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THE WORLD BANK  
Washington, D.C.

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McNamara Papers

Contracts  
African Development Bank  
(1968-1980)

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Contacts with member countries: African Development Bank - Correspondence 01

Box 1



AFRICAN DEVELOP. BANK

# AFRICAN DEVELOPMENT BANK

- 10/2/68 Mamoun Beheiry, President
1. 2/11/69 Messrs. Aziz Alamoody and Vincent  
(Abidjan) Mr. Oxuso, Director of Finance  
Mr. Matovu, in charge of operations
2. 6/2/69 Mamoun Beheiry, President  
Robert L. Gardiner, Secretary-General, UN Economic Commission for Africa
- 2/22/70 Aziz Alamoody, Vice President  
(Montebello  
Conf.)
3. 9/19/70 Mr. Abdel Wahab Labidi, President  
(Copen.)
4. 1/27/71 " " " " "
- 12/3/71 S.C. Hsieh, Director, Projects Department (Meeting of Consultative  
Group on International Agricultural Research)
- 3/12/74 Lunch at IDB: Abdelwahab Labidi, President  
Mr. Nambara, De I. E. Ebong, Assistant to the President  
M. Sakka, Director of Operations  
O. A. Ali, Deputy Director of Finance  
R. S. Griffiths, Secretary of the Delegation
5. 3/12/74 Abdelwahab Labidi, President
- 1/6-10/76 Abdelwahab Labidi, President  
(Dev.Cte.,  
Kingston)
6. 10/7/76 Kwame D. Fordwor, President
7. 9/25/77 Kwame D. Fordwor, President
8. 9/28/78 Kwame D. Fordwor, President  
Annual  
Meeting
9. 10/3/80 Mr. Mung'Omba, President  
Annual Mr. N'Diaye, Director of Finance, ~~Secretary~~  
Meeting Mr. Sangowawa, Deputy Director of Operations  
Mr. Gedamu, Director of Policy and Planning  
Mr. Abdel Aty, Ex.Director (Egypt)  
Mr. Vencatachellum, Ex.Director (Mauritius)  
Mr. Etsi (Togo)





Mr. McNamara - to see, please.  
1.C.  
RBS 3/4  
OFFICE MEMORANDUM

TO: Files

DATE: February 27, 1969

FROM: Franz Lutolf

SUBJECT: Mr. McNamara's Visit to the African Development Bank

Mr. McNamara, accompanied by Messrs. Chaufournier and Lutolf, visited ADB on February 11, 1969. In the absence of Mr. Beheiry, who was in the Sudan, Mr. McNamara was received by Messrs. Alamoodi and Vincent, Vice-Presidents; Mr. Owuso, Director of Finance; and Mr. Matovu, in charge of operations.

The following main points were discussed:

1. ADB at the moment has \$55 million of funds available for lending. Six projects are being financed, including two studies. The loans made for the four development projects total just over \$5 million. Some ten projects are under active preparation. The interest rate charged by ADB is  $5 \frac{3}{4} \%$  to which have to be added a statutory charge and a commitment charge, resulting in an effective lending rate of about  $6 \frac{1}{2} \%$ .
2. It is ADB's intention to commit about one third of its resources, i.e. about \$20 million, by the end of 1969. This figure could be increased to \$30 million if those member countries which are in arrears with their capital subscription (particularly the United Arab Republic) met their obligations. The ADB representatives emphasized that the arrears were not due to the members' lukewarm attitude towards ADB but rather to their financial and balance of payments difficulties.
3. ADB will probably try to borrow in the international capital markets. However, the management feels that such a move would be premature at this stage and should only be attempted after more sound development projects have been financed. ADB also wants to be absolutely certain that the first bond issue will meet with full success. The ADB representatives felt that this was crucial for later issues given the fact that only African guarantees stood behind ADB.
4. The shortage of good projects is one factor which stands in the way of a more substantial ADB lending program but more important is the Bank's scarce expertise for project identification and preparation. The establishment of the Pre-Investment Unit some time ago - 15 experts financed jointly by the UNDP and ADB - will help. In addition, ADB is receiving assistance in the form of technical experts from USAID, Canada, the Netherlands (one expert each) and is negotiating with Belgium. Under an FAO/ADB agreement, FAO undertook to second two senior officers to ADB for varying periods of time (one has arrived). An agreement signed with UNESCO provides for similar assistance upon request from ADB.

President has seen



5. ADB's total staff numbers about 130. ADB continues its efforts to recruit additional staff. At this point, Mr. McNamara referred to two experts who had previously worked for ADB and subsequently applied for jobs with IBRD. He assured the representatives of ADB that IBRD had no intention to lure people away from ADB; a memo explaining the facts about the two cases would be given to ADB (this was done after Mr. McNamara's departure).

6. Mr. Alamoody then mentioned the proposed African Development Fund (ADF), ADB's soft-lending arm. He said the United States had offered to contribute \$20 million per year over three years provided the US contribution would not exceed 40% of the Fund's total resources. The \$60 million would be tied to US supplies. An untied offer of \$2.4 million equivalent had been received from the United Kingdom. The Nordic countries had also responded positively and were expected to contribute 10% of the funds to be made available by other sources each year for three years. The Netherlands had offered \$3 million equivalent and Canada was also considering making an offer. France and Germany so far had merely expressed an interest. The ADB representatives went on to say that they would now try to encourage individual contributors to make funds available immediately rather than wait for all other potential donors to act.

7. ADB intends to operate ADF much along IDA lines: insistence on sound, revenue-earning projects which can absorb loans on conventional terms, but extending credits for such projects to member countries on soft terms.

✓  
cc. Messrs. McNamara, Knapp, Aldewereld, Friedman, Demuth, Chaufournier,  
El Emary, Lejeune, Clark

FLutolf:mh





June 4, 1969

Mr. McNamara's Meeting with Messrs. Shoaib, Mamoun Beheiry, President of the African Development Bank, and Robert K.A. Gardiner, Executive Secretary of ECA, June 2, 1969

Mr. McNamara welcomed Messrs. Beheiry and Gardiner to the Bank and asked about the lending program of the African Development Bank. In response Mr. Beheiry explained that total commitments amounted to about \$10 million and were expected to go up to a total of \$30 million by the beginning of next year. Mr. Beheiry added that the rate of commitment had to be slowed down because of the uncertain prospects of replenishing ADB funds and the competition in Africa for good projects among bilateral and international (excluding the World Bank) aid givers. Referring to the latter argument, Mr. McNamara pointed out that he would be happy to turn over to ADB for financing as many projects as ADB could effectively handle. Messrs. Beheiry and Gardiner concurred with Mr. McNamara's evaluation that Africa could effectively absorb more capital.

Turning to another subject, Mr. McNamara asked whether ADB was getting sufficient cooperation from the World Bank. Mr. Beheiry replied that cooperation between ADB and IBRD had much improved, although he could not say he was always getting every cooperation he wished. When Mr. McNamara asked Mr. Beheiry for particular suggestions to further improve relations between the two organizations, Mr. Beheiry did not comment other than to say that he was "quite happy the way things were going."

After a short pause, Mr. McNamara explained that the World Bank had substantially expanded its operations in Africa and made appropriate organizational changes. As a result lending to Africa had gone up very rapidly this year and was expected to continue to increase. Mr. Beheiry felt this was a very encouraging sign indeed. Mr. McNamara also emphasized increased Bank Group lending for education and agriculture and both Messrs. Beheiry and Gardiner agreed with the importance of education. They also agreed that it was difficult to determine the types of education needed particularly in Africa. Mr. Beheiry pointed to the dangers of white-collar unemployment which was spreading rapidly all over Africa. To give an example, a country like Sudan had exported 750 teachers to Saudi Arabia and another 500 teachers to Libya.

Mr. McNamara then asked his visitors for suggestions as to what else the Bank could usefully do in Africa. Mr. Gardiner felt that one should start with some of the regional transportation projects resulting from the recent review of the 350 transport studies undertaken so far in Africa. Similarly, the Bank could usefully handle projects resulting from the telecommunications study at present being undertaken. Mr. Gardiner felt that the meetings between UNDP, IBRD, ECA and ADB were useful in avoiding duplication of studies. Hopefully, African countries would also begin to allocate resources in the industrial field in a more efficient manner. He realized, however, that industrialization policies were a highly sensitive issue in Africa. Mr. Beheiry sensed a growing "economic maturity" among African leaders.

Mr. McNamara concluded the meeting by expressing the hope that Mr. Beheiry and Mr. Gardiner would feel free to draw to his personal attention areas where the Bank could improve its contribution to African development.

cc: Mr. Shoaib  
Mr. Chaufournier  
Mr. El Emary

*Rainer B. Steckhan*  
Rainer B. Steckhan

President has seen



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 29, 1969

FROM: Mohamed Shoaib *M. Shoaib*SUBJECT: Fifth Meeting of Representatives of African  
Development Bank, Economic Commission for  
Africa and the UNDP and IBRDHistory

In August 1966, Mr. Edward M. Korry, Ambassador of the United States in Ethiopia, at the request of President Johnson presented a report on African Development Policies and Programs. He stated that all available evidence points to a confusing incoherence by donors (and Africans) in development activities, a lack of accord on what to survey as propitious investment opportunities, an unwillingness to accept each other's data or surveys, a duplication of effort, a disparity of doctrinal approaches in the same fields of activity, and a wasteful dispersal of effort and of resources.

He specifically recommended that: "The US should request the World Bank to establish a Standing Committee (or Committees) to deal with the three main long-term infrastructure sectors of Africa: transport, telecommunications and power".

Mr. Woods made it clear to the US that the Bank agreement to participate would be absolutely conditional on the ADB and ECA endorsing the proposal and agreeing to participate, and also on the concurrence of the former colonial powers and a majority of the African countries themselves.

Mr. Woods met with Mr. Beheiry, President of the African Development Bank at the Paris Office on January 1967. It was agreed that the United Nations Development Programme should also be brought in at the start, and a study group should be set up consisting of representatives of the four international organizations (namely the Bank, ADB, ECA, and UNDP).

At the first meeting held in Abidjan in February 1967, it was agreed that the four organizations should work in concert in the preparation of preinvestment studies of projects affecting more than one African country in the sectors of power, transport and telecommunications, and to obtain finance for such studies, and that the Bank should be entrusted, as an initial step to this end, with the making of a review of studies already completed, presently under way or contemplated, in the three sectors, and for submitting papers as soon as possible evaluating studies completed, under way or contemplated. The review would also bring to light possible overlapping or duplication between such studies, and would form the basis for recommending priorities for further studies.

President has seen



As the review on studies of the transport sector would be beyond the resources of the Bank's staff, it was agreed that the Bank should request UNDP to finance the cost of contracting Consultants for the study. The UNDP agreed. The UNDP also agreed to finance the telecommunications studies with the International Telecommunications Union as executing agent.

The Transport Consultants began their work in April 1968 and have submitted their final report to the Bank and ADB. The Bank was the executing agent for the study.

The second and third meetings of the group were held in Washington and the fourth was held in Abidjan in October 1968. At these meetings, the Bank submitted progress reports on the transportation study and on the various power developments in Africa and the ITU made similar reports on its activities.

The accomplishments of this group have been relatively meager so far. Probably the most constructive result has been the preventing of the waste of funds on unsound studies proposed from time to time by ECA, ITU and ADB.

#### Meeting on June 2, 1969

At the meeting held on Monday June 2, in the Bank, the Consultants will discuss their findings on the African Transport Study which was essentially a study of studies. Its purpose was to determine which of the 350 transport studies which have been undertaken by various organizations since 1960, could be utilized to form a basis for the development of sound projects in Africa.

The major finding of the consultants was that planning for regional transport facilities should, in the immediate future, depend more on basic studies of regional development potentialities than on the study of facilities. The studies which the Consultants regarded as useful for project development are practically all under active consideration either by the Bank or U.S. AID.

The Bank will report on the coordination of power development between Kenya and Uganda and on the status of the study on the two projects for which the Bank was the executing agent for the UNDP viz Botswana Power Project and the Lesotho Water Supply and Power Project.

The ITU will make a report on the telecommunications study.

The construction of the transmission line to interconnect Ghana, Togo and Dahomey, which has been under discussion for 3 years, is at last to begin. The Canadians financed the feasibility study and final

engineering costs of the line and agreed to finance the cost of construction provided the three countries agreed on the price at which electricity would be supplied by Ghana. This agreement has now been reached.

The Bank will recommend that the next step will be the extension of this line to interconnect the Ivory Coast and Nigeria. This can be done at a relatively small expense and will be of benefit to all five countries.

On the afternoon of Tuesday, June 3, Mr. Paijmans of the Bank staff will present a brief report on the River Blindness Disease common in Upper Volta and adjoining regions.

Mr. Evans will comment briefly on the Bank's activities in African Agriculture and Mr. Ballantine will present a similar report on African Education. These will be verbal reports, simply as information.

Attached to refresh your memory are a memo about the ADB and Mr. Lutolf's memo about your visit to the African Development Bank.

Attachments:



## THE AFRICAN DEVELOPMENT BANK

### Historical

The idea of establishing a development bank for the continent of Africa originated in Tunis in 1960 during the All-African Peoples Conference, which passed a resolution envisaging the "setting up of an African investment bank to promote development projects".

A panel of experts was convened in 1961 to study the feasibility of establishing an African development bank. In 1962, the Economic Commission for Africa (ECA) constituted a committee of nine member states in order to make all the necessary arrangements for the establishment of the bank. The members of this committee were: Cameroon, Ethiopia, Guinea, Liberia, Mali, Nigeria, Sudan, Tanganyika and Tunisia.

A conference of African Ministers was held in Khartoum (Sudan) from July 31 to August 4, 1963 under the auspices of ECA to review the work of the Committee of Nine. The conference approved the text of the agreement establishing the African Development Bank (ADB) and opened it for signature. By the end of December 1963, thirty African Governments had signed the agreement and it entered into force on September 10, 1964.

The ADB was formally established on November 4, 1964 and the first meeting of the Board of Governors was held from November 4 to 7, 1964 at Lagos, Nigeria. During the meeting, it was decided to locate the principal office of the Bank in Abidjan and the first President, Vice-Presidents and Board of Directors were elected. However, it was not until July 1, 1966 that the Bank started operations.

