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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

AFRICA REGIONAL - DEVELOPMENT CORPORATIONS
IN EAST AND WEST AFRICA

698-24-920-001
698-H-001
East Africa Development Corp.

698-24-920-002
698-H-002
Development Corporation West Africa.

AID-DLC/P-477

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

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AID-DLC/P-477
November 21, 1966

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Africa Regional - Development Corporations in East and West Africa

Attached for your review are the recommendations for authorization of loans in amounts not to exceed $1,500,000 and $500,000 to the Development Corporation (West Africa) Limited (DCWA) and to the East Africa Development Corporation Limited (EADC), respectively, to finance U.S. costs and some of the local costs in the countries in which sub-loans are made for equipment, materials, and services required under the sub-loan.

If no request for a meeting of the DLSC is received by close of business on Thursday, December 1, 1966, from any member or observer of the DLSC, it will be assumed that there are no objections to authorization of the proposed loans.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
ANNEXES I-VII

AID-DLC/P-477
November 21, 1966

AFRICA REGIONAL - DEVELOPMENT CORPORATIONS IN EAST AND WEST AFRICA

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Summary and Recommendations
Africa Regional - Development Corporations in East and West Africa

1. APPLICANT: Development Corporation (West Africa) Limited (DCWA)
East Africa Development Corporation Limited (EADC)

2. A. AMOUNT:

DCWA		$1,500,000
EADC		500,000
	Total	$2,000,000

B. TERMS:
1. Maturity: 20 years, including a five year grace period.
2. Interest: 4% per annum
3. Repayment: Interest and principal payable in U.S. dollars.

C. Guarantor: Commonwealth Development Corporation (CDC)

3. PURPOSE OF LOAN: To assist in financing various development projects in West Africa and East Africa through loans to two subsidiaries of the CDC, The A.I.D. funds will be used for U.S. costs and some of the local costs in the countries in which sub-loans are made for equipment, materials, and services required under the sub-loan.

4. BACKGROUND OF ACTIVITY: The CDC, established by Act of the United Kingdom Parliament, assists in the economic development of members of the Commonwealth which have received independence since 1948. CDC, whose home office is in London, is organized into six regional offices overseas, two of which are located in West Africa and East Africa, DCWA and EADC are wholly-owned subsidiaries of the CDC in these locations.

As a result of a series of meetings commencing in late 1965 with officials of the British Overseas Development Ministry and the CDC, it is proposed to extend loans of $1.5 million and $.5 million to DCWA and EADC respectively to assist in financing development projects in these areas of Africa.

5. EX-IM BANK CLEARANCE: October 13, 1966.

6. STATUTORY CRITERIA: Have been met (see Annex I).

7. CONDITIONS: A. Sub-loans or a series of sub-loans to any one borrower utilizing more than $250,000 of A.I.D. funds would require prior A.I.D. approval.

B. Not more than 25% of the proceeds of each of the two loans ($375,000 and $125,000 respectively) will be available for local cost financing in the countries in which sub-loans are made.

8. RECOMMENDATIONS: Authorization of loans of $1.5 million and $.5 million to DCWA and EADC respectively at an interest rate of four percent per annum with principal to be repaid over 20 years including a grace period of five years. Principal and interest will be repaid in U.S. dollars.

CAPITAL ACTIVITY COMMITTEE MEMBERS:

Capital Development Officers: D.A. Gardner, J.K. Culman, AFR/CDF
Counsel: H.P. Burak, GC/AFR

DAGardner:mac:10/10/66

AID-DLC/P-477
November 21, 1966

AFRICA REGIONAL - DEVELOPMENT CORPORATIONS IN EAST AND WEST AFRICA

Section I - Background

At a meeting in Washington in December 1965, the Assistant Administrator of the Africa Bureau and Sir Andrew Cohen of the British Overseas Development Ministry discussed the possibility of A.I.D. cooperation in Africa with the Commonwealth Development Corporation (CDC), a British Government statutory corporation. Subsequent discussions were held in January with the General Manager of the CDC at the time of A.I.D. meetings with the British on aid to Africa. The initial sessions were exploratory only and were primarily concerned with how a CDC-A.I.D. cooperative effort might be accomplished.

Initially, the major issue was whether A.I.D. should consider providing assistance directly to the CDC for on-lending in Africa through its regional offices or to provide assistance to one of the development finance companies or corporations in Africa in which CDC has an equity participation. Specific consideration was given to two development companies in Nigeria and three in East Africa operating in Kenya, Tanzania, and Uganda.

In addition, it was disclosed that the CDC had set up wholly-owned corporations in Lagos, Nigeria, and Nairobi, Kenya. These corporations, Development Corporation (West Africa) Limited (DCWA) and East Africa Development Corporation (EADC) have no permanent employees but operate through the staffs of the CDC Regional Office in each of the two cities.

Review of the articles of incorporation of DCWA and EADC indicate that their charters are broad enough to satisfy A.I.D. criteria for a loan. An advantage to considering this type of organization for A.I.D. assistance is that it can be controlled directly by CDC, hence CDC will be in a position to guaranty repayment of any A.I.D. loans made to DCWA or EADC. This would not be true of the local development corporations.

Finally, by lending to these organizations there will be coverage of a larger number of countries than would be possible through loans to individual development corporations. DCWA can consider loans in Ghana, Sierra Leone and the Gambia as well as Nigeria. EADC would include Malawi and Zambia as well as the three East African countries previously mentioned.

Because of the above it was decided to proceed with consideration of loans to both DCWA and EADC. Further meetings were held between A.I.D. and CDC representatives in London in April and in Washington in July at which times details of the loan were discussed.

During these discussions A.I.D. was requested to consider its maximum terms but we indicated that the minimum terms that could be considered were a maturity of 20 years, including a five year grace period, and interest at 4%. It was further stated that third country procurement would not be permitted but that the possibility of utilizing approximately 25% of the loan proceeds for financing local costs would be considered.

The formal applications from DCWA and EADC with a covering letter from CDC indicating its intention to guaranty the loans were received on September 14, 1966.

Section II - Project Description

The A.I.D. loan funds will assist in financing economic development projects in West Africa and East Africa and will be made available through sub-loans administered by the DCWA and EADC or through equity participation by the DCWA and EADC.

Projects will include private or mixed public-private enterprises (so long as management control rests with private interests) in such fields as agriculture, forestry, mining, manufacturing, transportation, and hotels. It could also include projects involving public statutory corporations in such areas as water, electricity and port development if the enterprises are run along commercial lines. This loan will not provide funds for schools, hospitals, or government buildings. A more detailed treatment of potential projects will be given in Section IV. The Loan Agreement will require the borrowers to submit for A.I.D. approval a specific listing of eligible enterprises.

Section III - Borrower and Guarantor

A. History of CDC

CDC was originally established by an Act of Parliament of the British Government in 1948 as the Colonial Development Corporation to assist the economic development of the then dependent territories of the Commonwealth. . The change of name to Commonwealth Development Corporation was effected by the Commonwealth Development Act of 1963 which also restored the Corporation's full powers of operation in all those countries which had achieved independence within the Commonwealth since 1948. CDC is not permitted to invest in the old Dominions, nor in India, Pakistan and Ceylon. It can, however, with the agreement of the governments concerned, act as managing agents and render advisory services in any independent Commonwealth country.

The Minister of Overseas Development took over on January 1, 1965, the responsibilities in respect of CDC previously exercised by the Secretaries of State for Commonwealth Relations and for the Colonies.

B. Management Organization

1. CDC

The CDC head office is located in London but it has regional offices located in six areas of the world. These offices are listed below and include the countries for those offices which will be affected by the proposed loans.

a) Caribbean Region
b) East Asia and Pacific Islands Region
c) Southern Africa Region
d) Central Africa Region (Malawi, Zambia)
e) East Africa Region (Kenya, Tanzania, Uganda)
f) West Africa Region (Nigeria, Ghana, Sierra Leone, the Gambia)

CDC policy is determined by its Board of Members appointed by the Minister of Overseas Development. Management is exercised by a General Manager who operates through an Executive Management Board composed of the following:

General Manager
Controller of Finance
Controllers of Operations (3)
Regional Overseas Controllers (6)
Solicitor
Agricultural Advisor

The head office maintains close relations with U.K. Government departments and representatives of Commonwealth Governments in London. It is also a source of specialist and technical advice, e.g. in the fields of agriculture, engineering, housing, taxation, marketing, and law. In addition, CDC's head office provides centralized services to overseas undertakings for recruitment of expatriate staff and for purchase of equipment and material.

