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THE WORLD BANK  
Washington, D.C.

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AFRICAN DEVELOPMENT BANK (AfDB)



1104054

R1991-083 Other #: 1

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Liaison Files - African Development Bank [AFDB] - Correspondence - Volume 1

**DECLASSIFIED**

WBG Archives

# OFFICE MEMORANDUM

DATE: September 21, 1990

TO: Mr. Barber Conable

FROM: Edward V.K. Jaycox

EXTENSION: 34000

SUBJECT: Your Meeting with Babacar N'Diaye of AfDB



1. In anticipation of your meeting with Babacar N'Diaye, President of the African Development Bank (AfDB), I would suggest that you include the following points in your discussion with him:

- Congratulations on his reelection as President of the AfDB--the first-ever president to be reelected for a second term. His leadership has been strong and effective. His reelection will be excellent for the Bank's relationship with AfDB--and excellent for Africa.
- Relationship with the World Bank is evolving very positively. We share a common agenda--especially on the need for economic policy reform, human resource development and the need for good governance. Cofinancing operations between the AfDB and World Bank tripled between 1986 and 1989 (from \$170 million to \$526 million). Professional relations have deepened; information-sharing has been expanded; reciprocal understanding of policies and procedures has developed. Senior management of the World Bank hold Mr. N'Diaye in high regard.
- SPA-2 is about to be launched. The AfDB's active support for and participation in the program is crucial (can ask him about progress so far on the Sixth Replenishment of the African Development Fund).
- Capacity Building in Africa is crucial for long-term development. The African Capacity Building Initiative (ACBI) is well advanced and receiving strong support from African governments and donors. Can emphasize the importance of AfDB's participation in ACBI--and how we see it as reinforcing the AfDB's idea for "centers of excellence" to build capacity in Africa.

2. I hope these points are of some assistance.

cc: Messrs. Qureshi, Sandstrom

# OFFICE MEMORANDUM

hpb

DATE: September 16, 1988

TO: Mr. Barber B. Conable, President

THROUGH: Mr. Moeen Qureshi, SVPOP

FROM: Callisto E. Madavo, Acting Regional Vice President, Africa

EXTENSION: 34036

SUBJECT: Meeting with AfDB

CEM

Your meeting with AfDB in Berlin is scheduled for Friday, September 30, 1988 at 11:00 am. Attached is a brief for the meeting.

Attachment

SKpognon

## ANNUAL MEETING BRIEFS

Name: AFRICAN DEVELOPMENT BANK

Date: September 15, 1988

Meeting with:

- Mr. Babacar N'Diaye, President
- Mr. Lounes, Vice President, Operations, West Africa
- Mr. Fall, Director of Cabinet of President N'Diaye
- Mr. Rwegasira, Deputy Director, Development Policy/Research
- Mr. Kaba, Deputy Program Department Director

Background: An active partnership is being forged between the two institutions. The management teams consult frequently and relations at the working level are close. AfDB's co-financed operations with the Bank are up, reaching \$530 million in 1987 (twice the 1986 level). AfDB is supportive of our Debt Initiative and of the Social Dimension of Adjustment (SDA) project. 1987 has been an active one for AfDB: total commitments reached US\$2.14 billion in 1987 (30.5% increase over 1986); a Committee of Nine was established in AfDB to look into a new role for AfDB in the year 2000 and beyond. A "President's Round Table of African Businessmen" was created to assist AfDB's management in defining a strategy for promoting the private sector in Africa; AfDB completed its reorganization including the appointment of two new Vice-Presidents, Operations and of a new Secretary General.

### Issues Likely to be raised by the Delegation

1. Debt initiatives and the need to do more, especially for Middle Income Countries.
2. Cooperation on SALs.
3. Disagreements on some project financing decisions.

### Issues to be raised by Management

1. Support on Social Dimension of Adjustment project.

### Annex

1. Cofinancing with AfDB.

Issues likely to be raised by Delegation:

1. Debt:

The AfDB feels that more needs to be done on African debt, especially for the Middle Income countries, and are somewhat disappointed at the lack of enthusiasm for the proposal they have been sponsoring (the AfDB/Warburg proposal). They have been informed that we are thinking about the problem (in the context of Nigeria, Côte d'Ivoire and Congo), and will want to exchange views.

