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THE ADVANTAGES OF REGIONAL ASSOCIATIONS
OF DEVELOPMENT FINANCING INSTITUTIONS ^{1/}

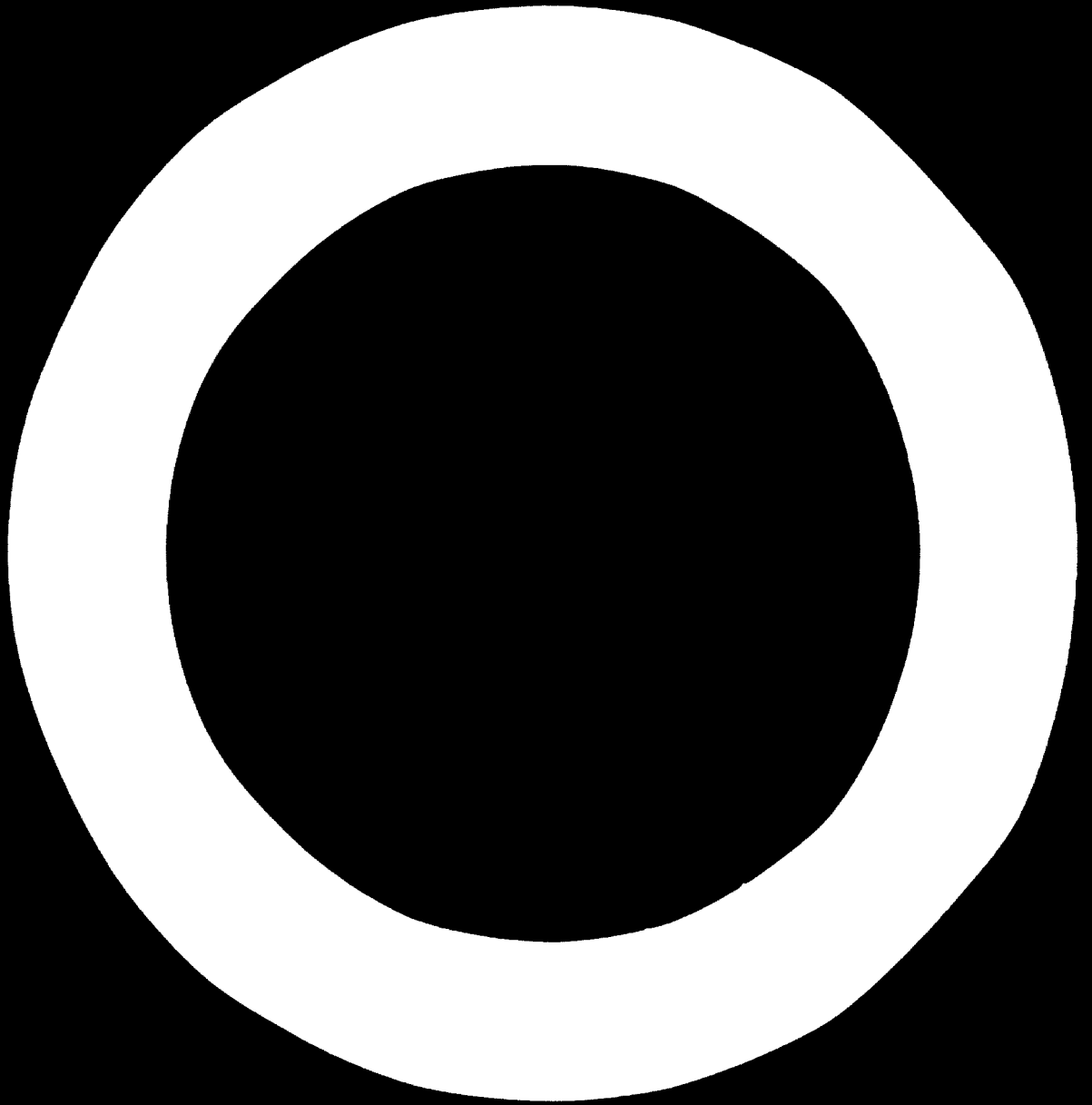
THE FIRST STAGE IN THE ESTABLISHMENT OF A WORLD-WIDE ASSOCIATION

by

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^{1/} The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO. This document has been translated from an unedited text.

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This paper is intended to underline the advantages which are or could be afforded by a regional association of development financing institutions.

Awareness is growing of the considerable advantages which financing institutions can derive from united action in fields of common interest.

Development financing institutions are efficient instruments for mobilizing private and foreign financial resources and channelling them towards industry in the form of medium-term and long-term industrial funds. These institutions provide technical assistance for small and medium-sized enterprises. In general, they have industrial promotion services to assist in locating profitable industrial projects, and they take charge of financing these projects.