### Justification for a New Financial Institution in Africa

Before proceeding to discuss the type of organization that might be established, the panel of experts had recognized that the prior and major question to be considered was whether a new institution was needed at all for financing the development needs of African countries. It was considered evident that African countries required considerably more investment than they had received hitherto if their economic growth was to be assured. Further, it was thought that a new African financing organization could perform specific functions not already performed by existing international or national financial agencies, i.e., close cooperation between African countries, e.g., in river basin development, education and training schemes, markets for industries, transport projects to promote intra-regional trade. This type of coordination was seen to be needed not only for super-national projects but also for national development programs, and it was assumed that an African body would inspire more confidence as a clearing house for any confidential confrontation that would prove necessary in case of conflict between national programs of African countries.

By virtue of its intimate knowledge of current and prospective development programs, this African body was expected to be instrumental in revealing



to outside financing agencies new opportunities for investment; formulating such opportunities into sound projects; attracting additional capital; presenting African problems in the most acceptable way to existing financial institutions for loans and grants; guaranteeing Government loans for development purposes and even, in later stages, private capital. Consideration was also given to the fact that capital investment for new development sometimes creates problems of current expenditure "for certain long-term social expenditure, e.g., on education, maintenance of roads ... etc." A regional institution could assist in this kind of financing either through its own operations or by channelling grants from other aid-giving bodies.

The areas where the work of the existing financial institutions has shown a need for strengthening in Africa and where an African development bank might conceivably be a preferred instrument of action were thought to be the following:

- a) regional projects;
- b) promotion of intra-African trade;
- c) "needs" of newly independent countries;
- d) promotion of small-scale African industrial enterprises;
- e) education and training; and
- f) development plans - long range support.

An essential feature, however, of a new financing organization would be that of "additionality", i.e., it must be effective in securing a higher net availability of funds for Africa, not merely the substitution of one source of funds to another. Several possible ways were conceived for ADB to provide additional capital for the economic development of Africa:

a) The ADB could make additional internal capital available by encouraging savings and capital formation; mobilizing reserves and other resources of companies, banks, insurance companies, etc., operating in Africa which might otherwise flow abroad or lie idle; mobilizing resources of African Governments which might otherwise lie idle or be drained into non-productive Government consumption.

b) The ADB could increase external capital availabilities by attracting additional external capital to itself and channelling it into African economic development.

c) The ADB could enable African states to make more, or more effective, use of existing institutions and sources of finance.

#### Sources and Nature of Funds

At the time of the discussions on the establishment of ADB, it was stressed that as large an African contribution as possible would be necessary to give the Bank an African character and to give evidence of self-help. Nevertheless, it was expected that, for the Bank to be effective, it would have to attract considerable outside finance largely from public sources. It was admitted that the resources of the Bank would derive from the sub-



scriptions of the African member states to the share capital.

In addition to that, it was considered that other African funds might be mobilized, e.g., through the sale of bonds of the Bank or of securities of the enterprises supported by the Bank. Turning to external sources of financing, the third session of ECA had expressed a strong preference for multilateral assistance and at the United Nations it had often been agreed that a higher proportion of additional contributions should be made through multilateral institutions. Some assumptions were made of a shift in this direction. For example, it was noted that the United States was using the Inter-American Development Bank to distribute previously bilateral aid to Latin America. On the part of some multilateral agencies, it was observed that there was also a growing tendency to channel aid through local development banks. It was stated that the IBRD did this and the ADB might be such a channel; alternatively, the IBRD, IFC and IDA and ADB might link their operations to finance related projects. It was also envisaged that the Development Fund of the European Economic Community could similarly be encouraged to use a new single point of contact. Bonds of the ADB might also be sold outside Africa. Another potential source would be from large foreign companies operating in Africa which could have an interest in promoting development and might be prepared to invest in an African development bank.

#### The "Africanity" of the Bank

To be consistent with the spirit that had inspired it and to perform some of the confidential tasks assigned to it, it has always been stressed that the institution should have an essentially African character. In effect, its capital is subscribed to only by African states. The preamble to the agreement establishing the ADB speaks of the signatory Governments' determination "to strengthen African solidarity by means of economic cooperation between African states". As for membership, Article 3 states that any independent African country may become a member of the Bank and "the geographical area to which the membership and development activities may extend shall comprise the continent of Africa and African islands".

This deep concern with "Africanity" (while the sources of funds to make the new institution effective were highly hypothetical) was a reason for the flexibility in ADB's structure, a flexibility reflected both by the wide variety of tasks which can be performed by the Bank and by the nature of the funds designed or expected to serve its purpose and functions.

#### Purpose and Functions of the ADB

The purpose of the Bank is to contribute to the economic and social development of its member countries either individually or jointly. To accomplish this, the Bank shall promote the investment of public and private capital in Africa; use its own resources to make or guarantee loans or equity investments; encourage private investment in member countries, cooperate with member countries towards a better utilization of their resources by making their economies more complementary and furthering the orderly growth of foreign trade; and, finally, provide technical assistance in the preparation, financing and implementation of development plans and projects. The Bank may grant direct or indirect credits; it may operate



alone or in concert with other financial institutions or sources and it can help to formulate projects and loan applications whether for submission to the Bank itself or to other lending agencies.

#### Loanable Resources

Authorized Capital: The authorized capital stock of the Bank is 250 million units of account equivalent to \$250 million divided into 25,000 shares of a par value of \$10,000 each. One-half of the authorized capital consists of "paid-up" shares. The other half remains callable. The paid-up capital is payable in gold or convertible currency in six installments, the first of which is 5%, the second installment 35% and the remaining four installments each 15% of the initial paid-up subscription. As of December 31, 1967, the aggregate capital subscriptions of the members amounted to \$216.2 million, of which \$108.1 million was "paid-up" shares. However, since the subscriptions are payable by installments, as of August 1968 the amount called in cash was \$71.8 million and the amount actually received by the Bank was \$44.96 million. In addition to its authorized capital stock, the Bank's ordinary capital resources are defined to include:

- a) funds raised by borrowings;
- b) funds received in repayment of loans made from these resources;
- c) income from loans and from guarantees made from these resources; and
- d) any other funds or income received by the Bank which do not form part of its special resources.

Special Funds: The Bank is authorized to establish or accept the administration of Special Funds. Considered as Special Funds are the following:

- . grants or unguaranteed loans which might be made to the Bank; and
- . borrowing by the Bank not made against its callable capital or any other part of its ordinary capital resources or income and other assets accrued thereto.

Special Funds can also be established by the Bank or accepted by it on the initiative of the Bank or of any other party concerned. The authorization to establish or accept the administration of Special Funds must, however, be granted by the Board of Governors.

Proposed Multinational Fund: In November 1966, the ADB forwarded to twenty-seven countries outside Africa an aide-mémoire on the mobilization of external resources for a proposed multi-national Special Fund. The Bank's approach to the non-African countries was duly endorsed by the Board of Governors at their third meeting on August 21-26, 1967. The role of this African Development Fund would be comparable to that of IDA and its size would correspond to the subscribed capital of the ADB. This would enable the Bank "to have a reasonable program for the next three years". The hope was expressed that all contributions would be in the form of grants and would amount to a minimum of \$10 million. So far, according to unpublished reports



some countries have indicated that they may wish to support the proposed Development Fund.

#### Membership

Membership of the Bank is open to all African independent States. Africa in this context refers to the continent of Africa and the African islands. There are now thirty member countries. Those which have not joined are: Chad, Gabon, The Gambia and Mauritius (who have announced their interest in joining), Libya and the Malagasy Republic.

#### Voting Rights

Each member of the ADB has 625 votes and one additional vote for each share subscribed by it. The formula is a result of compromising the principle of allocating voting powers to members strictly on the basis of equality.

#### Structure, Organization and Management

The Bank's structure consists of:

- a) A Board of Governors to which each member of the Bank appoints one Governor and one Alternate;
- b) A Board of Directors, nine in number, elected by the Board of Governors. Each Director appoints an Alternate with power to act in his absence. No Alternate can be of the same nationality as his Director.
- c) The President, who is elected by the Board of Directors by a majority of the total voting power of the members; at least one Vice-President elected by the Board on the recommendation of the President; and an international staff appointed by the President.

All powers of the Bank are vested in the Board of Governors. With certain exceptions, however, the Board of Governors can delegate its powers to the Board of Directors. Directors are elected for a term of three years. They are responsible for the conduct of the operations of the Bank in accordance with general directions outlined by the Board of Governors.

The President of the Bank, elected by the Board of Directors for a five-year term of office, is the Chairman of the Board and he is the legal representative of the Bank. The term of the present President, Mr. Beheiry, expires in 1969. At the fourth meeting in Nairobi (August 26, 1968) of the Board of Directors, he had announced that he would not be a candidate for reappointment. This was universally deplored and a unanimous resolution was passed asking him to reconsider.



### Operations

The commitments announced by the ADB to date are:

- a) a loan of \$2.3 million to Kemaja in August 1967 to finance part of the cost of improving international trunk road links with Tanzania and Uganda;
- b) agreement in principle to invest up to \$120,000 in equity participation in a proposed National Development Bank in Sierra Leone; and
- c) finance for the foreign exchange element, amounting to about \$230,000, of a proposed water supply project in Uganda.

### Relations of IBRD with ADB

The ADB keeps in daily contact with PMWA. In addition, Mr. Beheiry has been in frequent touch with Mr. Shoaib and Mr. El Emary, as for example in their November visit to Abidjan.

In view of ADB's limited resources, there is no great scope for joint financing. However, the ADB is interested in being well informed on actual and prospective Bank operations in member countries and in having an opportunity to take up projects which come to the attention of the Bank.

Mr. Beheiry may press for closer cooperation; for example, he has suggested that we allow ADB to take over projects we have appraised for financing. The Western Africa Department would not recommend that we take any initiative to discuss this subject. We should stress our willingness to cooperate, for example, all economic reports are sent to ADB, and we have recently agreed that whenever convenient our economic missions should call at Abidjan and discuss their findings on the completion of field work. ADB receives the project information sent to our Executive Directors and PMWA provides further material on request.

We have also agreed to have ADB staff come to the Bank for periods of training.



MAMOUN BEHEIRY

President of African Development Bank

Born : 1925

Nationality : Sudanese

Education : Victoria College of Alexandria (UAR)  
Brasenose College of Oxford

Degree : Bachelor of Arts

Career : Former Member of Parliament.  
Permanent Under Secretary of Ministry of Finance  
and Economics, Sudan.  
Former Chairman of Sudan Currency Board.  
Governor of Central Bank of Sudan (1959-1963).  
Chairman National Technical Planning Committee (1962).  
Minister of Finance and Economics (1963-1964).  
President of African Development Bank since 1964.

Address : President, African Development Bank  
B.P. 1387  
Abidjan, Ivory Coast



Files

February 27, 1969

Franz Lutolf

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4. The shortage of good projects is one factor which stands in the way of a more substantial ADB lending program but more important is the Bank's scarce expertise for project identification and preparation. The establishment of the Pre-Investment Unit some time ago - 15 experts financed jointly by the UNEP and ADB - will help. In addition, ADB is receiving assistance in the form of technical experts from USAID, Canada, the Netherlands (one expert each) and is negotiating with Belgium. Under an FAO/ADB agreement, FAO undertook to second two senior officers to ADB for varying periods of time (one has arrived). An agreement signed with UNESCO provides for similar assistance upon request from ADB.



5. ADB's total staff numbers about 130. ADB continues its efforts to recruit additional staff. At this point, Mr. McNamara referred to two experts who had previously worked for ADB and subsequently applied for jobs with IBRD. He assured the representatives of ADB that IBRD had no intention to lure people away from ADB; a memo explaining the facts about the two cases would be given to ADB (this was done after Mr. McNamara's departure).

6. Mr. Alamoody then mentioned the proposed African Development Fund (ADF), ADB's soft-lending arm. He said the United States had offered to contribute \$20 million per year over three years provided the US contribution would not exceed 10% of the Fund's total resources. The \$60 million would be tied to US supplies. An untied offer of \$2.4 million equivalent had been received from the United Kingdom. The Nordic countries had also responded positively and were expected to contribute 10% of the funds to be made available by other sources each year for three years. The Netherlands had offered \$3 million equivalent and Canada was also considering making an offer. France and Germany so far had merely expressed an interest. The ADB representatives went on to say that they would now try to encourage individual contributors to make funds available immediately rather than wait for all other potential donors to act.

7. ADB intends to operate ADF much along IDA lines: insistence on sound, revenue-earning projects which can absorb loans on conventional terms, but extending credits for such projects to member countries on soft terms.

cc. Messrs. McNamara, Knapp, Aldowereld, Friedman, Demuth, Chauffournier,  
El Emery, Lejeune, Clark

Flintolf:mh





## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: September 21, 1970

FROM: Martijn J.W.M. Paijmans

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SUBJECT: African Development Bank

1. Mr. McNamara met with Mr. Labidi ADB President on September 18. Messrs. Knapp and El Emary and Mr. Griffith from ADB were also present.

### IBRD-ADB Cooperation

2. Mr. Labidi explained to be well impressed by the present state of relationship between IBRD and ADB in particular as it was taking shape through technical assistance offered by the IBRD in the form of training of ADB staff and by the detachment of Bank staff. He also mentioned the fruitful working relationship that existed with PMWA at the technical level regarding project analysis and joint missions. The recent meeting of Governors of the ADB at Fort Lamy had been very positive. Decisions had been taken to allow re-thinking of the activities of ADB, and also a re-organization of its structure if necessary. As Mr. Labidi saw ADB's role as one of complementarity, he felt that working with the IBRD was a necessity; more than ever before, his bank needed IBRD's assistance. He added to realize that Copenhagen is not the appropriate place for discussing in detail the different aspects of cooperation between the two institutions.

3. Mr. McNamara indicated to be glad to work in close cooperation with the ADB in the fields indicated by Mr. Labidi. It was the Bank's policy to do anything possible required by the regional development institutions.

### SOFIDA

4. Mr. McNamara expressed his surprise at the lack of interest shown by the African countries in the establishment of a private African investment company, and he inquired about the prevailing attitude on this subject.

President has seen



5. Mr. Labidi - who observed that Mr. Gaud had asked him the same question - said that initially some African countries had felt suspicious that neocolonialist interests might come to Africa through a back-door created by an institution such as SOFIDA. These fears were now dissipated, and in Fort Lamy support for the proposal had been unanimous. In reply to a further question, Mr. Labidi indicated that the most interested countries had always been Kenya, Morocco, Tunisia, Ivory Coast, and Senegal, with Tanzania and Nigeria following closely. He also requested that IFC should associate itself with the project to create a broad international seating.

