other raw materials, and its consequent vast economic potential. Equally indelible, are the images of abject poverty and the graphic realization of the glaring gap between future potential and present-day reality in much of African life.

And that leads me, Mr. Chairman, to the great difficulty that all of us who are interested in seeing a sharper awareness on the part of America in the problems and potentiality of Africa. If we talk about the poverty of Africa, and there is abject poverty in much of Africa, and urge our colleagues and our people to be concerned about that poverty, we tend to continue a point of view and sustain a point of view which looks upon Africa as a land of poverty.

If, on the other hand, we emphasize the enormous potential that Africa has for development, we find ourself in the position of perhaps discouraging the kind of help and aid that our people should be interested in seeing sent to Africa. That is the great difficulty so many of us have.

I think we should see it in terms of the present and the future. In terms of the present, Africa has a great deal of poverty. In terms of the future, she is an undoubted economic giant. Involvement in the takeoff of what was bound to be an enormous economic development is, I think, essential to the future of the American, as well as the African economies.

Any consideration of Africa must take into account the substantial resources found there. Africa possesses approximately:

- 96 percent of the world's diamonds;
- 60 percent of its gold;
- 45 percent of its chrome;
- 42 percent of its cobalt;
- 34 percent of its bauxite;

23 percent of the known reserves of uranium ore, and
17 percent of the copper.

Africa's iron ore reserves are twice those of the United States and, indeed, all of the world's 54 most important minerals are found in Africa to varying extent. The United States, moreover, depends on Africa for substantial imports of a number of these minerals.

We depend on Africa, for example, Mr. Chairman, for about 54 percent of our manganese imports and for 47 percent of our cobalt. We import 22 percent of our graphite from the Malagasy Republic, and significant amounts of bauxite, iron ore, and natural rubber from other African sources.

And then we come to oil. Since the beginning of 1974, Nigeria has continuously been either our first or second largest supplier of crude oil to the United States.

If I may interpolate at that point, Mr. Chairman, I think it is important that we understand that OPEC is not simply an Arab operation, that it contains within its membership a host of countries such as Nigeria, Venezuela, and Indonesia, who are major exporters to the United States, but who are not Arab in origin or political point of view. And throughout the period of the embargo, Nigeria was a continuous supplier to the United States.

The conclusion from these few illustrative statistics seems inescapable to me: The economic well-being of the United States and other industrial nations will inevitably become increasingly bound up with that of Africa. Our economic and political interests demand that we strengthen and expand our relations with Africa on a mutually beneficial basis.

In stark contrast, however, to the natural wealth of Africa and its economic potential are some grim facts about the quality of much of African life.

The United Nations Committee for Development Planning has identified a list of some 25 hard-core least developed nations. Of these poorest of the poor nations, 16 are in Africa, and of those 16, 10 are landlocked and thus face even more complex development challenges.

Even beyond the long-standing structural problems of the least-developed nations are the additional problems created by the increasing economic difficulties of the world as a whole. The acceleration of global inflation, the general slowdown in the economic growth of the industrial countries, and the upheaval in world economic relations triggered by the actions of the oil-producing countries have hit hardest at the already poorest nations. Those problems are aggravated even further by the natural disasters of recent years starting in the Sahel and spreading further south. Consequently, 20 of the 32 countries listed by the U.N. General Assembly as "most seriously affected" by this complex of problems are African.

The problems of these countries are so acute and so staggering that only one conclusion seems possible. There can simply be no realistic long-term hope for many of Africa's peoples, unless a far more substantial effort is made to overcome the structural deficiencies and to provide the basic kinds of infrastructure which are essential to building any viable economy.

The official report of the African Development Fund for the 1974 calendar year, however, notes that Africa's share of the recorded net flow of resources has steadily decreased since 1971. If any development progress is to be made at all, substantially more assistance must be provided on a concessional basis.

It is in this regard that the activities of the African Development Fund, as the soft-loan affiliate of the African Development Bank, are so important.

In 1974, its first full year of operation, the Fund approved 11 projects and 6 studies to 13 African countries. With only two exceptions each of those projects or studies was in a country that was on the list of hard-core poverty nations and/or those "most seriously affected by natural disaster and global economic disruptions."

The types of undertakings financed included irrigation projects in Chad, one of the Sahel countries, and Lesotho. First of all the discovery of a persistent and permanent source of water is vital, and then the distribution of that water through irrigation projects is essential to bringing back that area from the desert.

All those who study the situation of the Sahel agree, unless we have irrigation programs which enable those people to plant forest trees and crops, the land of the Sahel area will continue to deteriorate and the desert will continue to move south. Other projects include bridge construction in the Sudan, a water and sewage system project in Mauritania, cotton development in Gambia, and a tea factory in Rwanda. The Fund's operational capital for these and other projects has been provided by 15 non-African nations, as well as the African Development Bank.

In evaluating proposed projects and monitoring their implementation the Fund utilizes the professional staff of the African Development Bank and can also draw on the expertise of the World Bank, and, in particular, its soft-loan window, the International Development Association.

I think there can be little doubt that the African Development Fund is an efficient and well-run institution. The United States participated closely in the drafting of the articles under which the Funds operate to help insure precisely that goal.

Our active participation in the founding of the Fund makes especially inexplicable to many Africans our subsequent failure to date to join the Fund.

Mr. Chairman, I find this a source of some embarrassment. We have yet to join the major industrial nations, Canada, Germany, Japan, Italy, the United Kingdom, and other smaller nations such as Norway, Belgium, Switzerland, and Yugoslavia in contributing to this important project.

I strongly believe that we should join the Fund. My reason for that belief is simple. As I have pointed out, Africa's economic importance to us can only grow with time. Similarly, we have so much in the way of technical expertise and products that Africa desperately needs. As ranking minority member of the International Trade and Commerce Subcommittee of the International Relations Committee, I am extremely sensitive to the potential market Africa offers for American goods and services.

We are automatically precluded, Mr. Chairman, from one part of that market, should we fail to join the African Development Fund. The articles of the Fund require that all goods and services needed for any Fund-financed project must be procured from a member nation. Thus, until the United States joins the Fund we will be cut off from a potentially significant source of export earnings. The Fund has already been designated by the Organization of African Unity as administrator of development moneys provided by oil-producing countries and has also assumed responsibility for coordinating large multinational investment projects such as the proposed Pan-African Telecommunications network. The American experience and expertise in building a sophisticated, far-flung communications network is only one example of a field in which the United States and Africa could establish expanded economic relations, and those are a highly desirable goal and one especially significant step in that direction is participation in the African Development Fund.

Now, it is not just a question of whether we join the Fund. I think it is a question of whether we join the Fund in a significant amount. I believe that the subscription should be in the figure of \$25 million.

Total contributions to the Fund now total about \$142 million, Canada, the single largest contributor, presently subscribes \$25 million, followed by Japan and West Germany, each of which contributes \$16.7 million. Italy contributes \$11.1 million and the United Kingdom, \$10.1 million. The combined contributions of Norway, Sweden, and Denmark, exceed \$25 million.

I believe that a U.S. subscription of \$25 million—to match that of Canada—would be desirable. I fear that a lesser contribution would strike many African countries as further confirmation of America's perceived lack of commitment to helping tackle African development problems. There is another concern also, Mr. Chairman, that I think should be frankly stated. A substantially larger subscription might well given African nations concern about the preponderance of American influence in the Fund. I think that is an important matter to consider. We don't want to dominate the Fund. But we should make at least as large a contribution as many smaller industrial countries have done.

No Member of Congress can be unaware of the opposition to programs that can be conveniently labeled "foreign aid." At a time of increased sensitivity toward Government spending, the American public has little sympathy for those who would increase what they often perceive as "foreign giveaway programs."

But I submit that a subscription to the African Development Fund in no way falls into that category. Both the African Development Bank and the Fund represent major indigenous efforts by African nations to help themselves by building viable economies and by becoming less dependent on outside relief and assistance.

It seems to me that we should encourage such efforts.

Mr. Chairman, the African Development Bank itself is an entirely indigenous African program. All the subscriptions from the African Bank came from African nations. It represents an intracontinental development program. And the Fund is the first occasion in which the Bank has sought participation from outside of Africa itself. It seems to me we should encourage that kind of effort.

At the same time we should realize that development in Africa and throughout the world requires the active participation of the industrial nations, and we should recognize a subscription to the African Development Fund for what it is: a sound investment in the future—both for the peoples of Africa and for ourselves.

Mr. Chairman, I would like to close with an observation that I guess sums up the feeling of frustration I have about America and Africa. Anyone who has been there, anyone who studies the figures, anyone who has a perception of the excitement and the challenge that Africa offers to the future, finds himself or herself enormously frustrated by American current disinterest in that development. We have paid high prices for our disinterest in many parts of the world. This is a part of the world in which, if we do not soon display a more active interest, we may find ourselves eliminated from, squeezed from, markets and resources vital to the American economy and its future.

And I urge this not only from the standpoint of a desire to see a more rapid development of Africa's potential, but also out of a great desire, in terms of American national interest, which is economic and also political, in permitting the people of Africa to have a new perception about the intensity of interest in their affairs that ought to be going on in the United States.

Thank you, Mr. Chairman.

[The prepared statement of Representative Biester follows:]

TESTIMONY OF REP. EDWARD G. BIESTER, JR.
Before the Banking, Currency, & Housing Subcommittee on International Development
and Finance

Mr. Chairman and members of the Subcommittee: I appreciate this opportunity to appear before you to discuss the African Development Fund. Through service on this subcommittee each of you has undoubtedly become keenly aware of the severity of problems faced by the less developed world. My own active involvement in the specific problems of development in an African context stems from my service in the 93rd Congress on the Africa Subcommittee of the Foreign Affairs Committee. My interest in Africa has taken me there twice over the past two years, to nations of East, West, Central, and Southern Africa.

Africa has impressed me on those two visits for a host of reasons -- the creativity, warmth, and vitality of its peoples, the excitement and awesome physical beauty of its terrain, and also the richness of its mineral resources and other raw materials, and its consequent vast economic potential. Equally indelible, however, are the images of abject poverty and the graphic realization of the glaring gap between future potential and present-day reality in much of African life.

Any consideration of Africa must take into account the substantial resources found there. Africa possesses approximately:

- 96% of the world's diamonds,
- 60% of its gold,
- 45% of its chrome,
- 42% of its cobalt,
- 34% of its bauxite
- 23% of the known reserves of uranium ore,
- and 17% of the copper.

Africa's iron ore reserves are twice those of the United States, and indeed all of the world's 53 most important minerals are found in Africa to varying extent. The United States, moreover, depends on Africa for substantial imports of a number of these minerals.

We depend on Africa, for example, for about 54% of our manganese imports, and for 47% of our cobalt. We import 22% of our graphite from the Malagasy Republic, and significant amounts of bauxite, iron ore, and natural rubber from other African sources.

And then we come to oil. Since the beginning of 1974, Nigeria has continuously been either our first or second largest supplier of crude oil.

The conclusion from these few illustrative statistics seems inescapable to me: the economic well-being of the United States and other industrial nations will inevitably become increasingly bound up with that of Africa. Our economic and political interests demand that we strengthen and expand our relations with Africa on a mutually beneficial basis.

In stark contrast, however, to the natural wealth of Africa and its economic potential are some grim facts about the quality of much of African life.

The United Nations Committee for Development Planning has identified a list of some 25 "hard-core" least developed nations. Of these poorest of the poor nations, 16 are in Africa, and of those 16, ten are landlocked and thus face even more complex development challenges.

Even beyond the long-standing structural problems of the least-developed nations are the additional problems created by the increasing economic difficulties of the world as a whole. The acceleration of global inflation, the general slowdown in the economic growth of the industrial countries, and the upheaval in world economic relations triggered by the actions of the oil-producing countries

have hit hardest at the already poorest nations. Those problems are aggravated even further by the natural disasters of recent years starting in the Sahel and spreading further south. Consequently, 20 of the 32 countries listed by the U.N. General Assembly as "most seriously affected" by this complex of problems are African.

The problems of these countries are so acute and so staggering that only one conclusion seems possible. There can simply be no realistic long-term hope for many of Africa's peoples unless a far more substantial effort is made to overcome the structural deficiencies and to provide the basic kinds of infrastructure which are essential to building any viable economy.

The official report of the African Development Fund for the 1974 calendar year, however, notes that Africa's share of the recorded net flow of resources has steadily decreased since 1971. If any development progress is to be made at all, substantially more assistance must be provided on a concessional basis. It is in this regard that the activities of the African Development Fund, as the soft-loan affiliate of the African Development Bank, are so important.

In 1974, its first full year of operation, the Fund approved 11 projects and 6 studies to 13 African countries. With only two exceptions each of those projects or studies was in a country that was on the list of "hard-core" poverty nations and/or those "most seriously affected by natural disaster and global economic disruptions.

The types of undertakings financed included irrigation projects in Chad and Lesotho, bridge construction in the Sudan, a water and sewage system project in Mauritania, cotton development in Gambia, and a tea factory in Rwanda. The Fund's operational capital for these and other projects has been provided by 15 non-African nations as well as the African Development Bank.

In evaluating proposed projects and monitoring their implementation the Fund utilizes the professional staff of the African Development Bank and can also draw on the expertise of the World Bank, and, in particular, its soft-loan window, the International Development Association. I think there can be little doubt that the African Development Fund is an efficient and well-run institution. The United States participated closely in the drafting of the articles under which the Fund operates to help ensure precisely that goal.

Our active participation in the founding of the Fund makes especially inexplicable to many Africans our subsequent failure to date to join the Fund. We have yet to join the major industrial nations, Canada, Germany, Japan, Italy, the United Kingdom, and other smaller nations such as Norway, Belgium, Switzerland, and Yugoslavia in contributing to this important project.

I strongly believe that we should join the Fund. My reason for that belief is simple. As I have pointed out, Africa's economic importance to us can only grow with time. Similarly, we have so much in the way of technical expertise and products that Africa desperately needs. As Ranking Minority member of the International Trade and Commerce Subcommittee of the International Relations Committee, I am sensitive to the potential market Africa offers for American goods and services.

We are automatically precluded from one part of that market should we fail to join the African Development Fund. The articles of the Fund require that all goods and services needed for any Fund-financed project must be procured from a member nation. Thus, until the U.S. joins the Fund we will be cut off from a potentially significant source of export earnings. The Fund has already been designated by the Organization of African Unity as administrator of development moneys provided by oil-producing countries and has also

assumed responsibility for coordinating large multinational investment projects such as the proposed Pan-African Telecommunications network. The American experience and expertise in building a sophisticated, far-flung communications network is only one example of a field in which the U.S. and Africa could establish expanded economic relations for mutual benefit. Such strengthened, broadened economic relations are a highly desirable goal, and one specific, significant step in that direction is participation in the African Development Fund.

I further believe that our participation should be at a level that is meaningful, yet reasonable and appropriate. Based on the contributions of other European and Western Hemisphere members, I feel that a subscription of \$25 million fits those criteria.

Total contributions to the Fund now total about \$142 million. Canada, the single largest contributor, presently subscribes \$25 million, followed by Japan and West Germany, each of which contributes \$16.7 million. Italy contributes \$11.1 million, and the United Kingdom, \$10.1 million. The combined contributions of Norway, Sweden, and Denmark exceed \$25 million.

I believe that a U.S. subscription of \$25 million -- to match that of Canada -- would be desirable. I fear that a lesser contribution would strike many African countries as further confirmation of America's perceived lack of commitment to helping tackle African development problems. A substantially larger subscription might well give African nations concern about the preponderance of American influence in the Fund. To contribute at the level of \$25 million seems reasonable and desirable to me, from both a budgetary and foreign policy stance.

No Member of Congress can be unaware of the opposition to programs that can be conveniently labeled "foreign aid." At a time of increased sensitivity toward government spending, the American public has little sympathy for those who would increase what they often perceive as "foreign giveaway programs." But I submit that a subscription to the African Development Fund in no way falls into that category. Both the African Development Bank and the Fund represent major indigenous efforts by African nations to help themselves by building viable economies and by becoming less dependent on outside relief and assistance. It seems to me that we should encourage such efforts. At the same time we should realize that development in Africa and throughout the world requires the active participation of the industrial nations, and we should recognize a subscription to the African Development Fund for what it is: a sound investment in the future -- both for the peoples of Africa and for ourselves.

Our participation in the Fund with a subscription of \$25 million would certainly not work any miracles or transform U.S.-African relations overnight. But it would help to strengthen the basis for expanded political and economic relations which would benefit Africa, America, and the general global interest in promoting a more just and peaceful world.

Mr. Chairman and members of the Subcommittee, I thank you again for the opportunity to share my views with you. I would be happy to attempt to answer any questions you might have.

Mr. GONZALEZ. Thank you, Mr. Biester. That is an excellent statement, both written and oral. And I think you should be commended for your interest and your activity in this area.

Does any member of the subcommittee wish to direct a question to Mr. Biester?

Mrs. FENWICK. Yes; I would like to ask Mr. Biester, why the United States did not join the Fund before this?

Mr. BIESTER. I have been a Member of Congress long enough to know how to duck a question, and I think that is really a question that has to be addressed to others than myself. I wouldn't want to mischaracterize the efforts of others. I simply think it is unfortunate we have not.

Mrs. FENWICK. Is there no policy?

Mr. BIESTER. No; I don't think there is any.

Mrs. FENWICK. Is there some impediment then?

Mr. BIESTER. As I understand the situation, there is no policy against it. In fact, the administration desires to see a subscription to the Fund. That's my understanding.

Mrs. FENWICK. Mr. Chairman, if I may—

Mr. BIESTER. But that should, I believe, come from the administration witnesses, not from me.

Mrs. FENWICK. I agree with you entirely about the sum. It should be large, but not too large. I notice here on the report of the Bank that Canada is giving \$16.5 million and that is going to be increased to \$25 million.

I think it would be inappropriate to do more. It would be better to stick with \$25 million.

Mr. BIESTER. I think 25 is a good figure.

Mr. GONZALEZ. Mr. Rees has a point here.

Mr. REES. Let me just clarify this, because I am not quite sure of the actual structure. There is a structure called the African Development Bank. It is my impression that the only members of the African Development Bank are African countries?

Mr. BIESTER. That's correct.

Mr. REES. And that they each provide so much money, call it capital, whatever it is, for straight loans?

Mr. BIESTER. That's correct.

Mr. REES. Then there is the African Development Fund, which is the soft-loan window?

Mr. BIESTER. That's correct.

Mr. REES. This is subscribed to by the countries who subscribe to it now?

Mr. BIESTER. That's correct.

Mr. REES. Is this merely a grant to the African Development Fund which then allocates the money? Is there any right of the members who provide the funds to look at the projects which are being funded, as the World Bank or the Inter-American Bank or Asian Bank?

Mr. BIESTER. There is some, but I would hesitate to say it is the dominant judgment. The real control and disposition of this Fund is bound to remain in the hands of the African nations themselves. It is not something that the outside participants will be able to manipulate or control.

Mr. REES. What is the actual relationship among the donor countries of the African Development Fund? Are they members? Do they meet?

Do they discuss these things? This is different from all the other regional banks?

Mr. BIESTER. It is more like IDA than it is a regional bank situation, it would seem to me.

Mr. GRASSLEY. More like what?

Mr. BIESTER. IDA.

Mr. GONZALEZ. Let me say something—it is restrictive membership. The control is intended to remain with the members of the bank.

Mr. BIESTER. That's correct.

Mr. GONZALEZ. Fifty percent of the voting right of the Fund remains in the Bank and 50 percent among the contributors. So you can see that your dominance and control is still going to remain in the bank members.

Let me ask Mr. Johnson if he has any questions.

Mr. JOHNSON. Not right now. I just want to congratulate the Congressman on the excellence of his statement and the fervor with which he expressed his opinions.

Mr. GRASSLEY. Mr. Biester, is the assumption that it is \$25 million annually or one-shot?

Mr. BIESTER. This is a contribution which could be increased later on. But it is an initial contribution, for a 3-year period. It is like a subscription to the fund.

Mr. GRASSLEY. And you visualize this money being used basically for industrialization or just for increasing what I would call the standard of living from the standpoint of the essentials of life, like food production?

Mr. BIESTER. It is a mix. I would be happy to leave with you my copy of the Fund's prospectus in which recent efforts on the part of the Fund are outlined.

But, essentially—

Mr. GRASSLEY. We have one.

Mr. BIESTER. If you will turn to page 8 of that, you will see listed brief descriptions of the kinds of programs the Fund has contributed to. And they are water and sewage systems, engineering studies, irrigation, increasing tea production, cotton development production, and road rehabilitation and maintenance.

So, it is infrastructure development more than any other category.

Mr. GRASSLEY. One observation I would like to make: It seems from looking at the group of countries who now contribute, that there is an absence of the ones who seem to have reaped a harvest from Africa in the last century or century and a half, like the United Kingdom, France, Belgium, and Germany.

Is there any effort to solicit contributions from these countries? Are we as aggressive in getting the cooperation of Western European countries as we are aggressive in getting U.S. participation, especially considering the fact that they benefited from Africa for the last 150 years?

Mr. BIESTER. First of all, each of those countries does make a contribution. West Germany contributes \$16.5 million. United Kingdom contributes \$10.1 million. I don't have a figure for Belgium or France.

Mr. GRASSLEY. Would you assume Belgium and France do not contribute?

Mrs. FENWICK. Belgium is contributing.

Mr. BIESTER. I believe they contribute, but I don't have that on my list of contributors. But it is my belief that they do.

Mr. GRASSLEY. Then I would ask your opinion.

Mr. BIESTER. Yes, Belgium contributes \$3.3 million. And West Germany \$16.5 million as I indicated.

Mr. GRASSLEY. Is the ratio of their contribution to what is thought should be the U.S. contribution high enough, based on the assumption that I made which maybe you would consider a false assumption, but that these countries have benefited from Africa economically?

Mr. BIESTER. I don't know that we should necessarily apply the criterion that those who benefited 50 years ago should pay, in a sense, a recompense payment with higher intensity today than someone else. But, even if one applied a mix or per capita income, population, GNP, a contribution by Canada, for example, or West Germany or—

Mrs. FENWICK. Italy—

Mr. BIESTER [continuing]. United Kingdom, of the figures that they have contributed, in terms of percentage relative to their gross economics, would be higher than the \$25 million I have suggested here this morning.

So their intensity level is, I believe—I am not that much a mathematician—but I believe you will find their intensity level higher than ours.

Mr. GRASSLEY. Thank you, Mr. Chairman.

Mr. GONZALEZ. Did you have a question?

Mr. TSONGAS. Yes.

Let me commend you for your statement, particularly the sensitivity toward the African view of our involvement. I think historically the United States has been totally insensitive which, in the long run, is disastrous to us.

Perhaps that is not totally rational, but that is the world as it exists, and I am glad to see someone around here realizes that.

A couple of questions: One, you stated that the United States was involved in the history of setting up the Fund. What specifically did we do?

Mr. BIESTER. That was an advisory role that we played. We urged the creation of it and offered technical advice and aid in creating it. But there was no financial contributions at that point.

Mr. TSONGAS. "We" would be whom?

Mr. BIESTER. Would be, I believe, elements of—perhaps administration witnesses would be better at that than I would be, but I believe they were from AID and from State, but I am not sure.

Mr. TSONGAS. Without getting into the politics of it, which may be uncomfortable, just what is the history of the attempt, of the United States to be involved and at what point was that attempt frustrated?

Mr. BIESTER. I really wouldn't want to say there was an attempt and the attempt was frustrated. I think we have been slow in gearing up to it and we are only now getting started with an effort to get into it.

Mr. TSONGAS. I assume there has to be some congressional action to be involved. Is this where the problem is? Or is the problem on the other side of Pennsylvania Avenue?

Mr. BIESTER. I think there is enough blame to share on both sides.

Mr. TSONGAS. The initiative could come out of this subcommittee then?

Mr. BIESTER. It could, but I believe it would be expected to come from the administration.

Mr. TSONGAS. Is there any anticipated initiative from the administration?

Mr. BIESTER. Yes, indeed.

Mr. TSONGAS. A final point: The Arab States, especially the OPEC countries have been accused of not being sensitive to the damage they have done to the poorer countries. And they, on a per capita percent GNP basis, contribute more to these international developments funds than we do. Why are they not involved in this one?

Mr. BIESTER. They have their own development program, both on a 1-to-1 relationship, like our AID program, and also on an Arab Development Bank program that they are directly engaged in.

To the best of my knowledge, they have not subscribed, no Arab country has subscribed to this Fund, to the best of my knowledge. That may be incorrect.

Mr. TSONGAS. Starting, as I did, with the subject of African sensitivity, it seems to me if the Arabs wanted to be politically effective, they would be much better off putting what to them would be an insignificant amount of money into a fund of this kind, rather than trying to control it through their own mechanism.

Mr. BIESTER. I think the Arabs probably desire to demonstrate to the poorest countries who have been so terribly hit by the oil price increases that they are retrieving this money from the industrialized world and dispensing it back into the poorer world. They may feel from a political standpoint it is wiser to do that through their own operation than through a mix into the Fund.

Mr. TSONGAS. Thank you, Mr. Chairman.

Mr. GONZALEZ. Mr. Hanley?

Mr. HANLEY. Thank you, Mr. Chairman. I regret I could not have been here for the gentlemen's testimony. I will read it.

Just one quick question: What is the status of repayment to the Bank by participating countries?

Mr. BIESTER. I am not an expert in that. I really would hesitate to say that I am. It is my understanding that repayments to the Bank are in good order. I don't know what the situation is with respect to the Fund. These are both relatively new operations. It doesn't have the kind of history that some of the other regional development banks have to display the situation. But to the best of my knowledge, there are, in fact, funds.

Mr. HANLEY. No serious default problems?

Mr. BIESTER. Not that I am aware of. I should say, Mr. Chairman, in further answer to an earlier question that the Saudis are expected to join the Fund very shortly.

Mr. GONZALEZ. Let me interject a point here. We will have Secretary Cooper after a while. I think these questions which are of a technical nature, we can expect him to answer.

I think right now Mr. Biester's real contribution is we have a policy question that we have got to decide in the Congress, and that is, shall it be our policy to involve ourselves in these movements in the African Continent, a large question.

The specifics, I think we are going to have to hammer out with the administratively responsible persons that will be negotiating exactly how our participation in that Fund will be carried out.

Mr. HANLEY. Thank you, Mr. Chairman.

Mr. GONZALEZ. Some of the members may have to leave, and we wanted to excuse Mr. Biester. That is one reason we are proceeding this way.

I know Mrs. Fenwick has some constituents from up in the New England part of the country.

Mrs. FENWICK. New Jersey.

Mr. GONZALEZ. So, we will understand if she has to leave. But I think she sacrificed to leave to come here also, and we appreciate that.

Also, we are going to have one or two other members who will be leaving and come back. We want to proceed with Mr. Young.

You are excused, Mr. Biester.

Mr. BIESTER. I want to thank Mrs. Fenwick also, as a new cosponsor to the bill.

Mr. GONZALEZ. We will be calling for you for really meaningful help as we go along.

Congressman Young, you are recognized.

STATEMENT OF HON. ANDREW YOUNG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. YOUNG. Let me just submit my testimony for the record and make a few brief remarks so I won't go over much of the material that my colleague, Mr. Biester, has explained so eloquently.

I served as a member of this subcommittee in the 93d Congress. And it was our concern then to do something about U.S. involvement in the African Development Fund.

I should say to the new members that the chairman of this subcommittee really labored in the last Congress to maintain America's involvement in the multination institutions that we had already made commitments to. I think we were not involved in the African Development Fund, largely because already we were behind in our commitment to the International Development Association.

We were slow in getting our funding for the Intra-American Development Bank and Asian Development Bank. And every time this subcommittee produced a bill, it seemed, we were sort of shocked by some international incident.

The first time we had the IDA replenishment out of this subcommittee, I think we had OPEC. And the embargo. That didn't just seem like the time to get this through on the House floor.

The second time, I think we had the explosion of the nuclear bomb by India. And because IDA was defeated the first time, that put us almost a year late in getting to Inter-American Development Bank, Asian Development Bank, and, frankly, we never got around to the African Development Fund involvement. But this was no fault of the chairman. I must say in all fairness, I don't think it was any fault of the administration, either, because there was at least a verbal commitment from the administration to involvement in the African Development Fund. It just seemed that the mood of our colleagues

in the House was such that they did not see the importance of America's involvement in any of these multinational institutions the way I think they would today.

And I think the thing that has brought that on is the fact that in spite of our slogans of Operation Independence, we realize that we are far more interdependent with the rest of the world than we have ever been before.

Certainly that is true of the African continent. It was, in fact, the increased production of oil by Nigeria, along with Venezuela and Canada and Indonesia, that helped us get through the period of the Arab embargo without suffering any more than we did.

I have always felt it is in the self-interest of the United States to cultivate a stronger economic relationship with Africa because Africa does not—Africa really, to my knowledge, is not aligned. It has, in the words that we used to use in the Congressional Black Caucus, no permanent enemies, no permanent friends, only permanent interests. And it has shifted according to the interests that were at hand for African States at any particular moment. But when you look at the leadership of African nations, a good percentage of the leadership of African nations in almost any African country was educated, first of all, in cooperation with missionaries from the United States and most of those that have hired, or a good percentage of them were educated in American institutions of higher education.

And so there is a national friendship there that has been built up over 100 years which was on a rather paternal basis up to now. I think we have had a hard time making the shift from being interested in Africa as a humanitarian project and just saying in a hardened way it is now in our self-interest to think of Africa as a full-fledged trading partner.

Those are the terms in which I approach this contribution to the African Development Fund. In fact, I think we have some evidence that there is also oil along the coast of Africa in Gabon already being mined; off the coast of Angola, there are very rich deposits.

In addition to the petrochemical or crude oil potential in Africa, the hydroelectric power capacity for Africa would, along with the presence of the minerals which Congressman Biester described, indicate that the simple necessities of cheap power would indicate that there is going to be a development of the industrial potential, at least in terms of refining the minerals of Africa in their first stage, in their primary stages, close to the source of mining, simply, because you have the mineral and you have the power there. And it is much cheaper to refine it on the spot and then ship it around the world, than it is to ship the ore all over the world and then refine it at much higher power costs.

I see the African Development Fund, along with the African Development Bank, as the basis of African economic development. And I think it is in our self-interest to be associated with that.

Just two things: One, I don't think that the record of the Arab States with Africa is any better than ours. In fact, it is not nearly as good. They have had many, many promises and as yet they have not produced. So, as I talk with African statesmen, there is a great deal of disillusionment with the whole Arab oil cartel.

At first, they thought of it as something that they could have pride in, because it was lesser developed countries standing up to the powerful industrial nations. Then they gradually realized that they were suffering. And when the OPEC States refused a two-tier oil price, it put almost every African State with the exception of Nigeria, in a situation of near bankruptcy.

So the political situation is very flexible there. And it is only our own lack of involvement that has prevented an even closer relationship being formed. I think we have two answers to the oil problem. One, we have got to find a way to get a steady supply of oil. But the other thing is that we have got to find a way to increase our exports so that whatever price we pay for oil doesn't damage our whole balance-of-payments situation.

In both of those countries, I think, Africa is very crucial. And I would think that a small investment in the African Development Fund is just necessary for us at this stage in our international situation. I would go a little higher than my colleagues, Mr. Biester, simply because we are already doing it. We gave \$50 million to the Sahel region alone last year in emergency aid. And yet because it was emergency aid, I remember when we were going through that area through Dakar on the way to the World Bank meeting in Nairobi, some of us were disturbed to see large food supplies, supplies of wheat and grain, just stacked up on the docks in Dakar. One of the consequences of our giving \$50 million in aid directly was that we tended to give food aid and that the trucks to supply that aid and the infrastructure to make it easily distributable throughout the area were not present.

I would say by contributing that amount, the \$50 million to the African Development Fund, we are in fact creating a kind of permanent structure for distribution of goods and services that it is in our interest to maintain.

Just one other thing, Mr. Chairman. The relationship of the lesser developed countries, of which African States tend to be quite influential in things like the international monetary fund, where we are negotiating the value of the dollar and other general agreements on trade and tariffs, where all of the trade preferences are being negotiated, as well as the United Nations we as a nation have been almost—also been confronted with an African bloc, usually against us.

And I contend that that bloc formed largely because African States have felt ignored and neglected. And the policy of benign neglect toward Africa long preceded our new ambassador to the United Nations, though that is his term. I hope that is not his policy in relationship to Africa. But I do think that the Congress has an opportunity and a responsibility here to move in the direction of cementing permanent economic relationships with the African continent and that that can best be done through the African Development Fund.

[The prepared statement of Representative Young follows:]

WRITTEN TESTIMONY OF CONGRESSMAN ANDREW YOUNG TO BE PRESENTED AT HEARINGS HELD BY THE HOUSE BANKING AND CURRENCY COMMITTEE ON H.R. 4264 AND RELATED BILLS, TO PROVIDE UNITED STATES MEMBERSHIP IN THE AFRICAN DEVELOPMENT FUND. TUESDAY, JULY 15, 1975.

Mr. Chairman, I am very happy to come before you and my colleagues today to urge unstinting support for the bill, H.R. 4264, to provide for U.S. participation in the African Development Fund. Mr. Chairman, I reintroduced this bill this term in order to pursue the principle of our government's participation in multilateral trade and financial institutions which have an economic impact throughout the world.

This principle is quite readily adhered to in those multi-country financial organizations where the United States has a weighted voice and vote such as is the case with the International Monetary Fund and the World Bank. However, the policy of bilateral trade and financial arrangements is the more usual posture when the State department, Treasury or AID pursues relations with the less economically developed nations of this world. When such an arrangement is of even greater benefit, our government has seen fit to establish bilateral economic commissions with countries like Saudi Arabia. While these policies may be to our national self-interest, I believe that in the long run multilateral trade, aid and other financial pacts are more effective in generating the economic well-being of the poorer nations.

Mr. Chairman, the world now faces a unique phenomenon, that of major shifts on the international financial scene and more concerted efforts by groups of nations to mobilize their resources on regional bases. At the forthcoming special session of the United Nations, many of the world's countries will discuss and debate the achievement of a new economic order as a way of insuring parity and justice in meeting the goals of the UN Second Development Decade. At the same time the international energy situation has caused most of the lesser developed nations to face a severe dilemma in paying higher costs for imported oil and goods while receiving less for the principle commodities by which they obtain income. Of the twenty-five poorest nations, sixteen are to be found on the African continent.

The African Development Fund, the soft loan concessional window of the African Development Bank, helps to answer the needs of these countries. It provides funding for development projects of major emphasis in the poorest of African nations and does so at a cost they can sustain. The Fund has filled a vacuum caused in large part by the decrease of development assistance from the industrialized nations of the West, including the United States. The in-

flationary pressures due in part to the energy situation merely added to this diminishing flow of aid resources and further exacerbated unstable economic conditions. African regional and continental cooperation on economic matters, given the uncertainty and shift in international monetary disturbances over which they exercise little control, is to be commended. The will to provide through the African Development Fund for the least among them is an example of courage and faith in finding solutions to those economic problems which mutually beset all African nations. The Fund's record of assistance to the Sahelian countries is truly outstanding.

Interestingly enough, Mr. Chairman, it was the United States which provided some of the impetus towards this movement of the Fund. We were asked to provide technical assistance in the establishment of the Fund, which we did in 1972-73, and to become a charter member of the Fund before December, 1974, which we did not do. I can see no reason why the United States should put off any longer a commitment of participation in the African Development Fund, in principle and in funding, when other nations with less resources than ours are willing to share in this multilateral institution.

It is in our best interests as a nation to participate with others to bring about economic cooperation and well-being on a global scale. The time for the industrialized nations of the West to maintain all economic privilege has seemingly passed; the remaining world areas are seeking the fruits of economic productivity too. After three years of discussion and congressional efforts on a non-partisan basis, I do feel that the Congress should pass this bill, or a composite of the several bills, very quickly. As with our support for other regional development banks, there can be little harm in helping those who strive diligently to help themselves.

Thank you for allowing me to testify on this important occasion.

[The following letter was submitted for inclusion in the record by Representative Young:]

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

Robert M. Hoen
Vice President

July 28, 1975

The Honorable Henry B. Gonzalez, Chairman
Subcommittee on International Development
Institutions and Finance
U. S. House of Representatives
Washington, D. C. 20515

Dear Chairman Gonzalez:

I am writing to express Chase Manhattan Bank's support for the African Development Bank, and particularly for its important adjunct institution, the African Development Fund. We understand that Congress has been asked to appropriate \$15 million in support of the Fund. We strongly endorse such support as being both in the interest of the United States generally and of benefit to the American private sector in Africa.

The African Development Fund complements the activities of the African Development Bank by providing important concessional financing for development projects in member countries of the Bank. It will also provide financing for important regional projects. The Fund is constituted in such a manner as to avoid the African exclusivity factor which barred American participation in the African Development Bank. The Fund will allow donor countries to cast fifty percent of the vote on given projects. The remaining fifty percent would be cast by Bank members, and a 75% vote would be required to fund a given project.

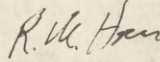
Chase Manhattan Bank would not have a direct stake in the activity of this Fund. However, we believe that American support for this Fund will enable developing African countries to create infrastructure which will enhance their capacity for growth and economic participation in world markets. We believe that such growth will be good

for the United States and for the United States private sector in the long run. Should the Congress decide to participate in the African Development Fund, it would place the United States in a position of cooperation in an important regional development bank. The United States has long been active in the regional development banks for Latin America and Asia. Were the United States to fail to play a role in the African Development Fund, there would be a distinct and damaging overtone of discrimination.

U. S. investors, exporters and traders have increasingly participated in the growing African economies. The various national and private interests in the region suggest that the modest funding requested for the African Development Fund would be an appropriate gesture to an important region of the world. It would also be a good investment for the United States.

I would like to thank you for this opportunity to express the views of Chase Manhattan Bank on this important subject. I hope the Committee will support the African Development Fund to the extent of at least \$15 million.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. M. Hoen". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Robert M. Hoen
Vice President, African Area

Mr. GONZALEZ. Very good, Mr. Young. We thank you very much. We know that you have been one of the most active Members of the Congress since you first came up, in trying to maintain some congressional level of activity in this direction.

Does any member of the subcommittee have a question? Mr. Rees?

Mr. REES. No.

Mr. YOUNG. And I urge asking for a \$50 million contribution. We actually gave that much to Africa last year in bilateral aid. I would think that we could afford that through this multinational source.

Mr. GONZALEZ. Mrs. Fenwick? I know you have to leave.

Mrs. FENWICK. I must go, but I am so interested in the prospect of our participation in the Fund. I think it would be dangerous and perhaps impossible for us to provide financial assistance and then make suggestions or insist in any way that it should be used for trucks and the infrastructure to which you refer. In other words, whatever is contributed to the Fund has to be available for cotton development or irrigation or whatever the developing country feels is necessary.

Mr. YOUNG. I think the tendency in African states has been monitored development of infrastructure. They are much more interested in industrialization. It has been the World Bank and the United States that have been pushing the small farms.

Mrs. FENWICK. But look at the allocation of the funds. The only reason I said cotton is that that is one of the things they have been using the money for. In other words, one after another, irrigation, cotton development, water supplies—that seems to be their emphasis. And that is what troubled me. Surely you won't want us to insist on their changing that, would you?

Mr. YOUNG. I don't have any problem with that. I think these two things go together. One of the other things is that when this kind of project is available and countries are stable, most of the African states are so rich in mineral resources that they have not had any difficulty in going to private sources of capital when these other things are in order.

Mrs. FENWICK. I see.

Thank you, Mr. Chairman.

Mr. GONZALEZ. Thank you. Mr. Hanley?

Mr. HANLEY. Thank you, Mr. Chairman.

I simply want to commend Mr. Young in his eloquence. You spelled it out beautifully, Mr. Young. I would be less than candid if I didn't indicate my apprehension about the reaction on the floor. I think that a real selling job has to be done. You have related to the IDA problem of a year or two ago.

I wonder whether or not that tenor has sufficiently blended off in the atmosphere to have the majority of the Congress agree to measures such as this, not only Africa, but all of our involvement. I think due to the economic problem that exists here, there is so much concern about the domestic programs that we do have a real educational program, or rather challenge on our hands to influence the votes.

Mr. YOUNG. I think in the IDA discussions toward the end of the last Congress, one of the figures which we had which was documented throughout the World Bank was in terms of what amounted to about

a \$400 million a year contribution to the International Development Agency. From those countries which participated, we had a favorable trade balance which I think was about \$14 billion. And I don't see this as a giveaway at all. I don't think we can sell it as humanitarian aid. I think we have got to sell it as hardsell, self-interest politics that the United States can't afford not to be involved in African development.

Mr. HANLEY. If you will yield, I think a point that you made, Nigeria's cooperation with our problem, the embargo, when it assisted us so greatly at that time.

These are the points that have to be made, I think, with the membership.

Mr. YOUNG. The other thing is I think we have tended to think of OPEC as Arabs. Even all the Arabs are not in agreement. This is not a monolithic OPEC position. Algeria has been much more in tune with the African development problems than say Saudi Arabia. Nigeria has been, I think, playing it very close to the chest in terms of its policies toward the United States. And they are very anxious for some kind of bilateral relationship. I think they were concerned that here we have offered say a joint economic development commission with Saudi Arabia, and with equipment, who boycotted us. But here they continued the supply and we have not made any offer of a joint economic commission with Nigeria. They are also concerned about how we relate to people in Africa where we don't clearly have self-interest at stake. And I think our involvement with the Sahel did more to spread good will throughout Africa for us. And when Congressman Biester and I were in the meeting with the African-American dialogs last summer with members of 18 different African states with about 12 Members of the Congress, the tendency was to jump on us for what we are not doing, but immediately turn back around and thank us for what we did in the Sahel.

And they couldn't understand why we could do something where it was so clearly humanitarian and where it was a giveaway, but then where it looked like we had something to gain, we didn't take advantage of it, say, in relationship to Nigeria or Zaire or such lands.

Mr. HANLEY. Thank you. And I thank you, Mr. Chairman.

Mr. GONZALEZ. Thank you very much, Congressman.

We have Congressman Parren Mitchell with us and we will recognize him at this time.

STATEMENT OF HON. PARREN J. MITCHELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. MITCHELL. Thank you very much, Mr. Chairman, members of the subcommittee.

I have to start off with an apology. You do not have copies of my written testimony. I recently had death in my family and that has completely thrown me off the track. Therefore, I want to submit my testimony verbally to you this morning. Hopefully within the next day or two, you will receive written copies. I would like to indicate that I, for one, am delighted there is some movement toward America's participation in the African Development Fund.

Toward that end, as most of you know, for myself and Congressman Fauntroy, I have introduced a bill which would in effect set America's participation in the African Development Fund at \$50 million a year for the next 3 years, making a total of \$150 million. We have gotten reaction since from administration spokesmen and from the State Department. I wanted to lay out to you the four areas of concern that come from the administration and then attempt to rebut those four areas of concern.

First of all, the argument against the level of funding that I and Congressman Fauntroy suggest is that the state of the U.S. economy, at this time, does not allow for radically increased financial commitments of funds abroad. This is something that Congressman Hanley just alluded to.

A second argument that has been advanced against my bill is that contributions in the \$50 million annual range are not an appropriate level of U.S. involvement in the Fund.

The third argument is that low individual donor contributions in the \$15 to \$25 million range are in line with the absorptive capacity of the Fund programing capacity as of this time.

And the fourth argument that I have heard against my bill is that the high grant allocations are in opposition to the U.S. strategy of increasing loan obligations as a relative instrument of participation in the economic development program.

I would like very briefly to attempt to rebut those four arguments.

First of all, I will deal with the matter of the state of the U.S. economy. I would raise the question, "If the state of the U.S. economy is a factor in the lower levels of contribution to the ADF, why has there not been a concomitant reduction in the contribution to other interregional organizations in the recession-depression period?" I would like to indicate that during the period 1972 to 1975, which is obviously a recessionary period, foreign earnings as reflected in a positive balance-of-payments position have made a basic contribution to what remains of U.S. economic health. There are thus advantages to the United States from greater participation in the financing of international organizations for development, especially since the concession agreement provided for under the articles of ADF provide for returns to U.S. corporations and those returns eventually will go to U.S. workers.

The second argument that was raised against my legislation had to do with the appropriate U.S. role. In general, I would simply raise the question: Considering the superior resources of America, shouldn't its contribution reflect a level of commitment in line with its capabilities? By way of illustration, the U.S. contribution to the Asian Development Bank is \$56 million for fiscal year 1975. America's contribution to the refugees from the Soviet Union for the same period was \$36 million. It would seem to me that the appropriate role for America is to live up to its financial capacity in meeting its obligations to the African Development Fund. I reiterate my point: "Shouldn't the U.S. contribution to the African Development Fund for the health and well-being of African people be at least equal to ethnically based contributions to international organizations?"

The question has been raised about the absorptive capacity of the Fund. The rate of U.S. foreign investment is already high in selected African countries such as Zaire, Nigeria, Kenya, and Botswana. But this may be expected to increase by virtue of the increased ability of the bank fund complex to fund international and regional projects. The present profile of loans is directed by the African Development Fund to agriculture, in the amount of \$24 million; transportation, in the amount of \$12 million and to public utilities \$6 million. I am reemphasizing what Congressman Young tried to indicate—there is a growing tendency toward directing funds toward the acquisition of a basic infrastructure. That is going to not only mean benefits to the African nations but obviously benefits to America.

I wanted to speak very briefly to the last point. The problem, it seems to me, is, and I put it in the form of a question: Shouldn't the U.S. contribution to the African Development Fund at high levels make more efficient its total financial assistance? If we intensify the efforts of the Fund which are currently aimed at the development projects necessary to successfully fight the debilitating drought, we accomplish in more effective fashion humanitarian efforts. I, for one, have no quarrel with America's humanitarian contribution insofar as the drought is concerned. But my real argument is that if, indeed, we come in with a high level of participation in the African Development Fund, in effect what we are doing is setting up a kind of structure in the African nations, which may prevent the reoccurrence of that kind of drought and therefore prevent or make unnecessary our further participation in that kind of humanitarian effort.

There is a great deal more I have to say on this. However, in the interest of time, I will cut it off at this point and try to submit all of this in writing to you within the next 24 hours.

In conclusion, I would simply point out that I am in complete agreement with those who argue that America's very life structure in the coming decades is going to be dependent upon the extent to which we achieve a significant trade relationship with the African nations. There is no doubt about it, and that is not a bad thing to say. In fact, because of that interrelationship, hopefully we will start moving toward a world of peace rather than a world in which there are constant tensions, which threaten war.

I do not think that \$50 million a year for 3 years is an exorbitant sum. I think it is reasonable in terms of our financial capability. I think it is reasonable in terms of the absorptive capacity of the African nations right now. And I think it is reasonable and just in terms of the morality involved. With that, I would conclude my remarks and I shall be glad to entertain any questions, Mr. Chairman.

[The prepared statement of Representative Mitchell follows:]

TESTIMONY OF THE HONORABLE PARREN J. MITCHELL (D-7TH-MD.)
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT
INSTITUTIONS AND FINANCE OF THE COMMITTEE ON BANKING,
CURRENCY AND HOUSING ON TUESDAY, JULY 15, 1975

I am very pleased to appear before you today especially because of the renewed interest in American participation in the African Development Fund. As you know, I have introduced H. R. 6241 on behalf of Congressman Fauntroy and myself. The Bill I have introduced would set America's participation in the African Development Fund at \$150,000,000 to be spent at the rate of \$50,000,000 a year for three years.

It appears that the Administration will oppose H. R. 6241, mainly on the following grounds:

- A. The state of the U. S. economy at this times does not allow for radically increased financial commitments of funds abroad.
- B. Contributions in the \$50 million annual range are not an appropriate level of U. S. involvement in the Fund.
- C. Low individual donor contributions in the \$15-25 million range are in line with the absorptive capacity of the Fund program-ming capacity at this time.
- D. High grant allocations are in opposition to the U. S. strategy of increasing loan obligations as a relative instrument of participation in economic development programs.

It has also been inferred that although the Administration has proposed a figure of \$15 million as its contribution to ADF, it would not be uncomfortable with the \$25 million figure which has been suggested. I will proceed to address each of the major points raised above in rebuttal.

1. The State of the U. S. Economy

There has been a considerable waste of non-development funds in the military budget and a lack of a reduction in the overall commitment of the U. S. to fund Inter-Regional organizations, in the 1972-74 period. If the state of the U. S. economy is a factor in the lower levels of contribution to the ADF, why has there not been a reduction in contributions to other Inter-Regional Organizations in the depression period?

Even in the depression period of 1972-75, foreign earnings as reflected in a positive balance of payments position have made a basic contribution to what remains of U. S. economic health. There are, thus, advantages to the U. S. from greater participation in the financing of international organizations for development, especially since the concession agreements provided for under the Articles of the ADF provide for returns to U. S. corporations and eventually to U. S. workers.

2. The Appropriate U. S. Role

In general, questions of appropriateness reflect the priority considerations of the U. S. Government, based on value judgements which are as such open to debate. Nevertheless, such values may be called into question by the appropriateness of other contradictory actions.

Considering the superior resources of the U. S., shouldn't its contribution reflect a level of commitment in line with its capabilities?

The U. S. contribution to the Asian Development Bank is \$56 million for FY 1975, and the U. S. contribution to Refugees from the Soviet Union (most of whom are presumably Jewish) for the same period is \$36 million.

Shouldn't the U. S. contribution to the ADF for the health and well-being of an African people be at least equal to these other ethnically based contributions to international organizations?

The proposed \$15 million contribution would only represent 2% of the total U. S. contribution and subscriptions to International organizations (excluding \$415.1 million for other Inter-Regional Contributions) and 10.6% of total ADF donor contributions of \$140.7 million for FY 1975. In this regard, a \$50 million contribution would represent 35% of total ADF funds contributed and a \$25 million figure would represent 17% of such funds.

