

**DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20503**

**CAPITAL ASSISTANCE PAPER**

**Proposal and Recommendations  
For the Review of the  
Development Loan Committee**

**AFRICA REGIONAL - AFDB DEVELOPMENT LENDING**

**AID-DLC/P-2050**

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

UNCLASSIFIED

AID-DLC/P-2050

June 13, 1974

**MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE**

**SUBJECT: Africa Regional - AFDB Development Lending**

Attached for your review are recommendations for authorization of a loan to the African Development Bank ("Borrower") in an amount not to exceed Ten Million (\$10,000,000) U.S. dollars to assist the Borrower in financing the foreign exchange costs of goods and services for the making of medium-and long-term loans to public and/or private entities of medium-to promote the economic and social development of the Member States of the Borrower.

This loan proposal is scheduled for consideration by the Development Loan Staff Committee on Wednesday, June 19, 1974. Also please note your concurrence or objection is due by close of business Monday, June 24, 1974. If you are a voting member a poll sheet has been enclosed for your response.

Development Loan Committee  
Office of Development  
Program Review

**Attachments:**

Summary and Recommendations  
Project Analysis  
ANNEXES I - XIX

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## BACKGROUND

The proposed loan was presented to the EPRC and the DLSC in June 1973 and approved by both bodies. It was not authorized, however, because of Congressional reservations. Congress is again being consulted, and the updated loan paper is being presented for consideration at the EPRC on June 11.

The loan paper has been substantially revised owing to significant developments in the African Development Bank's activities during the past year. Among the most important of these developments were the following: (a) The African Development Fund, the AFDB's soft window, commenced operations in January of 1974; (b) The AFDB achieved a significantly improved lending level and operational performance during 1973 and in the first five months of 1974, thereby overcoming previous doubts as to its capacity to commit large amounts of funds; and (c) the AFDB has secured avenues of financing which will, in conjunction with this loan, enable it to maintain the new level of commitments.

It was believed that these developments warranted a fresh assessment of the Bank's financial position and its program of operations. These are presented in this revised loan paper.

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**SUMMARY AND RECOMMENDATIONS**

1. **Borrower:** The African Development Bank (AFDB), an international corporation organized by an Agreement dated August 4, 1963, among African States (Member States).
2. **Amount of Loan:** \$10 million.
3. **Terms of Loan:**
  - a. Terms to the AFDB will be 40 years including a 10-year grace period. Interest will be at the rate of 2% per annum during the grace period and 3% per annum thereafter. Repayment will be in U.S. dollars.
  - b. Terms to the Sub-borrowers will be the same as normal AFDB loans. These terms presently are 15 to 30 years at the AFDB's minimum statutory rate of 6% per annum plus a service charge of 1% per annum.
4. **Project Description:** The project consists of the making of medium and long-term loans (Subloans) to public and/or private entities in Africa to promote the economic and social development of the Member States (Sub-borrowers). The repayment of each Subloan will be guaranteed by the respective Member State(s) when the Sub-borrower is not itself a Member State(s). Each commitment of AID funds in excess of \$1.0 mn in an AFDB subloan will be subject to the prior approval of AID.
5. **Purpose of the Loan:** This Loan is designed to support the continued institutional growth of the AFDB. The Loan will assist in financing a portion of the foreign exchange costs of the goods and services required for the project. By the end of CY 1973 the AFDB had signed over \$126 million in loans, completely exhausting its paid-in capital resources. The AFDB plans a 1974-76 lending program of \$216 million. To fund this lending level the AFDB plans to raise \$216 million from public and private international markets and from increases in Member subscriptions to the Paid-in Capital of the Bank. This \$10 million Loan will provide approximately 5% of the AFDB's total funds during the three-year period.
6. **Background:** The AFDB became operational in July 1966. It now has 39 members. An African-owned and managed institution, the AFDB was established for the purpose of promoting African economic and social development. The AFDB has successfully demonstrated its financial viability. It has made loans for projects which meet generally accepted standards of technical and economic soundness. Through May 31, 1974 it has committed \$168 million for 67 projects in 29 different countries. The AFDB has developed a trained staff which could make \$60-\$70 million a year in new loans if the capital resources are available.

$5 \overline{) 126} \times 10^8$   
18.2  
15 200 000 000  
216  
10.5  
10.50

10,800,000

7. Export-Import Bank Clearances: Ex-Im clearance was received on June 13, 1973.
8. Mission and Embassy Views: REDSO/WA, and the U.S. Embassy/Abidjan strongly endorse the loan.
9. Statutory Criteria: Satisfied. See Annex III.
10. Issues: None.
11. Recommendation: Authorization of a development loan to the AFDB of \$10 million for this project.

CAPITAL ASSISTANCE COMMITTEE

Capital Assistance Officer: REDSO/WA:I.Rosenthal  
AFR/DS:G.Thompson  
Controller: SER/CONT:W.McKeel  
Counsel: REDSO/WA:J.Phippard  
Commodity Procurement Advisor: SER/COM:A.Block

## A. PROJECT DESCRIPTION AND OBJECTIVES

The purpose of this project is to assist the African Development Bank in its program of lending to its 39 Member States. This project is in support of and consistent with the Bank's role as a financial intermediary, mobilizing external resources for the benefit of its members. The Bank has, after a slow start, developed considerable momentum, functioning in a difficult environment, requiring considerable feasibility and final design studies prior to the development of bankable projects. As described in more detail in this paper, the Bank has developed a competent staff and is able to identify, appraise and monitor projects consistently at a level in excess of \$50 million. With this level of commitments, the Bank has substantially committed its equity funds and is engaged in a program of borrowings on the public and private international capital markets in order to increase the annual level of commitments as well.

The proposed A.I.D. loan will support the AFDB's growing continental importance as a spokesman on Africa-wide economic problems. As the Bank's role as a development institution has expanded, its member states have increasingly looked to it to articulate an African statement of economic issues. It will also further an important institution building function in the AFDB itself. In support of the Bank's lending activities, it will provide additional experience in project appraisal and implementation for the Bank's staff, in continuing close coordination with AID's Regional office in Abidjan. In addition, the loan will be made on AID's concessional terms. The Bank will, in turn, relend the proceeds in subloans at its normal sub-loan rate, which is presently six percent plus one percent service charge, usually for 15-30 years. The income which the Bank realizes from the interest rate spread and on the rollovers will also be used for relending. Further, borrowing the \$10,000,000 from AID will reduce the amount which the Bank will have to borrow on private markets to achieve its projected lending level, thus proportionately reducing the financial cost of obtaining the necessary resources and strengthening the Bank's net income and financial position.

Disbursement of the loan proceeds will be permitted on a project basis according to the standard A.I.D. Letter of Commitment - Letter of Credit Procedure and under DRA's (Direct Reimbursement Authority). In the first case, projects will be identified by the Bank and IPB's prepared for tender only in the United States and other Code 941 countries. Financing will include goods and services, and it is anticipated that tenders will be for complete construction projects, as is the Bank's normal practice. It will also be possible where Code 941 suppliers win international tenders, to finance goods and services from the proceeds of the loan. The Direct Reimbursement Authorization procedure will be permitted. We have determined that AFDB's present procedures and documentation requirements are adequate for an A.I.D., DRA.

## B. Background

The idea for AFDB can be traced back to the late 1950s when the proposal for a Special United Nations Fund for Economic Development (SUNFED) was deflected by the creation of the International Development Association (IDA). For the African Nations, the failure of UNFED was a major disappointment. They had looked to the U.N., with its principle of equal voting rights for all members irrespective of size of contributions, as the forum in which Africans could enter the international development debate on more or less equal terms.

At the All-African People's Conference held in Tunis in January 1960, a special African development fund was proposed. The proposal was taken up by ECA in February 1961 and thoroughly studied by ECA's secretariat. In 1962 the ECA experts recommended that the Commission attempt to establish a bank.

In July 1963 the African Finance Ministers met in Khartoum to draw up the articles of agreement for the AFDB. The Bank came into operation on September 10, 1964 when 33 independent African States formally ratified its Charter. The Bank opened its doors for business on July 1, 1966.

The Bank is a broadly-based organization, nearly all independent African States have joined or are in the process of joining. As of May 31, 1974 there are 39 members.

#### Reasons for Founding AFDB

The African Development Bank (AFDB) is a truly African bank grappling with the issues of African development. While the Asian Development Bank and the Inter-American Development Bank received initial support, both financial and technical, from the developed countries, the AFDB was shaped almost exclusively by African perceptions of African problems and needs. This has indeed been a liability in some ways, but the African States recognized the probable costs and accepted the risks. The result has been positive. There is clearly more communication when Africans speak to Africans on African problems than when non-Africans attempt to communicate with Africans on the same subject. It has also loosened the ties of dependence which all African nations still sense, and has resulted in a viable institution which is clearly African in ownership, in outlook, and in professional staffing. The Bank is now perhaps the most viable multinational institution on the Continent.

#### AFDB Growth

AFDB has grown slowly and steadily since it commenced operations in mid-1966. It is still a relatively small institution (only \$125 mn of paid-in capital by the end of CY 73). The Bank has a conservative management which has applied sound appraisal methods to the projects it finances.

When compared with its sister institutions, the Inter-American and Asia Development Banks, AFDB's early growth rate may seem slow. AFDB made only one loan, of \$2.6 million, during its first two years of operations. The Inter-American Development Bank (IDB) entered into 73 loan agreements in its first year and the Asian Development Bank (ADB) made 7 loans and 11 technical assistance agreements, valued at \$43 million during its first two years.

Such comparisons are misleading, however. The AFDB should not be directly compared to the "relatively rich" IDB and ADB. The ADB commenced operations with nearly five times the resources of the AFDB. Compared to Africa the ADB and IDB regions are more populous and have higher GNPs. But the more significant difference is the participation of the developed countries in IDB and ADB. The developed countries provided capital subscriptions and backing to help firmly establish IDB and ADB.

Building on a base of capital poor countries and few trained personnel the Bank has slowly but successfully built a variable lending operation. AFDB has generally chosen good loan projects and has dramatically increased the tempo of its lending commitments in recent years, as shown below:

	<u>Dollars</u> (000,000's)
1967	\$2.5
1968	3.7
1969	8.7
1970	12.3
1971	26.4
1972	26.9
1973	43.0
1974 (first five months)	37.2

### C. APPRAISAL OF THE BORROWER

#### 1. Current Financial Position

##### a. Capital Structure

##### (i) Ordinary Capital Resources

AFDB's capital was raised entirely from the 39 African member states. AFDB's capital structure is very similar to that of the IBRD and other international lending institutions. (See Annex V for a listing of AFDB members and their capital shares.) Each member is assessed a capital share in relation to its ability to pay. The formula for capital shares is based on population, gross national product, foreign trade and government revenue. A small, poor country like Botswana contributes 0.39% of total capital while Nigeria provides 9.4%.

In order to avoid extreme disparities minimum and maximum subscriptions are set at the equivalent of 1 million and 30 million units of account. <sup>1/</sup> The capital stock was originally divided into 25,000 shares, with a par value of 10,000 UA each. Half of these shares were subject to call when required by the Bank and the other half were in the form of paid-in shares. The paid-in shares are payable wholly in gold or convertible currency. (In the IBRD, ADB, and IDB, a portion of each subscription is payable in the currency of the member country.) The Authorized Capital was increased from UA 250 million (\$300 million) to UA 320 million (\$384 million) at the Annual Meeting of the Board of Governors in 1973. Additional share subscriptions are on a voluntary basis.

<sup>1/</sup> The AFDB uses a Unit of Account (UA) as its bookkeeping currency. A Unit of Account is equal to one SDR or approximately \$1.206, as of 12/31/73.

The uncalled capital provides a reserve which can be called if the Bank ever faces a liquidity crisis. The uncalled capital can also serve as backing for any ordinary capital loans AFDB might secure from bilateral donors or on the international money market. The uncalled subscription thus serves as collateral for future funded debt. As of December 31, 1973, AFDB's capital structure was as follows:

Authorized	\$384,000,000
Called	\$149,604,000
Paid-in	\$125,008,438
Due	\$ 24,595,562

(ii) Special Capital Resources

The Bank's Charter makes a clear distinction between ordinary capital, paid-in and callable, which is raised from the Member States and which is available as collateral for borrowings from international public and private capital markets; and special capital resources which are governed by the agreements signed by the Bank to acquire them. Borrowings for these resources are not backed by the callable capital of the Bank. The two types of resources are strictly separated by the Separation of Funds Article (11). These resources may not be used to satisfy liabilities of the Bank incurred in its ordinary capital operations, and they must be secured by special provisions in the agreement between the Bank and the Creditor which the creditor believes necessary to protect its exposure. The use to which the special resources may be placed, however, is also governed by the provisions of the bilateral agreement as long as this is not inconsistent with the basic purpose and functions of the Bank as spelled out in the Charter. This permits the Bank to contract resources whose use is restricted to procurement in one or more countries, a practice which is prohibited by the Bank's Charter with respect to its ordinary capital resources. Special resources are accounted separately and appear separately in the Bank's Balance Sheet and Statement of Income.

(iii) Voting Rights

Voting rights are weighted in such a way as to give the smaller members more than a proportionate share of the total voting power. Each member has 625 votes plus one vote for each share that it holds. A member with the maximum of UA 30 million will have 3,625 votes or five times the voting power of the smallest member, although its subscription is 30 times greater. Decisions on most subjects, both in the Board of Governors and in the Board of Directors, are decided by a simple majority of the voting power of those present.

(iv) Arrearages

Arrearages have constituted a major financial problem for the AFDB in the past, damaging its prestige among those member states which had paid promptly and undermining its credit-worthiness in the eyes of potential lenders and the international financial community in general. While the reasons for the arrearages differed in each case, the Bank's early

inability to commit the funds it did have did not present a persuasive argument to those members in arrears. In 1969, arrearages amounted to 40% of called capital. This percentage has been steadily falling, however, and during the past year it dropped to 16% of called capital. At the 1973 Annual Meeting in Lusaka, Zambia, the Board of Governors took a forceful position on arrearages and formed a sub-committee to negotiate settlements with individual member states. One country, Egypt, accounted for 70 percent of all outstanding arrearages and it has formally agreed to make settlement over a three-year period. Settlements have been negotiated with the remaining countries in arrears as well. This resolution of the arrearage problem will go far toward re-establishing the Bank's integrity as a serious financial institution.

b. Capital Position

At the end of CY 1973 AFDB had paid-in capital of \$125 million, an increase of \$30 million over CY 1972. In addition, UA 30 million (\$36 million) of the UA 70 million increase in Authorized Capital (\$72 million) mentioned above has been subscribed by Members. This increase in subscriptions plus the settlement of arrearages will bring Paid-in capital to \$185.6 million, over a three-year period.

At the end of CY 1973 AFDB net loan commitments stood at UA 106 million (\$127.2 million). The AFDB Board has approved projects totalling UA 31.0 million (\$37.2 million) through May 31, 1974. Projects estimated to cost UA 29 million are under final appraisal and are expected to be approved by the end of the year, for a total yearly lending level of UA 60 million (\$72.0 million). AFDB management has established UA 60 million per year as a lending level over the next three years. It is expected to fund this lending level from the following sources:

<u>Available Capital:</u> <sup>1/</sup> (Estimates)	(US \$ millions)		1976	TOTAL	Per Cent
	(June-Dec.) 1974 <sup>2/</sup>	1975			
Capital, New Calls and Settlement of Arrearages	-	22.2	32.1	54.3	30.4
Loan from Government of Libya	29.1	-	-	29.1	16.2
Loan from A.I.D.	10.0	-	-	10.0	5.6
Loan from Canada (first loan executed)	-	5.0	-	5.0	2.8
Private Borrowings	-	35.0	22.6	57.6	32.2
Loan Repayments	-	3.6	6.6	10.2	5.6
Net Earnings from Operations	-	5.2	7.7	12.9	7.2
TOTAL	39.1	71.0	69.0	179.1	100.0

<sup>1/</sup> The \$57.6 million projected for borrowings from private sources is the resource gap which the Bank must fill. It is assumed that this will be raised on the private loan market. However, the Bank is actively seeking additional concessionary financing to reduce the amount it will eventually have to borrow on market terms.

<sup>2/</sup> Against \$76.3 million projected to be available in 1974 (including the A.I.D. loan) the AFDB has committed \$37.2 million as of May 31, 1974.