You may wish to:

- (i) Explain to them that the Bank's decision on Nigeria's IDA-eligibility should help it obtain additional debt relief;
- (ii) Stress the enhanced international community's interest in Africa debt and the greater receptivity (Toronto Economic Summit, UNCTAD Meeting, various initiatives of ODA debt forgiveness, UN-sponsored efforts, recent consultation of MDIs with the UN Secretary General, J.P. de Cuellar in New York, AfDB/Financial Times-sponsored Debt Conference in London this year, discussions within OAU);
- (iii) Explain that the present thinking in the Bank is still in the earliest stages and ask President N'Diaye to review the status of the AfDB/Warburg proposal of securitization of debt which has now been translated into two concrete propositions (Madagascar, Zaire), ready for submission to Paris Club. Mr. N'Diaye may want to comment also on the evolving position of the bilateral creditors toward the proposal;
- (iv) Praise AfDB's active support of the Bank Special Program of Assistance (SPA), (AfDB had made a US\$360 million co-financing pledge for SPA over the 3-year period 1988-90);
- (v) Stress progress made in the SPA partnership - there is strong evidence of adjustment progress; but it is critical to accelerate disbursements for the program: we are counting on AfDB to play its part;
- (vi) Urge President N'Diaye to respond positively to the cost-sharing proposal under the SPA. Early discussion at working level with AfDB staff has been encouraging: this multi-billion dollar co-financing program entails high additional programming and administrative costs (about US\$7.4 million over three years) that the World Bank cannot bear alone.

### Cooperation on SALs

The AfDB Board has imposed a ceiling of 20% on its adjustment operations over its 5-year operational program (1987-91). AfDB surpassed this ceiling in 1987 (36%). A mid-term review of AfDB's lending operations next year might scale down or stabilize AfDB-financed adjustment lending; this may impact on AfDB adjustment co-financing with the Bank. You might want to have Mr. N'Diaye comment on these developments/prospects. You may also wish to stress the following:

- (i) we believe continued AfDB support for Adjustment efforts in Africa is extremely important;
- (ii) we would like to do everything possible to make this expanded AfDB role possible;
- (iii) experience suggests that countries with adjustment programs have enjoyed better growth rates than those without such programs;
- (iv) overall, there is evidence of wide-based progress in obtaining commitment on adjustment, despite the Zambian setback and Zaire's disappointing adjustment performance;
- (v) timely enhanced disbursements are critical to the success of adjustment programs in SPA countries;
- (vi) The World Bank's Board has just reviewed our experience with adjustment policy and we will share findings and conclusions with AfDB.

### Disagreements on some project financing decisions:

While collaboration has been very good among staff of the two institutions, a few Aid Coordination difficulties had emerged in connection with investment decisions or public investment programs in various countries. Mr. N'Diaye could possibly bring up one or more cases such as:

Gambia. After an agreement was reached on the thrust of a recovery program in that country, AfDB and World Bank co-financed a SAL there. An AfDB-financed Fishery Development Project, on which the Bank has misgivings in terms of (a) Government's participation and (b) project viability and management, has to be stopped. AfDB will complain that the Bank discourages the project which is ok with them.

Guinea. In this case, AfDB complained about what they consider as a misprocurement in connection with the award of a contract for the Guinea Conakry port to a German firm (the lowest bidder, a Yugoslav firm was considered by Government and Bank staff to be not responsive on some technical aspects of the project).

More generally, however, the real issue is that we are increasingly involved in reviewing in all investments in all adjusting countries. Disagreements about viability of projects that AfDB may be willing to finance can create some embarrassing situations.

Issues to be raised by Management

Support to the Social Dimension of Adjustment (SDA) Project:

We truly appreciate AfDB's support for the SDA project and hope to see them actively involved in all aspects of this initiative. To this end Mr. Noel (SDA unit chief) is presently in Abidjan discussing technical issues with AfDB staff and we look forward to further discussions with the AfDB delegation at the Paris meetings on the SDA project (October 6-7, 1988).

X

X

X

COFINANCING WITH AFDB

<u>CY</u>	<u>COUNTRY</u>	<u>PROJECT</u>	<u>AFDB/AFDF</u> <u>(US\$m.)</u>	<u>IBRD</u> <u>(US\$m.)</u>	<u>IDA</u> <u>(US\$m.)</u>
86	Chad	Highways Maint.	7.2		20.0
	Gambia	Highways Maint.II	4.5		5.8
	Gambia	Water Supply/Elect.	4.0		7.0
	Gambia	SAL	10.5		5.0
	Morocco	CNCA VI	66.0	120.0	
	Niger	Transp. Sect. Credit	16.8		15.0
	Rwanda	BRD IV	5.0		9.0
	Senegal	Primary Educ. Devt.	5.3		12.0
	Senegal	Energy Sector	8.0		20.0
	Senegal	Telecom. II	12.6		22.0
	Tanzania	Road Rehab.	19.4		50.0
	Zaire	Gecamines Rehab.	65.0	110.0	
	Zambia	Agric. Res. & Extens.	12.6		13.0
	<u>Total 86</u>		<u>236.9</u>	<u>230.0</u>	<u>178.8</u>
87	Benin	Transp. Infrast.	8.6		19.5
	Congo	PE/SAL	51.0	70.0	
	R.C.I.	Highways Sect. Loan	4.0	45.5	
	Ghana	North Grid Extension	38.3		6.3
	Ghana	Agric. Service Rehab.	25.0		17.0
	Guinea	Transp. Sector	30.3		55.0
	GUB	SAC	11.3		10.0
	Mauritius	Ind. SAL	37.0	25.0	
	Morocco	ASAL	136.9	225.0	
	Rwanda	Water Supply (Les Laves)	12.5		15.0
	Sao-Tome	SAC	8.5		4.0
	Senegal	SAC III	35.0		45.0
	Somalia	Magadis Power Rehab.	9.5		12.5
	Somalia	AFMET II	10.5		12.7
	Sudan	Power IV	35.9		38.0
	Tanzania	Multi Sect. Rehab.	35.0		50.0
	Uganda	Kakira Sugar Rehab.	19.0		30.0
	Zimbabwe	Power Syst. Rehab.	21.6		32.3
	<u>Total 87</u>		<u>529.9</u>	<u>365.5</u>	<u>347.3</u>