However, since the objectives to be achieved are not necessarily economic in nature and are not always financially profitable, traditional instruments no longer suffice to ensure balanced industrial development of under-developed areas. A new institutional framework is required to enable most financing institutions, at both the regional and world-wide levels, to play an effective role in the establishment of the new economic and social order.

This concept has been discussed in a number of world-wide and regional organizations.

Of course, in view of the current political, social and economic environment, this new order implies structural reforms. Some of the most pressing concerns are reform of the international monetary system, mutually advantageous and equitable regulation of economic flows, a rational distribution of industrial centres in the world, safeguarding of the environment through adoption of non-polluting technologies, conservation of non-renewable natural resources, reform of transport and insurance systems and the devising of an equitable system of tariff preferences. The concepts of balance, re-organization and equity dominated the debates of the special session of the United Nations General Assembly on raw materials in April 1974, the United Nations Conference on the Law of the Sea held at Caracas (July 1974), the World Food Conference held in Rome (November 1974) and the World Population Conference held at Bucharest (August 1974).

It is difficult to draw up a balance sheet of these conferences, which cover so many subjects and touch on complex problems which are of a nature and scope to be of unprecedented urgency today, and can be solved only through concerted world-wide action.

Mutually beneficial co-operation at the regional level, already prepared by co-operation at the national level, will pave the way for the establishment and maintenance of co-ordination among financing institutions in a wider framework, e.g. an international club or international association of development banks.

With a view to this, and following the example of its elder sister, ALIDE (Latin American Association of Financing Institutions), the Association of African Development Financing Institutions was recently established.

Africa is a continent of wide contrasts, not only as regards climate, culture and language, but also as regards economic and political systems and levels of development.

Some countries which could be producing two or three times as much cereal as is needed to meet their requirements do not even manage to keep pace with the increase in demand arising out of population growth. The question is how to remedy this inability, this gap between means of production and level of consumption.

The agricultural sector, where subsistence agriculture still predominates, accounts for 40 to 50 per cent of total production in most African countries and continues to be the main source of jobs. The modest aim of providing every individual, whatever his economic situation or education, with 2,200 calories remains unattainable.

At the present time, in the continent as a whole, development planning has priority, and an amazing growth rate has been achieved in recent years in many African countries.

The industrial sector, while growing more rapidly, often remains embryonic, and the share of manufactured goods in the GDP continues to be small. In general, industrial activities are oriented primarily towards the manufacture of products intended for import-substitution or towards the processing of basic products.

Most of the African economies derive the lion's share of their foreign exchange earnings from the export of basic products, and these products account for approximately 80 per cent of export earnings, amounting to around 20 per cent of the total African GDP, and in some countries to as much as 60 per cent of the GDP. The exports of many African countries are confined to a very small number of products.

For example, copper accounts for around 95 per cent of Zambia's export earnings and for more than 65 per cent of Zaire's, while Mauritania and Liberia depend on iron ore for around 85 per cent and 70 per cent, respectively, of their export earnings.

Cotton accounts for 70 per cent of Chad's exports and for more than 60 per cent of the Sudan's. Nearly all the export earnings of the Libyan Arab Republic and more than 60 per cent of those of Algeria come from petroleum. More than 90 per cent of the export earnings of Gambia and Mauritius come from ground-nuts and sugar, respectively, while cocoa accounts for around 60 per cent of Ghana's export earnings.

Thus, inter-bank co-operation, the main goal of regional association, makes possible improved co-ordination of investment promotion policy; the preparation and exchange of studies on bankable projects; the exchange of publications, reports and national programmes; and improvement of communications and analysis of statistical data.

The main advantage of a regional association of financing institutions is to provide for frequent and regular contacts among bankers, enabling their institutions to exchange their technical and financial knowledge on both sides and, consequently, to carry out an on-going evaluation of their economic objectives and policies in order to strengthen their position.

The regional association creates conditions favourable to action directed towards national and international institutions to bring them to assign priority to projects which can be implemented at the regional level.

In fact, its main tasks could be summed up as follows:

- To mobilize collective efforts more efficiently with a view to achieving broader co-operation for the national and regional development service;
- To elicit a favourable attitude towards the region by the international community.