As a financial policy matter, the AFDB endeavors to maintain the total amount of its loan commitments fully covered by freely disposable liquid funds or borrowings from external sources even though its cash flow would not require additional borrowings until later in the decade (A Projected Cash Flow Statement is contained in Annex XVI.). This imposes additional costs on the Bank but the policy is essential in order to guarantee the Bank's credit-worthiness to borrow on private capital markets.

c. Loan Commitments

Although formally established in 1964, AFDB spent much of its early period organizing its staff. One of the scarcest African resources is trained manpower. AFDB tried to recruit mainly Africans for its professional staff, but there was strong competition for such people. Experienced financial administrators were needed by the African member states for their own development programs.

AFDB actually began operations on July 1, 1966 with approximately two-thirds of its staff recruited from member countries. The first loan was signed a year later. During the next four years, AFDB steadily expanded its staff, prepared project feasibility studies and gained lending experience. AFDB has now reached the point where it can prepare a steady stream of bankable projects and commit over \$60 million in loans a year. In a relatively short period of time, it has built a self-sustaining and viable lending operation. Annual Loan authorizations have jumped from \$2.5 million in 1967 to \$26.9 million in 1972, \$43 million in 1973, and an estimated \$70 million in 1974.

d. Current Income

A statement of Income and Expenditure for 1973 is attached as Annex X. The principal source of income during 1973 was interest from time deposits of liquid funds. This item accounted for 5.0 mn U.A., approximately 68% of total income, and reflects the early state of disbursement of the authorized loans. Net income increased from UA 923.5 thousand in 1972 to 3.25 million in 1973, an increase of 144%. This is a reflection of the high level of world interest rates during 1973, but it also reflects a significant improvement in the AFDB's short-term investment policy and management. The Bank has engaged professional investment managers for its liquid funds and has maximized its earnings from them.

Operating expenses amounted in 1973 to approximately 56% of total income, after deducting ADF management fees. This compares with 75% for 1972. The maintenance of the resident working Board of Directors constitutes a noticeable burden on the income of the Bank. Disaggregating the expenditures produces a much more reasonable level of expenditures for the costs of the professional staff. While there is some concern about the high level of expenditures for the costs of maintaining the Board of Directors, it is clear that this is a matter that is not likely to be amenable to change through pressures from outside the Bank's membership. It should be noted that the Board is a working Board resident in Abidjan, and meets regularly on policy matters and to consider loans as required.

## 2. Future Financial Performance

### a. Future Lending Level

The AFDB has established the objective of committing new loans at the rate of UA 60 million (\$72 million) per annum over the next three years. Since Paid-in capital resources were substantially committed at the end of CY 1973, these new commitments must be funded by additional borrowings, additional capital subscriptions, settlement of arrearages, loan repayments and generation of net income. A table of the projected sources is included in Section C.

### b. Prospects for Raising Additional Capital

Apart from loan repayments and generation of net income, the AFDB has three possible sources for raising the large amounts of capital necessary to support this level of commitments: (1) Private capital markets; (2) Public capital markets; and (3) Loans and subscriptions from member states.

Private capital markets constitute the greatest availabilities, but for various reasons are the least appropriate for the AFDB. The Bond market, which is the most attractive possibility in terms of financial cost and maturities is not available to the AFDB. While the private bond market is the most important source of financing for the other regional development banks, their ability to place issues is dependent on the participation of the United States in their equity capital and on the availability of callable capital from the United States. For example, the IDB's Bonds prospectus' contains the following: "Additional borrowing shall be limited to the amount of the subscription of the United States of America to the Bank's callable shares . . . in respect of which the United States has taken all action necessary to permit payment of any call or calls on demand." In addition, investors normally require that net earning exceed interest charges by at least two times. As can be seen in the Projected Income Statements in Annex XI, the AFDB's income will not fulfill this criterion for the foreseeable future.

At the present time, the Bank could obtain a Eurodollar loan without difficulty. However, Eurodollar loans are not appropriate for the AFDB's needs. First, the maturity is usually 10-12 years. Second, the interest rates is tied to a floating rate whereas the Bank loans on fixed rates. And, third, the Eurodollar loan is disbursed on conclusion of the contract and interest and repayment are computed from that date. But the Bank does not need liquid funds. Because of the normal lag between commitment and disbursement, the Bank has approximately \$76 million liquid capital invested short term now. This would satisfy cash requirements for disbursements for the next three years, but future loan commitments would not be covered. In accepting the Eurodollar loan, therefore, the Bank would reinvest it short-term returning at least 2-3% less than it costs. The Bank has discussed such a loan with various Eurodollar institutions, but for the reasons mentioned above has not followed through to date. In the

financial projections it is assumed that the Bank will contract a \$58 million loan late in 1976. The analysis shows that income generation will support the financial charges of such a loan and the cash flow will be sufficient to support the repayment obligations. However, if alternative sources of financing on more appropriate terms become available they would be contracted in place of the Eurodollar financing.

Public capital markets have more attractive terms but are less accessible to the Bank, and the availabilities are less than in private markets. However, the Bank has successfully negotiated a \$36 million loan with Libya on ten year terms at 7%, and a \$5 million loan from the Government of Canada on IDA terms. AFDB has negotiated with other Governments such as Italy and Sweden but has not concluded any loans to date. The CIDA loan (Canada) can be replenished by an additional \$5 million when the present loan is committed. Finally, the Bank has requested this \$10 million loan from the US.

The Bank has actively sought additional capital from the oil producing states of the Middle East but other than the Libyan loan no loans have been concluded.

Member states are increasingly supportive of the Bank. As noted above, agreements have been reached on settlement of arrearages and the Banks' Board of Governors voted to increase the Bank's authorized capital to \$384 million at the 1973 annual meeting. An additional \$36 million has been subscribed. As the Bank becomes increasingly important as a source of capital for the member states the strong member state support is expected to continue.

In addition to capital subscriptions, some of the wealthier member states, following Libya's lead, are expected to offer the Bank loan capital on relatively soft terms in support of the Bank's lending program.

### c. Projected Income

For the analysis, it was assumed that the Bank would commit funds at the target level, i.e., \$72 million per annum. The sources of funds for this commitment level were those stated in Section C, 1, b, above. Income from interest on loans was calculated from the estimates of loan commitments and disbursements. Income from short-term investments was calculated from the funds available in each previous year end plus or minus the change in cash resulting from the previous year's cash flow. Operating expenses were projected to increase in 1975 with the addition of new professional staff and again in 1978 assuming an across the board salary increase. On the basis of these assumptions, net income after deducting the statutory commission, is projected to increase from U.A. 3.3 million (\$4.0 million) in 1973 to U.A. 7.9 million (\$9.5 million) in 1978, an increase of 139%. Financial costs in 1978, as a result of the bank's program of borrowings assumed above, are estimated to reach U.A. 6.8 million (\$8.2 million). This expense is covered by net income (less financial costs) 2.2 times, which is fully satisfactory.

d. Projected Cash Flow (Annex XVI)

For the analysis, the same assumptions were used, as above. The projected Statements of Sources and Applications of Funds shows that after a relatively small decrease in cash in 1974, cash receipts will exceed cash disbursements until 1977, at which time minor drawdowns on accumulated cash will begin. It is estimated that there will be net increase in cash of U.A. 66.1 million (\$78 million). During the period 1974 through 1978, resources from operations and repayments of loans by member states will equal U.A. 57.3 million (\$63.8 million) or 30% of total funds provided. Disbursements over the period account for U.A. 108.4 million (\$130 million) or approximately 58% of total applications, while repayments of external borrowings amount to U.A. 16.5 million (\$19.8 million) or 9% of total applications.

### 3. Quality of the Loan Portfolio

#### a. Number of Loans and Composition

The identification, appraisal and financing of projects in Africa is difficult. AFDB must compete with other, well-established donor institutions in Africa to identify projects with a good rate of return. In addition, most African countries have sources of aid which can be secured on terms softer than those offered by AFDB. Despite these constraints, AFDB has successfully identified good projects and has made sound loans, most of which are in the infrastructure field.

Through May 31, 1974 the AFDB had authorized \$168.0 million in loans for 69 projects in 29 different countries. AFDB has financed feasibility studies and development loans for national and multinational projects. It has also provided \$15.4 million in loans to member-sponsored development banks in Liberia, Togo, Upper Volta and to the East African Development Bank located in Kenya.

AFDB loans have been concentrated in the fields of transportation (39.4%) and Public Utilities (29.6%). Development lending institutions and industry have received 13.9% and Agriculture 17.1%. AFDB plans to shift this sectoral mix by directing more loans to the Agriculture field. By comparison, at April 1, 1973 the AFDB loan commitments of \$89.2 million were divided as follows: transportation loans 43.3%; Public Utility loans 27.2%; development lending institutions and industry 15.7%; and agricultural loans 13.8%. There has already been a significant shift towards agriculture type loans. The ability of the bank to increase the percentage of its lending towards agriculture will depend in the future more on the type of expertise its staff has, than by its desire to assist agricultural projects. We estimate the bank may be able to direct 20% to 25% of its future lending to agriculture. Since a large percentage of the resources of the newly formed African Development Fund will be aimed towards the agricultural and rural sectors, the harder loans of the bank's resources will still be primarily programmed for infrastructure and industry.

On a regional basis, East Africa has received the second largest share of AFDB loans, 28.2% of funds totalling \$39.2 million for 19 projects in 8 countries. North Africa was third with 30.5 million or 21.9% of funds for 11 projects in 5 countries. Central Africa with some of the poorest African countries has received \$20.1 million or 14.6% of AFDB funds for 7 projects in 5 countries. Central Africa has improved its share from less than 3% in 1971 to its present 14.6 share. West African countries received \$45.5 million for 23 projects in 12 countries for 23 different projects, and remained the largest regional recipient of AFDB funds. This area is also the largest in terms of population and number of member countries. Multiregional loans amounted to \$3.6 million.

**b. Disbursements and Pipeline**

Loan commitments are the result of a development bank's ability to review and approve loans for feasible projects. As indicated in the previous section, AFDB has been successful in rapidly expanding its level of commitments.

Another indicator of good financial management is the rate of loan disbursements. Projects need to be well designed and then followed up closely to incur timely implementation. Unforeseen problems often occur and a lender must be ready to apply measures to move implementation forward. Listed below is AFDB's disbursement record for approved loans.

**AFDB LOAN AUTHORIZATIONS AND DISBURSEMENTS**

<u>Year of Authorization</u>	<u>Cumulative Disbursement %</u>
1967	82%
1968	81%
1969	71%
1970	33%
1971	26%
1972	6%

Based upon the above record and weighting the performance of all loans; we have conservatively estimated the disbursement profile of an average AFDB loan as follows:

	<u>Percentage Disbursement</u>	
	<u>Annual</u>	<u>Cumulative</u>
Year Two	14	14
Year Three	21	35
Year Four	22	57
Year Five	23	80
Year Six	10	90

A six year disbursement record is consistent with the record of both A.I.D. and IBRD. A typical A.I.D. loan will reach the ninety percent range (90-97%) in approximately six years; reaching 100% disbursements may require from one or three additional years, depending upon the nature of the project. A.I.D.'s experience indicates that the disbursement profile of an average A.I.D. loan varies by country, field of activity (agriculture, transportation, etc.) as well as the complexity of the project.

Total Bank disbursements at the end of March 1974 were \$53.3 million which compares to \$12.8 million for March 1972, and \$29.0 million for March 1973. Disbursements as of March 1974 were 39% of commitments while a year ago they were 33%. This record compares favorably with the record of the ASIAN Development Bank (ADB).

From a regional point of view, the highest disbursements to date are for the multiregional projects (86%) and for North Africa (48%) while no disbursements have been made in Central Africa.

Disbursements are projected by AFDB over the next two years at \$26 million a year, approximately the rate of loan authorizations during 1971 and 1972. By 1977 the annual disbursement rate should accelerate rapidly to a level of about \$50 million per year.

Considering that AFDB is a young institution, with only a few years of experience with loan implementation, its record to date is quite satisfactory.

c. Defaults, Payments of Interest

As of April 30, 1974, the Bank had no sub-loans in default and all sub-borrowers were up to date on their payments of interest.

4. AFDB Organization and Management

a. Organization

The fundamental law governing the Bank's operation is the "Agreement Establishing the African Development Bank", signed in Khartoum on August 4, 1963. All powers of the Bank are vested by the Agreement in the Board of Governors, which is comprised of one Governor from each of the Member States, usually the incumbent Minister of Finance. The Board of Governors must meet annually and more frequently if required by special business. The Board of Governors elects the Board of Directors of the Bank, composed of nine members, which is responsible for the specific credit policy of the Bank, and selects the President and at least one of the Vice Presidents of the Bank's staff. It is a working Board, and resides at the bank's headquarters in Abidjan, where it makes necessary day to day decisions on loans and other aspects of policy and operations. The President is the chief of staff of the Bank and conducts, under the direction of the Board of Governors, the bank's current business. He is also the legal representative of the Bank.

The staff of the Bank is organized along functional lines, as can be seen in Annex IV, with four Departments headed by Directors who report to the Vice Presidents and President. At the present time, there are two Vice-Presidents - one in charge of the Finance Department and one in charge of the Operations Department.

The Research Department is charged with carrying out analysis of fundamental economic trends and conditions in Africa generally, and in Member States specifically. The analyses of this Department are designed to present a background for the specific analysis required for individual loans, which is usually carried out by economists, engineers and project analysts in the operations Department.

The Finance Department is responsible for the management of the Bank's capital resources, including the investment of liquid capital in short-term earning assets and disbursement and collection on approved loans to Member States, and for maintaining the accounts of the Bank.

The Operations Department is the largest and the most important Department within the Bank. It is broken into two subdivisions headed by Assistant Directors for Operations - the Projects Division and the Loans Division. The Operations Department is responsible for the identification, appraisal and negotiation of loan projects. The AID grant project for feasibility and final design studies is managed by this Department. The Projects Division is broken into four sections: Agriculture, Industry, Public Utilities and Transport. Each section is staffed by technical experts. The Loans Division is also broken into four sections: East Africa, West Africa, North Africa and Central Africa. Each section is staffed by economists and generalists. Personnel are drawn from the Loans and Projects Divisions as appropriate to staff loan project committees for appraisal of projects, negotiations of loan documents, and project monitoring.

b. Staff Capabilities

The total number of professional positions in the Operations Department is 74. Of these, 18 positions represent non-African professionals provided or to be provided by donors of technical assistance such as UNDP, FAO, AID and others. These 74 positions are broken down as follows:

Managerial		6
Loan Officers		17
Economists (Area)		5
Agronomists		4
Financial Analysts		6
Engineers		17
Irrigation	1	
Sanitary	1	
Telecommunications	3	
Power	3	
Civil and Highway	6	
Railway	1	
Industrial	2	
Economists		12
Agricultural	4	
Industrial	2	
Public Utilities	2	
Transport	4	
Other professionals		7
		<hr/>
	TOTAL	74

An analysis of the staffing of the Operations Department shows a slowly increasing overall level of professional competence. For instance, as of April 1, 1973 only 43 of the 74 professional positions noted above were filled. By April 1, 1974 50 of the 74 positions were filled.

The staff vacancies are more or less across the board, only a couple of key categories are critically understaffed; there is no railway engineer, no public utility economists and only 5 of the 8 senior loan officer positions are filled.

There is an active recruitment program for personnel for the 24 remaining vacancies, 8 of which will be financed by donor agencies. It is expected that at least half of these vacancies, perhaps more, will be filled by April of next year.

The Transportation Section is perhaps the best staffed section, as it was last year. This is reflected in the quality and quantity of transport loans which remain the largest category of lending by the Bank and are the loan category most thoroughly and professionally designed and appraised.

While improvement in the overall performance of the Operations Department is necessary, it has shown considerable improvement in the past year and this is expected to continue. By comparison with the ADB and the IADB, the demands on the professional staff of the AFDB are considerably greater, since the relative advancement and sophistication of the member country borrowers of the other banks is much greater.

A further demand on the professional resources of the Bank will be the African Development Fund lending program, which is just now gearing up. We thus feel it is most important for the Bank to continue its intensive recruitment efforts for professionals in the Operations Department and have assisted their efforts through AID's contacts with the Overseas Liaison Committee of the American universities.

We do not expect the gaps in the AFDB's staffing pattern to materially affect the expeditions commitment and disbursement of the AID loan. On the contrary, the lack of a full staff at the AFDB in the past has been one of the factors which kept its annual lending rate at a relatively low level. (The other major factor being the necessary gestation period of new projects.)

The Bank is now demonstrating the ability to commit funds to bankable projects at a level of \$50 to \$60 million a year even given the 24 vacancies now existing in its operations department. This rapid increase in its loan commitment capability augers well for its ability to handle the Bank and the African Development Fund lending program concurrently. Filling of the remaining vacancies will provide even more professional staff to handle the concurrent lending program.