Each regional office is headed by a resident Regional Controller supported by an appropriate staff with a sound knowledge of the territories in which they work. The approved basic organizations of the regional offices in West and East Africa are as follows:

	West Africa	East Africa
Regional Controller	1	1
Senior executive and professional staff	4	8
Junior executive staff	2	3
Clerical and administrative staff	21	30
Total	28	42

The regional offices are responsible for ensuring that CDC's activities are directed in a way best suited for the promotion of the economic development of the territories in which they are empowered to operate. Their functions also include the investigation and formulation of new projects.

2. Borrowers

DCWA and EADC are wholly owned subsidiary companies of the CDC. The Regional Controllers of CDC are Chairmen of DCWA and EADC respectively and the Directors of the two corporations are drawn from the senior staff of the respective CDC regional offices. Neither DCWA nor EADC employs its own staff but uses the services of the regional office staffs. The wide spread of CDC's geographic and functional commitments demand a high degree of staff mobility if management expertise and professional qualifications are to be used to bhe best advantage. Therefore, it is not possible to provide a meaningful list of personnel likely to be involved in the work of DCWA and EADC at any given time. In practice, however, CDC's senior overseas representatives, the Regional Controllers who in this case are also Chairmen of DCWA and EADC, change less frequently than the remainder of the staff. Biographical details of the Regional Controllers for West and East Africa are given in Annex II.

C. Financial Organization

1. CDC

CDC has no equity capital but it has powers to borrow up to £150 million ($420 million) on a long or medium term basis and £10 million ($28 million) on short term. Within these total limits CDC may borrow funds from the British Government up to £130 million outstanding at any one time.

2. Borrowers

Both DCWA and EADC have nominal equity capital of £100 each all of which is beneficially owned by CDC. The Articles of Association for both companies give them unrestricted powers to borrow and raise money. However, CDC formal consent is necessary for borrowings in excess of £5000 outstanding at any one time.

D. Operations

1. CDC

CDC operates on commercial lines and has a statutory obligation to pay its way. However, it has a great deal of flexibility in its operations as to the types of projects it is willing to consider, as to selection of its partners and associates in various enterprises, and as to the methods and terms by which it is prepared to provide finance.

a) Types and Size of Projects. Projects financed by CDC embrace a wide range of undertakings in basic development such as electricity and water supply, railways, and housing finance, in primary production and production and processing (e.g. agriculture including smallholder farming, ranching, and meat processing as well as forestry and minerals), and in factories, industrial development agencies and hotels.

While CDC has no standard minimum investment limit, it may in some instances be unable to consider applications for less than, say, $150,000, as the costs of investigations and supervision of relatively small projects may not be commensurate with the return necessary for CDC's operations. In this regard, however, CDC has investments in a number of local development companies, including several in East and West Africa mentioned earlier, operating on commercial lines and which can handle the smaller investments.

A more detailed treatment of the types of projects financed by CDC will be found in Section IV in which the proposed use of A.I.D. funds will be discussed.

b) Partners and Associates. Although CDC has undertaken many projects on its own, in numerous projects it is associated with host governments or their agencies, with international and national development agencies, with British and foreign financial institutions and commercial, industrial and agricultural concerns, and with private interests in the country of investment. In many instances CDC's co-participants include a combination of two or more of these sources of finance.

Organizations and institutions with which the CDC has associated with include the West German Government and Netherlands Government development agencies, the World Bank and the International Finance Corporation, the Commonwealth Development Finance Company, and a number of leading banks, insurance companies, and commercial companies from Australia, Britain, Canada, Holland, New Zealand and the United States.

Where sponsors of projects are unable to obtain suitable management, CDC is prepared, in appropriate cases to consider making it available.

c) Evaluation; Approval and Supervision of New Investments.

Before a commitment is entered into for any project, the sponsor's application is fully examined and evaluated to establish the project's economic viability, its technical feasibility, its value to the country concerned, the provision of competent management, and the capital structure best suited to its needs. (See Annex III for a detailed listing of requirements). This evaluation is undertaken by CDC regional office staff under the direction of the Regional Controller in consultations with CDC specialist staff at the head office.

Investments are approved in the first instance by the Regional Controller but ultimately by the Board of Members after review by the Executive Management Board.

Supervision of disbursement and project administration is handled by CDC regional office staff with quarterly reporting required to CDC's General Manager.

It is a condition of CDC participation that CDC shall be able, through either (1) representations on the board of the project company; (2) inspection; (3) regular reports and accounts; or (4) combination of these methods, to monitor the performance of the project and to take such steps as appear appropriate to ensure that the project is conducted in accordance with sound business principles.

CDC's aim is to revolve its funds and when a project has been successfully established it is prepared to consider offering participations on suitable terms, particularly to buyers resident in the country where the project is located.

d) Terms, charges and conditions. CDC may invest in projects either through loans, equity subscriptions or guarantees but does not make any grants.

The terms of every loan and equity investment are subject to separate negotiation. The rate of interest and repayment conditions for each loan depend, among other things, on the nature of the project, the purpose for which the loan is required, the length of the loan, the value of the security to be given, and any exchange risk involved in on-lending in a currency different from that of the source funds.

The setting of the interest rate, however, must take into account the fact that all of CDC's own capital is in loan finance and that it has a statutory obligation to pay its way. Hence, CDC usually charges a rate of interest designed to yield a margin, which varies between about 1½% and 2½% according to the project, over the current average cost of its own capital obligations. This margin covers CDC's costs of management and administration and provides reserves against commercial and political risks.

CDC normally charges a fee as consideration for its commitment to provide funds for projects on which sponsors have a right to call over a period of time. This fee is charged at a per annum rate and is normally calculated on the undrawn balance from the date of the CDC commitment. CDC also reserves the right to ask for a fee for its services in investigating a project as well as requiring reimbursement for all legal costs and expenses incurrred in connection with the preparation, negotiation, and execution of all formal documents relating to CDC's agreement to participate in a project.

2. Borrowers

In practice, up until the present DCWA has been used primarily to manage the West African joint development companies in which CDC has interests while EADC has been used to hold certain CDC investments in East Africa.

DCWA and EADC are empowered to operate in the following countries:

DCWA: Nigeria, Ghana, Sierra Leone, The Gambia, and West Cameroon

EADC: Kenya, Malawi, Mauritius, Seychelles, Tanzania, Uganda, Zambia, and Aden

However, unless specific consent were to be given at some time in the future the proceeds of the A.I.D. loan would not be used for any investments in West Cameroon, Mauritius, Seychelles or Aden.

Both DCWA and EADC will undertake to invest the proceeds of the A.I.D. loan for the same general types of projects and under the same conditions that have applied to CDC investments in the respective areas. Project evaluation will be handled by CDC regional office staff supplemented by such expertise as is needed from the head office. Approval of projects, supervision of disbursement, and project administration will all be handled in the same way as all CDC investments.

However, the loan proceeds will be limited to financing the costs of U.S. equipment, materials, and services plus some of the local costs of projects selected for investment. Normal CDC practice is for untied procurement. In this regard local cost financing (within the over-all ceiling under the loan) will be limited to no more than 50% of the local costs on a given project, will not exceed the U.S. procurement for the project, and will be limited to the country in which the project is located i.e. proceeds cannot be used to finance the costs of procurement in Nigeria for a project located in Sierra Leone.

Terms and charges by DCWA and EADC will be approximately the same as for CDC investments.

Section IV - Proposed Use of A.I.D. Funds

A. General

It is proposed that the A.I.D. loan funds will be used to finance projects generally falling into the same categories of projects which have been financed previously by CDC in West and East Africa with specific exclusions required by A.I.D. legislation or policy. These exclusions would include projects producing commodities in direct competition with U.S. production, projects producing commodities in world surplus such as coffee, and projects producing alcoholic beverages and luxury items for local consumption. For purposes of specificity, some listing such as the United Nations International Standard Industrial Classification amended by certain qualifications and exclusions, will be used to identify the eligible projects.