ASSOCIATION OF AFRICAN DEVELOPMENT FINANCING INSTITUTIONS

The Association was set up at the Abidjan Conference held from 3 to 7 March 1975, which made it possible for the idea of an African association of financing institutions to be realized. The idea, however, goes back to the fifth annual UNIDO Meeting on Co-operation among Industrial Development Financing Institutions held at Tunis from 24 to 28 June 1975. At the meeting organized on 28 June on the initiative of the

Société Tunisienne de Banque, the African participants in the Conference approved the idea of co-operation among development banks and considered that these co-operative links should be strengthened and all obstacles to co-operation removed. The Société Tunisienne de Banque brought the idea to fruition by establishing the climate required for its development. An ad hoc committee was asked to prepare draft statutes for a permanent association and to submit these draft statutes for consideration by the Constituent Assembly.

Most of the preparatory work was carried out by the Société Tunisienne de Banque and the Togo Development Bank, with co-operation from the African Development Bank, which sponsored the project.

The first Ordinary Assembly of the Association, held on 2 and 3 May at Dakar, approved the statutes, programme and budget for the first year.

It elected the Executive Committee and the officers - a President and two Vice-Presidents.

It is obvious that, in the case of so large a continent as Africa, with so much potential, only the first steps have been taken.

The founders of the Association wanted to make their association as unbureaucratic as possible and to avoid overlapping of the Association's work with that of other African or international institutions, with respect and independence for the Association.

Co-operation promoting establishment and maintenance of effective co-ordination is not an aim in itself, but is a tool for economic development. The banks belonging to the Association, recognizing that financing institutions cannot approach the problem of development and structural change rationally without a high degree of co-operation, decided to establish regular contacts among themselves in order to achieve the objectives of the newly-founded association and to propose any future reviews which experience might show to be desirable.

The following priority areas were selected as guidelines for the Association:

- (1) Promotion of investment of public and private capital,
- (2) Mobilization and optimum utilization of resources to finance the development of countries in the region, assigning priority to projects and programmes which will make the most effective contribution to balanced economic growth,

- (3) Technical assistance required for the preparation, financing and implementation of projects,
- (4) Promotion of and assistance to co-ordinated regional development.

In order to achieve these objectives, the Association has undertaken:

- (a) To take all appropriate steps for the organizing of periodic meetings to deal with problems and experiences relating to economic development,
- (b) To organize a permanent secretariat responsible for compiling and disseminating all useful information on economic legislation and evolution in individual African countries,
- (c) To promote exchanges of ideas and experience,
- (d) To organize seminars, training courses and all other types of training programmes for the personnel of financing institutions,
- (e) To co-operate with other regional associations in the fields of mobilization of savings, vocational training, technical information on industrial projects and industrial promotion in general.

If the spirit of determination and co-operation which was shown at the fifth annual UNIDO Meeting on Co-operation among Industrial Development Financing Institutions, held at Tunis in June 1974, and at the Abidjan and Dakar meetings persists, the financing institutions belonging to the Association are on the right path towards a new era of co-operation at the African level during the first stage and at the world-wide level during the second stage.

If horizontal exchanges (within the same region) among regional associations are to be possible, the regional association must clearly be the first stage in the establishment of an international association, and it would be hard to conceive of the need for such an international association if there were no strong regional associations such as ALIDE or the Association of African Development Financing Institutions. The idea of establishing this international club no longer seems premature if the member institutions show a special interest in it, as was the case at the fifth annual Meeting on Co-operation among Industrial Development Financing Institutions.

If the idea of establishing an international association took concrete form during one of the coming annual UNIDO meetings on co-operation, the association should not overlap with existing international institutions, but rather should be complementary to them.

The new horizons for co-operation which will open up in future will be the best guarantee for promoting the economic and social development process and coping with the necessities of the "new order", which remains to be defined.

The recommendations made at the Second General Conference of the United Nations Industrial Development Organization held at Lima, Peru in March 1975, reiterated the importance of co-operation among financing institutions, which should gain a fresh impetus.

ASSOCIATION OF AFRICAN DEVELOPMENT FINANCING INSTITUTIONS

BACKGROUND INFORMATION

The Association of African Development Financing Institutions which was legally established on 3 May 1975 at Dakar, after preparations had been made on 5 March 1975 at Abidjan, at an assembly convened for this purpose by the African Development Bank, is the regional body representing African development banks. Its permanent headquarters are at Abidjan, Ivory Coast.

PURPOSES AND FUNCTIONS

The purposes of the Association are:

- (1) To promote co-operation in respect of financing of African economic and social development;
- (2) To establish a systematic exchange of information among its members;
- (3) To encourage the carrying out of studies on problems of common interest;
- (4) To accelerate the process of economic integration at the African level.

MEMBERS

Under its Statutes, the Association comprises ordinary members, special members and honorary members.

CONSTITUENT BODIES

The constituent bodies of the Association are a General Assembly, an Executive Committee, a Secretariat and the staff required for operation.