6. Mr. McNamara explained that IFC will not consider to join this venture without the African countries having clearly expressed their interest, and then only when IFC will be satisfied regarding the institution's organizational and financial structure and feel that SOFIDA will be well managed. Mr. McNamara stated that he was surprised at the lack of interest shown by the African members of the Board when he had twice raised this question. Mr. Labidi admitted that there was a problem. Although at the origin African interest had been very small indeed, this had changed at the Fort Lamy meeting. He felt that the Bank Executive Directors, who, incidentally, had been invited to the meeting, but who had not participated - had acted as described by Mr. McNamara more because of a lack of information than because of a lack of confidence in the proposal. Mr. Labidi informed Mr. McNamara that a committee of Governors of the ADB would discuss the subject of total African support and the nomination of a chief executive during the coming days in Copenhagen.

7. Mr. McNamara observed that he would take some steps so that the Governors will better understand that the Bank group is anxious to facilitate the channelling of more private capital into the development field, he repeated, however, that IFC would not participate without a clear request from the countries involved.

#### African Development Fund

8. Mr. Labidi expressed his gratitude for the interest Mr. McNamara had shown in the African Development Fund. He felt also satisfied with the US position which he considered to be still growing. Even if the project for the Fund would have to be re-adjusted in size, which would be regrettable, he felt this to remain a vital domaine for the ADB.

9. At the conclusion of the meeting, Mr. McNamara indicated his readiness to discuss issues of cooperation with Mr. Labidi anywhere in the future in Washington or Abidjan.

Cleared with and cc: Mr. El Emary

cc: Messrs. Knapp, Gaud, Benjenk, Chaufournier, Lejeune, Christoffersen



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
(through Mr. Knapp) *RM*  
FROM: Roger Chaufournier *RC*  
SUBJECT: Annual Meeting - Your Meeting with Mr. Labidi, ADB President.

DATE: September 15, 1970

Mr. Labidi was elected President of the African Development Bank at its Annual Meeting in Fort Lamy at the end of August. He is eager to cooperate with the Bank, and will be meeting with you on Saturday, September 19, 1970 in Copenhagen. This will be mainly a courtesy visit and we understand that Mr. Labidi plans to visit Washington within a month or so to discuss ways and means of cooperation with the Bank.

*See 9/16*  
Bank/ADB relations have improved appreciably since Mr. Labidi took over and since our Abidjan office established cordial and effective daily working relationships with ADB's staff. We have just agreed to have two members of ADB's staff in the Bank for about one year of training, effective in November/December 1970. In addition, I understand you now have before you a recommendation in response to Mr. Labidi's request for the assistance of an experienced Bank staff member in his task of revamping the operations and structure of ADB. For this purpose, we have in mind seconding Mr. Charles MacNealy for up to two years.

At his own request, the Governors of ADB have asked Mr. Labidi to redefine the scope of activities of ADB and to review its organization and procedures. In view of the urgency of this task for him, he may be expected to raise the question of such assistance as that which Mr. MacNealy might provide. Indeed, the major issue confronting the ADB is that of defining the scope of its operations, and of improving the organization of its activities. I think it would be helpful if you could ask Mr. Labidi how he plans to tackle the proposed study and to carry out the appropriate amendments to ADB's Charter. It would also be useful to have his views on how best he can progress towards increasing ADB funds, particularly the soft funds which he needs for ADB's proposed Special Fund.

The attached two-part memorandum refers first to ADB's organization and concludes by raising some aspects of future technical assistance by the Bank; the second part reviews ADB operations.

cc: Mr. Knapp

*Mr. Chaub*  
*Mr. El Emary*  
*Mr. Lejeune*  
*Mr. Benjenk*



## THE AFRICAN DEVELOPMENT BANK - ORGANIZATION AND OPERATIONS

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### I. ORGANIZATION

1. Attached is an organizational chart of ADB showing the names and nationalities of its principal officers. Such an organization should be more than sufficient for an annual volume of business of say \$15 to 20 million. However, though ADB's performance has improved appreciably since President Beheiry's resignation in February 1970, major reforms are still necessary to make it an effective development agency. The new President D.A. Labidi is fully aware of ADB's weaknesses and, upon his initiative, the Board of Governors passed a resolution instructing the President to recommend appropriate changes in ADB's structure to be considered, within six months, by a committee of six governors. He counts on Bank advice to help prepare his proposals. This would be one of the principal tasks assigned to Charles MacNealy if the Bank makes him available to ADB shortly.

#### The President

2. D.A. Labidi of Tunisia was nominated by the Board of Governors by a majority of 65 percent and was formally elected by a unanimous vote of ADB's Board of Directors after the Fort Lamy meeting in August, 1970.

3. Labidi is quite a newcomer on the African scene. After being associated in his youth with leftist movements in Tunisia, he has avoided all political activities and presents himself as a technician. After a modest career in Tunisian agricultural credit institutions, Labidi was appointed Manager of the small Niger Development Bank. His election as Vice-President of ADB in April 1969 came as a surprise. He owes it to the contriving efforts of a friend, the Tunisian Ambassador to Ivory Coast, who without instructions from the Tunisian Government put forward Labidi as a candidate, saying that he was Bourguiba's choice.

4. As an Arab, Labidi quickly gained Beheiry's support and was made responsible for operations. Although the most recently appointed, he became the most important of the three resident Vice Presidents and therefore took over in February 1970 after Beheiry's resignation.

5. Labidi is a quiet man who is gradually gaining self confidence. As Vice President and acting President, he proved to be an effective "operator". Since he took over, the pace of ADB's operations was speeded up, its relations with African and foreign governments improved and staff morale became noticeably better. He has shown determination to strengthen ADB's organization and to cooperate with other international institutions, particularly the Bank.



### The Vice Presidents

6. The distribution of functions among the resident Vice Presidents is not as simple as the organizational chart would indicate.

- (i) Supervision of administration and finances is in principle carried out by O. Vincent and S. Alamoody in turn. Alamoody also has under him the legal and administrative services and, as he helped Labidi a great deal to get the votes of the East African governors in Fort Lamy, he may become more influential.
- (ii) Since Labidi has been acting President, he has been delegating a large part of his operational duties to O. Vincent. It is not yet clear whether a third Vice President will be appointed to replace Labidi as Vice President, "Operations", or whether Labidi's former functions will be divided between Vincent and Alamoody.

7. One of the most impressive figures in ADB's organization is Louis Negre, Minister of Finance of Mali, "non-resident" Vice President of ADB, and President of the 1969 African Caucus. He withdrew his candidacy at an early stage during Fort Lamy's presidential election and is likely to seek higher responsibilities in other regional institutions in the near future.

### The Pre-investment Unit.

8. Three fifths of the cost of the Pre-investment Unit is financed by the UNDP under a Plan of Operation dated February 1, 1967. The foreign experts working for this Unit are responsible for helping ADB in project identification, preparation and appraisal. They work in association with their African counterparts in the Operations Department, whom they are training to replace them when the UNDP program will end in December 1971. The unit has never been very effective. Some experts are competent, others come out with the most extravagant proposals (such as a transmission line between Kinshasa and Italy). Since the young Africans in the Operations Department lack experience, it is essential that some form of technical assistance be retained. If the UNDP program is renewed, it would be wise:

- (i) To bring the composition of the Pre-investment Unit more into line with ADB's requirements. (ADB is looking for telecommunications projects because it has a good specialist in that sector; it would be better if it had good specialists in the fields to which ADB assigns operational priority.)



- (ii) To raise the standard of most of its experts; salaries are not high enough to attract good foreign specialists.

#### The Operations Department

9. The Operations Department, which groups ADB's loan officers and all project specialists other than the UN experts of the Pre-investment Unit, is by far the most important section of ADB. Since December 1969, this Department has been headed by M. Sakka, an Egyptian who came to ADB in August 1969 as Assistant Chief of the Pre-investment Unit. M. Sakka is a specialist of monetary problems. He is well known to Mr. El Emery. With his training, M. Sakka knows a great deal about development in general, but he does not have much experience in appraisal techniques for long term investment projects. Nevertheless, he has adapted remarkably well to his new duties and he is now establishing, within ADB, a relatively effective department on which agencies like the World Bank can rely.

#### Bilateral and other Technical assistance within the Operations Department

10. Besides its own staff and the staff of the UNDP Pre-investment Unit, the Operations Department is helped by expatriates supplied by bilateral aid. The United States has made available a project analyst who is leaving by the end of this year. The Netherlands has sent an agricultural expert and Belgium has promised a project economist. In addition, ADB has concluded a cooperative agreement with FAO whereby the latter makes available to ADB one or two agricultural experts stationed in Abidjan and other expert services, with FAO paying the salaries and ADB the travel expenses.

#### Conclusion

11. While administrative, legal, accounting and financial services are staffed only with Africans and would need to be strengthened by one or two expatriate advisers, the technical departments responsible for project identification and appraisal do not lack technical assistance. If ADB's performance has been mediocre, a large part of the responsibility falls on these foreign experts and the agencies which recruited them and seconded them to ADB. Therefore, ADB needs not so much to take on a larger number of experts as to replace the less competent ones by qualified and energetic men and to make better use of its staff.

12. The most important reorganization needed is that of the Pre-investment Unit. The personality of Qureshi and the mediocrity of certain experts have prevented ADB from enjoying all the benefits it might have expected from its arrangement with UNDP. ADB is hesitant to ask for renewal of the Pre-investment Unit; however, it does not have the means to pay, unaided, for a large number of high-quality expatriate technicians. It is



therefore essential for ADB to approach UNDP immediately, as the negotiations may be very long drawn-out if ADB wants to make all the desirable changes to the February 1967 arrangement.

13. The agreements with FAO and the bilateral aid programs, less important in themselves (a total of three experts against eight in the Pre-investment Unit), seem to be more effective. However, ADB has fallen into the habit of asking for experts from various sources without drawing up an overall program of its requirements and coordinating its execution.

14. The Bank could play a useful role in assisting the reorganization of the ADB. At this stage we have made no extensive undertakings. We are contemplating making Mr. MacNealy's services available for one to two years. Otherwise, the terms of our cooperation were last reviewed in the exchange of letters between Mr. El Emery and Mr. Labidi in April-May of this year, whereby we agreed to have ADB staff on our economic missions, on appraisal missions where joint financing was agreed, and to provide training through the EDI and by accepting two regular ADB staff members for assignment for a year or so to appropriate Bank Departments. If Mr. Labidi is really determined to strengthen ADB's organization, there are several ways in which we could increase such assistance. By so doing, we could make ADB more effective and more attractive to the bilateral donors who are considering making funds available to ADB, Canada, the Scandinavian countries, the U.S. and possibly Germany and the Netherlands.



## II. OPERATIONS

### Growth of ADB's operations

1. At Fort-Lamy ADB was celebrating the sixth anniversary of its founding, and the fifth anniversary of its operations.

2. Table I attached lists the loans and equity investments made by ADB. After five years, the Bank's commitments only just top the US\$ 21 million mark,<sup>1/</sup> i.e. one-fifth of the called-up capital<sup>2/</sup> and one-third of the capital actually paid up,<sup>3/</sup> while disbursements do not yet amount to US\$ 3 million. ADB's contribution to Africa's economic development has therefore so far been negligible.

3. There has, however, been a marked speeding up of ADB's operations during the past year or so:

(i) at December 31, 1968, ADB had still financed only four projects and its commitments barely totaled US\$ 5 million:

(ii) in April 1969 ADB approved a fifth project, to which were added five more operations in the course of that year, and four more during the first half of 1970; the loans and investments made in 1969 - essentially during the second half of the year - therefore exceeded US\$ 9 million and those of the early months of 1970 totaled nearly US\$ 7 million.

4. The recent acceleration of ADB's operations is explained as follows: several projects on which its experts had been working came to a head together, while the obligation placed on the Bank's directors to reside in Abidjan as from July 1969 facilitated meetings of the Board. However, the increase in ADB's financing activities is also the result of a deliberate policy on the part of the operational management (Labidi and Sakka) to expand the Bank's activities by all possible means.

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<sup>1/</sup> US\$ 20 million in loans and US\$ 1.1 million in equity investments.

<sup>2/</sup> US\$ 106 million at March 31, 1970.

<sup>3/</sup> US\$ 64 million at March 31, 1970: only a few member countries have paid up their subscriptions to the Bank's capital, the one most behindhand being Egypt, which has only paid 5% of its contribution and still owes US\$ 14.3 million.



5. Whereas Beheiry was interested only in projects submitted by the Governments themselves, on which all preparatory work had been done and for which the financing could be arranged in less than three months, Labidi and Sakka are endeavoring to set up a pipeline of projects to be financed over two or three years -

- (i) ADB no longer hesitates to organize identification missions, even when it knows that the financing of the projects identified will have to be spread over a fairly long period of time.
- (ii) it follows up the work of other international organizations (UNDP, FAO, World Bank) and is no longer chary of consulting the Bank's Abidjan Office on a more or less continuing basis to find out from its experts the sectors in which ADB financing would be warranted;
- (iii) ADB is now actively seeking joint financing projects: it has accepted the suggestions of the Bank (Sibiti-Zanaga road in Congo-Brazzaville) and IFC (Pan-African Paper project in Kenya), is taking the initiative itself (Satégui-Deressia in Chad) and wants to draw up a list of sectors and projects in which ADB and the World Bank could cooperate.

6. The dynamic attitude and spirit of cooperation of ADB's new senior staff will have a pronounced effect on the volume of operations. For its part, ADB anticipates that its annual lending volume will soon reach US\$ 20-25 million. It should also be noted that, according to ADB, the prospecting campaigns it has undertaken will not only enable it to expand its own operations but will also help it to identify projects that are much more promising than those submitted by member Governments.