The following discussion will illustrate the extent and range of CDC assistance to economic development projects in the countries which will be assisted through this loan. It will also cover projects currently under consideration for investments to which loan proceeds may be applied although it would be difficult to say exactly which projects will be financed. CDC does not anticipate, however, any diminution in the requirement for funds over the next ten years and this judgment is supported by A.I.D.

B. West Africa

At the end of 1965 CDC had investments in 18 projects in Ghana, Nigeria, and Sierra Leone of which all but four were in Nigeria. Total commitments amounted to £13, 158,000 ($36,842,400) of which £9,377,000 ($26,255,600) has been invested.

Projects include estates producing rubber and other crops, investments in a cement factory, tire manufacture, construction companies, hotels, house and property mortgage finance, water supply and four industrial development companies, three of which are managed by CDC and through which CDC has an interest in more than fifty ventures.

In Nigeria, Northern Nigeria Investments Ltd. the development company formed jointly by CDC and the Northern Nigeria Development Corporation, has capital resources amounting to £4.6 million ($12.9 million) with investments in 26 projects. To enable the company to continue to contribute to the establishment and expansion of industries in Northern Nigeria further capital will shortly be needed.

In Eastern Nigeria industrial development is proceeding at a pace that will shortly exhaust the capital of £1 million ($2.8 million) provided jointly by CDC and the Eastern Nigeria Government for the Development Finance Co. Ltd. Negotiations have been completed that will increase the company's resources available for investment to £2.5 million ($7 million).

Ilushin Estates Ltd. in Western Nigeria, has successfully brought its 1958/1959 rubber plantings (723 acres) into production. The company has some 5,000 acres under rubber. In Eastern Nigeria, a site has been chosen for a nucleus estate and smallholder rubber project that will evenutally provide a livelihood for many hundreds of families. Survey work, investigation and the planting of nurseries have made good progress with main clearing and planting due to commence after the 1966 rains.

Nigeria Hotels, in which CDC has a majority shareholding, has completed Stage II of a major reconstruction and extension programme at the Ikoyi Hotel, Lagos with the opening of a banqueting hall and other amenities. Business at both Lagos hotels (Ikoyi and Bristol) for which the company is responsible has continued at a very high level during the first half of 1965. With demand for hotel accommodation in Lagos continuing to expand, consideration is being given to providing an additional large bedroom block at the Ikoyi Hotel.

In Sierra Leone CDC has three projects; the Paramount Hotel in Freetown which has included construction of a new bedroom wing to meet the increasing demand, a loan of £2 million ($5.6 million) toward the cost of constructing the Guma Valley Dam which will safeguard the water supply for Freetown, and a joint development agency with the Sierra Leone Government. CDC has one loan to Ghana to assist a civil engineering and construction company.

A detailed listing of CDC projects in Nigeria, Sierra Leone, and Ghana at the end of 1965 is contained in Annex IV, Exhibit 1.

C. East Africa

It is contemplated that EADC will be making investments in Kenya, Tanzania, Uganda, Malawi, and Zambia, the first three of which fall under the CDC Regional office in Nairobi and the remaining two coming under the Regional office in Lusaka.

At the end of 1965 CDC had investments in 52 projects in these five countries. Total commitments amounted to £35,175,000 ($98,490,000) of which £25,316,000 ($70,884,800) has been invested.

Projects in the region cover agricultural enterprises producing sugar, tea, cocoa, sisal, pyrethrum and wattle, mining and industrial enterprises producing gold and copper, wheat and maize flour, animal feedstocks, fresh and canned meats, soaps and edible fats, and service projects such as hotels, electricity and water supplies and housing finance.

In association with the Governments of Tanzania, Kenya and Uganda, joint development agencies have been established with the overseas development agency of the West German Government (Deutsche Entwicklungsgesellschaft DEG); in Tanzania the Netherlands Government through the Nederlandsche Overzeese Financierings-Maatschappij NV.

In Kenya CDC has agreed to provide £3.5 million ($9.8 million) towards the development of the hydroelectric potential of the Tana River. Additional finance will derive from a syndicate of London financial institutions headed by Glyn Mills & Company and from East African Power and Lighting Co. Ltd. (EAPL). This is the first stage of a £40 million ($112 million) project which will take up to 12 years to complete. Kenya Government, CDC, EAPL and Power Securities Corporation, London, are equal shareholders in the development company.

In association with the Kenya Tea Development Authority and the International Development Association (IDA), CDC has continued to contribute towards the expansion of smallholder tea, and by the end of the year will have invested in a total of five new factories under the current programme. CDC has an investment in the manufacture of margarine, cooking fats and soap, with Unilever Ltd. while CDC interest in the wheat and maize milling industry, stemming from a shareholding in and loan to Unga Millers Ltd. has been broadened to a national basis with the formation of Kenya National Mills Ltd. in which Unga Millers has a substantial holding.

Loans to Kenya Power Co. Ltd., Kenya Central Housing Board and the Nairobi City Council have helped to meet urgent requirements for electric power, urban housing and water supply. CDC has given financial support to the three largest building societies operating in Kenya, and wholly owned CDC subsidiaries have taken over the business of the First Permanent Building Society in East Africa and of Kenya Building Society.

In Tanzania the Kilombero Sugar Co. Ltd., in which CDC is associated with the International Finance Corporation, the Netherlands Overseas Finance Co. Ltd., the Standard Bank and others, has been reorganized and additional capital subscribed by the principal investors, CDC also has direct investments in wattle estates and a tanning extract factory; and with commercial partners in estates growing sisal, tea and cocoa, and in a factory producing pyrethrum extract for use in insecticides. A loan to the Tanganyika Electric Supply Company for the Hale hydroelectric scheme has enabled the company to meet increasing demands for supplies.

In Uganda, the newest projects are investments for tea plantations and factories. Kilembe Mines Ltd. in which CDC has a stake continues to make a substantial contribution to the country's exports.

In Malawi, CDC has committed almost £3.5 million ($9.8 million) for the development of the water supply to Blantyre/Limbe and the construction of the Nkula Falls hydroelectric scheme which is due to go into operation in 1966.

The Vipya Tung Estate in northern Malawi is one of the main sources of employment in that part of the country as well as providing a valuable export crop from its 5,000 acres of tung trees. At Kasungu CDC has been managing a training scheme for African farmers learning to grow flue-cured tabacco.

In Zambia the Government has acquired 40% of the issued share capital of Chilanga Cement Ltd. in accordance with its policy of taking a substantial interest in basic industries. The company now has major expansion plans to increase its cement making capacity. A loan to the Central Electricity Corporation in Lusaka is helping to finance extensions to the distribution system.

In Malawi and Zambia CDC has lent money for high density housing schemes. CDC also has an investment in the Industrial Promotion Corporation Central Africa Ltd. to assist in industrial and agricultural enterprises.

A detailed listing of CDC projects in Kenya, Tanzania, Uganda, Malawi, and Zambia is contained in Annex IV, Exhibit 2.

D. Project Justification

It is recognized that additional assistance is needed in Africa for projects and enterprises of a productive nature. Most of the capital assistance flowing from the donor countries has been to assist in financing infrastructure projects and private investment has fallen short of the total need in the productive sector. The proposed loan will assist to meet this need.

A.I.D. does not have the staff resources to consider a significant number of smaller projects needing financing. Although the Africa Bureau has provided assistance to several development banks in Africa there has been some difficulty in administering the loans particularly with regard to U.S. procurement requirements.

By cooperating with the CDC in providing financing to two of its subsidiaries and utilizing the CDC's operating experience in Africa it is envisioned that more effective use can be made of A.I.D. funds channeled toward the private sector. CDC, with its regional offices, has on-going organizations with a backlog of projects containing potential elements of U.S. procurements. This should ensure a reasonably fast draw-down of the loan.

The U.S. procurement on many of the proposed projects is in conjunction with local costs and other foreign exchange costs which can be financed with the CDC's untied funds. Thus, by participating with CDC funds, U.S. procurement becomes a part of the total financing requirements whereas with a direct A.I.D. development bank loan requiring all U.S. procurement, difficulties in finding projects to qualify are often encountered.

In addition, by taking a regional approach to the need for funds in the productive sector (four eligible countries in West Africa, five in East Africa) sub-loans can be authorized in any of the countries where they are justified. With the use of regional organizations such as DCWA and EADC the economic merits of projects can often be more objectively appraised than through purely national development banks.

