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ADDIS ABABA

**ORGANISATION DE L'
AFRIQUE**
SECRETARIAT
B. P. 3243
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COUNCIL OF MINISTERS

Seventeenth Ordinary Session

Addis Ababa - June 1971.

MEMORANDUM ON THE AFRICAN
DEVELOPMENT FUND



MEMORANDUM ON THE AFRICAN DEVELOPMENT
FUND:

The African Development Bank was formally established in November 1964 to assist in the economic and social development of the African countries and to promote economic co-operation amongst them. The Bank has to date 32 independent African countries as its members. The Bank has a subscribed capital of US\$218.00 million and a paid up capital of US\$109.00 million of which about US\$70.00 million has actually been paid in. The mobilization of this amount in foreign exchange represents a considerable sacrifice on the part of the African countries considering their state of under-development and their balance-of-payments difficulties.

Although the equity participation was limited to Independent African States, it was clear in the minds of the sponsors of the Bank that the ordinary capital resources subscribed by Member States would not suffice to meet their development requirements, and that they would have to be supplemented by external resources. As a result the sponsors of the Bank took care to provide in the Articles of the Agreement Establishing the Bank that the Bank may establish Special Funds which are designed to serve its purpose and come within its function. Non Member States can contribute to such special funds and participate in its administration. The proposal for the establishment of an African Development Fund, was first presented to the potential donors by the African Development Bank in November 1966 and it is in line with the above mentioned provision in the Bank's charter.

The Bank's ordinary capital resources are meagre considering the needs of its member countries. Besides, in order to establish its own credit-worthiness, these limited resources have, of necessity, to be invested in directly productive projects i.e. projects which can stand loans on conventional conditions and terms. This limitation has proved to be a great handicap to the Bank in its operational activities, since most of its member countries have very serious balance-of-payments problems and cannot afford to borrow on conventional terms.

Discussions which the Bank has carried on with potential donor countries since 1966 have shown that there is considerable interest on their part for participation in the Fund. At a meeting held in Paris in March this year between the President of the Bank and representatives of the interested donor countries under the chairmanship of the Chairman of D.A.C. of the O.E.C.D., an agreement was reached on the principles of establishing the Fund. The President of the Bank was asked to prepare draft statutes as basis for further negotiations with representatives of donor countries in Abidjan.

These statutes have now been submitted to the interested participants and a meeting with them, under the chairmanship of the President of the African Development Bank has been scheduled for 15th June, 1971 in Abidjan, at the Headquarters of the Bank. It is to be noted that certain donor countries have already even given an indication of the magnitude of their contributions to the Fund. This interest, however, shown by the donor countries needs to be further fostered and translated into substantial donations to the Fund by the developed countries. This requires the active and wholehearted political support of the African countries for the establishment of the Fund.

It is with this in view that the Council is requested to consider and adopt the attached draft resolution so as to give the necessary political support of the African countries for the establishment of the Fund.

DRAFT

RESOLUTION No.....

ON THE ESTABLISHMENT OF AN AFRICAN DEVELOPMENT FUND
BY THE AFRICAN DEVELOPMENT BANK

THE COUNCIL OF MINISTERS OF THE ORGANIZATION OF AFRICAN UNITY

MEETING in its.....Session at.....
from..... to.....1971

TAKING NOTE of the consultations between the African Development Bank, the Economic Commission for Africa, and the Secretary General of OAU, together with the documents exchanged with regard to the establishment of the African Development Fund.

BEARING IN MIND the purpose of the African Development Bank, which is to contribute to the economic development and social progress of its members - individually and jointly,

RECOGNIZING that the ordinary capital resources of the Bank, which are to finance only these projects which can stand loans on conventional terms, are meagre; considering the needs of its members, and that many of the foundation-laying and institution-building activities in the African countries need to be financed on soft loan terms,

CONVINCED of the need for making special financing arrangements for this purpose, and

AGREEING to the idea of setting up an African Development Fund,

HAVING REGARD to the agreement reached by the Executive Secretary of the Economic Commission for Africa, the President of the African Development Bank and the Secretary General of the Organization of African Unity during their meeting in Addis Ababa in June 1970, whereby the ADB being an African financial institution should be entrusted with the establishment of the African Development Fund,

RECOMMENDS OAU Member States and ECA Executive Secretary to give their full support to the Bank in the establishment of the Fund.



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