In fact, as noted elsewhere in this paper, we believe the major constraint on the bank in the very near future and the fund in the not too distant future will be the lack of funds to commit to new bankable projects.

### c. Internal Management

#### (1) Overall Management Control

Management control, while still perhaps lacking in some areas is improving year by year. The Financial Department or overconservative investment policies, which depressed the bank's income from liquid assets in the past, underwent a radical change last year. The Financial Department, advised by European money managers, invested its funds in short term inter-bank Eurodollar loans and similar loans yielding as much as 14% and more. The resultant high yield from its investment portfolio was the major factor in the large increase in the bank's net income. A consistent history of profitable operations will be one way for the bank to establish its worth to commercial lenders. Therefore, this new policy of the bank may become crucial to its future growth and profitability.

The Operations Department still has 2 key vacancies unfilled. At least one of these vacancies will be filled by the end of the year. The professional depth in this department makes up to a degree for the lack of top management depth. Information flows within the Operations Department are still inhibited somewhat by a lack of frequent staff meetings, however, the situation has improved in comparison to last year.

#### (2) Quality of the Professional Staff

The quality of the professional staff is still somewhat uneven. There are many professionals on the staff whose qualifications and experience are on a par with their colleagues in any development finance institution. It must be recognized, however, that drawing competent and highly-trained manpower from the reservoir of such talent in Africa is difficult, although the Bank has been successful in this regard, and depletes the supply in the professionals's home countries. The Bank's staff is liberally supplemented by non-African experts, which is a measure of the Bank's willingness to accept technical assistance to improve the quality of the staff. Nonetheless, there are still some weaknesses, and staff improvement is expected to be a major continuing objective of the Bank's management in the coming years. It is to the bank's credit that this problem is recognized by the management and is frankly and openly admitted. The Bank has a considerable amount of technical assistance available to it, and it is, for the most part, well used.

#### (3) Staff Development

The Bank maintains a liaison with the World Bank with respect to training for AFDB staff. Staff members periodically are assigned to work in the World Bank on a long term basis for practical experience in World Bank operations. AID and the Bank have also discussed the possibility of establishing a relationship with the Bank in the area of training for professional staff.

#### 4. Lending Policies

The structure of the Bank, as reflected in the Bank's Charter, was designed to permit the Bank to perform the role of an international financial intermediary, mobilizing capital through borrowing on the international public and private capital markets, having as security, in addition to its equity capital, callable capital in an amount in excess of its paid-in capital.

It was given the authority to borrow, both for inclusion in its ordinary capital resources and in its special resources. The Charter, in Article 7, paragraph four authorizes a call on capital when and as required by the Bank to meet its obligations incurred on borrowing of funds for inclusion in its ordinary capital resources. This authorization does not extend to obligations incurred on borrowings for special resources. The Bank disburses funds against authorized costs but not yet disbursed, even though committed in loans, can be invested in liquid earning assets, available for transformation when needed.

As with the other public Regional Development Banks, the Bank is authorized to finance specific projects or groups of projects. It is not permitted to finance programs. It can extend global loans to African national development banks or other suitable institutions in order that these Borrowers may in turn finance specific projects in support of the Bank's objectives.

Included in its lending criteria are requirements that the Bank evaluate the prospects for repayment, the suitability and reasonableness of the terms for the requirements of the project and that the borrower does not have satisfactory terms available to it from other sources. The Bank is enjoined to use sound banking principles in all of its operations, and to abstain from the assumption of a management role in any institution in which it has an investment.

**(5) Equity Investments**

The Bank is authorized by its charter to make equity investments, and has used this authority to promote the development of additional financial institutions for sub-regional development, private sector development, and national development. It has made an equity participation in the East African Development Bank (\$1,000,000), in the SIFIDA, a new institution organized along the lines of the IFC (\$500,000), and in the Sierra Leone Development Bank (\$120,000).

## D. THE AFRICAN DEVELOPMENT FUND

### 1. Initiation of Operations

During the past year, the African Development Fund (ADF) has emerged as an important institutional development in the AFDB's growth and expansion. Its importance lies in its ability to mobilize capital in significant amounts from industrialized countries at no cost for relending to the Bank's member states. The terms of ADF loans are most concessional and therefore more beneficial to Africa's poorer countries than the Bank's Ordinary Capital Resources. The Fund was officially created on November 29, 1972 when 16 industrialized countries met in Abidjan to pledge support for the creation of the new Fund. The first ADF Board of Governors meeting took place in July 1973 and the first Fund loan was approved by the ADF Board of Directors in January 1974.

### 2. Reasons for Establishing the ADF

The Bank (AFDB) lends on medium terms -- an average loan bears interest at 7% and has a maturity of 20 years. These terms are roughly comparable to those of other international lending institutions; the IBRD, the Inter-American Development Bank and the Asian Development Bank. Such terms are better than terms on the international commercial money market, but fall short of the terms offered by A.I.D. and IDA.<sup>1/</sup>

Out of the 25 relatively less-developed countries, 16 are in Africa. These FLDC's have a need for basic development investment but most are under severe balance of payments pressures. They have difficulty servicing medium-term loans.

In addition, projects which are directly productive or self-liquidating can service AFDB medium-term loans. There is a problem in the very poor countries where many projects have a social, indirect or long-term pay-off (such as projects in education, rural agricultural development, family planning, etc.). Projects in these fields may be of key importance to a nation's economic development but if they have to service a medium-term loan they often end up ranked below a road, dam or electrical generating station.

To meet investment needs in countries with balance of payments difficulties and for those projects with an indirect or social return, loans on more concessional terms are required.

### 3. The African Development Fund

Given the constraints on the AFDB's ability to borrow and relend on medium terms, and given the requirements of its member countries for longer term loans, the decision was taken AFDB decided to go outside the ordinary capital structure of

<sup>1/</sup> The "Grant Element" is a computation used to measure the concessional character of a loan by taking the face value of a loan and subtracting the discounted value of future repayments at 10%. The result is expressed as a percentage, indicating the degree of concession. AFDB terms have a grant element of approximately 18%. World Bank loans range from 15-25%, depending on the sector. International money (such as Euro-dollars at 10% interest, no grace period) would have a zero grant element. A straight grant has a 100% grant element and an A.I.D. loan (2-3%, 10 years grace, 40 year repayment) approximately a 67% grant element.

the Bank, with its limitations on membership and management, and to seek capital from the industrialized countries. The Bank's management realized that to do so would necessitate a dilution of control over the lending policy applicable to funds made available to the ADF.

#### 4. Structure of the Fund

ADF policy is set by the ADF Board of Governors, representing donor countries and is implemented through a separate ADF Board of Directors which meets periodically in Abidjan to consider loans and policy matters. The Board of Directors is comprised of 12 Directors, six of whom are elected from the donor countries and six from the Board of Directors of the AFDB. Day-to-day operations of the ADF are carried out by the management of the AFDB, and AFDB staff appraise projects for ADF financing. AFDB is reimbursed for the staff costs for such services by the ADF. The ADF's presently subscribed capital of F.U.A. 90.6 <sup>1/</sup> is to be paid in accordance to the following schedule:

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>Total</u>
	US\$ 000's			
Subscriptions by current participants <sup>2/</sup>	28,500	28,500	28,500	85,500
Expected subscriptions from Belgium and Italy	4,800	4,800	4,800	14,400
<b>Total Available</b>	<u>33,300</u>	<u>33,300</u>	<u>33,300</u>	<u>99,900</u>
<b>Cumulative</b>	<u>33,300</u>	<u>66 600</u>	<u>99,900</u>	<u>99,900</u>

#### 5. Current Operations

The African Development Fund has, within the very short period of its existence, demonstrated its project financing capacity. Between January and May, 1974, the ADF Board of Directors has approved nine projects and studies involving a total commitment of F.U.A. 21 million (\$23.1 million). At the current pace of lending and in view of the status of the projects in the pipeline, there is a high probability that the Fund's original financing objective of F.U.A. 30.0 million set for 1974 will be easily surpassed and that an amount of F.U.A. 40 million (\$44.0 million) will be achieved.

<sup>1/</sup> The ADF uses a different Unit of Account than the AFDB. The Fund unit of Account (F.U.A.) is equal to US\$1.1 as of December 31, 1973.

<sup>2/</sup> AFDB, Brazil, Canada, Denmark, Federal Republic of Germany, Finland, Japan, Netherlands, Norway, Spain, Sweden, Swiss Confederation, United Kingdom, and Yugoslavia.

## 6. Future Operations

As of May 31, 1974, 61 projects representing potential loans of F.U.A. 190 million (\$209 million) had been identified for ADF financing, and efforts are continuing to identify new projects. In view of these projects requiring financing, ADF management has established the following projected commitment level:

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>Total</u>
	US\$ 000's			
	44,000	66,000	88,000	198,000
Cumulative	44,000	110,000	198,000	198,000

This projected commitment level leaves a resource gap of \$98 million over the three-year period. In view of this gap, the ADF Board of Directors has requested the Board of Governors of the Fund to seek a doubling of the equity contributions of the external donors.

### E. U.S. GOVERNMENT RELATIONSHIP TO AFDB

Since its inception, encouragement of the AFDB has been one of the cornerstones of U.S. development policy in Africa. AFDB's and A.I.D.'s policies of encouraging regional development programs, stimulating inter-African cooperation and promoting self-help efforts, are completely harmonious. AFDB's programs meet A.I.D.'s assistance strategy for the 1970's. For example:

- Multilateral coordination. At least 16 other donors are now, or will soon be, assisting AFDB.
- A.I.D.'s emphasis on the Relatively Less Developed Countries. Sixteen of the world's 25 RLDC's are in Africa and are served by AFDB.
- The promotion of regional cooperation and regional economic development. The encouragement of regional activities is a major AFDB objective and AFDB provides a point of coordination for 39 independent African States.
- Placing the responsibility for development on the LDC's themselves.

The United States has, therefore, while recognizing its problems, supported AFDB's development into a viable financial institution controlled by Africans and responsive to African developmental needs. This support has been manifested by public statements in favor of the bank, by private consultations with other developed nations encouraging their support for the bank, by technical assistance to the bank itself, and perhaps most demonstrably, by the provision of U.S. funds for bank economic and technical studies.

Part of AFDB's increasingly improved record is due to U.S. provided technical assistance. Actual and potential U.S. support for the Bank falls into four areas:

- the existing A.I.D. Technical Assistance Grant to the Bank;
- the proposed U.S. contribution to the African Development Fund;
- the proposed A.I.D. Grant to finance economic and technical studies of projects in the Sahel; and
- this Direct A.I.D. Loan to the Bank.

The U.S. relationship with the Bank in these areas is as follows:

1. The A.I.D. Technical Assistance Grant

On June 27, 1968, under the authority of Section 206 of the U.S. Foreign Assistance Act, A.I.D. signed an agreement with the African Development Bank to provide grant funds to enable the Bank to finance:

- arrangements with U.S. firms for economic feasibility and other studies,
- U.S. technical assistance to increase the Bank's competence to carry out its functions, and
- preparation of final design, cost estimates, construction plans, specifications and tender documents.

The A.I.D. agreement originally provided that the studies funded from the grant could be in areas such as power, water, resources, telecommunications, transportation, agriculture, and economic integration and, for general activities which contribute to the economic development and social progress of Bank members - individually and jointly. As a result of the priority sectors established in the new A.I.D. legislation, the agreement has been modified to restrict the use of the grant funds for future studies to these priority areas.

The agreement has been amended a number of times to modify its scope and to add funds. A total of \$4,785,000 has so far been made available. Annex VIII summarizes the status of the Grant funds as of April 30, 1974. The table shows that \$3.1 million has already been committed, i.e., Letters of Implementation have been issued by A.I.D. (REDSO/WA) to the AFDB permitting it to sign contracts. In addition, agreement in principle has been reached on three studies estimated to cost \$1.1 million, for which contracts are expected to be signed before the end of August 1974.

The pace of activities under the A.I.D. Grant has increased dramatically. During the first 4 years of the Grant, from June 1968 to June 1972, approximately \$722,500 had been subobligated. Between July 1, 1972 to May 31, 1974 \$2.4 million was subobligated and an additional \$1.1 million is expected to be committed within the next three months. While the A.I.D. Grant to the Bank was the first of its kind, a pattern now has been established

and four other donors have agreed to provide grant funds for feasibility studies and technical assistance: Sweden (\$500,000), Canada (\$700,000), Netherlands (\$200,000), Belgium (\$350,000).

## 2. U.S. Contribution to the African Development Fund

Although the United States has been a constant supporter of the African Development Bank as an important regional organization, and has been very supportive in the creation of the African Development Fund, the necessary Congressional action to authorize U.S. participation in the Fund has not been completed. In August 1973 Senators Humphrey and Javits introduced a bill to authorize U.S. participation and that bill is under consideration at this time. The amount of the participation would be \$15 million spread over three years.

## 3. Special Sahel Grant

In view of the AFDB's important role in African affairs and its ability to identify, appraise and finance development projects in the region affected by the drought a \$2.0 million grant, to be funded from the Special Appropriation, has been negotiated with the Bank. A tentative list of studies has been jointly drawn up by REDSO/WA and the Bank and terms of reference for three of the studies are now under final preparation in the Bank. It is expected that these projects, if they are found to be viable, will be presented to the ADF Board for financing. This grant will, therefore, multiply capital flows, for well-studied projects, into the affected zone.

## F. REPAYMENT PROSPECTS

No difficulty is contemplated in connection with the interest payments or repayment of the loan by the AFDB. In addition to the solidity of the AFDB itself (see Annexes VII, X, and XI), each subloan obligation will be guaranteed by a Member State(s) where the Sub-borrower is not itself a Member State(s). Repayment of the Subloans will be made in freely convertible currencies.

To insure repayment, we are primarily relying on AFDB's ability to make sound loans. AFDB has steadily built up its technical expertise and has a capable staff (see Section C-4). Good subloans will generate income which will service the debt. AFDB's record to date indicates an ability to identify bankable projects and to implement them satisfactorily. (See Section C-3.) The Member States think of AFDB as their own development bank and closely identify with its success. All AFDB loans which are to some of the world's poorest nations are current on principle and interest.

## G. CONDITIONS PRECEDENT AND COVENANTS

### 1. Conditions Precedent

Following AID/W's approval to enter negotiations with the AFDB in June 1973, the following points were negotiated as conditions precedent prior to disbursement:

- a. A certified copy of the resolution passed by the AFDB's Board of Directors authorizing its President to negotiate and sign the loan agreement;
- b. A certified copy of the resolution passed by the AFDB's Board of Governors ratifying the action of the Board of Directors specified above;
- c. An opinion of AFDB's chief legal counsel that the loan agreement constitutes a valid and legally binding obligation of the AFDB;
- d. A statement of the names of the persons who will officially represent the AFDB and specimen signatures of such persons;
- e. A copy of the form of Subloan Agreement the AFDB will use; and
- f. Certified copies of the AFDB charter, by-laws, and other documentation governing the conduct of AFDB's operations, including basic terms, interest rate structure, rules, regulations, policies, and procedures to be used by the AFDB in making Subloans.

### 2. Covenants

General covenants will provide for faithful project performance including the provision of any additional funds by the AFDB, continuing consultation, efficient management, tax and duty exemptions, proper utilization of goods and services, maintenance and audit of records, reports, and inspections. Covenants relative to procurement will limit procurement to Code 941 countries and require reasonable prices, insurance and 50/50 shipping, notification to U.S. suppliers, and information and marking.

Special covenants will include those covenants and warranties usually made by a corporation when it acts as a borrower.

## H. IMPLEMENTATION PLAN

### 1. Responsibility for Implementation

Primary responsibility for the over-all implementation of the project will rest with the AFDB. A.I.D. will monitor the implementation through its REDSO/WA office located in the same city as the AFDB.

## 2. Sub-loan Approvals

Each commitment of AID funds in excess of \$1.0 mn in an AFDB sub-loan will require prior written AID approval. This is necessary to assure that certain basic statutory criteria are met, the most important of which is the eligibility of the proposed Sub-borrower. Projects and countries normally eligible for A.I.D. assistance under the FAA will be eligible for AFDB sub-loans. In view of the AFDB's record of thoroughness in project preparation and REDSO/WA's experience in approving sub-projects under the existing A.I.D./AFDB feasibility studies grant, it is believed that this review and approval process need not be exhaustive. Implementation Letter No. 1 will prescribe a simple Sub-loan approval application for use by the AFDB. (See Annex XII.)

## 3. Environmental Impact

This project should not have any direct environmental impact. A.I.D. will, however, examine each proposed Sub-loan for any such adverse effect before granting its approval. (See Section H-2 above.)