Both DCWA and EADC will undertake projects which will be both commercially viable and will contribute to the economic development of the countries in which they are located with particular emphasis to the national development plans of the countries concerned. Emphasis will also be placed on the foreign exchange earnings potential of the projects considered. These are all lending principles which are supported by A.I.D.

The financing of some local costs, subject to the limitations mentioned in Section III.D.2, will be eligible under the loan. It was concluded, after discussions with the CDC, that this would facilitate a more rapid drawdown of the loan where there are local costs associated with projects containing U.S. procurement by permitting A.I.D. funds to be used to finance a greater share of a project's total costs. This would reduce the number of projects to be considered and processed for A.I.D. financing.

It should also be mentioned that the business methods of many overseas promoters of projects operating in West Africa in recent years, particularly those involving contractor and supplier credits, were not conducive to the establishment of sound undertakings. Unfortunately, some of these schemes enjoyed just enough success to damage the chances of adoption of more soundly conceived schemes which sometimes take somewhat longer to organize. This has resulted in heavy liabilities to be met over the next few years with respect to government guaranteed short-term loans for expensive machinery. This machinery is often incorporated in projects not necessarily well adapted to local conditions and unbacked by the professional management and long-term financial investment which is essential to the establishment of a successful industrial operation in the developing countries of Africa.

The A.I.D. loan will provide some portion of the long-term financing which must be available if this problem, which has been of concern to A.I.D., is to be alleviated. Without the availability of reasonable financing the pressure to turn to contractor financing is very great.

Finally, by contributing funds to DCWA and EADC, A.I.D. funds will be indirectly contributing to the better management and training which is needed in these two areas of Africa. CDC has in the past and will continue in the future to emphasize training of nationals of the countries in which it operates to undertake posts of responsibility in individual projects and in the CDC organization as a whole.

As mentioned earlier, it is difficult at this time to identify precisely which projects will be financed or partially financed through the use of the A.I.D. funds or in exactly which countries the projects will fall.

Annex V contains a list of projects currently under consideration in West and East Africa with order of magnitude cost estimates for the project and with identification of projects (including amounts) which are apt to utilize U.S. procurement. This indicates approximately how the A.I.D. loans might be drawn down.

Section V - Financial Analysis

A. CDC

1. Balance Sheet

Book value of CDC's fixed assets, development expenditures, and investments, increased during 1965 by approximately £7.5 million ($21 million) to a total of £101.3 million ($283.6 million). There were increases in all main accounts due to substantially expanded investment by CDC during the year and to an increase in CDC's own business.

During 1965 capital liability to the British Government increased by about £4.3 million ($12 million) to a total of £92.4 million ($258.7 million). The difference in the above figures are roughly accounted for by an increase in short-term loans and cash surpluses. Long-term British Government advances in the past had been repayable with compound interest over the last 33 years of a 40-year term. During 1965, however, the British Government decided to waive interest during the seven year grace period for certain projects.

Short and medium-term advances are repayable respectively within one year and at the end of 10 years. Certain special term advances are tailored as to repayment terms to match the repayment terms negotiated by CDC with the ultimate borrower and are normally for periods between 10 and 30 years. Provision against the book value of projects are investments now amounts to almost £3 million ($8.4 million) while the Reserve Fund (surplus) totals £388,000 ($864,000).

2. Profit and Loss

Net profits from indirect projects and income from subsidiary companies, from investment, and from certain management and other fees increased by £.9 million ($2.5 million) to £6.5 million ($18.2 million) in 1965. After expenses operating income totaled £5.6 million ($15.7 million).

Interest payable to the British Government amounted to about £4.8 million ($13.4 million) which, with a transfer to provision against book value of projects and investments of almost £1 million, left £22,117 for transfer to Reserve Fund. Details of the Profit and Loss Account for 1965 can be found in Annex VI.

As mentioned in Section III-D, CDC's interest rates are geared to yield a margin, which varies between 1½% and 2½%, over the current average cost of its own capital obligations to cover management and administrative costs and to provide reserves against risk. Management and administrative costs are currently running out 0.7% p.a. of total investment.

With regard to equity investments and the greater risks therein, including the usual initial period with no dividends, CDC is at somewhat of a disadvantage in that all of its funds are provided on a loan basis with interest payable. This has been improved to some degree, however, with the establishment of the interest waiver for seven years.

3. Financial Appraisal

It is expected that, as a result of limits now imposed by the British Government on aid expenditures which include CDC drawings on the British treasury, CDC's ability to undertake new commitments will be somewhat reduced in 1966. New commitments amounted to £13.5 million ($37.8 million) in 1965, £12 million ($33.6 million) in 1964. As a result CDC has been making arrangements to raise financing from other sources of which the A.I.D. loan is a part.

However, with new commitments plus the CDC's aggregate existing investment which is spread throughout Africa, the Far East, and the West Indies in commercially viable and diverse projects, the operating income of CDC is expected to remain adequate to service its debt. CDC has, over the years, built up a competent management experienced in the problems which arise in the developing countries and which should ensure continued sound operations.

B. Borrowers

Since DCWA and EADC have been used up to the present for specialized purposes of CDC no meaningful past accounts are available. A projected cash flow statement, however, has been prepared for each corporation through 1975 in relation to their use of A.I.D. funds. Their use of A.I.D. funds assumes that CDC will provide funds to both DCWA and EADC on a 3 to 1 pro rata basis with the A.I.D. funds.

Certain other assumptions have also been made including the mix between equity and loan investments, yields and interest rates and draw down of the funds. Cash flow projections for both corporations indicate that there will be coverage for taxes, services of equity capital, and for operating expenses.

As pointed out earlier, neither of the corporations will have its own staff but will draw on the regional offices of the CDC and certain specialized assistance of the home office. No attempt has been made in the projected cash flow to allocate expenses of this nature to DCWA or EADC at this stage. However, for order of magnitude considerations the approved estimates for administrative expenditures in 1966 for the regional offices in West and East Africa are as follows:

	West Africa		East Africa	
Staff pay and expenses	L 39,345	$110,166	L 70,242	$196,678
Travel	7,015	19,642	10,856	30,397
Premises	10,220	28,616	9,354	26,191
Other Expenses	7,800	21,840	11,766	32,945
Contingency	500	1,400	1,350	3,780
	L 64,880	$181,664	L103,568	$289,991

The projected cash flow forecasts are contained in Annex VII and indicate a favorable financial picture for the corporations as they relate to the A.I.D. loan. Considering CDC's very good past operating experience and its backlog of projects under consideration, these projections are considered reasonable.

C. A.I.D. Loan

1. Amount and Terms

It is recommended that A.I.D. approve a loan to the Development Corporation (West Africa) for $1,500,000 and to the East Africa Development Corporation for $500,000, both loans to carry interest at 4% p.a. with principal repayable over 20 years with a five year grace period.

About half of the CDC capital liability to the British Government is in the form of long-term advances for forty years. About 6% is in medium-term advances of 10 years, only a slight amount is to short-term advances, and the remainder is in what is known as special-term advances which are set according to the repayment terms negotiated by CDC with the proposed borrower. These advances usually fall between 10 and 30 year terms.

It is felt that the A.I.D. loan, set at twenty years, falls into this category of special-term advances, with particular regard being given to the pay-out prospects for projects in Africa. The interest rate of 4% is also considered to be reasonable for CDC's Africa subsidiaries. Although somewhat less than the current British Government rate to the CDC the difference is reduced through the seven year waiver of interest on the British Government terms.

2. Loan Provisions

CDC will be a party to both Loan Agreements for the purpose of guaranteeing the performance of the borrowers.

Twenty five percent of the loan proceeds for each loan will be available to finance local costs of projects in the country in which the project is located. The remainder of the loan will be used to finance the costs of U.S. procurement. With respect to local costs on any given project, A.I.D. financing of local costs cannot exceed the lesser of (1) 50% of the total local costs or (2) the U.S. procurement costs. In addition, all local costs will be disbursed through a Special Letter of Credit in favor of the CDC to be drawn down through CDC procurement of U.S. goods and services for its world-wide operations.

The loan proceeds will be available for equity investments as well as loans provided the funds are used for either local or U.S. procurement.

All sub-projects amounting to over $250,000 will require A.I.D. approval. Eligible projects will include government corporations such as water supply systems provided that they are run on commercial lines.