Shouldn't an African regional organization receive more than 2% of U. S. contributions considering the fact that, by the State Department's own admission, the U. S. will increasingly come to rely upon the raw materials and other resources of this continent, because of the limitations placed upon market access in other parts of the world.

3. Absorptive Capacity

The rate of U. S. foreign investment is already high in selected African countries such as Zaire, Nigeria, Kenya, and Botswana. But this may be expected to increase by virtue of the increased ability of the Bank/Fund complex to fund national and regional projects.

The present profile of loans is directed by the ADF to the agricultural (\$24 million), transportation (\$12 million), and Public Utilities (\$6 million) sectors of African economies; in other words, funds are directed toward developing basic infrastructure.

Considering the fact that the acquisition of basic infrastructure (roads, ports, utilities, water, etc.) are prerequisites to industrial development, shouldn't such an ADF strategy of project funding enhance overall absorptive capacity?

The Organization of African Unity has asked the AFDB to assume coordinating responsibility for large multi-national investment projects such as the Pan African Telecommunications Network, and others, some of which have Fund relationships.

Shouldn't the assumption of regional and sub-regional investment projects by the Bank/Fund complex add to the absorptive responsibilities of these financial institutions, including the Fund?

A problem which lends itself to the "soft loan" approach is that which has surfaced with the severity of the Sahelian Drought. This apparently continuing problem adds to the absorptive responsibilities of the Bank/Fund complex and to its need for substantial long-term funding, over and above the requirements for normal development financing.

Should not the U. S. contribute to the ADF at higher levels which might make more efficient its total financial assistance (including its contributions for drought relief), and thereby help to intensify the efforts of the Fund which are currently aimed at the same development projects necessary to successfully fight the debilitating drought?

The latest data indicate that in view of its "limited resources" the Fund is expanding its strategy of "parallel financing" of projects in collaboration with State participants and international institutions.

Isn't the increase in the practice of "parallel financing" indication of lack of adequate financial resources by the Bank/Fund, and is this method in the best interest of the Fund's growth and development as an independent institution? Doesn't this situation require higher levels of financial contributions by donor nations? In fact, it should be pointed out that the U.S.

AID itself has been involved with the Bank in financing project feasibility studies at a level of \$5,904,167 total with an additional two million dollars earmarked for drought relief. Also, U. S. AID has provided technical assistance which consist of one Transport Economist and one Agricultural Economist to the Fund.

A higher level of U. S. contribution could make possible additions of a considerable nature to what is already considered an excellent ADF staff. About 16 experts are now on secondment from various countries to the Headquarters, and 20 are expected with the increases coming mainly from Belgium, Finland and Yugoslavia.

4. U. S. Assistance Strategy

It is conceivable that the suggested higher level contributions to the ADF conflict with the trend of U. S. assistance practice which has been to de-emphasize grants in favor of loans.

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
1 Loans	65.0	106.8	107.4	98.6
Grants	90.2	69.3	67.8	64.6

One suspects that the probable reason for this eventuality is that loans are revenue-producing. But in addition, other Inter-Regional organizations such as the Asian Development Bank and the African Development Bank have the ability to raise additional funds by floating bonds. The Fund does not, and therefore, it is not considered a credit-worthy institution.

Considering the fact that international inflation has had a devastating impact upon African economies, might it not be a more sensitive and humane policy of assistance to increase the grant strategy for the immediate foreseeable future as an instrument of economic development?

The reluctance of the U. S. to enter the ADF and its proposed low level of contribution appears to pose the question of whether or not the U. S. is still acting upon principles prescribed by the Korry Report which suggested a de-emphasis on bi-lateral and an emphasis upon multi-lateral assistance programs as a strategy of U. S. economic assistance. ²

¹ Source: Overseas Loans and Grants, U. S. AID, for FY 1974, p. 84.

² Korry Report: 1966 U. S. Ambassador to Ethiopia - U. S. changed from bi-lateral assistance to multi-lateral assistance.

Are the principles of the Korry Report still operative, and how do those recommendations square with the future plans of the U. S. toward contributing to the African Development Fund?

Finally, one suspects that the real reason for the low level suggested for U. S. contribution has to do with the fact that according to the method by which decisions on project funding by the ADF are arrived at, higher contributions do not allow for greater degrees of control in the decision-making process.

As is well known, the weighted-voting procedures of the World Bank which are tied to the level of contribution of members gives to the U. S. considerable ability to determine outcomes. The voting procedure provided for at ADF, however, finds the Board divided half representatives of African States, and half representatives of other donor States with decisions reached by three-fourths vote. Thus, no one nation may control the decisions reached consistently, except upon an extremely close vote.

Does the United States object to the structure of decision-making at ADF which with higher contributions would not give it greater participation in decisions than any other donor?

I am certain that you have questions for me. In closing, let me suggest to you that the 150 million dollar figure I propose, can be sustained by the U. S. Economy in its present state; that the 50 million dollar a year figure is a minimally appropriate level for U. S. involvement; that the funds proposed in my Bill fall well within the absorptive capacity of the Fund Programming capacity; and finally that higher level U. S. contributions to the African Development Fund is compatible with the re-assessment of U. S. assistance strategy. Thank you for the opportunity to appear before you.

Mr. GONZALES. Thank you very much, Mr. Mitchell.

First let me say there is certainly no objection to you submitting your statement in writing. You will have a copy of the transcripts and you can add and delete as you see fit.

Also, we are very, very sorry to learn about the development in your family. Some of us were not aware of it. So, please, accept our condolences.

Mr. MITCHELL. Thank you.

Mr. GONZALEZ. I will testify here for the record that Congressman Mitchell has been one of those most interested in this over the course of the last 2, 2½ years. I can testify to that. And as Mr. Young explained and outlined a few minutes ago, there were reasons other than any lack of desire that accounted for this late hour in bringing up the question of membership in the Fund on the part of the United States.

Also, I wish to announce that Mrs. Fenwick, Mr. Tsongas, and Mr. Johnson had to leave, but they hope to be back. Mr. Johnson will be back in a few minutes. Mr. Tsongas may not because he is going to try to get off to the space shot.

Mr. MITCHELL. May I interrupt you just a moment, Mr. Chairman? If that is for my benefit it is totally unnecessary. We have served on the same committees together and very often it has either been just you or I or the two of us present, so we understand the pressure exerted on other Members of Congress.

Mr. GONZALEZ. I appreciate that. You know reform. I am going to rub it in here. Reform did bring some things and one of them was this multiplicity of some committee meetings all simultaneously which makes it very difficult for the Members.

Now, the only question I have I think will be more properly directed to Mr. Cooper and his associates and his colleagues in the State Department because they are going to have to be the ones to work out the mechanics. And they are going to have to be the ones who are going to tell us what is feasible with respect to some contemporaneous "protection" of the U.S. investment for the sake of the selling job that must be done on the House floor. For example, our understanding is that if we were to participate in the Fund, whether it is \$35 or \$50 million, we would not be entitled to a director member in the Fund, but rather would have to act through some other director. Now, the question would be and we have got to know, what other director would we be working through. These are really technical questions, but they become very important if we are going to successfully guide this through the House.

I am very happy to note that the Senate did approve the Fund bill last year. It came out of the Senate, but it came out at a later hour. And there was just no time for us to work successfully on the House side. So, I think, Mr. Mitchell, that your presentation was aggressive, as it should be. I don't think that we can mince words or walk around gingerly a question. I think the fact is that by asking for the substantially larger participation, than is normally being thought of now—Mr. Biester talked about equating the Canadian participation and its amount. I think you are right. I think the question verbalized is, what do we do in these other cases. I would be willing to go that much higher than the Asian Development Bank.

Mr. MITCHELL. Thank you, Mr. Chairman.

Could I just make one other point on this?

Mr. GONZALEZ. Absolutely.

Mr. MITCHELL. I must address what I consider to be a sort of negative psychological orientation toward our involvement with the African economic development. I would like to simply illustrate that by giving you a little story. When we introduced our bill calling for \$50 million a year for 3 years, it made the rounds of the various Federal agencies. One agency telephoned my legislative assistant, Clarence Bishop, and said: "The bill is fine, the only problem is you have misplaced the decimal point, you meant \$15 million." I assured them we did not mean \$15 million; we meant \$150 million, \$50 million a year.

But I think that kind of reaction is reflective of either a lack of knowledge about the absorptive capacity to the African economies right now or it reflects the residue of the paternalism that was alluded to earlier by Congressman Young.

Mr. JOHNSON. I have no questions.

Mr. GONZALEZ. Well, thank you very much, Mr. Mitchell. We probably will be calling upon you before too long. We hope to have all of the witnesses complete their testimony this morning. We should be able to.

But we certainly will try to expedite consideration of this so that early in this Congress we can get going and take it from there.

Mr. MITCHELL. Thank you for letting me come before you, Mr. Chairman and members of the subcommittee, and I shall be joining you on the weatherization bill at 2 o'clock.

Mr. GONZALEZ. I believe we have that at 2 o'clock.

Thank you very much.

Well, I don't believe we have any other congressional witnesses. We have statements from Congressman Fauntroy and Congressman Rangel to be submitted into the record at this point.

[The statements referred to follows:]

PREPARED STATEMENT OF CONGRESSMAN WALTER E. FAUNTROY

Mr. Chairman, I am delighted to appear before this Subcommittee, on which I have served for the past two Sessions of Congress, to make a few formal remarks on the need for the United States' participation in the African Development Fund.

As a bit of background, allow me to briefly distinguish the African Development Fund (AFDF) from the African Development Bank (AFDB). Both are development institutions committed to improving the opportunities of Africans. The Fund was set up in July of 1973 by a group of fifteen industrialized nations in cooperation with the AFDB. The United States became eligible for membership in this concessional lending Fund on December 31, 1974. We would be recognized as an original member because of U.S. participation in the negotiations of the original agreement establishing the Fund. The United States would join Canada, Denmark, Japan, the Netherlands, Norway, Sweden, Switzerland, United Kingdom, and Yugoslavia as non-regional contributors. The non-regional contributors exercise 50% of the vote on all loan policies. This vote is divided among the members according to the size of their pledges.

Unlike the Bank, therefore, the United States would have a vote that is in proportion to its contribution to the Fund. This is a significant difference because the lack of voting rights in the Bank for non-African states has been of substantial concern for many Members of this Congress and of the Executive Branch generally.

The Fund is the soft-loan mechanism for the African Development Bank. It will support basic infrastructure, such as roads, health care, irrigation and agriculture projects. These soft loans are made with little concern for high return on the investments.

The African Development Bank, on the other hand, is concerned with the earnings on its loans, therefore, concentrating their loans in the industrial or hard loan sector. The responsibility of the Bank is to promote Africa's economic and social development, particularly in the sphere of African cooperation. Their loan terms insure repayment of the loan plus interest at a rate approximating the current market rate. The Bank's investments, which are capital producing, include cement plants, steel mills, electrical power plants, and the like.

While I have always had a deep and abiding interest in the developing nations, especially those in Africa, that interest was heightened by my trip to the Sahel in December 1973. At that time I saw, in a way which I find hard to describe with detachment, the depths of despair of people who did not know how they would feed themselves, where the nearest source of water could be located, how they would raise and educate their children, or how to explain the reasons that some lived and others died.

I also saw the great anticipation and hope of the kinds of aid that would end this tragedy, that could come from the United States. So often we only hear of the dislike of Americans—and perhaps that is true with respect to some Africans—but I can only tell you of the enormous respect and appreciation for this nation that were expressed to me. So, today, I want to share with you some of my impressions that I developed then and have kept since that time.

Let me assure you that aid is not going to make Africans into unquestioning allies of America. Let me further assure you that it will not soothe the consciences of Black Americans who ask why we have waited so long and, generally, give so little in light of so great a need.

We have given much, it is true. Unfortunately, we have not given enough—not to Africa, not to Asia, not to Latin America. We have fallen far short of the recommended 1% of the Gross National Product contribution to development that many economists think is a reasonable figure for us and other developed nations to give.

In my visit to Africa and during my meetings with the President of the African Development Bank, Adbelwahab Labidi reminded me of the promise by the late President Johnson where he said that the United States would contribute \$60 million to the Development Fund. We have not made any efforts towards fulfilling that pledge. While many would argue that no President should make commitments of such a nature without prior consultation and consent, I can honestly say to you that anyone who visited in Africa could not help but be moved to want to give all of the aid that was necessary to help these people.

The dollar amount which I have selected represents both a desire to fulfill the commitment by our President, as well as being equal in our pledges to the Asian Development Bank. Africa deserves as much of our support as does Asia. Although there is a population difference between the two continents, we need to make up for our lack of aid in the past.

The differences in population are generally over simplified. Right now, Africa has some of the fastest increasing birth rates in the world. The growth rate is higher than in Asia. At the same time, health care facilities are the worst in the world. Kenya spends only 14 cents per person on health care. The life expectancy for a Burundian is 39 years, while an Indian is expected to live for 49.2 years. Although there are some population differences, the need speaks to the amount requested more than amply.

In the case of Africa, we look at a continent which has been left out of the mainstream of international relations and development. While the United States and the more developed nations of the world became involved in the reconstruction of Europe and Asia after World War II, and the East and Southeast Asian wars, they left Africa to devise its own means. Not only was Africa initially left behind the rest of the developing world, it has been left greatly debilitated in the past few years by the deadly and spreading drought and rampant inflation.

The inflation problem is not unique to Africa. It has been particularly debilitating as costs for oil and oil products rose just as they did in our country, and their orders for heavy machinery also rose to keep pace with our rising prices. The recorded annual inflationary rate of 14% during the twelve months ending in September, 1974—which is twice that of 1973—fails to adequately tell the

full story. Much of the costs of developing nations must be met with exports of raw materials whose prices—with rare exception—generally fail to keep pace with the rising rates of inflation in many industrialized nations.

While there are those who would suggest that developing nations should band together in cartel arrangements, not unlike that of the Organization of Petroleum Exporting Countries (OPEC), the fact is that these nations do not want to use their resources to threaten the United States any more than we want to use our food resources to threaten them or the Arab nations. Certainly, the United States should not be the sole supporter of development. Because of our sheet weight in the world economic structure, however, we have the chief responsibility to set the tone for development and to do the work of development in those countries which seek developmental aid either through us or through multilateral organizations.

The world food crisis has also taken its toll in Africa. Cereal stocks and reserves all over the world fell to their lowest level in years in 1974, with the result that developed countries cut their food aid programs at the very time the least developed nations needed their assistance. The hardest hit areas were the Sahelian and other drought affected African countries, who sustained a sharp curtailment in food production, in addition to decreased international flows of food. According to the African Development Bank, in 22 of the 41 African nations, food production failed to keep pace with the domestic demand for food which tends to increase as nations develop. In sixteen of these nations, food production failed to keep pace with the population growth.

The drought, which accounted for much of this gap in food production, continues to be a major scourge on production because not only have the six Sahelian countries been unable to meet its challenges, the drought has spread to the other countries, Dahomey and Nigeria. The challenge cannot be met without trained technicians, adequate roads, communications, and irrigation systems. These are all projects that can be undertaken by the Fund; but they can be undertaken only if the Fund has the money to do them.

At the time of my visit in Africa, the then six affected countries proposed approximately 130 projects with an estimated cost of \$15,255,000.00 that were intended to provide necessary short term recovery for the region. None of the projects were extravagant; indeed, some commentators seemed to feel that their simplicity and directness were among the prime causes that their undertakings lacked what some would call "sex appeal." There is no appeal to a drought—only hard work, and I would hope that we could help them begin this work.

These situations, added to the fact that Africa has sixteen of the twenty-five least developed nations in the world, makes the African continent exceedingly deserving of our attention. Yet, up to now, we have not responded with a level of aid which would be adequate and equitable for the need with our resources.

The lack of United States involvement in African development is glaringly evident when the amount of aid going into Africa is compared with foreign aid to other areas in the world. For example, economic assistance to Asia which excludes military aid was eight times as much as the amount given to Africa. Yet the fact is that the underdeveloped population of Asia is at most only four times that on Africa. It appears that similar data can be developed for Latin America, although that continent is faced with the more difficult to measure urban poor for these kinds of statistical purposes. I think that it is fair to state that the kinds of aid distribution which we have heretofore accepted are wrong. It is as wrong to discriminate in the giving of our foreign aid as it is wrong for us to discriminate in the granting of credit within our own nation. Where the need is equal, the aid should be equal. Not only do we give a small proportion of our aid to Africa, but this aid is not distributed according to the needs of the African nations. Morocco with its population of 15.5 million received \$19.9 million worth of aid for 1974. Nigeria which has 55.5 million people, and which is beginning to be affected by drought conditions, received only \$6.5 million in economic assistance. The Sahelian countries received a one time grant of \$59.7 million for emergency relief. This is food, not development, aid. Indeed, more than one third of all aid to Africa is given through the emergency fund of Food for Peace.

Aside from direct aid, the United States does give some multilateral assistance through the World Bank group. The International Development Association has been particularly helpful to the least developed countries in Africa. The World Bank, however, is only a beginning. It does not have enough resources to make up for the lack of United States participation in the African Development Fund.

Just as we have given to the regional development programs in other parts of the world, we should now commit ourselves to the regional development programs of Africa. The needs are the same; our commitment should be the same.

United States aid in the past seems to have been determined primarily by military interests. We helped to reconstruct Europe after World War II to make it a strong counter force to the Soviet influence. We have lately been concerned with Asia and the types of governments developing there. We felt the need to protect our interests in that area, and we channelled large amounts of aid to the area. We have always been concerned with keeping Latin America, at the very least, neutral to overseas influence. In view, however, of our recent military ventures, I think we need to redefine our aims and our goals for foreign aid administered through purely bilateral arrangements.

We have already had some shifts away from direct aid to countries in which we have specific interests to multilateral organizations, which have been successful in developing areas. We are beginning to realize that our bilateral agreements are not always the best way to achieve the development and resources in a specific area. Regional economic development associations have proven to be a very effective way to encourage an area's own development, and to keep friendly relations with that area while development goes on. We may not have to worry about immediate military threats from Africa, but there are other sound reasons that make aid to Africa desirable.

We should try to develop friendly relations with Africa. In an era where we have seen so much blood shed and the world is clamoring for peace, we must take every step toward improving world relations, so no misunderstandings develop. One of these steps should be to stop the exclusion of Africa from modern technology that only aid can provide.

Africa has a wealth of natural resources, which we have been, or in the future could, utilize for our industries here. Presently, 34% of all cobalt used in the United States comes from Zaire, which is also part of the African Development Fund.

Africa has ten potential areas of petroleum spread throughout the continent. As the energy crunch squeezes tighter, we need to look to other areas of potential supply as do the Africans themselves. Development of these reserves would give them foreign exchange reserves and a potential for modern, high use industry.

Potential mineral resources exist in 25 out of the 26 minerals necessary for an industrialized nation, such as the United States to continue production. We will never be able to use these resources if they are not developed and if there are no roads and communication systems to deliver them.

We should also examine the possible immediate economic benefits the United States would receive if we were to join the African Development Fund. Much of our investment will be returned by increased demand for U.S. capital goods, technical assistance and other necessary components of development. This, in turn, will increase jobs and exports here in the United States. In 1973, the Inter-American Development Bank added \$143.7 million to the United States economy, while our payments amounted to \$15.3 million. In 1973, we gave the Bank \$18 million while they placed \$122 million in the United States. In our other multilateral development ventures, we have certainly come out ahead, and there is no reason why Africa should vary this pattern.

Regional banks have proven to be worthwhile institutions for developing countries. The Asian Bank has been providing money for important projects in the area. Seventy-five percent of the money is concentrated in the heavy development areas, such as transportation and electric power. The agricultural aid has gone toward building much needed irrigation and dam systems. In 1970 and 1971, the United States had a net outflow of \$33 and \$34 million respectively, to the ADB. Since then, the United States has been receiving the benefits—\$19 million in 1972 and \$104 million in 1973. Obviously, the ADB members have been able to expand their development to the benefit of the entire world.

The African Development Bank and Fund have also provided many necessary projects to help African nations, despite limited contributions from outside sources. In 1974, 69 percent of funds went for transportation and utilities, has been emphasized since the inception of the Bank and Fund in 1967. These are similar to the successful Asian development projects. Ghana obtained a loan for \$4 million in order to build a water supply system. Tanzania built a road to transport agricultural products from the interior to a port city for distribution. There is still much to be done, and the United States aid can go a long way to help the African nations.

My proposal gives the money to the African Development Fund rather than the Bank. This is desirable for two reasons. First, non-regional subscribers are allowed a voice in determining the projects in the Fund. The Bank consists only of African members. Second, the Fund provides for soft loans instead of the more capital intensive loans of the Bank. Soft loans can be applied to social services, such as health care and education, which do not yield direct economic benefits, but do increase the overall productivity of a country.

Only a small percentage of the Federal budget presently goes for foreign aid, as Professor Howe pointed out in his testimony last week. Considering the net United States surplus of \$2.673 billion received from foreign aid since its inception, I do not see how we can afford to refuse aid to Africa. Not only will it help Africa nations to join the rest of the developing world, but also it will provide so many economic benefits to the United States that I believe it is clear which path we should take.

Attachment.

APPENDIX A

MEMBERS OF AFRICAN DEVELOPMENT BANK

Algeria	Ivory Coast	Somalia
Botswana	Kenya	Sudan
Cameroon	Liberia	Swaziland
Central Africa Republic	Libya	Tanzania
Chad	Malawi	Togo
Congo	Mali	Tunisia
Dahomey	Mauritania	Uganda
Egypt	Morocco	Upper Volta
Ethiopia	Niger	Zaire
Gabon	Rwanda	Zambia
Ghana	Senegal	
Guinea	Sierra Leone	

APPENDIX B

FACTS ON BANK

Established: September 10, 1964.

Headquarters: Abidjan, Ivory Coast.

President: Adelwahab Labidi.

Membership: 39 countries of which 16 are among the world's least developed. Membership is restricted to independent African nations.

Loan Terms: AFDB terms vary with maturities ranging from 15-30 years, including an interest rate of 6% plus a service charge of 1%.

APPENDIX C

COUNTRIES IN THE SAHEL

Chad	Niger	*Nigeria
Mali	Senegal	
Mauritania	Upper Volta	

APPENDIX D

PRESENT NONREGIONAL MEMBERS OF AFRICAN DEVELOPMENT FUND (AFDF)

Canada	The Netherlands	Switzerland
Denmark	Norway	United Kingdom
Japan	Sweden	Yugoslavia

APPENDIX E

Botswana	Lesotho	Sudan
Burundi	Mali	Uganda
Chad	Malawi	Tanzania
Dahomey	Niger	Upper Volta
Ethiopia	Rwanda	
Guinea	Somalia	

PREPARED STATEMENT OF CONGRESSMAN CHARLES B. RANGEL

Mr. Chairman, the Subcommittee on International Development Institutions and Finance is presently considering a bill, H.R. 6937, calling for participation of the United States in the African Development Fund.

At a time when Americans are more and more looking inward in an attempt to solve the pressing problems that plague our own country, it is imperative that we not forget the less fortunate in Africa. The problems facing the countries on that continent are numerous and complex. However, they are not beyond redress and to turn our backs now would be a moral travesty.

During our current bicentennial celebration, we should be well aware of the problems faced by the founding fathers of newly independent nations. The recent anti-colonial movements in Africa have left many of these nations in positions similar to that of the original thirteen states after our war for independence. Suddenly released from the bondage of the European countries, many African leaders are still in a governmental planning stage, one which they face with little experience, specifically in administering a government. If stability is to be maintained, a model for development is needed. I could think of no better way of highlighting the strong democratic ideals of this country and thereby providing such a model, than by extending our generosity to the Africans.

The problems of the newly-independent nations extend far deeper than simply the need for government planning. For these are countries that have numerous social and economic woes. Thousands are starving. Many more live on the brink of economic disaster: living in substandard housing, under poor health conditions and eating nutritionally-poor food. In countries which are overwhelmingly agrarian, new farming techniques need to be developed, since agricultural production can expand only through a program of modernization.

Industrial development must also receive priority. To become economically as well as politically independent, these people must have the technological know-how to begin new industries and to increase the output of existing ones. Only in this way will the future need for aid decrease, for in the utilization and export of their own natural resources, the countries will surely become self-sufficient.

It is in the same light that we must view the attempt to develop education programs. Illiteracy remains an overwhelming problem in many of the nations with which we are dealing. Basic skills in reading and mathematics are clearly a prerequisite to the technical training which the Africans will inevitably require.

In sum, I present today an argument for a bill which we as a humanitarian and forward-looking people cannot reject. \$150 million, the amount which H.R. 6937 appropriates over the next three years, is not a sum which will cause this country to suffer hardship. For many African nations it could be the difference between continued backwardness and modernization. I thank the distinguished chairman of the subcommittee for affording me an opportunity to submit my views on this very important piece of legislation.

Mr. GONZALEZ. So, without any further adieu, I would like to introduce at this time Secretary Charles Cooper.

I know we have your statement. I want to thank you.

We have had at least enough time. We should have studied it carefully. We have had the opportunity.

You may proceed as you think best. You may wish to read your statement or summarize it. I know we did get it in ample time to read it.

STATEMENT OF HON. CHARLES A. COOPER, ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS, ACCOMPANIED BY JOHN BUSHNELL, DEPUTY FOR DEVELOPING NATIONS FINANCE

Mr. COOPER. Thank you, very much, Mr. Chairman. First, I would like to introduce my colleague, John Bushnell, who is my Deputy for Developing Nations Finance. I believe maybe it would be helpful if I summarize my statement rather than reading it, and put the entire statement in the record.

Mr. GONZALEZ. Fine

Mr. COOPER. I am very pleased today, particularly in the light of previous testimony, to be here to support the request for authorizing a U.S. contribution to the African Development Fund this year. We are recommending an authorization of \$15 million to be made available in installments of \$5 million a year during the fiscal years 1976 through 1978.

The United States participated in the negotiations which led to the establishment of the AFDF in June 1973. In April 1975, the administration sent legislation to Congress proposing U.S. participation in the Fund. The bill introduced by Congressman Henry Gonzalez, which is being considered here today, is identical to the administration's proposal except for section 10 relating to expropriated property of U.S. citizens and firms. If Congress passes this authorizing legislation, the administration will subsequently transmit an appropriation request for \$15 million in fiscal year 1976, which will be made available to the AFDF over a 3-year period.

I don't think I need to cover the African Development Bank which is discussed at some length in my statement, but I would like to turn to the Fund itself and say that in recognition of the problems in Africa and in an effort to increase the involvement of non-African nations in African development efforts, the African Development Bank undertook discussion with the developed countries some time ago on establishing a concessional facility associated with the Bank. After 6 years of negotiations and with U.S. assistance in drafting the charter, the African Development Fund was inaugurated in July 1973. The present members of the Fund include Canada, Brazil, Japan, 12 European donors, and the Bank itself representing all of its member countries. I also understand there are negotiations underway at least with Saudi Arabia.

The Fund is legally separate from the bank. It is managed by its own Board of Directors, six of whom are chosen by the Bank and six by donor countries. However, this 50-percent vote does not mean that the borrowers themselves can entirely determine the operational decisions of the Fund since a 75-percent weighted vote is required for all operational decisions.

The Fund uses the Bank staff and draws upon its expertise as do the concessional funds of all the international development lending institutions. And in this sense, which I think is relevant to some of the comments made earlier, the Fund is not all that different from the soft loan funds of the other development institutions.

The terms of Fund loans are three-fourths of 1 percent service charge, 50 years' maturity including a 10-year grace period. The Fund directs its loan resources toward social development projects and other projects in countries which find it difficult to generate the necessary funds to pay the higher interest charges which are appropriately charged in ordinary capital loans. Although all members of the Bank are theoretically eligible for concessional loans from the AFDF, only the poorest receive them in practice.

Since the Fund's establishment, some \$135 million in concessional loan resources have been pledged by donor nations and the Bank itself has contributed about \$7 million. The proposed U.S. contribution of \$15 million would represent about 10 percent of the contribu-

tions so far pledged by members and would bring the level of total subscriptions to about \$157 million. The United States would be the fourth largest contributor after Canada, Japan, and Germany. The African Development Bank recognizes the importance of concessional lending in a region as poor as Africa and is continuing to seek additional resources for the Fund through the enlistment of new members, increase in donor subscriptions, and bilateral loans and grants.

The first replenishment of the Fund's capital resources for the 1976 to 1978 period was discussed in Geneva last month. Since the United States is not now a member of the Fund, we did not attend this meeting. The Bank management is also continuing in its efforts to involve additional donors more intimately in operations through concessional loans to the bank and membership in the African Development Fund. Saudi Arabia and Argentina are expected to join the Fund this summer.

During the first year of operations in 1974, the bank made 17 loans totaling \$47 million to finance development projects and feasibility studies in 13 countries. Seven of these loans totaling \$19 million have been for long-term development projects such as village wells, road, earthen dams, and irrigation in the drought-affected countries of the Sahel. The Fund staff has laid out an ambitious lending program over the next 3 years and plans to double the amount of its loans during 1975. Agriculture and transportation will be given particular attention and the most needy borrowers will be given priority. I should point out that the disbursements under the Fund loans are of course beginning only this year since the loans themselves were not negotiated until 1974.

I think the basic question involved in the legislation before us is, Why should the United States join another international financial institution? We are already a member of the World Bank, we are already a member of IDA. Both of these institutions are active in Africa. IDA lends on concessional terms similar to those of the Fund. However, our past experience with the regional financial institutions, the Asian Development Bank and Inter-American Development Bank, leads us to believe that a smaller institution with predominance of local citizens can do a better job of meeting certain requirements than the large worldwide organizations. The African countries concur in this belief since the regional institution gives them more control over the course of their own development. Moreover, the work of the African Development Fund and that of IDA and the World Bank in Africa are complementary. The World Bank concentrates on larger, more complex projects utilizing expertise gained from worldwide operations. The African Development Fund focuses on small-scale, basic infrastructure projects and calls upon the firsthand knowledge and African experience of its staff to meet problems unique to Africa.

Because of their responsiveness to the particular conditions in their regions, the United States believes regional banks have a special role in the development process. We are not alone in supporting development banks as an important element of foreign assistance. The regional banks are strongly supported by most of the other Western aid donor countries. Of the 14 OECD countries which are the largest contributors of development assistance, only France, Australia, and the

United States do not now contribute to the African Development Fund.

I would also like to say that our experience in the other regional development banks indicates that there is a political benefit in having a forum in which our relations with members of the region are carried out in a practical work-oriented atmosphere. Too often, relations, if they are not firmly grounded in operational problems, tend to be highly theoretical and sometimes for that reason more confrontational or less productive than they could be. The working relationship that can be established with regional members in the African Development Fund, I am confident, will also contribute, as the previous witnesses have indicated, to our general political relationships in Africa.

We would have been eligible to be an original participant in the Fund had we contributed before December 31 of last year. This would have made our membership automatic and would have entitled us to participate in the election of directors in May of this year. Because we did not meet that deadline, the terms of our membership are not at this moment defined. Our entry into the Fund is subject to unanimous approval by the Board of Governors. We believe that if the proposed authorization is approved, we will be able to negotiate membership in the Fund under terms very similar to the original charter conditions.

However, there is one aspect in which we would like to negotiate a modification. Article 13 of the Fund's Charter provides for the maintenance of value of its currency holdings. Although this would affect us only during that period after we made our contribution actually available to the African Development Fund in the form of a letter of credit and before that letter of credit had been drawn down for loans, we would like to discuss with the Fund the possibility of some arrangements to avoid the maintenance of value obligation for the United States. This would be consistent with the kinds of negotiations and the kinds of arrangements we are making in the other international development institutions.

If the African Development Fund authorization and appropriations receive congressional approval, the impact of the \$15 million contribution and budget outlays would be spread over several years. Initially, our contribution would take the form of non-interest-bearing letters of credit which become outlays only when cash is needed. The Fund requires these letters of credit in order to make loan commitments. The money is actually spent gradually over 5 or 6 years after the Bank makes a loan because contracts must be bid and awarded, contractors mobilized, and goods produced and delivered before payments are made.

Because of this, although our letters of credit would be transferred at the rate of \$5 million a year, the actual outlays would probably only total \$1 million in each of the first 2 fiscal years of our participation and something like \$4 million in each of the ensuing 2 years. I would like to make clear at this time that while U.S. representatives have taken part in the preparatory work for the Fund and attended recent annual meetings, no commitment to join the Fund has been undertaken on behalf of the United States. U.S. representatives have clearly indicated throughout the discussions that our participation in the Fund is subject to congressional review and approval.

I am aware that there is legislation before this subcommittee which has been discussed this morning that provides authorization for U.S. contributions to the Fund of more than \$15 million. We believe that the \$15 million requested is the most appropriate figure for the initial authorization because it is the amount which was agreed on with the African Development Bank and the nonregional donors during the burden-sharing negotiations in 1973. We think the important step now is to authorize U.S. participation promptly so that appropriations can be included in the fiscal year 1976 budget. Once that crucial first step is taken and we become members, we will be able more accurately to assess the size of the U.S. contribution which would be commensurate with the resource needs of the Fund, the contributions of others, the technical capacity of the Fund and the desired level of U.S. participation in the organization.

In his state of the world address to Congress on April 10, President Ford expressed the desire of the United States to develop closer relations with the nations of Africa. Our interests in Africa are both political and economic. From a political standpoint, we recognize that the independent countries of Africa play an important role in the U.N. and hold a key position in the councils of the less developed and nonaligned countries on policy issues of direct concern to the United States.

Africa also has a growing economic significance for the United States. Total U.S. exports to all of Africa rose from just over \$2 billion in 1973 to a little over \$4 billion in 1974. As a result, Africa's share of U.S. exports grew from 3 percent to 4 percent. Under the articles of the Fund, procurement of goods and services for projects financed by the Fund is limited to members only. Therefore, until the United States joins the Fund we will be unable to compete for this potentially substantial source of export earnings.

U.S. investment in Africa has also increased over the last 10 years very substantially from less than \$1 billion to \$4.5 billion, and Africa's share in U.S. direct investment abroad has increased from 2 percent to 5 percent. Investment in trade and in minerals and petroleum account for the largest share of U.S. economic activity in Africa.

Participation in the African Development Fund is very much consistent with our national interest in building cooperative economic relations with the African nations. We need concrete actions to show these countries that we have common interests and we are concerned in assisting them in achieving a better life for their peoples. Participation in the Fund will be viewed by the African nations as a clear indication of our good will and interest in their growth and their prosperity.

I would like to stress my own firm conviction that participation by the United States in the African Development Fund is in the Nation's best interest. The cost is comparatively small. The U.S. percentage share is relatively modest. But the potential benefits to the United States are very significant—a strengthened economic presence in an area of growing importance to the United States, demonstration of our concern for the development and prosperity of the region and opportunity to benefit from the export market created by the Fund's activities. For these reasons I urge this subcommittee to act affirmatively on the authorization request for the African Development Fund.

Thank you.

[The prepared statement of Mr. Cooper follows:]

STATEMENT OF THE HONORABLE CHARLES A. COOPER
ASSISTANT SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE HOUSE SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE
ON PROPOSED U.S. CONTRIBUTION TO THE
AFRICAN DEVELOPMENT FUND
JULY 15, 1975, 9:30 A.M. EDT

Mr. Chairman and Members of the Committee, the Administration is proposing an authorization for U.S. contributions to the AFDF of \$15 million to be made available in installments of \$5 million a year during FY 1976-1978.

The United States participated in the negotiations which led to the establishment of the AFDF in June 1973. Because of authorizing legislation for the other multilateral lending institutions pending before the last Congress, the Administration did not feel that it was appropriate until this fiscal year to present authorizing legislation on the AFDF. In April however, the Administration sent legislation to Congress proposing U.S. participation in the Fund. HR8033, the bill introduced by Congressman Henry Gonzalez, which is being considered here today, is identical to the Administration's proposal except for Section 10 relating to expropriated property of U.S. citizens and firms. If Congress passes this authorizing legislation the Administration will subsequently transmit an appropriation request for \$15 million in FY 1976, which will be made available to the AFDF over a three year period.

INTERNATIONAL DEVELOPMENT BANKS

Before discussing this proposal specifically, Mr. Chairman, I think it would be appropriate to consider briefly the international development banks in general since the AFDF is in many ways similar to those organizations in which the U.S. is already an active participant -- the World

Bank and especially the Asian and Inter-American Development Banks. These banks have played a significant role in building the economic institutions and influencing the policies and priorities of developing nations as well as providing, through loans, the resources necessary for essential economic and social infrastructure improvements.

The development banks are part of an international structure in which the developed and developing countries work together on international problems. By cooperating with the other developed countries in funding these institutions we improve the effectiveness of our own efforts. Other donor countries strongly support this cooperative approach and multilateral institutions are being used for an increasing share of total non-communist development assistance.

These institutions provide an effective and cooperative international approach to the economic development of the third world. They provide the developed and developing countries with an established and systematic framework for consultations on economic policies, development needs, and economic performance. The development banks are not debating societies -- they are working institutions that get things done. The regional banks have an important role to play and reflect the desires and needs of their regional members for organizations aware of and responsive to the unique problems of each region. Also, the regional banks, drawing a large part of their staffs from the countries of the region, have expertise and understanding of local conditions, and local needs and problems which must be taken into account in the transfer of technology to these areas.

Although these banks are apolitical institutions and do not try to change the basic economic system a country has chosen for itself, they stress the role of market forces in the effective allocation of resources, the development of outward-looking trading economies, the critical role of private enterprise, the importance of spreading development benefits to the poorer people. In recent years the banks have placed greater emphasis on agriculture, the family farm, and cooperatives -- an emphasis we have encouraged and supported. In short, the basic approach of the international development banks to economic development is consistent with U.S. views, including views consistently expressed by the Congress.

Each of the development banks make two types of loans. One type is made at near commercial rates of interest with a maturity of 15 to 25 years generally to middle and upper income developing countries. The other type of loan is made at very low interest or without interest for 25 to 50 years almost exclusively to the poorest developing member countries. The International Development Association, the Asian Development Fund, the African Development Fund and the Fund for Special Operations are the concessional lending arms of the World Bank, Asian Development Bank, African Development Bank and Inter-American Development Bank, respectively.

I would now like to describe these organizations to you, first the Bank itself and then the Fund. While these two organizations lend on different terms they share the same staff and their project development and approval processes are the same.

THE AFRICAN DEVELOPMENT BANK

The Bank was established in the early 1960's to assist in the economic and social development of the newly independent African nations and to promote economic cooperation among them. The Bank's membership of forty-one countries is exclusively African but they welcome the participation of non-Africans in their development through such organizations as the World Bank, IDA, and AFD.

Bank Resources. The authorized share capital of the Bank has been increased in each of the last two years and now totals \$484 million. Half of this is to be paid in and half is to be callable. As of December 31, 1974, the paid-in capital of the Bank amounted to \$225 million -- all from African countries and all in convertible currencies. (See Table 1 in Annex). The Bank also has about \$13 million of borrowed resources from Canada, Sweden, and Austria and is continuing its efforts to borrow at favorable terms from non-members. The Bank plans to begin placing two-year bonds on the markets of member countries this July and is also seeking to obtain long-term loans from financially stronger members.

The Bank has made considerable effort to secure resources from both African and Arab oil producing countries. The four OPEC members of the Bank -- Algeria, Gabon, Libya

and Nigeria -- have increased their subscriptions to the Ordinary Capital of the Bank. These four countries accounted for 32% of total subscribed capital of the Bank in 1972 and 39% in 1974. In 1973 and 1974 the Bank increased its ordinary capital stock by \$170 million. Of the \$148 million paid in by 28 member states, 51% or \$76 million was accounted for by the OPEC members. While contributing almost 40% of the Bank's subscribed capital, these four countries received only 13% of its loans. In fact, Libya has never borrowed from the Bank and Nigeria has declared itself ineligible to receive any AFDF concessional assistance. Some member countries have turned to the Bank to administer development contributions which are apart from their regular subscriptions to the Bank. For example, Algeria turned over its \$20 million of the Arab Oil Fund for Africa to be administered by the Bank. All of these funds were disbursed by March 1975, for concessional loans to pay for oil imports.

External Assistance and Bank Management. Having recognized that its acquired resources are limited and that it needs to improve the technical skills of its staff, the Bank has made considerable effort to increase its effectiveness and that of the Fund through cooperation with international organizations and bilateral agencies. Fourteen of the Bank's 85 professionals have attended the Economic Development Institute of the World Bank which trains officials in the techniques of project development and appraisal. The United Nations Development Program, the World Health Organization and the Food and Agriculture Organization have worked closely with the Bank staff in preparation of programs in health and agriculture. The Bank has also received cooperation through externally provided funding and personnel for technical assistance. To date the Bank has received \$16 million in technical aid to improve and speed up the appraisal of potential projects. This past February there were sixteen technical experts working with the Bank from various bilateral and international organizations, two of whom are U.S. government economists. Over a period of six years, the U.S. has contributed \$5 million in grants to permit the Bank to finance economic and engineering feasibility studies conducted by U.S. firms. In FY 1975, the U.S. also made \$2 million available to the Bank for similar technical assistance studies in the drought-stricken Sahel region (Mali, Mauritania, Upper Volta, and Chad). The Agency for International Development proposes to make \$1.8 million in grant funds available in FY 1976 to continue technical assistance to the Bank. We believe that this bilateral assistance should be continued even when the U.S. becomes a member of the Fund, because our

participation in the Fund's Board of Directors would be no substitute for this technical advice.

Through this technical assistance and its growing experience in development finance the AFDB has established a successful lending operation. My staff has examined some of the Bank and Fund loan documents, secured on a restricted-distribution basis from the AFDB management, and considers them technically sound and well prepared. They follow the World Bank format, taking into account such essentials as benefits and costs of the project to the national economy, the financial soundness of the project and the institutional capacity of the borrowing country for carrying out the project. In connection with its technical assistance program, USAID has examined the Bank's lending operations. On the basis of an assessment of the rate of disbursements, the quality of the loan pipeline and the organization of the Bank's project division, AID considers the performance of the management and staff satisfactory.

Bank Lending Activities. The Bank's lending activities, which totaled only \$31 million for the four-year period 1967-1970, reached \$43 million in 1973 and \$89 million in 1974. Through December 31, 1974, the Bank had authorized \$214 million for Ordinary Capital loans for eighty projects in thirty-two member countries, mainly in the public utilities and transportation sectors. The Bank gives priority to specific projects or groups of projects involving two or more member countries which demonstrate clear efforts towards self-help, mobilize local resources and promote trade among members. The Bank also makes loans to development institutions which relend to medium and small businessmen and farmers. Since 1972, all its loans have been made at 6% per annum plus a 1% commission fee, and with maturities normally ranging from 5 to 20 years plus a grace period of 3 to 6½ years.

The Bank faces an extremely challenging task because Africa is the world's least developed continent. Over half of the twenty-five poorest, least developed countries in the world are in Africa; thirteen of the world's eighteen landlocked developing countries are African; twenty-two of thirty-three of the United Nations' "most seriously affected" (MSA) countries are African. In the past few years severe drought in the Sahelian zone as well as in the East African countries of Ethiopia, Somalia, Kenya and Tanzania have had a particularly devastating impact. About 75 percent of the African population is engaged in subsistence agriculture, and in half of the countries per capita income is less than \$100

per year. Because of these dramatic problems many of Africa's developing states simply cannot afford to borrow at the 6% rate of interest for 5 to 20 years offered by the Bank for many of their high priority development projects. To meet the need for softer terms for these projects, the Bank must have a source of concessional funds.

THE AFRICAN DEVELOPMENT FUND

In 1966, in recognition of these problems and in an effort to increase the involvement of non-African industrial nations in Africa development efforts, the Bank undertook discussions with developed countries on establishing a concessional facility associated with the Bank. After six years of negotiations, and with U.S. assistance in drafting the charter, the African Development Fund was inaugurated in July 1973. The present members of the Fund are Canada, Brazil, Japan, twelve European donors and the Bank itself representing all of its member countries.

The Fund is legally separate from the Bank and managed by its own Board of Directors, six of whom are chosen by the Bank and six by the donor countries. A 75 percent weighted vote is required for all operational decisions.

The Fund uses the Bank's staff and draws upon its expertise, as do the concessional funds of the other international development lending institutions. All loans bear a 3/4 of one percent service charge, with a fifty-year maturity including a ten-year grace period. The Fund directs its loan resources toward social development projects. Although all members of the AFDB are theoretically eligible for concessional loans, only the poorest receive them in practice.

Fund Resources. Since the Fund's establishment, donor nations have pledged about \$135 million in concessional loan resources and the Bank has contributed another \$7 million. The proposed U.S. contribution of \$15 million for the African Development Fund--which represents about 10 percent of the contributions so far pledged by members--would bring the level of total subscriptions to about \$157 million. The United States would be the fourth largest contributor, after Canada which has pledged \$25 million, Japan and Germany, each of which has pledged \$16.7 million. Table 2 in the Annex shows the breakdown of the donors and their subscriptions

The AFDB recognizes the importance of concessional lending

in a region as poor as Africa and is continuing to seek additional resources for the Fund, through the enlistment of new members, the increase in donor subscriptions, and bilateral loans and grants. The first replenishment of the Fund's capital resources for the 1976-1978 period was discussed in Geneva last month. Since the United States is not a member, we did not attend this meeting. The Bank management is also continuing in its efforts to involve additional donors more intimately in its operations through concessional loans to the Bank and membership in the African Development Fund. Saudi Arabia and Argentina are expected to join the Fund this summer, with subscriptions of \$10 million and \$2.2 million respectively.

Fund Operations. During its first year of operations in 1974, the Fund made 17 loans totalling \$47 million to finance development projects and feasibility studies in thirteen countries, predominantly in the area of agriculture. Seven of these loans, for \$19 million, have been for long-term development projects such as village wells, roads, earthen dams, and irrigation in the drought-affected countries of the Sahel.

The Fund staff has laid out an ambitious lending program over the next three years, and plans to double the amount of its loans during 1975. Agriculture and transportation will be given particular attention and the most needy borrowers will be given priority. (See Tables 3 and 4 for more detail on the Bank and Fund lending programs by country and sector.)

WHY JOIN ANOTHER LENDING INSTITUTION

Now that I've briefly described the organization and its activities, I will try to answer a question which you have probably already asked yourselves and intend to ask me: Why should the U.S. join another international financial institution? The U.S. is already a member of the World Bank and IDA. Both are active in Africa, and IDA lends on concessional terms similar to those of the AFDF. Our past experience with the Asian and Inter-American Development Banks, however, leads us to believe that a smaller institution with a predominance of local citizens can do a better job of meeting certain requirements than the much larger, world-wide organization. The African countries concur in this belief, since the regional institution gives them more control over the course of their own development. Moreover, the work of the AFDF and that of the World Bank in Africa are complementary. The World Bank concentrates on larger, more complex projects

utilizing expertise gained from world-wide operations. The AFDF focuses on small-scale, basic infrastructure projects and calls upon the first-hand knowledge and African experience of its staff to meet problems unique to Africa.

Because of their responsiveness to the particular conditions in their regions, the U.S. believes that regional banks have a special role in the development process. We are not alone in supporting development banks as an important element of foreign assistance. The regional banks are strongly supported by most of the other Western aid donor countries. Of the fourteen OECD countries which are the largest contributors of development assistance, only France, Australia and the United States do not contribute to the AFDF. Also, except for France, Australia, Sweden and Norway, all already contribute or have agreed to make contributions in 1976-78 to the Inter-American Development Bank's Fund for Special Operations (FSO). (See Table 5 in Annex)

U.S. MEMBERSHIP IN AFDF

Because the U.S. participated in the drafting of the Agreement establishing the Fund, we would have been eligible to be an "original participant" had we contributed to the Fund by December 31, 1974. This would have made our membership in the Fund automatic and entitled us to participate in the election of directors in May 1975. Because we did not meet the December 31 deadline, the terms of our membership are not at this moment defined and our entry into the Fund is subject to unanimous approval by the Board of Governors. We believe that, if the proposed authorization is approved, we will be able to negotiate membership in the Fund under terms similar to the original charter conditions. However, there is one aspect on which we would like to negotiate a modification. Article 13 of the Fund's charter provides for the maintenance of value of its currency holdings. Although this would affect us only during that time after we make our contribution available to the AFDF in the form of a letter of credit and before these letter of credit dollars are lent out, we would discuss with the Fund the possibility of an arrangement to avoid a maintenance of value obligation for the U.S.

If AFDF authorization and appropriations receive Congressional approval, the impact of the \$15 million contribution on budget outlays will be spread over several years. Initially, our

contribution would take the form of non-interest bearing letters of credit which become budget outlays only when cashed as needed. The Bank requires these letters of credit in order to make loan commitments. (Our pledge would be made subject to appropriation of funds.) The money is actually spent only gradually over the five or six years after the Bank makes a loan because contracts must be bid and awarded, contractors mobilized, and goods produced and delivered before payments are made. Because of this, the outlays would probably total \$1 million in each of the first two fiscal years of our participation and about \$4 million in each of the ensuing two years.

I should like to make clear that, while U.S. representatives took part in preparatory work for the Fund and attended recent annual meetings, no commitment to join the Fund has been undertaken on behalf of the United States. U.S. representatives clearly indicated throughout the discussions that our participation in the Fund was subject to Congressional review and approval.

I am aware that there is legislation before this Committee that provides authorization for U.S. contributions to the Fund of more than \$15 million. We believe that the \$15 million requested is the most appropriate figure for the initial authorization because it is the amount which was agreed on with the AFDB and the non-regional donors during the burdensharing negotiations in 1973. The important step now is to authorize U.S. participation promptly so that appropriations can be included in the FY 1976 budget. Once that crucial first step is taken and we become members, we will be able more accurately to assess the size of the U.S. contribution which would be commensurate with the resource needs of the Fund, the contributions of others, the absorptive capacity of the Fund, and the desired level of U.S. participation in the organization.