## 4. Implementation Schedule

We plan to commit the funds in a short period, hopefully in 1 to 1½ years. The proposed implementation schedule is as follows:

<u>ACTION</u>	<u>DATE</u>
Authorize loan	June 1974
Execute loan agreement	June 1974
Issue Implementation Letter No. 1	June 1974
Satisfy Conditions Precedent	September 1974
Issue first letter of commitment and/or other commitment document	November 1974
(Terminal date for requests for letters of commitment or other commitment documents)	November 1975
(Terminal disbursement date of loan)	May 1979

Draft Authorization

A.I.D. Loan No. 698-H-014  
Cap. Asst. Paper No.  
AID/DLC/P  
Project No. 698-22-920-127

CAPITAL ASSISTANCE LOAN AUTHORIZATION

Provided from: Development Loan Funds

Africa Regional: AFDB Development Lending

Pursuant to the authority vested in the Administrator of the Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Section 106 to the AFRICAN DEVELOPMENT BANK ("Borrower") of not to exceed TEN MILLION (\$10,000,000) U.S. dollars to assist the Borrower in financing the foreign exchange costs of goods and services for the making of medium- and long-term loans to public and/or private entities in Africa to promote the economic and social development of the Member States of the Borrower ("Sub-borrowers"), subject to the following terms and conditions:

1. Interest Rate and Terms of Repayment

The Borrower shall, in United States dollars:

- (i) repay the loan to A.I.D. within forty (40) years, including a grace period of not to exceed ten (10) years;
- (ii) pay A.I.D. interest on the unpaid principal and any interest accrued thereon at the rate of two percent (2%) per annum during the grace period and three (3%) per annum thereafter.

2. Other Terms and Conditions

- (a) Goods and services financed under the loan shall be procured from countries included in Code 941 of the A.I.D. Geographic Code Book, excluding the country of the sub-borrower.

(b) Such other terms and conditions as A.I.D. may  
deem advisable.

\_\_\_\_\_  
Administrator

\_\_\_\_\_  
Date

AFRICAN DEVELOPMENT BANK LOAN

Certification Pursuant to Section 611(e) of the  
Foreign Assistance Act of 1961, as amended

I, David Shear, Director of the Regional Economic Development Services Office, West Africa, having taken into account among other things:

A. The existence of the African Development Bank ("Bank") as a viable credit institution in Africa and the role it can play in promoting a dynamic development program for the respective African countries;

B. The requirement for additional sources of loan funding if this Bank is to be in a position to encourage and foster the development of the extensive human and natural resources of Africa;

C. The progress the Bank has made in building a competent and trained staff and developing a portfolio of loan and equity investments of considerable worth to the economic development of its member states;

D. The steps the President and Board of Directors have taken to lay the basis for a sound expansion of the Bank's resources for the benefit of its member states, including planned borrowing on the world's capital markets and borrowing from bilateral donors other than the United States; and

E. The past and present management of its own capital resources,

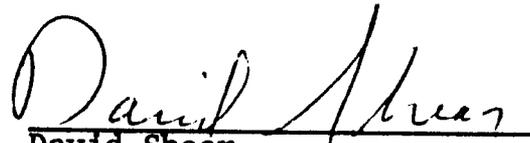
do hereby certify that in my judgment the Bank and the member states of the Bank have the financial capability and the human resources capability to implement and effectively utilize the subject capital assistance project.

This judgment is based in part on the following:

1. The requirements placed on the Bank and its member states to maintain and utilize other projects previously financed or assisted by the United States. Of particular significance in this regard is the outstanding performance of the Bank in the implementation and effective utilization of a \$4,785,000 A.I.D. grant for economic feasibility and other studies.

2. The demonstrated ability of the Bank to appraise and commit funds for their financing at an increasing rate.

3. The achievement of an orderly and satisfactory disbursement rate on funds committed to approved projects.

  
David Shear

May 30, 1974

CHECKLIST OF STATUTORY CRITERIA

In the right-hand margin, for each item, write answer or, as appropriate, a summary of required discussion. As necessary, reference the section of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed.

The following abbreviations are used in the checklist:

FAA - Foreign Assistance Act of 1961, as amended

FAA, 1973 - Foreign Assistance Act of 1973

App. - Foreign Assistance and Related Program Appropriation Act, 1974

MMA - Merchant Marine Act of 1936, as amended.

**NOTE:** Herein "country" shall mean borrower "AFDB or Bank" and/or the countries that are bank members, "Member States."

I. FULFILLMENT OF STATUTORY OBJECTIVES

A. Needs Which the Loan is Addressing

1. FAA Section 103. Discuss the extent to which the loan will alleviate starvation, hunger and malnutrition, and will provide basic services to poor people enhancing their capacity for self-help. **The member states of the AFDB are implementing projects of this nature, although this loan is not specifically directed to this purpose.**
2. FAA Section 104. Discuss the extent to which the loan will increase the opportunities and motivation for family planning; will reduce the rate of population growth; will prevent and combat disease; and will help provide health services for the great majority of the population. **Not Applicable**
3. FAA Section 105. Discuss the extent to which the loan will reduce illiteracy, extend basic education, and increase manpower training in skills related to development. **Not Applicable**
4. FAA Section 106. Discuss the extent to which the loan will help solve economic and social development problems in fields such as transportation, power, industry, urban development, and export development. **Three of the Borrower's major operational divisions are in the transportation, power and industry fields. The proceeds of the loan may be used to finance projects in these areas.**

MAY 1974

5. FAA Section 107. Discuss the extent to which the loan will support the general economy of the recipient country; or will support development programs conducted by private or international organizations.

Not Applicable

B. Use of Loan Funds

1. FAA Section 110. What assurances have been or will be made that the recipient country will provide at least 25% of the costs of the entire program, project or activity with respect to which such assistance is to be furnished under Sections 103-107 of the FAA?

In view of the regional character of the proposed AID assistance, the loan falls outside this restriction and is classified as an Africa Regional project.

2. FAA Section 111. Discuss the extent to which the loan will strengthen the participation of the urban and rural poor in their country's development, and will assist in the development of cooperatives which will enable and encourage greater numbers of poor people to help themselves toward a better life.

The objective of the loan is not directed specifically at these problems. However, insofar as rural roads and urban sewerage systems may be financed from the loan, the urban and rural poor would benefit thereby.

3. FAA Section 112. Will any part of the loan be used to conduct any police training or related program (other than assistance rendered under Section 515(c) of the Omnibus Crime Control and Safe Streets Act of 1968 or with respect to any authority of the Drug Enforcement Administration of the FBI) in a foreign country?

No.

4. FAA Section 113. Describe the extent to which the programs, projects or activities to be financed under the loan give particular attention to the integration of women into the national economy of the recipient country.

Women in Africa now enjoy an important role in national social and economic affairs. This loan project is neither needed nor designed to alter social values and structures either to diminish or enhance that role

5. FAA Section 114. Will any part of the loan be used to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

## II. COUNTRY PERFORMANCE

### A. Progress Towards Country Goals

1. FAA §§201(b)(5), 201(b)(7), 201(b)(8), 208. Discuss the extent to which the country is:

(a) Making appropriate efforts to increase food production and improve means for food storage and distribution.

Each of the Member States is implementing projects to increase food production.

(b) Creating a favorable climate for foreign and domestic private enterprise and investment:

Most of the Member States have a liberal policy for the promotion of private enterprise and are encouraging both foreign investors and national entrepreneurs. There are no specific restrictions concerning private enterprise development, and, it is believed that private sources will be providing capital for several projects being developed. The basis for the present loan proposal is predicated upon this liberal policy and self-help measures being taken by the Member States in this field.

(c) Increasing the people's role in the developmental process;

The Member States are cognizant of the necessity to mobilize the mass of people in overall development programs. As a result, considerable efforts are being made in the educational area and in a wide variety of rural development projects at the village level.

(d) Allocating expenditures to development rather than to unnecessary military purposes or intervention in other free countries' affairs;

The level of military expenditures in most of the Member States is limited to that required to assure their own internal order and stability. See I-D-2 this Annex.

(e) Willing to contribute funds to the project or program;

The Member States have and are continuing to make contributions to the AFDB for development lending. This loan is an adjunct to those contributions.

(f) Making economic, social and political reforms such as tax collection improvements and changes in land tenure arrangement and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise;

The Member States generally have programs concerned with the more efficient control of government spending, the formation of a more equitable tax base, and more effective tax collection. Reasonable progress is being made as far as stability, freedom of expression and of the press, and as indicated above, important programs are being carried out to train the people to productively assist in economic development. Private enterprise is generally encouraged both for national entrepreneurs and foreign investors.

(g) Responding to the vital economic, political and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

B. Relations with the United States

1. FAA Sec. 620(c). If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, including arbitration, or (b) the debt is not denied or contested by the government, or (c) the indebtedness arises under such government's or a predecessor's unconditional guarantee?

2. FAA Sec. 620(d). If the loan is intended for construction or operation of any productive enterprise that will compete with U.S. enterprise, has the country agreed that it will establish appropriate procedures to prevent export to the U.S. of more than 20% of its enterprises annual production during the life of the loan?

3. FAA Sec. 620(e)(1). If assistance is to a government, has the country's government, or any agency or subdivision thereof, (a) nationalized or expropriated property owned by U.S. citizens or by any business entity not less than 50% beneficially owned by U.S. citizens, (b) taken steps to repudiate, or nullify existing contracts or agreements with such citizens or entity, or (c) imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operation conditions? If so, and more than six months has elapsed since such occurrence, identify the document indicating that the government, or appropriate agency or subdivision thereof, has taken appropriate steps to discharge its obligations under international law toward such citizen or entity? If less than six months has elapsed, what steps, if any, has it taken to discharge its obligations?

Member States generally are attempting through the building of a resource base by increasing export crops, through regional development programs, and agricultural projects at the village level, to effectuate economic and social reforms for the improvement of living standards.

None to our knowledge, with the possible exception of Algeria.

It is not expected that any enterprise financed under this project will compete with U.S. enterprise.

No to (a), (b) and (c) to the best of our knowledge, with the possible exception of Algeria. In addition, in 1966 a plantation belonging to U.S. citizen Knieb was expropriated in Tanzania. Appropriate steps were taken by GOT to discharge its obligations and agreement was reached in 1968. Compensation for additional farms expropriated in 1973 is being processed and the GOT appears to be proceeding in good faith.

4. FAA Sec. 620(f). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property, and failed to take appropriate measures to prevent a recurrence and to provide adequate compensation for such damage or destruction?

No

5. FAA Sec. 620(1). Has the government instituted an investment guaranty program under FAA Sec. 221(b)(1) 234(a)(1) for the specific risks of inconvertibility and expropriation or confiscation?

Yes, except Nigeria. However, one is currently under negotiation in Nigeria and Libya.

6. FAA 8620(o). Fisherman's Protective Act of 1954, as amended, Section 5. Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? If, as a result of a seizure, the U.S.G. has made reimbursement under the provisions of the Fisherman's Protective Act and such amount has not been paid in full by the seizing country, identify the documentation which describes how the withholding of assistance under the FAA has been or will be accomplished.

No

7. FAA Sec. 620(a). Has the country been in default, during a period in excess of six months, in payment to the U.S. on any FAA loan?

No, except Cameroon, Mali, Somalia, and possibly Dahomey

8. FAA Sec. 620(t). Have diplomatic relations between the country and the U.S. been severed? If so, have they been renewed?

No, with the exception of Algeria, Congo, Guinea, Uganda and Libya.

C. Relations with Other Nations and the U.N.

1. FAA Sec. 620(i). Has the country been officially represented at any international conference when that representation included planning activities involving insurrection or subversion directed against the U.S. or countries receiving U.S. assistance?

No, except perhaps member Arab states participating in international conferences dealing with Arab-Israeli relations; however the recent Arab-Israeli truce has lessened this potential problem.

2. FAA Secs. 620(a), 620(n). Has the country sold, furnished, or permitted ships or aircraft under its registry to carry to Cuba or North Vietnam, items of economic, military or other assistance?

No, with the exception of Somalia.

3. FAA Sec. 620(u); App. Sec. 107. What is the status of the country's U.N. dues, assessments or other obligations? Does the loan agreement bar any use of funds to pay U.N. assessments, dues or arrearages?

The member states are up to date on their U.N. dues, assessments, and other obligations. The loan agreement limits the use of the funds to the importation of goods and services.

D. Military Situation

1. FAA Sec. 620(i). Has the country engaged in or prepared for aggressive military efforts directed against the U.S. or countries receiving U.S. assistance?

No

2. FAA Sec. 620(s). What is (a) the percentage of the country's budget devoted to military purposes, and (b) the amount of the country's foreign exchange resources used to acquire military equipment, and (c) has the country spent money for sophisticated weapons systems purchased since the statutory limitation became effective?

Consideration has been completed by the Inter-agency committee which has determined that Sec. 620(s) does not rule out economic assistance to the Member States, except for Uganda, Libya, Somalia, and Egypt.

(2) Is the country diverting U.S. development assistance or PL 430 sales to military expenditures?

No.

(3) Is the country diverting its own resources to unnecessary military expenditures? (Findings on these questions are to be made for each country at least once each fiscal year and, in addition, as often as may be required by a material change in relevant information.)

No, except for Uganda, Libya, Somalia, and Egypt.

III. CONDITION OF THE LOAN

A. General Soundness

Interest and Repayment

1. FAA §§201(d), 201(b)(2). Is the rate of interest excessive or unreasonable for the borrower? Are there reasonable prospects for repayment? What is the grace period interest rate; the following period interest rate? Is the rate of interest higher than the country's applicable legal rate of interest.

No. See Section C, 2 of the CAP.  
Yes. See Section F of the CAP.  
Two percent and three percent.  
No.

Financing

1. FAA §201(b)(1). To what extent can financing on reasonable terms be obtained from other free-world sources, including private sources within the U.S.?

The resources provided under this project are required and are in addition to those provided from other free world sources. Several donors are participating in the overall development of the Member States, and AID has agreed to consider this specific project. Private U.S. financing for this project is not available.

Economic and Technical Soundness

1. FAA §§201(b)(2), 201(c). The activity's economic and technical soundness to undertake loan; does the loan application, together with information and assurances, indicate that funds will be used in an economically and technically sound manner?

Yes, See Sections A-H of CAP.

2. FAA 5611(a)(1). Have engineering, financial, and other plans necessary to carry out assistance, and a reasonable firm estimate of the cost of assistance to the U.S., been completed?

Yes. See Section C of CAP.

3. FAA 5611(b); App. 8101. If the loan or grant is for a water or related land-resources construction project or program, do plans include a cost-benefit computation? Does the project or program meet the relevant U.S. construction standards and criteria used in determining feasibility?

Not applicable.

4. FAA 5611(c). If this is a Capital Assistance Project with U.S. financing in excess of \$1 million, has the principal A.I.D. officer in the country certified as to the country's capability effectively to maintain and utilize the project?

Yes. See Annex II

B. Relation to Achievement of Country and Regional Goals

-Country Goals

1. FAA 58207, 281(a). What is this loan's relation to:

(a) Institutions needed for a democratic society and to assure maximum participation on the part of the people in the task of economic development?

This project has as one of its primary objectives the encouragement of productive enterprise within the countries' overall economic development programs as set forth in their respective Plans.

(b) Enabling the country to meet its food needs both from its own resources and through development, with U.S. help, of infrastructure to support increased agricultural productivity?

It is expected that several of the Subloans to be made by the Bank will be in the rural transport sector.

(c) Meeting increasing need for trained manpower?

The project may not directly train manpower. However, by affording the resources whereby African professionals in the Bank and the Member States can appraise and manage capital projects, it will contribute greatly to the development of vital skills.

(d) Developing programs to meet public health needs?

(c) Assisting other important economic, political, and social development activities, including industrial development, growth of free labor unions; cooperatives and voluntary agencies; improvement of transportation and communication systems; capabilities for planning and public administration; urban development; and modernization of existing laws?

2. FAA §201(b)(4). Describe the activity's consistency with and relationship to other development activities, and its contribution to reliable long-range objectives.

3. FAA §201(b)(9). How will the activity to be financed contribute to the achievement of self-sustaining growth?

4. FAA §201(f). If this is a project loan, describe how such project will promote the country's economic development, taking into account the country's human and material resource requirements and the relationship between ultimate objectives of the project and overall economic development.

5. FAA §201(b)(3). In what ways does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities?

Resources could be used for sanitary and sewerage systems in the Member States.

The proceeds of the loan will be available for industrial development projects within the Member States as well as transportation and communications projects. Urban development projects will be eligible, especially sanitary and sewerage systems.