3. Summary

	($ Millions) FX	Local	Total
DCWA			
A.I.D. Loan	1.125	.375	1.5
CDC Funds			4.5
Total			6.0
EADC			
A.I.D. Loan	.375	.125	.5
CDC Funds			1.5
Total			2.0
Total A.I.D. Loan	1.500	.500	2.0
Total CDC Funds			6.0
Total Project			8.0

4. Prospects for Repayment

As mentioned earlier it is felt the project cash flow statements for both DCWA and EADC are reasonable. Both provide adequate coverage for the repayment of the A.I.D. loan.

Finally it is felt that the financial position of CDC, acting as the guarantor for both loans, is adequate to provide for any contingency that may arise in the form of financial problems that may arise with the two borrowers. The Bank of England will provide assurance that U.S. dollars will be made available to CDC for repayment purposes.

Therefore, it is felt that the prospects for repayment of both loans are good.

Section VI - Other Factors

A. Impact on U.S. Balance of Payments

The loans will have little effect on the U.S. balance of payments since only 25% ($500,000) can be used for local costs. All of the local costs will be disbursed through the Special Letter of Credit procedure ensuring the expenditure of funds on U.S. goods and services. The Special Letter of Credit will be opened in favor of the CDC. It will be drawn down on the basis of documentation furnished in evidence of U.S. procurement for materials, equipment and services by the CDC for projects throughout its world-wide operations.

B. Impact on U.S. Economy

The loans will not conflict with any U.S. business or agricultural interest. In fact the loan will assist the U.S. economy by financing $1.5 million in U.S. procurement of goods and services.

C. Effect on Private Enterprise

The loan is primarily intended to assist African private enterprise through the provision of capital and indirectly, through the CDC, the provision of management assistance. Furthermore, goods and services financed with loan funds will be purchased from either U.S. or African private enterprise.

D. Ten Country Limitation

In view of the regional character of the proposed A.I.D. assistance, the CDC organization described above and the eligibility of four countries in West Africa and five countries in East Africa, it is the opinion of the Office of General Counsel that both loans fall outside of the recent ten country Development Loan statutory limitation.

ANNEX I

AID -DLC/P-477

November 21, 1966

CHECK LIST OF STATUTORY CRITERIA

(Development Loan Fund)

1. FAA §.102. Precautions that have been or are being taken to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary, balance of payments, or military purposes) or any other purpose not essential to the country's long-range economic development. To be covered in Loan Agreement limiting the use of loan funds.

2. FAA §.102. Information on measures taken to utilize U.S. Government excess personal property in lieu of procurement of new items. Not appropriate for this project.

3. FAA §.102. Information whether the country permits or fails to take adequate measures to prevent the damage or destruction by mob action of U.S. property. No such failure to take adequate measures is known among the countries eligible for sub-loans under this loan.

4. FAA §.201(b). Manner in which loan will promote country's economic development, emphasizing help for long-range plans and programs designed to develop economic resources and increase productive capacities. Satisfied. Section IV.

5. FAA §.201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. Satisfied. Section V.A.3.

6. FAA §.201(b)(2). Information and conclusion on activity's economic and technical soundness, including the capacity of the recipient country to repay the loan at a reasonable rate of interest. Satisfied. Sections III.D.1.c; III.D.2; IV; V. Recipient country repayment capacity not applicable.

7. FAA §.201(b)(3). Information and conclusion on existence of reasonable promise activity will contribute to development of economic resources or increase of productive capacities. Satisfied. Sections III.D.1.c; III.D.2; IV.

8. FAA §.201(b)(4). Information and conclusion on activity's relationship to other development activities, and its contribution to realizable long-range objectives. Satisfied. Section IV.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1966.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1967.

AFR/CDF:10/66

9. FAA §.201(b)(5). Country's self-help measures, including institution of Foreign Assistance Act investment guaranty programs. If applicable, satisfied. Section IV. Investment guaranty programs have been instituted in all countries eligible for sub-loans under this loan except Malawi and the Gambia. Agreements are being negotiated with the latter two countries.

10. FAA §.201(b)(6). Information and conclusion on possible effects on U.S. economy, with special reference to areas of substantial labor surplus. Satisfied. Section VI.B.

11. FAA §.201(b)(7). Information and conclusion on the degree to which the country is making progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise. If applicable, believe all countries eligible for sub-loans are making progress. Currently Nigeria is experiencing interval difficulties. Authority is being maintained on a regional basis, however, and the rule of law continues to be recognized. Courts have continued to function and violators of recognized Western legal standards are subject to punishment.

12. FAA §. 201(b)(8). Information and conclusion on the degree to which the country is taking steps to improve its climate for private investment. If applicable, satisfied, section IV; see also item 9 above.

13. FAA §.201(b)(9). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth. Satisfied. Section IV.D.

14. FAA §.201(b). Information and conclusion on reasonable prospects of repayment. Satisfied. Section V.D.4.

15. FAA §.201(b). Information on applicability of the ten country ceiling. Satisfied. Section VI.D.

16. FAA §.201(d). Information and conclusion on legality (under laws of the country and the U.S.) and reasonableness of lending and relending terms. Satisfied. Sections V.C.1 and III.D.1.d.

17. FAA §.201(e). Information and conclusion on availability of an application together with sufficient information and assurances to indicate reasonably that funds will be used in an economically and technically sound manner. If applicable, satisfied. Sections I and IV.

18. FAA §.201(f). If a project, information and conclusion whether it will promote the economic development of the requesting country, taking into account the country's human and material resource requirements and the relationship between the ultimate objectives of the project and the country's over-all economic development. If applicable, satisfied. Sections III.D.1.c and Section IV.

19. FAA §.201(f). If a project, information and conclusion whether it specifically provides for appropriate participation by private enterprise. Satisfied. Sections II, III.D; IV; and VI.c.

20. FAA §. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources. Satisfied. Sections II; IV, V.c.2; VI a, b, and c.

21. FAA §.281. Extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the developing countries, through the encouragement of democratic private and local governmental institutions. Satisfied. Section IV.

22. FAA §.601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; (f) strengthen free labor unions. (a), (c),(d),and (f) not applicable. (b) and (e)satisfied. Section IV.

23. FAA §.601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad, and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Satisfied. Section VI.c.

24. FAA §.601(d). Conclusion and supporting information on compliance with the Congressional policy that engineering and professional services of U.S. firms and their affiliates are to be used in connection with capital projects to the maximum extent consistent with the national interest. To be covered in Loan Agreement and implementing documents.

25. FAA §.602. Information and conclusions whether loan will permit American small business to participate equitably in the furnishing of goods and services financed by it. To be covered by provision in Loan Agreement.

26. FAA §.604(a); App. §.108. Compliance with restriction of commodity procurement to U.S. except as otherwise determined by the President and subject to statutory reporting requirements. To be covered in Loan Agreement.

27. FAA §.604(b). Compliance with bulk commodity procurement restriction to prices no higher than the market price prevailing in the U.S. at time of purchase. Not applicable.

28. FAA §.604(d). Compliance with requirement that marine insurance be purchased on commodities if the participating country discriminates, and that insurance be placed in the U.S. To be covered in Loan Agreement.

29. FAA §.611(a)(1). Information and conclusion on availabiltiy of engineering, financial, and other plans necessary to carry out the assistance and of a reasonably firm estimate of the cost of the assistance to the United States. Satisfied. Sections V.B. and C.

30. FAA §.611(a)(2). Necessary legislative action required within recipient country and basis for reasonable anticipation such action will be completed in time to permit orderly accomplishment of purposes of loan. None anticipated; appropriate legal opinion to be covered in Loan Agreement.

31. FAA §.611(b); App. §.101. If water or water-related land resource construction project or program, information and conclusion on a benefit-cost computation. Not applicable.

32. FAA §.611(c). Compliance with requirement that contracts for construction be let on competitive basis to maximum extent practicable. To be covered in Loan Agreement.

33. FAA §.612(b); §636(h). Appropriate steps that have been taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractural and other services and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services. Satisfied. Sections V.c.2 and 3.

34. FAA §.619. Compliance with requirement that assistance to newly independent countries be furnished through multilateral organizations or plans to maximum extent appropriate. Satisfied. Sections III.D.1.b. and IV.D.