#### Geographical distribution of ADB's operations

7. This distribution is set out in Table II. Admittedly, ADB's financing volume is not yet such as to warrant drawing any very valid conclusions from the present geographical distribution of its operations; however, Table II calls for certain comments:

- (i) total finance provided to Kenya, Uganda and Malawi and the East African Development Bank amounts to US\$ 10.05 million, or one-half of ADB's commitments; Liberia and Sierra Leone have received about US\$ 3 million: it is not therefore surprising that ADB is accused of favoring the English-speaking countries of Black Africa (62% of ADB's loans and participations) and Eastern Africa in particular;



- (ii) the North African countries have received US\$ 5.55 million, or 26% of the total: the amount is a modest one, but hardly any lower than the quota for these countries;
- (iii) loans to the French-speaking countries of Black Africa total US\$ 2.54 million, or only 12% of the total: these countries therefore consider themselves as inequitably treated and complain on this score with their customary vehemence;
- (iv) the majority of the big African countries (Nigeria, Egypt, Ethiopia, Congo-Kinshasa, Sudan, Algeria) have not received any loans from ADB: the chief beneficiaries have therefore been the medium and small English-speaking countries.

8. There are a certain number of countries where ADB would like to step in with minimum delay: on the one hand, Algeria, Sudan and Ethiopia, and, on the other, certain French-speaking countries, more particularly, Senegal, Congo-Kinshasa and Congo-Brazzaville; any suggestions from the World Bank for operations in these countries would certainly be well received.

#### Distribution by sector of ADB's operations

9. While the geographical distribution of ADB's operations may be explained primarily by the varying degree of interest displayed by the member countries, the distribution by sector (see Table III attached) would appear on the contrary to be the outcome of a deliberate policy on the part of ADB's management:

- (i) more than three-quarters of the finance provided by ADB has gone to private enterprises or autonomous agencies, the list being headed by public utility corporations, which have received 43% of ADB's assistance, with development banks (24%) and industrial enterprises (9%) coming next. The preponderance of this type of operation is explained as follows: since it cannot provide soft loans, ADB is attracted by institutions which, because they produce revenues, often have a good borrowing capacity, and, even in poorer countries, are rarely put off by ADB's interest rate;
- (ii) this preference for projects and organizations offering a high financial rate of return also explains the low proportion of agricultural projects (13%) despite the number of agricultural experts on its staff (two or three foreign technicians and six African specialists);



- (iii) unlike all other financing agencies operating in Africa, ADB lends very little for transport (11%); not only do road projects not show any financial return, but their average size would entail loans well in excess of the limit which ADB prefers to set for any one operation. In highways, ADB is still mainly looking for either regional projects (for which it is prepared to lend sums that are two to three times larger than for strictly national operations) or projects suitable for co-financing with other institutions (preferably the World Bank).

10. To sum up, it is clear that the present sectoral distribution of ADB's activities reflects less a long-term assessment of African economic priorities than the line which ADB has found most operationally convenient. However, the following points are to ADB's credit:

- (i) in the selection of its projects ADB does not appear to have been seriously influenced by strictly political considerations. The only field where such influence is apparent is that of development banks; those in charge of these banks consider that the best use of ADB's funds would be to transfer them to each of the national banks and their views carry all the more weight since they are frequently their countries' representatives at ADB General Assemblies;
- (ii) in other fields, ADB's executive staff attach considerable importance to the selection of good projects and if the projects selected by ADB have not always been the best ones, this has been due more to the inexperience of certain technicians than to unwillingness in the higher echelons of the Bank. One of the reasons why the Operations Department reviews its agricultural and transport projects unofficially but regularly with the Abidjan Office is to orient the work of its own experts and to discover the weak points of the projects that these experts come up with;
- (iii) on numerous occasions, ADB has shown that it is capable of rejecting operations which did not appear sound; when a technician was able to draw the Bank's attention to the unsatisfactory financial and administrative management of the Liberian telecommunications services, ADB did not hesitate to turn down a project on this ground;
- (iv) with the means available to it, ADB cannot seek to reform African economic structures: it is, however, sometimes tempted by politically unpopular operations when these are economically viable - for instance, Sakkaï appears to be thinking seriously about the highway maintenance project in Guinea, even though he has been warned of Guinea's lack of interest;



- (v) this period includes a grace period calculated on the basis of construction and usually amounting to three to five years;
- (vi) as a rationing measure, ADB's Board has decided that the Bank should not invest more than US\$ 3 million per project; this limit does not apply to regional projects, for which the Bank will go up to US\$ 8 million;
- (vii) like the World Bank, ADB insists on a substantial local participation; however, although the majority of its loans have financed chiefly foreign exchange expenditure, the Bank is not opposed to financing local expenditures; its attitude in this respect would probably be more flexible than that of the World Bank, and joint operations by the two should make it possible to organize loans that are better adapted to the financial difficulties of certain of our Member Countries;<sup>1/</sup>
- (viii) the goods and services financed are made subject to international competitive bidding, no single country being a priori excluded; in the event of joint financing arrangements in conjunction with the World Bank, ADB is prepared simply to apply our procedures. Besides, ADB's guidelines on procurement are based directly on ours;
- (ix) ADB wants the projects it finances to be well justified economically and thoroughly studied from the technical angle; it does not, however, appear to have laid down any very precise rules on the conditions to be satisfied before a project can be considered ready for appraisal, this decision being left to the technicians responsible for the preparation and appraisal of each project.

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<sup>1/</sup> This would be possible more particularly when ADB has available soft resources and is in a position to provide its poorest clients (the very ones who need help with the financing of local costs) with loans on concessional terms.



- (v) it is particularly in the financing of regional projects that the "educational" aspect of ADB's loans has some chance of proving effective: although "regionalism" is no longer in vogue in Africa, ADB considers its main purpose to be the promotion of cooperation and would like to expand such operations. It has a fairly flexible conception of this function and is interested simultaneously in multinational projects proper (Accra-Abidjan highway; CIMAOC project; Hotafric) and in operations the regional content of which is less apparent - an irrigation project utilizing the water of rivers flowing through an entire region (Sotégui-Deressia in Chad) or industries whose markets extend over several countries (Pan-African Paper in Kenya). For instance, in the Ivory Coast, ADB would like to finance the final section of the Mali highway, even though it is aware that the Ivory Coast Government considers this section to be of low priority since it will be of only minor benefit to the Ivory Coast's own trade.

#### ADB's operational techniques

11. An organization that has not long been in existence, ADB is seeking to develop its own way of doing things but for the moment, its operational techniques still very much bear the imprint of the personal ideas of the experts in charge of each particular project. There are, however, a certain number of principles and practices that are common to most ADB operations and which can be summarized as follows:

- (i) ADB may make either loans or equity investments: however, the Bank hesitates to tie up its funds without an acceptable guarantee of immediate financial return and its equity investments only just exceed US\$ 1 million (all in the capital of development banks);
- (ii) ADB lends to the Governments of Member Countries or to corporations or enterprises in these countries; like the World Bank, ADB requires the guarantee of the Government concerned when the borrower is an enterprise or an autonomous body;
- (iii) despite repeated requests by several African States, ADB refuses to apply differential interest rates varying according to countries or projects: it charges a uniform rate of 6 1/2% (5 1/2% interest plus a fixed commission of 1%); there is a commitment charge of 3/4% of 1%;
- (iv) the period of loans depends essentially on the nature of the projects concerned; it varies from ten to twenty-five years, the average being between fifteen and twenty years;



## Conclusion

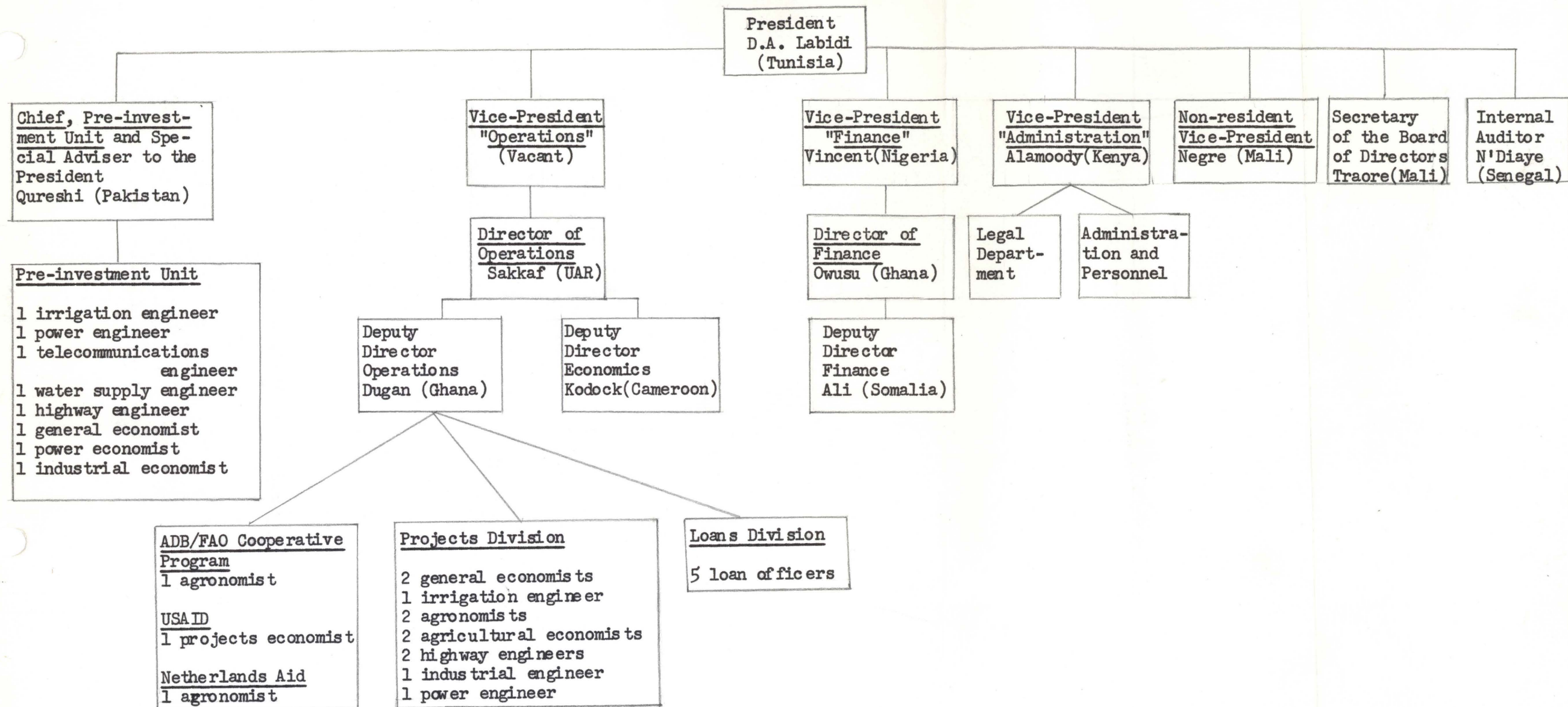
12. Of the financing agencies we cooperate with in Africa, ADB is probably one of the least experienced. Perhaps, however, ADB is also one of the most malleable and one which we could well influence. Its objectives do not differ fundamentally from ours and its financing techniques resemble those of the World Bank on more than one point.

13. As regards resources, ADB's position is as follows:

- (i) at its present rate of lending (US\$ 16 million in the course of the past twelve months), the unused balance of ADB's called-up capital (US\$ 85 million) and its reserves will not be exhausted ~~for five or six years~~; provided the Member Countries do, in fact, pay in their contributions to the capital;
- (ii) however, ADB envisages lending US\$ 20-25 million yearly in the near future; moreover, the Bank has not much hope of receiving soon the greater part of the subscriptions that have not yet been paid in and its present resources could therefore well be exhausted in less than two years;
- (iii) certain bilateral aid programs are giving favorable consideration to financial aid to ADB: Canada and the Scandinavian countries wish to work in Africa through regional institutions and have promised ADB that they will contribute to its African Development Fund; as regards the US, they have recently offered a \$10 million loan and are likely to repeat the offer in the near future.



AFRICAN DEVELOPMENT BANK  
ORGANIZATIONAL CHART





AFRICAN DEVELOPMENT BANKLOANS AND INVESTMENTS  
(as of June 30, 1970)

(in millions of \$US)

<u>Project</u>	<u>Amounts committed</u>	<u>Amounts disbursed</u>
<u>Kenya</u>		
2 road projects	2.3	0.78
<u>Tunisia</u>		
4 irrigation projects	2.75	0.65
<u>Uganda</u>		
Water supply and sewerage	0.3	0.15
<u>Liberia</u>		
Gas turbine	1.35	0.13
<u>Malawi</u>		
Hydroelectric project	3.0	-
<u>E.A.D.B.</u>		
Line of credit	1.5	
Equity investment	1.0	0.25
<u>Sierra Leone</u>		
Water supply	1.5	-
Development Bank (equity investment)	0.12	0.1
<u>Morocco</u>		
Transmission line	2.8	-
<u>Upper Volta</u>		
Development Bank	2.0	-
<u>Mali</u>		
Textile project	0.54	-
<u>Kenya</u>		
Panafrican Paper	1.45	-
	<hr/>	<hr/>
TOTAL	21.1	2.06
	<hr/>	<hr/>



TABLE II

BREAKDOWN BY COUNTRY OF ADB'S OPERATIONS  
(as of June 30, 1970)

(in millions of US\$)

NORTH AFRICA

Tunisia: 2.75

Morocco: 2.8

Total: 5.55

ENGLISH-SPEAKING COUNTRIESCentral & East Africa

Kenya: 3.75

Uganda: 0.3

Malawi: 3.0

EADB: 3.0

Total: 10.05

West Africa

Liberia: 1.35

Sierra  
Leone: 1.62

Total: 2.97

Total English-speaking countries: 13.02

FRENCH-SPEAKING COUNTRIES

Upper Volta: 2.0

Mali: 0.54

Total: 2.54



TABLE III

BREAKDOWN BY SECTOR OF ADB'S OPERATIONS  
(as of June 30, 1970)

(in millions of US\$)

<u>PUBLIC UTILITIES</u>				<u>DEVELOPMENT BANKS</u>		
	<u>Loans</u>	<u>Equity Investments</u>	<u>Total</u>	<u>Loans</u>	<u>Equity Investments</u>	<u>Total</u>
Water Supply	1.8		1.8	4	1.12	5.12
Power	7.15		7.15			
<u>Total</u>	<u>8.95</u>		<u>8.95</u>			
					<u>INDUSTRY</u>	
				1.99		1.99
		<u>TRANSPORT</u>				
Roads	2.3		2.3			
					<u>AGRI CULTURE</u>	
				2.75		2.75





January 28, 1971

MEMORANDUM FOR THE RECORDS

African Development Bank

Mr. McNamara met on January 27 with Mr. A.W. Labidi, President of the African Development Bank. Messrs. Knapp, Shoaib and El Emary were present. The following were the main points raised on the subject of collaboration between the ADB and IBRD.