The loan is consistent with the development activities of the Member States of the Bank. It is also consistent with the development policies of A.I.D. in the region. By financing infrastructure projects the proceeds of the loan will contribute to long-range objectives.

The Bank's general policy is to approve only those projects for financing where the economic rate of return exceeds the opportunity cost of capital, thus ensuring an excess of return to the economy over the cost of the project.

In general, the Bank attempts to ensure that projects approved for financing are consistent with the Member States' national, sectoral, and sub-sectoral plans for development.

By the provision of resources for infrastructure projects which contribute to lowering the costs of development of economic resources and productive capacity.

6. FAA 2251(b). How does the program under which assistance is provided recognize the particular needs, desires, and capacities of the country's people; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in political processes.

7. FAA 2631(a). How will this loan encourage the country's efforts 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; and (f) strengthen free labor unions?

Each sub-project under this Loan will be requested by the Member States, thus reflecting the priorities of each nation as expressed through its administrative apparatus. It is unlikely that the Loan could be designed to support civic education and training required for effective participation in political processes.

(a) Through contribution to increases in the productive capacity of Member States; (b) By contributing to lower cost development of private enterprises thus higher return on capital; (c) It is not anticipated that it will do so directly; (d) Not applicable; (e) By providing lower cost infrastructure; (f) Not applicable.

8. FAA #202(a). Indicate the amount of money under the loan which is: going directly to private enterprise; going to intermediate credit institutions or other borrowers for use by private enterprise; being used to finance imports from private sources; or otherwise being used to finance procurements from private sources.

(a) The loan funds will be borrowed by the AFDB, an intermediate financial institution, some may then be used by private enterprise borrowers.

9. FAA #611(a)(2). What legislative action is required within the recipient country? What is the basis for a reasonable anticipation that such action will be completed in time to permit orderly accomplishment of purposes of loan?

None required.

### Regional Goals

1. FAA #619. If this loan is assisting a newly independent country, to what extent do the circumstances permit such assistance to be furnished through multilateral organizations or plans?

This loan will be made through a multi-lateral organization.

2. FAA #209. If this loan is directed at a problem or an opportunity that is regional in nature, how does assistance under this loan encourage a regional development program? What multilateral assistance is presently being furnished to the country?

This Bank is directed by its charter to encourage regionalism through multi-national project financing wherever possible.

C. Relation to U.S. Economy

Employment, Balance of Payments,  
Private Enterprise.

1. FAA §5202(b)(6); 102. What are the possible effects of this loan on U.S. economy, with special reference to areas of substantial labor surplus? Describe the extent to which assistance is constituted of U.S. commodities and services, furnished in a manner consistent with improving the U.S. balance of payments position.

2. FAA §5612(b); 636(h). What steps have been taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. and local currencies contributed by the country are utilized to meet the cost of contractual and other services, and that U.S. foreign owned currencies are utilized in lieu of dollars?

3. FAA §601(d); App. E108. If this loan is for a capital project, to what extent has the Agency encouraged utilization of engineering and professional services of U.S. firms and their affiliates? If the loan is to be used to finance direct costs for construction, will any of the contractors be persons other than qualified nationals of the country or qualified citizens of the U.S.? If so, has the required waiver been obtained?

The loan proceeds will be used to procure goods and services from U.S. and other 941 countries, thereby expanding demand. It is probable that most of the loan proceeds will be spent for U.S. procurement.

No foreign currencies owned by the U.S. Government are available or could be used for the implementation of this project. As a general policy, the Bank requires borrowing countries to contribute funds to meet local currency costs.

(a) Under a program of AID-assisted economic and technical studies as well as on its other programs, the Borrower uses U.S. engineering and professional firms. (b) Not applicable in cases of loans to intermediate credit institutions.

4. FAA §608(a). Provide information measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.

5. FAA §602. What efforts have been made to assist U.S. small business to participate equitably in the furnishing of commodities and services financed by this loan?

6. FAA §621. If the loan provides technical assistance, how is private enterprise on a contract basis utilized? If the facilities of other Federal agencies will be utilized, in what ways are they particularly suitable; are they competitive with private enterprise (if so, explain); and how can they be made available without undue interference with domestic programs?

7. FAA §611(c). If this loan involves a contract for construction that obligates in excess of \$100,000, will it be on a competitive basis? If not, are there factors which make it impracticable?

8. FAA §601(b). Describe the efforts made in connection with this loan to encourage and facilitate participation of private enterprise in achieving the purposes of the Act.

#### Procurement

1. FAA §604(a). Will commodity procurement be restricted to U.S. except as otherwise determined by the President?

2. FAA §604(b). Will any part of this loan be used for bulk commodity procurement at adjusted prices higher than the market price prevailing in the U.S. at time of purchase?

The Bank will be informed of the opportunity of utilizing the loan to procure U.S. Government excess personal property.

For procurement by the Member States, A.I.D.'s standard small business advertising requirements will be required to be met.

No technical assistance is provided under this Loan.

Bank policy requires procurement at lowest market prices available and public tendering for public projects.

AID loan funds will finance foreign exchange costs only for the sub-projects. Local costs, including local procurement of goods and services are financed by the sub-borrower and are usually provided by local private enterprise. All imported goods are purchased from private sources.

Yes.

No.

3. FAA §604(e). Will any part of this loan be used for procurement of any agricultural commodity or product thereof outside the U.S. when the domestic price of such commodity is less than parity?

No

4. FAA §604(f). Will the agency receive the necessary pre-payment certification from suppliers under a commodity import program agreement as to description and condition of commodities, and on the basis of such, determine eligibility and suitability for financing?

Not applicable

D. Other Requirements

1. FAA §201(b). Is the country among the 20 countries in which development loan funds may be used to make loans in this fiscal year?

In view of the regional character of the proposed AID assistance, the loan falls outside this limitation and is classified as an Africa Regional project.

2. App. §105. Does the loan agreement provide, with respect to capital projects, for U.S. approval of contract terms and firms?

Not applicable

3. FAA §620(k). If the loan is for construction of a production enterprise, with respect to which the aggregate value of assistance to be furnished will exceed \$100 million, what preparation has been made to obtain the express approval of the congress?

The Borrower has never engaged in financing a production enterprise of this magnitude and has no plans for doing so.

4. FAA §620(b), 620(f);  
Has the President determined that the country is not dominated or controlled by the international Communist movement? If the country is a Communist country (including but not limited to, the countries listed in FAA §620(f)) and the loan is intended for economic assistance, have the findings required by FAA §620(f) and App. §109(b) been made and reported to the Congress?

Yes.

The standard AID loan provision will be included in the loan agreement.

5. FAA Section 620(h). What steps have been taken to insure that the loan will not be used in a manner which, contrary to the best interest of the United States, promotes or assists the foreign aid projects of the Communist-bloc countries?

No

6. FAA Section 636(i). Will any part of this loan be used in financing non-U.S. manufactured automobiles? If so, has the required waiver been obtained?

No

7. FAA Section 620(g). Will any part of this loan be used to compensate owners for expropriated or nationalized property? If any assistance has been used for such purpose in the past, has appropriate reimbursement been made to the U.S. for sums diverted?

8. FAA Section 201(f). If this is a project loan, what provisions have been made for appropriate participation by the recipient country's private enterprise?

See Section III,C, 8 of this Annex.

9. App. Section 103. Will any funds under the loan be used to pay pensions, etc., for persons who are serving or who have served in the recipient country's armed forces?

No

10. MMA Section 901.b'. Does the loan agreement provide for compliance with U.S. shipping requirements that at least 50% of the gross tonnage of all commodities financed with funds made available under this loan (computed separately by geographic area for dry bulk carriers, dry cargo liners, and tankers) be transported on privately-owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates for U.S. flag vessels and that at least 50% of the gross freight revenue generated by all shipments financed with funds made available under this loan and transported on dry cargo liners be paid to or for the benefit of privately-owned U.S. flag commercial vessels?

Yes

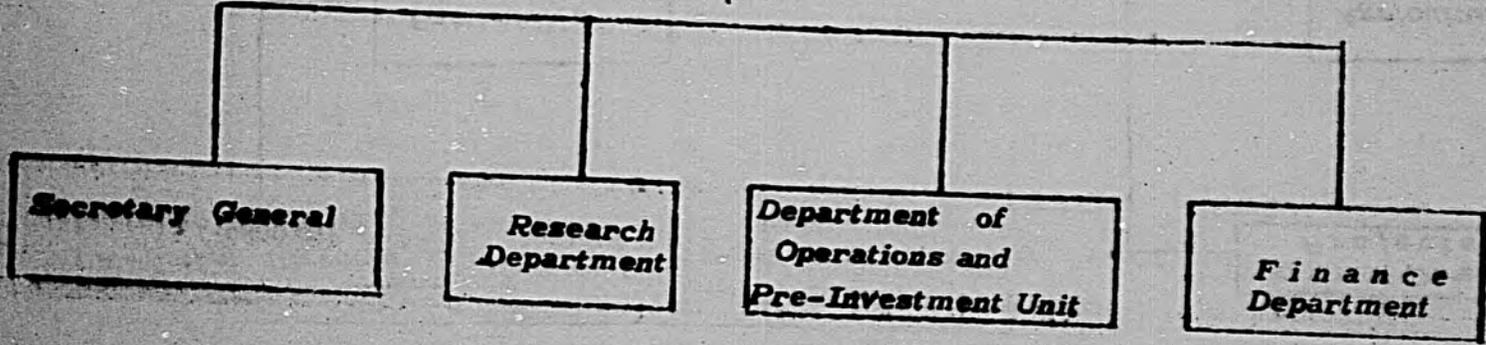
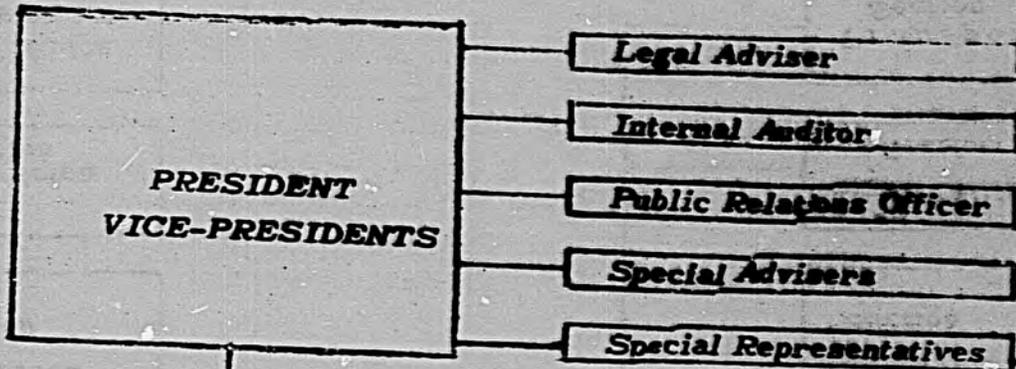
11. FAA Section 481. Has the President determined that the recipient country has failed to take adequate steps to prevent narcotic drugs produced or procured in, or transported through, such country from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents or from entering the United States unlawfully? No.
12. App. Section 110. Is the loan being used to transfer funds to world lending institutions under FAA Sec. 209(d) and Sec. 251(h)? No.
13. App. Section 601. Are any of these funds being used for publicity or propaganda within the United States? No.
14. FAA Section 612(d) and Section 40 of PL 93 189 (FAA of 1973). Does the United States own host country excess foreign currency and, if so, what arrangements have been made for its release in compliance with Section 40 (FAA of 1973)? See III.C.2. of this annex.
15. FAA Section 604(d). Will provisions be made for placing marine insurance in the U.S. if the recipient country discriminates against any marine insurance company authorized to do business in the U.S.? Yes.
16. Section 29 of PL 93 - 189 (FAA of 1973). Is there a military base located in the recipient country which base was constructed or is being maintained or operated with funds furnished by the U.S., and in which U.S. personnel carry out military operations? If so, has a determination been made that the government of such recipient country has, consistent with security, authorized access to such military base on a regular basis to bona fide news media correspondents of the U.S. A Presidential Determination (No. 74-14, dated January 28, 1974) has been made with respect to each foreign country in which such a military base is located.
17. FAA Section 610(c). Will a grant be made to the recipient country to pay all or part of such shipping differential as is determined by the Secretary of Commerce to exist between U.S. foreign flag vessel charter or freight rates? No.

18. App. Section 113. Will any of the loan funds be used to acquire currency of recipient country from non-U.S. Treasury sources when excess currency of that country is on deposit in U.S. Treasury?

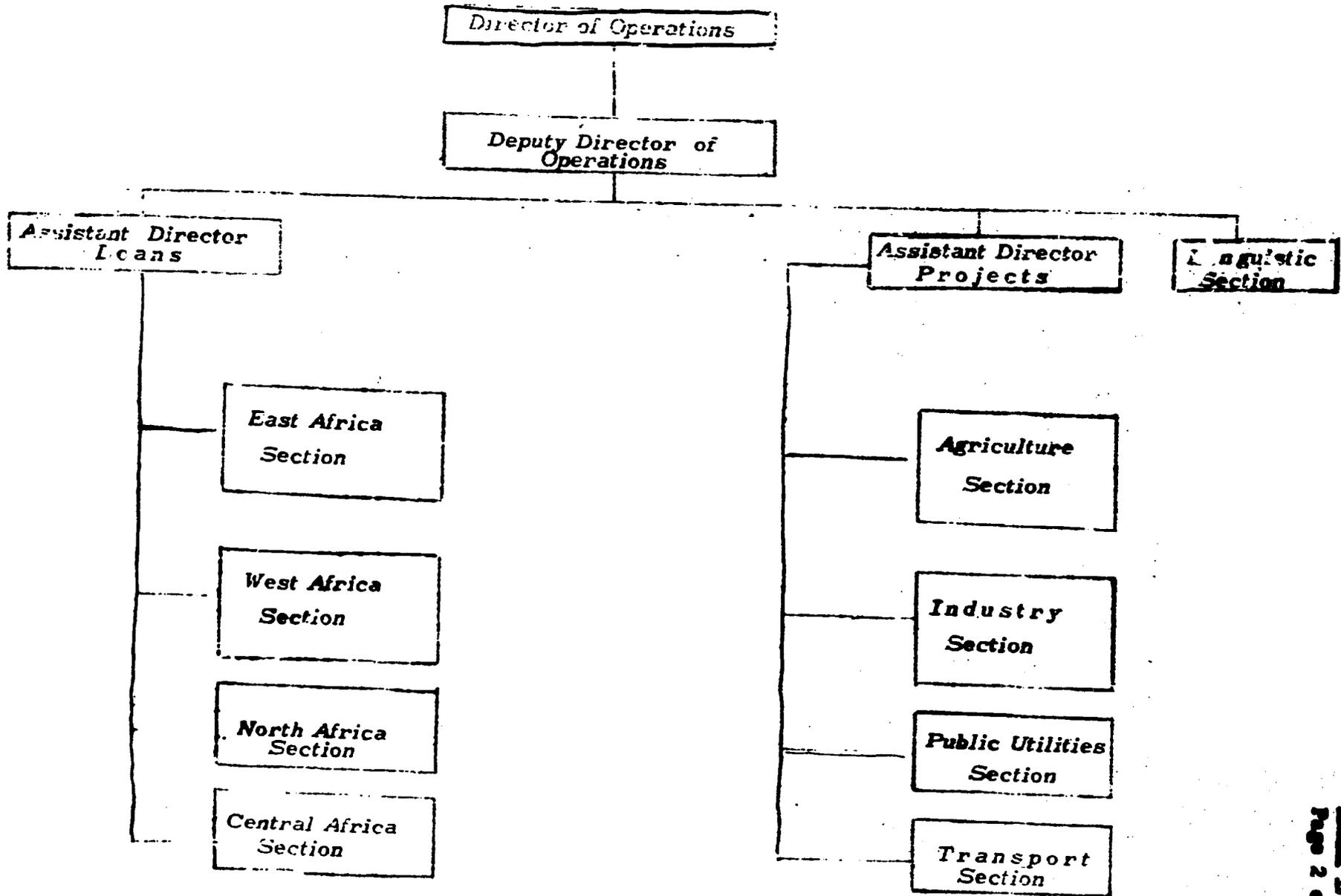
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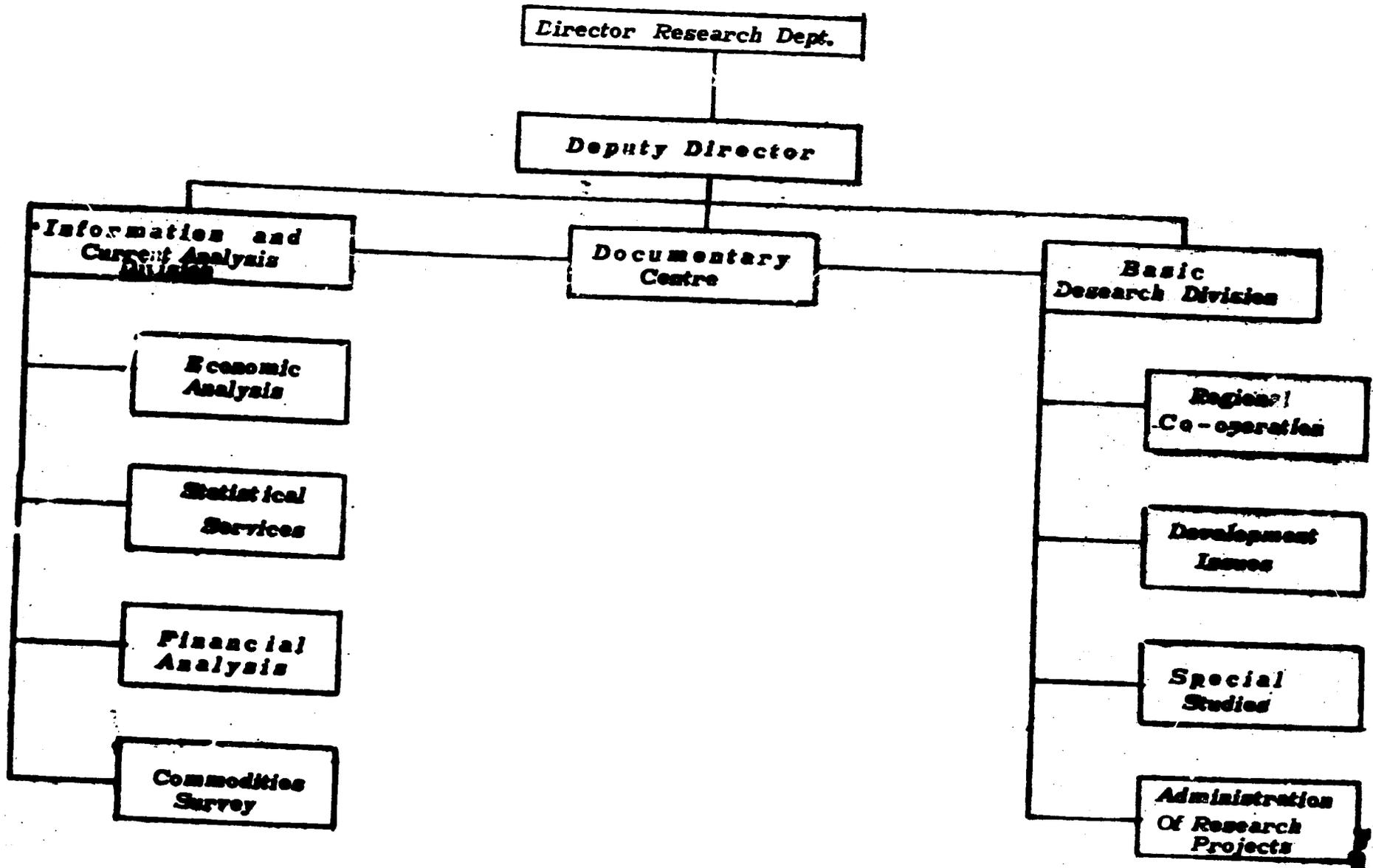
19. App. Section 114. Have the House and Senate Committees on Appropriations been notified five days in advance of the availability for obligation of funds for the purposes of this project?