35. FAA §.620(a); App. §.107(a); App. §.107(b). Compliance with prohibitions against assistance to Cuba and any country (a) which furnishes assistance to Cuba or failed to take appropriate steps by February 14, 1964, to prevent ships or aircraft under its registry from carrying equipment, materials, or supplies from or to Cuba; or (b) which sells, furnishes, or permits any ships under its registry from carrying items of primary strategic significance, or items of economic assistance. If applicable, no such situations hereunto exist in countries eligible for sub-loans.

36. FAA §.620(b). If assistance to the government of a country, existence of determination it is not controlled by the international Communist movement. If applicable, determination has been made for all countries eligible for sub-loans.

37. FAA §.620(c). If assistance to the government of a country, existence of indebtedness to a U.S. citizen for goods or services furnished or ordered where such citizen has exhausted available legal remedies or where the debt

is not denied or contested by such government or the indebtedness arises under an unconditional guaranty of payment given by such government. If applicable, no such indebtedness is known to exist. for any of the countries eligible for sub-loans under this loan.

38. FAA §. 620(d). If assistance for any productive enterprise which will compete with U.S. enterprise, existence of agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan. Not applicable.

39. FAA §.620(e)(1). If assistance to the government of a country, extent to which it (including government agencies or subdivisions) has, after January 1, 1962, taken steps to repudiate or nullify contracts or taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking appropriate steps to discharge its obligations. If applicable, no such action taken by any of the governments of countries eligible for sub-loans under this loan, although there presently is under investigation an alleged expropriation of American property in Tanzania, one of the countries eligible for sub-loans.

40. FAA §.620(f); App. §. 109. Compliance with prohibitions against assistance to any Communist country. If applicable, none of the countries eligible for sub-loans under this loan is considered to be a Communist country.

41. FAA §. 620(g). Compliance with prohibition against use of assistance to compensate owners for expropriated or nationalized property. If applicable, to be covered in Loan Agreement by limiting use of loan funds.

42. FAA §. 620(h). Compliance with regulations and procedures adopted to insure against use of assistance in a manner which, contrary to the best interests of the U.S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries. To be covered in Loan Agreement by limiting use of funds.

43. FAA §.620(i). Existence of determination that the country is engaging in or preparing for aggressive military efforts. If applicable, no such determination has been made for any of the countries eligible for sub-loans under this loan.

44. FAA §.620(i). Information on representation of the country at any international conference when that representation includes the planning of activities involving insurrection or subversion against the U.S. or countries receiving U.S. assistance. If applicable, there has been no information on any such representation by any of the countries eligible for sub-loans under this loan.

45. FAA §. 620(j). Indonesia restriction. Not applicable.

46. FAA §.620(k). If construction of productive enterprise where aggregate value of assistance to be furnished by U.S. will exceed $100 million, identification of statutory authority. Not applicable.

47. FAA §.620(l). Consideration which has been given to denying assistance to the government of a country which after December 31, 1966, has failed to institute the investment guaranty program for the specific risks of inconvertibility and expropriation or confiscation. If applicable, all countries with the exception of the Gambia and Malawi have signed investment guaranty agreements with A.I.D. covering inconvertibility and expropriation. In the cases of the two exceptions, agreements are now being negotiated.

48. FAA §.620(n); App.§.107(b); App.§.116. Compliance with prohibitions against assistance to countries which traffic or permit trafficking with North Vietnam. If applicable. no such situations known to exist in countries eligible for sub-loans.

49. FAA §.620(o). If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters, information on the consideration which has been given to excluding the country from assistance. If applicable, no such action is known to have occurred by any of the countries eligible for sub-loans under this loan.

50. FAA §.620(p); App.§.117. U.A.R. restriction. Not applicable.

51. FAA §.620(q). Existence of default under any Foreign Assistance Act loan to the country. If applicable, none of countries eligible for sub-loans under this loan are known to be in default.

52. App.§.102. Compliance with requirement that payments in excess of $25,000 for architectural and engineering services on any one project be reported to Congress. Compliance will be made.

53. App.§.104. Compliance with bar against funds to pay pensions, etc., for military personnel. To be covered in Loan Agreement by limiting use of funds.

54. App.§.106. If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U.S. citizens generally, application which will be made in negotiations of contrary principles as expressed by Congress. No such situations known to exist in countries eligible for sub-loans.

55. App.§.111. Compliance with existing requirements for security clearance of personnel. Not applicable.

56. App.§.112. Compliance with requirement for approval of contractors and contract terms for capital projects. Not applicable.

57. App.§.114. Compliance with bar against use of funds to pay assessments, etc., of U.N. member. To be covered in Loan Agreement by limiting use of funds.

58. App. §.115. Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964, (Regulation 7). Not applicable.

59. App. §.118. Vietnam iron and steel restrictions. Not applicable.

60. App. §.401. Compliance with bar againt use of funds for publicity or propaganda purposes within U.S. not heretofore authorized by Congress. To be covered in Loan Agreement by limiting the use of loan funds.

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ANNEX II
EXHIBIT 1

November 21, 1966

Biographical Data, Chairman DCWA

Name:	[redacted]	
Address:	[redacted]	
Date of Birth:	[redacted]	
Education:	1930-36	Lower School of John Lyon, Harrow-or the-Hill (Matric)
	1936-40	Royal School of Mines, London
Qualifications:	BSc(Engineering	
	ARSM (Mining)	
	Assoc MIMM (1949)	
Appointments:	1937	Parsonage Pits, Leigh (3 Months)
	1938	Falconbridge Nickel Mines, Canada (4 months)
	1939	Hollinger Gold Mines, Canada (4 Months)
	1940-46	RAF - Squadron Leader (Engineer Branch)
	1947-49	Esperanza Cooper & Sulphur Co, Cyprus (Surveyor - Engineer)
	1949	Joined CDC and following appointments held -
	1949	Mining Engineer, Head Office (6 weeks)
	1949-51	Mining Engineer/Surveyor, Tanganyika Coalfields Investigation
	1951-55	Mining Engineer/Surveyor, Macalder-Nyanza Mines
	1955-58	Executive Assistant in various departments in Head Office
	1958-59	Executive Assistant, Regional Office (Central Africa)
	1959-66	Regional Controller (Central Africa)
	1966 -	Regional Controller (West Africa)

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<u>ANNEX II</u>
<u>EXHIBIT 2</u>

Biographical Data, Chairman EADC

Name:	[redacted]	
Address:	[redacted]	
Date of Birth:	[redacted]	
Education:	1938-44	Grammar School, Sandown, I.O.W.
	1944-47	Wadham College, Oxford
Qualifications:	BA (1st class Hons) - PPE	
Military Service:	1948-50	RAEC - Captain
Appointments:	1950	Joined CDC and following appointments held -
	1950-52	Clerk-Secretarial Assistant to departments in Head Office
	1952-54	Assistant, Regional Office (Far East)
	1954-59	Deputy Chairman (Exec), Borneo Abaca Ltd.
	1959	Acting Controller of Operations Department, Head Office
	1959-60	Controller of Operations Department Head Office
	1960-61	General Manager, Cameroons Development Corporation (5 months)
	1961 -	Regional Controller (East Africa)

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ANNEX III

November 21, 1966

APPLICATION FOR CDC FINANCE

To enable CDC to make a preliminary assessment of any new project, or proposals to expand an existing project, the following information should be supplied at an early stage.

(1) The nature and location of the proposed development with details and estimated cost of the land (including nature of land title), buildings, plant and machinery and other fixed assets required to make it fully operational.

(2) Indications of the way in which the enterprises will assist in the development of the economy of the territory concerned.

(3) Any available evidence of territorial Government support for the enterprise, including details of any pioneer status license or certificate and/or of any special concessions currently enjoyed or likely to be enjoyed by the project in the future.

(4) The phasing of the development programme and installation of fixed assets over the construction or development period.

(5) The total amount of capital required, distinguishing between working capital and capital required for other purposes; the sources from which it is intended to raise such capital and the proposed amount and type or types of finance (equity, long term loan, overdraft facilities, etc.) to be provided by each such source. Details should also be given of any mortage or charge existing or which it is intended to create over any of the assets.

(6) Copies of any available feasibility studies, consultants reports, market surveys or other technical reports relating to the establishment or expansion of the project.