1. Mr. Labidi expressed his gratitude to Mr. McNamara for the assistance the ADB is getting from the Bank. He mentioned among other things the collaboration he is getting from the IBRD Permanent Missions, the secondment of Mr. MacNealy, and the training of two of the ADB officers in the Bank.

He added, however, that ADB needed someone with good knowledge of administration, and he was looking up to IBRD to lend him such a man for at least one year. He also asked if IBRD would agree to send some of its officers for consultations on particular problems. Such consultations would only require a week or two at a time.

Mr. McNamara said the Bank could afford to send some of its officers as they are needed for a week or two. He asked Mr. Labidi to write to the Bank as and when a problem arises for which he may need some assistance from the Bank. He assured him that the Departments of the Bank will do their utmost to meet his requests.

On the other hand, Mr. McNamara said that to find a good experienced administrator is not an easy thing. However, he promised Mr. Labidi to look into this question.

2. Mr. Labidi spoke of the proposition of establishing the African Development Fund which was being sponsored by a good number of DAC members. He handed Mr. McNamara a copy of the outline of the proposition as worked out between him and Mr. Edwin Martin, Chairman of DAC. He said that a DAC meeting would be held in February to discuss this question.

Mr. Knapp mentioned that he understood from Mr. Labidi that the contributions to the Fund might amount to some \$75-100 million over three years. The Fund would have a board of directors whose members would be equally divided between African and donor representatives and each group would have 50% of the votes. Decision would be passed by two-thirds' majority of the votes. ADB staff would be at the same time the Development Fund staff.

Mr. Labidi said that in preparation for the day when such a proposition would become reality, but more urgently in preparation

President has seen



for ADB's annual meeting in July 1971 in Kampala, the structure of ADB, its organization, and the areas of its activities would have to be revised. He said that in the last annual meeting the Board of Governors had asked him to report to them in the coming meeting on all these matters. He requested Mr. McNamara to delegate one of the experienced officers of the Bank to survey with him the whole field and give him his advice. The officer might not stay in Abidjan all the time. He might need a week or two in Abidjan at the beginning and another week at the end of the assignment.

Mr. McNamara said that he could not give him an immediate answer but assured Mr. Labidi that he would consider his request sympathetically.

3. Mr. Labidi gave an account of the ADB program over the calendar years 1971-73. He said that they were planning to lend some \$25 million a year. By then ADB would have committed its paid-up capital. So far it has \$65 million paid up with some \$35 in arrears which it is expected that some parts of it would have been received before 1973. He expects that the African Development Fund would be in operation by the end of 1973.

He mentioned that since the beginning of this year ADB had committed some \$6 million. He said that he would have some discussions in the afternoon and in the coming days with the Area Departments in the Bank to see to what extent they can collaborate with ADB either through joint financing of some projects or by suggesting certain projects for ADB financing.

4. Mr. Labidi inquired whether the Bank Group has taken any decision with regard to participation in SIFIDA.

Mr. McNamara mentioned that the question had been raised in the IFC Board yesterday in connection with an item in the IFC Monthly Report where it said that IFC was considering recommending an investment in SIFIDA. One of the Board members raised an objection and requested that, before a concrete proposal for investment is submitted, the IFC Board should discuss whether or not such an investment is acceptable in principle.

Mr. McNamara asked Mr. Labidi if he could meet with the Executive Director concerned to explain to him the function of SIFIDA, its capital structure and acquaint him of its sponsors. Mr. Labidi expressed his willingness to do it.

There were some discussions of a general character about some of the African countries which led to the conclusion that it would be advisable for the two institutions to collaborate together for the maintenance of the existing regional communities, such as the East African Community, and for the formation of new ones.

cc: Messrs. Knapp, Shoaib, Aldewereld,  
Broches, Demuth, Cope, Benjenk,  
Chadenet/Baum, Chaufournier,  
Lejeune, Ripman

ag   
A.G. El Emary

IFC: Mr. Gaud



January 6, 1971

The AFRICAN DEVELOPMENT BANK

Creation:

An agreement establishing the African Development Bank was approved at a conference of finance ministers in Khartoum, held under the auspices of ECA, between July 31 and August 4, 1963. The agreement became effective with the deposit of the instruments of ratification of 12 of the signatory governments and the Bank came into being on September 10, 1964. It started operations in Abidjan on July 1, 1966.

Membership:

The ADB is entirely African in character. Its membership is open to all African independent States. It is a strictly regional organization and its capital is subscribed to only by African countries. There are presently 32 member countries (List given in Annex). Among the main countries who have not yet joined the organization are Gabon, Libya and Madagascar.

Authorized Capital:

The authorized capital of the Bank is 250 million units of account, equivalent to US\$250 million, divided into 25,000 shares of a par value of \$10,000 each. One-half of the authorized capital consists of "paid-up" shares, payable entirely in gold or convertible currency over five years. In addition, the subscription of each member includes an equal number of "callable" shares. Their amount can be called only to meet the Bank's obligations.

Subscribed Capital:

The subscribed capital amounts to \$218 million but as of July 31, 1970, the "paid-up" capital reached only just under \$67 million. Out of the 32 member countries, only 12 have fully met their capital subscription obligations. But 9 have paid less than 50 percent. The United Arab Republic and Chad with 5 %, Algeria with 8.7% and Dahomey with 10.8% have contributed least. As a consequence, at the VIth Annual Meeting of the ADB, in August 1970, a Resolution (Nr.9-70) was adopted, inviting all member countries to fulfill their obligations on or prior to December 31, 1970.

Special Funds:

Under its Charter, the ADB is empowered to "establish or be entrusted with, the administration of Special Funds which are designed to serve its purpose and to come within its functions". (Article 8)

The urgent need for additional outside resources, and especially for funds on softer terms than those demanded by the ADB Charter, was recognized as early as 1966. A proposal was made by ADB to create an African Development Fund, with a capital of \$218 million (i.e. the same as ADB subscribed capital). It would be a multilateral Fund, would receive contributions in the form of grants and would provide loans at non-conventional terms for the member countries. In fact, its



role would be comparable to that of IDA. After four years of discussions, the Fund is not yet a reality.

However, the main donor countries met in Paris last November under DAC auspices and they are working on a plan for establishing an African Development Fund in association with ADB. The intention is that the Fund would have its separate Board of Directors where the African countries or ADB and the non-African countries would be represented with equal voting rights for each group.

Canada strongly supports the establishment of this Special Fund. It is willing to consider a contribution equal to 25% of total initial pledges, but not in excess of \$15 million over an initial five-year period. Most delegations continue to think in terms of an annual volume of \$12-15 million over a period of five years but there is as yet no general agreement. The U.S. has committed itself only in vague terms; the U.K. is considering an untied contribution of £1 million but it is not clear over what period this would be spread. The Netherlands intends to contribute \$1 million per year; Belgium has strong reservations; Japan is entirely non-committal, France is opposed to the Fund and so seems Germany, while the Scandinavian countries were favorable to it.

Meanwhile, in order to get the Fund started, ADB allocated to it \$1,167,399 -- a part of its net earnings for 1969-70. This allocation, added to a transfer to the Fund from General Reserves of \$2,194,219, will provide the African Development Fund with a total of \$3,361,618 of available funds.

#### SIFIDA:

An effort is also being made in the private sector. In July 1970, a private, multilateral finance company has been set up under the auspices of ADB as an International Finance Corporation for Investment and Development in Africa (SIFIDA). Its authorized capital is of US\$45-50 million, with a paid-up capital of \$12 million. Its head office is likely to be located in Europe. The new company is to promote viable and productive private and mixed ventures in developing countries of Africa. It was hoped that it would be operational at the end of 1970. IFC is still considering whether it would participate in this venture.

#### UNDP Assistance:

In February 1967, ADB concluded an agreement with UNDP whereby a pre-investment unit was established in ADB. The UNDP is contributing \$2.7 million which is matched by \$2.2 million from ADB resources, which is to be disbursed within five years. The pre-investment unit is to formulate and evaluate development projects (including preparation of feasibility reports which the Bank may be interested in financing). The UNDP contribution is not for re-lending and thus is not to be considered as a Special Fund.



Loan Policy:

The ADB enjoys considerable freedom in its loan policy. The Charter states that "its operations shall, except in special circumstances, provide for the financing of specific projects, or groups of projects, particularly those forming part of a nation or regional development program". No restrictions are placed on its ability to lend without government guarantee, or to guarantee loans made by others. It may invest in equity within certain limits.

Except in special cases, the loan will be to finance foreign exchange costs only. The Bank will finance revenue yielding projects at the current market rate for international loans of this type. In other cases, it may charge a lower rate. Article 18 of the Charter further states that the Bank "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". The ADB charges an interest rate of about 7% and its terms are mostly for 20 years.

The Bank is statutorily required to charge a commission which during the first ten years may not be less than one percent per annum on the amount outstanding on each loan or guarantee. On guarantees, the Bank is required to charge a guarantee fee at a rate to be determined by the Board of Governors. All commissions accruing to the Bank from its loans and guarantees are required to be allocated to a Special Reserve and held in liquid form for the purpose of meeting the liabilities of the Bank.

Operations:

As of June 30, 1970, ADB's commitments amounted to about US\$21 million and disbursements were US\$2.06 million. The following table shows ADB operations since July 1966:

<u>Projects</u>	<u>Country</u>	<u>Amount of Commitment</u> (million US\$)	<u>Disbursements</u>
Roads	Kenya	2.3	0.78
Irrigation	Tunisia	2.75	0.65
Water supply studies	Uganda	0.30	0.15
Electric power	Liberia	1.35	0.13
Water supply	Sierra Leone	1.5	-
Hydroelectric system	Malawi	3.0	-
E.A. Dev.Bank (equity)	East Africa	3.0	0.25
Dev.Bank equity partic.	Sierra Leone	0.12	0.12
Transmission lines	Morocco	2.8	-
Textile industry	Mali	0.54	-
Panafrican paper	Kenya	1.45	-
		<u>21.10</u>	<u>2.06</u>

According to its President, Mr. Labidi, the ADB plans to accelerate its lending operations. Its lending target for 1971 is \$25 million.

In addition to the loan operations properly said, the ADB has



been active in trying to encourage an economic union between the Entente countries and Ghana, to the mutual benefit of the six countries. Results are encouraging and more work of this type should be fostered, especially in the domain of pre-investment studies.

Organization:

All the powers of the Bank are vested in the Board of Governors, which consists of one representative appointed by each member government. He may also appoint an Alternate Governor. The actual administration of the Bank is entrusted to a Board of Directors of nine members with nine Alternates. The headquarters are in Abidjan.

The principal officer of the Bank is the President who is elected by the Board of Directors. His term of office is 5 years and is renewable. The position is now held by Mr. Abdel Wahab Labidi, from Tunisia, succeeding Mr. Mamoun Beheiry, from Sudan, who resigned in February 1970. There has been some political tension during the last election of the president, as the member countries tend to polarize into two main blocks: (a) the English-speaking as well as the Arab-speaking countries and (b) the French-speaking countries. The task of the President is thus a delicate one.

ADB Relationship with IBRD:

After a period of difficulties, the relations between ADB and our Permanent Mission in Abidjan are much improved; personal contacts are frequent and friendly. Also our Permanent Mission in Nairobi has good working relations with ADB.

In addition to on the spot consultation and advice, the World Bank is assisting the ADB in more than one direction. We have seconded a financial analyst (Mr. McNealy) to their headquarters in Abidjan. We are training two of their loan officers who are presently in Washington and will stay with us for a year. The EDI is admitting ADB staff members to the different courses. Plans for more cooperation, especially in the field of joint missions to African countries are being worked out.

The World Bank is ready to go into joint or parallel financing operations with ADB. In fact, the first joint operation between the two institutions was concluded in January 1970. Both participated in the financing of a hydropower project in Malawi.

The ADB also participated with IFC to the financing of the Panafrikan paper project in Kenya.

African Studies:

The World Bank, together with UNDP and ECA, is working with ADB in a study committee with a view to identifying continental and regional projects in the areas of transport, telecommunications and power.

cc: Messrs Knapp  
Aldewereld -  
Broches - Chenery - Demuth - Shoaib  
Benjenk - Chadenet - Chauffournier  
Diamond - Lejeune - Mendels  
Christoffersen

cc: Messrs Gaud  
Adomakoh

MEMBER COUNTRIES of the AFRICAN DEVELOPMENT BANK

Middle East and North Africa:

Algeria  
Morocco  
Sudan  
Tunisia  
U.A.R.

West Africa:

Dahomey  
Ghana  
Guinea  
Ivory Coast

Liberia  
Mali  
Mauritania  
Niger

Nigeria  
Senegal  
Sierra Leone  
Togo  
Upper Volta

Central Africa:

Burundi  
Cameroon  
C.A.R.  
Chad

Gongo B.  
Gongo K.  
Rwanda

East Africa:

Ethiopia  
Kenya  
Malawi  
Somalia

Tanzania  
Uganda  
Zambia



→ 126

BANQUE AFRICAINE DE DÉVELOPPEMENT  
AFRICAN DEVELOPMENT BANK

ADRESSE TÉLÉGRAPHIQUE  
AFDEV ABIDJAN  
TÉLÉPHONE 256-60  
TELEX 717



B. P. N° 1387 ABIDJAN  
CÔTE D'IVOIRE

RÉFÉRENCE  
DATE 9 January 1971

Mr. A. G. El-Emary  
Special Adviser to the President  
International Bank for Reconstruction  
and Development  
1818 H Street  
Washington, D. C. 20433  
U. S. A.

Dear Mr. El-Emary,

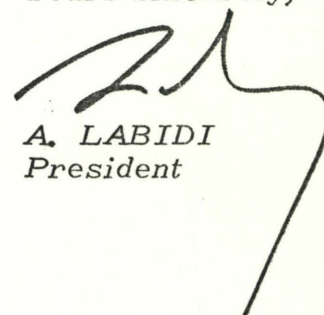
First let me apologize for the delay in sending you a note on my visit to Washington. We have been trying to re-examine our program and requirements so that our visit will be as useful as possible and this has taken more time than I anticipated.