Such notification is planned following consideration of the loan proposal by the Development Loan Committee.

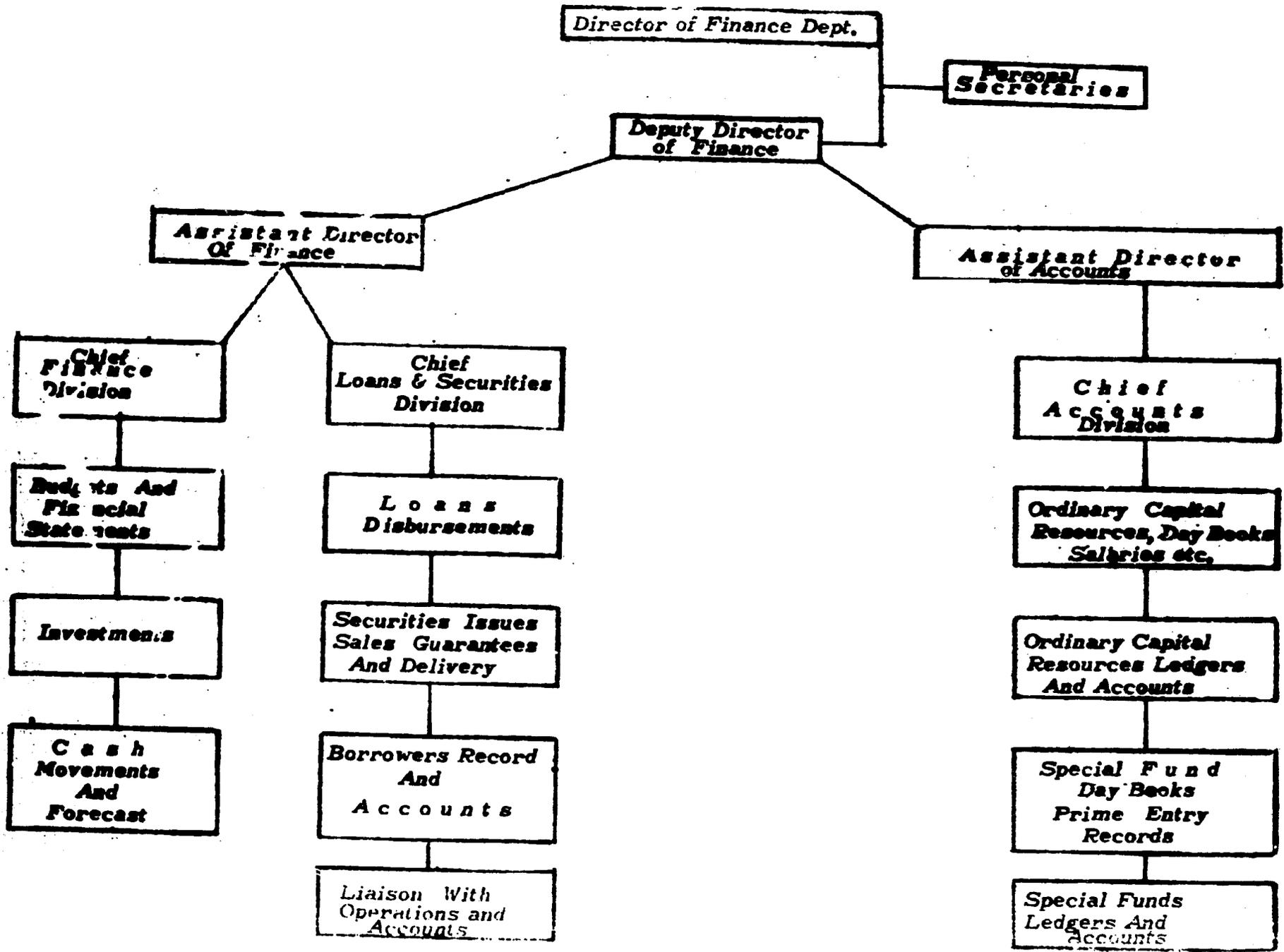


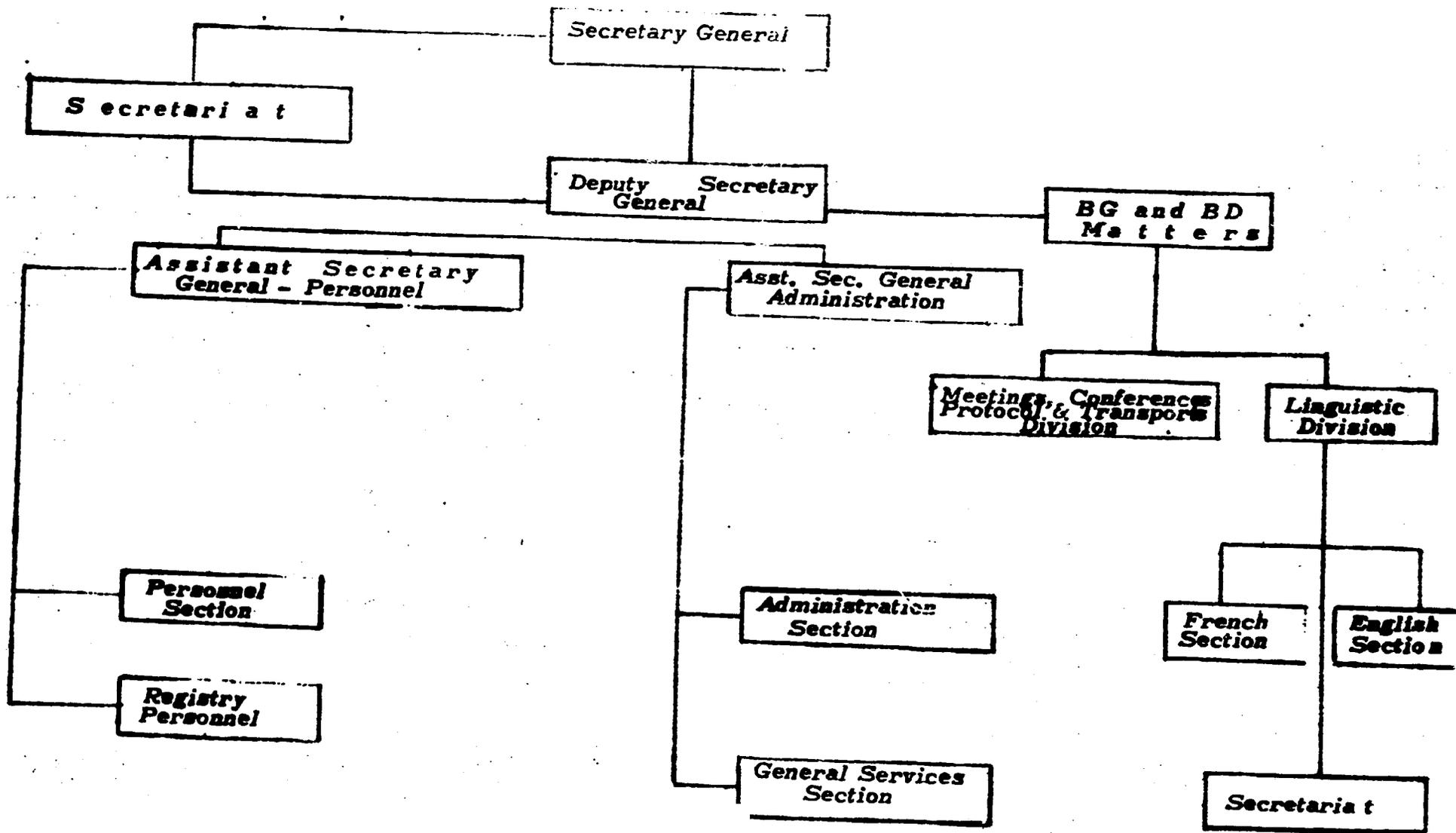
**ANNEX IV**





Page 2 of 5 pages





U.A. (000's)

**ORDINARY CAPITAL RESOURCES**  
**STATEMENT OF SUBSCRIPTIONS TO CAPITAL**  
**STOCK AND VOTING POWER AS AT 31/12/73**

ANNEX V  
Page I of 2

Members	Shares	% of Total	Amount due	Amount paid in	Amount due	No of Votes	% of total
Algeria	2,450	9.56	12,250	12,248.0	2.0	3,075	6.22
Botswana	100	0.39	75	75.0	-	725	1.47
Burundi	120	0.47	600	600.0	-	745	1.51
Cameroon	400	1.56	2,000	2,000.0	-	1,025	2.07
C.A.R.	100	0.39	350	205.0	145.0	725	1.47
Chad	160	0.62	520	192.0	327.9	785	1.59
Congo Brazza	150	0.58	750	750.0	-	775	1.57
Dahomey	140	0.55	700	362.1	337.8	765	1.55
Ethiopia	1,030	4.02	5,150	3,150.0	1,999.9	1,655	3.35
Egypt	3,000	11.70	15,000	750.0	14,250.0	3,625	7.34
Gabon	300	1.17	375	183.0	191.9	925	1.87
Gambia	100	0.39	25	25.0	-	725	1.47
Ghana	1,280	4.99	6,400	6,400.0	-	1,905	3.86
Guinea	250	0.98	1,250	983.1	266.8	875	1.77
Ivory Coast	600	2.34	3,000	3,000.0	-	1,225	2.48
Kenya	600	2.34	3,000	3,000.0	-	1,225	2.48
Lesotho	100	0.39	25	25.0	-	725	1.47
Liberia	260	1.01	1,300	1,300.0	-	885	1.79
Libya	3,000	11.70	15,000	15,000.0	-	8,625	7.34
Malawi	200	0.78	1,000	1,000.0	-	825	1.67
Mali	230	0.90	1,150	1,150.0	-	855	1.73
Mauritania	110	0.43	550	550.0	-	735	1.49
Morocco	1,510	5.89	7,550	7,550.0	-	2,135	4.32
Niger	160	0.62	800	800.0	-	785	1.59
Nigeria	2,410	9.40	12,050	12,050.0	-	3,035	6.14
Rwanda	120	0.47	600	600.0	-	745	1.51
Senegal	550	2.14	2,750	1,925.0	824.5	1,175	2.38
Sierra Leone	210	0.82	1,050	1,050.0	-	835	1.69
Somalia	220	0.86	1,100	1,100.0	-	845	1.71
Sudan	1,010	3.94	5,050	5,050.0	-	1,635	3.31
Swaziland	160	0.62	200	200.0	-	785	1.59
Tanzania	630	2.46	3,150	3,150.0	-	1,255	2.54
Togo	100	0.39	500	500.0	-	725	1.47
Tunisia	690	2.69	3,450	3,450.0	-	1,315	2.66
Uganda	460	1.79	2,300	2,300.0	-	1,085	2.20
Upper Volta	130	0.51	650	650.0	-	755	1.53
Zaire	1,300	5.07	6,500	4,350.0	2,149.9	1,925	3.90
Zambia	1,300	5.07	6,500	6,500.0	-	1,925	3.90
	25,640	100.00	124,670	104,173.7	20,496.3	49,390	100.00

Note: One Unit of account equals 1.206 USA. Totals may not add due to rounding.