BENEFITS FROM U.S. MEMBERSHIP

In his State of the World Address to Congress on April 10, President Ford expressed the desire of the United States to develop closer relations with the nations of Africa. Our interests in Africa are both political and economic.

From a political standpoint, we recognize that because of their numbers the independent countries of Africa play an important role in the UN and hold a key position in the councils of the less developed and non-aligned countries on

policy issues of direct concern to the United States.

Africa has a growing economic significance for the U.S. as well. Total U.S. exports to all of Africa rose from just over \$2 billion in 1973 to a little under \$4 billion in 1974. As a result, Africa's share of U.S. world exports grew from 3 percent in 1973 to 4 percent in 1974. Under the Articles of the Fund, procurement of goods and services for projects financed by the Fund is limited to members only. Until the United States joins the Fund we will be unable to compete for this potentially substantial source of export earnings.

During the ten-year period from 1964 to 1974, U.S. investment in Africa increased from approximately \$0.8 billion to \$4.5 billion and Africa's share in U.S. direct investment abroad increased from 2 percent to 5 percent, excluding South Africa.

Investment and trade in minerals and petroleum account for the largest share of U.S. economic activity in Africa. Three-quarters of U.S. direct investment in Africa are in these areas. In 1974, African petroleum alone accounted for 26 percent of total U.S. imports of crude oil. Last year we obtained the following percentages of our mineral imports from Africa: cobalt--52%; manganese--41%; antimony--36%; platinum--35%; and industrial diamonds--almost 100% by origin. In addition to minerals, we obtain 30% of our coffee and 37% of our cocoa from Africa exporters.

Participation in the AFDF is consistent with our national interest in building cooperative economic relations with the African nations. We need concrete actions to show these countries that we have common interests and that we are concerned with assisting them in achieving a better life for their peoples. Participation in the Fund will be viewed by the Africans as a clear indication of our good will and our interest in their growth and prosperity.

Gentlemen, I should like to conclude my testimony by stressing our firm conviction that the participation of the U.S. in the African Development Fund is in the nation's best interest. The cost is comparatively small and the U.S. percentage share is modest. Yet the potential benefits to the United States are significant -- a strengthened economic presence in an area of growing importance to the U.S., demonstration of our concern for the development and prosperity of the region, and the opportunity to benefit from the export market created by the Fund's activities. For these reasons, I urge this Committee to act favorably on this authorization request for the AFDF.

Table 1

AFRICAN DEVELOPMENT BANK
Subscriptions to Ordinary Capital and Loans Received
As of December 31, 1974^{1/}
(millions of dollars) ^{2/}

Country	Subscribed Capital	Paid-in Due ^{3/}	Paid-in Received	Amount of Loans Received	Number of Loans Received
Algeria	47.4	17.9	17.9	10.2	3
Botswana	1.2	.1	.1	2.7	1
Burundi	2.9	.7	.7	4.8	1
Cameroon	7.3	3.3	3.3	3.6	1
CAR ^{3/}	1.2	.5	.4	1.2	1
Chad ^{3/}	1.9	.7	.4	0.0	0
Congo Brazza	4.2	1.0	1.0	7.9	3
Dahomey	1.7	.9	.9	2.3	2
Ethiopia ^{3/}	12.5	6.3	4.4	0.0	0
Egypt ^{3/}	36.3	18.2	1.2	6.1	1
Gabon	6.1	.9	.9	4.8	1
Gambia ^{3/}	1.2	*	*	0.0	0
Ghana	15.5	7.7	7.7	7.6	2
Guinea ^{3/}	4.0	1.7	1.5	8.1	2
Ivory Coast	11.5	4.4	4.4	4.5	2
Kenya	11.5	4.2	4.2	11.5	4
Lesotho	1.3	*	*	0.0	0
Liberia	4.4	1.8	1.8	5.8	4
Libya ^{3/}	60.5	20.6	18.2	0.0	0
Malawi	3.1	1.3	1.3	6.2	3
Mali	2.8	1.5	1.5	0.7	1
Mauritania	2.1	.7	.7	1.1	1
Mauritius	3.6	*	*	0.0	0
Morocco	22.5	9.9	9.9	16.7	4
Niger	1.9	1.0	1.0	1.7	1
Nigeria	60.5	22.4	22.4	11.7	3
Rwanda	1.5	.7	.7	0.0	0
Senegal	6.7	3.4	2.8	31.4	3
Sierra Leone ^{3/}	3.8	1.5	1.5	8.2	4
Somali	3.3	1.5	1.5	3.0	2
Sudan	15.3	6.2	6.2	12.8	4
Switzerland	2.9	.5	.5	3.6	2
Tanzania	11.5	4.9	4.9	9.9	3
Togo ^{3/}	2.4	.7	.6	5.1	2
Tunisia	3.3	4.2	4.2	9.1	4
Uganda	5.8	2.8	2.8	11.0	4
Upper Volta	1.6	.9	.9	4.8	2
Zaire	36.3	9.1	9.1	7.0	2
Zambia	19.4	8.1	8.1	8.1	3
Total	\$449.1	\$171.6	\$149.0	204.7	76
Multinational projects				9.1	4
Grand Total				\$213.8	80

^{1/} Converted at UAl = \$1.21. Totals may not add due to rounding.

^{2/} Half the subscribed capital (\$225 million) is to be paid in and half is callable. Of the paid in, \$172 million was due as of Dec. 31, 1974.

^{3/} In arrears. Arreages amounted to \$23 million

* Less than \$100,000

Note: Guinea Bissau joined in May 1975 and Equatorial Guinea joined in June 1975 as the fortieth and forty-first members.

Source: AFDB 1974 Annual Report

AFRICAN DEVELOPMENT FUND
STATEMENT OF CONTRIBUTIONS

Table 2

(millions of dollars) 1/

<u>Actual Members as of May 31, 1975</u>	<u>Subscriptions</u>	<u>Percent Share Actual Members</u>	<u>Percent Share Actual & Prospective Members</u>
AFDB	7.3	5.141	4.314
Belgium	3.3	2.324	1.950
Brazil	3.3	2.324	1.950
Canada	25.0	17.606	14.775
Denmark	7.8	5.493	4.610
Germany	16.7	11.761	9.870
Finland	2.2	1.549	1.300
Italy	11.1	7.817	6.560
Japan	16.7	11.761	9.870
Netherlands	6.6	4.648	3.901
Norway	8.4	5.915	4.965
Spain	3.3	2.324	1.950
Sweden	10.0	7.042	5.910
Switzerland	6.9	4.859	4.078
UK	10.2	7.183	6.028
Yugoslavia	<u>3.3</u>	<u>2.324</u>	1.950
Sub Total	142.0	100.000	
<u>Prospective Members</u>			
Argentina	2.2		1.300
Saudi Arabia	10.0		5.910
United States	<u>15.0</u>		<u>8.865</u>
Sub Total	<u>27.2</u>		
Grand Total	169.2		100.000

1/ Converted at UAL = \$1.11. Totals may not add due to rounding.

Source: OADB

Tabel 3

AFRICAN DEVELOPMENT BANK

Loans by Country and Sector ^{1/}1974
(millions of dollars)

<u>Country</u>	<u>Purpose</u>	<u>Amount</u>
Burundi	Industry	4.8
Dahomey	Electric Power	1.9
Egypt	Electric Power	6.1
Gabon	Transport	4.8
Ghana	Water Supply	4.8
Guinea	Water Supply	3.3
Guinea	Communications	4.8
Kenya	Transport	3.6
Liberia	Industry	2.4
Malawi	Transport	.6
Morocco	Industry	4.8
Morocco	Agriculture	4.8
Nigeria	Transport	5.8
Senegal	Transport	.2
Sierra Leone	Industry	1.2
Sierra Leone	Agriculture	1.7
Sudan	Electric Power	4.8
Swaziland	Electric Power	1.8
Tanzania	Transport	4.8
Togo	Electric Power	3.4
Tunisia	Transportation	4.7
Tunisia	Industry	.4
Uganda	Agriculture	5.8
Upper Volta	Industry	2.4
Zambia	Communications	4.8
		<u>\$88.5</u>

^{1/}
Converted at UA 1 = \$1.21. Totals may not add due to rounding.

Source: AFDB 1974 Annual Report

Table 4

AFRICAN DEVELOPMENT FUND

Loans by Country and Sector ^{1/}1974
(millions of dollars)

<u>Country</u>	<u>Sector</u>	<u>Amount</u>
Burundi	Water Supply	2.2
Chad	Agriculture	4.4
Dahomey	Transport	.2
Gambia	Agriculture	2.2
Lesotho	Agriculture	5.6
Mali	Agriculture	4.4
Mali	Transport	.4
Mauritania	Water Supply	4.0
Mauritania	Agriculture	0.2
Mauritania	Agriculture	4.8
Rwanda	Agriculture	4.7
Rwanda	Transport	.4
Senegal	Transport	4.4
Somalia	Transport	3.3
Sudan	Transport	4.4
Swaziland	Agriculture	.3
Upper Volta	Transport	.4
		<u>\$46.6</u>

^{1/}Converted at UA 1 = \$1.11. Totals may not add due to rounding.

Source: AFDF 1974 Annual Report

Table 5

MEMBERSHIP OF MAJOR DEVELOPED AID
DONORS IN INTERNATIONAL DEVELOPMENT BANKS

<u>Country</u> ^{1/}	<u>ADB</u>	<u>ADF</u>	<u>IDB</u>	<u>FSO</u>	<u>AFDB</u>	<u>AFDF</u>
United States	x	x	x	x	o	o
France	x	o	o	o	o	o
Germany	x	x	<u>2/</u>	<u>2/</u>	o	x
Japan	x	x	<u>2/</u>	<u>2/</u>	o	x
United Kingdom	x	x	<u>2/</u>	<u>2/</u>	o	x
Canada	x	x	<u>2/</u>	<u>2/</u>	o	x
Australia	x	x	o	o	o	o
Netherlands	x	x	<u>2/</u>	<u>2/</u>	o	x
Sweden	x	x	o	o	o	x
Belgium	x	x	<u>2/</u>	<u>2/</u>	o	x
Italy	x	x	<u>2/</u>	<u>2/</u>	o	x
Denmark	x	x	<u>2/</u>	<u>2/</u>	o	x
Norway	x	x	o	o	o	x
Switzerland	x	x	<u>2/</u>	<u>2/</u>	o	x

^{1/} These countries are ranked in order of the total size of their official development assistance to the developing countries, from larger to smaller.

^{2/} These countries have stated their intention to join the Inter-American Development Bank in the Declaration of Madrid of December 1974.

Mr. GONZALEZ. Thank you, Mr. Secretary. We have had a submission from State which I think is succinct and excellent. I do have questions, though. As I said a while ago, my understanding is that even if we were accepted, we wouldn't have entitlement to a director. But now what happens? Is there any possibility that we would go through the motions of successful consideration of this legislation in the Congress and then be rejected? Is there any possibility of that embarrassment for the United States?

Mr. COOPER. I think that possibility is theoretical only. The Bank and the Fund have welcomed other new donors and we have no reason to believe they would not very much welcome U.S. participation in the Fund. As I mentioned, we have to negotiate the terms and conditions; nothing is automatically set. With respect to a directorship, the next election of directors will be held in 1978, at which time if we were a member we would be eligible to participate. As soon as we join the Fund, we would be represented on the Board in one of the present constituencies. We have not yet negotiated with any of the present members as to which constituency we would join but we would do that as part of our membership negotiations.

Mr. GONZALEZ. That is, initially we would not be entitled to a director?

Mr. COOPER. No, sir.

Mr. GONZALEZ. Therefore, we would have to select the director through whom we would have to work?

Mr. COOPER. Yes, sir, which is of course the position many countries are in a number of these institutions. We would have to do that. We would have to discuss our entering a constituency with that director, but I don't think that would pose any particularly difficult problems. We would expect our voice to be heard both informally and in the formal board meetings through our participation in that constituency.

Mr. GONZALEZ. In what manner would we devise the procedures that would lead us to evaluate loans and loan commitments if we share these directorships? Just what say-so would we be able to have?

Mr. COOPER. We would have a say-so in the constituency that we chose commensurate with our own financial contribution. I think by getting more directly involved in the operations of the Fund, we would begin to build up a base of knowledge about the Fund that quite frankly at this time we don't have in the same degree that we have about the other multilateral institutions of which we are members. You simply never know as much about an institution if you are not a participant, but looking from the outside, as you do if you are an active participant. I think the fact that we would initially be formally represented only as a member of a constituency does not necessarily change that. We would still be an active country, an active donor, and play a very operational role in the discussions.

Mr. Bushnell, would you like to add to that?

Mr. BUSHNELL. We would plan to proceed, Mr. Chairman, in the same way with the loans of this Fund as with the soft loan funds of the other regional banks—the Inter-American Bank and Asian Bank of IDA. We would review, in the interagency process through the National Advisory Council, the loan documents which we would receive once we were a member. And although the Director to whom we would

give our views would not initially be an American, I think we have every reason to be confident we would find a director who would present our views clearly and distinctly. As you know, it is a very unusual situation when these loan proposals come to a vote. It is more a discussion and resolving of problems. I think we can be confident that our views would be fully expressed by the director that we would select to represent our interests until 1978. Once there is another election in the Board, my own view would be that it is quite likely we would have an American director. He might not be a sole director; he might have to represent some other countries as well. Because such a situation may occur in the future, I think it strengthens our assurances of cooperation in the present. The chance that the situation in which we were initially represented by a citizen of another country might be turned around in the successive term and we would be representing them, would be the base for the sort of cooperation in getting our views fully expressed within the Fund. We also, of course, through our Governor in the Fund and through direct contacts with Bank management would be able to express views in addition to the use of an executive director.

Mr. GONZALEZ. Is there any possibility that, assuming the Congress would be liberal and adopt a version with, say, the hiring of a contribution or the \$50 million per year that Mr. Young and Mr. Mitchell mentioned, would it be possible to discuss them with the Fund and the Bank directors a reconsideration of a date, the deadline of last year, to enable the United States to enter on a *nunc pro tunc* standing, that is, if it was a charter subscriber. Is there that possibility? Could we negotiate that kind of thing?

Mr. COOPER. I don't think we have fully explored all the possibilities there. Formerly, the Fund agreement provided for the election of donor country directors at each of the three annual meetings, 1973, 1974, and 1975. After these initial three elections, the term of office of Fund directors representing donor country participants would be 3 years. So this would be really negotiating an amendment of the Fund agreement. I am not saying that would be impossible, but it seems to me to be certainly not anything that we could count on.

Mr. GONZALEZ. Mr. Secretary, there is one thing that I am particularly interested in because I think it will be a factor sooner or later. The Fund's financial data are denominated in the units of account which in turn are defined in terms of gold. Is this unit of account essentially based on the SDR or on base of currencies?

Mr. COOPER. It is, I think, almost a hangover from an earlier age because the unit of account is denominated in grams of gold. As is in the charter of the other international banks, maintenance of value in the fund charter is based on formal changes in the gold value of currencies as in the other institutions, there is also the provision that even if the par value didn't change, and the purchasing power of a particular currency changed significantly, the Fund could discuss with the IMF what revision in a country's contribution might be appropriate. But as I said in my testimony, we would hope in our membership negotiations with the Fund to be able to eliminate any maintenance of value provision. Even if we weren't successful in doing that and I hope we would be, the obligation would be very small because of the way the maintenance of value provision in the Fund works. It only applies between the time the letter of credit is

provided to the Fund, which we would propose to do at a rate of \$5 million a year, and the time the funds are distributed for loans. Once the dollars have been drawn down for loans, the MOV stops, and it doesn't start until additional dollars have been contributed. So it is a relatively short period of time during which an MOV can operate. Of course, it can operate both ways, up as well as down.

Mr. GONZALEZ. One final question and I would like to ask unanimous consent to submit some other questions in writing to the Secretary. Since we are very heavily involved in IDA, how does the work of IDA compare with that of the African Development Bank in Africa? Is there any kind of collaboration or cooperation between the two units?

Mr. COOPER. Yes, indeed, there is cooperation with IDA. I think basically IDA, as befits a larger organization, tends to be involved in larger projects than does the African Development Fund. But it is my understanding that there is significant cooperation between the Fund and IDA on individual projects, and certainly a great deal of cooperation with the World Bank in terms of technical assistance and the training of loan officers. This is, like the other regional banks, an institution that works very closely with the World Bank both technically and financially. But at the same time it has its own unique contribution to make by being able to get really interested in projects that are somewhat different and somewhat smaller and more tailored to the requirements of African countries than a worldwide organization such as IDA.

Mr. GONZALEZ. You don't see any duplication problems there, do you? Maybe there is so much work to be done they couldn't duplicate.

Mr. COOPER. I think that certainly is a part of the answer. The other part is that this is an organization that would be able to look in a more focused way at particular projects that would normally be below the level of vision of a worldwide organization such as the International Development Association. This also leads me to one of the comments I wanted to make about the statements of the previous witnesses on the size of the U.S. contribution. Here I think we do have to take into account that the Fund itself is small. And although it is growing, or hopes to grow at a fairly rapid rate, it is still going to be a relatively small institution. If our contribution were very large it does not necessarily mean that it could be used in any very quick way because I think to some considerable degree the rate at which the Fund disburses and makes new loans is going to be limited by its own ability to manage and grow as an institution. Simply having a little bit more in the way of financial backing from the United States or any of the other donors is not necessarily going to overcome all the problems in the same time period that would make that feasible.

Mr. GONZALEZ. Mr. Johnson.

Mr. JOHNSON. Thank you. I think we have had some very fine presentations here this morning. My views on this bank are pretty well known. I have expressed them on many occasions. My objection goes not to substance, but to form. Since I have been a Member of Congress, we have established the Asian Bank for Development, and we in the United States have become an economic partner in the Bank, and we feel we are part of the Bank, and we have representation on the Board, and as a result of that great cooperation between Asia and the United States, the bank has grown into I don't know what their

footings are, probably over \$1 billion today. In the African Bank they, in effect, have decided we will go it alone, we will have Africa for Africans and we will do this on our own and we will establish our own bank and not let anybody else have any equity in it. As a result, after 10 years they have a paid-in capital of \$225 million and have been able to loan the sum of \$160 million. And in view of that inability to raise substantial cash through equity in the bank, they are now resorting to the African Development Fund. The African Development Fund can operate without the African Development Bank because while they are related, they certainly have no real dependency on each other.

I think that the present slogan of Africa for Africans is a luxury they can't afford, and you are going to have a hard time to have this Congress just put money into a development fund over which we have no direct control. And particularly in view of the fact that I don't think we have made the replenishment of IDA yet. We have a \$1.8 billion authorization we are going to try to get through this session of Congress for the Inter-American Development Bank. And I just think that this African Bank of Development is going about it the wrong way. They could create preferred stock and say to the United States and other nations, we are going to sell you an ownership in the bank. The definition of preferred stock is that it is a polite way to borrow money. It would give us in Congress something to put our teeth in and to say we are buying an equity in a bank in Africa and we are going to become part of the system instead of a giveaway program in a soft fund. That is the problem as I see it. These speakers here today would have us believe that we hadn't done anything for Africa.

I have traveled all through Africa. Here is Tunisia, a member here. I have seen all the schools we have built in Tunisia, the huge irrigation systems, the electric power stations we have built in Tunisia. I have been in Nigeria where we have split up the tea plantations and divided them up, and have been in Ethiopia and seen all the roads and schools built there. And so the inference is that we have not done anything in Africa, and that unless we enter into this partnership, they won't love us. They don't love us now for what money we have spent there. I don't know how we can buy their love. But don't get me wrong, I am for multinational institutions. I am for the Asian Bank of Development and the Inter-American Development Bank, but as I say, I don't like the form of this one. They want our money and don't want us to have anything to say about running the bank, and I think that from an international standpoint is very wrong. I think if they would create an issue of preferred stock that they could get Saudi Arabia and the OPEC countries to buy substantial interests in their bank. That is the problem as I see it. And I am not saying that I am not going to go for this \$15 million, but I am very disturbed by the form of the way this is being presented to the Congress.

Mr. COOPER. I would like to make just one comment on that, which is, it is not true that the donor nations would have no influence on the operating policies of the African Development Fund.

Mr. JOHNSON. With the Fund, but I am talking about the bank.

Mr. COOPER. The Fund would be the one place where we would be

contributing money. And we would have the same kind of operating influence that we have in any of the other international institutions. I think that the desire of African nations is to limit membership in the bank itself is perfectly understandable in view of their political concerns, which I am sure Mr. Davis can speak about with more authority than I can. But a number of other donor countries have been participating in the Fund. Their experience, I think, has been very good. They feel like full participants. Certainly the African nations very much welcome outside donors participating in the Fund which makes concessional loans on terms which can be afforded for social projects and to poorer countries. I think that our experience with the other international institutions you have talked about has indicated how valuable it is to have this kind of relationship with countries.

We also have our bilateral relations. We have and are providing substantial bilateral assistance to African countries. But we have found by previous experience in the other institutions—the Inter-American Bank and Asian Bank—that our participation is a very useful supplement to these bilateral relations and will enable us to participate in the development of Africa in a somewhat different way that is very productive for our economic and political interests.

Mr. JOHNSON. How will we be able to explain, let's say, to the Congress that we have our interest in the Asian Bank for Development, which is an equity interest, we have our interests in the Inter-American Development Bank, which is an equity interest, and how are we going to explain to the Congress all we are doing here is contributing to a special fund over which we will have no real control and which will be a dissipating thing and so forth?

Mr. COOPER. I don't think it is true that we have no real control over this Fund. We will have the same kind of influence and control over the Fund which we have as a donor nation in any other international financial institution. The fact we are not in the bank itself does not reduce our influence over the operations of the Fund. I think that in terms of justifying this to Congress we have to be quite frank and say it is the desire of the African nations that the bank be retained as an African institution without nonregional members. This is understandable. It certainly was a long time before the Inter-American Development Bank was nonregionalized, if you will. I can't say what the future will hold, but that is an understandable relationship. They are certainly not asking for contributions from donors with no role in the operation of the institution. Their willingness and desire for contributions to the Fund itself is accompanied by arrangements which make it possible for the donor countries to have full influence on the operations of that institution.

Mr. JOHNSON. Don't you think right in the inception if they had made it an international institution like the Asian Development Bank instead of just being a \$225 million institution, it could well be a big bank today, really going places. I think they have stifled themselves by trying to rely on their own limited resources. And I think there are some countries that haven't even paid in their assessments.

Mr. COOPER. It might be a bigger institution now, but they might not like it as well. That is certainly understandable. This is an ordinary capital institution that is in effect making loans on more nearly commercial terms. And I think it is not inappropriate for that to be

limited to African members. And at the same time there is no doubt that they are very anxious to have nonregional members in the Fund itself. And although it has the same staff, it is a separate institution in which the donor countries have a full voice in its operations. So I don't really see that we are being asked to contribute money to an institution over which we have no influence. That is not the case. It is no different in that respect than any of the other international institutions.

Mr. JOHNSON. I still think in the inception that they made a great tactical error in trying to do what they are doing and here they are today with practically no money. And if their object was to just have a bank, that is something else. But if they are interested in attracting huge sums of money, they should have started out as the Asian Bank for Development did and set it up the same way and we would have contributed the same amount down through the years to that institution as we have to the Asian Bank for Development. I think their needs are just as great if not greater. But I can't help but feel that they have set it up wrong and instead of asking for \$50 million now to a development fund, they would be getting \$150 and \$200 and \$300 million a year from us. But I realize that is behind us, and now we have to face the question whether we want to give to this special fund or not.

Mr. BUSHNELL. I think if you look at the three regional banks, there are countries in Latin America particularly, and in Asia, which are better able to afford the sort of terms that the ordinary capital lender provides—8 percent and 15 to 20 years instead of 1 percent and 40 or 50 years. In Africa there are relatively few of those countries. I don't know what was in their minds when they set up this bank a dozen years ago, but they may have felt if they had a bank on the pattern of the World Bank and the donors put in a lot of callable capital they would have to borrow the money at 8 percent and lend it out at 8 percent, and there weren't very many of their members in that area of the world that could afford that sort of operation. Unlike the other banks, ordinary capital lending from the African Development Bank is concessional. It is made at lower interest rates than the World Bank, Inter-American Bank, or Asian Bank. They can do this because they raise the money from themselves. I don't know what our reaction might be if they asked us to join the bank and put in money that would have to be lent out at those concessional terms instead of just putting in capital as in other banks.

Mr. JOHNSON. You would have a better chance of getting it through Congress. The reason I have carried on this line of questioning is that I know the feeling of quite a few Members on this very subject and I just wanted to see what you people had to say about it. Because it is a situation we are going to face. And I don't know as you have adequately explained it. I mean it is something that we will have to talk about when we get into the markup on the bill.

Mr. GONZALEZ. Thank you very much, Mr. Johnson. Thank you, Mr. Secretary.

Mr. COOPER. Thank you, Mr. Chairman.

Mr. GONZALEZ. You are excused so you won't have to sit around, but we will be in touch.

[The following are written questions submitted to Mr. Cooper by Chairman Gonzalez, along with Mr. Cooper's answers:]

Question 1. Commodity agreements and cartels seem to be all the rage these days. Is the AFDB getting into the business of promoting or financing commodity cartels?

Answer. No, the Bank is not involved in any way in promoting or financing commodity cartels. The Bank's express purpose is to finance specific projects which contribute directly to the economic and social development of its members. An examination of the types of projects the Bank finances clearly shows that funds are lent predominantly for such infrastructure projects as electric power, telecommunications, and transportation systems.

The Bank has not financed any projects connected with mineral production or extraction. The Bank has financed a loan for a palm oil project and an irrigation project for rice paddies both of which should result in increased production of these commodities. However, such financing of agricultural production is obviously very remote from involvement in commodity agreements or cartels.

Question 2a. What countries are receiving the most loans from the Bank and from the Fund?

Answer. The major recipients of African Development Bank loans are Algeria (\$10.2 million), Kenya (\$11.5 million), Morocco (\$16.7 million), Nigeria (\$11.7 million), Sudan (\$12.8 million) and Uganda (\$11 million). Together they account for 35% of the Bank's cumulative lending. The largest borrowers from the Fund are Lesotho (\$5.6 million), Mauritania (\$9 million) and Rwanda (\$5.1 million) which together account for 42% of the Fund's total lending in 1974, its first year of operation.

Question 2b. Is there any history of debt rescheduling problems?

Answer. As of December 31, 1974, the latest data available, the Bank had received \$1.3 million in scheduled repayments from its borrowers. Of the seven loans which had payments due, one to Niger for \$1.7 million was delinquent.

There are no repayment problems as far as the Fund is concerned. Since the Fund made its first loans in 1974 and project loans carry a 10 year grace period, the first principle repayments are not due until 1984. The Fund also makes loans to finance technical studies. These loans carry a 2 or 3 year grace period. The first repayments on studies are due in 1977.

Question 3. What are the criteria for the granting of loans from the Fund compared with loans from the regular operations of the AFDB? That is, who gets hard loans and who gets soft loans?

Answer. Both the AFDF and the AFDB use their resources to provide financing for projects and programs which promote the economic and social development of their members. The primary distinction between the lending criteria for the Bank and the Fund is that the Fund directs its lending to those countries whose economic situation and prospects require such financing to be on highly concessional terms.

The Bank lends to the wealthiest as well as to the poorest of its members. The average per capita income of the countries it has lent to is \$237. The Fund however restricts its lending to the poorest African nations. The thirteen countries it lent to in 1974 had an average per capita income of \$123. Nine of them, which are classified by the United Nations as among the "most seriously affected", received 78% of the Fund's resources last year. These same countries are scheduled to receive twenty-three of the thirty loans planned for 1975.

The Bank and the Fund also differ somewhat in the types of projects they finance. The Bank has concentrated its lending primarily in the areas of public utilities and transportation, although it has also extended lines of credit to local development banks and financed some agricultural projects. Over half the Fund's lending in 1974, its first year in full operation, was, for agricultural projects. Some loans were also made for transportation and public utilities. Unlike the Bank, the Fund has not financed any industrial projects nor extended financing to local development institutions. The Fund also uses its resources to finance studies and projects in the health field, an area in which the Bank does not lend.

Question 4. Is the AFDF involved in the economic reconstruction of the drought-stricken states of West Africa and Ethiopia?

Answer. The Fund is actively engaged in the reconstruction of the Sahel countries of Mali, Mauritania, Senegal, Upper Volta and Chad through its lending operations. Seven of its seventeen loans approved in 1974, amounting to \$19 million have been for long-term development projects such as village wells, roads, dams and irrigation in these countries.

Although no loans were made to Ethiopia in 1974, the first year of the Fund's operations, the Fund does plan to finance projects in that country in 1975. In fact, 42% of its projected lending program for 1975 is expected to be for projects in the Sahel and Ethiopia.

Question 5a. Could you explain the voting and majority vote provisions of the Fund agreement?

Answer. The two decision-making bodies of the African Development Fund are its Board of Governors and Board of Directors. The Board of Governors is responsible for admitting new members to the Fund, amending the Articles of Agreement, authorizing increases in subscriptions and is empowered to make other major public policy decisions. The Board of Directors on the other hand, is responsible for the direction of the general operations of the Fund, including taking decisions on individual loans.

According to the Agreement Establishing the African Development Fund, the governors of the Bank also serve as governors of the Fund. In addition the non-regional donor countries are each entitled to appoint a governor in the Fund. The Bank, as a group, and the donor countries, as a group, each have 50% of the voting power. The voting power of each governor of the Fund who is also a governor of the Bank is proportionate to his share of the Bank's votes. The voting power of each governor appointed by a donor country is proportionate to that country's share of the subscriptions of the donor countries.

The Board of Directors of the Fund is composed of twelve directors, six from the donor countries and six from the Board of Directors of the Bank. The directors designated by the Bank have 50% of the voting power and the directors selected by the donor countries have 50% of the voting power. Each of the six directors from the Bank controls one sixth of the votes allotted to them as a group. Each of the six directors representing donor countries may represent several donors, constituting a constituency. The vote controlled by such a director is based on the total votes of the countries represented in the constituency. If there is a disagreement within the constituency on an issue, the director can split the vote accordingly.

All operational matters before the Board of Governors or the Board of Directors must be decided by a 75% majority of the total voting power of the participants.

Question 5b. Does any country or small group of countries have veto power? Does the Bank through its Directors in the Fund have veto power over Fund loans and activities?

Answer. Because of the 75% majority vote provision on operational matters, any country or group of countries controlling more than 25% of the voting power would be able to block action on a decision. At present, no single donor country has anywhere near 25% of the total voting power. Canada, which has the largest subscription, only has 9.3%, while Japan and Germany each control 6.2% of the vote. However, it is possible that if the four largest donor countries formed a voting bloc they would have a veto power over decisions. For example, Canada, Japan and Germany and Italy, the four largest subscribers, together control 25.8% of the vote, which would be sufficient to veto any operational decision.

If the Bank directors chose to vote as a bloc, they would have an effective veto over Fund operational decisions (including loans) because the Bank controls 50% of the voting power in the Fund. However, the donor countries as a group possess the same veto power as the Bank. The 75% voting provision ensures that neither the Bank as a single entity nor the donor countries as a group will be able to impose its will in the Fund.

Question 6. Have there been any recent expropriation problems in Africa?

Answer. As of January 31, 1975 there were 24 unsettled cases of expropriation or nationalization of the properties of U.S. firms located on the African Continent. Eight of these expropriations occurred in 1974. The countries involved are: Central African Republic, Congo (Brazzaville), Dahomey, Libya, Somalia, Sudan, Tanzania, Uganda and Zaire.

The U.S. attempts to use its good offices to bring the parties involved together to resolve their differences and reach a settlement. Negotiations between the governments and U.S. firms involved resulted in seven settlements between August 1973 and January 31, 1975.

Question 7. How would you evaluate the managerial ability of the African Bank and Fund personnel? Is the Bank staff sufficiently non-political?

Answer. The Bank and the Fund, which share the same staff, have made considerable effort to increase their effectiveness through cooperation with international organizations and bilateral agencies. Fourteen of the Bank's 85 professionals have attended the Economic Development Institute of the World Bank which trains officials in the techniques of project development and appraisal. The United Nations Development Program, the World Health Organization and

the Food and Agriculture Organization have worked closely with the Bank staff in preparation of programs in health and agriculture. The Bank has also received technical assistance via externally provided funding and personnel. To date the Bank has received \$16 million in technical aid to improve and speed up the appraisal of potential projects. This past February there were sixteen technical experts working with the Bank from various bilateral and international organizations, two of whom are U.S. government economists.

Through this technical assistance and its growing experience in development finance the AFDB has established a successful lending operation. Treasury Department staff has examined some of the Bank and Fund loan documents, secured on a restricted-distribution basis from the AFDB management, and considers them technically sound and well prepared. In connection with its technical assistance program, U.S. Agency for International Development has examined the Bank's lending operations. On the basis of an assessment of the rate of disbursements, the quality of the loan pipeline and the organization of the Bank's project division, AID considers the performance of the management and staff satisfactory. Both the Departments of State and Treasury consider that the Bank conducts its operations in a sufficiently objective manner without political bias.

Question 8a. We have before us bills which would provide funding of \$15 million to \$150 million. What is the Administration's position regarding an amount higher than \$15 million?

Answer. We believe that the \$15 million request is the most appropriate figure for the initial U.S. authorization because it is the amount which was agreed on with the AFDB and the non-regional donors during the burden-sharing negotiations in 1973. Equally important is the fact that the Fund is a relatively small institution. Even with the growth in lending operations planned by the Fund management, it will continue small for some time to come. Because of its size, it cannot effectively handle more than a certain level of resources. Given our assessment of the capacity of the Fund at this time, we consider \$15 million an appropriate contribution for the U.S. We have also taken into consideration the relative size of other donors' subscriptions, including the Bank's. We do not want to dominate the Fund by making a large subscription nor do we feel that as a new member we must match the largest donor's subscription.

The important step now is to authorize U.S. participation promptly so that appropriations in FY 1976 can go forward as scheduled. Once that crucial first step is taken and we become members, we will be able more accurately to assess the size of the U.S. contribution which would be commensurate with the technical capacity of the Fund, the resource needs of the borrowers, the contributions of others and the desired level of U.S. participation in the organization.

Question 8b. At what level of funding would we get our own executive director?

Answer. As required by the Fund's Articles of Agreement, elections of executive directors were held at each of the first three annual meetings in 1973, 1974, and 1975. Because from 1975 onward the directors will serve for three year terms, the next election will not be until 1978.

The outcome for the U.S. of the 1978 election of directors of the Fund does not depend only upon the size of the U.S. contribution. We may be able to secure a directorship through negotiations with the other donor countries for one of the six directorships allotted to the donors. For example, we might get together with several other countries to form a constituency with an American as the director of the group. At present, five of the six directors represent other countries as well as their own. Of course, there is also the chance that we would have a sole directorship if all the other countries formed five constituencies and left us with the sixth directorship. This is now the case with Japan which has a sole directorship although it has only 12% of the voting power of the donor countries.

To be absolutely assured of winning one of six directorships allocated to the donor countries in the 1978 election, the U.S. would have to hold at least one-sixth or 16.6 percent of the voting power of the donor countries. Because the membership of the Fund and the size of the total subscriptions of the donor countries will be increasing between now and 1978, we cannot accurately determine the size of the U.S. subscription necessary to maintain a one-sixth share of the donor countries' voting power.

We need not, however, entirely rule out the possibility that in the interim, after our joining the Fund and before the 1978 election, the U.S. could hold directorship. When the U.S. joins the Fund and enters a constituency, there will be a redistribution of voting power among the donor countries and it is not incon-

ceivable that some changes in the composition of the constituent groups would occur. Should the director of the constituency we join decide to resign his position, the vacancy would be filled by a new director selected from within the constituency by the members. That new director could be an American.

Question 9a. Have all the original participants in the AFDF begun payments on their subscriptions?

Answer. Yes, all of the original participants have begun to make payments on their subscriptions which are to be paid in three equal installments. In fact, except for Brazil which has made only its first payment, all of the participants had completed the first two installment payments as of December 31, 1974.

Question 9b. Are all of the subscriptions of the African countries of the Bank up to date?

Answer. The AFDB has had a problem with arrearages on paid-in capital but has negotiated settlements with the delinquent members and the amount of arrears has been reduced from 40% of paid-in capital in 1969 to 13% of paid-in capital in 1974. In April 1975, total arrears were \$20 million compared to \$24 million the previous year.

One country, Egypt, which accounted for 70% of all arrearages, has formally agreed to a three-year settlement schedule. Settlements have also been negotiated with Ethiopia and Senegal. Chad and the Central African Republic have yet to sign settlement agreements.

Question 10. On June 26, of this year there was a meeting on a new \$375 million replenishment for the Fund for the period 1976-78. How does the legislation before us fit into the Fund's replenishment schedule?

Answer. The proposed \$15 million subscription would contribute to replenishment of the AFDF's resources for the three-year period 1976-78.

The donor country members of the AFDF (except for Brazil) met with President Labidi of the AFDB in Geneva on June 26 to discuss replenishment of the Fund's resources for the three-year period beginning January 1976. Although the U.S. did not attend the meeting, we understand that, while no pledges were made, a general consensus was reached that the resources of the Fund should be substantially increased from the current 128 million units of account (U.A.) (one U.S.=\$1.11) during the replenishment period. President Labidi proposed that the present donors substantially increase their subscriptions. New members would supply the remaining funds needed.

Contributions expected from new members would come from Saudi Arabia and Argentina which have already pledged to join the Fund as well as the US and any other countries who may wish to join.

AFDF donors tentatively agreed to meet again in late September to attempt to finalize the negotiations on the Fund's replenishment.

Question 11. The Fund Agreement indicates that we will have to insure maintenance of value. And the 1974 Annual Report shows that some countries already have a MOV obligation. How does this MOV function in a period of floating exchange rates?

Answer. The U.S. would have an obligation to maintain the value of its subscription to the Fund only during the period between the actual payment to the Fund of each tranche of our subscription and the time the dollars are lent out. At the time the US subscription is paid to the Fund, it will be expressed in terms of the Fund's unit of account (having a value of .81851265 grams of fine gold). To the extent the par value of the dollar is reduced in terms of the unit of account, the US would have to make a maintenance of value payment to the Fund. Conversely, if the par value of the dollar were to increase, the Fund would make a payment to us.

The Article of Agreement also provided that a donor country may have to make a maintenance of value payment to the Fund if the "foreign exchange value" of its currency has, in the opinion of the Fund, depreciated "to a significant extent." This provision is applicable in the present situation of floating exchange rates. To determine whether the currencies of its members have significantly appreciated or depreciated, the Fund consults periodically with the International Monetary Fund (IMF). The IMF makes MOV calculations for its own purposes, based on the value of the currency involved in terms of a basket SDR, every time there is a transaction in the currency, and no less than monthly. MOV obligations in the IMF are settled annually. The AFDF generally relies upon the IMF system of MOV calculation and settles MOV obligations "within a reasonable time," as provided in the Article of Agreement.

Mr. GONZALEZ. We will recognize Mr. Davis and his associate, Mr. Nathaniel Davis. Mr. Davis is Assistant Secretary of State for African Affairs. We are delighted you could be with us. Mr. Secretary, and without any further ado you are recognized. We did get your statement. We had ample time to read it. You may wish to stick to it or you may wish to summarize it. But you may proceed as you see fit.

STATEMENT OF HON. NATHANIEL DAVIS, ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS; ACCOMPANIED BY ROBERT DUNCAN, CHIEF, ECONOMIC OFFICE, BUREAU OF AFRICAN AFFAIRS

Mr. DAVIS. I think what I might do, sir, is to put the complete statement into the record and very briefly to summarize a few of the points.

Mr. GONZALEZ. Fine. No objection to that.

Mr. DAVIS. First, I would like to underline the importance of this legislation in our general relations with Africa.

Our primary purpose in seeking to join the African Development Fund is to take our place with other donors in providing the financial resources required by an institution already proven effective in the African development effort.

Sixteen of the world's twenty-five least developed countries are in Africa. The resources of the African Development Fund have been largely directed to these 16 states. Thus American membership in the Fund is entirely consistent with our own policies in encouraging African economic development.

Our growing economic stake in Africa also argues for U.S. participation in the African Development Fund.

The combined long-term trade and investment figures show a clear trend toward greatly increased interest by American business in African countries.

When Angola becomes independent this year, 73 percent of direct American investment in Africa south of the Sahara and over three-fourths of our trade with that area will be with independent black African countries.

Local confidence in the African Development Bank stems from the Bank's status as a unique example of self-help within the developing world.

The African decision to restrict Bank membership to African states meant substantially reduced prospects for capital resources as Mr. Johnson has pointed out.

Nevertheless, the Africans, on the basis of their colonial experience, were determined to establish an institution with full commitment to African interests on the bank side.

The African Development Fund was established as a separate affiliated institution to permit developed country participation in the African development effort without diluting the African character of the Bank. As Mr. Cooper has pointed out, we will be joining the Fund and have full voting rights in the Fund.

I would like strongly to endorse Secretary Cooper's suggestion for continued AID-funded technical assistance to the Bank following our membership in the Fund. I don't know if that is of interest to

you, Mr. Johnson, but we do have two American technicians who are welcome and enjoy full access and participation in assisting the Bank itself. In fact, our cooperative relationship has been excellent.

I might also say in this regard that I recently visited the headquarters of the Bank and Fund in Abidjan and found the attitude of leading figures in the Bank to be most positive and certainly entirely desirous of cooperating with us fully.

This formula of a Treasury-sponsored contribution to the Fund, coupled with separate AID-funded technical assistance to the Bank, is the most appropriate way for the United States to participate in the two institutions.

Since Fund procurement is limited to firms whose governments are members of the Bank and Fund, American companies will not have access to the business opportunities arising from increased Fund procurement until we have made our contribution.

American membership in the African Development Fund is consistent with our contributions to the concessional loan facilities of other regional financial institutions in Asia and Latin America.

A refusal to participate might be construed as a discriminatory act and cast doubt on the U.S. commitment to African development.

During my recent consultations with officials of the African Development Bank it was made clear to me that our participation in the Fund has become a matter of considerable importance and concern to them.

We seek to emphasize to African and other developing nations that we must have pragmatic dialog on the specific problems of the developing world.

Most important to African nations will be a demonstration on our part that we are committed to assisting them in their own objective of achieving a better life for their peoples. Membership in the African Development Fund is entirely consistent with this approach.

President Ford in his September 1974 legislative goals message to the Congress urged early authorization of American membership in the Fund. I can only reiterate to this subcommittee his appeal for favorable action on the pending authorization request.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Davis follows:]

STATEMENT OF THE HONORABLE NATHANIEL DAVIS
ASSISTANT SECRETARY OF STATE
FOR AFRICAN AFFAIRS
BEFORE THE
HOUSE SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT INSTITUTIONS AND FINANCE
ON PROPOSED U.S. CONTRIBUTION TO THE
AFRICAN DEVELOPMENT FUND

JULY 15, 1975

Mr. Chairman and Members of the Committee:

I am very pleased to have this opportunity to testify on behalf of the proposed United States membership in the African Development Fund. The statement of my colleague, Assistant Secretary Cooper, has already provided you with a background analysis of the Fund and its financial operations. I would like to add to Secretary Cooper's statement and underline the importance of this legislation in our general relations with Africa.

The African Development Fund is the African Development Bank's affiliate institution for providing concessional assistance to Bank members. The Fund's membership includes the Bank, representing its member states, and non-African donors. We are proposing that the United States Government join and contribute to the Fund, the appropriate vehicle for American financial participation in the joint regional development activities of the two institutions. We do not

consider the provisions of the Bank's charter which exclude non-African members to be detrimental to our interests nor an argument against our belonging to the Fund.

Our primary purpose in seeking to join the African Development Fund is to take our place with other donors in providing the financial resources required by an institution already proven effective in the African development effort. It is the clear sense of the Congress that our assistance should be directed to the needs of the poorest nations. Africa, despite progress made in recent years, remains one of the poorest regions of the world. Sixteen of the world's twenty-five least developed countries are in Africa. The resources of the African Development Fund have been largely directed to these sixteen states. Thus, American membership in the Fund is entirely consistent with our own policies in encouraging African economic development.

Our growing economic stake in Africa also argues for United States participation in the African Development Fund. Assistant Secretary Cooper has noted the quintupling -- from \$1 to \$5 billion -- of American private investment in Africa over the last decade. United States trade with Africa doubled in value during 1974. The value of U.S. exports to Africa increased by 58% in 1974, although the doubling of trade largely reflects increased petroleum imports from

Nigeria, now our first supplier of imported oil. The combined long term trade and investment figures show a clear trend toward greatly increased interest by American business in African countries, both as suppliers and as purchasers of goods and services in our international trade.

This growth in our trade and investment relations with Africa has also involved a significant shift in geographic emphasis. Until the nineteen sixties, when the majority of black African nations achieved independence, the American economic stake in the Republic of South Africa was almost as important as our economic involvement in the rest of Africa combined. However, when Angola becomes independent this year, 73 percent of direct American investment in Africa south of the Sahara and over three-fourths of our trade with that area will be with independent black African countries. Thus, our interest in those countries belonging to the African Development Bank has grown substantially.

Generally speaking, regional development finance institutions have two major advantages:

- greater familiarity with and focus on regional development problems.
- ability to provide a training ground in sound principles of development finance for regional nationals.

These merits are particularly valid in the case of the African Development Bank and Fund.

The application of local expertise by the Fund has been reflected in the institution's rightfully directing its major efforts toward rural infrastructure in the poorest African countries. Compared with other parts of the developing world, infrastructure deficiencies in Africa are relatively more important and intimately related to problems of rural development and self-sufficiency in food production.

Local confidence in the African Development Bank stems from the Bank's status as a unique example of self-help within the developing world. The African decision to restrict Bank membership to African states meant substantially reduced prospects for capital resources. Nevertheless, the Africans, on the basis of their colonial experience, were determined to establish an institution with full commitment to African interests. The African Development Fund was established as a separate affiliated institution to permit developed country participation in the African development effort without diluting the African character of the Bank. The African oil producers (Algeria, Libya, Nigeria and Gabon) have recently increased their combined capital subscriptions to the Bank by \$78 million. In addition, the Africans have asked Arab donors to use the Bank and Fund as

vehicles for transferring Arab oil producer resources into Africa. Finally, Algeria has turned over its \$20 million contribution to the Arab/African solidarity fund to the Bank for administration.

Training in development finance for Africans within the Bank's operations is particularly effective not only because the Bank enjoys the confidence of African governments but also because the trainees are exposed to the expertise of the technical assistance staff provided separately by all major Fund donors. I would like strongly to endorse Secretary Cooper's support for continued AID-funded American technical assistance to the Bank following our membership in the Fund. This formula of a Treasury-sponsored contribution to the Fund coupled with separate AID-funded technical assistance to the Bank is the most appropriate way for the United States to participate in the two institutions.

Assistant Secretary Cooper has described the growing financial importance of both the African Development Bank and Fund. These institutions are now recognized by the international financial community as vigorous and effective participants in the African development process. Participant donors have already begun the process of increasing their contributions to the Fund. Fund procurement is growing rapidly. Since procurement is limited to firms whose governments are members of the Bank and Fund,

American companies will not have access to the business opportunities arising from that increased Fund procurement until we have made our contribution.

American membership in the African Development Fund is consistent with our contributions to the concessional loan facilities of other regional financial institutions in Asia and Latin America. Conversely, a refusal to participate might be construed as a discriminatory act and cast doubt on the U.S. commitment to African development. During my recent consultations with officials of the African Development Bank it was made clear to me that our participation in the Fund has become a matter of considerable importance to them. African participants expressed similar views during the symposium on Changing Vistas in US/African Economic Relations which Chairman Diggs sponsored here last March. The African keynote speaker, the representative of the Organization for African Unity, and the representative of the African Development Bank urged the United States to join the African Development Fund.

We seek a cooperative basis for our growing economic interdependence with the developing world. We seek to emphasize to African and other developing nations that we must have pragmatic dialogue on the specific problems of the developing world and joint efforts to develop solutions

in which we can actively participate. Most important to African nations will be a demonstration on our part that we are committed to assisting them in their own objective of achieving a better life for their peoples. Membership in the African Development Fund is entirely consistent with this approach.

President Ford, in his September 1974 legislative goals message to the Congress, urged early authorization of American membership in the Fund. I can only reiterate to this Committee his appeal for favorable action on the pending authorization request. Thank you.

Mr. GONZALEZ. Thank you, Mr. Secretary.

You may wish to give us the name and role of your associate for the record.

Mr. DAVIS. Yes, sir. I have here with me Mr. Robert Duncan, who is Chief of our Economic Policy Staff in the Bureau of African Affairs.

Mr. GONZALEZ. We are delighted to have you with us, Mr. Duncan. I think it is important you did accompany the Secretary.

Mr. DUNCAN. Thank you, Mr. Chairman.

Mr. GONZALEZ. I remember, and check me if I am wrong, we may not have joined the Bank itself, true, but if I recall, haven't we had AID contributing to the African Development Bank?

Mr. DAVIS. Our technicians that we have made available to the African Development Bank have been sent to the Bank under our regular AID authorization and programs, sir.

Mr. GONZALEZ. Is that the extent of AID contribution to the Bank?

Mr. DAVIS. My colleague, Mr. Duncan, is going to help me on the history of this, and that is that AID has made two grants to the Bank. The first was made in 1968 to permit the Bank to finance economic feasibility studies by U.S. firms and provide U.S. technical assistance to the Bank for preparation of cost estimates, specifications and tender documents.

To date a total of \$5,085,000 has been made available to the Bank under this grant agreement.

Under a second grant, \$2 million was made available to the Bank on November 12, 1974, for studies and projects in the Sahel.

There is no doubt these concessional funds are important to the Bank, and improving the effectiveness of the Bank's ability to implement projects also benefits the Fund.