Attached you will find an Aide-Memoire relating to our visit. A suggested agenda is included in Annex 7. I have asked Mr. MacNealy to arrive in Washington on January 20th so that he can assist in making a more precise schedule of our discussions. Mr. Sakkaf will arrive on January 24 and he and Mr. MacNealy can possibly have some preliminary discussions prior to my arrival on Monday evening. My own schedule for the January 26, 28 and 29 is still uncertain but I hope to have word from the State Department concerning my discussions with the U. S. Government within the next few days. I will cable you as soon as I have definite information.

Another matter which I have not mentioned in the Aide-Memoire but would like to discuss concerns co-operative arrangements with the IBRD research activities. This is of considerable importance to ADB since I will be discussing a proposed assistance program for our Economics Office with the Canadian Government after my visit to Washington. Perhaps you could alert Mr. Owen in the Secretary's Office since he has recently written to ADB on this matter.

With kindest regards,

Yours sincerely,

  
A. LABIDI  
President

4 January 1971

Aide Memoire for Visit to I.B.R.D.

January 27-29, 1971

1) ADB began operations in July 1966 and up to 1 January 1971 we have made 15 loans and investments totalling \$25,560,000. Considerable increase in the rate of operations took place during the past year when we approved 6 agreements totalling \$9,790,000 (Detailed in Annex 1).

2) Our investment program for 1971 envisages a considerable increase in activity and includes some 20 operations in 12 countries totalling approximately \$30 million. These commitments will be made in the transport, agriculture, industry and water supply sectors. (Summarized in Annex 2). Taking into consideration slippage and other factors we expect to commit no less than \$20-25 million.

3) During 1972-73 we expect our pipeline of projects to permit us to maintain a volume of about 20 projects per year amounting to \$20-25 million annually in loans and participations. The main emphasis will be on increasing agriculture and industrial output; improving transport, particularly between African countries; and expanding public utility facilities. (summarized in Annex 3).

4) In order to achieve this program and expand our pipeline of projects, ADB intends to take a number of measures to improve its internal operations and its financial capabilities. Both will require considerable outside assistance.

a) Internally we expect to:-

- 1) Rationalize our organization to bring it more in line with our program,
- 2) Institute operational procedures to improve our efficiency,
- 3) Intensify recruitment and training efforts to improve the quality of our project analysis and loans operations, and
- 4) Arrange for more effective utilization of technical assistance made available to ADB.

b) Externally we will require:-

- 1) Additional and supplementary finance - especially soft finance for the African Development Fund,
- 2) Continued technical assistance from IBRD, UNDP, USAID and FAO,
- 3) Additional training facilities for ADB staff, and
- 4) Expanded operational co-operation particularly with IBRD.



- 5) The object of the technical assistance and training programs will be to professionalize the staff of ADB and improve its operational efficiency. This will require time and the assistance which we would like to have from IBRD is critical. In the course of our visit to Washington, we would like to discuss a program for 1971-73 which will help us realize these objectives. The basis for our requirements for the Operations Department (area and project activities) is detailed in Annexes 4 and 5. An analysis of our professional resources and shortages for the 1971-73 program is detailed in Annex 6(a). In Annex 6(b) we have indicated how IBRD may be of assistance in both the recruitment and training of our operational personnel.
- 6) Since the 1971-73 program has an impact on other aspects of the Bank's work we have identified several specific positions which urgently need to be filled and we would like to discuss the possibility of IBRD assistance in locating suitable candidates for ADB's consideration. In addition to recruitment assistance we would like to discuss possible short term training or technical assistance for our disbursement office and technical assistance in establishing a more effective filing system.
- 7) Apart from specific training and technical assistance, ADB staff could profit tremendously from closer co-operation with IBRD missions to Africa. There is already an arrangement between IBRD and ADB in this regard. Precisely how this can be made more effective is one of the principal objectives of our discussions in Washington. Not only could ADB staff benefit by such arrangements but our pipeline of projects can be made more realistic as our expertise increases.
- 8) With respect to ADB's financial resources, we would welcome discussions of a general nature on our program for meeting these needs. An indication of the urgency of expanding the resources of ADB is that with our present program we would be hard pressed to make any commitments beyond 1972.
- 9) ADB would also welcome the opportunity to discuss specific technical aspects such as provisions for control, voting rights and the policies which might be followed by the African Development Fund.
- 10) A proposed agenda for discussions with IBRD from January 27 through 29 is attached. (Annex 7).

ADB OPERATIONS BY COUNTRY AS OF 31 DECEMBER 1970

	<u>Country</u>	<u>Number of Projects</u>	<u>Amount - US\$</u>
1.	Kenya - Transport	1	2,300,000
	- Industry	1	1,450,000
2.	Liberia - Power	1	1,350,000
3.	Malawi - Power	1	3,000,000
4.	Mali - Development Bank	1	540,000
5.	Morocco - Power	1	2,800,000
6.	Niger - Telecommunications	1	1,000,000
7.	Sierra Leone - Water Supply	1	1,500,000
	- Development Bank	1	120,000
8.	Tunisia - Irrigation	1	2,750,000
9.	Uganda - Water Supply - Study	1	300,000
	- Water Supply - Project	1	3,000,000
10.	Upper Volta - Development Bank	1	2,000,000
11.	East African Development Bank	1	3,000,000
12.	SIFIDA (Private Investment Co.)	1	450,000
	<b>Total</b>	<b>15</b>	<b>25,560,000</b>

ADB OPERATIONS BY SECTOR AS OF 31 DECEMBER 1970

	<u>Number of Projects</u>	<u>Amount - US\$</u>
1. Transport	1	2,300,000
2. Power & Telecommunication	4	8,150,000
3. Agriculture	1	2,750,000
4. Water & Sewerage	3	4,800,000
5. Development Banks	5	6,110,000
6. Industry	1	1,450,000
<b>Total</b>	<b>15</b>	<b>25,560,000</b>

No. of Countries - 10 (excluding multinational projects)



SUMMARY OF ADB 1971 PROGRAM BY SECTOR

	<u>Sector</u>	<u>Number of Projects</u>	<u>Amount in \$ million</u>
1.	Agriculture	7	6.9
2.	Industry	1	2.0
3.	Transport	10	19.6
4.	Water Supply & Sewerage	2	1.5
		<u>20</u>	<u>30.1</u>

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No. of Countries - 12 (not including multinational projects)

SUMMARY OF ADB 1972-73 PROGRAM BY SECTOR

	<u>Sector</u>	<u>No. of New Projects</u>	<u>Amount in \$ million</u>
1.	Agriculture	15	14.65
2.	Industry-Tourism-Development Banks	12	16.28
3.	Power & Telecommunications	7	3.30
4.	Transport	4	8.50
5.	Water Supply & Sewerage	4	2.25
	<i>Total</i>	<u>42</u>	<u>44.98</u>

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No. of Countries - 20 (excluding multinational projects)



SUMMARY OF ADB WORK PROGRAM BY SECTORS1971-1973

		<u>No. of Projects</u>		
		<u>Follow-up</u>	<u>New</u>	<u>Total</u>
1.	Agriculture	1	22	23
2.	Industry-Tourism- Development Banks	6	13	19
3.	Power & Telecommunications	4	7	11
4.	Transport	1	14	15
5.	Water & Sewerage	3	6	9
Total		<u>15</u>	<u>62</u>	<u>77</u>

No. of Countries - 26 (excluding multinational projects)

SUMMARY OF ADB WORK PROGRAM BY COUNTRY 1971-73

<u>C o u n t r y</u>	<u>No. of New projects</u>	<u>No. of Projects approved as of 31.12.70</u>	<u>T o t a l</u>
1. Algeria	4	-	4
2. Burundi	3	-	3
3. Cameroon	-	-	-
4. Central African Republic	-	-	-
5. Chad	2	-	2
6. Congo (B)	4	-	4
7. Congo (K)	2	-	2
8. Dahomey	3	-	3
9. Ethiopia	5	-	5
10. Ghana	2	-	2
11. Guinea	1	-	1
12. Ivory Coast	-	-	-
13. Kenya	-	2	2
14. Liberia	1	1	2
15. Malawi	-	1	1
16. Mali	2	1	3
17. Mauritania	5	-	5
18. Morocco	1	1	2
19. Niger	1	1	2
20. Nigeria	4	-	4
21. Rwanda	-	-	-
22. Senegal	-	-	-
23. Sierra Leone	1	2	3
24. Somalia	3	-	3
25. Sudan	3	-	3
26. Tanzania	2	-	2
27. Togo	1	-	1
28. Tunisia	2	1	3
29. Uganda	-	2	2
30. U. A. R.	-	-	-
31. Upper Volta	-	1	1
32. Zambia	2	-	2
33. Multi-national	8	2	10
<u>T o t a l</u>	<u>62</u>	<u>15</u>	<u>77</u>



Summary of the Operations Department's Professional  
Requirements, and the Incremental Shortages by Sector\*  
and year for 1971-73

<u>S E C T O R</u>	Require- ments		On Hand ADB & Others 31 Dec. 1970	Incremental Shortage		Total Shortage** 1971-73
	'71	'72-73		'71	'72-73	
Agriculture	14	15	10	4	1	5
Industry/Tourism/ Development Banks	5	8	3	2	3	5
Power & Telecom.	6	7	4	2	1	3
Transport	11	11	4	7	-	7
Water Supply & Sewerage	4	4	2	2	-	2
Loans Divisions	14	16	8	6	2	8
T o t a l	54	61	31	23	7	30

\* "Sector" includes the Area Loans Division

\*\* "Shortage" does not take structural imbalance into consideration.

AGRICULTURE SECTORWork Program and Professional Requirements  
for 1971-731971 Work Program

Number of new projects to be appraised and negotiated . . . . . 7  
 Number of projects to be supervised . . . . . 8  
 Number of new proposal to be identified and evaluated . . . . . 24

1971 Professional Requirements

	<u>No. Rqd.</u>	<u>On Hand</u>		<u>Shortage</u>
		<u>ADB</u>	<u>OTHER</u>	
Administrators - Head	1	-	-	1
- Deputy Head	1	-	-	1
Specialists - Agronomist	4	2	1	1
- Livestock	1	-	-	1
- Irrigation	2	1	1	-
- Economists	5	3	2	-
Total	14	6	4	4

1972 -73 Work Program

Number of new projects to be appraised and negotiated . . . . . 15  
 Number of projects to be supervised . . . . . 23  
 Number of new proposals to be identified and evaluated . . . . . 48

1972-73 Additional Professional Requirements\*

	<u>No. Rqd.</u>	<u>On Hand</u>	<u>Shortage</u>
Specialists - Agronomist	1	-	1

1971-73 Summary of Professional Requirements

No. required . . . . . 15  
 Shortage . . . . . 5

\* Assumes continuation of UNDP and FAO assistance programs.



Industry, Tourism and Development Bank Sectors  
Work Program and Professional Requirements for  
1971-73

1971 Work Program

Number of new projects to be appraised and negotiated . . . . .	1
Number of projects to be supervised . . . . .	6
Number of new proposals to be identified and evaluated . . . . .	24

1971 Professional Requirements

		On Hand		Shortage
		ADB	OTHER	
Specialists	- Engineers	2	1	1
	- Financial Analysts	2	1	1
	- Economist	1	-	-
	Total	5	2	2

1972 - 73 Work Program

Number of new projects to be appraised and negotiated . . . . .	12
Number of projects to be supervised . . . . .	19
Number of new proposals to be identified and evaluated . . . . .	48

1972-73 Additional Professional Requirements\*

		No. Rqd.	On Hand	Shortage
Specialists	- Engineers	1	-	1
	- Financial Analyst	1	-	1
	- Economist	1	-	1
	Total	3	-	3

1971-73 Summary of Professional Requirements

Number required . . . . .	8
Shortage . . . . .	5

\* Assumes continuation of UNDP assistance programme

Power and Telecommunications Sectors  
Work Program and Professional Requirements  
for 1971-73

1971 Work Program

Number of projects to be supervised . . . . .	4
Number of new proposals to be identified and evaluated . . . . .	12
Energy Survey project . . . . .	1

1971 Professional Requirements

<u>Professional Requirements</u>		<u>No. Rqd.</u>	<u>On Hand</u>		<u>Shortage</u>
			<u>ADB</u>	<u>OTHER</u>	
<i>Specialist</i>	- <i>Power Engineers</i>	3	1	2*	-
	- <i>Telecommunications Engineers</i>	1	-	1	-
	- <i>Economist</i>	1	-	-	1
	- <i>Financial Analyst</i>	1	-	-	1
	<i>Total</i>	6	1	3	2

1972-73 Work Program

Number of new projects to be appraised and identified . . . . .	7
Number of projects to be supervised . . . . .	11
Number of new proposals to be identified and evaluated . . . . .	24

1972-73 Additional Professional Requirements

		<u>No. Rqd.</u>	<u>On Hand</u>	<u>Shortage</u>
Specialist	- Financial Analyst	1	-	1

1971-73 Summary of Professional Requirements\*\*

Number required . . . . .	7
Shortage . . . . .	3

\* Temporary requirement for Energy Survey - 1 Engineer

\*\* Assumes continuation of UNDP program.



Transport Sector  
Work Program and Professional Requirements 1971-1973

1971 Work Program

Number of new projects to be appraised and negotiated ... ..	10
Number of projects to be supervised ... ..	12
Number of new proposals to be identified and evaluated ... ..	20

1971 Professional Requirements

		<u>No. Rqd.</u>	<u>On Hand</u>		<u>Shortage</u>
			<u>ADB</u>	<u>OTHER</u>	
<i>Specialists</i>	- <i>Transport Economist</i>	5	1	-	4
	- <i>Civil Engineer -</i>				
	<i>Port</i>	1	-	-	1
	- <i>Civil Engineer -</i>				
	<i>Railway</i>	1	-	-	1
	- <i>Civil Engineer -</i>				
	<i>Highway</i>	3	1	1	1
<i>Administrator</i>	- <i>Head</i>	1	1	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<i>Total</i>		11	3	1	7

1972-73 Work Program

Number of new projects to be appraised and negotiated ... ..	4
Number of projects to be supervised ... ..	16
Number of new proposals to be identified and evaluated . . . . .	40

1972-73 Additional Professional Requirements

None

1971-73 Summary of Professional Requirements

Number required ... ..	11
Shortage ... ..	7

Water Supply and Sewerage Sector  
Work Program and Professional Requirements 1971-73

1971 Work Program

Number of new projects to be appraised and negotiated .....	2
Number of projects to be supervised .....	5
Number of new proposals to be identified and evaluated .....	6

1971 Professional Requirements

		<u>On Hand</u>		
	<u>No. Rqd.</u>	<u>ADB</u>	<u>OTHER*</u>	<u>Shortage</u>
Specialists				
- Sanitary Engineers	2	-	1	1
- Economist	1	-	1	-
- Financial Analyst	1	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total	4	-	2	2
	<hr/>	<hr/>	<hr/>	<hr/>

1972-73 Work Program

Number of new projects to be appraised and negotiated .....	2
Number of projects to be supervised .....	7
Number of new proposals to be identified and evaluated .....	12

1972-73 Additional Professional Requirements

None

1972-73 Summary of Professional Requirements

Number required .....	4
Shortage .....	2

\* Assumes continuation of UNDP program.