NOTE D - Capital Stock

The authorized capital of the Bank is 320,000,000 Units of Account made up of 16,000 paid-up shares and 16,000 callable shares all of a per value of U.A. 10,000 each. At 31 December 1973, the position of the paid-up shares was as follows:

<u>Nº. of Member Countries</u>	<u>Shares Allocated</u>	<u>Percentage Called Up</u>	<u>Percentage Uncalled</u>
31	12,310	100	-
1	50	70	30
1	80	65	35
2	230	25	75
1	50	15	85
2	100	5	95
-----	-----		
38	12,820		
-----	-----		

## ANNEX VI

AFRICAN DEVELOPMENT BANK (AFDB)  
(CAPITALIZATION AS OF 12/31/73)

	<u>Units of Account (U.A.)</u>	<u>Dollars</u>
Authorized	U.A. 320,000,000	\$ 384,000,000
Subscribed Shares	U.A. 256,400,000	\$ 307,680,000
Shares Allotted	U.A. 128,200,000	\$ 153,840,000
Capital Called	U.A. 124,670,000	\$ 149,604,000
Amount Paid-in	U.A. 104,173,697	\$ 125,008,800
Amount in Arrears	U.A. 20,496,302	\$ 24,595,562

AFRICAN DEVELOPMENT BANKBALANCE SHEET AS AT 31 DECEMBER 1973 AND 1972

(Expressed in units of account of 6.88867088 gramme of fine gold -

<u>ASSETS</u>	<u>1973</u>	<u>1972</u>
DUE FROM BANKS AND OTHER DEPOSITORIES	4,919,513	2,811,634
SHORT-TERM INVESTMENTS		
Time deposits	61,092,172	63,515,433
Securities	<u>2,219,018</u>	
	63,311,190	63,515,433
AMOUNTS RECEIVABLE		
Accrued Interests and Charges	2,156,197	932,823
Accounts Receivable and Sundries	<u>4,259,392</u>	<u>6,618,669</u>
	6,415,589	7,551,492
DUE FROM MEMBERS ON SUBSCRIPTIONS	20,496,302	29,493,480
LOANS		
Approved loans less cancellations	106,556,435	73,960,731
Less repayments	<u>592,782</u>	<u>243,889</u>
Loans held by Bank	105,963,653	73,716,842
Less undisbursed balance	<u>67,909,352</u>	<u>52,061,897</u>
	38,054,301	21,654,945
EQUITY PARTICIPATIONS (At Cost)		
Development Banks	803,613	610,000
SIFIDA	<u>500,000</u>	<u>500,000</u>
	1,303,613	1,110,000
ASSETS OF SPECIAL FUNDS	<u>10,711,481</u>	<u>10,062,851</u>
TOTAL .....	<u>145,211,989</u>	<u>136,199,835</u>

AFRICAN DEVELOPMENT BANK

BALANCE SHEET AS AT 31 DECEMBER 1973 AND 1972

(Expressed in units of account of 6.88867088 gramme of fine gold - )

	<u>1973</u>	<u>1972</u>
<u>LIABILITIES, RESERVES &amp; CAPITAL</u>		
<u>LIABILITIES</u>		
Accounts payable and sundries	3,638,711	6,493,787
PROVISION AGAINST FLUCTUATION OF CURRENCY VALUES	1,000,000	
<u>RESERVES</u>		
Special Reserve	987,328	697,741
Sinking Fund	153,509	236,110
General Reserve	<u>4,050,960</u>	<u>2,214,346</u>
	5,191,797	3,148,197
SPECIAL FUNDS	10,711,481	10,062,851
<u>CAPITAL</u>		
Authorized	<u>320,000,000</u>	<u>254,400,000</u>
3200 shares of U.A. 10,000 each in 1973 against 25440 shares in 1972		
Subscribed	256,400,000	254,400,000
25640 shares in 1973 against 25440 shares in 1972		
Less uncalled portion	<u>131,730,000</u>	<u>137,905,000</u>
	124,670,000	116,495,000
TOTAL .....	<u>145,211,989</u>	<u>136,199,835</u>

GRANT FUNDS  
AID GRANT TO AFDB - PROJECT 698-11-920-127

<u>Imp.</u> <u>Letter</u> <u>-Grant</u> <u>Agree.</u>	<u>Date</u>	<u>Subject</u>	<u>Obligated</u> <u>(\$000's)</u>	<u>Sub-Oblig.</u> <u>(\$000's)</u>	<u>Remaining</u> <u>(\$000's)</u>
1	6/68	Original Grant Agreement	\$ 435	\$ -	\$ 435.0
2	12/68	Owen P. Cylke	-	75.0	360.0
3	2/70	Procedures for Project Approval	-	-	360.0
4	11/70	Extend Grant Agreement Dates	-	-	360.0
5	5/71	Sierra Leone-Liberia Road Link	-	120.0	240.0
6	5/71	Amendment to Grant Amount	500	-	740.0
7	4/71	Oil Transport Consultant Serv. (Wms. Bros.)	-	10.6	729.4
8	2/71	Arthur M. Fell	-	75.4	654.0
9	9/71	Kwango-Wamba River Bridges	-	170.0	484.0
10	10/71	John M. Crosthwaite	-	100.0	384.0
11	11/71	Amendment to Grant Amount	600	-	984.0
UNN.Ltr.	2/72	Accra-Abidjan Highway	-	130.0	854.0
11a	2/72	Kwango-Wamba River Bridges	-	1.5	852.5
12	3/72	Accra-Abidjan Highway	-	1.0	851.5
13	5/72	Diosmone-N'Dangane Road	-	39.0	812.2
14	6/72	Amendment to Grant Amount	1,000	-	1,812.2
15	7/72	Extension of Agree. Dates	-	-	1,812.2
16	8/72	Fort Lamy Storm & Sewerage	-	314.0	1,498.5
17	9/72	Ziguinchor-Cap Skirring Road	-	224.0	1,274.5
18	9/72	Cotonou Bridge Dam	-	444.0	830.5
19/4	10/72	Upper Volta-Ghana Telecom	-	11.0	819.5
20/7	10/72	Sierra Leone-Liberia Road Link	-	3.4	816.0
21	11/72	Arthur M. Fell	-	35.0	781.0
22/15	11/72	Amendment to Grant Amount	850	-	1,631.0
23	12/72	Ft. Lamy Storm & Sewerage	-	13.0	1,618.0
24/8/Unn.	11/72	Bukavu-Kindu Road Study	-	151.0	1,467.0
25/9/4	11/72	Kwango-Wamba River Bridges	-	-	1,467.0
26	12/72	Sierra Leone-Liberia Road Link	-	0.6	1,466.5
27	2/73	Ouangolodougou-Mali Border Road	-	240.5	1,226.0
28/6	5/73	Senegal:Ziguinchor-Cap-Skirring Rd.	-	9.2	1,216.8
29	6/73	Ouangolodougou-Mali Border Road	-	6.0	1,210.8
	6/73	Amend. to Grant Agreement	400	.0(est)	1,610.8
30	8/73	Thomas D. Potter	-	150.0(est)	1,460.8
31	12/73	Tubman Bridge-Bomi Hills	-	261.1	1,199.7

GRANT FUNDS  
AID GRANT TO AFDB - PROJECT 698-11-920-127

<u>Imp. Letter</u>	<u>Date</u>	<u>Subject</u>	<u>Obligated</u>	<u>Sub-Oblig.</u>	<u>Remaining</u>
32	1/74	Markalo-Niana	-	233.2	966.5
33	3/74	Swaziland Roads	-	285.6	680.9
34	3/74	John M. Crosthwaite	-	40.3	640.6
35	4/74	Amend. to Grant Agreement	1,000	-	1,640.6

List of AFDB Loans Through Dec. 31, 1973

Country & Title of Project	Date	AFDB Board Approval	AFDB Commit- ment	Amount Dis- bursed
<u>ALGERIA</u>				
1. Dairy and cattle	3/22/71		3.0	1.8
2. El Golea-Insalah Road	7/21/71		3.0	3.0
3. Bou Namoussa Plain	11/6/73		2.4	-
<u>BOTSWANA</u>				
4. Telecommunications	11/6/73		2.2	-
<u>CAMEROON</u>				
5. Airport Terminal Building	11/24/73		3.0	-
<u>C.A.R.</u>				
6. Power Station Expansion - Bangui	7/12/72		1.0	-
<u>CHAD</u>				
7. Horticulture Project	3/23/71		.4	-
<u>CONGO</u>				
8. Water Supply System, Brazzaville	1/25/72		1.2	.2
9. Improvement of Railway System	7/12/72		2.3	1.5
10. River Transport Equip. for Timber	11/6/73		3.0	-
<u>DAHOMY</u>				
11. Oueme Valley Irrigation	10/17/72		.3	.1
<u>GHANA</u>				
12. Nasia Rice Development	9/17/73		2.3	-
<u>IVORY COAST</u>				
13. Fertilizer Plant	5/19/71		.4	.4
14. Port of Abidjan	12/19/73		3.3	-
<u>KENYA</u>				
15. Road Construction	4/21/67		2.3	2.3
16. Paper Mill	6/25/70		1.2	1.2
17. Yala-Busia Rd.	11/25/71		3.0	1.2
<u>LIBERIA</u>				
18. Gas Turbine	7/20/69		1.3	1.3
19. Development Bank	6/20/72		.5	.1
20. Monrovia Water Supply	1/24/73		1.0	-

<u>MALAWI</u>			
21. Hydroelectric-Tedzani	12/15/69	3.1	2.9
22. Development Corporation	11/22/72	1.5	.1
<u>MALI</u>			
23. Development Bank	6/4/70	.6	.6
<u>MAURITANIA</u>			
24. Telecommunications	12/14/72	.9	-
<u>MOROCCO</u>			
25. Power Transmission	3/20/70	2.8	2.8
26. Power Transmission	1/24/73	3.0	-
<u>NIGER</u>			
27. Telecommunications	12/14/70	1.4	.6
<u>NIGERIA</u>			
28. Enugu Airport	1/25/72	3.4	-
29. Bacita Sugar	3/19/71	1.6	1.3
<u>SENEGAL</u>			
30. Development Bank	10/17/72	1.5	-
31. Diosmone Road	1/24/73	1.1	-
<u>SIERRA LEONE</u>			
32. Guma Valley Water Supply	12/16/69	1.5	1.3
33. Oil Palm Development	5/15/73	3.1	-
<u>SOMALIA</u>			
34. Berbera-Hargeisa Road	10/18/71	1.0	.3
35. Afgoi Irrigation Project	3/20/72	1.5	.2
<u>SUDAN</u>			
36. Livestock Quarantine Stations	3/22/71	.8	.2
37. Sudan Railways Rolling Stock	9/20/71	2.8	.3
38. Rolling Stock (Phase II)	9/17/73	3.0	-
<u>SWAZILAND</u>			
39. Telecommunications	11/22/72	1.5	-
<u>TANZANIA</u>			
40. Petroleum Refinery	5/25/71	3.0	2.7
41. Investment Bank	5/15/73	1.5	.1
<u>TOGO</u>			
42. Development Bank	6/20/72	1.4	1.4

TUNISIA

43. Madjirda Valley Irrigation	6/10/68	2.8	2.4
44. Nefta-Hazoua Road	6/23/72	.9	-

UGANDA

45. Water Supply and Sewerage (regional cities)	3/27/68	.3	.3
46. Water Supply 18 urban centers	8/29/70	3.0	2.2
47. Bwayo-Busia Road	11/22/72	1.0	-

UPPER VOLTA

48. Development Bank	3/5/70	2.0	1.3
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ZAIRE

49. Kwango-Wamba Bridges	3/6/73	2.5	-
50. Telecommunications	12/19/73	3.3	-

ZAMBIA

51. Commercial Farm	3/23/71	.7	.3
52. Resettlement (Mazabuka)	6/28/73	.8	-
53. Development Bank	6/28/73	1.8	-

MULTINATIONAL

54. East Africa Development Bank	7/26/69	2.0	.6
55. Air Afrique (DC-10)	1/17/71	5.0	2.1
56. Railroad Abidjan-Niger	5/12/72	3.0	2.0
57. Liberia-Sierra Leond Road Link	9/19/73	<u>1.3</u>	<u>-</u>

Total

109.4      38.6

AFRICAN DEVELOPMENT BANK  
INCOME STATEMENTS 1965 to 1972  
(In U.S. Dollars)

	1965	1966	1967	1968
<u>Income</u>				
From Loans				
Interest				709
Commitment Charges				20,784
Commissions			2,599	141
Total From Loans			\$2,599	\$21,634
From Investments	\$1,314,543	2,138,863	2,647,556	3,460,924
From Other Sources			3,474	5,943
Gross Income	1,314,543	2,138,863	2,653,629	3,482,501
<u>Expenditures</u>				
Board of Governors	14,526	25,710	34,236	76,113
Board of Directors	101,494	77,761	157,318	115,709
Personnel Services	189,075	401,033	610,841	790,971
Travelling	48,536	58,162	96,204	105,709
Other Expenditures	245,734	162,382	276,048	464,676
Total Expenditures	599,415	725,048	1,174,647	1,553,178
Net Income Before Special Items	715,128	1,413,815	1,478,982	1,935,322
Deduct:				
Exchange Losses, Prior Year				
Adjustments and Reserve Charges		40,589	79,243	10,478
Statutory Commissions				141
Net Income After Deducting Special Items	\$715,128	\$1,373,226	\$1,399,739	\$1,924,703

AFRICAN DEVELOPMENT BANK  
INCOME STATEMENTS 1965 to 1972  
(In Units of Account)

AID-DIC/P  
ANNEX X  
Page 2 of 2 Pages

	1969	1970	1971	1972	1973
<b>INCOME:</b>					
From Loans					
Interest	22,885	88,634	262,527	828,679	1,717,409
Commitment Charges	33,279	46,068	92,986	181,950	288,548
Commissions	4,437	14,772	47,292	144,446	289,587
Total From Loans	60,601	149,473	406,485	1,155,075	2,295,544
From Investments	5,062,585	5,778,897	4,254,856	3,508,413	5,058,622
From Other Sources	5,398	4,907	7,782	8,009	53,430
<b>GROSS INCOME</b>	5,128,584	5,933,278	4,668,501	4,671,497	7,407,596
<b><u>EXPENDITURES</u></b>					
Board of Governors	42,763	57,808	124,761	151,696	123,735
Board of Directors	188,157	428,877	411,693	407,413	609,192
Personnel Services	1,019,858	1,357,694	1,697,950	2,058,060	2,350,306
General Admin. Expenditures	571,244	683,166	1,003,710	890,587	1,282,812
Total Expenditures	1,822,022	2,527,545	3,238,116	3,507,756	4,366,045
Less Managerial Fees				-	250,000
<b>NET TOTAL EXPENDITURES</b>	1,822,022	2,527,545	3,238,166	3,507,756	4,116,045
Net Income Before Special Items	3,306,562	3,405,732	1,430,385	1,163,741	3,291,551
Deduct/(Add):					
Exchange Losses, Prior year					
Adjustments & Reserve Charges	112,118	145,529	1,313,613	95,751	(252,049)
Statutory Commissions	4,437	14,772	47,292	144,446	289,587
provision for Currency Fluctuation					(1,000,000)
<b>NET INCOME AFTER DEDUCTION SPECIAL ITEMS</b>	3,190,007	3,245,432	69,481	923,544	2,254,013

Note: Some figures do not total exactly due to rounding

AFRICAN DEVELOPMENT BANK  
PROJECTED INCOME STATEMENTS FOR THE YEARS 1974-1980  
Units of Account (000's)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>INCOME</u>					
From Loans					
Interest	3220	4380	5400	6270	7090
Statutory Commission	538	732	900	1045	1185
Commitment Charges	<u>807</u>	<u>1117</u>	<u>1145</u>	<u>1790</u>	<u>2140</u>
Sub-Total	<u>4565</u>	<u>6229</u>	<u>7445</u>	<u>9105</u>	<u>10415</u>
From Deposits and Securities	<u>5217</u>	<u>4094</u>	<u>5829</u>	<u>10025</u>	<u>9967</u>
Total Income	<u>9782</u>	<u>10323</u>	<u>13274</u>	<u>19130</u>	<u>20382</u>
<u>OPERATING EXPENDITURES</u>					
Board of Governors	147	150	150	150	150
Board of Directors	491	500	500	500	600
Personnel Services	3013	3500	3500	3500	4000
General Administrative	1249	1300	1300	1300	1500
Other	200	200	200	200	300
Sub-Total	<u>5100</u>	<u>5650</u>	<u>5650</u>	<u>6550</u>	<u>6550</u>
Less: ADF Managerial Fees	<u>1600</u>	<u>1750</u>	<u>1750</u>	<u>1750</u>	<u>2030</u>
Total Operating Expense	<u>3500</u>	<u>3900</u>	<u>3900</u>	<u>3900</u>	<u>4520</u>
Financial Expenses (1)	-	1353	2102	6450	6769
Total Expenses	<u>3500</u>	<u>5253</u>	<u>6002</u>	<u>10350</u>	<u>11289</u>
Net Income before Deducting Statutory Commissions	<u>6282</u>	<u>5070</u>	<u>7272</u>	<u>8780</u>	<u>9093</u>
Less: Statutory Commissions	<u>538</u>	<u>732</u>	<u>900</u>	<u>1045</u>	<u>1185</u>
Net Income After Deducting Statutory Commissions	<u>5744</u>	<u>4338</u>	<u>6372</u>	<u>7735</u>	<u>7908</u>

(1) It is assumed that the UA 46 mlns loan from private sources will come at the end of 1976 and financial charges will not be incurred until the following year.

ANNEX XII

Attachment A

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

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SUMMARY STATEMENT ON PROPOSED SUB-LOAN  
REQUIRING PRIOR AID APPROVAL

A.I.D. Loan No. \_\_\_\_\_  
Identification No. of Sub-Loan \_\_\_\_\_  
Date \_\_\_\_\_

1. NAME, LOCATION AND NATURE OF THE SUB-BORROWER AND GUARANTOR:
2. AMOUNT AND TERMS OF CREDIT: Indicate, in U.S. dollar equivalent, the total amount of credits to be extended, the amount of U.S. dollars to be provided from the A.I.D. Loan, other foreign exchange and amount (in U.S. dollar equivalent), and the amount of local currency (in U.S. dollar equivalent). Give the term of the loan, the interest rate and other charges.
3. DESCRIPTION OF PROJECT: Describe the nature of the project.
4. ECONOMIC, TECHNICAL AND FINANCIAL FEASIBILITY: A statement that specific analyses have established the economic, technical and financial feasibility of the project.