At the same time, we believe it is important to demonstrate our interest in African development efforts and our support for the institutions the Africans have set up to help themselves by participating in the Fund as a member along with other industrial donor countries.

Mr. GONZALEZ. So that would be the extent of our AID participation in the Bank?

Mr. DAVIS. I have a list of the firms to which funds were granted which I would be happy to put in the record if you would like that, sir.

Mr. GONZALEZ. I believe it would be a good idea, sir, if you would be kind enough to do that. We will submit that for the record.

I think we should have that, sir, because it will round out a picture that is not sufficiently seen or known by the members.

[The list of firms referred to follows:]

AFRICAN DEVELOPMENT BANK

STATUS OF GRANT FUNDS
AS OF MAY 31, 1975

ADB Contract		Funds	Funds	Unliquidated
No.	Description	Committed	Disbursed	Balance
1	Williams Bros. Engineering	10,566.30	10,566.30	-0-
2	Lyon Assoc., Inc.	123,829.38	123,829.38	-0-
3	John Crosthwaite	140,420.04	103,522.95	36,897.09
4	Int. Engineering Co., Inc.	171,500.00	165,094.64	6,405.36
5	Wilber Smith & Associates	130,616.07	130,616.07	-0-
6	Louis Berger, Inc.	38,595.15	38,595.15	-0-
7	Black & Veatch International	327,000.00	244,612.73	82,387.27
8	Louis Berger, Inc.	233,200.00	224,462.03	8,737.97
9	Sanders & Thomas, Inc.	444,000.00	380,259.73	63,740.27
10	Morcom Systems, Inc.	10,000.00	10,000.00	-0-
11	T.A.M.S.	150,309.77	150,309.77	-0-
12	Louis Berger, Inc.	267,500.00	245,400.24	22,099.76
13	Stanley Consultants, Inc.	262,400.00	81,486.16	180,913.84
14	Frederich R. Harris, Inc.	233,200.00	115,294.26	117,905.74
15	T.A.M.S.	285,600.00	20,778.11	264,821.89
16	Louis Berger	582,156.00	-0-	582,156.00
NA	Computer System	5,000.00	-0-	5,000.00
NA	R. Brown			
	PASA	186,000.00	(23.50)	186,023.50
	T. Potter			
	Salary-FY 75	26,385.50	25,762.13	623.37
	Medical-FY 75	3,792.59	3,260.59	532.00
	R & R-FY 75	2,935.65	2,935.65	-0-
	Separation-FY 75	7,150.00	1,539.10	5,610.90
	Support Cost-FY 75	15,000.00	12,707.18 ^{1/}	2,292.82
	Support, Prior Years	110,281.69	110,281.69	-0-
UNCOMMITTED				
	FY 73 and Prior	269,313.40	NA	269,313.40
	FY 74	779,443.00	NA	779,443.00
	FY 75	268,805.46	NA	268,805.46
		<u>\$ 5,085,000.00</u>	<u>\$ 2,201,290.36</u>	<u>\$2,883,709.64</u>

NOTE: Does not include planned commitment for \$419,000 for Bamende-Ekok Road

^{1/} Shown net of AFDB contribution.

Mr. GONZALEZ. Is the State Department pleased or is there some question about the nonpolitical aspects of the Bank?

Is the Bank sufficiently nonpolitical?

Mr. DAVIS. I think we have been entirely pleased with their operations in this regard, sir.

Mr. GONZALEZ. In 1974 the OPEC countries set up, I believe with quite a bit of publicity, \$170 million special Arab fund for Africa, and a \$432 million Arab bank for economic development in Africa. Yet the OPEC members contributed only \$37 million to the African Development Bank in 1974 and nothing whatsoever to the Fund.

Why do you believe that the OPEC members are not participating in the Bank and the Fund to a greater degree?

Mr. DAVIS. Well, sir, in June 1974 the OAU Council of Ministers decided to entrust the AFDB with the administration of the \$200 million fund established by the League of Arab States to alleviate the effects of the rise in oil prices on OAU members' economies.

Discussions took place between the Bank and an OAU committee in August about criteria for the allocation of the funds to eligible OAU members.

Finally, in October 1974, the Bank was informed that the Arab League had decided to administer the special fund directly.

However, Algeria decided to turn over its \$20 million contribution to the Bank to administer with the proviso that \$2 million be set aside for the former Portuguese colonies.

To date all the funds have been distributed to the following countries: Cameroon, Ghana, Guinea, Guinea Bissau, Ivory Coast, Niger, Togo, Upper Volta, Angola, and Mozambique.

I have figures here for the African contributions to the Bank, if that is of interest to you.

Mr. GONZALEZ. You mean the Arab?

Mr. DAVIS. Excuse me African oil producers.

Mr. GONZALEZ. Does that exceed the \$37 million figure I have?

Mr. DAVIS. The four OPEC members of the Bank, including Nigeria as well as Algeria, Libya, and Gabon have increased their subscriptions to the ordinary capital of the Bank by \$78 million. The four countries now account for 32 percent of total subscribed capital.

Mr. GONZALEZ. I am very much interested in knowing why haven't they put their money where their pronouncements have been in Africa. There must be a reason, just like I would like to ask a collateral question, why isn't France willing to invest?

Mr. DAVIS. My impression of the French attitude, and perhaps Mr. Duncan, my colleague, will correct me, but I do know that it is certainly fair to say that the French contribution to African development in terms of the percentage of its own gross national product has been quite high. In fact, it has been higher than ours.

The French have committed themselves to African development. But historically they have tended to concentrate their efforts in those African countries that were associated with them in the past and which are French speaking.

So that my impression of the history of French assistance to Africa is that they have chosen other institutions that are more directly related to those African countries with which they feel this special tie rather than using Africawide institutions such as the Fund.

This would be my impression.

Is that roughly correct?

Mr. DUNCAN. The French Finance Minister Fourcade, in the October 1974 Fund donors' meeting, announced that France was not joining the Fund because it desired to use its available resources for its bilateral programs in its former colonial areas.

Mr. GONZALEZ. We have bilateral arrangements with African nations. So it wouldn't be exact to say that France supercedes the American commitment in that area, does it?

Mr. DAVIS. No. The only point I made of comparison in this regard, and I think the figures are correct, is that if you take the percentage of France's total gross national product that it directs to its assistance efforts abroad wherever they may be, that is a higher percentage than the percentage of the U.S. gross national product so deducted.

Mr. GONZALEZ. You mean overall?

Mr. DAVIS. Overall that we direct to foreign assistance efforts.

The only point I was trying to make in that regard is that France does have a very considerable commitment to assistance regardless of the channels that they have selected in this regard.

They are not inactive in terms of their assistance program.

Mr. GONZALEZ. Well, Mr. Secretary, I think they have been more skillful diplomatically in their ability to sell whatever they are doing than we have.

I can't help but feel that the United States proportionately—I don't know percentagewise on GNP, but proportionately has certainly been far more committed even to the European development itself directly than what I believe we tend to get credit for.

I just wonder where the Arab or oil-producing nations and France have been reluctant and yet in the U.N. we don't hear any inflammatory speeches against them for not participating, but we certainly do against the United States.

Mr. Rostow last week we heard say that is just rhetoric. Unfortunately, that rhetoric has everything to do with our ability to conduct and guide this type of legislation through the Congress.

I just wonder if there is any political reason why these nations, such as the Arab nations that now have the funds and countries in Europe such as France are hesitant and have not joined the Fund.

Do you know of any political reason?

Mr. DAVIS. I might mention incidentally that our own contribution to the Fund and our own membership might possibly increase French interest. I don't know. But as a guess, I think that so far as the French are concerned, they have made no secret of their continuing effort to pursue what they regard as a special relationship between themselves and these countries in Africa that were part of French dependent territories before they achieved their independence.

Now, the United States for better or for worse is a country whose commitments and interests and concerns are worldwide. Although we have certainly some special relationships and special interests in the world, nevertheless we have not moved down a path where we select certain countries or a small group of countries in which to concentrate our interests. The French have. I think they have been quite frank about that.

The thrust of U.S. interest over a period of time has been to encourage multilateral institutions and to encourage also regional multilateral institutions, believing that they could be the vehicle for development in those countries of the developing world where these institutions could take root.

I personally think this has been a sound policy.

Mr. GONZALEZ. I believe the wily French have pursued a policy based pretty much on hardheaded practical economic reasons even in Vietnam; although they may have technically left as a colonial power, I think the economic figures show they have even a heavier economic involvement and, therefore, derive some profit from their trade with the African nations such as Algeria and even with Indochina, although they technically left it even at the height of the war raging, a lot of our gold was ending up in France that we had to spend in Southeast Asia.

So I just wonder if there is a real cold practical reason why the French have not found it necessary or feel it is not necessary to join this Fund.

I am just interested. I didn't know if there was a reason or not.

Well, Mr. Johnson, I have taken enough time.

Mr. JOHNSON. Thank you very much for coming. I think you have added tremendously to this discussion, gentlemen.

The inference of the remarks of the three Congressmen was that if we would contribute to this Fund this would be one way for the United States to show the African nations in effect that we loved them and that we want to participate in their problems and so forth.

Of course, as I stated, they ignore the fact that up until 1973 when this Fund was established, we have contributed enormously to developments in Africa.

I am just wondering, does the State Department feel that as part of our diplomacy that they need to have us go into this Fund?

Do you in the State Department feel that you need this participation by us as a diplomatic tool for you to try to get along better with the African nations?

Mr. DAVIS. Well, I don't think that U.S. support for the African Development Fund has to be cast in terms of minimizing or failing to recognize what we have done on other occasions and in other ways for African development.

I would certainly not try to represent in particular the rather modest contribution that is being proposed for the African Development Fund as being either a substitute for, or being in any way a denigration of the other efforts of the U.S. Government whether they be past, present, or what I hope they may be in the future.

I also would have to say in honesty and frankness that I would not be prepared to represent to you gentlemen of the subcommittee or to the Congress any assertion that American membership in the Fund is going to have a profound effect on the political views of the African nations which are independent nations and are pursuing the variety of policies and positions that they believe serve their own national posture and national interest.

There has been some talk of the variety of positions which African countries take, and there is no question they take a great variety of

positions. We do have to recognize that they are sovereign nations and are going to take positions as they determine them to be best suited to their interests.

So I will not try to make any case that the United States by this modest contribution is going to change that fundamental situation of sovereign nations forming their own views in the U.N. and elsewhere.

But I nevertheless do believe that it is appropriate and embodied in U.S. national policy and our national aspirations to be of some assistance to the African countries in their development process.

In fact, I believe that the Congress has made a rather clear point of its serious concern that American development efforts do go to those countries in the world that are least fortunate and least far along on the road to development.

This certainly is the case for a number of countries in Africa.

So that if we do make a modest contribution to the African Development Fund, the money is going to be used in places in which it can be most useful in carrying forward what is I believe is a congressionally established set of priorities for our interests in development.

I think that although certain arguments have been made in terms of specific U.S. economic and commercial interests in connection with our being members of the Fund and being eligible to participate, the central reason that we are asking for this modest contribution is because we do believe that it is useful in the development effort and this is a central point in our participation in the Fund's work.

Mr. JOHNSON. When I first came to Congress from a country district, I ran on a strong antiforeign aid platform and got a whale of a vote, by the way.

But I have traveled all over the world, and I have seen the poverty and the needs of people and have seen what we in the United States and other nations have done on a multilateral basis, how we have developed and helped these people.

So my whole thinking has changed and I have been in the last 5 years a strong advocate of what we are doing, and I am not saying I am against this, but, as I say, I am asking some searching questions because we want to get all the facts out here so we know just exactly what we are doing.

Because, to repeat, we have some real tough ones yet this year to do besides this one before we live up to what the United States has already promised not only to IDA, but to the Inter-American Development Bank.

We have that on our hands for later this fall.

But I think you have all made a very fine contribution and I am sure that Henry and I appreciate your coming up here and presenting this fine statement.

I guess that is all.

Mr. GONZALEZ. We certainly do thank you very much and I certainly join you with that expression.

We are grateful to you, Mr. Secretary. We may be calling upon you again as we proceed in the consideration of this legislation.

The subcommittee will have to evaluate the various bills that have been introduced and the amount of commitment reflected in the various bills.

This will be part of the process we can't predict now, but we may be having to call upon you, because I think it is very important to have the input.

The Department of State certainly does.

I know the Treasury has always been the one that tends to be a little bit more intimately in contact with us. But I can't help but think that State has the tremendous stake in this and should have an equal and proportionate input.

So we may be bothering you again. We certainly thank you for taking time in your busy schedule to be here with us.

Mr. DAVIS. I am entirely at your service, sir.

Mr. GONZALEZ. Thank you, sir.

The subcommittee will stand recessed until further notice.

[The background material on the African Development Fund referred to by Chairman Gonzalez on p. 29 follows:]

BACKGROUND MATERIAL SUBMITTED ON
THE AFRICAN DEVELOPMENT FUND

THE UNIVERSITY OF CHICAGO
LIBRARY

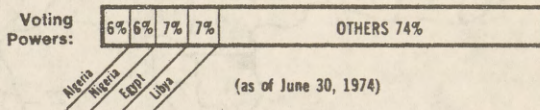
[The following letter was submitted for inclusion in the record by Representative Young:]

Excerpts from Facts and Figures: International Development Banks
Department of the Treasury, December 1974

African Development Bank (AFDB)

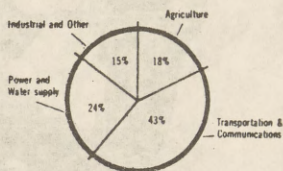
I. African Development Bank

Origin: Established on September 10, 1964
Headquarters: Abidjan, Ivory Coast
Membership: (39 members) Algeria, Botswana, Burundi, Cameroon, Central African Republic, Chad, Congo, Dahomey, Egypt, Ethiopia, Gabon, Gambia, Ghana, Guinea, Ivory Coast, Kenya, Lesotho, Liberia, Libya, Malawi, Mali, Mauritania, Mauritius, Morocco, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Upper Volta, Zaire, and Zambia. (U.S. not a member)
Staff: Total staff of 245 from 27 countries as of December 1973. No U.S. nationals.
Terms: AFDB terms vary, with maturities ranging from 15-30 years and an average interest rate of 6 percent, plus a 1 percent service charge.
Resources: Total \$384.5 million (50% paid-in, 50% callable) as of June 30, 1974

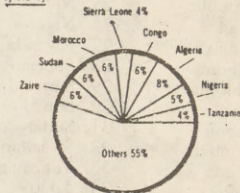


Loans: Cumulative as of May 31, 1974 (millions of current U.S. dollars)
Outstanding (including undisbursed) \$160.9
Repayments \$.9

By Economic Sector



By Country



II. African Development Fund

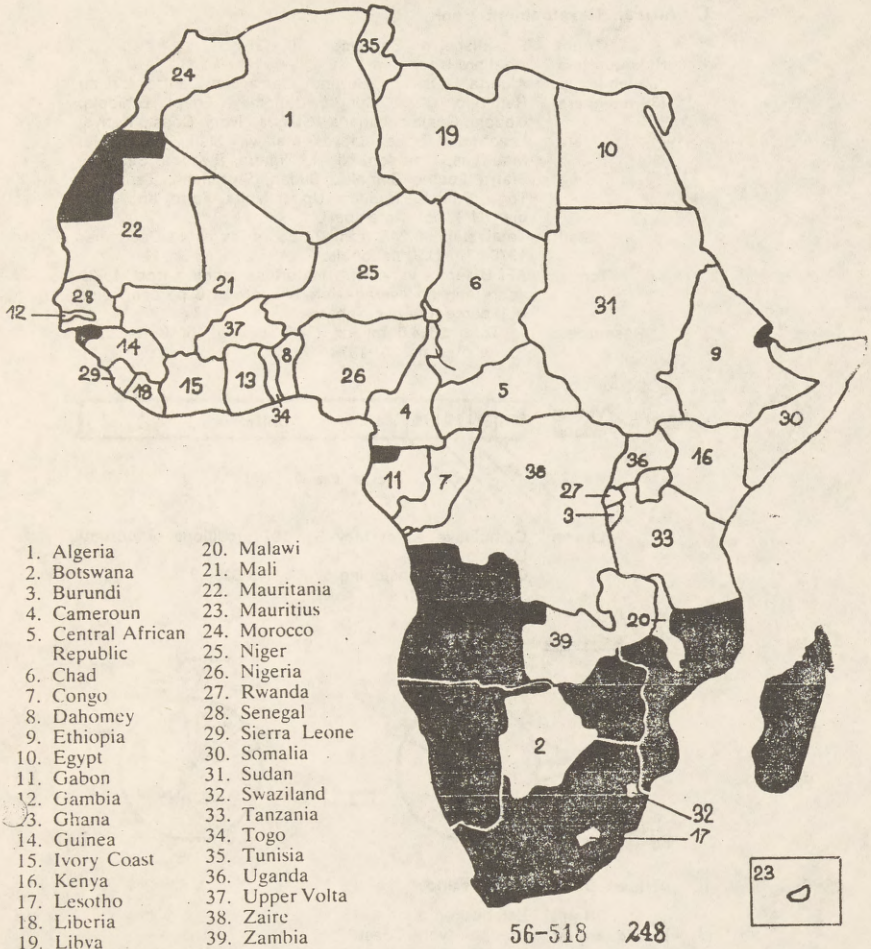
Origin: Established June 1973
Headquarters: Abidjan, Ivory Coast
Membership: The African Development Bank, plus Belgium, Brazil, Canada, Denmark, Federal Republic of Germany, Finland, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, Yugoslavia.

Staff: Same as the Bank.
Terms: Loans have a ¾ percent service charge, with 50 year maturity including 10 years grace.
Resources:

- Total \$94.7 million as of Sept. 13, 1974
- Breakdown (in millions of current U.S. dollars):

Source	Total
Bank earnings	\$ 5.5
Non-regional members	89.2
Canada	\$16.5
Germany	16.4
Japan	16.5
Others	39.8

MEMBER STATES OF THE AFRICAN DEVELOPMENT BANK



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

Development Assistance
Directorate

FLOW OF RESOURCES FROM OPEC MEMBERS
TO DEVELOPING COUNTRIES

Table 4

Main Recipients of Bilateral OPEC Countries' Aid in 1974

Recipients	Commitments		Estimated Disbursements	
	\$ million in % of total		\$ million in % of total	
Egypt	3,121	(43.5)	765	37.7
Syria	(1,003)	(14.0)	325	16.0
Jordan	(185)	(2.6)	140	6.9
Mauritania*	(153)	(2.1)	25	1.2
Sudan*	107	1.5	70	3.4
Somalia*	52	1.1	25	1.2
Morocco	80	1.1	25	1.2
Tunisia	54	0.8	15	0.7
Bahrein	21	0.3	10	0.5
Yemen (A.R.)*	19	0.3	15	0.7
Yemen (P.P.R.)*	12	0.2	10	0.5
Other Arab countries	8	0.1	8	0.4
Madagascar*	(114)	(1.6)	-	-
Guinea*	16	0.2	5	0.2
Uganda	12	0.2	2	0.1
Senegal*	11	0.1	5	0.2
Other African countries*	79	1.1	46	2.3
Pakistan*	(957)	(13.3)	355	17.5
India*	945	13.2	75	3.7
Sri Lanka*	86	1.2	35	1.7
Bangladesh*	82	1.1	50	2.5
Other Asian countries	-	-	-	-
Guyana*	15	0.2	15	0.7
Honduras*	5	0.1	5	0.2
Other Latin-American countries	-	-	-	-
Malta	5	0.1	5	0.2
Total	7,172	100	2,031	100
of which MSA countries	2,683	37.4	736	36.2

* Denotes MSA countries

Note: Figures are subject to revision. Breakdown between Egypt, Syria and Jordan is tentative. Commitment figures for Pakistan include \$200 million by Saudi Arabia and Kuwait which were not made public but are believed to have taken place.

Table 5

Bilateral Commitments from OPEC Countries in 1974

\$ million

Donor	Recipient	Total	Grants	Loans	Non-Project	Project
Algeria	Guinea*	1	-	1	-	1
	Mali*	1	-	1	1	-
	Zambia	1	(1)	-	1	-
	Other Afr. Countries*	23	22	6	n.a.	n.a.
Iran	Egypt	1,000	-	1,000	230	770
	India*	835	-	835	(535)	300
	Pakistan*	647	-	647	580	67
	Syria	150	-	150	150	-
	Sudan*	64	-	64	n.a.	n.a.
	Sri Lanka*	(57)	-	57	(30)	27
	Morocco	30	-	30	-	30
	Senegal*	11	-	11	3	8
	Jordan	8	-	8	(8)	-
	Afghanistan	n.a.	-	-	-	-
Iraq	India*	110	-	110	110	-
	Bangladesh*	54	25	29	34	20
	Syria	50	(50)	-	50	-
	Yemen (AR)*	8	-	8	8	-
Kuwait	Egypt	(338)	(280)	58	(280)	58
	Syria	(200)	(175)	25	(175)	25
	Jordan	(125)	(125)	-	(125)	-
	Mauritania*	(111)	n.a.	n.a.	(100)	11
	Sri Lanka*	29	(-)	29	29	(-)
	Pakistan*	(50)	-	(50)	n.a.	n.a.
	Regional*	33	-	33	-	33
	Sudan*	15	-	15	-	15
	Guinea*	15	-	15	(-)	(15)
	Yemen (PDR)*	14	-	14	-	14
	Chad*	8	-	8	n.a.	n.a.
	Tunisia	7	-	7	-	7
	Arab Gulf	(6)	(6)	-	n.a.	n.a.
	Bahrein	3	-	3	-	3
	Lebanon	2	2	-	-	2
	Niger*	1	1	-	1	-
	Zaire*	n.a.	-	-	-	-
	Dahomey*	n.a.	-	-	-	-

Table 6

Commitments and Estimated Disbursements by OPEC Countries to Multilateral Organisations
(Grants and Capital Subscriptions) in 1974 (\$m)

DONOR	UN Agencies	UNO (1) Spec. Acc.	IDA	AFDB	IDB	SAFA	ABEDA	AFESD	GAPEC Spec. Acc.	Islamic DB	Islamic Solid. Fund	OPEC Fund	CABEI	CARIB. DB	ADC	TOTAL
ALGERIA	C 0.5	20		9		20	20	-	(5)	30						107.5
	D 0.5	-		9		20	-	(5)	(8)	-		150(4)				42.5
IRAN	C 2.5	20														172.5
	D 2.5	-														2.5
IRAQ	C 0.5					(20)	30	-	(8)							58.5
	D 0.5					(20)	-	(7)	(8)							35.5
KUWAIT	C 1.0	27				30	250(2)	-	(16)	60						384.0
	D 1.0	9				30	-	(15)	(16)	-						71.0
LIBYA	C 1.0			12		30	(40)	-	(8)	150						241
	D 1.0			12		30	-	(10)	(8)	-						61
NIGERIA	C 0.2			16												16
	D 0.2			16												16
QATAR	C 0.2					10	20	-	(8)	20	2					60
	D 0.2					10	-	(2)	(8)	-	-					20
SAUDI ARABIA	C 12.0	30				40	50	60	(16)	240	5					453
	D 12.0	30				40	-	(15)	(16)	-						113
UAE	C 0.5	10				20	22(3)	-	(8)	120	2					182.5
	D 0.5	10				20	-	(6)	(8)	-						44.5
VENE- ZUELA	C 1.0	80			500	20	-					20	40	25	60	726
	D 1.0	30			100		-					-	10	5	20	166
TOTAL	C 49.5	160	27	37	500	170	432	60	72	620	9	170	40	25	60	2,401.5
	D 49.5	70	9	37	100	170	-	(60)	72	-	-	-	10	5	20	572.5

NOTE: Abbreviations used: - SAFA (Special Arab Fund for Africa); ABEDA (Arab Bank for Economic Development in Africa); AFESD (Arab Fund for Economic and Social Development); Islamic Solid. Fund (Islamic Solidarity Fund); CABEI (Central American Bank for Economic Integration); APC (Andean Development Corporation).

Figures in brackets denote tentative estimates.

- (1) Based on Table 7 but including additional \$1 million from Iran earmarked for Sahel countries and \$10 million from Saudi Arabia earmarked for Bangladesh flood victims.
 (2) Earmarked for relief of 200 million of \$200 million.
 (3) Including \$2 million for the Arab Technical Assistance Fund for Africa.
 (4) Originally pledged to proposed OPEC Fund; may be used for other multilateral purposes.

Table
OPEC Members' Aid Commitments and Estimated Disbursements in 1974
Dollar millions

Donor Country	Commitments				Estimated Disbursements			
	Bilateral	Multi-lateral	Total	As % of		Bilateral	Multi-lateral	Total
				Oil Rev.	GNP			
Algeria	4	129	133	3.4	1.4	3	62	65
Iran	2614	23	2637	12.4	6.5	483	23	506
Iraq	265	67	332	1.7	3.3	130	43	173
Kuwait	673	439	1112	13.2	10.9	300	80	380
Libya	302	240	542	7.6	5.4	65	59	124
Nigeria	1	16	17	0.2	0.1	1	16	17
Qatar	112	65	177	9.8	8.4	42	16	58
Saudi Arabia	1973	432	2405	8.0	7.7	787	130	917
UAE	730	197	927	18.0	17.0	120	45	165
Venezuela	20	706	726	7.3	3.3	20	166	186
Total	6704	2314	9018	9.5	6.4	1951	640	2591
								2.7
								1.8

Note: Figures are subject to revision. In particular, some of the bilateral disbursement estimates are highly tentative. Oil revenue and GNP figures are Secretariat estimates. Total GNP and oil revenue refer to the countries listed above, excluding Nigeria.

II. INDIVIDUAL COUNTRY PROGRAMMES (a)

(i) Algeria

46. Algeria provided some limited assistance during the sixties, when it extended loans to Mali (\$1.5 m.), Sudan (\$2 m.), Tunisia (\$0.6 m.), and possibly the Arab Republic of Yemen (\$4 m.), and the PDR of Yemen (\$8 m.). In 1970, it provided a second loan to Mali (\$1 m.) and in 1972, a first loan to Syria (\$1 m.). It is believed to have extended a \$2 million emergency grant to the Sahelian countries in 1973. In December 1973, it signed an agreement with Guinea for the building of an oil refinery at Conakry. Algeria made the third largest capital subscription to the AfDB, and has pledged contributions to the various Arab funds. Under the UN Emergency Operation, Algeria officially reported commitments of \$51 million to be disbursed by mid-1975 of which \$20 million for the UN Special Account and \$31 million bilaterally for African countries mainly in grants. However, so far only two transactions became known: a \$1.2 m. interest free loan to Mali as relief aid and \$0.8 m. emergency assistance to Zambia.

(v) Libya

66. Estimated net ODA disbursements from Libya to developing countries amounted to \$65 million in 1972, \$91 million in 1973 and \$105 million in 1974. They represented 2.4 per cent of GNP in 1972, 1.4 per cent in 1973 and 0.9 per cent in 1974. Until 1971, Libyan aid was exclusively bilateral, but from 1972 onwards multilateral contributions increased rapidly and accounted for the major part of 1974 commitments and disbursements.

67. The bulk of bilateral grants has been extended to Egypt and Syria. Since the decision of the Arab Summit Meeting in 1967, Libya has been providing some \$50 million annually to these two countries totalling by 1974, \$185 million for each of them (2). Upto September 1970, it had also provided grant assistance to Jordan totalling \$50 million. Sudan has received a \$20 million grant commitment in the sixties and a rather hard loan of \$17 million in 1969-(3). In 1970, Yemen (PDR) obtained a \$17 million interest-free loan over 20 years. In 1971, Libya started to conclude bilateral aid agreements with some African countries. Niger obtained a \$5 million grant to be spent on projects in the fields of health, rural development and education. The two countries

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- (2) According to the Libyan newspaper "El Fateh", Libya provided until May 1974 financial assistance of \$711.2 million to Egypt and Syria of which \$169 million was for military assistance in October 1973.

also agreed to set up a joint development bank. Equatorial Guinea received \$1 million and Chad was promised assistance for a road project. A \$24 million interest-free loan was committed to Mauritania for community development, social and personal services of which \$11 million is so far disbursed. In 1972, Libya provided \$12 million to Uganda, of which \$4 million in grants and the rest for a joint banking venture, and Somalia received a \$3 million loan for transport and storage facilities. In 1973, it provided a \$8 million grant for various projects in Chad, a \$1.4 million grant to Mauritania for water pumps and \$2.5 million relief assistance to the Sahel countries.

68. In 1974, Libya made several new commitments and broadened the number of recipient countries; in January a loan agreement (\$12.6 m.) was signed with Uganda for the implementation of livestock, tea and sugar projects; in February a co-operation agreement was concluded with the Malagasy Republic providing for financial assistance of \$114 million of which \$77 million for road projects, \$30 million for the construction of a sugar plant and the rest for bauxite exploitation; in February or March three credits totalling \$1.35 million were extended for various projects in Gambia; in March Libya agreed to assist Lesotho in some projects and to grant scholarships; and finally Libya pledged to carry out several new projects in Chad in the fields of road construction, irrigation and agricultural development.

69. Libya does not contribute to IDA and its contribution to UN development programmes has been small, but in July 1972, Libya joined the African Development Bank with a capital subscription of \$18 million. In 1974, it increased its paid in capital subscription by \$12 million to \$30 million, which makes it the largest contributor to the African Development Bank. Libya is the third largest contributor to the Arab Fund for Social and Economic Development with a capital subscription of \$41 million; it contributed \$30 million to the Special Arab Fund for Africa and is also believed to provide \$40 million to the Arab Bank for Economic Development in Africa. It made the second largest pledge (\$150 million) to the proposed Islamic Development Bank.

70. Libya has purchased for the first time IBRD bonds in 1970 for an amount of LD 10 million (\$28 m.). A second placement of LD 30 million (101 m.) 10 year bonds at 7 5/8ths per cent took place in 1973. In the same year Algeria was authorised to raise \$51 million in the form of Libyan Dinar bonds. Furthermore, Libya has participated in the creation of the Malta Development Corporation through its National

Investment Company. Another financial institution, the Libyan Arab Foreign Bank (see page 46), which is specialised in the investment of Libyan funds abroad, participates in financial institutions in Chad, Egypt, Lebanon, Mauritania, Togo, Uganda and Argentina.

71. In recent months, Libya has concluded agreements with several developing countries for the setting up of joint enterprises. These include: an oil refinery and a number of factories in Togo, (December 1973); an oil refinery and a company for the export of meat in Chad (January 1974); a company to exploit the animal wealth in Mali (Libya provides 60 per cent of the capital) (February 1974); a development bank, a shipping company and a company for the development of agriculture (of whose \$16.9 m. capital Libya pays 49 per cent) in Somalia (March 1974); a development bank and a shipping company in Pakistan (April 1974); a company for the exploitation of animal wealth and agricultural products (capital \$6.8 m.) in Niger (June 1974); a holding company for the development of agriculture, trade and industry in Liberia (June 1974); and a bank with a capital of \$25 million in Spain (July 1974).

(vi) Nigeria

72. Nigeria committed in 1972 a \$3 million interest-free loan to Dahomey, (only partly disbursed) and in March 1974, \$0.8 million to Zambia as emergency assistance. It is also extending technical assistance in the field of agriculture to Sudan. It increased its paid in capital subscription to the African Development Bank by \$12 million to \$30 million in 1974 thus becoming, together with Libya, the top contributor to this institution. In November 1974, it offered \$100 million to the IMF for the "oil facility".

(iii) Special Arab Fund for Africa

91. In January 1974, the Arab countries decided to create a \$200 million Special Fund for Africa to support the purchase of oil by African countries and to develop oil resources in Africa. (1) Another stated purpose of the Fund is to compensate African countries for the economic loss they have suffered from breaking off relations with Israel. Until September \$185 million has been contributed. The main contributors are Saudi Arabia (\$40 million), Kuwait (\$30 million), Libya (\$30 million), Algeria and the United Arab Emirates (\$20 million each), and Qatar (\$10 million). Lebanon plans to contribute \$1.5 million and Egypt, Syria and Bahrein \$1 million each. Iraq's contribution, if any, is not known. Loans out of the Special Fund have the following conditions: 1 per cent interest rate, 3 years grace, 5 years repayment (i.e. 35 per cent grant element). Following requests from African countries the Arab oil producers agreed that the \$200 million should be a revolving fund.

92. The OAU Council of Ministers requested in June 1974 that the Fund be administered by the African Development Bank and invited African oil producers, notably Nigeria and Congo, to contribute. In July the African Development Bank accepted the mandate, but so far the loans are extended by the Arab League. In mid-August the OAU decided tentatively the following ceilings of allocations under the Fund:

- (1) At the same meeting the Arab countries decided to set up a \$15 million Technical Assistance Fund for Africa. So far, the only known commitment was made by the UAE (\$2 million).

\$ million

<u>ISA Countries</u>		<u>Other Countries</u>	
Ethiopia	14.2	Zambia	12.7
Tanzania	14.2	Zaire	12.4
Sudan	10.6	Morocco	11.8
Chad	8.3	Uganda	11.3
Ghana	8.2	Malawi	7.5
Mali	7.8	Botswana	5.4
Senegal	7.5	Swaziland	4.2
Ivory Coast	7.2	Liberia	3.6
Cameroon	5.7	Mauritius	2.7
Niger	5.4	Burundi	2.0
Upper Volta	5.4	Rwanda	2.0
Madagascar	4.8	Togo	1.8
Sierra Leone	3.6	Gambia	0.7
Kenya	3.6	Guinea-Bissau	0.5
Lesotho	2.8	Equat. Guinea	0.5
Dahomey	2.4	Total	79.1
Central African Rep.	2.4		
Mauritania	2.1		
Somalia	2.0		
Guinea	1.6		
Total	120.9		

The first disbursements benefitting Tanzania (\$7.5 million) and Liberia (\$5 million) were reported in October.

(iv) Arab Bank for Economic Development in Africa (also called Arab Bank for Industrial and Agricultural Development in Africa)

93. The creation of this Bank was decided upon at the Sixth Arab Summit Meeting in Algiers in November 1973 on the initiative of Kuwait. The capital of the Bank which had been variously stated as \$125 million, \$195 million, \$400 million and \$500 million, is at present fixed at \$251 million. The largest contributors are Saudi Arabia and Kuwait with \$50 million each, followed by Libya (\$40 million), Iraq (\$30 million), Algeria and the United Arab Emirates each with \$20 million. Seven other Arab states are participating with sums ranging from \$2 million to \$10 million.

94. The principal objectives of the Bank, whose statutes were approved in February 1974, are the promotion of economic development in Africa through the extension of long-term loans (mainly soft loans), the encouragement of Arab capital to participate in development projects in Africa, and the provision of the necessary technical aid. The Bank is empowered to borrow, within certain limits, to supplement its own resources, and to administer "special funds" for the provision of financial assistance to African countries. The Bank has not yet commenced its operations pending a decision on the location of its headquarters and the appointment of its officials and staff.

AFRICAN DEVELOPMENT FUND

ADF/BG/II/2
14 February 1975

BOARD OF DIRECTORS

Second Annual Meeting

Dakar, 5-9 May 1975

REPORT
by the
Board of Directors
of the
African Development Fund
covering the period
from 1st January to 31st December 1974

Fonds Africain de Developpement African Development Fund

ADRESSE TÉLÉGRAPHIQUE
AFDEV ABIDJAN
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RÉFERENCE
DATE

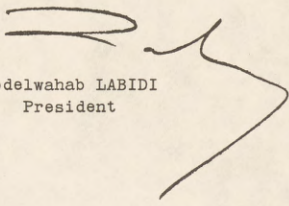
The Chairman
Board of Governors
African Development Fund

Dear Mr. Chairman,

In accordance with Article 8 of the General Regulations of the African Development Fund, I have the honour to submit to the Board of Governors the Annual Report of the Board of Directors for the year ended 31 December 1974. This report includes financial statements for the year ended 31 December 1974, based on an audit of the accounts of the Fund made pursuant to Article 11 of the General Regulations.

It also incorporates, pursuant to Article 12 of the General Regulations, the administrative budget for the financial year ending 31 December 1975.

Please accept, Mr. Chairman, the assurances of my highest consideration.


Abdelwahab LABIDI
President

BOARD OF DIRECTORS

(up to 6 November 1974)

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Director	Alternate
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Counsellor
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Ivory Coast

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Ambassador of the
United Kingdom
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Ivory Coast

Mr. Per Thee NAEVDAL
Ambassador of Norway
Royal Norwegian Embassy
ABIDJAN
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Mr. E.A. SUTER
Ambassador of Switzerland
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Mr. Jean Pierre ARNOLDI
Services des relations
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Administration de la Trésorerie
Ministère des Finances
BRUXELLES
Belgique

BOARD OF DIRECTORS
(from 7 November 1974)

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Mr. Mabruk A. TASHANI	Mr. Mamadou KANE Directeur du Crédit Banque Nationale de Développement B.P. 148 OUAGADOUGOU Upper Volta
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I. Introduction

There was a growing recognition in 1974 of the need to increase the amount of concessional assistance to the developing nations in general and, more particularly, to those countries facing distinctive situations which add a new dimension of difficulty to their development problems. Coming within this latter category are, in the main, the "hard-core", least-developed, landlocked and low-income developing countries. Moreover, developing countries which have been most seriously affected by the current international economic crises and by natural calamities such as drought, as a result of which their development processes are being seriously retarded, are acknowledged as being especially deserving of loans on concessional terms.

While these "special category" least-favoured countries are to be found in all regions of the developing world, Africa has more than its fair share of them: sixteen of the twenty-five poorest "hard-core" least-developed countries of the world are African; thirteen of the eighteen landlocked developing countries are situated on the African continent; twenty of the thirty-two countries listed as "most seriously affected" (MSA) countries under U.N. General Assembly resolution 3202 (S-VI) are African countries; and the recent drought has had its most devastating effect on the countries of the Sahelian zone of Africa, as well as the East African countries of Ethiopia, Somalia, Kenya and Tanzania.

Table 1

RECORDED NET FLOW OF RESOURCES TO INDIVIDUAL REGIONS 1970-1973:
TOTAL FLOW FROM DAC COUNTRIES AND MULTILATERAL AGENCIES

Million US dollars				
Recipient	1970	1971	1972	1973
I. Europe, Total	1,097.64	1,244.68	1,266.49	1,441.89
II. Africa, Total	3,078.23	3,760.27	3,567.84	4,073.16
(Africa's share as % of Total)	21.17	22.47	19.83	18.09
III. America, Total	4,167.99	3,957.58	4,745.27	6,879.47
IV. Asia, Total	5,198.95	6,267.36	6,164.14	8,353.78
V. Oceanic, Total	442.98	389.51	499.23	607.33
Overall Total	14,542.80	16,738.20	17,894.40	22,520.40

Source: OECD: Development Co-operation: Efforts and Policies of the Members of the Development Assistance Committee, 1974 Review, pp. 270-271.

Yet, in addition to enduring the broadly adverse trends of total aid in recent years (the decreasing share of concessional flows (Official Development Assistance) within the total flow of resources¹ and as a percentage of the GNP of donor countries; the decline in the real value of aid as a result of several major currency realignment and worldwide inflation; the rising debt burden and the deteriorating terms of trade in many developing countries), Africa's share in the *overall total* of recorded net flow of resources to the developing countries has been on the decline in recent years. It fell from 22.5 per cent in 1971 to about 18 per cent in 1973, compared with a figure that stood as high as 35 per cent in 1960.²

¹ According to the 1974 Review of the OECD Development Assistance Committee, "the main source of concern regarding the total flow of resources is the evolution of its composition in the light of the needs of the poorer countries. While both aid — i.e. ODA — and the total flow of financial resources to the developing countries continued to expand in money terms during the early seventies, the share of concessional flows (ODA) within the total flow declined in 1973 to a new low of 38 per cent. Ten years earlier ODA accounted for two-thirds of the total DAC flow" (p. 116).

² See: United Nations, *The External Financing of Economic Development 1962–1966*, E/4438, pp. 40–41 and Paul Streeten, *Aid to Africa*, E/CN. 14/WP. 1/30, p. 31. It should, however, be noted that Africa's share of total net flow of ODA and of concessional flows from multilateral agencies rose from 25.8 per cent in 1970 to 27.6 per cent in 1973 — a rise which, nevertheless did not reflect adequately the increased and pressing needs of African countries for concessional assistance.

II. The Need for Additional Concessional Financing in Africa

a) The African "Hard-Core" Least Developed and Landlocked Developing Countries and their Need for Increased Concessional Assistance

It is generally agreed that the least-developed among the developing countries face distinctive handicaps in their efforts to promote economic development, and that special international action, and especially the provision of increased assistance on concessional terms, is needed to help them benefit equitably from general international policies for development. In order to enable the international community to achieve this goal, the UN Committee for Development Planning identified a list of 25 "hard-core" least-developed countries which was ultimately approved by the UN General Assembly in resolution 2768 (XXVI). Of these, as many sixteen were African countries, namely:

Botswana*, Burundi*, Chad*, Dahomey, Ethiopia, Guinea, Lesotho*, Mali*, Malawi*, Niger*, Rwanda*, Somalia, Sudan, Uganda*, United Republic of Tanzania, Upper Volta*.

Indeed, this list provides only a starting point for international action in favour of the least-developed among the developing countries. A review of the criteria for classifying countries in this category would most likely result in the inclusion of still more African countries among the "hard-core" least-developed countries.

Apart from sharing the common development problems of all developing countries, the "hard-core" least-developed countries have certain basic characteristics, the most important of which are "extremely low levels of labour productivity, scarcity of skilled manpower, inadequate knowledge about the nature and extent of their natural resources, low level of physical and institutional infrastructure, the predominance of subsistence production, dependence on a very narrow range of primary commodities in their production and export structure, and lack of integrated and co-ordinated industrialization".³

As already noted, the international community has recognized the need for action designed to enable the least-developed countries to overcome these particular obstacles. Above all, a larger, more intensive, and higher-quality programme of financial and technical assistance is required for these countries. Moreover, because the "hard-core" least-developed countries now receive only a minor amount of private flows, the growth of official development assistance to the target level of 0.7 per cent of GNP and the expansion of the concessional component of resource transfers from the multilateral agencies are imperative if these countries are to benefit equitably from the general international policies for development.

As was furthermore pointed out above, thirteen of the eighteen landlocked developing countries of the world are situated in Africa. These are, Botswana, Burundi, Central African Republic, Chad, Lesotho, Malawi, Mali, Niger, Rwanda, Swaziland, Uganda, Upper Volta and Zambia, all but three of which, namely Central African Republic, Swaziland and Zambia, are classified as least-developed countries. Apart from sharing the common development problems with other developing countries, these landlocked countries face distinctive transport, transit and trade difficulties, which render these problems more acute. It is on these grounds that it has been argued that all landlocked countries, whether least-developed or not, need more aid if the serious structural and other deficiencies in their economies are to be remedied and they are to be established on a path of steady and sustained growth.⁴

* These countries are at the same time "landlocked".

³ Report of the Second UNCTAD Expert Group on Special Measures in Favour of Least-Developed Among Developing Countries, TD/B/349, para. 31.

⁴ UNCTAD: Special Problems of the Landlocked Countries, TD/B/308, pp. 47-48.

It is in recognition of their claim for particular attention in the question of outside assistance, that the United Nations Conference on Trade and Development at its second session unanimously adopted Resolution 11 (II) on the "Special problems of the landlocked countries", which *inter-alia*, recommended that:

"the Governments of the developed countries be invited to bear in mind, in their assistance programmes or through the international organisations concerned, the possibility of extending *loans on favourable terms*:

- a) To the landlocked developing countries for the development of transport and communication facilities designed to help the latter to overcome the special difficulties of their landlocked position;
- b) To the developing landlocked and transit countries for the development of transport and communication facilities . . . designed to help the developing countries concerned to overcome the special difficulties of the landlocked position". (*Italics supplied*).

b) The Need for Increased Concessional Assistance to the "Severely Affected Countries Under UN General Assembly Resolution 3202 (S-VI)"

Africa's claim for additional concessional financing is established not only on the grounds that it is the "least-developed" of the developing regions, and that several of the countries in the region face the disadvantages of their particular geographical position (their landlocked nature) and therefore need international assistance designed to enable them to overcome the particular obstacles facing them. Over and above this, African countries are among those most severely affected by the recent upheaval in global economic relationships, i.e. the acceleration of worldwide inflation coupled with the slowing-down of the growth of GNP in the industrialised countries. Thus, twenty of the thirty-two countries listed as "most seriously affected" countries under UN General Assembly resolution 3202 (S-VI) are African (see Table 2 below).

Table 2

PROVISIONAL LIST (6 NOVEMBER 1974) OF MOST SERIOUSLY AFFECTED COUNTRIES
UNDER GENERAL ASSEMBLY RESOLUTION 3202 (S-VI)

Africa	Asia and Middle East	Latin America
Cameroon	Bangladesh	Haiti
Central African Republic	India	El Salvador
Chad	Khmer Republic	Guyana
Dahomey	Laos	Honduras
Ethiopia	Pakistan	
Ghana	Sri Lanka	
Guinea	Yemen, Arab Republic of	
Ivory Coast	Yemen, People's Democratic	
Kenya	Republic of	
Lesotho		
Malagasy Republic		
Mali		
Mauritania		
Niger		
Senegal		
Sierra Leone		
Somalia		
Sudan		
Tanzania		
Upper Volta		

In this regard, the Sixth Special Session of the UN General Assembly on the Problems of Raw Materials and Development called upon "the industrialized countries and other potential contributors to extend to the most seriously affected countries immediate relief and assistance which must be of an order of magnitude that is commensurate with the needs of these countries. Such assistance should be *in addition* to the existing level of aid and provided at a very early date to the *maximum possible extent on a grant basis and, where possible, on soft terms*".⁵

The conclusion to be drawn from the foregoing facts is that if the African countries are to achieve even modestly acceptable rates of growth of their economies during the current UN Second Development Decade, there will have to be substantial increases in concessionary aid resources to these countries. This is justified by the fact that these countries which among other things, form the poorest in the world⁶ lack the resources and the resilience necessary to cope with the dramatic changes that are taking place.

c) **The Special Claim for Additional Concessional Assistance by the Drought-Stricken Countries of Africa**

While the actual economic problems and disadvantages of being landlocked described above are more or less characteristic of a large number of other developing countries, Africa's economic problems

⁵ UN General Assembly: Programme of Action on the Establishment of a New International Economic Order, A/RES/3202 (S-VI), p. 17 (Emphasis added).

⁶ "Measured on a country basis, all the indicators suggest that the African continent, containing 16 of the 25 hard-core least-developed countries, could be characterised as one where a preponderant proportion of the population suffers from absolute poverty." See: UN: Attack on Absolute Poverty in Africa: the Role of the United Nations Development Advisory Teams (UNDATs), New York, 1974, pp. 2-3.

have been aggravated by natural calamities such as the drought disaster and deprivation whose continental dimensions are only now becoming apparent. Apart from the Sahel countries, where there appears to be no end in sight to the disaster, the number of Africa's drought-stricken countries has grown to encompass the East African countries of Ethiopia, Tanzania, Kenya and Somalia.

Whereas short-term relief measures are urgently needed and should be pursued, long-term measures designed to avoid future famines, namely investment in major infrastructural facilities such as dams, wells, transport and communication networks and in re-afforestation programmes must be taken as soon as possible. But all these measures presuppose the availability of an enormous amount of financial and technical resources, i.e. inputs which are in very short supply in the drought-affected countries and for which they must necessarily depend on external sources.

d) The Role of the African Development Fund in the Transfer of Additional Resources to Africa and in particular, to the Least Favoured Countries

The discussion in the preceding sections of this Report and the analyses made by other international agencies, such as the World Bank and the United Nations, have shown that it is the poorest countries of the world which are hardest hit by the current international economic crises, although these are precisely the countries least able to cope with the adverse effects of these events. Africa, as was shown above, has not only the largest number of the world's poorest, landlocked nations, but many of the countries of the region are also the victims of devastating natural calamities such as drought and failing harvests. Furthermore, the real value of concessional aid resources to these countries has also been eroded by the acceleration in the rate of international inflation. In the light of the foregoing, the conclusion was drawn to the effect that "the international community needs not only to mobilise more development assistance, but to direct such assistance increasingly to the poorest among and within developing countries".⁷ The 1974 DAC Review notes that although its members have made progress in concentrating official development assistance on the poorest in the Third World, further improvement is needed.⁸

In this regard, adequate use should be made of the existing development financing institutions as conduits for such additional resources. This is justified by the fact that these are the financial institutions with the staff, experience and facilities capable of absorbing and utilising additional financial resources in an effective and timely manner. One further argument which reinforces the need to make full use of the existing financial institutions is that experience has shown that it takes much time and effort before any new institution can begin to fulfil an effective development role. In the African context, the African Development Fund, which was established to provide financing for the benefit of African countries whose economic situation and prospects require such financing on concessional terms, can make a meaningful contribution to this task, as can be seen from the following section on the Fund's Operational Activities in 1974.

⁷ World Bank: Annual Report 1974, p. 14.

⁸ DAC Review 1974, p. 16: "On a per capita basis the poorest received less official development assistance than many of their relatively more developed neighbours, and some developing countries with high per capita incomes and strong economic prospects still receive substantial concessional aid."

III. Operational Activities of the African Development Fund

1974 marked a very successful "take-off" period for the operational activities of the African Development Fund. Thus, during the period under review, the Board of Directors of the Fund approved the following 11 projects and 6 studies, representing a total commitment of F.U.A. 42 million.