(7) Evidence of the availability of resources and services required, e.g., raw materials, labour, power and water, communications and transport.

(8) Evidence of the likely demand for the project's products, or for the services or facilities which the project is to provide.

(9) Estimated balance sheet for each year of the construction or development period and estimated balance sheet and profit and loss account for each of the first, say, five years of operating. In the case of existing projects, audited accounts for each of the last five years (or for each year from date of formation, if less than five years have elapsed since that date).

(10) Details of proposed management arrangements with the names, ages and nationalities of existing and/or proposed directors, their professional or technical qualifications and their experience of the type of business to be undertaken: similar appropriate details should be furnished for senior management and/or technical staff, and for managing agents or consultants who are either employed, or who are to be employed. Also details of any service agreement, managing agency, selling agency or similar agreements pertaining to the project.

(11) Copies of any available documents or drafts of documents relating to the formation or establishment of the project, e.g., Memorandum and Articles of Association in the case of companies, and partnership agreements, ordinances or other related legislation for projects not formed under Companies Legislation. Also, if available, copies or drafts of any prospectus issued or proposed to be issued, underwriting agreement, promotion agreement, etc.

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ANNEX IV
EXHIBIT 1

November 21, 1966

CDC Commitments and Investments in
Ghana, Nigeria and Sierra Leone
As of 12-31-65

	Net Commitment £ 000	Investment at 12-31-65 £ 000
GHANA		
Stirling Astaldi (Ghana)Ltd.	93	93
NIGERIA		
Coast Construction CO.,Ltd.	78	78
Dorman Long and Amalgamated Engineering Co. Ltd.	50	50
Dunlop Nigerian Industries Ltd.	350	350
Eastern Nigeria Nucleus Estate and Smallholder Scheme	900	68
Illushin Estates Ltd.	335	295
Development Finance Co. (E. Nigeria) Ltd.	1,500	667
Lagos Executive Development Board	1,138	1,138
Nigeria Hotels Ltd.	335	359
Nigeria Housing Development Society Ltd.	2,725	2,194
Nigerian Cement Co. Ltd.	248	248
Nigerian Industrial Development Bank Ltd.	75	75
Northern Housing Estates Ltd.	10	10
Northern Nigeria Investments Ltd.	+ 500) 2,300)	1,800
Textile Printers of Nigeria Ltd.	200	200
SIERRA LEONE		
Freetown Hotel Ltd.	257	233
Guma Valley Water Co.	2,000	1,450
Sierra Leone Investments Ltd.	64	69
	13,158	9,377

CDC Commitments and Investments in
Kenya, Tanzania, Uganda, Malawi and Zambia as of 12-31-65

	Net Commitment £ 000	Investment at 31-12-65 £ 000
KENYA		
First Permanent (EA) Ltd.	753	753
Block Hotels Ltd.	106	106
Development Finance Co. of Kenya Ltd.	500	275
East Africa Industries Ltd.	191	146
Housing Finance Co. of Kenya Ltd.	530	3
Kenya Building Society Ltd.	347	347
Kenya Central Housing Board	1,520	1,520
Kenya Land Development and Settlement Scheme	825	157
Kenya Meat Commission	125	125
Kenya Power Co. Ltd.	3,535	3,535
Kenya Tea Development Authority	1,730	900
Kenya Tea Factory Companies		
Chinga Tea Factory Co. Ltd.	80	64
Kangaita Tea Factory Co. Ltd.	80	72
Litein Tea Factory Co. Ltd.	80	56
Mataara Tea Factory Co. Ltd	80	64
Nyankoba Tea Factory Co. Ltd.	80	56
Kisumu Cotton Mills Ltd.	195	-
Nairobi City Council		
Kiburu Diversion (water Supply)	105	105
Kariakor Housing	125	125
Sasamus (water supply)	300	-
Nyambeni Tea Co. Ltd.	135	107
Oceanic Hotel Ltd.	61	61
Pyrethrum Processing Co. of Kenya Ltd.	314	314
Tana River Development Co. Ltd.	3,500	311
Unga Millers Ltd.	421	421
TANZANIA		
Bird & Co (Africa) Ltd.	350	350
Kilombero Sugar Co. Ltd.	1,915	1,755
Maramba Estate Ltd.	420	337
Tanganyika Development Finance Co. Ltd.	500	125
Tanganyika Extract Co. Ltd.	5	5
Tanganyika Electric Supply Co. Ltd.	3,000	3,000
Tanzania Millers Ltd.	172	172
Tanzania Mining Investigations		
Liganga Iron Ltd, Rungwe Coal Co. Ltd., Tanganyika Coalfields Ltd.	38	38

TANGANYIKA CON't	Net Commitment £ 000	Intestment at 31/12/65 £000
Tanganyika Wattle Co. Ltd.	1,370	1,094
Tangold Mining Co. Ltd.	443	143
UGANDA		
Bugambe Plantation Co. Ltd.	100	100
Development Finance Co. of Uganda Ltd.	500	76
Kilemba Mines Ltd.	1,140	1,140
Uganda Tea Growers Corporation	1,260	-
Mwenge Tea Co. Ltd.	360	254
ZAMBIA		
Industrial Promotion Cpn Central Africa Ltd.	50	50
Central Electricity Cpn, Lusaka	198	148
Chilanga Cement Ltd.	449	449
Zambia Housing	969	969
MALAWI		
David Whitehead & Co. (Malawi) Ltd.	365	-
Electricity Supply Commission of Malawi	1,915	1,200
Kasunga Tobacco Estates	400	400
Malawi Housing	1,000	1,000
Mudi River Water Board	1,438	1,438
Vipya Tung Estates	1,400	1,450
	35,175	25,316

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ANNEX V
EXHIBIT 1

November 21, 1966

LIST OF SUB-PROJECTS CURRENTLY IN PROSPECT IN WEST AFRICA WITH, AGAINST EACH, THE PROBABLE TOTAL COST (IN US $ EQUIVALENT) AND THE VALUE OF GOODS AND SERVICES WHICH, SUBJECT TO FURTHER DETAILED INVESTIGATION MIGHT BE EXPECTED TO QUALIFY FOR FINANCING FROM AID DEVELOPMENT LOAN FUNDS

	Estimated Total Cost US $ '000	Value Which Might Qualify For AID Finance US $'000
Batteries, telecommunications equipment and cables	4,500	300
Groundnut crushing	950	-
Cotton Textile spinning and weaving (expansion)	700	-
Hydrated lime	450	20
Chewing gum	500	35
Marble Quarry and dressing plant	800	20
Tomato paste and puree	550	150
Bicyles	2,000	-
Cutlery	80	20
Rice milling	120	60
Blankets	150	-
Crude salt refining	2,000	500
Steel rolling-rods and angles (rehabilitation)	2,300	-
Terylene spinning and weaving (expansion)	100	-
Pharmaceuticals	200	50
Tower manufacture	1,000	-
Logging and sawmilling	350	40
Distillery	520	-
Waste rubber recovery	250	-
Aluminum rolling and extrusion (expansion)	1,000	150
Core-stock veneer mill	1,350	110
Fish meal and fish oil	400	20
Textile piece goods	1,650	-
Clothing	400	-
Engraving of textile printing rolls	250	-
Hotel expansion and re-equipment	430	25
	23,000	1,500

LIST OF SUB-PROJECTS CURRENTLY IN PROSPECT IN EAST AFRICA WITH, AGAINST EACH, THE PROBABLE TOTAL COST (IN US $ EQUIVALENT) AND THE VALUE OF GOODS AND SERVICES WHICH, SUBJECT TO FURTHER DETAILED INVESTIGATION MIGHT BE EXPECTED TO QUALIFY FOR FINANCING FROM AID DEVELOPMENT LOAN FUNDS

	Estimated Total Cost US $'000	Value Which Might Qualify For AID Finance US $'000
Hotels, game lodges and tourist facilities generally	6,500	100
Cotton ginnery	300	30
Tobacco processing	550	50
Bakeries	300	-
Brewery	2,750	-
Verticle Textile mill, spinning and weaving of cotton	4,000	-
Citrus box manufacture	350	40
Nitrogenous fertilizers	10,000	130
Motor assembly	450	-
Rayon spinning and weaving	750	-
Steel rolling-rods and angles	1,500	50
Jute Bags and hessian	3,000	50
Tea factories	1,250	-
Rubber estate	1,250	-
Bottles and glass	900	-
Fishnets	600	-
Papain processing	200	50
Confectionery	450	-
	35,000	500