ANNEX XIII

BANQUE AFRICAINE DE DÉVELOPPEMENT  
AFRICAN DEVELOPMENT BANK

ADRESSE TÉLÉGRAPHIQUE  
AFDEV ABIDJAN  
TÉLÉPHONE 256-00  
TELEX 717



B P N° 1387 ABIDJAN  
CÔTE D'IVOIRE

RÉFÉRENCE  
DATE 23 May 1973

Mr. David Shear  
Director, REDSO/WA  
American Embassy  
Abidjan, Ivory Coast

Subject: Application for \$10 million  
concessionary loan

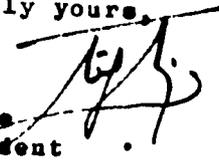
Dear Mr. Shear,

As you know, the African Development Bank has been engaged in a vigorous programme of project financing for its member governments. The level of project financing has grown rapidly in recent years, reaching \$26.4 million in 1971 and \$26.9 million in 1972. The Bank anticipates that the level of project financing in 1973 will be the highest ever. On the basis of the projects presented to our Bank and appraised for financing, it is expected that the lending level in 1973 will exceed \$30 million.

In order to maintain and expand the level of financing which our Bank has achieved over the last three years, the Bank wishes to marshal additional capital resources by resort to international private and public capital markets for medium and long term capital resources. In this context we have held mutual discussions in the past regarding possible long term financing under the auspices of the Agency for International Development. The purpose of the borrowing would be to augment our Bank's existing resources in order to facilitate sub-loans for projects in member states of the African Development Bank.

In view of our existing pipeline of projects and other available and planned resources, we should like to make an official request that the Agency for International Development accord to our Bank a concessionary loan in the amount of \$10 million. We would be pleased to discuss matters relating to the terms and conditions and other information which may be necessary to support this loan application at a mutually convenient time.

Sincerely yours,

  
L. Nègre  
Vice President

XIII-1

COMPARISON OF CAPITAL STRUCTURE  
OF THE AFRICAN ASIAN AND INTER-AMERICAN DEVELOPMENT BANKS  
 ( IN U.S. DOLLARS)

ANNEX XIV  
Page 1 of 1

	<u>YEAR-END 1973</u> <u>AFRICAN DEVELOPMENT BANK</u>		<u>YEAR-END 1972</u> <u>ASIAN DEVELOPMENT BANK</u>		<u>YEAR-END 1973</u> <u>INTER-AMERICAN DEVELOPMENT BANK</u>	
	<u>Amount</u>	<u>Per Cent of</u> <u>Total Equity</u> <u>Capital</u>	<u>Amount</u>	<u>Per Cent of</u> <u>Total Equity</u> <u>Capital</u>	<u>Amount</u>	<u>Per Cent of</u> <u>Total Equity</u> <u>Capital</u>
<u>Equity Capital</u>						
<u>Regional Contributions</u>						
Developing Countries	125,699,941	95	171,860,743	30	551,561,000	50
Developed Countries			166,961,428 <sup>2/</sup>	29		
TOTAL REGIONAL	<u>125,699,941</u>	<u>95</u>	<u>338,831,885</u>	<u>59</u>	<u>551,561,000</u>	<u>50</u>
<u>Non-Regional</u>						
U. S.			108,571,428	18	331,745,000	30
Other Non-Regional			92,285,715	16	48,254,000 <sup>3/</sup>	4
TOTAL NON-REGIONAL			<u>200,887,143</u>	<u>34</u>	<u>379,999,000</u>	<u>34</u>
<u>Total Equity Capital</u> <sup>1/</sup>	<u>131,963,797</u>	<u>100</u>	<u>582,065,836</u>	<u>100</u>	<u>1,114,251,000</u>	<u>100</u>
<u>Debt</u>	<u>-0-</u>	<u>-0-</u>	<u>229,222,227</u>	<u>39</u>	<u>1,253,280,000</u>	<u>114</u>
<u>Debt Equity Ratio</u>	<u>N.A.</u>	<u>—</u>	<u>.4 to 1</u>	<u>—</u>	<u>1.1 to 1</u>	<u>—</u>

<sup>1/</sup> Includes called Paid in Capital of \$931,560,000 and general reserves of \$182,691,000 for IADB; reserves of \$6,263,124 for AFDB and \$42,376,808 for the ADB (some of the ADB reserves, \$6,000,000 may have been reallocated to special reserves, also the ADB has reallocated some \$27 million of capital to its special fund (not shown here).

<sup>2/</sup> Australia, Japan and New Zealand.

<sup>3/</sup> Canada.

COMPARISON OF THE INCOME STATEMENTS OF THE AFRICAN, ASIAN, AND INTER-AMERICAN DEVELOPMENT BANKS

(In Thousands of US Dollars)

	<u>AFRICAN DEVELOPMENT BANK</u>			<u>ASIAN DEVELOPMENT BANK</u>			<u>INTER-AMERICAN DEVELOPMENT BANK</u>		
	<u>1973</u>	<u>% of Gross Inc.</u>	<u>% Total Capital</u>	<u>1972</u>	<u>% of Gross Inc.</u>	<u>% Total Capital</u>	<u>1973</u>	<u>% of Gross Income</u>	<u>% Total Capital</u>
<b>Income</b>									
<u>From Loans:</u>									
Interest	2,072	23	1.6	5,409	16	.8	59,895	42	2.5
Commitment charges	348	4	.3	1,881	5	.3	9,668	7	.4
Commissions	349	4	.3	973	3	.1	9,785	7	.4
Loan Supervision fees							2,446	2	.1
<u>TOTAL LOAN INCOME</u>	<u>2,769</u>	<u>31</u>	<u>2.2</u>	<u>8,263</u>	<u>24</u>	<u>1.1</u>	<u>81,794</u>	<u>58</u>	<u>3.4</u>
<u>From Investments</u>	6,102	68	4.6	24,846	75	3.5	57,953	40	2.4
<u>From Other Sources</u>	64	1	-	262	1	-	2,385	2	.1
<u>GROSS INCOME</u>	<u>8,935</u>	<u>100</u>	<u>6.8</u>	<u>33,371</u>	<u>100</u>	<u>4.7</u>	<u>142,132</u>	<u>100</u>	<u>6.0</u>
<b>Expenses</b>									
Board of Governors	149	2	.1	145	-	-	(		
Board of Exec. Directors	735	8	.6	936	3	.1	(11,257	8	.5
Staff	2,836	32	2.2	6,707	20	.9	(		
Other Expenses	1,549	17	1.1	1,764	6	.3	5,301	4	.2
<u>TOTAL EXPENSES</u> <sup>1/</sup>	<u>5,269</u>	<u>59</u>	<u>4.0</u>	<u>9,552</u>	<u>29</u>	<u>1.3</u>	<u>16,558</u>	<u>12</u>	<u>.7</u>
Services to Member Countries	-								
Financial Expenses	-			14,443	43	2.0	81,991	58	3.5
<u>GROSS EXPENSES</u>	<u>5,269</u>	<u>59</u>	<u>4.0</u>	<u>23,995</u>	<u>72</u>	<u>3.4</u>	<u>98,549</u>	<u>70</u>	<u>4.2</u>
<b>Net Income Before Adjustments</b>	3,666	41	2.8	9,376	28	1.3	43,583	31	1.8
Expenses Allocated to Special Funds (IE, ADF, etc.)	302	3	.2	3,945	12	.6	173	-	-

<sup>1/</sup> AFDB expenses as % of income, 56% when ADF expenses separated from total expenses.  
Not all totals add correctly due to rounding off.

COMPARISON OF THE INCOME STATEMENTS OF THE AFRICAN, ASIAN, AND INTER-AMERICAN DEVELOPMENT BANKS(In Thousands of US Dollars)

	<u>AFRICAN DEVELOPMENT BANK</u>			<u>ASIAN DEVELOPMENT BANK</u>			<u>INTER-AMERICAN DEVELOPMENT BANK</u>		
	<u>1973</u>	<u>% of Gross Inc.</u>	<u>% Total Capital</u>	<u>1972</u>	<u>% of Gross Inc.</u>	<u>% Total Capital</u>	<u>1973</u>	<u>% of Gross Income</u>	<u>% Total Capital</u>
Commissions Transferred to Reserves	(349)	(4)	(.3)	(973)	(3)	(.1)	(9,785)	(7)	(.4)
Capital Gains	304	3	.2						
Exchange and Prior Year Adjustments	<u>(1,206)</u>	<u>(13)</u>	<u>(.9)</u>	<u>(5,769)</u>	<u>(17)</u>	<u>(.8)</u>	<u>2,534</u>	<u>2</u>	<u>.1</u>
NET INCOME AFTER ADJUSTMENTS	2,717	30	2.0	6,579	20	.9	36,506	26	1.5

Not all totals add correctly due to rounding off.

AFRICAN DEVELOPMENT BANK  
Sources and Applications of Funds for the Year 1973-1980  
Units of Account (000's)

<u>Source of Funds</u>	(Actual)	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
	<u>1973</u>					
Resources from Opn's	3,043,600	5744	4338	6372	7735	7908
Paid in Subscriptions	17,172,178	8597	18597	16832	10000	
Loans Repayments (a)	348,894	1000	3000	5500	7700	8000
Other	2,359,251	2000	2000	2000	2000	
Libyan Loan (b)	-	-	19000	10100		
AID Loan (c)	-	-	850	1500	1800	2490
Canadian Loan (d)	-	-	850	1500	1800	2490
Concessionary Loan	-	-	-	-	-	-
Private Borrowings (e)	-	-	-	40000	-	-
Decrease in cash	-	6727	-	-	953	11100
<b>Total Sources</b>	<b><u>22,923,923</u></b>	<b><u>24050</u></b>	<b><u>48635</u></b>	<b><u>83804</u></b>	<b><u>31988</u></b>	<b><u>31988</u></b>
<u>Applications of Funds</u>						
Loans Disbursements (f)	16,748,250	21900	21700	21600	21600	21600
Participations	193,613	150	150	150	150	150
Other Applications	4,078,450	2000	2000	2000	2000	2000
Repayment of Debt						
Libyan Loan	-	-	-	3638	3638	3638
Private Borrowings	-	-	-	-	4600	4600
Concessionary Loan						
Increase in cash	1,903,610		24785	60054		
<b>Total Applications</b>	<b><u>23,923,923</u></b>	<b><u>24050</u></b>	<b><u>48635</u></b>	<b><u>83804</u></b>	<b><u>31988</u></b>	<b><u>31988</u></b>

(a) Estimated by AFDB Finance Department

(b) 29.1 million units of Account (10 million Libyan Dinars) 10 years 2 years grace 7% interest.

(c) Assumes AID loan will be fully committed by mid-1975; 10% disbursed in the first year; 30% in the second year; 50% in the 3rd year; 80% in the fourth year; 100% in the sixth years

(d) The \$5 million Canadian loan can be replenished with an additional \$5 million according to the local CIDA representatives.

(e) It is assumed that the AFDB will borrow on the private market in 1976.

(f) Assumes Bank's projected commitments level (000's) 1974 1975 1976 1977  
60,000 60,000 60,000 60,000

**Illustrative List of Possible Projects  
For Financing with Proceeds of the AID Loan**

	<u>Estimated Cost</u>
1. Cotonou Bridge/Dam (Dahomey)	\$ 3.0 mn
2. Bomi Hills Road (Liberia)	6.0 mn
3. Ouangolodougou-Mali Border (Ivory Coast)	9.0 mn
4. Markala-Niono Road (Mali)	6.8 mn
5. Manzini-Mahamba Road (Swaziland)	<u>6.8 mn</u>
	31.6 mn

**Note:** All of the above projects are currently under study by U.S. consultants pursuant to the AID-AFDB Grant and will be ready for loan financing within the next 12 months.

LIST OF A.F.D.B. LOANS THROUGH MAY 31, 1974

APPROVED LOANS

<u>Country</u>	<u>Project</u>	<u>Amount (UA)</u>
Dahomey	Power Distribution	1.50 million
Swaziland	Power Transmission	1.35 "
Sudan	Power Extension	4.00 "
Ghana	Accra-Tema Water	4.00 "
Tunisia	Line of Credit (Banque du Sud)	2.00 "
Tunisia	Railway I	4.00 "
Morocco	Line of Credit (Banque de Bank)	4.00 "
Morocco	Dankala	3.20 "
Kenya	Makutano-Sagana Rd.	3.00 "
Zambia	Telecommunications	4.00 "
		<u>31.05 million</u>

PLANNED FOR BOARD SUBMISSION JUNE, 1974

Nigeria	Calabar Airport	4.00 million
Upper Volta	Line of Credit (Development Bank)	2.00
		<u>6.00 million</u>

A.D.F. COMMITMENTS

The following projects were approved by the ADF Board during the first quarter of 1974.

<u>Country</u>	<u>Title of Project</u>	<u>Amount</u>
Mali	Operations Puits	UA 4.00 million
Chad	Sategui Irrigation	UA 4.00 million

In addition, four studies were approved by the Board of the Fund during the first quarter for a total of UA 1.05 million.

For the second quarter (i.e. April 1st to June 30st) the following projects are scheduled for Board presentation.

<u>Month</u>	<u>Country</u>	<u>Project Title</u>	<u>Amount</u>
May	Sudan	Gedaref-Kassala Rd.	UA 4.00 million
"	Mauritania	Water Supply & Sewerage in Nouakchott	3.06 million
"	Rwanda	Tea	4.00 million
June	Upper Volta	Feeder Roads	4.00 million

AFRICAN DEVELOPMENT BANK  
PROJECTED BALANCE SHEET 1974-1978  
U.A. (000's)

	Year	(Actual) 1973	1974	1975	1976	1977	1978
<b>Assets</b>							
<u>Current Assets</u>							
Due from Banks		4,920	4,920	4,920	4,920	4920	4920
Investments		63,311	56,584	81,369	147,423	146470	1135370
Receivables		6,416	6,416	6,416	6,416	6416	6416
Total Current Assets		<u>74,646</u>	<u>67,920</u>	<u>92,705</u>	<u>158,759</u>	<u>157806</u>	<u>146706</u>
<u>Due on Subscriptions</u>		20,496	13,664	26,832	10,000	-	-
<u>Loans Outstanding</u> <sup>1/</sup>		38,054	58,950	77,650	93,850	107850	121550
(Total Commitments)		(106,000) <sup>2/</sup>	(165,000)	(222,000)	(276,500)	(328800)	(380800)
<u>Equity Participations</u>		1,304	1,405	1,625	1,675	2075	3775
<u>Special Funds</u>		<u>10,711</u>	<u>10,711</u>	<u>10,711</u>	<u>10,711</u>	<u>10711</u>	<u>10711</u>
Total Assets		<u><u>145,211</u></u>	<u><u>152,720</u></u>	<u><u>209,523</u></u>	<u><u>274,995</u></u>	<u><u>278002</u></u>	<u><u>282742</u></u>

1/ Disbursed and outstanding.  
2/ Net of Repayments

AFRICAN DEVELOPMENT BANK PROJECTED BALANCE SHEET 1974-1978

U.A. (000's)

	(Actual) Year 1973	1974	1975	1976	1977	1978
<u>Liabilities</u>						
<u>Current Liabilities</u>						
Accounts Payable	3,639	3,639	3,639	3,639	3,369	3,369
<u>Long Term Liabilities</u>						
Libyan loan			19,000 <sup>1/</sup>	29,100	25,462	21,824
AID loan			850 <sup>2/</sup>	2,350	4,150	6,640
Canada loan			850 <sup>2/</sup>	2,350	4,150	6,640
Private borrowings				46,000	41,400	36,800
Concessional loan						
Total long term liabilities			20,700	79,800	75,162 <sup>4/</sup>	71,904
<u>Reserves</u>						
Provision against						
Currency Fluctuations	1,000	1,000	1,000	1,000	1,000	1,000
Special Reserve	987	1,525	2,257	3,157	4,202	5,387
General Reserve	4,204	9,410	13,016	18,488	25,178	31,901
Reserve for Special						
Funds	10,711	10,711	10,711	10,711	10,711	10,711
Total Reserves	16,902	22,646	26,984	33,356	41,091	48,999
<u>Capital</u>						
Called	124,670	126,435	158,200 <sup>3/</sup>	158,200	158,200	158,200
Total Liabilities and Equity	145,211	152,720	209,523	274,995	278,092	282,742

<sup>1/</sup>U.A. 29.1 million loan signed in 1974

<sup>2/</sup>U.A. 8.4 million loan signed in 1974

<sup>3/</sup>Agreements formalized with member Governments on payment of additional U.A. 30 million of subscribed capital.

<sup>4/</sup>U.A. 100 million concessional loan signed but not disbursed.