Table 3
LOANS APPROVED IN 1974

Sub-Region	Title of Project	Amount (FUA million)
Central Africa		
1. Chad	Sategui-Deressia (Irrigation)	4.00
2. Burundi	Water Supply of Bujumbura	2.00
3. Rwanda	Bamba-Gaseke Tea Project	4.20
4. Rwanda	Gyangugu-Kibuye Road (Study)	0.45
	Total	10.65
East Africa		
1. Lesotho	Phusiatsana Irrigation	5.00
2. Somalia	Road Maintenance & Rehabilitation	3.00
3. Swasiland	Ngwavuma Irrigation (Study)	0.35
	Total	8.35
North Africa		
1. Mauritania	14 Dams in Tagant Region (Study)	0.18
2. Mauritania	Boghe Rics	3.30
3. Mauritania	Water Supply of Nauakchott	3.60
4. Sudan	8 Bridges on Kassala-Gedaref Road	4.00
	Total	12.08
West Africa		
1. Gambia	Cotton Development	2.00
2. Mali	Operation "Puits" (Wells)	4.00
3. Mali	Sikasso-Kignan-Diolla Road (Study)	0.36
4. Dahomey	Dogbo-Azorve-Abomey Road (Study)	0.16
5. Senegal	Louga-N'Guith Road	4.00
6. Upper Volta	Dori-Djibo Road (Study)	0.40
	Total	10.92
	Total ADF 1974 Loans	42.00

In compliance with the Board of Governors' express wish that the Fund should give priority to projects and programmes in countries hardest hit by the current drought disaster, most of the Fund's operations were directed to the West African and Central African subregions which shared more than half of the total amount of loans granted (51.4 per cent).

With respect to sectoral distribution, operations in the agricultural sector (57.2 per cent of total amount of loans) were given prominence during review period.

Table 4

(in F.U.A. million)
(No. of Projects in Brackets)

Subregion Sector	Central Africa	East Africa	North Africa	West Africa	Multi- national	Total Invest- ment	Per- centage of total Invest- ment
Agriculture	8.20 (2)	5.35 (2)	4.98 (2)	6.00 (2)	—	24.03 (8)	57.2
Transport	0.45 (1)	3.00 (1)	4.00 (1)	4.92 (4)	—	12.42 (7)	29.5
Public Utilities	2.00	—	3.60 (1)	—	—	5.60 (2)	13.3
Industrie & Develop- ment Banks	—	—	—	—	—	—	—
Total	10.70 (4)	8.35 (3)	12.08 (4)	10.92 (6)	—	42.00 (17)	—
Percentage of total Investment	25.4	19.9	28.7	26.0	—	—	100.0

The projects and studies approved by the Board of Directors during the year are described in detail below. All the loans for projects carried a service charge of 0.75% per annum on the disbursed amount and a repayment period of 50 years, including a ten-year grace period. Loans for studies also carried a similar service charge of 0.75% per annum on the amount disbursed and a repayment period of ten years, including a two-year or three-year grace period as the case may be.

1. BURUNDI: Extension of the Water Supply System in Bujumbura

Amount F.U.A. 2 million

The project covers the extension of the secondary and tertiary distribution system in six development districts and the complete replacement of the old and leaking pipe network in the Ngarara quarter of the capital, Bujumbura. It will supply water to about 85,000 people in six districts. The total cost of the project is estimated at some F.U.A. 2,489 million, of which F.U.A. 2,228 million is in foreign exchange.

2. CHAD: The Implementation of the Irrigation project in the Sategui-Deressia area

Amount F.U.A. 4 million

The project consists of the construction of irrigation and drainage works and the building of feeder roads to improve rice cultivation on 11,000 hectares of the Sategui-Deressia plain. It also involves the construction of milling and storage facilities, the rehabilitation of an existing agricultural station and the preparation of a feasibility study for a second phase project. The total cost of the project, which will benefit some 2,400 small farm families, is estimated at F.U.A. 12 million. Of this amount, US\$ 7.5 is expected to be financed from a loan by the International Development Association.

3. DAHOMEY: Feasibility and final design studies on the Dogbo-Azove-Aplahoue-Abomey Road

Amount F.U.A. 160,000

The project consists of the financing of the direct and indirect foreign exchange costs of feasibility and final design studies on the Dogbo-Azove-Abomey road and its Azove-Aplahoue branch totalling 66 kilometers. The rehabilitation of the road will facilitate trade between the south-west province of Zou and the Mamo province, thus opening up an area of foodstuff production (mainly maize) and industrial crops (cotton and oil palm). It will also complete the road system linking the triangle formed by Abomey (and Bohicon), Ouidah and Cotonou, which is a very important agricultural area essential to the country's economic development.

4. THE GAMBIA: Cotton Development Project

Amount F.U.A. 2 million

The project comprises the expansion of rainfed cotton production by small-holders in the Upper River Division of the Gambia from the 1974 level of 1,000 acres to a new level of 10,000 acres by 1978. It also includes the construction and installation of a modern ginnery with an initial capacity of about 9,000 bales per season. The implementation of the project will lead to a marked diversification of the Gambian economy by minimizing the continued reliance on groundnuts.

The total cost of the project is estimated at F.U.A. 2,285 million of which F.U.A. 1,808 million is the foreign exchange component.

5. LESOTHO: Phuthiatsana Irrigation Project

Amount F.U.A. 5 million

The project aims at the development of irrigated agriculture on an area of about 5,000 acres along the valley of the Phuthiatsana River in the northern and north-eastern parts of Lesotho. About 1,000 farmers in the project area will consolidate their fragmented small holdings for the commercial production of wheat, sunflower, peas, soya beans, maize and lucerne.

The total estimated cost of the project is F.U.A. 8.60 million of which the foreign exchange component is about F.U.A. 6.20 million.

6. MALI: The Implementation of the "Operation Wells" programme

Amount F.U.A. 4 million

The project forms an integral part of the Operations Wells Programme which the Government of Mali has decided to implement under its programme for the reorganization and equipment of the rural water

supply department to meet the water requirements of the rural population and livestock. The total cost of the project, which includes UNDP, FAC, IDA, FED and Mali Government participation, is estimated at F.U.A. 7,039 million.

7. MALI: Engineering Studies for the Sikasso-Kignan-Dioila Road

Amount F.U.A. 360,000

The project covers the financing of the direct and indirect foreign exchange costs of the construction studies for the Sikasso-Kignan-Dioila road, which will be 205 kilometers long. The project will open up a region in which a number of projects for the development of cotton production are already under way and will enable the large quantities of millet produced there to be transported more easily. The road is an essential complement to the agricultural feeder roads already being built and will also be an important route for carrying produce and goods to and from the ginning factory which is due to be built at Dioila.

The total cost of the construction study is estimated at F.U.A. 450,000.

8. MAURITANIA: Extension of Water Supply and Sewerage Systems in Nouakchott

Amount F.U.A. 3.6 million

The project comprises: a) the extension and reinforcement of the water distribution system of the City of Nouakchott by the laying of about 60 kilometers of pipe ranging in diameter from 50 and 500 mm, complete with all joints, valves, and all accessories; and b) the extension of the sewerage system by the laying of about 38 kilometers of sewerage pipe in 200, 250 and 300 mm diameters and the installation of fully equipped sewerage pumping stations.

The total cost of the project is estimated at F.U.A. 4,315 million, of which F.U.A. 3,440 million is the foreign exchange component.

9. MAURITANIA: First Phase of the Boghe Irrigation Scheme Project

Amount F.U.A. 4.3 million

The project, which involves the first 1,000-hectare phase of the 4,000-hectare Boghé plain irrigation scheme, consists of the construction of dams, totalling 13.7 kilometres in length, the development of an irrigation and drainage network, the construction of a pumping station, the development of cultivated land, the construction of a 3,000-ton silo and buildings, the setting up of a pilot farm and engineering and supervision as well as technical assistance. Its main purpose is to make it easier to produce two harvests a year, principally of rice, to replace flood irrigation crops. The total cost of the project is estimated at about F.U.A. 8.7 million.

10. MAURITANIA: Supplementary Pre-Investment Study of 14 Barrages in the Tagant Region

Amount F.U.A. 180,000

The project comprises the financing of a supplementary pre-investment study on the project for rehabilitation of 7 barrages and the construction of 7 others in the Tagant region. The estimated cost of the study (F.U.A. 180,000) includes the fees for a consulting firm in foreign exchange as well as the expenses relating to the use of Mauritanian manpower.

11. RWANDA: The Ramba-Gaseke Tea Project

Amount F.U.A. 4.2 million

The project consists of the development of a programme of 700 hectares of tea plantation as well as the construction of feeder roads and of a tea factory with a capacity of 1,200 tons. The total cost of the project is estimated at F.U.A. 5 million.

12. RWANDA: Feasibility and Engineering Studies on the Cyangugu-Kibuye Road and the access road to the tarred Bujumbura-Bukavu road

Amount F.U.A. 450,000

The study is intended for the improvement and tarring of the Cyangugu-Kibuye road (133 Km), together with the construction of an access road linking the road from Cyangugu to the tarred Bujumbura-Bukavu road (7 Km).

At the regional level, the road links the two districts of Lake Kivu region in which Rwanda's main centres of tourist attraction are located. It is also of international importance because of its outlets towards the South (Zaire and Burundi), the North (Uganda) and the East (Tanzania).

The total cost of the two phases of the studies has been estimated at F.U.A. 500,000, with F.U.A. 450,000 being in foreign exchange.

13. SENEGAL: The Construction of the Louga-N'Gnith Road

Amount F.U.A. 4 million

The project comprises: a) the supply of all equipment, material and services for the construction of the road to a bitumen standard with a 6-metre wide double surface treatment over a roadbed width of 8 metres and b) the provision of consultancy services for the control and supervision of site works. The project, which is included in the general development programme for the transportation infrastructure in Senegal, forms a part of the great coastal axis of the Trans-West African Highway System, which will link West Africa to North Africa.

The total cost of the project is estimated at F.U.A. 4.8 million and the direct and indirect foreign exchange cost component at F.U.A. 3.7 million.

14. SOMALIA: Road Rehabilitation and Maintenance Project

Amount F.U.A. 3 million

The project consists of the purchase of road maintenance equipment and spare parts for the maintenance of the primary road network in Somalia. The estimated total cost of the programme is F.U.A. 4.55 million, of which the foreign exchange component is F.U.A. 2.93 million.

15. SUDAN: The Construction of Eight Bridges on the Gedaref-Kassala Road

Amount F.U.A. 4 million

The project consists of the construction of two large and six small bridges along the Gedaref-Kassala road and consultancy services for their supervision. The construction of the bridges will facilitate a con-

tinuous flow of traffic on the road which crosses a very fertile agricultural area where large quantities of cotton, gumtali, sesame, dura, livestock, vegetables and fruit are produced.

The total cost of the project is estimated at F.U.A. 7.960 million with a foreign exchange component of F.U.A. 5.083 million.

16. SWAZILAND: Feasibility and Engineering Studies for the Ngwavuma Irrigation Project

Amount F.U.A. 350,000

The project concerns the granting of a loan to cover the foreign exchange costs involved in the feasibility studies and preliminary engineering designs for an irrigation development programme in the Ngwavuma river valley. The feasibility studies will examine the overall suitability of the Ngwavuma valley for sustained irrigated development and will identify and classify the most suitable areas for a first stage and subsequent developments. The final report is expected to provide sufficient data and conclusions on the agricultural, engineering, economic and social factors involved in ensuring the most appropriate organised development of the area.

17. UPPER VOLTA: Engineering Studies for the Dori-Djibo Road

Amount F.U.A. 400,000

The project comprises the financing of the foreign exchange costs of engineering studies and bid documents for the Dori-Djibo road which is approximately 190 kilometers in length. Besides playing an important part in opening up the North-East region of Upper Volta, the project road forms an extension of the Dori-Tera-Niamey Road, thus contributing to linking the important economic centres of Niamey and Bobo-Dioulasso. The total cost of the study is estimated at F.U.A. 500,000.

The repayment period in this case is 10 years after a grace period of 3 years.

**OTHER PROJECTS IDENTIFIED:
PROSPECTS FOR 1975 AND SUBSEQUENT YEARS**

During the review period, the Bank continued with its prospecting activities in member countries in order to feed the Fund's pipeline. Thus, at the end of 1974, it had identified 93 projects representing a potential financing volume amounting to F.U.A. 275 million. It is planned to increase the number of identification missions and co-ordinating and co-operation meetings with other sources of financing and development institutions to further build up the Fund's pipeline. The primary purpose of these activities will be to diversify the sectoral distribution of Fund loans.

While still maintaining the same sectoral priorities, the Fund will endeavour to direct its action towards new areas that are essential to the development of the African countries, such as health, education, vocational training, employment and regional co-operation.

While it is true that, by extending activities to these areas, financing institutions like the Bank will themselves be breaking new ground, it is essential that the Fund — although exercising all due caution — should move into the above-mentioned sectors within a reasonable period of time.

With this in mind, contacts have been made with specialised international bodies with a view to setting up co-operation programmes designed to provide both the Bank and the Fund with the necessary know-how to enable them to carry out certain types of activities in the fields of health, employment and vocational training.

CO-OPERATION AND CO-ORDINATION WITH OTHER SOURCES OF FINANCING AND DEVELOPMENT INSTITUTIONS

In order to use efficiently the resources at its disposal, the Fund took measures to strengthen co-operation with other international organizations and bilateral sources of development assistance.

a) Financial co-operation

Close financial co-operation is being established between the various sources of financing, so as to enable each one to carry out its task with maximum efficiency. The 1975 operational programme envisages a number of joint or parallel financing operations with both multilateral and bilateral lending agencies.

b) Technical and financial co-operation with State Participants

Well before the Fund was established, States that were considered to be prospective participants were invited to help it set off to a good start by strengthening their technical co-operation with the Bank.

In response to this appeal, several participants agreed to provide the Bank and the Fund with experts on a permanent basis, as well as with financial resources to defray the cost of consultants or technical or feasibility studies.

As at 31 December 1974, the Bank has employed 11 experts on permanent secondment from bilateral or international organizations. These experts are, of course, working for both the Bank and the Fund. It is expected that other experts will be made available to the Bank in 1975.

Financial assistance which is designed to step up the pace of project appraisal is granted for operations that will be financed by either Bank or Fund. As at the end of 1974, firm commitments by State participants (Canada, Netherlands, Sweden and Norway) amounted to U.A. 1,830,000, in addition to which U.A. 100,000 was earmarked for the purpose by the Bank and U.A. 7,000,000, representing 10% of its resources, by the Fund. The United States, which is not yet a participant in the Fund, has provided the Bank with a total amount of U.S. \$ 5,085,000 for the same purpose. Thus the total volume of funds available for the financing of studies is approximately U.A. 13 million, 6 million of which will be in grant form.

Other participants have indicated their desire to contribute to this special financial assistance.

c) Technical co-operation with international organizations

Two organizations, FAO and WHO, took an active part in 1974 in the identification of projects for financing by the Fund and the Bank. FAO participated in the preparation of 12 Fund agricultural projects (involving a total project cost of U.A. 30 million), supplying 20 man-months of expertise, while WHO agreed to furnish 24 man-months of expertise for the preparation of 9 Bank/Fund public utilities projects (water supply and distribution, and drainage), representing a financing potential of U.A. 22 million. Furthermore, WHO in co-operation with Fund technical staff, has completed a draft operational programme in the health field; some 32 projects have been identified for the period 1975-1977. Steps are being taken to clear these projects with individual member countries.

Negotiations are under way to explore the possibilities of co-operation with ILO and UNESCO.

UNDP, which has provided the Bank with technical assistance since it was established, has granted US \$ 1,500,000 for the period 1974-76 to defray technical assistance costs and feasibility and engineering studies.

Membership

As at 31 December 1974, the African Development Bank and the States listed below were participants in the Fund: their total subscriptions now stand at U.A. 80,659,050.

	Amount of Subscription U.A.
African Development Bank	5,000,000
Belgium	3,000,000
Brazil	2,000,000
Canada	15,000,000
Denmark	5,000,000
Federal Republic of Germany	7,447,640
Finland	2,000,000
Japan	15,000,000
Netherlands	4,000,000
Norway	5,000,000
Spain	2,000,000
Sweden	5,000,000
Swiss Confederation	3,000,000
United Kingdom	5,211,000
Yugoslavia	2,000,000
Total	80,659,050

It will be recalled that the ADF Agreement provides a time-limit for the deposit of Instruments of Ratification by signatory participants and their acquisition of membership thereafter. The cut-off date laid down in the Agreement was 31 December 1973. Signatory participants which did not deposit their Instruments of Ratification before that date, e.g. Italy; became subject to the accession procedure laid down in Article 3 (3).

Furthermore, the United States authorities officially informed the Fund that the legislative authorization required for United States participation in the Fund would not be obtained prior to the adjournment of Congress in December 1974.

IMPLEMENTATION OF BOARD OF GOVERNORS' RESOLUTION 5-74 CONCERNING THE INCREASE IN THE RESOURCES OF THE AFRICAN DEVELOPMENT FUND

It will be recalled that the Board of Governors at the third plenary sitting of its First Annual Meeting adopted resolution 5-74 concerning the increase in the resources of the African Development Fund. The resolution invited the President of the Fund, in consultation with the Board of Directors, to take without delay the necessary steps:

- a) to determine all possibilities of mobilizing the necessary resources within the context of an overall plan directed towards maintaining the operational activities of the Fund during the initial period and thereafter, and

- b) to that end to proceed to organize consultations with State participants and interested third countries with the view to obtaining such resources.

Pursuant to that resolution, a one-day consultative meeting on the mobilization of additional resources for the African Development Fund was convened in Paris on 24 October, 1974, under the Chairmanship of His Excellency Mr. Abdelkader Berslimane, Minister of Finance of the Kingdom of Morocco, and Mr. Paul Gerin-Lagoie, President of the Canadian International Agency, respectively Chairman and Vice-Chairman of the Board of Governors of the Fund.

The meeting was attended by the African Development Bank and the following State participants: Belgium, Canada, Denmark, Federal Republic of Germany, Finland, Japan, Netherlands, Norway, Spain, Sweden, the Swiss Confederation, United Kingdom and Yugoslavia. Observers from Abu Dhabi, Argentina, Australia, Austria, France, Gabon, Italy, Kuwait, the United States of America and Venezuela also participated in the meeting.

After a review of the effects of the current international economic crisis on the African countries generally, and on the least-developed, landlocked and drought-stricken amongst them in particular, participants in the meeting agreed that the international community should direct an increasingly large share of concessional assistance to these countries which face particular and distinctive economic problems. In this regard, the participants in the meeting stressed that the African Development Fund possesses the potential for channelling such resources to African countries and that the Fund should be given additional resources in order to enable it to achieve that potential.

To this end, participants agreed that immediate steps should be taken to finalise discussions with the present State participants, with a view to their increasing their subscriptions to the Fund and also to persuade other countries to join the Fund. Finally, it was decided that a meeting of the present and potential participants in the African Development Fund be held in Marrakech, Morocco, during the first quarter of 1975 to discuss further ways and means of increasing the resources of the Fund to meet the increasing requirements of African countries for concessional assistance.

It was also decided to hold a technical meeting of existing participants before the Marrakech meeting with a view to evaluating the Fund's requirements for the initial period and subsequent years. That meeting was held on 18 December 1974 in Madrid and was attended by representatives of the Bank and of all the existing State participants in the Fund.

Financial Highlights

Subscriptions received by the Fund during the period from 1 August 1973 to 31 December 1974 amounted to U.A. 53,772,704. Out of this amount, U.A. 42,000,000 has been committed on general operations of the Funds comprising 17 projects and studies.

Gross income for the period was U.A. 2,371,717 and was all derived from short-term investments. Administrative expenses chargeable to the Fund during the period amounted to U.A. 2,071,610. After writing off establishment costs of U.A. 53,924, the net income of the Fund was U.A. 246,183.

The audited Financial Statements of the Fund are contained in the following pages.

REPORT OF THE EXTERNAL AUDITORS TO THE BOARD OF GOVERNORS OF THE AFRICAN DEVELOPMENT FUND

We have examined the accompanying balance sheet of the African Development Fund as at 31 December 1974 and related statement of Income and Expenditure for the period from 1 August 1973 to 31 December 1974.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the balance sheet and related statement of Income and Expenditure, read together with Notes 1-4 attached thereto and forming part thereof, present fairly, in terms of units of account as defined in Note 1, the financial position of the Fund as at 31 December 1974 and the results of its operations for the period then ended, in accordance with the Agreement establishing the Fund and in conformity with generally accepted accounting principles.

Abidjan, 1 March 1975

AKINTOLA WILLIAMS & Co.,
Chartered Accountants

DELOITTE, HASKINS & SELLS

FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1974

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ANNEX I

AFRICAN DEVELOPMENT FUND
BALANCE SHEET AS AT 31 DECEMBER 1974

(In units of account of 0.81851265 gramme of fine gold — Note 1)

	U.A.	U.A.
Cash in banks	4,168,363	
Short-term investments		
Time Deposits and Certificates of Deposit	27,378,035	49,389
Accrued Interest	363,328	
Government Obligations (Face value of U.A. 3,072,322) Note 1 (d)	3,060,757	33,843
Demand obligations	30,802,120	34,550,000
Non-negotiable non-interest bearing notes from participants	18,413,554	
Receivable from participants		
Subscriptions due	666,667	80,659,050
Amount required to maintain value of currency holdings Note 1 (c)	717,098	26,886,350
Loans	1,383,765	53,772,700
Loans approved	42,000,000	666,671
Loans unsigned	7,450,000	54,439,371
Effective loans	34,550,000	246,183
Other assets	84,309	83,325
Total	89,402,111	54,768,879
	U.A.	U.A.
Payable to participants		
amount reimbursable to maintain value of currency holdings — note 1 (c)		49,389
Other liabilities		33,843
Undisbursed amount on effective loans		34,550,000
Resources		
Subscriptions		80,659,050
Amount subscribed		26,886,350
Less instalments not yet payable		53,772,700
Instalments payable		666,671
Instalments received in advance		54,439,371
Net Income (Annex II)		246,183
Other Resources — Grant — Note 2		83,325
Total		54,768,879
		U.A.
Total	89,402,111	89,402,111

The accompanying Notes 1 to 4 form part of the Accounts.

ANNEX II

AFRICAN DEVELOPMENT FUND

STATEMENT OF INCOME AND EXPENDITURE

FOR THE PERIOD 1 AUGUST 1973 TO 31 DECEMBER 1974

(Expressed in units of account of 0.81851265 gramme of fine gold — Note 1)

		U.A.
INCOME		
Interest on short-term investments		2,371,717
EXPENDITURE		
Management Fees paid to the African Development Bank — Note 3	2,033,473	
Audit Fees	32,572	
Bank Charges	4,000	
Difference on Exchange (net)	1,565	
		2,071,610
Income before Establishment Costs		300,107
Establishment Costs — Note 4		53,924
NET INCOME	U.A.	
		246,183

The accompanying Notes 1 to 4 form part of the Accounts.

ANNEX III

NOTES TO FINANCIAL STATEMENTS

NOTE I — Summary of Significant Accounting Policies

a) Unit of Account

The accounts are expressed in units of account of the Fund. The value of one unit of account is defined in Article 1 of the Agreement establishing the Fund as being 0.81851265 gramme of fine gold.

b) Translation of Currencies

Under Article 12 of the Agreement establishing the Fund, the valuation of any currency in terms of the unit of account shall be reasonably made by the Fund after consultation with the International Monetary Fund. In the case of a currency which does not have a par value established with the International Monetary Fund, the value of such currency in terms of the unit of account shall be determined from time to time by the Fund. In compliance with these provisions, currencies have been translated into units of account on the following bases:

In the case of eight currencies, namely US dollar, Deutsche mark, Dutch guilder, Danish krone, Swedish krona, Norwegian krone, Spanish peseta and Belgian franc, currency holdings have been translated according to the relationship of the par value or central rate of each currency to the value of the unit of account as defined in Article 1 of the Agreement establishing the Fund. As at 31 December 1974, these currencies have been translated into units of account at the following rates:

1 unit of account:	1.11111	US dollar
	2.96559	Deutsche mark
	3.0902	Dutch guilder
	6.98	Danish krone
	5.06665	Swedish krona
	6.32897	Norwegian krone
	64.473675	Spanish peseta
	44.815874	Belgian franc

In the case of four currencies, namely Brazilian cruzeiro, Finnish markka, Japanese yen and Pound sterling, currency holdings have been translated on the basis of a representative rate determined in accordance with Article 12 of the Agreement establishing the Fund. As at 31 December 1974, these currencies have been translated into units of account at the following rates:

1 unit of account =	8.0944363	Brazilian cruzeiros
	4.03444	Finnish markkas
	336.166666	Japanese yen
	0.479915	Pound sterling

No representation is made that any of these currencies can be, could be or could have been converted into any other currency at the cross-rates resulting from the foregoing rates.

c) Maintenance of value of currency holdings

Article 13 of the Agreement establishing the Fund provides that whenever the par value in the International Monetary Fund of the currency of a State participant is reduced in terms of the unit of account or its foreign exchange value has, in the opinion of the Fund, depreciated to a significant extent within that participant's territory, that participant shall pay to the Fund within a reasonable time an amount of its

currency required to maintain the value, as of the time of subscription, of the amount of such currency which was paid into the Fund by that participant and which has not been disbursed or exchanged for another currency.

Conversely, if the currency of a State participant has increased in par value or appreciated in its foreign exchange value within that participant's territory, the Fund shall return to that participant an amount of such currency equal to the increase in the value of the Fund's holding of that currency which was received by it in payment of subscription to the extent that these amounts have not been disbursed or exchanged for another currency. By application of these provisions, an amount of U.A. 717,098 is receivable from State participants and an amount of U.A. 49,389 is payable to a State participant as at 31 December 1974.

d) **Short-term investments**

Investments in government obligations are in the form of Treasury Bills and are stated at cost adjusted for accrued interest to 31 December 1974.

NOTE 2 — Other Resources

The grant of U.A. 83,325 shown in the balance sheet under "Other Resources", was made available by Norway for the financing of pre-investment studies.

NOTE 3 — Management Fees

By virtue of Article 31 of the ADF Agreement, the African Development Fund reimburses to the African Development Bank a share of latter's expenses relating to officers, staff, organization, services and facilities. The amount of U.A. 2,033,473 charged in the accounts represents the Fund's share of expenses for the period 1 August 1973 to 31 December 1974 and was calculated on the basis of a formula approved by the Board of Directors.

NOTE 4 — Establishment Costs

Article 60 (4) of the ADF Agreement provides that the Fund shall reimburse to the African Development Bank the expenses incurred in establishing the Fund.

When approving the administrative budget, the Board of Directors decided to charge in full to income the amount of U.A. 53,924 so reimbursed to the Bank.

SCHEDULE I

AFRICAN DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 1974

(Source and Application of Funds)

(Expressed in units of account of 0.81851265 gramme of fine gold — Note 1)

	U.A.	U.A.
Source of Funds		
Subscriptions paid during the period	53,772,704	
Net Income	246,183	
Amount reimbursable to participants to maintain value of currency holdings (Note 1 (c))	49,389	
Amount of grant earmarked for pre-investment studies	83,325	
Other	33,843	
Total Resources		54,185,444
Application of Funds		
Amount required from participants to maintain value of currency holdings (Note 1 (c))	717,098	
Amount of grant earmarked for pre-investment studies	83,325	
Other	984	
		801,407
Funds available for general operations of the Fund		<u>53,384,037</u>
Analysis of Funds available for general operations of the Fund		
Non-negotiable, non-interest bearing notes		18,413,554
Short-term Investments		30,802,120
Cash in Banks		4,168,363
		<u>53,384,037</u>

SCHEDULE II

AFRICAN DEVELOPMENT FUND

STATEMENT OF SUBSCRIPTIONS AND VOTING POWER AS AT 31 DECEMBER 1974
(expressed in units of account of 0.81851265 gramme of fine gold)

Participants	Total Sub- scriptions	Instalments not yet payable	Total Instalments Payable	Amount Paid in	Amount Due	Voting Power	
						Number	%
1. African Development Bank	5,000,000	1,666,667	3,333,333	3,333,333	—	1,000.00	50.000
2. Belgium	3,000,000	1,000,000	2,000,000	2,000,000	—	39.65	1.982
3. Brazil	2,000,000	666,666	1,333,334	666,667	666,667	26.43	1.321
4. Canada	15,000,000	5,000,000	10,000,000	10,000,000	—	198.26	9.913
5. Denmark	5,000,000	1,666,667	3,333,333	3,333,333	—	66.09	3.305
6. Fed. Rep. of Germany	7,447,630	2,482,543	4,965,087	4,965,087	—	98.43	4.922
7. Finland	2,000,000	666,666	1,333,334	1,333,334	—	26.43	1.321
8. Japan	15,000,000	5,000,000	10,000,000	10,000,000	—	198.26	9.913
9. Netherlands	4,000,000	1,333,333	2,666,667	2,666,667	—	52.88	2.644
10. Norway	5,000,000	1,666,667	3,333,333	3,333,333	—	66.09	3.305
11. Spain	2,000,000	666,667	1,333,333	1,333,333	—	26.43	1.321
12. Sweden*	5,000,000	1,666,667	3,333,333	3,333,333	—	66.09	3.305
13. Swiss Confederation .	3,000,000	1,000,000	2,000,000	2,000,000	—	39.65	1.982
14. United Kingdom . . .	5,211,420	1,737,140	3,474,280	3,474,280	—	68.88	3.445
15. Yugoslavia	2,000,000	666,667	1,333,333	1,333,333	—	26.43	1.321
TOTAL	80,659,050	26,886,350	53,772,700	53,106,033	666,667	2,000.00	100.000

* NOTE: In addition to the 2nd instalment, Sweden paid U.A. 666,671 on the 3rd instalment, making total receipts on subscriptions U.A. 53,772,704.

SCHEDULE III
AFRICAN DEVELOPMENT FUND
GENERAL OPERATIONS

STATEMENT OF APPROVED LOANS AS AT 31 DECEMBER 1974
(in Unit of Account of 0.81851265 gramme of fine gold)

Country (1)	Borrower (2)	Project (3)	Status of the Loan					% Service Charges (10)	Repayment Terms (11)
			Amount Approved U.A. (4)	Date Approved (5)	Date Signed (6)	Effective Loans U.A. (7)	Disbursements U.A. (8)	Undisbursed Balance U.A. (9)	
Burundi	Government	Extension of Water Supply	2,000,000	26.11.74	—	—	—	—	—
Chad	Government	Sategui-Deressia Irrigation Project	4,000,000	22. 3.74	10. 5.74	4,000,000	—	4,000,000	0.75
Dahomey	Government	Feasibility and final design studies on Dogbo-Above-Aboomey Road (66 km)	160,000	22. 3.74	14.11.74	160,000	—	160,000	0.75
Gambia	Government	Expansion of Rainfall Cotton Production	2,000,000	9.10.74	20.11.74	2,000,000	—	2,000,000	0.75
Lesotho	Government	Development of Phuthatsana Irrigation Project	5,000,000	26.11.74	—	—	—	—	—
Mali	Government	Financing portion of "Operation Wells" Programme	4,000,000	16. 1.74	21. 3.74	4,000,000	—	4,000,000	0.75
Mali	Government	Feasibility study on Sikasso-Kignan-Diollio Road	360,000	16. 1.74	14.11.74	360,000	—	360,000	0.75

Mauritania	Government	Extension of Water Supply and Sewerage system in Nouakchott	3,600,000	10. 5.74	4. 6.74	3,600,000	3,600,000	0.75	10 years grace period, 40 years repayment beginning 1.7.1984
Mauritania	Government	Pre-Investment feasibility study on 14 Dams in Tangaret area	180,000	16. 1.74	4.10.74	180,000	180,000	0.75	2 years grace period, 8 years repayment beginning 1.1.1977
Mauritania	Government	Boghe plain irrigation scheme	4,300,000	26.11.74	18.12.74	4,200,000	4,200,000	0.75	10 years grace period, 40 years repayment beginning 1.1.1985
Rwanda	Government	Ramba-Gaseke Tea Development Project	4,200,000	10. 5.74	4. 6.74	4,200,000	4,200,000	0.75	10 years grace period, 40 years repayment beginning 1.7.1984
Rwanda	Government	Feasibility and Engineering studies on Cyarigugu-Kibuyo road (140 km)	450,000	9.10.74	16.11.74	450,000	450,000	0.75	2 years grace period, 10 years repayment beginning 1.1.1977
Senegal	Government	Construction of Louga-N'Grith Road	4,000,000	9.10.74	19.12.74	4,000,000	4,000,000	0.75	10 years grace period, 40 years repayment beginning 1.1.1985
Somalia	Government	Rehabilitation and maintenance of road network	3,000,000	9.10.74	24.10.74	3,000,000	3,000,000	0.75	10 years grace period, 40 years repayment beginning 1.1.1985
Sudan	Government	Construction of 8 Bridges in Gederatt-Kassala areas	4,000,000	10. 5.74	2. 7.74	4,000,000	4,000,000	0.75	10 years grace period, 40 years repayment beginning 1.1.1985
Swaziland	Government	Feasibility and Preliminary engineering studies on irrigation programme in Ngwavuma Valley	350,000	23. 3.74	—	—	—	—	—
Upper Volta	Government	Engineering studies and preparation of tender documents for Dori-Djibo Road	400,000	10. 6.74	4.11.74	400,000	400,000	0.75	3 years grace period, 10 years repayment beginning 1.1.1978
			42,000,000			34,550,000	34,550,000		

ANNEX IV

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS

Resolution concerning the participation of Belgium, 1-74

Resolution concerning the Rules for the selection at the First Annual Meeting of the Directors representing State Participants, 2-74

Resolution concerning the appointment of External Auditors, 3-74

Resolution concerning the establishment of a Steering Committee, 4-74

Resolution concerning the increase in the resources of the African Development Fund, 5-74

Resolution concerning the regulations on Loans Policy and Procedure of the African Development Fund, 6-74

Resolution concerning the date and place of the Second Annual Meeting of the Board of Governors, 7-74

Resolution expressing the gratitude and thanks of the Board of Governors to the Government of the Kingdom of Morocco

ANNEX V
BOARD OF DIRECTORS

Voting Power			
Director	For	Votes	Percentage
Mr. Amadou BOUKAR	A.D.B.	166.66	8.330
Mr. Wolde-Mariam GIRMA	A.D.B.	166.66	8.330
Mr. KALONGA T. K.	A.D.B.	166.66	8.330
Mr. Elifasi A. K. MWANJISI	A.D.B.	166.66	8.330
Mr. Mabruk A. TASHANI	A.D.B.	166.66	8.330
Mr. Mouloud TIAB	A.D.B.	166.66	8.330
		<u>1,000.00</u>	<u>50.000</u>
Mr. Horst DUMKE	Rep. of Germany	98.43	
	Netherlands	52.88	
		<u>151.31</u>	<u>7.566</u>
Mr. D. A. HILTON	Canada	198.26	
	Brazil	26.43	
		<u>224.69</u>	<u>11.234</u>
Mr. P. C. H. HOLMER	United Kingdom	68.88	
	Yugoslavia	26.43	
		<u>95.31</u>	<u>4.766</u>
Mr. Per Thee NAEVDAL	Norway	66.09	
	Denmark	66.09	
	Sweden	66.09	
	Finland	26.43	
		<u>224.70</u>	<u>11.236</u>
Mr. Hiroshi SAWANO	Japan	198.26	9.913
Mr. E. A. SUTER	Switzerland	39.65	
	Spain	26.43	
	Belgium	39.65	
		<u>105.73</u>	<u>5.285</u>
	Grand Total	<u><u>2,000.00</u></u>	<u><u>100.00</u></u>

ANNEX VI
VOTING POWER OF PARTICIPANTS IN THE ADF

Participants	Voting Power	Per- centage
1. African Development Bank	1,000.00	50.00
2. Belgium	39.65	1.982
3. Brazil	26.43	1.321
4. Canada	198.26	9.913
5. Denmark	66.09	3.305
6. Federal Republic of Germany	98.43	4.922
7. Finland	26.43	1.321
8. Japan	198.26	9.913
9. Netherlands	52.88	2.644
10. Norway	66.09	3.305
11. Spain	26.43	1.321
12. Sweden	66.09	3.305
13. Switzerland	39.65	1.982
14. United Kindom	68.88	3.445
15. Yugoslavia	26.43	1.321
Total	<u>1,000.00</u>	<u>50.000</u>
Grand Total	<u><u>2,000.00</u></u>	<u><u>100.00</u></u>

ADF/EG/II/2/Ann.1

ADDENDUM TO THE REPORT OF THE BOARD OF DIRECTORS FOR 1974

AFRICAN DEVELOPMENT FUND
ADMINISTRATIVE BUDGET FOR THE PERIOD
1ST JANUARY TO 31ST DECEMBER 1975
(in Units of Account)

DESCRIPTION	Estimates 1975
<u>PART I - BOARD OF GOVERNORS</u>	
<u>Section 1 - Board of Governors Annual Meetings</u>	
Chapter I - Preparatory Expenses	17 458
" II - Linguistic Staff	14 114
" III - Subsistence to Staff	23 671
TOTAL PART I	<u>55 243</u>
<u>PART II - BOARD OF DIRECTORS</u>	
Section 2 - <u>Meeting of the Board of Directors</u>	<u>18 511</u>
TOTAL PART II	<u>18 511</u>
<u>PART III - MANAGEMENT FEES REIMBURSABLE TO</u> <u>THE AFRICAN DEVELOPMENT BANK FOR</u> <u>USE BY FUND OF ORGANIZATION AND STAFF</u>	
<u>Section 3 - Personnel Expenses</u>	
Chapter I - Salaries	1 222 604
" II - Personnel allowances and other expenses	<u>666 561</u>
Total Section 3	<u>1 889 165</u>
<u>Section 4 - General Expenses</u>	
Chapter I - Operational missions	201 400
" II - Other general expenses	<u>527 847</u>
Total Section 4	<u>729 247</u>
TOTAL PART III	<u>2 618 412</u>
<u>PART IV - OTHER EXPENSES</u>	
<u>Section 5 - Miscellaneous Charges</u>	
Chapter I - Professional charges	<u>32 572</u>
TOTAL PART IV	<u>32 572</u>
TOTAL PARTS I - IV	<u>2 724 738</u>

Nov. 1974

ADB - ADF - SIFIDA

THE AFRICAN DEVELOPMENT BANK, AN INSTRUMENT FOR THE PROMOTION OF ECONOMIC AND SOCIAL PROGRESS IN AFRICA

Ten years ago, the African Development Bank was established by African governments as a testimony to their solidarity, their desire to operate and work together, regardless of political and language differences, to promote the economic development of their countries and the social advancement of their peoples through gradual integration of their national economies which had so long been separated by their colonial past.

At the time, the venture seemed risky. But today, on the eve of its tenth anniversary, the Bank may rightly pride itself on having a membership of 39 out of the 42 member States of the Organization of African Unity. It has gained international recognition as an instrument for promoting development to which its member countries increasingly apply.

THE BANK'S CAPITAL IS SUBSCRIBED ENTIRELY BY AFRICAN STATES

This rule, enshrined in the Agreement Establishing the African Development Bank, safeguards the African character of the institution and points to the effort towards solidarity without which the Africans cannot ensure their development. The magnitude of this effort, which is reflected in the structure of the share capital, will be fully realized if it is recalled that 16 member countries of the Bank are among the 25 listed by UNCTAD as the least developed countries in the world.

The authorized capital stock of the Bank, initially fixed at U.A. 250 million ¹⁾ (U.S. \$ 300 million) now stands at U.A. 400 million (US \$ 480 million). The amount of subscription to be paid by each member country, determined in the light of its contributory capacity, is divided into two equal parts: paid-up shares and callable shares. Paid-up shares are payable either in gold or in convertible currency. The subscribed capital as at 8 August 1974 amounted to U.S. \$ 445,071 million.

The Bank may also establish special funds or receive and manage such funds designed to serve its purpose within the scope of its functions.

THE BOARD OF GOVERNORS IS THE SUPREME ORGAN OF THE BANK; EACH MEMBER STATE IS REPRESENTED BY ONE GOVERNOR

The Governor is generally the Minister responsible for economic and financial affairs. The Board of Governors formulates general directives on the policy, particularly with regard to loans. The Board of Governors may with a few exceptions delegate all its powers to the Board of Directors. The Board holds an annual meeting.

¹⁾ One Unit of Account of 0.88867088 gramme of fine gold is equivalent to approximately U.S. \$ 1.20



Other organs of the Bank are :

THE BOARD OF DIRECTORS

It comprises nine members elected by the Board of Governors for a period of three years, and is responsible for the general conduct of the Bank's operations. Each Director appoints an Alternate.

THE PRESIDENT

Elected by the Board of Governors for a five-year term of office, the President of the Bank is the Chairman of the Board of Directors. He is the legal representative of the Bank and chief of staff. He conducts, under the direction of the Board of Directors, the current business of the Bank. The President is assisted in the discharge of his functions by one or more Vice-Presidents.

THE BANK MUST CONTRIBUTE TO THE ECONOMIC DEVELOPMENT AND SOCIAL ADVANCEMENT OF ITS MEMBERS, INDIVIDUALLY AND COLLECTIVELY

To this end the Bank utilizes its available resources to finance investment projects or programmes designed to contribute to the economic and social progress of its members giving priority, in as far as possible, to projects and programmes intended to foster regional co-operation and orderly development of trade among member States. It promotes public and private capital investment in Africa. It provides technical assistance, which may be required for the appraisal, preparation, financing and implementation of development projects and programmes. The Bank may carry out such operations either alone or in conjunction with other financing institutions.

PRIVATE INSTITUTIONS MAY ALSO BENEFIT FROM THE BANK'S LOANS

The African Development Bank does not deal only with States and public institutions. Private groupings or organizations may also be granted loans by the Bank with the guarantee of the State concerned.

FINANCIAL RETURNS ARE NOT THE SOLE CRITERION FOR THE BANK'S INTERVENTIONS

While observing the principle of sound financial management, the Bank takes into account the economic and social impact of its actions. It respects member States' development priorities but pays particular attention to operations that promote economic integration.

Except in very special circumstances, the loans granted or guaranteed by the Bank should cover the financing of specific projects or groups of projects. The Bank may, however, grant global loans to national development banks or other appropriate institutions, or guarantee loans granted to such banks or institutions, so as to enable them to finance specific projects that serve its purpose.

THE BANK HAS ALREADY GRANTED ONE OR MORE LOANS TO THIRTY-ONE COUNTRIES

The Bank spent its initial years setting up its administrative structures. It commenced operations in July 1966. A number of identification

ADB - ADF - SIFIDA

missions sent to member countries has enabled the Bank to constitute a pipe-line of projects which grows with the identification of new projects.

By 30 September 1974, the Bank had granted loans and invested in projects and programmes to the aggregate amount of U.S. \$ 192 million, i.e. 78 operations in thirty-one countries including six multinational projects.

The total number of projects in which the Bank has intervened financially represents an overall investment of more than U.S. \$ 600 million.

The sectoral breakdown of the Bank's operations shows a marked inclination to develop communications infrastructure which is so necessary for the steady integration of national economies. The relatively small share of agriculture, the backbone of the African economy, since 90% of the population live in rural areas, is to be increased in future financing programmes of the Bank, thanks to the African Development Fund. In fact, agriculture's share of the Bank's investments has risen in the last three years with loans to that sector averaging 20% per annum.

SECTORAL BREAKDOWN OF THE BANK'S LOANS AND INVESTMENTS AS AT 30 SEPTEMBER 1974

Sector	Number of projects	In million U.S. \$	Sector Percentage
Agriculture	14	28.789	15.0
Transport	25	74.100	38.6
Public utilities (water, electricity, telecommunications etc...)	23	62.592	32.6
Industries and lines of credit to national development banks	16	26.487	13.8
TOTAL	78	191.968	100,0

Taking into account the Bank's limited resources for the period under review, results can be considered encouraging. With the African Development Fund and the prospects of mobilizing additional resources, the Management of the Bank and the Fund hope to contribute further to the development of Africa in the next five years.

THE BANK MOBILIZES AVAILABLE RESOURCES IN THE PUBLIC AND PRIVATE SECTORS FOR THE DEVELOPMENT OF AFRICA

Aware of the insufficiency of its own resources to meet the immense needs of the continent, the Bank has made and continues to deploy great efforts to mobilize external resources. These efforts have culminated in the creation of two subsidiary institutions through which public and private capital is channeled.

The African Development Fund, established in July 1972 by the African Development Bank is a multinational fund to which sixteen non-African capital-exporting countries have agreed to subscribe. They are: Belgium, Brazil, Canada, Denmark, Finland, Germany (Federal Republic), Italy, Japan, The Netherlands, Norway, Sweden, Swiss Confederation, United Kingdom of Great Britain and Northern Ireland, United States of America, Spain and Yugoslavia. The Fund commenced operations in August 1973 and has already financed some ten projects mainly in the drought

affected countries. Loans of the African Development Fund are granted on concessional terms, are interest-free and repayable over 50 years.

SIFIDA (Investment Company S.A.), established in November 1970 on the initiative and with the participation of the Bank, is another type of multinational co-operation designed to serve the economic development of Africa. Its operational headquarters is located in Geneva. SIFIDA is a holding company and its shareholders include, in addition to the International Finance Corporation, a hundred financial, industrial or commercial institutions from America, Europe and Asia. The company aims at mobilizing international private capital to promote the establishment and growth of productive enterprises in Africa. SIFIDA has already approved 20 projects in 9 African countries for a total amount of U.S. \$ 12.7 million.

The Bank in its quest for additional resources has addressed an invitation to its members to increase their subscriptions to the capital stock. To this end, the authorized capital stock of the Bank which had already risen last year from U.S. \$ 311.28 millions to US \$ 384 million, has again been increased to U.S. \$ 480 million that is a total increase of U.S. \$ 168.72 million, of which U.S. \$ 130 million has already been subscribed. Furthermore, the Board of Governors at its last meeting held in Rabat in July, authorized the Bank to issue short-term bonds in member States; this is a step towards the Bank's access to the international capital markets.

PROMOTION OF THE EVEN GROWTH OF ALL THE AFRICAN ECONOMIES

Africa being in an unfortunate position with regard to the means for ensuring its development, the African Development Bank cannot restrict its activities to conventional banking operations. The Bank must act as catalyst for development and to this end it advises and assists in evolving a global development strategy for the continent under which national development plans would be harmonized with a view to integrating all the African economies. In this perspective, the African Development Bank in collaboration with the Organization of African Unity and the United Nations Economic Commission for Africa organized the first African Ministerial Conference on Trade, Development and Monetary problems. This conference, a complete innovation in the approach to African economies, led to the African Declaration on Co-operation, Development and Economic Independence endorsed by the Heads of State and Government of the OAU at their assembly held in May 1973 on the occasion of the tenth anniversary of the Organization.

Two major projects, to whose implementation the African Development Bank has been lending appreciable support, have resulted from the desire of the African governments to harmonize their development policies: the construction of a Pan-African Telecommunications network and the establishment of an African Reinsurance Company.

The African Development Bank will celebrate its Tenth Anniversary on 15 November this year. In his opening speech at the Tenth Annual Meeting of the Board of Governors of the Bank, held in Rabat on 1 July 1974, His Majesty Hassan II, King of Morocco, made the following remarks about the first decade of the African Development Bank :

«Ten years have elapsed since ADB was set up; these have been ten years of struggle for the Bank, ten years of seeking and also, ten years in which it has acquired a reputation as a serious and respect-worthy institution... The Bank has earned this respect and good reputation as a result of the rapidity of its procedure, its knowledge of African problems and above all, thanks to the fighting spirit with which it goes about its work, avoiding the pedestrian routine which could have been an obstacle in the way of its success».

ADB - ADF - SIFIDA

Notwithstanding these encouraging remarks, there is no doubt that the task ahead is still arduous; but with the enlightened determination which has so far enabled it to overcome the difficulties it has had to face, the African Development Bank can look forward with hope and faith..

AFRICAN DEVELOPMENT BANK

STATEMENT OF SUBSCRIPTIONS AS AT 8.8.1974

Member country	Subs- cription in 000 US\$
1. Algeria	48,254
2. Botswana	1,206
3. Burundi	1,448
4. Cameroun	7,238
5. Central African Republic	1,206
6. Chad	1,930
7. Congo	4,222
8. Dahomey	1,689
9. Ethiopia	12,425
10. Egypt	36,191
11. Gabon	3,619
12. Gambia	1,206
13. Ghana	19,060
14. Guinea	3,981
15. Ivory Coast	11,460
16. Kenya	11,460
17. Lesotho	1,327
18. Liberia	4,343
19. Libya	60,318
20. Malawi	3,137
21. Mali	2,775
22. Mauritania	2,051
23. Mauritius	3,619
24. Morocco	22,462
25. Niger	1,930
26. Nigeria	60,318
27. Rwanda	1,448
28. Senegal	9,048
29. Sierra Leone	3,740
30. Somalia	3,281
31. Sudan	12,184
32. Swaziland	2,895
33. Tanzania	11,460
34. Togo	1,206
35. Tunisia	8,324
36. Uganda	5,549
37. Upper Volta	1,568
38. Zaire	36,191
39. Zambia	19,302
	445,071

AFRICAN DEVELOPMENT FUND

a joint effort of development financing on soft-loan terms

One of the specific features of the African Development Bank which distinguishes it from the other regional development banks, especially the Asian Development Bank and the Inter-American Development Bank, is that its capital is subscribed exclusively by the sole authentically African countries on the continent. For that reason, no non-African country can become a member of the Bank.

However, this specific feature does not prevent the Bank from co-operating with the industrialized and developed countries whose financial aid and technical assistance are so necessary for Africa. To this end, the Bank is empowered to set up, or receive and administer special funds, intended to increase its resources for the realization of its objectives.

It is in this connexion that in 1966, the very year when the Bank became operational, the Management mooted the idea of setting up a special fund, with contributions from the Bank itself and the governments of the State participants, which would enable the Bank to extend its operations to sectors such as education, professional training, social activities, rural development, administrative infrastructures, which require financing granted on concessional terms, and the development of which is conditional to the economic «take off» of the member countries.