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ANNEX VI
November 21, 1966

CDC PROFIT AND LOSS ACCOUNT - CALENDAR 1965

Year to 31.12.64 £		£	£	£
252,150	NET SURPLUS OF DIRECT PROJECTS (per statement 4)			258,102
752,471	INCOME FROM SUBSIDIARY COMPANIES (per statement 4)			939,039
4,538,410	INCOME FROM INVESTMENTS (per statement 4)			5,192,934
65,467	MANAGING AGENCY AND OTHER FEES (NET)			103,843
5,608,498				6,493,918
58,849	INVESTIGATION EXPENDITURE WRITTEN OFF		57,000	
344,074	ADMINISTRATIVE EXPENDITURE (head office and overseas offices)		384,917	

Above administrative expenditure is stated after making allocations to:

1964 £		£
41,081	Projects—revenue expenditure	38,785
3,838	—fixed assets	8,350
13,175	—expenditure on development	11,099
55,527	Managing agencies	60,139
39,463	Investigations	40,334
107,205	Subsidiary companies	142,621
£260,289		£301,328

Year to 31.12.64 £		£	£	£
	REMUNERATION OF MEMBERS			
8,116	Fees and expenses	8,555		
6,188	Salaries	6,500		
305	Insurance premium for pension for former member	305		
			15,360	
				457,277
5,190,966				6,036,641
103,000	OVERSEAS TAXATION (after crediting provisions made in prior years no longer required)		240,000	
85,373	INTEREST PAYABLE OTHER THAN TO GOVERNMENT		168,319	
				408,319
£5,002,593	OPERATING SURPLUS OF CORPORATION carried forward			£5,628,322

Year to 31.12.64 £		£	£	£
5,002,593	OPERATING SURPLUS OF CORPORATION brought forward			5,628,322
103,380	*Add* Profits less losses on realisation of investments and other assets			134,021
5,105,973				5,762,343
605,095	*Deduct* Transfer to Provision against book value of projects and investments		958,985	
	INTEREST PAYABLE TO GOVERNMENT	£		
3,622,053	Amount currently payable	4,051,374		
927,628	Provision for fructification interest	779,866		
		4,831,240		
100,000	*Less* Interest carried forward (net) transferred to Balance Sheet (note 5)	50,000		
			4,781,240	
				5,740,226
£51,197	BALANCE OF SURPLUS appropriated to Reserve Fund (statement 1)			£22,117

November 21, 1966

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ANNEX VII

PROJECTED CASH FLOW FORECAST FOR DCWA AND EADC

For the purpose of constructing a projected cash flow forecast a number of assumptions have been made. These assumptions are -

(1) DC (WA) and EADC to be put in a position to make investments in sub-projects by drawing funds from CDC and AID in the ratio 3:1. CDC's funds invested in DC (WA) and EADC to be provided as to 1/3 equity and 2/3 loan funds on terms as to repayment approximately similar to the repayment terms of the AID loans.

(2) DC(WA) and EADC investments in sub-projects to be in equity and loans in the ratio 1:4. Equity (or equity type) investments in sub-projects to yield cash to DC (WA) and EADC at a rate of 3% in fourth year, 5% in fifth year and 8% pa thereafter. Sub-loans to be made to sub-projects at a margin of 1½%, above the average cost to DC (WA) and EADC of their own land capital. (Assuming that the rate of interest on CDC loan investments in DC(WA) and EADC would be 7% pa and AID loan drawings 4% pa; then weighted average cost to DC(WA and EADC would be 6% pa and the on-lending rate would be 7½% pa.) Sub-projects to repay DC(WA) and EADC loans on terms approximately matching the obligations of DC(WA) and EADC to repay CDC and AID loans.

(3) Loan agreements between DC(WA), EADC and AID to be signed in 1966 fourth quarter (Q4) and detailed project evaluation completed in time to permit AID loan funds to be drawn as follows:

1967	Q1	$100,000
	Q2	200,000
	Q3	300,000
	Q4	300,000
1968	Q1	300,000
	Q2	300,000
	Q3	300,000
	Q4	200 ,000
		$2,000,000

(4) CDC subscription to additional equity and loan capital of DC(WA) and EADC to be made rateably with drawings on AID loan funds.

PROJECTED WADC CASH FLOW FORECAST
($000)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	Interim Total
WADC Investments										
In Equity	675.0	825.0								
In loans at 7½% p.a.										
ex AID source	675.0	825.0								
ex CDC source	1350.0	1650.0								
	2700.0	3300.0								
Cash Inflow										
Dividends on:										
1967 Investments	-	-	-	20.3	33.8	54.0	54.0	54.0	54.0	270.1
1968 Investments	-	-	-	-	24.8	41.3	66.0	66.0	66.0	264.1
Loan Interest at 7½% p.a.										
1967 Loans	75.8	151.5	152.3	151.5	152.3	-	-	-	-	683.4
1968 Loans	-	93.0	185.3	186.0	185.3	186.0	-	-	-	835.6
Repayment Annuities (p+i)										
1967 Loans	-	-	-	-	-	229.5	229.5	229.5	229.5	918.0
1968 Loans	-	-	-	-	-	-	280.5	280.5	280.5	841.5
	75.8	244.5	337.6	357.8	396.2	510.8	630.0	630.0	630.0	3812.7
Cash Outflow										
AID Loan Funds										
Interest at 4% p.a.	13.5	43.5	60.0	60.0	60.0	-	-	-	-	237.0
Annuity Repayment (p+i)	-	-	-	-	-	131.3	131.3	131.3	131.3	525.2
CDC Loan Funds										
Interest at 7% p.a.	47.3	152.3	210.0	210.0	210.0	-	-	-	-	829.6
Annuity Repayment (p+i)	-	-	-	-	-	339.8	339.8	339.8	339.8	1359.2
	60.8	195.8	270.0	270.0	270.0	471.1	471.1	471.1	471.1	2951.0
Cash available for tax, service of equity capital, and oper. expenses	15.0	48.7	67.6	87.8	126.2	39.7	158.9	158.9	158.9	861.7
Cumulative	15.0	63.7	131.3	219.1	345.3	385.0	543.9	702.8	861.7	

PROJECTED EADC CASH FLOW FORECAST
($000)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	Interim Total
EADC Investments										
In equity	225.0	275.0								
In loans at 7½% p.a.										
ex AID source	225.0	275.0								
ex CDC source	450.0	550.0								
	900.0	1100.0								
Cash Inflow										
Dividends on:										
1967 Investments	-	-	-	6.7	11.2	18.0	18.0	18.0	18.0	89.9
1968 Investments	-	-	-	-	8. 2	13.7	22.0	22.0	22.0	87.9
Loan Interest at 7½% p.a.										
1967 Loans	25.2	50.5	50.7	50.5	50.7	-	-	-	-	227.6
1968 Loans	-	31.0	61.7	62.0	61.7	62.0	-	-	-	278.4
Repayment Annuities (p.+i)										
1967 Loans	-	-	-	-	-	76.5	76.5	76.5	76.5	306.0
1968 Loans	-	-	-	-	-	-	93.5	93.5	93.5	280.5
	25.2	81.5	112.4	119.2	131.8	170.2	210.0	210.0	210.0	1270.3
Cash Outflow										
A.I.D. Loan Funds										
Interest at 4% p.a.	4.5	14.5	20.0	20.0	20.0	-	-	-	-	79.0
Annuity Repayment (p.+i)	-	-	-	-	-	43.7	43.7	43.7	43.7	174.8
CDC Loan Funds										
Interest at 7% p.a.	15.7	50.7	70.0	70.0	70.0	-	-	-	-	276.4
Annuity Repayment (p.+i)	-	-	-	-	-	113.2	113.2	113.2	113.2	452.8
	20.2	65.2	90.0	90.0	90.0	156.9	156.9	156.9	156.9	983.0
Cash available for tax, service of equity capital, and operating expenses.	5.0	16.3	22.4	29.2	41.8	13.3	53.1	53.1	53.1	287.3
Cumulative	5.0	21.3	43.7	72.9	114.7	128.0	181.1	234.2	287.3	