The General Assembly comprises the directors of development financing institutions which are ordinary and special members of the Association.

The General Assembly elects a President, a First Vice-President and a Second Vice-President from among its ordinary members for a term of two years.

The Executive Committee is composed of the President, the First and Second Vice-Presidents and four members of the General Assembly representing the four African sub-regions.

The Secretariat is responsible for the following:

- Day-to-day administration of the Association: co-ordination among all its members,
- Management of the Association's finances under the supervision of the Executive Committee,
- Organisation of conferences: seminars and other meetings.

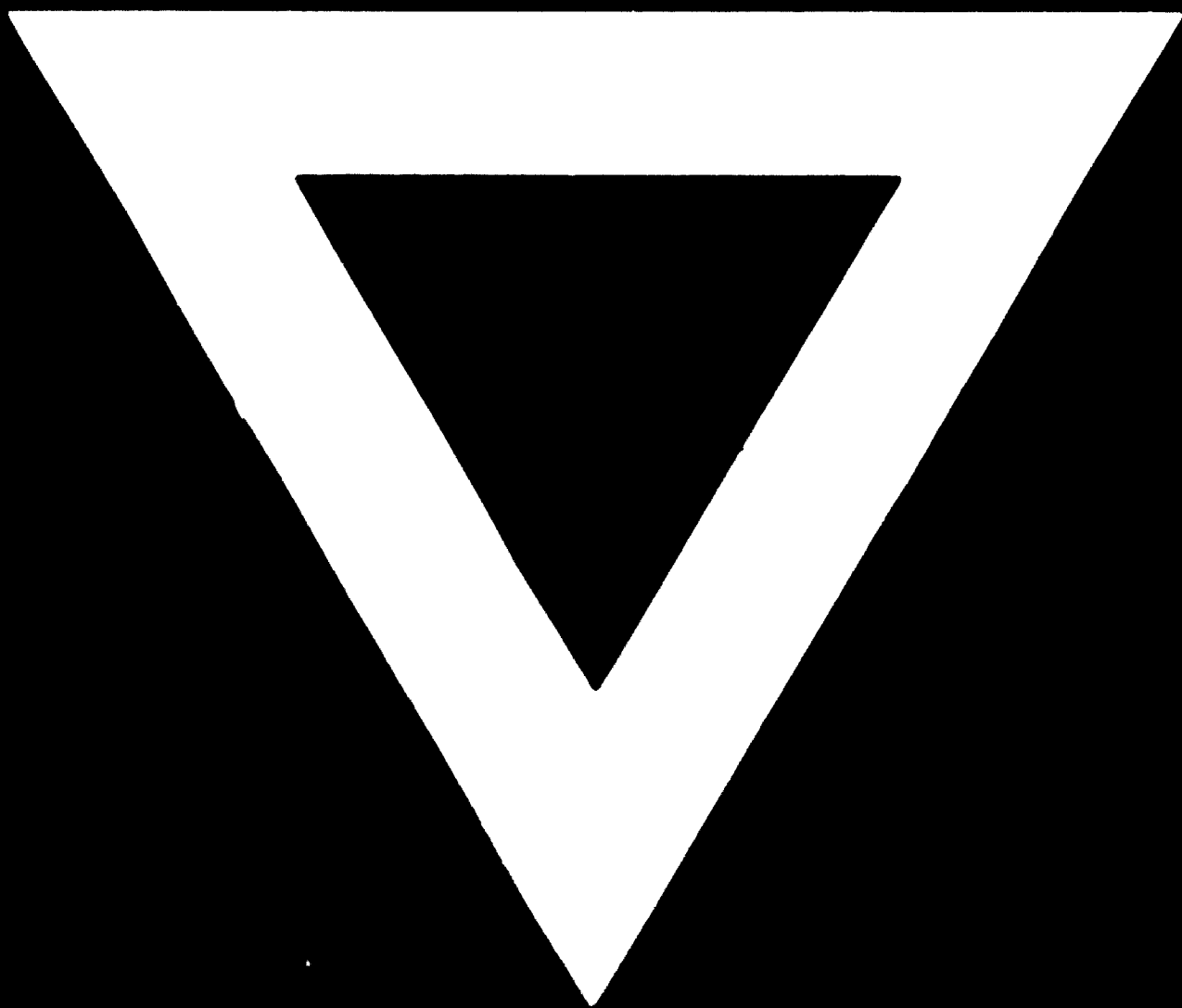
ASSOCIATION OF AFRICAN DEVELOPMENT FINANCING INSTITUTIONS

MEMBERS OF THE EXECUTIVE COMMITTEE

| | |
|---|-----------------------|
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