The negotiations pursued under the auspices of the Development Assistance Committee of OECD culminated, on November 1972, in the establishment of the African Development Fund. Out of the sixteen countries which participated in the negotiations for the Agreement establishing the Fund, fourteen have so far signed and ratified it; these are: Belgium, Brazil, Canada, Denmark, Finland, Japan, Norway, The Netherlands, Federal Republic of Germany, Spain, United Kingdom of Great Britain and Northern Ireland, Sweden, Switzerland and Yugoslavia.

The African Development Fund is a legal entity distinct from the African Development Bank. Its major organs are the Board of Governors, the Board of Directors and the President. But there is a close link between the Bank and the Fund as evidenced by the mixed composition of its organs. The President of the Bank is ex-officio President of the Fund and chairs its Board of Directors. The Fund draws on the administrative and operational structures of the Bank and shares the same headquarters with it. Voting power is equally shared among the State participants and the African Development Bank.

The Regulations on loan policies and procedure of the African Development Fund lay down the principle of complementarity of the operations of the Fund and those of the Bank and gear the Fund's interventions towards the realization of social objectives in line with the national development plans. The Fund will be able to finance a reasonable share of local costs and to participate in projects and programmes directly benefiting the poorer strata of the population. All member countries of the

ADB - ADF - SIFIDA

Bank are eligible to receive loans from the Fund on concessional terms: interest-free repayment over fifty years with a ten-year grace period.

Operations of the African Development Fund started on 1st August 1973 with potential resources of about 100 million dollars. Methods of appraising projects for financing by the Bank and the Fund follow the same criteria. With regard to the utilization of the Fund's resources, it has been decided to accord priority to the drought-stricken countries. The amount of resources to be committed during the current financial year is estimated at about 44 million dollars. In the light of projects in the pipeline, the amounts for 1975 and 1976 are expected to reach 66 and 88 million dollars respectively.

The replenishment of the African Development Fund's resources is therefore a topical issue with which the authorities of the Bank and the Fund are concerned. At the recent Annual Meeting of the Board of Governors of the Bank and the Fund held in Rabat in July, the matter was discussed and the President and the Board of Directors of the Fund were invited to take immediate steps to consult with the governments of the State participants and the Governments of interested third countries with a view to increasing the Fund's resources through additional contributions and participation by new members.

The reactions in this connexion have been encouraging. For instance, on 17 September 1974, the Government of the Swiss Confederation and the President of the Fund signed an Agreement under which a Special Swiss Fund for Africa, to be administered by the African Development Fund, has been established to aid the least favoured member countries of the African Development Bank. Negotiations are underway for the signing of similar agreements with other State participants. Contacts are also being made with some Arab, Socialist and Latin American countries in connexion with their possible participation in the Fund.

The African Development Fund has proved to be a successful venture, by the donors and the beneficiaries, for the joint administration of public development aid, the efficiency of which is often the subject of sharp controversies. It is to be hoped that a greater portion of public aid will be channelled through institutions such as the African Development Fund, which being familiar with development problems in Africa, can make more efficient use of it.

**AFRICAN
DEVELOPMENT
FUND**

**STATEMENT
OF SUBSCRIPTIONS
AS AT 14.8.1974**

1. African Development Bank	5,555,550 US Dollars
2. Belgium	3,333,330
3. Brazil	2,222,220
4. Canada	16,666,650
5. Denmark	5,555,550
6. Finland	2,222,220
7. Holland	4,444,440
8. Japan	16,666,650
9. Norway	5,555,550
10. Spain	2,222,220
11. Sweden	5,555,550
12. Switzerland	3,333,330
13. United Kingdom	5,790,461
14. West Germany	16,550,272
15. Yugoslavia	2,222,220

97,896,213 US Dollars

SIFIDA

**Société Internationale Financière pour les Investissements
et le Développement en Afrique S.A.
SIFIDA Investment Company S.A.
8c, av. de Champel, P.O. Box 396
CH 1211 Genève 12, Suisse**

GENERAL OBJECTIVES OF SIFIDA

SIFIDA is multi-national investment company, established in Luxembourg with operational headquarters in Geneva. It was established on the initiative of the African Development Bank, which participates in its capital, as well as the International Finance Corporation of the World Bank Group. Its purpose is to promote private investment in the independent and developing African States. It considers that the international private sector has a very important role to play in the building up of the African economies, especially in the expansion of their private sectors and in the development of an African entrepreneurial class.

To this end, it is regarded necessary and desirable to promote new means on behalf of the African economies to support and supplement the efforts of international, regional and national organizations concerned with the problems of aid and cooperation with the African States. Through the multi-national composition of its capital — more than 120 banks and industries from Europe, North America and Japan participate in Sifida — and through the location of its headquarters in Geneva, the Company is at the center of international capabilities in finance, technology and entrepreneurial competence and can provide a very effective contribution to the development of the productive sectors of the African economies.

To achieve its objectives, SIFIDA is empowered to finance productive enterprises in course of establishment and any extension or diversification of the activities of existing productive enterprises. Financial assistance may be given in the form of capital participation, medium and long-term loans, but also through other means such as underwriting and the provision of guarantees. The corporation pays special attention to projects likely to promote the development of regional economies.

ACTIVITIES

Operations were started towards the end of 1971 and the Company has now passed the initial phase of organizing itself and finding its appropriate structure and identity. Good progress has been made in the effort to promote private enterprise and SIFIDA's activities have gained momentum, especially in those countries where economic policy favours the private sector. The demand for SIFIDA's financing is apparent in the fact that within three years it has committed the equivalent of its called-up share capital to investments in Africa. There has never been a lack of projects from which good quality investments could be selected. SIFIDA's role as a catalyst in fostering economic and social development in Africa is supported by the fact that the total capital cost of the projects to which it has committed finance is US \$154 million.

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SIFIDA approved investments during the three years of operation in twenty projects spread over nine African countries, for a total amount of US \$12.7 million. Of this amount, US \$3.9 million were in equity participation and US \$8.8 million as medium and long-term loans. In sectoral distribution the major share went to «textiles and fibres» (37.8%), «agriculture and food processing» (23.7%), «cement and building materials» (14.1%), «machinery and metal working» (9.2%), «timber processing» (7%) and «tourism» (5.4%).

Special attention was given to development contribution resulting from SIFIDA's investments. In every case, the implementation of the projects led to foreign exchange earnings or savings. The twenty projects should create approximately 10,000 new employment opportunities, thus demonstrating the impact private investments can have on a developing country's economy.

SIFIDA'S experience during the last year was that the demand for the services the Company can offer steadily increased. The Projects Department produced full scale feasibility studies, arranged the syndication of additional finance, provided financial management, had to find technical know-how partners and for some projects also marketed part of the production. It can be expected that these services will play an increasingly important part in future.

AFRICAN DEVELOPMENT BANK:

HISTORICAL EVENTS

- 1960: Tunis All-African People's Conference. First public discussion of the idea of a continental development bank.

- 1961 : Feasibility studies on the setting up of a regional bank by multinational panel of experts.

- 1962 : United Nations Economic Commission for Africa sets up Special Committee of nine member states to begin making arrangements to establish the African Development Bank.

- 1963, August: Conference of African Ministers of Finance in Khartoum approves formation agreements of the Bank.

- 1964, September: Formation agreement comes into force; 65 per cent of authorized capital stock subscribed.

- November: Inaugural meeting of Board of Governors held in Lagos, Nigeria. First President, Vice-Presidents and Directors elected and Abidjan, Ivory Coast, selected as the Headquarters of the Bank.

- 1965, March: Installation of Bank's Headquarters in Abidjan.

- 1966, April: Second annual meeting of Board of Governors in Abidjan.

- July: The Bank starts operations.

- 1967, August: Third annual meeting of the Board of Governors held in Abidjan.

- October: Co-operative programme agreed with Food and Agricultural Organisation.

- 1968, August: Fourth annual meeting of Board of Governors held in Nairobi, Kenya.

- 1969, June: Co-operation agreement with UNESCO.

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- August: Fifth annual meeting of Board of Governors held in Freetown, Sierra Leone.
- 1970, August: Sixth annual meeting of Board of Governors held in Fort Lamy, Chad.
- 1971, March: Ratification by Board of Governors of Co-operation agreement between the Bank and Organisation of African Unity (OAU).
- July: Seventh annual meeting of the Board of Governors held in Kampala, Uganda.
- 1972, April: Potential contributors to the AFRICAN DEVELOPMENT FUND met in Paris and approved the draft ADF Agreement.
- July: Eighth annual meeting of Board of Governors held in Algiers, Algeria.
The Board of Governors adopted a declaration calling for an African Ministerial Conference to define a common African position on monetary problems and development.
- November: Conference of Plenipotentiaries on the signature of the Agreement establishing the African Development Fund held in Abidjan.
- 1973, May: First African Ministerial Conference on Trade, Development and Monetary problems, organised jointly by the Bank, OUA, ECA and Association of African Central Banks, held in Abidjan.
- July: Ninth annual meeting of the Board of Governors held in Lusaka, Zambia.
Inaugural meeting of the African Development Fund.
- 1974, March: African experts met at the Bank's headquarters to exchange views on the establishment of the proposed African Reinsurance Corporation and appointed a coordinating Committee of nine members to elaborate the final documents of the project.
- June: Ratification by the Board of Governors of Co-operation agreement between ADB and WHO
- July: Tenth annual meeting of Board of Governors held in Rabat, Morocco. Authorized capital of the Bank increased to U.A. 400 million.
- 1974, July: First annual meeting of the Board of Governors of African Development Fund held in Rabat, Morocco.
- ★ 15 November: Celebration of the Tenth Anniversary of the African Development Bank.

THE MEN WHO MANAGE THE AFRICAN DEVELOPMENT BANK

PRESIDENT

Mr. Abdelwahab Labidi, 45 years, of Tunisian nationality, holds a degree in Law. He started his banking career in 1957 as Assistant Inspector at the «Crédit Industriel et Commercial» in Paris. From 1959 to 1960 he was a «Fondé de Pouvoir» at the Bank of Tunisia. He occupied a number of responsible posts at the Tunisian National Agricultural Bank from 1960 to 1964, becoming its Inspector General in 1962. In June 1964 he was appointed Manager of the «Société Tunisienne de Banque». On 1st September of the same year he was seconded, under Tunisian Technical Assistance, to Niger as General Manager of that country's National Development Bank, a post he held till his election in June 1969 as Vice-President of the African Development Bank. After acting for a short period as President, following the resignation of Mr. Mamoun Beheiry, first President of the Bank, he was elected President in August 1970.

VICE-PRESIDENTS:

Mr. Louis Pascal Negre, 46 years, of Malian nationality, was elected Vice-President of ADB at the First Annual Meeting of the Board of Governors of the Bank in 1964, but it was not until 1970 that he assumed permanent duty at the Bank. A former Administrator in the Overseas French Civil Service, Mr. Negre qualified from the «Ecole Nationale de la France d'Outre-Mer» and obtained a Degree in «Etudes Supérieures d'Economie Politique» from the University of Paris. From 1955 to 1960 he occupied a number of senior posts in the Senegalese Civil Service. After Mali's independence in 1960 he left the Colonial Civil Service to serve his country, where he occupied senior administrative posts, including, in particular, those of technical adviser at the Presidency of the Republic and Governor of the Bank of Mali. In 1960, he entered the Government as Minister of Finance and remained so till September 1970 adding, at various times, the portfolios of Planning, Trade or Economic Affairs to that of Finance. From 1967 to 1970 he chaired the African Group of the World Bank and the International Monetary Fund during the Annual Meetings of the two institutions, as well as the Ministerial Council of the West African Customs Union, the future West African Economic Community.

Mr. Salem Mohamed Omeish, 42 years, is a Libyan. He is a graduate in Economics from the University of Cairo and also holds a Masters Degree in the same subject from the American University (Washington). Mr. Omeish held senior posts in his country's Civil Service and in the Government. Before his election as ADB Vice-President, Mr. Omeish was Deputy Under-Secretary of State for Economic Affairs. He assumed duties at the Bank in December 1973.

Mr. Edwin Olorunfemi Obayan, 45 years, is of Nigerian nationality. He is a graduate in Economics from the Universities of London and Yale. After a teaching career, Mr. Obayan entered the Federal Civil Service and successively occupied the posts of Deputy Chief Planning Officer in the Federal Ministry of Economic Development and Reconstruction and of Deputy Permanent Secretary responsible for Foreign Exchange, Budget and Research in the Federal Ministry of Finance. Mr. Obayan assumed duties at the Bank in January 1974.

**Agreement
establishing the
AFRICAN
DEVELOPMENT BANK**



African Development Bank
BP 1387
Abidjan
Ivory Coast

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**AGREEMENT ESTABLISHING
THE AFRICAN DEVELOPMENT BANK**

THE GOVERNMENTS on whose behalf this Agreement is signed;

DETERMINED to strengthen African solidarity by means of economic co-operation between African States;

CONSIDERING the necessity of accelerating the development of the extensive human and natural resources of Africa in order to stimulate economic development and social progress in that region;

REALIZING the importance of co-ordinating national plans of economic and social development for the promotion of the harmonious growth of African economies as a whole and the expansion of African foreign trade and, in particular, inter-African trade;

RECOGNIZING that the establishment of a financial institution common to all African countries would serve these ends;

HAVE AGREED to establish hereby the African Development Bank (hereinafter called the 'Bank') which shall be governed by the following provisions:

Chapter I
PURPOSE, FUNCTIONS,
MEMBERSHIP AND STRUCTURE

Article 1 The purpose of the Bank shall be to contribute to the economic
Purpose development and social progress of its members – individually
 and jointly.

- Article 2** 1 To implement its purpose, the Bank shall have the following
Functions functions:
- a. to use the resources at its disposal for the financing of investment projects and programmes relating to the economic and social development of its members, giving special priority to:
 - i. projects or programmes which by their nature or scope concern several members ; and
 - ii. projects or programmes designed to make the economies of its members increasingly complementary and to bring about an orderly expansion of their foreign trade ;
 - b. to undertake, or participate in, the selection, study and preparation of projects, enterprises and activities contributing to such development ;
 - c. to mobilize and increase in Africa, and outside Africa, resources for the financing of such investment projects and programmes ;
 - d. generally, to promote investment in Africa of public and private capital in projects or programmes designed to contribute to the economic development or social progress of its members ;
 - e. to provide such technical assistance as may be needed in Africa for the study, preparation, financing and execution of development projects or programmes ; and
 - f. to undertake such other activities and provide such other services as may advance its purpose.
- 2 In carrying out its functions, the Bank shall seek to co-operate with national, regional and sub-regional development institutions in Africa. To the same end, it should co-operate with other international organizations pursuing a similar purpose and with other institutions concerned with the development of Africa.
- 3 The Bank shall be guided in all its decisions by the provisions of Articles 1 and 2 of this Agreement.

- Article 3** 1 Any African country which has the status of an independent
Membership State may become a member of the Bank. It shall acquire
and membership in accordance with paragraph 1. or paragraph 2. of
geographical Article 64 of this Agreement.
area 2 The geographical area to which the membership and develop-
ment activities of the Bank may extend (referred to in this Agree-
ment as 'Africa' or 'African', as the case may be) shall comprise
the continent of Africa and African islands.

- Article 4** The Bank shall have a Board of Governors, a Board of Directors,
Structure a President, at least one Vice-President and such other officers
and staff to perform such duties as the Bank may determine.

Chapter II CAPITAL

- Article 5** 1 a. The authorized capital stock of the Bank shall be 250,000 000
Authorized units of account. It shall be divided into 25,000 shares of a
capital par value of 10,000 units of account each share, which shall
be available for subscription by members.
b. The value of the units of account shall be 0·88867088 gramme
of fine gold.
2 The authorized capital stock shall be divided into paid-up shares
and callable shares. The equivalent of 125,000,000 units of
account shall be paid up, and the equivalent of 125,000,000
units of account shall be callable for the purpose defined in
paragraph 4. a. of Article 7 of this Agreement.
3 The authorized capital stock may be increased as and when the
Board of Governors deems it advisable. Unless that stock is
increased solely to provide for the initial subscription of a mem-
ber, the decision of the Board shall be adopted by a two-thirds
majority of the total number of Governors, representing not less
than three-quarters of the total voting power of the members.

- Article 6** 1 Each member shall initially subscribe shares of the capital stock
Subscription of the Bank. The initial subscription of each member shall consist
of shares of an equal number of paid-up and callable shares. The initial
number of shares to be subscribed by a State which acquires
membership in accordance with paragraph 1. of Article 64 of this
Agreement, shall be that set forth in its respect in Annex A to this

Agreement, which shall form an integral part thereof. The initial number of shares to be subscribed by other members shall be determined by the Board of Governors.

- 2 In the event of an increase of the capital stock for a purpose other than solely to provide for an initial subscription of a member, each member shall have the right to subscribe, on such uniform terms and conditions as the Board of Governors shall determine, a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Bank. No member, however, shall be obligated to subscribe to any part of such increased stock.
- 3 A member may request the Bank to increase its subscription on such terms and conditions as the Board of Governors may determine.
- 4 Shares of stock initially subscribed by States which acquire membership in accordance with paragraph 1. of Article 64 of this Agreement shall be issued at par. Other shares shall be issued at par unless the Board of Governors by a majority of the total voting power of the members decides in special circumstances to issue them on other terms.
- 5 Liability on shares shall be limited to the unpaid portion of their issue price.
- 6 Shares shall not be pledged nor encumbered in any manner. They shall be transferable only to the Bank.

Article 7 **Payment of** **subscription**

- 1 a. Payment of the amount initially subscribed to the paid-up capital stock of the Bank by a member which acquires membership in accordance with paragraph 1. of Article 64, shall be made in six instalments, the first of which shall be five per cent, the second thirty-five per cent, and the remaining four instalments each fifteen per cent of that amount.
- b. The first instalment shall be paid by the Government concerned on or before the date of deposit, on its behalf, of the instrument of ratification or acceptance of this Agreement in accordance with paragraph 1 of Article 64. The second instalment shall become due on the last day of a period of six months from the entry into force of this Agreement or on the day of the said deposit, whichever is the later day. The third instalment shall become due on the last day of a period of eighteen months from the entry into force of this Agreement.

The remaining three instalments shall become due successively each on the last day of a period of one year immediately following the day on which the preceding instalment becomes due.

- 2 Payments of the amounts initially subscribed by the members of the Bank to the paid-up capital stock shall be made in gold or convertible currency. The Board of Governors shall determine the mode of payment of other amounts subscribed by the members to the paid-up capital stock.
- 3 The Board of Governors shall determine the dates for the payment of amounts subscribed by the members of the Bank to the paid-up capital stock to which the provisions of paragraph 1. of this Article do not apply.
- 4
 - a. Payment of the amounts subscribed to the callable capital stock of the Bank shall be subject to call only as and when required by the Bank to meet its obligations incurred, pursuant to paragraph 1. b. and d. of Article 14, on borrowing of funds for inclusion in its ordinary capital resources or guarantees chargeable to such resources.
 - b. In the event of such calls, payment may be made at the option of the member concerned in gold, convertible currency or in the currency required to discharge the obligation of the Bank for the purpose of which the call is made.
 - c. calls on unpaid subscriptions shall be uniform in percentage on all callable shares.
- 5 The Bank shall determine the place for any payment under this Article provided that, until the first meeting of its Board of Governors provided in Article 66 of this Agreement, the payment of the first instalment referred to in paragraph 1. of this Article shall be made to the Trustee referred to in Article 66.

Article 8 Special funds

- 1 The Bank may establish, or be entrusted with the administration of, Special Funds which are designed to serve its purpose and come within its functions. It may receive, hold, use, commit or otherwise dispose of, resources appertaining to such Special Funds.
- 2 The resources of such Special Funds shall be kept separate and apart from the ordinary capital resources of the Bank in accordance with the provisions of Article 11 of this Agreement.
- 3 The Bank shall adopt such special rules and regulations as may

be required for the administration and use of each Special Fund ; provided always that :

- a. such special rules and regulations shall be subject to paragraph 4. of Article 7, Articles 9 to 11, and those provisions of this Agreement which expressly apply to the ordinary capital resources or ordinary operations of the Bank ;
- b. such special rules and regulations must be consistent with provisions of this Agreement which expressly apply to special resources or special operations of the Bank ; and that
- c. where such special rules and regulations do not apply, the Special Funds shall be governed by the provisions of this Agreement.

Article 9
Ordinary
capital
resources

For the purposes of this Agreement, the expression 'ordinary capital resources' of the Bank shall include :

- a. authorized capital stock of the Bank subscribed pursuant to the provisions of Article 6 of this Agreement ;
- b. funds raised by borrowing of the Bank, by virtue of powers conferred in paragraph a. of Article 23 of this Agreement, to which the commitment to calls provided for in paragraph 4. of Article 7 of this Agreement applies ;
- c. funds received in repayment of loans made with resources referred to in paragraphs a. and b. of this Article ; and
- d. income derived from loans made from the aforementioned funds ; income from guarantees to which the commitment to calls provided for in paragraph 4. of Article 7 of this Agreement applies ; as well as
- e. any other funds or income received by the Bank which do not form part of its special resources.

Article 10
Special
resources

1 For the purposes of this Agreement, the expression 'special resources' shall refer to the resources of Special Funds and shall include :

- a. resources initially contributed to any Special Fund ;
- b. funds borrowed for the purposes of any Special Fund, including the Special Fund provided for in paragraph 6. of Article 24 of this Agreement ;
- c. funds repaid in respect of loans or guarantees financed from the resources of any Special Fund which, under the rules and

regulations governing that Special Fund, are received by that Special Fund ;

d. income derived from operations of the Bank by which any of the aforementioned resources or funds are used or committed if, under the rules and regulations governing the Special Fund concerned, that income accrues to the said Special Fund ; and

e. any other resources at the disposal of any Special Fund.

2 For the purposes of this Agreement, the expression 'special resources appertaining to a Special Fund' shall include the resources, funds and income which are referred to in the preceding paragraph and are – as the case may be – contributed to, borrowed or received by, accruing to, or at the disposal of, the Special Fund concerned in conformity with the rules and regulations governing that Special Fund.

Article 11
Separation of
resources

1 The ordinary capital resources of the Bank shall at all times and in all respects be held, used, committed, invested or otherwise disposed of, entirely separate from special resources. Each Special Fund, its resources and accounts shall be kept entirely separate from other Special Funds, their resources and accounts.

2 The ordinary capital resources of the Bank shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of operations or other activities of any Special Fund. Special resources appertaining to any Special Fund shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of operations or other activities of the Bank financed from its ordinary capital resources or from special resources appertaining to any other Special Fund.

3 In the operations and other activities of any Special Fund, the liability of the Bank shall be limited to the special resources appertaining to that Special Fund which are at the disposal of the Bank.

Chapter III
OPERATIONS

Article 12
Use of
resources

The resources and facilities of the Bank shall be used exclusively to implement the purpose and functions set forth in Articles 1 and 2 of this Agreement.

Article 13
Ordinary and
special
operations

- 1 The operations of the Bank shall consist of ordinary operations and of special operations.
- 2 The ordinary operations shall be those financed from the ordinary capital resources of the Bank.
- 3 The special operations shall be those financed from the special resources.
- 4 The financial statements of the Bank shall show the ordinary operations and the special operations of the Bank separately. The Bank shall adopt such other rules and regulations as may be required to ensure the effective separation of the two types of its operations.
- 5 Expenses appertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank ; expenses appertaining directly to special operations shall be charged to the appropriate special resources. Other expenses shall be charged as the Bank shall determine.

Article 14
Recipients and
methods of
operations

- 1 In its operations, the Bank may provide or facilitate financing for any member, political sub-division or any agency thereof or for any institution or undertaking in the territory of any member as well as for international or regional agencies or institutions concerned with the development of Africa. Subject to the provisions of this Chapter, the Bank may carry out its operations in any of the following ways :
 - a. by making or participating in, direct loans out of :
 - i. funds corresponding to its unimpaired subscribed paid-up capital and, except as provided in Article 20 of this Agreement, to its reserves and undistributed surplus ; or out of
 - ii. funds corresponding to special resources ; or
 - b. by making or participating in, direct loans out of funds borrowed or otherwise acquired by the Bank for inclusion in its ordinary capital resources or in special resources ; or
 - c. by investment of funds referred to in sub-paragraph a or b. of this paragraph in the equity capital of an undertaking or institution ; or
 - d. by guaranteeing, in whole or in part, loans made by others.
- 2 The provisions of this Agreement applying to direct loans which the Bank may make pursuant to sub-paragraph a. or b. of the preceding paragraph shall also apply to its participation in any

direct loan undertaken pursuant to any of those sub-paragraphs. Equally, the provisions of this Agreement applying to guarantees of loans undertaken by the Bank pursuant to sub-paragraph d. of the preceding paragraph shall apply where the Bank guarantees part of such a loan only.

Article 15
Limitations on
operations

- 1 The total amount outstanding in respect of the ordinary operations of the Bank shall not at any time exceed the total amount of its unimpaired subscribed capital, reserves and surplus included in its ordinary capital resources excepting, however, the special reserve provided for in Article 20 of this Agreement.
- 2 The total amount outstanding in respect of the special operations of the Bank relating to any Special Fund shall not at any time exceed the total amount of the unimpaired special resources appertaining to that Special Fund.
- 3 In the case of loans made out of funds borrowed by the Bank to which the commitment to calls provided for in paragraph 4. of Article 7 of this Agreement applies, the total amount of principal outstanding and payable to the Bank in a specific currency shall not at any time exceed the total amount of principal outstanding in respect of funds borrowed by the Bank that are payable in the same currency.
- 4 a. In the case of investments made by virtue of paragraph 1. c. of Article 14 of this Agreement out of the ordinary capital resources of the Bank, the total amount outstanding shall not at any time exceed ten per cent of the aggregate amount of the paid-up capital stock of the Bank together with the reserves and surplus included in its ordinary capital resources excepting, however, the special reserve provided for in Article 20 of this Agreement.
- b. At the time it is made, the amount of any specific investment referred to in the preceding sub-paragraph shall not exceed a percentage of equity capital of the institution or undertaking concerned, which the Board of Governors shall have fixed for any investment to be made by virtue of paragraph 1. c. of Article 14 of this Agreement. In no event shall the Bank seek to obtain by such an investment a controlling interest in the institution or undertaking concerned.

Article 16
Provision of
currencies for
9 direct loans

In making direct loans, the Bank shall furnish the borrower with currencies other than the currency of the member in whose territory the project concerned is to be carried out (the latter currency hereinafter to be called 'local currency'), which are required to

meet foreign exchange expenditure on that project; provided always that the Bank may, in making direct loans, provide financing to meet local expenditure on the project concerned:

- a. where it can do so by supplying local currency without selling any of its holdings in gold or convertible currencies; or
- b. where, in the opinion of the Bank, local expenditure on that project is likely to cause undue loss or strain on the balance of payments of the country where that project is to be carried out and the amount of such financing by the Bank does not exceed a reasonable portion of the total local expenditure incurred on that project.

Article 17
Operational
principles

1 The operations of the Bank shall be conducted in accordance with the following principles:

- a. i. The operations of the Bank shall, except in special circumstances, provide for the financing of specific projects, or groups of projects, particularly those forming part of a national or regional development programme urgently required for the economic or social development of its members. They may, however, include global loans to, or guarantees of loans made to, African national development banks or other suitable institutions, in order that the latter may finance projects of a specified type serving the purpose of the Bank within the respective fields of activities of such banks or institutions;
- ii. In selecting suitable projects, the Bank shall always be guided by the provisions of paragraph 1. a. of Article 2 of this Agreement and by the potential contribution of the project concerned to the purpose of the Bank rather than by the type of the project. It shall, however, pay special attention to the selection of suitable multinational projects;
- b. The Bank shall not provide for the financing of a project in the territory of a member if that member objects thereto;
- c. The Bank shall not provide for the financing of a project to the extent that in its opinion the recipient may obtain the finance or facilities elsewhere on terms that the Bank considers are reasonable for the recipient;
- d. Subject to the provisions of Articles 16 and 24 of this Agreement, the Bank shall not impose conditions enjoining that the proceeds of any financing undertaken pursuant to its ordinary operations shall be spent in the territory of any particular

country nor that such proceeds shall not be spent in the territory of any particular country ;

- e. In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower and the guarantor, if any, will be in a position to meet their obligations under the loan ;
 - f. In making or guaranteeing a loan, the Bank shall be satisfied that the rate of interest and other charges are reasonable and such rate, charges and the schedule for the repayment of principal are appropriate for the project concerned ;
 - g. In the case of a direct loan made by the Bank, the borrower shall be permitted by the Bank to draw its funds only to meet expenditure in connexion with the project as it is actually incurred ;
 - h. The Bank shall make arrangements to ensure that the proceeds of any loan made or guaranteed by it are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency ;
 - i. The Bank shall seek to maintain a reasonable diversification in its investments in equity capital ;
 - j. The Bank shall apply sound banking principles to its operations and, in particular, to its investments in equity capital. It shall not assume responsibility for managing any institution or undertaking in which it has an investment ; and
 - k. In guaranteeing a loan made by other investors, the Bank shall receive suitable compensation for its risk.
- 2 The Bank shall adopt such rules and regulations as are required for the consideration of projects submitted to it.

Article 18
Terms and
conditions for
direct loans
and guarantees

- 1 In the case of direct loans made by the Bank, the contract :
- a. shall establish, in conformity with the operational principles set forth in paragraph 1. of Article 17 of this Agreement and subject to the other provisions of this Chapter, all the terms and conditions for the loan concerned, including those relating to amortization, interest and other charges, and to maturities and dates of payment ; and, in particular,
 - b. shall provide that – subject to paragraph 3. c. of this Article – payments to the Bank of amortization, interest, commission and other charges shall be made in the currency loaned,

unless – in the case of a direct loan made as part of special operations – the rules and regulations provide otherwise.

- 2 In the case of loans guaranteed by the Bank, the contract of guarantee :
 - a. shall establish, in conformity with the operational principles set forth in paragraph 1. of Article 17 of this Agreement and subject to the other provisions of this Chapter, all the terms and conditions of the guarantee concerned including those relating to the fees, commission, and other charges of the Bank ; and, in particular,
 - b. shall provide that – subject to paragraph 3. c. of this Article – all payments to the Bank under the guarantee contract shall be made in the currency loaned, unless – in the case of a loan guaranteed as part of special operations – the rules and regulations provide otherwise ; and
 - c. shall also provide that the Bank may terminate its liability with respect to interest if, upon default by the borrower and the guarantor, if any, the Bank offers to purchase, at par and interest accrued to a date designated in the offer, the bonds or other obligations guaranteed.
- 3 In the case of direct loans made or loans guaranteed by the Bank, the Bank :
 - a. in determining the terms and conditions for the operation, shall take due account of the terms and conditions on which the corresponding funds were obtained by the Bank ;
 - b. where the recipient is not a member, may, when it deems it advisable, require that the member in whose territory the project concerned is to be carried out, or a public agency or institution of that member acceptable to the Bank, guarantee the repayment of the principal and the payment of interest and other charges on the loan ;
 - c. shall expressly state the currency in which all payments to the Bank under the contract concerned shall be made. At the option of the borrower, however, such payments may always be made in gold or convertible currency or, subject to the agreement of the Bank, in any other currency ; and
 - d. may attach such other terms or conditions, as it deems appropriate, taking into account both the interest of the member directly concerned in the project and the interests of the members as a whole.

Article 19
Commission
and fees

- 1 The Bank shall charge a commission on direct loans made and guarantees given as part of its ordinary operations. This commission, payable periodically, shall be computed on the amount outstanding on each loan or guarantee and shall be at the rate of not less than one per cent per annum, unless the Bank, after the first ten years of its operations, decides to change this minimum rate by a majority of two-thirds of its members representing not less than three-quarters of the total voting power of the members.
- 2 In guaranteeing a loan as part of its ordinary operations, the Bank shall charge a guarantee fee, at a rate determined by the Board of Directors, payable periodically on the amount of the loan outstanding.
- 3 Other charges of the Bank in its ordinary operations and the commission, fees and other charges in its special operations shall be determined by the Board of Directors.

Article 20
Special reserve

The amount of commissions received by the Bank pursuant to Article 19 of this Agreement shall be set aside as a special reserve which shall be kept for meeting liabilities of the Bank in accordance with its Article 21. The special reserve shall be held in such liquid form, permitted under this Agreement, as the Board of Directors may decide.

Article 21
Methods of
meeting
liabilities
of the Bank
(ordinary
operations)

- 1 Whenever necessary to meet contractual payments of interest, other charges or amortization on the borrowing of the Bank, or to meet its liabilities with respect to similar payments in respect of loans guaranteed by it and chargeable to its ordinary capital resources, the Bank may call an appropriate amount of the unpaid subscribed callable capital in accordance with paragraph 4. of Article 7 of this Agreement.
- 2 In cases of default in respect of a loan made out of borrowed funds or guaranteed by the Bank as part of its ordinary operations, the Bank may, if it believes that the default may be of long duration, call an additional amount of such callable capital not to exceed in any one year one per cent of the total subscriptions of the members, for the following purposes :
 - a. To redeem before maturity, or otherwise discharge, its liability on all or part of the outstanding principal of any loan guaranteed by it in respect of which the debtor is in default ; and
 - b. To repurchase, or otherwise discharge, its liability on all or part of its own outstanding borrowing.

Article 22
Methods of
meeting
liabilities
on borrowings
for special funds

Payments in satisfaction of any liability in respect of borrowings of funds for inclusion in the special resources appertaining to a Special Fund shall be charged :

- i. first, against any reserve established for this purpose for or within the Special Fund concerned ; and
- ii. then, against any other assets available in the special resources appertaining to that Special Fund.

Chapter IV
BORROWING AND OTHER ADDITIONAL POWERS

Article 23
General powers

In addition to the powers provided elsewhere in this Agreement, the bank shall have power to :

- a. borrow funds in member countries or elsewhere, and in that connexion to furnish such collateral or other security as it shall determine provided always that :
 - i. before making a sale of its obligations in the market of a member, the Bank shall have obtained its approval ;
 - ii. where the obligations of the Bank are to be denominated in the currency of a member, the Bank shall have obtained its approval ; and
 - iii. where the funds to be borrowed are to be included in its ordinary capital resources, the Bank shall have obtained, where appropriate, the approval of the members referred to in sub-paragraphs i. and ii. of this paragraph that the proceeds may be exchanged for any other currency without any restrictions ;
- b. buy and sell securities the Bank has issued or guaranteed or in which it has invested provided always that it shall have obtained the approval of any member in whose territory the securities are to be bought or sold ;
- c. guarantee or underwrite securities in which it has invested in order to facilitate their sale ;
- d. invest funds not needed in its operations in such obligations as it may determine and invest funds held by the Bank for pensions or similar purposes in marketable securities ;
- e. undertake activities incidental to its operations such as, among others, the promotion of consortia for financing which

serves the purpose of the Bank and comes within its functions ;

- f. i. provide all technical advice and assistance which serve its purpose and come within its functions ; and
- ii. where expenditure incurred by such a service is not reimbursed, charge the net income of the Bank therewith and, in the first five years of its operations, use up to one per cent of its paid-up capital on such expenditure ; provided always that the total expenditure of the Bank on such services in each year of that period does not exceed one-fifth of that percentage ; and
- g. exercise such other powers as shall be necessary or desirable in furtherance of its purpose and functions, consistent with the provisions of this Agreement.

Article 24
Special
borrowing
powers

- 1 The Bank may request any member to loan amounts of its currency to the Bank in order to finance expenditure in respect of goods or services produced in the territory of that member for the purpose of a project to be carried out in the territory of another member.
- 2 Unless the member concerned invokes economic and financial difficulties which, in its opinion, are likely to be provoked or aggravated by the granting of such a loan to the Bank, that member shall comply with the request of the Bank. The loan shall be made for a period to be agreed with the Bank, which shall be in relation to the duration of the project which the proceeds of that loan are designed to finance.
- 3 Unless the member agrees otherwise, the aggregate amount outstanding in respect of its loans made to the Bank pursuant to this Article shall not, at any time, exceed the equivalent of the amount of its subscription to the capital stock of the Bank.
- 4 Loans to the Bank made pursuant to this Article shall bear interest, payable by the Bank to the lending member, at a rate which shall correspond to the average rate of interest paid by the Bank on its borrowings for Special Funds during a period of one year preceding the conclusion of the loan agreement. This rate shall in no event exceed a maximum rate which the Board of Governors shall determine from time to time.
- 5 The Bank shall repay the loan, and pay the interest due in respect thereof, in the currency of the lending member or in a currency acceptable to the latter.

- 6 All resources obtained by the Bank by virtue of the provisions of this Article shall constitute a Special Fund.

Article 25
Warning to be
placed on
securities

Every security issued or guaranteed by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any government unless it is in fact the obligation of a particular government in which case it shall so state.

Article 26
Valuation of
currencies and
determination
of
convertibility

Whenever it shall become necessary under this Agreement :

- i. to value any currency in terms of another currency, in terms of gold or of the unit of account defined in paragraph 1. b. of Article 5 of this Agreement ; or
- ii. to determine whether any currency is convertible, such valuation or determination, as the case may be, shall be reasonably made by the Bank after consultation with the International Monetary Fund.

Article 27
Use of
currencies

- 1 Members may not maintain or impose any restrictions on the holding or use by the Bank or by any recipient from the Bank, for payments anywhere, of the following :
 - a. Gold or convertible currencies received by the Bank in payment of subscriptions to the capital stock of the Bank from its members ;
 - b. currencies of members purchased with the gold or convertible currencies referred to in the preceding sub-paragraph ;
 - c. currencies obtained by the Bank by borrowing, pursuant to paragraph a. of Article 23 of this Agreement, for inclusion in its ordinary capital resources ;
 - d. gold or currencies received by the Bank in payment on account of principal, interest, dividends or other charges in respect of loans or investments made out of any of the funds referred to in sub-paragraphs a. to c. or in payment of commissions or fees in respect of guarantees issued by the Bank ; and
 - e. currencies, other than its own, received by a member from the Bank in distribution of the net income of the Bank in accordance with Article 42 of this Agreement.

- 2 Members may not maintain or impose any restrictions on the holding or use by the Bank or by any recipient from the Bank, for payments anywhere, of currency of a member received by the Bank which does not come within the provisions of the preceding paragraph, unless :
 - a. that member declares that it desires the use of such currency to be restricted to payments for goods or services produced in its territory ; or
 - b. such currency forms part of the special resources of the Bank and its use is subject to special rules and regulations.
- 3 Members may not maintain or impose any restrictions on the holding or use by the Bank, for making amortization or anticipatory payments or for repurchasing – in whole or in part – its obligations, of currencies received by the Bank in repayment of direct loans made out of its ordinary capital resources.
- 4 The Bank shall not use gold or currencies which it holds for the purchase of other currencies of its members except :
 - a. in order to meet its existing obligations ; or
 - b. pursuant to a decision of the Board of Directors adopted by a two-thirds majority of the total voting power of the members.

Article 28
Maintenance of
value of the
currency
holdings of the
Bank

- 1 Whenever the par value of the currency of a member is reduced in terms of the unit of account defined in paragraph 1. b. of Article 5 of this Agreement, or its foreign exchange value has, in the opinion of the Bank, depreciated to a significant extent, that member shall pay to the Bank within a reasonable time an amount of its currency required to maintain the value of all such currency held by the Bank excepting currency derived by the Bank from its borrowing.
- 2 Whenever the par value of the currency of a member is increased in terms of the said unit of account, or its foreign exchange value has, in the opinion of the Bank, depreciated to a significant extent, the Bank shall pay to that member within a reasonable time an amount of that currency required to adjust the value of all such currency held by the Bank, excepting currency derived by the Bank from its borrowing.
- 3 The Bank may waive the provisions of this Article where a uniform proportionate change in the par value of the currencies of all its members takes place.

Chapter V ORGANIZATION AND MANAGEMENT

- Article 29** **Board of**
Governors:
powers
- 1 All the powers of the Bank shall be vested in the Board of Governors. In particular, the Board shall issue general directives concerning the credit policy of the Bank.
 - 2 The Board of Governors may delegate to the Board of Directors all its powers except the power to :
 - a. decrease the authorized capital stock of the Bank ;
 - b. establish or accept the administration of Special Funds ;
 - c. authorize the conclusion of general arrangements for co-operation with the authorities of African countries which have not yet attained independent status or of general agreements for co-operation with African governments which have not yet acquired membership of the Bank, as well as of such agreements with other governments and with other international organizations ;
 - d. determine the remuneration of directors and their alternates ;
 - e. select outside auditors to certify the General Balance Sheet and the Statement of Profit and Loss of the Bank and to select such other experts as may be necessary to examine and report on the general management of the Bank ;
 - f. approve, after reviewing the report of the auditors, the General Balance Sheet and Statement of Profit and Loss of the Bank ; and
 - g. exercise such other powers as are expressly provided for that Board in this Agreement.
 - 3 The Board of Governors shall retain full powers to exercise authority over any matter delegated to the Board of Directors pursuant to paragraph 2. of this Article.

- Article 30** **Board of**
Governors:
composition
- 1 Each member shall be represented on the Board of Governors and shall appoint one governor and one alternate governor. They shall be persons of the highest competence and wide experience in economic and financial matters and shall be nationals of the member States. Each governor and alternate shall serve for five years, subject to termination of appointment at any time, or to reappointment at any time, or to reappointment, at the pleasure of the appointing member. No alternate may vote except in the

absence of his principal. At its annual meeting, the Board shall designate one of the governors as Chairman who shall hold office until the election of the Chairman at the next annual meeting of the Board.

- 2 Governors and alternates shall serve as such without remuneration from the Bank, but the Bank may pay them reasonable expenses incurred in attending meetings.

Article 31
Board of
Governors:
procedure

- 1 The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Board of Directors. Meetings of the Board of Governors shall be called, by the Board of Directors, whenever requested by five members of the Bank, or by members having one-quarter of the total voting power of the members.
- 2 A quorum for any meeting of the Board of Governors shall be a majority of the total number of Governors or their alternates, representing not less than two-thirds of the total voting power of the members.
- 3 The Board of Governors may by regulation establish a procedure whereby the Board of Directors may, when it deems such action advisable, obtain a vote of the governors on a specific question without calling a meeting of the Board.
- 4 The Board of Governors, and the Board of Directors to the extent authorized, may establish such subsidiary bodies and adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Bank.

Article 32
Board of
Directors:
powers

Without prejudice to the powers of the Board of Governors as provided in Article 29 of this Agreement, the Board of Directors shall be responsible for the conduct of the general operations of the Bank and for this purpose shall, in addition to the powers provided for it expressly in this Agreement, exercise all the powers delegated to it by the Board of Governors, and in particular:

- a. elect the President and on his recommendation, one or more Vice-Presidents of the Bank and determine their terms of service;
- b. prepare the work of the Board of Governors;
- c. in conformity with the general directives of the Board of Governors, take decisions concerning particular direct loans,

guarantees, investments in equity capital and borrowing of funds by the Bank ;

- d. determine the rates of interest for direct loans and of commissions for guarantees ;
- e. submit the accounts for each financial year and an annual report for approval to the Board of Governors at each annual meeting ; and
- f. determine the general structure of the services of the Bank.

Article 33
Board of
Directors:
composition

- 1 The Board of Directors shall be composed of nine members who shall not be governors or alternate governors. They shall be elected by the Board of Governors in accordance with Annex B to this Agreement, which shall form an integral part thereof. In electing the Board of Directors, the Board of Governors shall have due regard to the high competence in economic and financial matters required for the office.
- 2 Each director shall appoint an alternate who shall act for him when he is not present. Directors and their alternates shall be nationals of member States ; but no alternate may be of the same nationality as his director. An alternate may participate in meetings of the Board but may vote only when he is acting in place of his director.
- 3 Directors shall be elected for a term of three years and may be re-elected. They shall continue in office until their successors are elected. If the office of a director becomes vacant more than 180 days before the end of his term, a successor shall be elected in accordance with Annex B to this Agreement, for the remainder of the term by the Board of Governors at its next session. While the office remains vacant the alternate of the former director shall exercise the powers of the latter except that of appointing an alternate.

Article 34
Board of
Directors:
procedure

- 1 The Board of Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.
- 2 A quorum for any meeting of the Board of Directors shall be a majority of the total number of directors representing not less than two-thirds of the total voting power of the members.
- 3 The Board of Governors shall adopt regulations under which, if there is no director of its nationality, a member may be re-

presented at a meeting of the Board of Directors when a request made by, or a matter particularly affecting, that member is under consideration.

- Article 35** **1** Each member shall have 625 votes and, in addition, one vote for
Voting each share of the capital stock of the Bank held by that member.
- 2** In voting in the Board of Governors, each governor shall be entitled to cast the votes of the member he represents. Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the voting power represented at the meeting.
- 3** In voting in the Board of Directors, each director shall be entitled to cast the number of votes that counted towards his election, which votes shall be cast as a unit. Except as otherwise provided in this Agreement, all matters before the Board of Directors shall be decided by a majority of the voting power represented at the meeting.

Article 36 The Board of Directors, by a majority of the total voting power of
The President: the members, shall elect the President of the Bank. He shall be a
appointment person of the highest competence in matters pertaining to the
 activities, management and administration of the Bank and shall
 be a national of a member State. While holding office, neither he
 nor any Vice-President shall be a governor or a director or alter-
 nate for either. The term of office of the President shall be five
 years. It may be renewed. He shall, however, cease to hold office
 if the Board of Directors so decides by a two-thirds majority of
 the voting power of the members.

- Article 37** **1** The President shall be Chairman of the Board of Directors but
The Office shall have no vote except a deciding vote in case of an equal divi-
of the President sion. He may participate in meetings of the Board of Governors
 but shall not vote.
- 2** The President shall be chief of the staff of the Bank and shall conduct, under the direction of the Board of Directors, the current business of the Bank. He shall be responsible for the organization of the officers and staff of the Bank whom he shall appoint and release in accordance with regulations adopted by the Bank. He shall fix the terms of their employment in accordance with rules of sound management and financial policy.
- 3** The President shall be the legal representative of the Bank.

- 4 The Bank shall adopt regulations which shall determine who shall legally represent the Bank and perform the other duties of the President in the event that he is absent or that his office should become vacant.
- 5 In appointing the officers and staff, the President shall make it his foremost consideration to secure the highest standards of efficiency, technical competence and integrity. He shall pay full regard to the recruitment of personnel among nationals of African countries, especially as far as senior posts of an executive nature are concerned. He shall recruit them on as wide a geographical basis as possible.

Article 38
Prohibition of
political activity;
the international
character
of the Bank

- 1 The Bank shall not accept loans or assistance that could in any way prejudice, limit, deflect or otherwise alter its purpose or functions.
- 2 The Bank, its President, Vice-President, officers and staff shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member concerned. Only economic considerations shall be relevant to their decisions. Such considerations shall be weighed impartially in order to achieve and carry out the functions of the Bank.
- 3 The President, Vice-Presidents, officers and staff of the Bank, in discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

Article 39
Office
of the Bank

- 1 The principal office of the Bank shall be located in the territory of a member State. The choice of the location of the principal office of the Bank shall be made by the Board of Governors at its first meeting, taking into account the availability of facilities for the proper functioning of the Bank.
- 2 Notwithstanding the provisions of Article 35 of this Agreement, the choice of the location of the principal office of the Bank shall be made by the Board of Governors in accordance with the conditions that applied to the adoption of this Agreement.
- 3 The Bank may establish branch offices or agencies elsewhere.

Article 40
Channel of
communications;
depositories

- 1 Each member shall designate an appropriate authority with which the Bank may communicate in connexion with any matter arising under this Agreement.
- 2 Each member shall designate its central bank or such other institution as may be agreed by the Bank, as a depository with which the Bank may keep its holdings of currency of that member as well as other assets of the Bank.
- 3 The Bank may hold its assets, including gold and convertible currencies, with such depositories as the Board of Directors shall determine.

Article 41
Publication of
the agreement,
working
languages,
provision of
information
and reports

- 1 The Bank shall endeavour to make available the text of this Agreement and all its important documents in the principal languages used in Africa. The working languages of the Bank shall be, if possible, African languages, English and French.
- 2 Members shall furnish the Bank with all information it may request of them in order to facilitate the performance of its functions.
- 3 The Bank shall publish and transmit to its members an annual report containing an audited statement of the accounts. It shall also transmit quarterly to the members a summary statement of its financial position and a profit and loss statement showing the results of its operations. The Annual Report and the Quarterly Statements shall be drawn up in accordance with the provisions of paragraph 4. of Article 13 of this Agreement.
- 4 The Bank may also publish such other reports as it deems desirable to carry out its purpose and functions. They shall be transmitted to the members of the Bank.

Article 42
Allocation of
net income

- 1 The Board of Governors shall determine annually what part of the net income of the Bank, including the net income accruing to its Special Funds, shall be allocated – after making provision for reserves – to surplus and what part, if any, shall be distributed.
- 2 The distribution referred to in the preceding paragraph shall be made in proportion to the number of shares held by each member.
- 3 Payments shall be made in such manner and in such currency as the Board of Governors shall determine.

Chapter VI
WITHDRAWAL AND SUSPENSION OF MEMBERS ;
TEMPORARY SUSPENSION AND TERMINATION OF
OPERATIONS OF THE BANK

Article 43 1 Any member may withdraw from the Bank at any time by trans-
Withdrawal mitting a notice in writing to the Bank at its principal office.

- 2 Withdrawal by a member shall become effective on the date specified in its notice but in no event less than six months after the date that notice has been received by the Bank.

Article 44 1 If it appears to the Board of Directors that a member fails to fulfil
Suspension any of its obligations to the Bank, that member shall be suspended by that Board unless the Board of Governors at a subsequent meeting, called by the Board of Directors for that purpose, decides otherwise by a decision taken by a majority of the governors exercising a majority of the total voting power of the members.

- 2 A member so suspended shall automatically cease to be a member of the Bank one year from the date of suspension unless a decision is taken by the Board of Governors by the same majority to restore the member to good standing.
- 3 While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all obligations.