Area Loans Divisions  
Work Program and Professional Requirements 1971-73

1971 Work Program

Number of new projects to be processed .....	20
Number of identification and follow-up missions .....	32
Number of countries in which ADB will have operations .....	20
Number of member countries .....	32

1971 Professional Requirements

	<u>No. Rqd.</u>	<u>On Hand</u> <u>ADB</u>	<u>Shortage</u>
Specialist - Loan Officers	4	3*	1
- Deputy Loans Officers )	8	5	3
- Economists )			
Administrators - Head	1	1	1
- Deputy Head	1	-	1
Total	<u>14</u>	<u>8</u>	<u>6</u>

1972-73 Work Program

Number of new loans to be processed .....	42
Number of identification and follow-up missions .....	32
Number of countries in which ADB will have operations .....	26

1972-73 Additional Professional Requirements

	<u>No. Rqd.</u>	<u>On Hand</u>	<u>Shortage</u>
Loan Officers/Economists	2*	-	2

1971-73 Summary of Professional Requirements

Number required .....	16
Shortage .....	8

\* 1972-73 requirement should be considered a 1971 requirement to replace two staff members now in training.

Incremental Shortages of Professional Personnel  
and Planned Resources for the Operations Department  
1971-73

<u>Professional Requirements</u>	<u>1971 Incre- mental Short.</u>	<u>R E S O U R C E S</u>				<u>1972-73 Incre- mental Short.</u>	<u>Resources</u>	
		<u>ADB</u>	<u>UNDP</u>	<u>FAO</u>	<u>USAID</u>		<u>ADB</u>	<u>UND</u>
Administrator (Agric)	2	1				1		1
Agronomist	1			1				
Livestock Specialist	1			1				
Engineers (Ind.)	1		1(c)			1	1	
Financial Analyst (Ind.)	1		1(c)			1		1(c)
Economists (Ind.)						1	1	
Economist (Pub. Util)	1				1(c)			
Financial Analyst (P. U.)	1	1				1		1
Engineer - Port	1		1(c)					
Engineer - Railway	1		1(c)					
Engineer - Highway	1	1						
Economists (Transport)	4	1	1(c)		2 (1+1c)			
Engineer - Sanitary	1		1(c)					
Financial Analyst (W/S)	1	1						
Administrators (Loans)	2	2			1**			
Loan Officers *	1	1						
Economists (General)	3	3				2	2	
<b>Total</b>	<b>23</b>	<b>11</b>	<b>6(c)</b>	<b>2***</b>	<b>4 (2+2c)</b>	<b>7</b>	<b>5</b>	<b>2 (1+1c)</b>

NOTE

1. Assumes continuation of UNDP, FAO, USAID and Dutch Government assistance programs and anticipates ADB 1972-73 Budgets.
2. Symbol "c" refers to specific consultant resources equivalent to one year's time.

- \* Does not take into consideration two loan officers in training at IBRD  
 \*\* Replacement for one of the loan Officers in training at IBRD  
 \*\*\* Does not include consultant services available from FAO which will permit ADB to send two people for project training.



Operations Department's Professional Staff Requirements\*  
Planned Recruitment, and Proposed I. B. R. D. Assistance  
1971 - 1973

<u>Professional Requirements</u>	No.	<u>ADB</u>		<u>ADB</u>		<u>ADB</u>		<u>Proposed IBRD Assistance</u>
		<u>Required</u>	<u>Staff</u>	<u>Recruitment</u>	<u>ADB Staff</u>	<u>Staff</u>	<u>Staff</u>	
		<u>72-73</u>	<u>1970</u>	<u>'71</u>	<u>72-73</u>	<u>'71</u>	<u>72-73</u>	
<u>Administrators</u>								
Agriculture	2	-	1	1	1	2		Recruitment
Loans Officers	12	7	3	2	10	12		(2 in 1972
Transport	1	1	-	-	1	1		(2 in 1973
<u>Agriculture Specialists</u>								
Agronomist	5	2	-	-	2	2		1-EDI(AGR) 1971
Livestock	1	-	-	-	-	-		-
Irrigation	2	1	-	-	1	1		1-EDI(AGR) 1972
<u>Economists</u>								
Agriculture	5	3	-	-	3	3		3-EDI(AGR) '71-'72-'73
Industry	2	-	-	1	-	1		1-EDI(IND) 1972
Public Utilities	2	-	-	-	-	-		-
Transport	5	1	1	-	2	2		2-EDI(TRANS) '71-'72
General (Loans)	4	1	3	-	4	4		Recruitment
<u>Engineers</u>								
Industrial	3	1	-	1	1	2		2-EDI(IND) '71-'73
Power	3	1	-	-	1	1		-
Sanitary	2	-	-	-	-	-		-
Telecommunications	1	-	-	-	-	-		-
Transport -								
- Highway	3	1	1	-	2	2		2-EDI(TRANS) '71-'72
- Port	1	-	-	-	-	-		-
- Railway	1	-	-	-	-	-		-
Financial Analyst	6	1	2	-	3	3		2-EDI(IND) '72-'73
<b>Total</b>	<b>61</b>	<b>20</b>	<b>11</b>	<b>5</b>	<b>31</b>	<b>36</b>		

\* Excludes: (1) Deputy Director - Operations Department  
(2) Deputy Assistant Director (Projects)

AGENDA FOR DISCUSSIONS WITH IBRD  
January 25-29, 1971

	<u>Date</u>	<u>Subject</u>
Mr. McNamara	January 27	General discussion based upon assistance requested in Aide Memoire.
Mr. Knapp	January 27	Discussion of some specific means of realizing assistance requested from IBRD.
Mr. Gaud	To be scheduled	General discussion on areas of co-operation.
Messrs Chauffournier Lejeune Benjenk	" " "	General discussions to formalize areas and means of increased co-operation in operations and training.
/ Messrs Ripman Clarke	" " " " " "	Discussion of technical assistance for ADB archives, recruitment assistance and training program within IBRD.
- Messrs Broches Nurick	" " " " " "	Discussion of possible assistance in recruiting a Legal Advisor (General Counsel) and African attorneys for ADB.
Mr. Demuth	" " "	General discussion of African Development Fund proposal and technical and training assistance to ADB.
/ Mr. Chadenet	" " "	General discussions to formalize means of increased co-operation in operations including aid in selecting consultants.
Mr. Diamond	" " "	General discussion on areas of co-operation.
/ Mr. Krishnaswamy	" " "	Discussion of specific EDI training for ADB Personnel.
- Messrs Evans Fuchs Knox Weiner	" " " " " "	General discussion on means of increasing co-operation in project identification.
Selected Loan Officers	" " "	Discussion of ADB and IBRD programs and identification of areas for increasing co-operation.
Selected Division Chiefs in various Project Department	" "	Discussion of missions, specific projects and means of identifying cases where ADB and IBRD can supplement each others work.



AFRICAN DEVELOPMENT BANK

DELEGATION

Mr. Abdel Wahab Labidi	President
Mr. M.L. Qureshi	Economic and Financial Adviser
Mr. M. Sakka	Director of Operations
Mr. Charles MacNealy	Adviser (seconded from IBRD)
Mr. I. Ebong	Economist
Mr. R.S. Griffiths	Translator/Interpreter

January 15, 1971





Background Information on the  
African Development Bank and  
ADB-Bank relations

1. Mr. Labidi, President of the African Development Bank, accompanied by Mr. Sakka, Director of Operations and other ADB staff, will visit Washington the week of March 11. Mr. Labidi visited here in January 1971 and Mr. Sakka came for consultations with the Bank in January 1972 and January 1973. Mr. Labidi will meet with Mr. Parker, USAID Administrator immediately before his visit with you. He will also meet Mr. Volcker, Under-Secretary for Monetary Affairs, on the morning of March 13. Most of his visit in Washington is taken up with appointments with Congressional leaders concerned with the appropriation of funds for ADF.
2. The Articles of Agreement of the African Development Bank were approved at a conference of Finance Ministers in Karthoum in 1963 and became effective on September 10, 1964. The Bank started operations in Abidjan on July 1, 1966. Its membership is open to all independent African countries. Presently, 39 countries are members; the most recent to accede to the ADB Agreement were Libya, Gabon, Gambia and Mauritius. Negotiations are under way with Equatorial Guinea and the Malagasy Republic in order to accelerate their accession.
3. The authorized capital of the Bank is about 255 million units of account, all of which has been fully subscribed. Units of Account (U.A.) for ADB are equivalent to the pre-1971 US dollar. One half of the authorized capital consists of "paid-up" shares payable entirely in gold or convertible currency over five years. As of June 30, 1973, the amount actually paid was about 95 million U.A. Three countries, Egypt, Ethiopia and Zaire account for the bulk of delinquent subscriptions.

Operations

4. During the years 1966-1970, the ADB committed in loans approximately 25 million U.A. After his election as President, Mr. Labidi announced lending goals of 25 million U.A. in 1971, 25 million in 1972 and 30 million in 1973. The goals for 1971 and 1972 have been achieved, but lending in 1973 did not exceed U.A. 25.75 million. At the end of 1973, the ADB's operational activities involved 60 approved projects, amounting to a total commitment of about U.A. 101 million, covering 27 different African countries and also including three projects of a multinational character. Along with the acceleration in the rate of new commitments, actual disbursements of ADB loans have risen sharply in the last two years, reaching U.A. 31.3 million at the end of June 1973.

President has seen

## Finance

5. Practically all ADB resources have now been committed. Efforts are being made to mobilize additional resources both within and outside Africa. Initially, the ADB counts on attracting bilateral funds from USAID and Canada and larger amounts from Arab oil producing states. Subsequently, ADB hopes to borrow on the capital markets. However, the most important source of fresh capital will be the African Development Fund (ADF), a special fund of concessionary resources created in 1973 by the ADB, and fifteen non-African capital exporting countries. The ADF is administered by the ADB. Total subscriptions to the ADF for the first three-year period amount to about U.A. 90 million. Counting on these new sources of capital, ADB management has established a 1974 lending program of about U.A. 30 million for ADB and U.A. 37 million for ADF. More details on the ADF organizational and operational structure are given in Annex 1.

## Lending Policy

6. In a recent meeting (October 1973) with Mr. Bell, Regional Vice-President, Eastern Africa, Mr. Labidi indicated that the priority countries for ADB/ADF financing were the six Sahelian countries hit by the drought (Chad, Niger, Upper Volta, Mali, Senegal and Mauritania). The second level of priority was a group of ten other poor countries: Sierra Leone, Dahomey, the Central African Republic, Botswana, Swaziland, Lesotho, Malawi, Sudan, Somalia and Tanzania. The distribution of overall ADB commitments according to economic sectors at the end of 1972 was the following: transport - 44% public utilities - 24%, industries and financial institutions - 17%, agriculture - 15%. Over the last two years, the terms of lending have been the following: a current rate of interest of 6%, a statutory commission of 1% and a commitment charge of .75% on undisbursed balances. The maximum amount of ADB or ADF financing, per loan, per country is U.A. 4 million (formerly U.A. 3 million for ADB). For multinational projects, the limit is U.A. 8 million for ADB and U.A. 10 million for ADF. 1/

## Bank Assistance to ADB

7. We seconded an expert to ADB, Charles McNealy, who functioned for three years as a special assistant to the President (he returned to the Bank in January 1974). Secondly, we have established a program for providing on-the-job training to ADB staff members. In each of the past three years, two loan officers from the ADB have been attached to our staff. The Bank has also made staff members available for consultation on particular problems for periods of a week or two at a time. For example, some assistance has been given in the public information field and Mr. Fraser was loaned to the ADB to advise on personnel matters. Mr. Ellsworth Clark (now retired) has been acting as a consultant in the preparation of the African Development Fund Articles of Agreement and in the drafting of the ADB's General Loan Conditions. PMWA has developed close working contacts with the ADB and supplied some guidance within its area of responsibility, i.e., identification and preparation work. An EDI seminar on project appraisal has been organized in collaboration with ADB and is being held in Abidjan.

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1/ The ADB unit of account is equivalent to one pre-1971 dollar, and the ADF unit of account to one Smithsonian dollar.



Matters that might be raised by Mr. Labidi in his forthcoming visit

Arab Oil Money

8. Mr. Labidi would presumably raise the question of the availability of oil money for use by multinational development banks since this is the principal topic on the agenda of the IDB meeting of regional banks that he is attending on March 12. Mr. Sakka, Director of Operations at the ADB, has recently visited the Arab League in Cairo to discuss this question and Mr. Labidi has been visiting the Maghreb countries before coming to Washington. Following the declaration adopted in Algiers in November 1973 committing the Arab countries to reinforce economic and financial collaboration with African countries, the ADB Board of Directors adopted a declaration in which it decided "to put the organization and competence of the African Development Bank at the disposal of brother Arab countries willing to extend aid and technical assistance to Africa."

Channeling of funds through ADB

9. Another issue is whether the ADB could be used as a channel for some World Bank resources to Africa. This is technically possible, at least for IDA funds (Article V, Section 1 of IDA "Articles of Agreement"). At Nairobi, the Tunisian Governor supported Bank lending to ADB. This proposal has been made in the past and Mr. Labidi may raise it with you. However, note that ADB now appears to be obtaining access to national capital markets. For instance, Austria's Under-Secretary of State announced recently that the ADB will be granted access to Austria's capital market under specially favorable conditions. Negotiations are now under way to determine the date of the ADB's bond placement, which banking circles estimate will be around 300-350 million schillings (\$14-17 million).

Turning over of IDA projects to ADF

10. It is expected that Mr. Labidi will ask the Bank Group to hand over to ADF projects in IDA African countries which IDA may be obliged to postpone at this time. This is a matter which we propose to discuss with the ADB staff during their visit.