Article 45 1 After the date on which a State ceases to be a member (herein-
Settlement after in this Article called the 'termination date'), the member
of accounts shall remain liable for its direct obligations to the Bank and for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before the termination date is outstanding; but it shall cease to incur liabilities with respect to loans and guarantees entered into thereafter by the Bank and to share either in the income or the expenses of the Bank.

- 2 At the time a State ceases to be a member, the Bank shall arrange for the repurchase of its shares as a part of the settlement of accounts with that State in accordance with the provisions of paragraphs 3. and 4. of this Article. For this purpose, the re-

purchase price of the shares shall be the value shown by the books of the Bank on the termination date.

- 3 The payment for shares repurchased by the Bank under this Article shall be governed by the following conditions :
 - a. Any amount due to the State concerned for its shares shall be withheld so long as that State, its central Bank or any of its agencies remains liable, as borrower or guarantor, to the Bank and such amount may, at the option of the Bank, be applied on any such liability as it matures. No amount shall be withheld on account of the liability of the State resulting from its subscription for shares in accordance with paragraph 4. of Article 7 of this Agreement. In any event, no amount due to a member for its shares shall be paid until six months after the termination date.
 - b. Payments for shares may be made from time to time, upon their surrender by the Government of the State concerned, to the extent by which the amount due as the repurchase price in accordance with paragraph 2. of this Article exceeds the aggregate amount of liabilities on loans and guarantees referred to in sub-paragraph a. of this paragraph until the former member has received the full repurchase price.
 - c. Payments shall be made in the currency of the State receiving payment or, if such currency is not available, in gold or convertible currency.
 - d. If losses are sustained by the Bank on any guarantees or loans which were outstanding on the termination date and the amount of such losses exceeds the amount of the reserve provided against losses on that date, the State concerned shall repay, upon demand, the amount by which the repurchase price of its shares would have been reduced, if the losses had been taken into account when the repurchase price was determined. In addition, the former member shall remain liable on any call for unpaid subscriptions in accordance with paragraph 4. of Article 7 of this Agreement, to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.
- 4 If the Bank terminates its operations pursuant to Article 47 of this Agreement within six months of the termination date, all rights of the State concerned shall be determined in accordance with the provisions of its Articles 47 to 49.

Article 46
Temporary
suspension of
operations

In an emergency, the Board of Directors may suspend temporarily operations in respect of new loans and guarantees pending an opportunity for further consideration and action by the Board of Governors.

Article 47
Termination of
operations

- 1 The Bank may terminate its operations in respect of new loans and guarantees by a decision of the Board of Governors exercising a majority of the total voting power of the members.
- 2 After such termination, the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation and preservation of its assets and settlement of its obligations.

Article 48
Liability of
members and
payment of
claims

- 1 In the event of termination of the operations of the Bank, the liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their currencies shall continue until all claims of creditors, including all contingent claims, shall have been discharged.
- 2 All creditors holding direct claims shall be paid out of the assets of the Bank and then out of payments to the Bank on calls on unpaid subscriptions. Before making any payments to creditors holding direct claims, the Board of Directors shall make such arrangements as are necessary, in its judgment, to ensure a *pro rata* distribution among holders of direct and contingent claims.

Article 49
Distribution
of assets

- 1 In the event of termination of operations of the Bank, no distribution shall be made to members on account of their subscriptions to the capital stock of the Bank until :
 - i. All liabilities to creditors have been discharged or provided for; and
 - ii. the Board of Governors has taken a decision to make a distribution. This decision shall be taken by the Board exercising a majority of the total voting power of the members.
- 2 After a decision to make a distribution has been taken in accordance with the preceding paragraph, the Board of Directors may by a two-thirds majority vote make successive distributions of the assets of the Bank to members until all assets have been distributed. This distribution shall be subject to the prior settlement of all outstanding claims of the Bank against each member.

- 3 Before any distribution of assets is made, the Board of Directors shall fix the proportionate share of each member according to the ratio of its shareholding to the total outstanding shares of the Bank.
- 4 The Board of Directors shall value the assets to be distributed at the date of distribution and then proceed to distribute in the following manner :
 - a. There shall be paid to each member in its own obligations or those of its official agencies or legal entities within its territories, to the extent that they are available for distribution, an amount equivalent in value to its proportionate share of the total amount to be distributed.
 - b. Any balance due to a member after payment has been made in accordance with the preceding sub-paragraph, shall be paid in its currency, to the extent that it is held by the Bank, up to an amount equivalent in value to such balance.
 - c. Any balance due to a member after payment has been made in accordance with sub-paragraphs a. and b. of this paragraph shall be paid in gold or currency acceptable to that member, to the extent that they are held by the Bank, up to an amount equivalent in value to such balance.
 - d. Any remaining assets held by the Bank after payments have been made to members in accordance with sub-paragraphs a. to c. of this paragraph shall be distributed *pro rata* among the members.
- 5 Any member receiving assets distributed by the Bank in accordance with the preceding paragraph, shall enjoy the same rights with respect to such assets as the Bank enjoyed before their distribution.

Chapter VII

STATUS, IMMUNITIES, EXEMPTIONS AND PRIVILEGES

Article 50 Status

To enable it to fulfil its purpose and the functions with which it is entrusted, the Bank shall possess full international personality. To those ends, it may enter into agreements with members, non-member States and other international organizations. To the same ends, the status, immunities, exemptions privileges and set

forth in this Chapter shall be accorded to the Bank in the territory of each member.

Article 51
Status in
member
countries

In the territory of each member the Bank shall possess full juridical personality and, in particular, full capacity :

- a. to contract ;
- b. to acquire, and dispose of, immovable and movable property ;
and
- c. to institute legal proceedings.

Article 52
Judicial
proceedings

- 1 The Bank shall enjoy immunity from every form of legal process except in cases arising out of the exercise of its borrowing powers when it may be used only in a court of competent jurisdiction in the territory of a member in which the Bank has its principal office, or in the territory of a member or non-member State where it has appointed an agent for the purpose of accepting service or notice of process or has issued guaranteed securities. No actions shall, however, be brought by members or persons acting for or deriving claims from members.
- 2 The property and assets of the Bank shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

Article 53
Immunity of
assets and
archives

- 1 Property and assets of the Bank, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action.
- 2 The archives of the Bank and, in general, all documents belonging to it, or held by it, shall be inviolable, wherever located.

Article 54
Freedom of
assets from
28 restriction

To the extent necessary to carry out the purpose and functions of the Bank and subject to the provisions of this Agreement, all property and other assets of the Bank shall be exempt from restrictions, regulations, controls and moratoria of any nature.

Article 55
Privilege for
communications

Official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of other members.

Article 56
Personal
immunities and
privileges

- 1 All governors, directors, alternates, officers and employees of the Bank :
 - i. shall be immune from legal process with respect to acts performed by them in their official capacity ;
 - ii. where they are not local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange regulations as are accorded by members to the representatives, officials and employees of comparable rank of other members ; and
 - iii. Shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.
- 2 Experts and consultants performing missions for the Bank shall be accorded such immunities and privileges as are, in the opinion of the Bank, necessary for the independent exercise of their functions during the period of their mission, including the time spent on journeys in connexion therewith.

Article 57
Exemption from
taxation

- 1 The Bank, its property, other assets, income and its operations and transactions, shall be exempt from all taxation and from all customs duties. The Bank shall also be exempt from any obligation relating to the payment, withholding or collection of any tax or duty.
- 2 No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to directors, alternates, officers and other professional staff of the Bank.
- 3 No tax of any kind shall be levied on any obligation or security issued by the Bank, including any dividend or interest thereon, by whomsoever held :
 - i. which discriminates against such obligation or security solely because it is issued by the Bank ; or
 - ii. if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the

location of any office or place of business maintained by the Bank.

- 4 No tax of any kind shall be levied on any obligation or security guaranteed by the Bank, including any dividend or interest thereon, by whomsoever held :
 - i. which discriminates against such obligation or security solely because it is guaranteed by the Bank ; or
 - ii. if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

Article 58 Notification of implementation

Each member shall promptly inform the Bank of the specific action which it has taken to make effective in its territory the provisions of this Chapter.

Article 59 Application of immunities, exemptions and privileges

The immunities, exemptions and privileges provided in this Chapter are granted in the interests of the Bank. The Board of Directors may waive, to such extent and upon such conditions as it may determine, the immunities and exemptions provided in Article 52, 54, 56, and 57 of this Agreement in cases where its action would in its opinion, further the interests of the Bank. The President shall have the right and the duty to waive the immunity of any official in cases where, in his opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the Bank.

Chapter VIII AMENDMENTS, INTERPRETATION, ARBITRATION

Article 60 Amendments

- 1 Any proposal to introduce modifications to this Agreement, whether emanating from a member, a governor or the Board of Directors, shall be communicated to the Chairman of the Board of Governors, who shall bring the proposal before that Board. If the proposed amendment is approved by the Board, the Bank shall, by circular letter or telegram, ask the members whether they accept the proposed amendment. When two-thirds of the members having three-quarters of the total voting power of the members, have accepted the proposed amendment, the Bank shall certify the fact by formal communication addressed to the members.

- 2 Notwithstanding paragraph 1. of this Article, acceptance by all the members is required for any amendment modifying :
 - i. the right secured by paragraph 2. of Article 6 of this Agreement ;
 - ii. the limitation on liability provided in paragraph 5. of that Article ; and
 - iii. the right to withdraw from the Bank provided in Article 43 of this Agreement.
- 3 Amendments shall enter into force for all members three months after the date of the formal communication provided for in paragraph 1. of this Article unless the Board of Governors specifies a different period.
- 4 Notwithstanding the provisions of paragraph 1. of this Article, three years at the latest after the entry into force of this Agreement and in the light of the experience of the Bank, the rule according to which each member should have one vote shall be examined by the Board of Governors or at a meeting of Heads of State of the member countries in accordance with the conditions that applied to the adoption of this Agreement.

Article 61
Interpretation

- 1 The English and French texts of this Agreement shall be regarded as equally authentic.
- 2 Any question of interpretation of the provisions of this Agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Board of Directors for decision. If there is no director of its nationality on that Board, a member particularly affected by the question under consideration shall be entitled to direct representation in such cases. Such right of representation shall be regulated by the Board of Governors.
- 3 In any case where the Board of Directors has given a decision under paragraph 2. of this Article, any member may require that the question be referred to the Board of Governors, whose decision shall be sought – under a procedure to be established in accordance with paragraph 3. of Article 31 of this Agreement – within three months. That decision shall be final.

Article 62
31 Arbitration

In the case of a dispute between the Bank and the Government of a State which has ceased to be a member, or between the Bank

and any member upon the termination of the operations of the Bank, such dispute shall be submitted to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by the Bank, another by the Government of the State concerned, and the third arbitrator, unless the parties otherwise agree, shall be appointed by such other authority as may have been prescribed by regulations adopted by the Board of Governors. The third arbitrator shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Chapter IX FINAL PROVISIONS

- Article 63** 1 This Agreement, deposited with the Secretary-General of the
Signature United Nations (hereinafter called the 'Depositary'), shall remain
and deposit open until 31 December 1963 for signature by the Governments of States whose names are set forth in Annex A to this Agreement.
- 2 The Depositary shall communicate certified copies of this Agreement to all the Signatories.

- Article 64** 1 a. This Agreement shall be subject to ratification or acceptance
Ratification, by the Signatories. Instruments of ratification or acceptance
acceptance, shall be deposited by the Signatory Governments with the
accession and Depositary before 1 July 1965. The Depositary shall notify
acquisition of each deposit and the date thereof to the other Signatories.
membership
- b. A State whose instrument of ratification or acceptance is deposited before the date on which this Agreement enters into force, shall become a member of the Bank on that date. Any other Signatory which complies with the provisions of the preceding paragraph shall become a member on the date on which its instrument of ratification or acceptance is deposited.
- 2 States which do not acquire membership of the Bank in accordance with the provisions of paragraph 1. of this Article may become members – after the Agreement has entered into force – by accession thereto on such terms as the Board of Governors shall determine. The Government of any such State shall deposit, on or before a date appointed by that Board, an instrument of accession with the Depositary, who shall notify such deposit and

the date thereof to the Bank and to the Parties to this Agreement. Upon the deposit, the State shall become member of the Bank on the appointed date.

Article 65
Entry into force

This Agreement shall enter into force upon the deposit of instruments of ratification or acceptance by twelve signatory Governments whose initial subscriptions, as set forth in Annex A to this Agreement, in aggregate comprise not less than sixty-five per cent of the authorized capital stock* of the Bank; provided always that 1 January 1964 shall be the earliest date on which this Agreement may enter into force in accordance with the provisions of this Article.

Article 66
Commencement
of operations

- 1 As soon as this Agreement enters into force, each member shall appoint a Governor, and the Trustee appointed for this purpose and for the purpose indicated in paragraph 5. of Article 7 of this Agreement shall call the first meeting of the Board of Governors.
- 2 At its first meeting, the Board of Governors :
 - a. shall elect nine directors of the Bank in accordance with paragraph 1. of Article 33 of this Agreement ; and
 - b. make shall arrangements for the determination of the date on which the Bank shall commence its operations.
- 3 The Bank shall notify its members of the date of the commencement of its operations.

DONE in Khartoum, this fourth day of August, Nineteen Hundred and Sixty-Three, in a single copy in the English and French languages.

*The words 'authorized capital stock of the Bank' shall be understood to refer to such authorized capital stock of the Bank as is equivalent to 211.2 million units of account and as corresponds to the aggregate initial number of shares to be subscribed by the States that may acquire its membership in accordance with paragraph 1. of Article 64 of the Agreement; see the Memorandum by the Executive Secretary of the United Nations Economic Commission for Africa on the interpretation of Article 65 of the Agreement Establishing the African Development Bank, attached to the Final Act of the Conference.

Annex A

INITIAL SUBSCRIPTIONS TO THE AUTHORIZED
CAPITAL STOCK OF THE BANK

Member	Paid-up shares	Callable shares	Total Subscription <i>in million of units of account</i>
1 Algeria	1,225	1,225	24.50
2 Burundi	60	60	1.20
3 Cameroon	200	200	4.00
4 Central African Republic	50	50	1.00
5 Chad	80	80	1.60
6 Congo (Brazzaville)	75	75	1.50
7 Congo (Leopoldville)	650	650	13.00
8 Dahomey	70	70	1.40
9 Ethiopia	515	515	10.30
10 Gabon	65	65	1.30
11 Ghana	640	640	12.80
12 Guinea	125	125	2.50
13 Ivory Coast	300	300	6.00
14 Kenya	300	300	6.00
15 Liberia	130	130	2.60
16 Libya	95	95	1.90
17 Madagascar	260	260	5.20
18 Mali	115	115	2.30
19 Mauritania	55	55	1.10
20 Morocco	755	755	15.10
21 Niger	80	80	1.60
22 Nigeria	1,205	1,205	24.10
23 Rwanda	60	60	1.20
24 Senegal	275	275	5.50
25 Sierra Leone	105	105	2.10
26 Somalia	110	110	2.20
27 Sudan	505	505	10.10
28 Tanganyika	265	265	5.30
29 Togo	50	50	1.00
30 Tunisia	345	345	6.90
31 Uganda	230	230	4.60
32 U.A.R. (Egypt)	1,500	1,500	30.00
33 Upper Volta	65	65	1.30

Annex B

ELECTION OF DIRECTORS

- 1 At the election of directors each governor shall cast all votes of the member he represents for a single person.
- 2 The nine persons receiving the highest number of votes shall be directors, except that no person who receives less than ten per cent of the total voting power of the members shall be considered as elected.
- 3 If nine persons are not elected at the first ballot, a second ballot shall be held in which the person who received the lowest number of votes in the preceding ballot shall be ineligible and in which votes shall be cast only by :
 - a. Governors who voted in the preceding ballot for a person who is not elected ; and
 - b. Governors whose votes for a person who is elected are deemed, in accordance with paragraph 4 of this Annex, to have raised the votes cast for that person above twelve per cent of the total voting power of the members.
- 4 a. In determining whether the votes cast by a governor shall be deemed to have raised the total number of votes for any person above twelve per cent, the said twelve per cent shall be deemed to include, first, the votes of the governor casting the highest number of votes for that person, and then, in diminishing order, the votes of each governor casting the next highest number until twelve per cent is attained.
 - b. Any governor, part of whose votes must be counted in order to raise the votes cast for any person above ten per cent, shall be considered as casting all his votes for that person even if the total number of votes cast for that person thereby exceeds twelve per cent.
- 5 If, after the second ballot, nine persons are not elected, further ballots shall be held in conformity with the principles laid down in this Annex, provided that after eight persons are elected, the ninth may be elected – notwithstanding the provisions of paragraph 2 of this Annex – by a simple majority of the remaining votes. All such remaining votes shall be deemed to have counted towards the election of the ninth director.

Cooperation with national development finance institutions

Statement of policy and procedure



African Development Bank
BP 1387
Abidjan
Ivory Coast

- 1 The African Development Bank endeavours to foster economic and social progress in member countries by assisting in mobilizing both national and international resources for this purpose.
- 2 One of the many ways to promote co-operation between national and international funds is to encourage national development finance institutions in member countries. Such institutions can and do facilitate the harnessing of local funds, both public and private, with international funds in the development programme of a country, particularly in the industrial sector.
- 3 In countries where there are as yet no development finance institutions, the ADB is prepared to consider, as part of its technical assistance programme, requests from member countries to examine the possibility of establishing one in the country concerned.
- 4 There is more than one way of setting up and running a national development finance institution. The precise objectives of these institutions may also differ; so may their capital structures. Some are wholly-owned by governments; others represent a partnership between public and local and foreign private interests. The co-operation of the African Development Bank with these institutions may, therefore, take different forms to suit each individual case.
- 5 When an institution wishes to avail itself of advice or assistance, each case is assessed by the Bank after a study of the institution's record, problems, assets and liabilities and the relevant country's needs.
- 6 It is the Bank's policy to co-operate with national development finance institutions in member countries, irrespective of whether they are themselves limited to a specific sector such as agriculture, industry or mining. Member countries with more than one institution may, however, wish to specify the sector to which priority should be given. In this case the African

Development Bank will co-operate in the first instance with the designated institution.

- 7 The following are the main forms of co-operation between the African Development Bank and national development finance institutions :
- a. joint financing of specific projects
 - b. provision of global loans for agreed development purposes to be utilized under prescribed conditions
 - c. assistance in reviewing the organization, operations and resources of the national institution and implementing the necessary reforms
 - d. provision of technical assistance in the fields of management, project identification, preparation and evaluation. If circumstances permit, such assistance may be provided on a non-reimbursement basis
 - e. training of personnel in development financing
 - f. co-operation in the development and promotion of African enterprise and managerial skill
 - g. encouraging the exchange of information and experience among African development finance institutions
 - h. organization of conferences of chief executives of development finance institutions in Africa, seminars and training courses for the staff of such institutions.
- 8 An application for assistance of any of the above kinds by national development finance institutions should include full details of the institutions making the application and of the

purposes for which assistance is requested. It should be sent to

African Development Bank
BP 1387
Abidjan
Ivory Coast
Telegraphic Address: AFDEV ABIDJAN.

Publié en Août 1967
Published August 1967
Réimprimé en Mars 1969
Reprinted March 1969

Agreement Establishing The African Development Fund

Accord Portant Creation Du Fonds Africain de Developpement

AGREEMENT ESTABLISHING THE AFRICAN DEVELOPMENT FUND

The States parties to this Agreement and the African Development Bank have agreed to establish hereby the African Development Fund which shall be governed by the following provisions:

CHAPTER I DEFINITIONS

Article 1.

1. The following terms wherever used in this Agreement shall have the following meanings, unless the context shall otherwise specify or require:

“Fund” shall mean the African Development Fund established by this Agreement.

“Bank” shall mean the African Development Bank.

“member” shall mean a member of the Bank.

“participant” shall mean the Bank and any State which shall become a party to this Agreement.

“State participant” shall mean a participant other than the Bank.

“original participant” shall mean the Bank and each State participant which becomes a participant pursuant to Article 57 (1).

“subscription” shall mean amounts subscribed by participants pursuant to Articles 5, 6 or 7.

“unit of account” shall mean a unit of account having a value of 0.81851265 gramme of fine gold.

“freely convertible currency” shall mean currency of a participant which the Fund determines, after consultation with the International Monetary Fund, is adequately convertible into other currencies for the purpose of the Fund’s operations.

“President”, “Board of Governors” and “Board of Directors” shall mean respectively the President, Board of Governors and Board of Directors of the Fund and in the case of the governors and directors shall include alternate governors and alternate directors when acting as governors and directors respectively.

“regional” shall mean located in the continent of Africa or the African islands.

2. Reference to Chapters, Articles, paragraphs and Schedules shall mean the Chapters, Articles and paragraphs of, or Schedules to, this Agreement.

3. The headings of the Chapters and Articles are inserted for convenience of reference only and are not part of this Agreement.

CHAPTER II

PURPOSE AND PARTICIPATION

Article 2. Purpose

The purpose of the Fund shall be to assist the Bank in making an increasingly effective contribution to the economic and social development of the Bank's members and to the promotion of co-operation (including regional and sub-regional co-operation) and increased international trade, particularly among such members. It shall provide finance on concessional terms for purposes which are of primary importance for and serve such development.

Article 3. Participation

1. The participants in the Fund shall be the Bank and those States which shall have become parties to this Agreement in accordance with its terms.

2. The original State participants shall be those States listed in Schedule A which shall have become parties to this Agreement pursuant to Article 57 (1).

3. A State which is not an original participant may become a participant and a party to this Agreement upon such terms, not inconsistent with this Agreement, as the Board of Governors shall determine by a unanimous resolution adopted by the affirmative vote of the total voting power of the participants. Such participation shall be open only to those States which are members of the United Nations or any of its specialized agencies or are parties to the Statute of the International Court of Justice.

4. A State may authorize an entity or agency acting on its behalf to sign this Agreement and to represent it in all matters relating to this Agreement with the exception of the matters referred to in Article 55.

CHAPTER III

RESOURCES

Article 4. Resources

The resources of the Fund shall consist of:

- (i) subscriptions by the Bank;
- (ii) subscriptions by State participants;
- (iii) other resources received by the Fund; and
- (iv) funds derived from operations or otherwise accruing to the Fund.

Article 5. Subscriptions by the Bank

The Bank shall pay to the Fund as its initial subscription the amount, expressed in units of account, set forth opposite its name in Schedule A, utilizing for that purpose the funds standing to the credit of the "African Development Fund" of the Bank. Payment shall be made on the same terms and conditions as are specified in Article 6 (2) for the payment of the initial subscriptions of State participants. The Bank will thereafter subscribe such other amounts as the Board of Governors of the Bank may determine, on such terms and conditions as shall be agreed with the Fund.

Article 6. Initial Subscriptions of State Participants

1. Upon becoming a participant each State participant shall subscribe funds in the amount assigned to it. Such subscriptions are hereinafter referred to as initial subscriptions.

2. The initial subscription assigned to each original State participant shall be in the amount set forth opposite its name in Schedule A, and shall be expressed in units of account and payable in freely convertible currency. Payment shall be made in three equal annual instalments as follows: the first such instalment shall be paid within thirty days after the Fund shall begin operations pursuant to Article 60 or on the date on which the original State participant becomes a party to this Agreement, whichever is later; the second instalment within one year thereafter and the third instalment within one year after the payment or the due date of the second instalment, whichever is earlier. The Fund may request earlier payment of either or both of the second and third instalments if the operations of the Fund shall require it, but such earlier payment shall be entirely voluntary on the part of each participant.

3. The initial subscriptions of State participants other than original participants shall also be expressed in units of account and payable in freely convertible currency. The amount and terms of payment of such subscriptions shall be determined by the Fund pursuant to Article 3 (3).

4. Except as the Fund may otherwise agree, each State participant shall maintain the free convertibility of its currency paid in by it pursuant to this Article.

5. Notwithstanding the foregoing provisions of this Article, a State participant may defer for a period of not more than three months the making of any payment required by this Article when budgetary or other circumstances necessitate such delay.

Article 7. Additional Subscriptions by State Participants

1. The Fund shall at such time as it deems appropriate in the light of the schedule of payments of the initial subscriptions of original participants and of its own operations, and at appropriate intervals thereafter, review the adequacy of its resources and, if it deems it desirable, may authorize a general increase in the subscriptions of State participants on such terms and conditions as the Fund shall determine. Notwithstanding the foregoing, the Fund may authorize general or individual increases in such subscriptions at any time, provided that an individual increase shall be considered only at the request of the State participant involved.

2. When any additional individual subscription is authorized pursuant to paragraph 1, each State participant shall be given an opportunity to subscribe, under no less favourable conditions, reasonably determined by the Fund, than those prescribed under paragraph 1, an amount which will enable it to maintain its relative voting power as among State participants.

3. No State participant shall be obliged to subscribe additional amounts in the case of general or individual increases in subscriptions.

4. All authorizations for, and determinations in respect of, general increases under paragraph 1 shall be by an eighty-five per cent majority of the total voting power of the participants.

Article 8. Other Resources

1. Subject to the following provisions of this Article, the Fund may enter into arrangements to receive other resources, including grants and loans, from members, participants, States which are not participants and from any public or private entity or entities.

2. Such arrangements shall be on terms and conditions which are consistent with the Fund's purposes, operations and policies and which will not impose an undue administrative or financial burden on the Fund or the Bank.

3. Such arrangements, other than those for grants for technical assistance, shall be on terms which will permit the Fund to comply with the requirements of Article 15 (4) and (5).

4. Such arrangements shall be approved by the Board of Directors, in the case of arrangements with a State which is not a member or a participant or with an agency of such State, by an eighty-five per cent majority of the total voting power of the participants.

5. The Fund shall not accept any loan (except temporary accommodations required for its operations) which is not on concessional terms and shall not borrow in any market or, as a borrower, guarantor, or otherwise, participate in the issue of securities in any market and shall not issue negotiable or transferable obligations evidencing indebtedness for loans received pursuant to paragraph 1.

Article 9. Payment of Subscriptions

The Fund shall accept any part of a participant's subscription payable by the participant under Articles 5, 6 or 7 or under Article 13 and not needed by the Fund in its operations, in the form of notes, letters of credit or similar obligations issued by the participant or the depository, if any, designated by the participant pursuant to Article 33. Such notes or other obligations shall be non-negotiable, non-interest-bearing and payable at their par value on demand to the account of the Fund in the designated depository or, if there is none, as the Fund shall direct. Notwithstanding the issuance or acceptance of any such note, letter of credit or other obligation, the obligation of the participant under Articles 5, 6 and 7 and Article 13 shall continue to subsist. Amounts held by the Fund in respect of subscriptions of participants which do not avail themselves of the provisions of this Article may be deposited or invested by the Fund to produce income to help defray its administrative and other expenses. The Fund shall draw down all subscriptions on a *pro rata* basis, as far as practicable over reasonable periods of time, to finance expenditures regardless of the form in which such subscriptions are made.

Article 10. Limitation on Liability

No participant shall be liable, by reason of its participation, for acts or obligations of the Fund.

CHAPTER IV

CURRENCIES

Article 11. Use of Currencies

1. Currencies received in payment of, or under Article 13 in respect of, subscriptions made pursuant to Article 5 and Article 6 (2) may be used and exchanged by the Fund for any of its operations and, subject to the approval of the Board of Directors, for the temporary investment of funds not needed in its operations.

2. The use of currencies received in payment of, or under Article 13 in respect of, subscriptions under Article 6 (3) and Article 7 (1) and (2) or as other resources under Article 8 shall be governed by the terms and conditions pursuant to which such currencies are received or, in the case of currencies received under Article 13, the use shall be governed by the terms and conditions on which the currencies whose value is so maintained were received.

3. All other currencies received by the Fund may be freely used and exchanged by the Fund for any of its operations and, subject to the approval of the Board of Directors, for the temporary investment of funds not needed in its operations.

4. No restriction shall be imposed which is contrary to the provisions of this Article.

Article 12. Valuation of Currencies

1. Whenever it shall be necessary under this Agreement to determine the value of any currency in terms of another currency or currencies or of the unit of account, such valuation shall be reasonably made by the Fund after consultation with the International Monetary Fund.

2. In the case of a currency which does not have a par value established with the International Monetary Fund, the value of such currency in terms of the unit of account shall be determined from time to time by the Fund pursuant to paragraph 1 of this Article and the value so determined shall be treated as if it were the par value of such currency for the purpose of this Agreement, including, without limitation, Article 13 (1) and (2).

Article 13. Maintenance of Value of Currency Holdings

1. Whenever the par value in the International Monetary Fund of the currency of a State participant is reduced in terms of the unit of account, or its foreign exchange value has, in the opinion of the Fund, depreciated to a significant extent within that participant's territory, that participant shall pay to the Fund within a reasonable time an amount of its currency required to maintain the value, as of the time of subscription, of the amount of such currency paid in to the Fund by that participant pursuant to Article 6 and pursuant to the provisions of the present paragraph, whether or not such currency is held in the form of notes, letters of credit or other obligations accepted pursuant to Article 9, provided that the foregoing shall apply only so long as and to the extent that such currency shall not have been initially disbursed or exchanged for another currency.

2. Whenever the par value of the currency of a State participant is increased in terms of the unit of account or its foreign exchange value has, in the opinion of the Fund, appreciated to a significant extent within that participant's territory, the Fund shall return to that participant within a reasonable time an amount of such currency equal to the increase in the value of the amount of such currency to which the provisions of paragraph 1 are applicable.

3. The Fund may waive or declare inoperative the provisions of this Article when a uniform change in the par value of the currencies of all State participants is made by the International Monetary Fund.

CHAPTER V OPERATIONS

Article 14. Use of Resources

1. The Fund shall provide financing for projects and programmes to further economic and social development in the territory of members. The Fund shall provide such financing for the benefit of those members whose economic situation and prospects require such financing to be on concessional terms.

2. Financing provided by the Fund shall be for purposes which in the opinion of the Fund are of high developmental priority in the light of the needs of the area or areas concerned and shall, except in special circumstances, be for specific projects or groups of projects, particularly those forming part of a national or regional or sub-regional programme, including provision of financing for national development banks or other suitable institutions for relending for specific projects approved by the Fund.

Article 15. Conditions of Financing

1. The Fund shall not provide financing for any project in the territory of a member if that member objects thereto, except that it shall not be necessary for the Fund to assure itself that individual members do not object in the case of financing provided to a public international, regional or sub-regional organization.

2. (a) The Fund shall not provide financing if, in its opinion, such financing is available from other sources on terms that the Fund considers are reasonable for the recipient.

(b) In making financing available for entities other than members, the Fund shall take all necessary steps to ensure that the concessional benefits of its financing accrue only to members or other entities which should, taking into account all the relevant circumstances, receive some or all of those benefits.

3. Before financing is provided, the applicant shall have presented an adequate proposal through the President of the Bank and the President shall have presented to the Board of Directors of the Fund a written report recommending such financing, on the basis of a staff study of its merits.

4. (a) The Fund shall impose no conditions that the proceeds of its financing shall be spent in the territories of any particular State participant or member, but such proceeds shall be used only for procurement in the territories of State participants or members, of goods produced in and services supplied from the territories of State participants or members, provided that, in the case of funds received pursuant to Article 8 from a State which is not a participant or member, the territories of that State shall also be eligible sources of procurement from such funds, and may be eligible sources of procurement from such other funds received under that Article as the Board of Directors shall determine.

(b) Procurement shall be on the basis of international competition among eligible suppliers except in cases where the Board of Directors determines that such international competition would not be justified.

5. The Fund shall make arrangements to ensure that the proceeds of any financing are used only for the purposes for which the financing was provided, with due attention to considerations of economy, efficiency and competitive international trade and without regard to political or other non-economic influences or considerations.

6. Funds to be provided under any financing operations shall be made available to the recipient only to meet expenses in connection with the project as they are actually incurred.

7. The Fund shall be guided by sound development banking principles in its operations.

8. The Fund shall not engage in refinancing operations.

9. In making a loan, the Fund shall pay due regard to the prospects that the borrower and the guarantor, if any, will be able to meet their obligations.

10. In considering an application for financing, the Fund shall pay due regard to the relevant self-help measures being taken by the recipient and, where the recipient is not a member, by both the recipient and the member or members whose territories the project or programme is intended to serve.

11. The Fund shall adopt such measures as shall be required to ensure the effective application of this Article.

Article 16. Form and Terms of Financing

1. Financing by the Fund from resources provided under Articles 5, 6 and 7, and from repayments of, and income arising from, such financing, shall take the form of loans. The Fund may provide other financing, including grants, out of resources received pursuant to arrangements under Article 8 expressly authorizing such financing.

2. (a) Subject to the provisions of the foregoing paragraph, financing by the Fund shall be on such concessional terms as may be appropriate.

(b) Where the borrower is a member, or an inter-governmental body to which one or more members belong, the Fund shall, in establishing the terms of financing, take account primarily of the economic circumstances and prospects of the member or members for whose benefit the financing is being provided and, in addition, of the nature and requirements of the project or programme concerned.

3. The Fund may provide financing for: (a) any member or any geographical or administrative subdivision or agency thereof; (b) any institution or undertaking in the territory of any member; and (c) any regional or sub-regional 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. Where the borrower is not itself a member, the Fund shall require a suitable governmental or other guarantee or guarantees.

4. The Fund may make foreign exchange available to meet local expenditure on a project when and to the extent which, in the opinion of the Fund, this is necessary or appropriate for the purposes of the loan, having regard to the economic position and prospects of the member or members for whose benefit the financing is being provided, and to the nature and requirements of the project.

5. Loans shall be repayable in the currency or currencies loaned, or in such other freely convertible currency or currencies as the Fund shall determine.

6. Before any financing is made available to or for the benefit of a member or for a project in the territory of a member, the Fund shall be satisfied that such member has taken all such administrative and legislative measures in respect of its territory as are necessary to give effect to the provisions of Article 11 (4) and Chapter VIII as if the member were a State participant, and it shall be a term of such financing that such administrative and legislative measures shall be maintained, and that in the event of any dispute between the Fund and a member, and in the absence of any other provision therefor, the provisions of Article 53 shall have effect, as if the member were a State participant in the circumstances to which that Article applies.

Article 17. Review and Evaluation

A comprehensive and continuing review of completed projects, programmes and activities financed by the Fund shall be carried out to aid the Board of Directors and the President in determining the effectiveness of the Fund in accomplishing its purposes. The President, with the agreement of the Board of Directors, shall make arrangements for carrying out this review and its results shall be reported through the President to the Board of Directors.

Article 18. Co-operation with Other International Organizations, Other Institutions and States

In furtherance of its purposes, the Fund shall seek to co-operate, and may enter into arrangements for co-operation, with other international organizations, regional and sub-regional organizations, other institutions and States, provided that no such arrangement shall be made with a State which is not a member or a participant or with an agency of such State unless it shall have been approved by an eighty-five per cent majority of the total voting power of the participants.

Article 19. Technical Assistance

In furtherance of its purposes, the Fund may provide technical assistance, but such assistance will normally be on a reimbursable basis if it is not provided from special technical assistance grants or other means made available to the Fund for the purpose.

Article 20. Miscellaneous Operations

In addition to the powers provided for elsewhere in this Agreement, the Fund may undertake such other activities incidental to its operations as shall be necessary or desirable in furtherance of its purposes and consistent with the provisions of this Agreement.

Article 21. Political Activity Prohibited

Neither the Fund, nor any officials or other persons acting on its behalf, shall interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only considerations relevant to the economic and social development of members shall be relevant to such decisions, and these considerations shall be weighed impartially to achieve the purposes stated in this Agreement.

CHAPTER VI ORGANIZATION AND MANAGEMENT

Article 22. Organization of the Fund

The Fund shall have a Board of Governors, a Board of Directors and a President. The Fund will utilise the officers, staff, organization, services and facilities of the Bank to carry out its functions and, if the Board of Directors recognizes that there is need for additional personnel, will have such personnel who shall be engaged by the President pursuant to Article 30 (4) (v).

Article 23. Board of Governors: Powers

1. All the powers of the Fund shall be vested in the Board of Governors.
2. The Board of Governors may delegate to the Board of Directors all its powers, except the power to:
 - (i) admit new participants and determine the terms of their admission;
 - (ii) authorize increases in subscription under Article 7 and determine the terms and conditions relating thereto;
 - (iii) suspend a participant;
 - (iv) decide appeals from decisions made by the Board of Directors concerning the interpretation or application of this Agreement;
 - (v) authorize the conclusion of general arrangements for co-operation with other international organizations, other than arrangements of a temporary or administrative character;
 - (vi) select external auditors to audit the accounts of the Fund and certify the balance sheet and statement of the income and expenditures of the Fund;
 - (vii) approve, after reviewing the report of the auditors, the balance sheet and the statement of the income and expenditures of the Fund;
 - (viii) amend this Agreement;

- (ix) decide to terminate the operations of the Fund and distribute its assets; and
- (x) exercise such other powers as are expressly assigned to the Board of Governors in this Agreement.

3. The Board of Governors may at any time revoke the delegation of any matter to the Board of Directors.

Article 24. Board of Governors: Composition

1. The governors and alternate governors of the Bank shall be *ex officio* governors and alternate governors respectively of the Fund. The President of the Bank shall notify to the Fund as necessary the names of such governors and alternates.

2. Each State participant which is not a member shall appoint one governor and one alternate governor who shall serve at the pleasure of the appointing participant.

3. No alternate may vote except in the absence of his principal.

4. Subject to the provisions of Article 60 (4), governors and alternates shall serve as such without payment of remuneration or expenses by the Fund.

Article 25. Board of Governors: Procedure

1. The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Board of Directors. The Chairman of the Board of Governors of the Bank shall be *ex officio* Chairman of the Board of Governors of the Fund.

2. The annual meeting of the Board of Governors shall be held in conjunction with the annual meeting of the Board of Governors of the Bank.

3. A quorum for any meeting of the Board of Governors shall be a majority of the total number of governors, representing not less than three-fourths of the total voting power of the participants.

4. The Board of Governors may by regulation establish a procedure whereby the Board of Directors may, when it deems such action advisable, obtain a vote of the governors on a specific question without calling a meeting of the Board of Governors.

5. The Board of Governors, and the Board of Directors to the extent authorized by the Board of Governors, may establish such subsidiary committees as may be necessary or appropriate to conduct the business of the Fund.

6. The Board of Governors, and the Board of Directors to the extent authorized by the Board of Governors or by this Agreement, may adopt such regulations, not inconsistent with this Agreement, as shall be necessary or appropriate for the conduct of the business of the Fund.

Article 26. Board of Directors: Functions

Without prejudice to the powers of the Board of Governors provided for in Article 23, the Board of Directors shall be responsible for the direction of the general operations of the Fund and for this purpose shall exercise any functions expressly given to it in this Agreement or delegated to it by the Board of Governors and, in particular, shall:

- (i) prepare the work of the Board of Governors;

- (ii) in conformity with the general directives of the Board of Governors, take decisions regarding individual loans and other forms of financing to be provided by the Fund under this Agreement;
- (iii) adopt such rules, regulations or other measures as may be required to ensure that proper and adequate audited accounts and records are kept in relation to the operations of the Fund;
- (iv) ensure that the Fund is served in the most efficient and economical manner;
- (v) submit to the Board of Governors, for approval at each annual meeting, the accounts for each financial year in a form which distinguishes, to the extent necessary, between the accounts of the general operations of the Fund and of such operations as are financed from contributions made available to the Fund under Article 8;
- (vi) submit to the Board of Governors for approval at each annual meeting an annual report; and
- (vii) approve the budget and general lending programme and policies of the Fund, in accordance with the resources respectively available for these purposes.

Article 27. Board of Directors: Composition

1. There shall be a Board of Directors composed of twelve Directors.
2. The State participants shall, pursuant to Schedule B, select six directors and six alternate directors.
3. The Bank shall, pursuant to Schedule B, designate six directors and their alternates from the Board of Directors of the Bank.
4. An alternate director of the Fund may attend all meetings of the Board of Directors but shall neither participate nor vote except in the absence of his principal.
5. The Board of Directors shall invite the other directors of the Bank and their alternates to attend meetings of the Board of Directors as observers and any such Bank director or, in his absence, his alternate may participate in the discussion of any proposed project designed to benefit the country which he represents in the Board of Directors of the Bank.
6. (a) A director designated by the Bank shall hold office until his successor shall have been designated pursuant to Schedule B and shall have assumed office. If a director designated by the Bank shall cease to be a director of the Bank he shall cease to be a director of the Fund.
- (b) The term of office of directors selected by State participants shall be three years, but shall terminate whenever a general increase in subscriptions pursuant to Article 7 (1) becomes effective. Such directors shall be eligible for a further term or terms of office. They shall continue in office until their successors have been selected and have assumed office. If the office of such a director shall become vacant before the expiration of his term of office, the vacancy shall be filled by a new director selected by the State participant or participants whose votes his predecessor was entitled to cast. Such successor director shall hold office for the remainder of the term of office of his predecessor.

(c) While the office of a director remains vacant the alternate of the former director shall exercise the powers of the latter except that of appointing an alternate, other than a temporary alternate to represent him at meetings when he cannot be present.

7. If a State shall become a State participant pursuant to Article 3 (3), or a State participant shall increase its subscription, or if for any other reason the voting rights of individual State participants should change between the times provided for the selection of directors representing State participants:

- (i) There shall be no change in directors as a result thereof, provided that if a director shall cease to have any voting rights, his term of office and that of his alternate shall terminate forthwith.
- (ii) Voting rights of State participants and of the directors selected by them shall be adjusted as of the effective date of the increase in subscription or the new subscription or other change in voting rights, as the case may be; and
- (iii) If such a new State participant shall have voting rights, it may designate a director then representing one or more State participants to represent it and cast its votes until the next general selection of State participant directors.

8. Directors and alternates shall serve as such without payment of remuneration or expenses by the Fund.

Article 28. Board of Directors: Procedure

1. The Board of Directors shall meet as often as the business of the Fund may require. The Chairman shall call a meeting of the Board of Directors whenever requested to do so by four directors.

2. A quorum for any meeting of the Board of Directors shall be a majority of the total number of directors having not less than three-fourths of the total voting power of the participants.

Article 29. Voting

1. The Bank, and the State participants as a group, shall each have 1,000 votes.

2. Each governor of the Fund who is a governor of the Bank shall have, and shall be entitled to cast, such proportionate share of the Bank's votes as shall have been notified to the Fund by the President of the Bank.

3. Each State participant shall have a proportionate share of the aggregate votes of the State participants based on the subscriptions of such participant made pursuant to Article 6 and, to the extent agreed by the State participants in connection with additional subscriptions authorized under Article 7 (1) and (2), on such additional subscriptions. In voting in the Board of Governors, each governor representing a State participant shall be entitled to cast the votes of the participant he represents.

4. In voting in the Board of Directors, directors designated by the Bank shall together have 1,000 votes and directors selected by the State participants shall together have 1,000 votes. Each director designated by the Bank shall have the number of votes

allocated to him by the Bank as set forth in the notification of his designation, given pursuant to Part I of Schedule B. Each director selected by one or more State participants shall have the number of votes held by the participant or participants which selected him.

5. Each Bank director shall cast his votes as a unit. A director representing more than one State participant may cast separately the votes of the States he represents.

6. Notwithstanding any of the other provisions of this Agreement:

- (i) If a regional member shall be or become a State participant it shall not have or acquire any votes by reason of such participation and if a regional State participant becomes a member it shall cease as of the effective date of such membership to have any votes as a State participant; and
- (ii) If a non-regional State shall be or become both a State participant and a member it shall, but solely for the purposes of this Agreement, be treated in all respects as if it were not a member.

7. Except as otherwise provided in this Agreement, all matters before the Board of Governors or the Board of Directors shall be decided by a three-fourths majority of the total voting power of the participants.

Article 30. The President

1. The President of the Bank shall be *ex officio* President of the Fund. He shall be Chairman of the Board of Directors but shall have no vote. He may participate in meetings of the Board of Governors but shall not vote.

2. The President shall be the legal representative of the Fund.

3. In the event that the President of the Bank is absent or his office should become vacant, the person for the time being designated to perform the duties of President of the Bank shall act as President of the Fund.

4. Subject to Article 26, the President shall conduct the ordinary business of the Fund and, in particular, shall:

- (i) propose the operating and administrative budgets;
- (ii) propose the overall financing programme;
- (iii) arrange for the study and appraisal of projects and programmes for financing by the Fund in accordance with Article 15 (3);
- (iv) draw, as needed, on the officers, staff, organization, services and facilities of the Bank to carry out the business of the Fund and shall be responsible to the Board of Directors for ensuring and controlling the proper organization, staffing and services provided under Article 22; and
- (v) engage the services of such personnel, including consultants and experts, as may be needed by the Fund, and may terminate such services.

Article 31. Relationship to the Bank

1. The Fund shall reimburse the Bank for the fair value of its use of the officers, staff, organization, services and facilities of the Bank, in accordance with arrangements made between the Fund and the Bank.

2. The Fund shall be an entity juridically separate and distinct from the Bank and assets of the Fund shall be kept separate and apart from those of the Bank.

3. Nothing in this Agreement shall make the Fund liable for the acts or obligations of the Bank, or the Bank liable for the acts or obligations of the Fund.

Article 32. Office of the Fund

The office of the Fund shall be the principal office of the Bank.

Article 33. Depositories

Each State participant shall designate its central bank or such other institution as may be acceptable to the Fund as a depository in which the Fund may keep holdings of such participant's currency or other assets of the Fund. In the absence of any different designation, the depository for each member shall be the depository designated by it for the purposes of the Agreement establishing the Bank.

Article 34. Channel of Communication

Each State participant shall designate an appropriate authority with which the Fund may communicate in connection with any matter arising under this Agreement. In the absence of any different designation, the channel of communication designated by a member for the Bank shall be its channel for the Fund.

Article 35. Publication of Reports and Provision of Information

1. The Fund shall publish an annual report containing an audited statement of its accounts and shall circulate to participants and members at appropriate intervals a summary statement of its financial position and an income and expenditures statement showing the results of its operations.

2. The Fund may publish such other reports as it deems desirable to carry out its purposes.

3. Copies of all reports, statements and publications made under this Article shall be distributed to participants and members.

Article 36. Allocation of Net Income

The Board of Governors shall determine from time to time the disposition of the Fund's net income, having due regard to provision for reserves and contingencies.

CHAPTER VII

WITHDRAWAL; SUSPENSION OF PARTICIPATION; TERMINATION OF OPERATIONS

Article 37. Withdrawal by Participants

Any participant may withdraw from participation in the Fund at any time by transmitting a notice in writing to the Fund at its principal office. Withdrawal shall become effective upon the date such notice is received or upon such date, not more than six months thereafter, as may be specified in such notice.

Article 38. Suspension of Participation

1. If a participant fails to fulfil any of its obligations to the Fund, the Fund may suspend its participation by decision of the Board of Governors. The participant so suspended shall automatically cease to be a participant one year from the date of its suspension unless a decision is taken by the Board of Governors to restore the participant to good standing.

2. While under suspension, a participant shall not be entitled to exercise any rights under this Agreement except the right of withdrawal, but shall remain subject to all obligations.

Article 39. Rights and Duties of States Ceasing to be Participants

1. When a State ceases to be a participant, it shall have no rights under this Agreement except as provided in this Article and in Article 53 but it shall, except as in this Article otherwise provided, remain liable for all financial obligations undertaken by it to the Fund, whether as a participant, borrower, guarantor or otherwise.

2. When a State ceases to be a participant, the Fund and the State shall proceed to a settlement of accounts. As part of such settlement of accounts, the Fund and the State may agree on the amounts to be paid to the State on account of its subscription and on the time and currencies of payment. The term "subscription" when used in relation to any participant shall for the purposes of this Article and Article 40 be deemed to include both the initial subscription and any additional subscription of such participant.

3. Pending such agreement, and in any event if no such agreement is reached within six months from the date when the State ceased to be a participant or such other time as may be agreed upon by the Fund and the State, the following provisions shall apply:

- (i) The State shall be relieved of any further liability to the Fund on account of its subscription, except that the State shall pay to the Fund on their due dates amounts of its subscription unpaid on the date when the State ceased to be a participant and which in the opinion of the Fund are needed by it to meet its commitments as of that date under its financing operations;
- (ii) The Fund shall return to the State funds paid in by the State on account of its subscription or derived therefrom as principal repayments and held by the Fund on the date when the State ceased to be a participant, except to the extent that in the opinion of the Fund such funds will be needed by it to meet its commitments as of that date under its financing operations;
- (iii) The Fund shall pay to the State a *pro rata* share of all principal repayments received by the Fund after the date on which the State ceases to be a participant on loans contracted prior thereto, except those made out of resources provided to the Fund under arrangements specifying special liquidation rights. Such share shall be such proportion of the total principal amount of such loans as the total amount paid by the State on account of its subscription and not

returned to it pursuant to sub-paragraph (ii) above shall bear to the total amount paid by all participants on account of their subscriptions which shall have been used or in the opinion of the Fund will be needed by it to meet its commitments under its financing operations as of the date on which the State ceases to be a participant. Such payment by the Fund shall be made in instalments when and as such principal repayments are received by the Fund, but not more frequently than annually. Such instalments shall be paid in the currencies received by the Fund except that the Fund may in its discretion make payment in the currency of the State concerned;

(iv) Any amount due to the State on account of its subscription may be withheld so long as that State, or any sub-division or any agency of any of the foregoing remains liable, as borrower or guarantor, to the Fund, and such amount may, at the option of the Fund, be applied against any such liability as it matures;

(v) In no event shall the State receive under this paragraph an amount exceeding, in the aggregate, the lesser of the two following:

(1) the amount paid by the State on account of its subscription, or (2) such proportion of the net assets of the Fund, as shown on the books of the Fund as of the date on which the State ceased to be a participant, as the amount of its subscription shall bear to the aggregate amount of the subscriptions of all participants;

(vi) All calculations required hereunder shall be made on such basis as shall be reasonably determined by the Fund.

4. In no event shall any amount due to a State under this Article be paid until six months after the date upon which the State ceases to be a participant. If within six months of the date upon which any State ceases to be a participant the Fund terminates its operations under Article 40, all rights of such State shall be determined by the provisions of such Article 40, and such State shall be considered a participant in the Fund for purposes of such Article 40, except that it shall have no voting rights.

Article 40. Termination of Operations and Settlement of Obligations

1. The Fund may terminate its operations by vote of the Board of Governors. Withdrawal by the Bank or all the State participants pursuant to Article 37 shall constitute a termination of operations by the Fund. After such termination of operations the Fund shall forthwith cease all activities, except those incidental to the orderly realization, conservation and preservation of its assets and settlement of its obligations. Until final settlement of such obligations and distribution of such assets, the Fund shall remain in existence and all mutual rights and obligations of the Fund and the participants under this Agreement shall continue unimpaired, except that no participant shall be suspended or shall withdraw and that no distribution shall be made to participants except as in this Article provided.

2. No distribution shall be made to participants on account of their subscriptions until all liabilities to creditors shall have been discharged or provided for and until the Board of Governors shall have decided to make such distribution.

3. Subject to the foregoing and to any special arrangements for the disposition of resources agreed upon in connection with the provision of such resources to the Fund, the Fund shall distribute its assets to participants *pro rata* in proportion to amounts paid in by them on account of their subscriptions. Any distribution pursuant to the foregoing provision of this paragraph shall be subject, in the case of any participant, to prior settlement of all outstanding claims by the Fund against such participant. Such distribution shall be made at such times, in such currencies, and in cash or other assets, as the Fund shall deem fair and equitable. Distribution to the several participants need not be uniform in respect of the type of assets distributed or of the currencies in which they are expressed.

4. Any participant receiving assets distributed by the Fund pursuant to this Article or Article 39 shall enjoy the same rights with respect to such assets as the Fund enjoyed prior to their distribution.

CHAPTER VIII

STATUS; IMMUNITIES; EXEMPTIONS AND PRIVILEGES

Article 41. Purpose of Chapter

To enable the Fund effectively to fulfil its purpose and carry out the functions entrusted to it, the status, immunities, exemptions and privileges set forth in this Chapter shall be accorded to the Fund in the territory of each State participant, and each State participant shall inform the Fund of the specific action which it has taken for such purpose.

Article 42. Status

The Fund shall possess full juridical personality and, in particular, full capacity:

- (i) to contract;
- (ii) to acquire, and dispose of, immovable and movable property; and
- (iii) to institute legal proceedings.

Article 43. Legal Process

1. The Fund shall enjoy immunity from every form of legal process, except in cases arising out of or in connection with the exercise of its powers to receive loans in accordance with Article 8, in which case actions may be brought against the Fund in a court of competent jurisdiction in the territory of a country in which the Fund has its office, or has appointed an agent for the purpose of accepting service or notice of process, or has otherwise agreed to be sued.

2. Notwithstanding the provisions of paragraph 1, no action shall be brought against the Fund by any participant, or by any agency or instrumentality of a participant, or by any entity or person directly or indirectly acting for or deriving claims from a participant or from any agency or instrumentality of a participant. Participants shall have recourse to such special procedures for the settlement of disputes between the Fund and its participants as may be prescribed in this Agreement, in the by-laws and regulations of the Fund, or in contracts entered into with the Fund.

3. The Fund shall also make provision for appropriate modes of settlement of disputes in cases which do not come within the provisions of paragraph (2) and of Articles 52 and 53 and which are subject to the immunity of the Fund by virtue of paragraph (1) of this Article.

4. Where by virtue of any of the provisions of this Agreement the Fund does not enjoy immunity from legal process, the Fund, and its property and assets wherever located and by whomsoever held, shall nevertheless be immune from all forms of seizure, attachment or execution before the delivery of final judgement against the Fund.

Article 44. Immunity of Assets

Property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action.

Article 45. Immunity of Archives

The archives of the Fund, and, in general, all documents belonging to it or held by it, shall be inviolable, wherever located.

Article 46. Freedom of Assets from Restriction

To the extent necessary to carry out the purpose and functions of the Fund, and subject to the provisions of this Agreement, all property and other assets of the Fund shall be free from restriction by financial controls, regulations, or moratoria of any kind.

Article 47. Privilege for Communications

Official communications of the Fund shall be accorded by each State participant the same treatment as it accords to the official communications of other international financial institutions of which it is a member.

Article 48. Immunities and Privileges of Officials and Personnel

All governors and directors, and their alternates, the President and personnel, including experts performing missions for the Fund:

- (i) Shall be immune from legal process with respect to acts performed by them in their official capacity;
- (ii) When they are not local nationals, shall be accorded no less favourable immunities from immigration restrictions, alien registration requirements and national service obligations, and no less favourable facilities as regards exchange regulations, than are accorded by the State participant concerned to the representatives, officials and employees of comparable rank of any other international financial institution of which it is a member; and
- (iii) Shall be granted no less favourable treatment in respect of travelling facilities than is accorded by the State participant concerned to representatives, officials and employees of comparable rank of any other international financial institution of which it is a member.

Article 49. Exemption from Taxation

1. The Fund, its assets, property, income, operations and transactions, shall be exempt from all direct taxation, and from all customs duties, or taxes having equivalent effect, on goods imported or exported for its official use. The Fund shall also be exempt from any obligation for the payment, withholding or collection of any tax or duty.

2. Notwithstanding the provisions of paragraph 1, the Fund shall not claim exemption from taxes which are no more than charges for services rendered.

3. Articles imported under an exemption provided for by paragraph 1 shall not be sold in the territory of the State participant which granted the exemption except under conditions agreed with that participant.

4. No tax shall be levied on or in respect of salaries and emoluments paid by the Fund to the President and personnel including experts performing missions for it.

Article 50. Waiver by the Fund

1. The immunities, exemptions and privileges provided in this Chapter are granted in the interests of the Fund. The Board of Directors may waive, to such extent and upon such conditions as it may determine, the immunities, exemptions and privileges provided in this Chapter in cases where its action would in its opinion further the interests of the Fund.

2. Regardless of the provisions of paragraph 1, the President shall have the right and the duty to waive the immunity of any of the personnel, including experts performing missions for the Fund, in cases where, in his opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the Fund.

CHAPTER IX AMENDMENTS

Article 51

1. Any proposal to introduce modifications to this Agreement, whether emanating from a participant, a governor or the Board of Directors, shall be communicated to the Chairman of the Board of Governors, who shall bring the proposal before that Board. If the proposed amendment is approved by the Board, the Fund shall, by circular letter or telegram, ask the participants whether they accept the proposed amendment. When three-fourths of the participants having eighty-five per cent of the voting power have accepted the proposed amendment, the Fund shall certify the fact by formal communication addressed to the participants. Amendments shall enter into force for all participants three months after the date of the formal communication provided for in this paragraph unless the Board of Governors specifies a different period or date.

2. Notwithstanding the provisions of paragraph 1, the unanimous approval of the Board of Governors shall be required for the approval of any amendment modifying:

- (i) the limitation on liability provided for in Article 10;

- (ii) the provisions of Article 7 (2) and (3) relating to the subscription of additional funds;
- (iii) the right to withdraw from the Fund; and
- (iv) the voting majority requirements contained in this Agreement.

CHAPTER X

INTERPRETATION AND ARBITRATION

Article 52. Interpretation

1. Any question of interpretation or application of the provisions of this Agreement arising between any participant and the Fund or between any participants shall be submitted to the Board of Directors for decision. If there is no director of its nationality on that Board, a State participant particularly affected by the question under consideration shall be entitled to direct representation in such cases. Such right of representation shall be regulated by the Board of Governors.

2. In any case where the Board of Directors has given a decision under paragraph 1, any participant may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the decision of the Board of Governors, the Fund may, so far as it deems necessary, act on the basis of the decision of the Board of Directors.

Article 53. Arbitration

In the case of a dispute between the Fund and a State which has ceased to be a participant, or between the Fund and any participant upon the termination of the operations of the Fund, such dispute shall be submitted to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by the Fund, another by the participant or former participant concerned, and the two parties shall appoint the third arbitrator, who shall be the Chairman. If within forty-five days of receipt of the request for arbitration either party has not appointed an arbitrator or if within thirty days of the appointment of two arbitrators the third arbitrator has not been appointed, either party may request the President of the International Court of Justice, or such other authority as may have been prescribed by regulations adopted by the Board of Governors, to appoint an arbitrator. The procedure of the arbitration shall be fixed by the arbitrators, but the third arbitrator shall have full power to settle all questions of procedure in any case of disagreement with respect thereto. A majority vote of the arbitrators shall be sufficient to reach a decision, which shall be final and binding upon the parties.

CHAPTER XI

FINAL PROVISIONS

Article 54. Signature

The original of this Agreement shall remain open until 31 March 1973 for signature by the Bank and by the States whose names are set forth in Schedule A.

Article 55. Ratification, Acceptance or Approval

1. This Agreement shall be subject to ratification, acceptance or approval by the signatories.

2. Instruments of ratification, acceptance or approval shall be deposited with the Bank at its principal office by each signatory before 31 December 1973, provided that, if this Agreement shall not have entered into force by that date in accordance with Article 56, the Board of Directors of the Bank may extend the period for deposit of instruments of ratification, acceptance or approval by not more than six months.

Article 56. Entry into Force

This Agreement shall enter into force on the date on which the Bank and eight signatory States whose initial subscriptions, as set forth in Schedule A to this Agreement, comprise in aggregate not less than 55 million units of account, have deposited their instruments of ratification, acceptance or approval.

Article 57. Participation

1. A signatory whose instrument of ratification, acceptance or approval is deposited on or before the date on which this Agreement enters into force shall become a participant on that date. A signatory whose instrument of ratification, acceptance or approval is deposited thereafter and before the date prescribed in or pursuant to Article 55 (2) shall become a participant on the date of such deposit.

2. A State which is not an original participant may become a participant pursuant to Article 3 (3), and notwithstanding the provisions of Articles 54 and 55, such participation shall be effected by signing this Agreement and by depositing with the Bank an instrument of ratification, acceptance or approval, which shall take effect on the date of such deposit.

Article 58. Reservations

A State may, when depositing its instrument of ratification, acceptance or approval, declare:

- (i) that in its territory the immunity conferred by Article 43 (1) and by Article 48 (i) shall not apply in relation to a civil action arising out of an accident caused by a motor vehicle belonging to the Fund or operated on its behalf, or to a traffic offence committed by the driver of such a vehicle;
- (ii) that it retains for itself and its political subdivisions the right to tax salaries and emoluments paid by the Fund to that State's citizens, nationals or residents;
- (iii) that it understands that the Fund will not normally claim exemption from excise duties levied by that State on goods originating in its territory, and from taxes on the sale of movable and immovable property, which form part of the price to be paid, but that where the Fund is making important purchases for official use of property on which such duties and taxes have been charged or are chargeable, whenever possible, appropriate administrative arrangements will be made by that State for the remission or return of the amount of duty or tax; and

- (iv) that the provisions of Article 49 (3) shall apply to articles in respect of which a remission or return of duty or tax has been made by that State pursuant to the arrangements referred to in sub-paragraph (iii).

Article 59. Notification

The Bank shall notify all signatories of:

- (a) any signature;
- (b) any deposit of an instrument of ratification, acceptance or approval;
- (c) the date of entry into force of this Agreement; and
- (d) any declarations or reservations made at the time of deposit of an instrument of ratification, acceptance or approval.

Article 60. Inaugural Meeting

1. As soon as this Agreement enters into force, each State participant shall appoint a governor, and the Chairman of the Board of Governors shall call the inaugural meeting of the Board of Governors.

2. At the inaugural meeting:

- (i) twelve directors of the Fund shall be designated and selected pursuant to Article 27 (2) and (3); and
- (ii) arrangements shall be made for determining the date on which the Fund shall commence operations.

3. The Fund shall notify all participants of the date of commencement of its operations.

4. Reasonable and necessary expenses incurred by the Bank in establishing the Fund, including subsistence expenses of governors and their alternates in attending the Inaugural Meeting, shall be reimbursed by the Fund.

IN WITNESS WHEREOF the undersigned, being thereunto duly authorized, have signed this Agreement.

DONE at Abidjan, this twenty-ninth day of November, one thousand nine hundred and seventy-two, in the English and French languages, both texts being equally authentic, in a single copy, which shall remain deposited with the Bank.

The Bank shall transmit certified copies of this Agreement to each signatory.

Any of the aforementioned States which, after 31 December 1973, makes a subscription of at least 15 million United States dollars shall, nevertheless, be deemed an original participant provided it signs and ratifies this Agreement on or before 31 December 1974.

										SUBSCRIPTIONS IN UNITS OF ACCOUNT		
African Development Bank	...	...	...	...	...	...	...	...	...	5,000,000		
Belgium	...	...	...	...	...	...	...	...	...	3,000,000		
Brazil	...	...	...	...	...	...	...	...	...	2,000,000		
Canada	...	...	...	...	...	...	...	...	...	15,000,000		
Denmark	...	...	...	...	...	...	...	...	...	5,000,000		
Federal Republic of Germany	...	...	...	...	...	...	...	...	...	7,447,630		
Finland	...	...	...	...	...	...	...	...	...	2,000,000		
Italy	...	...	...	...	...	...	...	...	...	10,000,000		
Japan	...	...	...	...	...	...	...	...	...	15,000,000		
Netherlands	...	...	...	...	...	...	...	...	...	4,000,000		
Norway	...	...	...	...	...	...	...	...	...	5,000,000		
Spain	...	...	...	...	...	...	...	...	...	2,000,000		
Sweden	...	...	...	...	...	...	...	...	...	5,000,000		
Swiss Confederation	...	...	...	...	...	...	...	...	...	3,000,000		
United Kingdom	...	...	...	...	...	...	...	...	...	5,211,420		
Yugoslavia	...	...	...	...	...	...	...	...	...	2,000,000		
Total										...	...	90,659,050

SCHEDULE B

DESIGNATION AND SELECTION OF DIRECTORS

Part I

Designation of Directors by the Bank

1. The President of the Bank shall give to the Fund, on the occasion of each designation by the Bank of directors of the Fund, a notification setting forth:

- (i) the names of the directors so designated; and
- (ii) the number of votes which each such director shall be entitled to cast.

2. When there shall be a vacancy in the office of a director designated by the Bank, the President shall notify to the Fund the name of the person designated by the Bank as his successor.

Part II

Selection of Directors by Governors representing State Participants

1. In balloting for the selection of directors, each governor representing a State participant shall cast for one person all of the votes to which the State appointing him is entitled. The six persons receiving the greatest number of votes shall be directors, except that no person who receives less than 12 per cent of the total of the votes of such governors shall be considered elected.

2. When six persons are not elected on the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected and (b) those governors whose votes for a person elected are deemed under 3 below to have raised the votes cast for that person above fifteen per cent of the eligible votes.

3. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above fifteen per cent of the eligible votes, the fifteen per cent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until fifteen per cent is reached.

4. Any governor, part of whose votes must be counted in order to raise the total of any person above 12 per cent, shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed fifteen per cent.

5. If, after the second ballot, six persons have not been elected, further ballots shall be held on the same principles until six persons have been elected, provided that after five persons are elected, the sixth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

6. The governors representing State participants may change the foregoing rules by a 75 per cent majority of the total voting power of such governors.

7. There shall be a new selection of directors representing State participants at each of the first three annual meetings of the Board of Governors.

8. Each director shall appoint an alternate who shall have full power to act for him when he is not present. Directors and their alternates shall be nationals of State participants.

SIGNATORIES -- SIGNATAIRES

(Pages 72 - 74 contained the
signatures of the following
signatories)

African Development Bank
Royaume de Belgique
Federative Republic of Brazil
Canada
Kingdom of Denmark
Republic of Finland
Federal Republic of Germany
Republic of Ital
Japan
Kingdom of the Netherlands
Kingdom of Norway
Kingdom of Sweden
Confederation Suisse
United Kingdom of Great Britain
and Northern Ireland
L'Etat Espagnol

Socialist Federal Republic
of Yugoslavia

A. Labidi
P. Marchal
F. C. de B. Berenguer
Gilles Mathieu
Vissing Christensen
Ensio Helaniemi
J. Hasslacher
Fulvio Rizzetto
Shigeru Inada
A.J.M.V.D. Maade
P. Naevdal
L. Hedstrom
Et. A. Suter

Paul Holmer
T. de Aguilar Colomer
(Signe le 1er mars 1973)

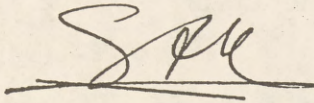
Predrag Vuckovic
(Signed 29 March 1973)

I hereby certify that the foregoing text is a true copy of the Agreement establishing the African Development Fund, adopted by the Conference of Plenipotentiaries on the Establishment of the African Development Fund, held at Abidjan, Ivory Coast, on 29 November 1972, the original of which is deposited with the African Development Bank.

Je certifie que le texte qui précède est la copie conforme de l'Accord portant création du Fonds africain de développement, adopté par la Conférence des plénipotentiaires sur la création du Fonds africain de développement, qui s'est tenue à Abidjan (Côte d'Ivoire), le 29 novembre 1972, dont l'original est déposé auprès de la Banque africaine de développement.

For the African Development Bank:

Pour la Banque
africaine de développement:

A handwritten signature in dark ink, appearing to read 'SAEED', with a horizontal line drawn underneath it.

M. A. SAEED
Legal Officer—Juriste

Abidjan, 29 November 1972

Abidjan, 29 novembre 1972

1974 REVIEW

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DEVELOPMENT CO-OPERATION

EFFORTS AND POLICIES OF THE MEMBERS
OF THE DEVELOPMENT ASSISTANCE COMMITTEE

NOVEMBER 1974

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

VI

THE TRAGEDY IN THE SAHEL

I. MAGNITUDE OF THE DISASTER

A drought on the present scale has occurred in the Sahel only once before in the present century, culminating in the "famine year" of 1913. The cumulative rainfall deficit which began in 1966 and has lasted almost uninterruptedly since, has, however, proved much more terrible in its effects. In 1973, the Sahel had a much larger population to feed than in 1913, so the suffering, both of humans and of animals, was correspondingly more widespread. In addition, the greater requirements for food have led to increasing exhaustion of soil and pastures over an ever-widening area.

The countries most severely affected are Senegal, Mauritania, Mali, Upper Volta, Niger and Chad. Together, they constitute an area about ten times the size of France, and have a total population of some 25 million, of whom about six million are directly affected by the drought. By the beginning of 1974, the number of people in Africa in immediate need of help as a result of the drought was estimated to have increased to 7 million, as the Gambia, Northern Nigeria, Cameroon, Ethiopia and the north of Kenya also began to be affected.

a) THE LOSSES

It is difficult to be precise about the actual extent of the losses caused by the drought, in quantitative terms. The governments concerned, aided by the international community, have made various assessments, but these cannot be more than general estimations.

In terms of human mortality, one figure widely quoted is some 100,000 deaths in the course of 1973. Some believe this is too high, others too low. The uncertainty is because most deaths were not directly of starvation, but due to exhaustion and disease induced, in part, by thirst and hunger on long marches. The fact that many people crossed national boundaries in the search for food and water further confuses the statistics. Indeed, the mass migration of people and of cattle over vast distances has been one of the most striking features of the effects of the drought in the Sahel.

The Commission of the EEC¹ estimates livestock losses as follows: Mauritania 60 per cent; Senegal 23 per cent; Niger 20 per cent; and Upper Volta 18 per cent (no estimates are available for Chad and Mali). These overall figures, however, reflect considerable local variations. In Mauritania, for example, in certain areas, 80 to 90 per cent of the cattle have been wiped out, in some parts of Niger, 60 to 80 per cent, while in Mali, hundreds of cattle-raising families have lost their herds entirely. The term "losses" however, is misleading, as it includes not only those animals that succumbed through lack of food and water, but also those that were slaughtered and the meat consumed, and those driven into other countries.

1. Dossier Sahel, December 1973.

French experts estimate that between 500,000 and one million head of cattle may have entered Nigeria in this way, and Senegal may have received as many as 300,000 from Mauritania.

The EEC figures indicate the shortfall in cereal production in 1973 as compared to a normal crop year as 72 per cent in Mauritania, 50 per cent in Senegal, 42 per cent in Chad, and 37 per cent in Mali. In Niger and Upper Volta, it seems to have been less than ten per cent. The rice crop in Senegal was down 60 per cent. These figures, however, must be treated with due reserve, given the very small scale of much subsistence farming in these countries and the uncertainties due to smuggling, hoarding, etc.

Whatever the exact figures, the losses are undoubtedly appalling and recovery cannot but be slow. The loss of a breeding-cow represents a loss for five generations of reproduction and the prospects for food crops next year will be further reduced by the fact that the peasants have frequently been driven to eat the seeds intended for the next season's planting.² This sometimes included not only the seeds for subsistence farming but for export crops as well. Senegal, for example, sold only half its peanut crop in 1972-73.

b) THE IMPACT ON ECONOMIC AND SOCIAL EVOLUTION

The FAO has estimated that the drought has slashed the average GNP of the six countries by about 50 per cent, an estimate given also by the Sahelian governments themselves. In other words, the effect of the drought has been to put these countries, which were already stagnating economically, much further back than they were before.

In the process, the various tendencies already at work in the economy have been speeded up and intensified in a way that makes their inherent dangers or contradictions clearly apparent as they have never been before.

The most significant and far-reaching example is the *dissatisfaction within rural life*. With the continuing drought, the movement of population from the country to the town, already a steady flow, suddenly became a mass exodus. Whole areas of the countryside, already denuded of vegetation, were now abandoned altogether. At the same time, the towns, hitherto barely aware of the disaster that was taking place in the remote regions of the north, were now overwhelmed by the enormous new problems of housing, feeding, water supplies and sanitation that they suddenly had to face.

These migrations from the largely pastoral areas into the more settled and populous regions of the country have thrown into relief the *ethnic and political differences* between nomad and sedentary farmers. When, destitute and rootless, tribesmen came crowding into the urban centres to beg for food, the black Africans of the south, with ancestral memories of the Arab-operated slave trade, were often not too moved to help them in their distress. The tented "towns" on the outskirts of capitals and other urban centres that had to be hastily improvised and serviced by the government and army authorities (i.e. the "African" administration), polarised with dramatic suddenness the irreconcilability of two very different modes of life.

At the same time, the plight of the nomads threw into new relief the *decreasing viability of much of the nomadic herding tradition*. Conceived of originally for unlimited space, the practice of extensive herding was doomed to disaster as the herds became bigger and the pastures progressively more exhausted.

In the same way, the drought has speeded up the *decreasing viability of the traditional extensive dry farming*. Very little had been done in the preceding years

2. The Governments have tried to prevent this. "Jeune Afrique" (February 1974), quotes a peasant from Niger as saying: "If we were allowed to do so, we would eat all our seeds. But the authorities asked us to plant them, because this is what the country needs. We did so, and it is the earth which has eaten our seeds".

to irrigate the land. Unco-ordinated programmes of well-digging and boring had helped for a time, but had sometimes proved counter-productive in the long run by fostering concentrations of population and animals and thus accelerating the exhaustion of the soil.

Perhaps the most serious respect in which long-term trends have been accelerated by the drought is *the damage to the environment*. The desperate search for food and water has driven the herdsmen further and further south, creating an ever-growing path of desolation in their wake as they denuded the bush and lopped the branches of the trees to provide fodder for their beasts. The result is that there is nothing left to hold back the sand. The advance of the desert southward has visibly quickened.³

The Sahel countries were thus moving towards crisis before the drought began. Beginning with the land itself, traditions and structures, sometimes centuries old, were beginning to crack. The drought simply accelerated this crisis.

II. THE RESPONSE TO THE DISASTER

a) EMERGENCY RELIEF—NATIONAL ACTION

Once the governments of the Sahel countries finally appreciated the magnitude of the disaster, they found themselves faced with two tasks of almost equal urgency. The first was provision for the starving thousands who were streaming into the towns; the second was to get the country-side producing again. Both would have taxed the resources of governments with far greater financial means and more experienced administrative and technical services. The Sahel governments had to deal with them, with their revenues depleted by these same disasters that were driving the refugees into their midst, and in circumstances of unprecedented social and economic upheaval.

The authorities did what they could. To cope with the immediate emergency, they organised distributions of foodstuffs, instituted solidarity campaigns which collected a levy of one day's salary a month, tried to organise food distribution and suspended the cattle tax. (The severe budgetary loss that this latter measure represented was made good to a large extent by the EEC).

The Sahel governments have since come in for considerable criticism in the international press—for the slowness of their reactions to the fact of disaster. Against the charge that they could have acted earlier, it can be said that the countries hoped each year that the next season's rains would bring relief. There was, further, the human reluctance to public admission of helplessness, reinforced in this instance by the pride of not-long-independent African states. Other criticisms are simply a reflection of the fact that less developed countries have limited capacity to cope with emergency situations. When aid-financed emergency supplies began to arrive, the national governments, most of which had set up special institutional machinery to handle the crisis, themselves assumed responsibility for their distribution. However, without satisfactory storage and warehousing facilities, with inadequate transport infrastructure and an administration totally inexperienced for dealing with such an emergency, the operational problems were immense.

The second task was to get the next season's crop sown, almost as important for survival as emergency feeding. Emergency programmes were accordingly begun, consisting of well-digging and repair and completion of existing boreholes. The refugees in the camps were offered several weeks' rations to induce them to go back to their land in time for next season's planting, and were provided with seed, some of it air-lifted in, as part of the programme of emergency relief.

3. Observers have reported evidence of recent encroachment from 20 to 100 km. deep in some places.

The most significant step the governments took, however, was to set up joint machinery to handle the Sahel problem on a regional basis. In March 1973, the six governments met at Ouagadougou, and having established a programme of emergency needs for each country and appealed for international aid, proceeded to create a Permanent Inter-State Committee on Drought Control in the Sahel, to deal both with the emergency situation and the medium-and long-term regeneration of the area.

b) EMERGENCY RELIEF—INTERNATIONAL ACTION

Emergency food aid to relieve the distress caused by the drought had been provided to individual Sahel countries since 1968. In that year, Mali, Niger and Senegal appealed to the United States for emergency food rations, and between mid-1968 and mid-1971, the United States contributed over \$ 13 million of food, and some further \$ 3 million was contributed by other donors. The World Food Programme provided 57,000 tons of cereals at a cost of \$ 8.9 million (which included, in some cases, the cost of internal transport), the biggest WFP action ever.

These figures are to be seen in the perspective of the total bilateral and multilateral assistance aid already received by the six countries, which averaged over \$ 250 million in 1972 and 1973, with over one-third being provided by France, and a further 25 per cent by the European Development Fund (see Table VI-1).

TABLE VI-1. ASSISTANCE TO SAHELIAN COUNTRIES¹ FROM DAC MEMBERS AND MULTILATERAL AGENCIES

\$ US million.

	1972		1973	
	Total ODA Net	Share of Total %	Total ODA Net	Share of Total %
<i>Donor Countries and Agencies</i>				
Austria	0.07	*	0.37	0.1
Belgium	0.84	0.4	4.09	1.2
Canada	15.24	7.4	21.09	6.0
Denmark	0.42	0.2	4.77	1.4
France	97.88 ²	47.6 ²	123.02	35.3
Germany	7.99	3.9	24.51	7.0
Italy	0.25	0.1	0.28	0.1
Japan	0.03	*	0.04	*
Netherlands	0.72	0.4	0.74	0.2
Norway	—	—	0.06	*
Switzerland	0.52	0.2	1.14	0.3
United Kingdom	0.63	0.3	0.54	0.2
United States	14.00	6.8	35.00	10.0
<i>Total DAC</i>	<i>138.59</i>	<i>67.4</i>	<i>215.65</i>	<i>61.9</i>
IDA	14.66	7.1	14.70	4.2
EDF	38.61	18.8	104.30	29.9
UN	13.71	6.7	13.71 ³	3.9
<i>Total multilateral Concessional</i>	<i>66.98</i>	<i>32.6</i>	<i>132.71</i>	<i>38.1</i>
<i>Total bilateral and multilateral Concessional</i>	<i>205.57</i>	<i>100.0</i>	<i>348.36</i>	<i>100.0</i>

1. Chad, Mali, Mauritania, Niger, Senegal, Upper Volta.

2. May exclude a certain portion of the French grants provided in 1972 to former French territories in Africa, whose precise geographical allocation to individual countries could not be determined. Improved reporting procedures were introduced in 1973.

3. 1972 data.

The international community did not, however, begin to gear itself to major relief action until an appeal from the six governments concerned on 27th March, 1973. Ministers of the six countries, meeting in Ouagadougou, outlined their emergency needs and asked for help to deal with the immediate effects of the drought. They further resolved to work together in a joint programme in the face of their common disaster and set up a standing Inter-State Committee to co-ordinate all measures of relief. The United Nations followed with an ECOSOC resolution calling on member countries to provide emergency aid, and FAO was designated to co-ordinate relief.

The international community, now fully alerted to a sense of urgency (kept up by almost daily horror stories in the press), mounted a relief operation of considerable magnitude and complexity. By the end of October 1973, a total of 525,000 tons of grain had been provided.⁴

In November 1973, the United Nations and the FAO jointly launched an appeal for a further 500,000 tons of food and \$ 30 million in cash for health programmes, seeds, transport, storage facilities, animal feedingstuffs, veterinary supplies, etc. But by February 1974, the Ouagadougou countries themselves were speaking in terms of a food deficit of the order of 1.2 million tons.

To arrive at an accurate assessment of total requirements, both in foodstuffs and other emergency needs, is extremely difficult (because of the distances involved, the impossibility of predicting the next season's crop, official attitudes which, for different reasons, may tend either to play up or play down the extent of crop failures, smuggling, etc.) It is also difficult to make an accurate assessment of what has actually been provided at any given point in time, the complications here being the administrative ones of accounting procedures, pledges versus deliveries, pipeline delays, etc.

However, according to figures available, the international community provided to the Sahel a total of over 1.2 million tons of cereals—up to October 1974—from the following sources:

TABLE VI-2. GRAIN SHIPMENTS TO SAHEL COUNTRIES BY MAJOR SOURCES FROM THE BEGINNING OF THE OPERATIONS UP TO OCTOBER 1974

Metric tons.

Donors	Up to 15th Sept. 1973 ¹ (a)	Nov. 1973 to Oct. 1974 ² (b)	Up to Oct. 1974 (a+b)
Canada	26,000	39,000	65,000
China	50,000	11,000	61,000
France	62,000	74,500	136,500
Germany	32,000	35,000	67,000
United States	207,000	232,375	439,375
EEC	103,000	110,000	213,000
WFP	57,000	33,481	90,481
Others	90,000	76,912	166,912
Total	627,000	612,268	1,239,268

Sources:

1. Status of grain shipments to Sahelian countries as of 15th September 1973, *FAO Newsletter No. 8*.
2. Report No. 11 on the drought in the Sahelian region and the emergency operations undertaken by the United Nations system, FAO, Office of Sahel Relief Operations (OSRO), 10th September 1974.

4. World Food Programme: Annual Statement of the Executive Director, 1974.

The Arab countries, other than Algeria who among other things provided camps for the refugees who crossed into its territory, gave little for emergency aid, although they have shown some interest in long-term aid to their "fellow Muslims". As for neighbouring African countries, they made some small gifts of foodgrains as a gesture of solidarity and Nigeria contributed \$ 3.75 million. Their main contribution was the use of their coastal ports and trans-shipment facilities for the emergency supplies provided by the international community.

Although of relatively minor importance in terms of volume, the assistance provided to the Sahel by non-governmental organisations from all parts of the world made an outstanding contribution.

In many cases, these were organisations who were already engaged in developmental work in the area and were thus particularly well-placed to know what was needed and how best to supply it. The fact of their being non-governmental in addition provided a flexibility of operations often denied to official aid activities.

By the middle of 1974, the United Nations appeal for \$ 30 million of financial aid had met with a very disappointing response, the oil crisis, the shift of commodity prices and the escalating inflation in donor countries having intervened. But at the same time, the situation of the least-favoured countries of the Third World has been brought into a new and sharper focus, and the Resolution of the Special Session of the United Nations General Assembly in May 1974 may bring new sources of aid to the Sahel countries, together with the other underdeveloped countries of the world currently most in need.

c) MEDIUM AND LONG-TERM REHABILITATION

The Inter-State Committee representing the six Sahel governments, after a series of meetings at expert, ministerial and heads of state level in September 1973, gave their approval to what has subsequently become known as the Ouagadougou Programme for the rehabilitation of the Sahel. This consists of 123 project proposals costing an estimated \$ 850 million. The Chairman of the Committee, General Lamizana, the President of Upper Volta, asked the United Nations for help in its financing, and described it as a "Marshall Plan for the Sahel".

The Programme covers actions to be undertaken by each country, for the medium term, defined as a recovery period of three to five years, by which time it is hoped that the countries will have returned to where they would have been if the drought had not occurred, and for the long term, where the aim is essentially to identify the basic causes of the ecological disruptions and ways of preventing their recurrence. Together, they comprise measures for water control and development; extension and intensification of irrigation farming; research into plant varieties to find those best adapted to the area; environmental protection (prevention of deforestation, rehabilitation of degraded areas and resettlement); and meteorological research in order to gain a better understanding of climatic trends.

The task confronting the Sahel governments could hardly be more daunting. It involves, in effect, putting a check to the southward march of the Sahara and, at the same time, reducing the isolation and neglect that for centuries have been the lot of the backward, inland communities of western Africa. Can it indeed be done?

If the recent climatic evolution presages a continuing long-term trend, then the process of desertification will in time swallow up not only the Sahel but will encroach on the savannah further to the south. At a conference on desertification held in Nouakshott in Mauritania at the end of 1973, experts predicted that the present weather cycle would last 50 years, and it is no doubt such prophecies that led Mr. Waldheim, Secretary-General of the United Nations, to express the fear that some of the Sahel countries might be lost to the desert by the end of the present century.

Most development specialists seem to believe that the Sahel countries could

still salvage an area sufficient to feed their populations and could, moreover, move forward into development if appropriate action is undertaken. A final victory over the desert, however, presupposes first, that the strategies are right, second, that the formidable financial, technical and administrative resources required can be mustered for their implementation, and thirdly, that the several individual actions that will be involved will be undertaken in the context of a coherent and continuing global approach.

It should be noted that the Ouagadougou Programme does not itself constitute a strategy, but rather a series of actions. The strategies are still being explored, discussed and elaborated among the countries concerned, the specialists and the donor community. The broad lines of attack, however, emerge clearly enough from the Programme, namely, improvement of water management, improvement of agricultural and livestock practices, and improvement of communications and transport. Some of the activities involved will need to be planned on a regional basis, e.g., the major programmes of river, road, rail and air transport required to break down the Sahel's age-old isolation from the rest of the world and the major hydraulic projects which will regulate the flow of the Sahel's rivers. The programmes for afforestation and improvement of pastures will also need to be designed as a function of the requirements of broad climatic zones rather than on a national or local basis. The specific proposals in the Ouagadougou Programme should be a step in the implementation of these broad strategies.

The means that the Sahel countries will need to have at their disposal in order to have a chance of effectively implementing the strategies are obvious enough. They can broadly be summarised as follows: first, major and sustained foreign help; second, administrative and technical skills; third, field-level advisers and extension workers to assist in propagating and consolidating the desired revolution in agricultural and livestock techniques; and fourth, a consistent and determined will, both on the part of governments, who will need to continue to place the achievement of broad regional strategies before considerations of partisan politics, and on the part of the people, who must be prepared to make even further sacrifices, both in terms of taxation and in the relinquishing of cherished traditions.

None of these elements will be easy to secure and still less to maintain. Nevertheless, the Sahel countries can count on a number of assets which will facilitate their task.

First, they will not necessarily be starting from zero in these various activities. In several domains, a very considerable amount of preliminary research has already been undertaken and the results of the various studies and experiments are either already available to show the way, or at least can serve as the basis for further investigation geared to specific area needs. This is the case, for example, in the fields of selected plant varieties, irrigated farming in the main river valleys, and systematic livestock production. A great deal of work has been done on the flow of the major rivers and their tributaries, and a number of specific hydraulic programmes have already been prepared. Similarly, research already under way in the meteorological field will provide a basis for further study into the specific climatological phenomena of the Sahel.

Secondly, in some of these areas of activity, there already exist the necessary regional structures. This is notably true in respect of the major river development projects, where associations grouping the riparian states concerned had been created before the drought ever occurred.⁵

Thirdly, science and technology can assist the Sahel today in a way undreamed

5. "Organisation de la mise en valeur du Fleuve Sénégal" (OMVS) consisting of Mauritania, Mali and Senegal (Guinea, also a riparian state, does not participate); Commission du Bassin du Lac Tchad (CBLT) consisting of Chad, Cameroon, Niger and Nigeria. There also exists a Niger River Basin Commission with a documentation Centre in Niamey, and an Autorité du Lip-tako-N'Gourma (Mali/Upper Volta, Niger).

of a generation ago. The United States NASA satellites are already monitoring meteorological data, infra-red photography provides new means of prospecting (for both minerals and water) and the use of solar energy for irrigation is another possibility.

Finally, it is quite possible that the shock and disruption caused by the drought disaster to the traditional patterns of life in the Sahel may itself have created a climate more propitious to rational change than existed in the more settled past. Many of the nomad tribes have already been uprooted. Further, the now recognised need to remain within access of assured supplies of water will enforce, of necessity, some degree of localisation of the herds (and the herdsmen) and thus make possible the introduction of more intensive cattle-rearing practices. (Cf. the Minister of Rural Economy of Niger: "L'élevage traditionnel, c'est du folklore : il faut pratiquer un élevage intensif"). At the same time, the government authorities in these countries are themselves sensitised, as they have never been before, to the vital need to reform the economic, social and political structures of their country and of the ways in which this might be done.

Some economists argue that development takes place when a society outgrows its resource base and productive system. When the established economic pattern is proved inadequate and subsistence problems become more severe, then societies are driven to change their methods. This would seem to be the situation of the Sahel countries today.

The main thrust for the changes necessary to make the breakthrough into development must, of course, come from the countries concerned. The contribution of external aid, however, will obviously be of vital importance. If aid is to be effective, however, in attacking the real causes of poverty and backwardness in the Sahel and similar countries, a number of adjustments may need to be made in donors' habitual policies and approaches to development assistance. First, it must be recognised that these countries require aid in *much greater volume* than in the past. This implies that need rather than economic return must be the criterion for geographical distribution of aid funds, and, as a corollary, that aid donors must accept that in the case of these countries, a much greater investment of capital and effort will be needed relative to immediate development returns. For the really poor countries, donor expectations need to be lowered and sympathetic consideration must be given to the need for budget assistance to accompany expanded and new initiatives.

Secondly, aid activities in these countries must not be undertaken *ad hoc* but must be based on a *coherent strategy of development* worked out for their particular situation on a basis of careful research and analysis. This implies investment in research, improvement of locally available data, etc. It also implies a danger that studies may lead to more and more studies, while action gets further and further deferred. A just balance must be found, therefore, between arriving at a sound understanding of the major elements of the problem and the need to take action before the problems become aggravated much further. In other words, it is essential that research for development is not allowed to become an issue of research or development.

Thirdly, given the current low levels of education and technical skills in the very poor countries, it must be accepted that aid to them will require a *far greater input of personnel, managerial competence* and just plain *patience* than is habitual elsewhere. This means not only a greater element of technical assistance and efforts to build up the countries' own stock of skills. It also means accepting sometimes a slower pace, or a different way of doing things than in other more advanced countries. It may mean, in addition, making a greater effort to utilise the traditional experience and knowledge of the people themselves and using modern technology to reinforce this rather than to replace it.

Finally, the magnitude of the problems to be solved demands not only a cohe-

rent, but also a *co-ordinated aid* approach. While respecting the prerogative of the countries concerned to make their own choices, concerted action among the countries and the donor community, both on the strategy and on the progress of implementing it, is essential.

III. IMPROVED INTERNATIONAL RESPONSE TO DISASTERS- POTENTIAL AND ACTUAL

• a) EARLY WARNING SYSTEMS AND PREPAREDNESS

In retrospect, after the major relief effort of 1973 which saved countless lives in the Sahel, the question remains whether the countries themselves and the international community could not have moved into relief action earlier. Droughts and crop failures can be forecast within certain limits and their progress charted by means of meteorological reports and crop assessments. International and national agencies with programmes in the Sahel received reports from their experts working in those countries on the endemic drought, on earlier crop failures, on the ever-growing threat of famine and on the encroachment of the desert in recent years. Since 1968, FAO had operated an Early Warning System on crop deficits, whereby the FAO, the World Food Programme and the country members of these organisations receive monthly reports on potential danger points. Yet little or no preparatory action was taken to develop contingency plans.

One reason for this delay is to be found in the departmentalism within organisations receiving reports on the climatological and crop situation in the Sahel. These seem to have been filed away in the corresponding specialist departments and were not assembled and analysed so as to prepare a basis for coherent planning. The gap between the collection of data analysis and feedback to the makers of policy may have prevented the latter from reacting to the situation earlier.

The lesson that emerges from the experience of the Sahel disaster is that international institutions and procedures need to be strengthened to analyse warnings of impending disaster more effectively and translate them into timely action. There would appear to be an urgent need for some kind of institutional mechanism which, upon receipt and verification of warning information would trigger the appropriate operational response.

For many of the natural disasters that are likely to befall countries, warning systems are in existence, e.g. UNESCO has a system of seismological reports on impending earthquakes, the World Meteorological Organisation sends out regional warnings on impending cyclones and the World Health Organisation on epidemics. FAO has recently strengthened its early warning and crop reporting. The international community, therefore, should give urgent attention to the problem of closing the gap between information and action.

Assuming scientifically accurate predicting, the problem becomes one of administrative organisation. The necessary distribution mechanism must be established to ensure that the information is promptly communicated to all the relevant authorities in the area affected. Next, the channel between that part of the administration which receives the warning and that empowered to take the necessary relieving action should be direct and immediate.

Where the warning concerns crop failures and threat of food shortage, the relieving action to be taken (i.e., release of food stocks, imports, etc.) must of course depend on the availability of supplies. It is essential, therefore, that reserves should be built up and maintained, as far as possible, at minimum levels, in order that there should be stocks available for emergency situations.

Contingency stocks of foodgrains need to be established in strategic supply areas so that the international community can respond quickly to shortages in various

parts of the world. The developing countries, however, should also be building up their own food reserves, which while still insufficient to provide against large-scale and continuing shortages, could nonetheless hedge against seasonal deficits and serve to stabilise food prices. Moreover, a sizeable diminution of the chronic vulnerability of developing countries to food deficits could be obtained by the construction of a network of simple but reliable storage facilities.

b) ALERTING INTERNATIONAL EMERGENCY RELIEF

One of the principal reasons that delayed international relief action in the Sahel, and later in Ethiopia, was the reluctance of the countries affected to give the alarm.

This problem is inherent in the very structure of international assistance and the aid relationship—namely the hesitation on the part of the donors of aid to take any initiative in the affairs of the Third World, except in response to specific requests.

Further, since there exists no well-established machinery for international disaster relief, individual donors hesitated to take the initiative for mobilising international aid. They accordingly waited until the Sahel Governments officially declared an emergency and called for help.

Given these deep-seated attitudes, it would seem imperative that the international community give urgent consideration to the problem of finding some institutional arrangement whereby, when countries are known to be in serious need (the reporting systems described above would provide the alert), contingency stocks can be released or foodstuffs otherwise provided from supply areas, without waiting for an emergency appeal.

In respect of famine disaster or threat of famine, it would seem that the World Food Programme might be well placed to organise this response. A request for food supplies under the Programme does not imply a public declaration of emergency, but is part of the normal mechanism of international demand and supply. The WFP could therefore provide the mechanism for directing the supply of foodstuffs to meet the needs of countries in distress, without requiring them to incur the public embarrassment of officially declaring a state of emergency. The Programme would need, however, to be strengthened for the purpose. Specifically, this would involve building up the necessary reserve stocks at strategic supply points; providing the finance to enable the Programme to purchase supplies as and when necessary; and so to structure the administration of the Programme as to enable it to act with flexibility and despatch. The World Food Conference held in Rome in November 1974 was considering some of these problems.

c) IMPROVEMENT OF INTERNATIONAL DISASTER RELIEF OPERATIONS

Once alerted, the donor community, both government agencies and private organisations, mounted a relief effort in the Sahel that was marked by considerable ingenuity and mutual collaboration. Airlifts were organised, donor countries' national airlines carried relief supplies without charge and their military aircraft were made available for carrying freight. The turn-around time of the ships arriving at the ports with relief supplies was speedier, and the utilisation of landing-ships and railroad capacity more intensive than ever before in their history. The United States authorities describe how over 600,000 tons of food were delivered in a few months, using airlift capabilities supplied by Belgium, Canada, France, Germany, the United Kingdom and the USSR, and carried to the remotest districts of the interior by a combination of aircraft, trucks, animal and human transport.⁶

6. Report by the United States President's Special Co-ordinator for Emergency Relief to Sub-Saharan Africa, August 1973.

Despite these achievements, there has been considerable criticism, particularly in the international press, that the operation was poorly managed.

Undoubtedly, the obstacles were enormous. The spring rains, which made the remote regions virtually inaccessible except by airlift, was one of the most serious. The countries' basic lack of infrastructure of roads and communications facilities was another. The shortage of storage capacity was a third.

But perhaps the greatest single problem, underlying the problems of logistics, was the lack of basic information—information as to what was most urgently needed, information as to the conditions in which the supplies would have to be moved (in particular, the carrying capacity of the railroads, the state of the roads, the availability of trucks and spare parts, gasoline, etc.), and finally, information on what other donors were providing. The result was on the one hand a plethora of fact-finding missions (itself a further cause of confusion in time of crisis) as each donor wished to assess for himself what the requirements were (and subsequently the use being made of his relief assistance). At the same time, the supplies began pouring in, not only foodstuffs but medicines and equipment also, while many of these vitally important factors were still largely unknown, or at least unknown to those in charge of the relief operations. In the circumstances, the logistics of the relief operation, particularly in the difficult early days, was probably managed with quite remarkable despatch.

The great problem of international disaster relief which the Sahel experience has made disturbingly clear it that there currently exists no effective international machinery for co-ordinating the relief effort. The donors, therefore, had to organise themselves to meet the overwhelming relief problems of the Sahel with no contingency planning and no co-ordination machinery. A small office for disseminating information on the supplies arriving from the different sources was subsequently set up by the FAO in Ouagadougou (the Office of Sahel Relief Operations—OSRO) and this now provides some measure of co-ordination at the distribution end.

Today, there is increasing recognition among the donor community that international response to disaster situations can no longer continue to be handled on the present *ad hoc* and unco-ordinated basis. Despite the creation by the United Nations in December 1971 of a small United Nations Bureau in Geneva (the United Nations Disaster Relief Office),⁷ the tendency has been for donors, government and non-governmental, to provide emergency relief as and how they can, without much reference to each other. Certainly, in an emergency situation where speed is indispensable, it is vitally necessary to avoid cumbersome international bureaucracies with their in-built dangers of delay. Nevertheless, an element of greater rationalisation and professional experience badly needs to be injected into the present unco-ordinated operations of international disaster relief.⁸

There would seem to be three main problems to be met: the problem of co-ordinating donor responses; the problem of organising emergency relief on the spot; and the problem of raising funds for sustained disaster relief operations.

For the first, it might be possible to provide the necessary exchange of information through a small international bureau of a high degree of efficiency to serve as the central clearing-house of last minute information on needs, supplies offered, and supplies in transit. The condition is that its key role be fully recognised by both the disaster-struck countries and the donor community, and that all countries would automatically channel through it notice of their needs or respective relief intentions.

For the second, it should not be impossible to establish a small reserve force of personnel experienced in disaster relief work, who could be made available if called

7. United Nations Disaster Relief Office, established by General Assembly Resolution 2816. It has a staff of six and a very limited budget for operations.

8. The DAC in 1974 has been examining what donors can do both to strengthen pre-disaster preparedness and to increase the efficiency of their response to disaster situations.

upon, to advise and assist disaster stricken countries in their relief operations. This might perhaps be attached, under some suitable flexible arrangement, to the clearing-house bureau. What is important, in any case, is that it would function under clearly international auspices and would thus not appear in any way to impinge on the national sensitivities of the countries in which it may be called upon to serve.

Finally, the problem of funds for sustained disaster relief raises the whole question of the relation between disaster relief and development assistance and development. The Sahel experience has thrown a new light on this relationship. First of all, the Sahel disaster has required, and is continuing to require, relief assistance in amounts and for a length of time almost unprecedented in previous experience of disaster situations; even if it rains this year, disaster relief will be needed for several years ahead. Further, the relief of the disaster situation and the rehabilitation and development of the disaster-stricken area have been seen to be objectives that run one into the other. Donors' earlier distinction, therefore (convenient for administrative and financial purposes), between "relief aid" and "development aid" is no longer valid in terms of the job to be done. Finally, as this chapter has tried to show, disaster occurred in the Sahel in the way that it did, precisely *because* of the lack of development in that area.

In the very marginal (and thus disaster-prone) countries of the world, the right strategies of development may be successful in warding off disaster. By the same token, the wrong strategies, or perhaps unco-ordinated development activities unrelated to any strategy at all, may not. Many donor agencies today are actively re-examining their institutional and administrative arrangements for providing disaster relief so as to make it more flexible and responsive to needs. They might, as part of this same re-appraisal, re-examine their strategies of development to see whether in fact they are calculated to help the developing countries to build up a condition of basic disaster resistance.

[Whereupon, at 11:55 a.m., the subcommittee hearing was adjourned, subject to call of the Chair.]

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