Joint or parallel financing

11. The ADB would also like to find IDA projects which are suited for some joint or parallel ADF financing. We had some satisfactory co-financing arrangements in the past with ADB for projects in Somalia, Malawi and Kenya. A co-financing arrangement has also been worked out recently for the Sategui-Deressia project in Chad. For the success of such co-financing arrangements effective channels of communication between the Bank and ADB/ADF

are important at all stages of the project. It seems particularly important to have joint appraisal missions. If ADF resources are involved, an additional constraint results from the fact that US and French suppliers are not eligible for procurement as their countries do not participate in the ADF. As a result only parallel financing can be organized with each lending agency financing specific items of a project.

#### Annual Meetings and Mutual Information

12. A tradition has been established of annual meetings between Bank and ADB management to review both agencies' lending programs in Africa, and to discuss areas of possible cooperation. We understand that the ADB would like to increase these meetings to two a year. This should raise no objection on our part. The ADB would also appreciate obtaining more detailed information on the projects on which PMWA and PMEA do identification or preparation work than is now provided. The ADB has also expressed the desire to improve the channels of communication with PMEA.

#### Rural Development

13. The ADB has expressed interest in the Bank's efforts to define and initiate a new strategy for rural development. We might seek to collaborate more closely in this area than in other sectors.

#### Panafrican Telecommunications Network

14. The ADB has promoted the idea of a special fund to finance a Panafrican Telecommunications Network (PANAFTEL). The total cost of this project would be approximately U.A. 120 million. We have repeatedly stated that we are not prepared to contribute to such a special fund, but will provide assistance on a bilateral basis for elements of the network. More details on the PANAFTEL project are given in Annex 2, including a recent letter to Mr. Labidi.

#### ADB 10th Annual Meeting in Rabat

15. A formal invitation to the 10th Annual Meeting of the African Development Bank and the 1st Annual Meeting of the African Development Fund (Rabat, July 1-6, 1974) was addressed to you. Mr. Labidi is reported to be very sensitive to the level of IBRD representation in Rabat and may ask who will represent the Bank. (In his meeting with Mr. Labidi last October, Mr. Bell promised to attend the Rabat meeting).



African Development Fund

1. Since 1966, the ADB has promoted the idea of setting up a fund of concessionary resources to assist it in entering priority sectors from which it had always been debarred because of the "hard" market terms on which it is required to lend its ordinary capital resources. After two years' intensive negotiations, the Agreement establishing the African Development Fund (ADF) was signed in Abidjan on November 29, 1972 by the ADB and by thirteen original State participants. Total commitments to date stand at about 90 million U.A. subscribed by the ADB and by Belgium, Brazil, Canada, Denmark, the Federal Republic of Germany, Finland, Italy, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and Yugoslavia. The ADF units of account are equivalent to one Smithsonian US dollar. The amounts subscribed by each participant are shown in the attachment to this annex. As of January 25, 1974, thirteen State participants, contributing U.A. 77.6 million, have ratified the ADF's Charter.
2. The ADF Board of Directors will be composed of 12 members of which six directors are to be appointed by ADB from among members of its Board of Directors, and six by participating countries. Decisions will normally be taken by a three-fourths majority of total voting power (in ADB by a simple majority of voting power represented at the meeting). Important questions require an 85% majority (as in the case of replenishment authorization and cooperative agreements with international organizations) and unanimous approval for the admission of new state participants.
3. The ADF will provide concessionary financing for projects and programs to further economic and social development of the ADB's members. The terms on which it will lend will be the same as those of IDA. The recipients of ADF financing must be members of the Fund or national, sub-regional and regional agencies, concerned with their development. When the borrower is not the ADF member itself, a suitable governmental or other guarantee will be necessary. Since the financing of the ADF is concessionary, it will be provided only when the recipient has no other resources available. It is expected that certain project criteria will be instituted for ADF funds, e.g., by limiting the use of ADF monies to non-revenue earning projects. The maximum amount for ADF financing is U.A. 4 million per country, per loan, and U.A. 10 million for multinational projects. The ADF may also provide technical assistance but only on a reimbursable basis.
4. Procurement for ADF projects will be on the basis of international competition among suppliers from State participants or members, except when the Board of Directors determines that international competition would not be justified. This excludes inter alia, U.S. and French suppliers, as France and the U.S.A. are not participants in ADF.
5. The ADF has approved a lending program of U.A. 37 million for the period August 1, 1973 to December 31, 1974. The ADF is expected to gear its initial operations to giving priority to the improvement of the less favored ADB member states, particularly the Sahelian countries. Mali and Mauritania are the first two countries to benefit from ADF resources, receiving between them some U.A. 4.5 million.

Subscriptions to ADF

(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
Switzerland	3,000,000
United Kingdom	5,211,420
Yugoslavia	<u>2,000,000</u>
Total	90,659,050

The ADF unit of account is equivalent to one Smithsonian US dollar.



Pan-African Telecommunications Network (PANAFTEL)

1. The ADB has taken the lead in coordinating telecommunications development in Africa. The ADB convened in May 1973 and again in November 1973 meetings in Geneva for the purpose of organizing the financing of an African Telecommunications Scheme (PANAFTEL) elaborated by the International Telecommunications Union (ITU), the total cost of which would be about U.A. 120 million. The ADB has promoted the idea of a special fund to finance PANAFTEL, and to be administered by the ADB. The project was endorsed by the Organization of African Unity (OAU) and the Economic Commission for Africa (ECA), and commands strong political and emotional support among African Governments.

2. Bank studies of the PANAFTEL project have led to the conclusion that, in its present form, the PANAFTEL project has a number of weaknesses, the principal one being that it envisages the implementation of the entire project in one operation, irrespective of the individual merits of the different parts of the scheme. Furthermore, it is feared that the implementation of the project will not be sufficiently coordinated with the development of the various national telecommunications systems, which will generate and handle the forecast international traffic.

3. Therefore, at the Geneva meetings, the Bank took the position that it has already substantially assisted the development of telecommunications facilities in Africa; that it endorses the development of the Pan-African Network over a period which would allow for the systematic phasing of the various links in order of priority; and that it would sympathetically consider financing some of the links which appear justified, as part of the ongoing telecommunications expansion in countries concerned.

January 31, 1974

Mr. A. Labidi  
President  
African Development Bank  
Abidjan, Ivory Coast

Dear Mr. Labidi,

Mr. Brakel has reported on the results of the Third Consultative Conference on the PANAFTEL Project which took place in Geneva on November 19 and 20, 1973.

I would like to confirm the World Bank Group's continued willingness to cooperate fully with you in efforts aimed at achieving a technically and economically sound execution of this project. As explained during the various consultative meetings held so far, the World Bank is not in a position to make direct contributions to a "Special Fund". We do agree, however, that, in order to implement the PANAFTEL Project, there is a clear need, both on a technical and financial level, for a well-coordinated approach on the part of donors and recipients. If the World Bank can be helpful in making any practical comments on the form which such coordination might take - including its organizational and administrative aspects - we would be pleased to be of assistance.

As you will be visiting the Bank in March for general discussions with Mr. McNamee, we will have a good opportunity to exchange views on this matter. However, if you have any suggestions to make in the meantime, please let us know.

With kind regards,

Sincerely,

WBrakel/SCSchott/BBell:hp  
Cl. & cc: D. King

J. Burke Knapp  
Senior Vice President

cc: Mr. Erlich (UNDP)  
cc: Messrs. Bell, Baum, Thalwitz, Brakel





# BANQUE AFRICAINE DE DÉVELOPPEMENT AFRICAN DEVELOPMENT BANK

ADRESSE TÉLÉGRAPHIQUE  
AFDEV ABIDJAN  
TÉLÉPHONE 22 56 60/69

TELEX 717  
- 498



B. P. N° 1387 ABIDJAN  
CÔTE D'IVOIRE

RÉFÉRENCE

DATE 3 October 1976

Mr. Robert S. McNamara  
President  
World Bank

MANILA

Dear Mr. McNamara,

Although I realise how busy you are particularly at this time, I will nonetheless wish to pay a courtesy call on you since this is my first time of attending the World Bank Annual Meeting as President of the African Development Bank.

While I do not expect to raise with you any issues of material substance, I shall nonetheless wish to take advantage of our meeting to profit from your experience in the matter of mobilizing funds for development.

I am here until midday the 8th of October and shall be grateful if you would squeeze some time to see me.

Kwame D. Fordwor  
Philippine Village Hotel  
Room NO 655-57

or Convention Center  
Observers Room D-211B  
Contact Miss Ebokolo  
Extension 7687





MEMORANDUM FOR THE RECORD

Meeting with the African Development Bank, September 25, 1977

Present: Messrs. McNamara, Knapp, Chaufournier, and the President of the African Development Bank, Mr. Fordwor

Mr. Fordwor said that the most serious issue facing the African Development Bank was the difficulty of expanding its membership to include developed countries. Libya, Algeria, Guinea and the Congo were opposed to including developed countries in the Bank's membership for various reasons. Libya and Algeria wanted the Bank to be run by an Arab, whereas Guinea and Congo were opposed on ideological grounds. Mr. Fordwor urged Mr. McNamara to mention this problem to the four countries if he visited them or met with delegations from them. Mr. McNamara said that he would be happy to do so and that the attitude of the four countries was penalizing African development.

Mr. Fordwor mentioned that he hoped for a replenishment of \$960 million for the African Development Fund for the years 1979 through 1981. However, some developed countries like Canada and Germany seemed reluctant to agree to such a large replenishment. All-in-all he hoped for \$2.5 billion of lending for the African Development Bank and the African Development Fund combined over the next five years. There were now 47 member countries of the African Development Bank and a professional staff of 125.

Mr. McNamara enquired about the work of the Advisory Committee to the African Development Bank. Mr. Fordwor said that he was pleased with its work and particularly with the efforts of Messrs. Keller and Isbister.

Finally, Mr. Fordwor urged Mr. McNamara to visit the headquarters of the African Development Bank in Abidjan during his forthcoming visit to West Africa. Mr. McNamara said that he would be pleased to do so.

SB  
September 27, 1977





## OFFICE MEMORANDUM

TO: Memorandum for the Record  
DATE: October 3, 1978  
FROM: J. Chaffey, Chief, WA2DA *al*  
SUBJECT: 1978 ANNUAL MEETINGS: Note of Mr. McNamara's Meeting with President  
of AfDB, Dr. Fordwor, on September 28.

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1. In addition to Mr. McNamara and Dr. Fordwor, there were present Messrs. Stern, Koch-Weser and Chaffey.

Opening of AfDB's Capital to "Non-Regionals"

10/17  
2. The discussions focused almost exclusively on certain concerns of Dr. Fordwor consequent upon the decision taken last May to let non-African countries (non-Regionals) participate in AfDB's capital. Non-Regionals would get 33-1/3% of the equity. Twenty-five countries had been invited to participate of which twenty-three had accepted (China had declined and Russia was also expected to). Dr. Fordwor said he was considering allocating non-Regionals three seats out of a Board of twelve<sup>1/</sup> but feared the non-Regionals would want a number commensurate with their shareholding. Mr. McNamara responded that he thought the non-Regionals main concern would be having voting rights commensurate with their holdings, with the number of seats being of less importance. Asked whether he thought a Board larger than 12 would pose problems, Mr. McNamara answered that he had not found this to be so in the Bank. Dr. Fordwor said he was encouraged by this since a larger Board would give greater flexibility in seat allocations. It would also raise the possibility of having part-time Directors and dispensing with Alternates.

3. In the allocation of seats amongst the non-Regionals, Dr. Fordwor said he was proposing that the U.S., a European group (possibly with the Nordic countries) and a third group (including Japan and Saudi Arabia) would each get one. Apparently the U.S. was insistent on having its own seat.

Relations Between the Two Institutions

4. Dr. Fordwor said that co-operation between the two institutions was good and he had no comments to make on it.

cc: Messrs. Stern, VPO  
Benjenk, EMNVP  
Chaufournier, WANVP  
Wapenhans, EANVP  
de la Renaudière, WA2DR  
Wood, PAB  
Koch-Weser, EXC

JChaffey:lmg

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1/ There are presently nine.





## OFFICE MEMORANDUM

TO: Files

DATE: October 3, 1980

FROM: A. David Knox, RVP, WAN *adk*SUBJECT: Meeting Between Mr. McNamara and President of  
African Development Bank

1. Mr. McNamara received Mr. Mung'Omba, President of the African Development Bank, on October 3. Mr. Mung'Omba was accompanied by Messrs. N'Diaye, Director of Finance, Sangowawa, Deputy Director of Operations, Gedamu, Director of Policy and Planning, and three Executive Directors, Messrs. A. Abdel Aty (Egypt), Vencatachellum (Mauritius) and Etsi (Togo). Messrs. Wapenhans, Lafourcade and I were present.

2. Mr. McNamara opened the meeting by congratulating Mr. Mung'Omba on his appointment as President of the AfDB and by stressing two points. The first was that he was extremely pleased to know that the AfDB was about to start a substantial expansion of operations. This was all the more important given the extremely difficult problems facing African countries, including the possibility of a fall in income per head in many sub-Saharan countries. The second was to seek the AfDB's help in the Study and Action Program for sub-Saharan Africa Economic Development that we were undertaking. Mr. Mung'Omba replied that he shared Mr. McNamara's view about the difficult situation ahead of the African countries. He had already discussed the study with the World Bank and had indicated his willingness to have the African Development Bank participate closely in the study.

3. Mr. McNamara added that one important question to be addressed was the need for economic integration in Africa. He thought that the African Development Bank as an African institution was particularly well placed to promote economic integration but the World Bank would do whatever it could to this end. Mr. Mung'Omba agreed completely on the importance of this matter and also about the difficulties of bringing about effective economic integration.

4. Mr. Mung'Omba said that one of the problems facing the AfDB was a need to adopt the structure to accommodate new members who would be contributing capital. He would be grateful for help from the World Bank in reviewing the AfDB's organization. Mr. McNamara replied that he would be most willing to help. He suggested that a former Executive Director of the Bank, Mr. Claude Isbister, would be a wise counselor. He also said that Mr. Knapp might be available and while the latter continued to have obligations to the Bank he, Mr. McNamara, would be prepared to make some of his time available to the AfDB.

5. Finally, Mr. Mung'Omba said that on behalf of the AfDB he wanted to wish Mr. McNamara all success and happiness in his retirement.

cc: Messrs. McNamara (2)  
Wapenhans  
Paijmans  
Benjenk