Total (5-year period 83-87) - AfDB/AfDF Co-financing = \$1,054.9 million

=====

IBRD/IDA contribution = \$2,383.0 million

=====

THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

BARBER B. CONABLE  
President

February 8, 1988

Dear Mr. N'Diaye:

Thank you so much for your letter of January 25 extending me an invitation to speak at the conference on Africa's external debt that you are organizing in London on April 18-19, 1988.

Unfortunately, I am unable to travel to Europe on these dates and must regretfully decline. However, given the importance of the issues to be discussed, I have asked Mr. Qureshi to represent the Bank and address the conference during the morning session on April 19. He is in a position to share with you and the other participants our current thinking on the evolution of the debt crisis in Africa and the actions needed to bring the continent back on the path to renewed growth and creditworthiness.

Please accept my best wishes for a successful conference.

Sincerely,

(Signed) Barber B. Conable

Mr. Babacar N'Diaye  
President  
African Development Bank  
01 B.P. 1387 Abidjan 01  
Cote D'Ivoire

TBaudon:vm

WORLD BANK OTS SYSTEM  
OFFICE OF THE PRESIDENT

CORRESPONDANCE DATE : 88/01/25

DUE DATE : 88/02/10

LOG NUMBER : 880201013

FROM : Babacar N'Diaye

SUBJECT : INV. to speak at the Summit Conference in London, on 4/18-19/88.

Theme: The Challenge to Recovery & Growth: Finding Sol. to Africa

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

<input checked="" type="checkbox"/>	APPROVED	
<input type="checkbox"/>	PLEASE HANDLE	
<input type="checkbox"/>	FOR YOUR INFORMATION	
<input type="checkbox"/>	FOR YOUR REVIEW AND RECOMMENDATION	
<input type="checkbox"/>	FOR THE FILES	
<input type="checkbox"/>	PLEASE DISCUSS WITH	
<input checked="" type="checkbox"/>	PLEASE PREPARE RESPONSE FOR	BBC's
<input type="checkbox"/>	AS WE DISCUSSED	SIGNATURE
<input type="checkbox"/>	RETURN TO	

COMMENTS : cc: EXT.

BANQUE AFRICAINE DE DÉVELOPPEMENT  
AFRICAN DEVELOPMENT BANK



ADRESSE TÉLÉGRAPHIQUE  
AFDEV ABIDJAN  
TÉLÉPHONE 32-07-11  
TELEX 23717  
23498  
23263  
01 B. P. 1387 ABIDJAN 01  
COTE D'IVOIRE

PRESIDENT

REFERENCE

DATE 25/1/88

Mr. Barber Conable,  
President,  
The World Bank,  
1818 H Street, N.W.,  
Washington, D.C. 20433  
U.S.A.

Dear Mr. Conable,

As you are aware, one of the greatest problems confronting African countries today is the debt crisis, which continues to afflict one country after another. The gravity of the matter was indeed recently underscored by the Special Session of the Heads of State and Government of the Organization of African Unity which was held in Addis Ababa from 30 November to 1 December, 1987 to discuss the African Debt Problem. I had the privilege to address the Summit on this important subject, and you may wish to know that our Bank advanced a proposal outlining a strategy for assisting regional member countries to address the debt problem.

Some of the measures envisaged by our institutions to address the debt problem were outlined in my address to the Boards of Governors during the last Annual Meetings of the Bank and the Fund which was held in Cairo, Egypt, last June. One of the initiatives proposed was for the Bank to organize a Conference on African External Debt with the object of further informing African countries and the international creditor community about the debt crisis. It is in this context that the Bank is proposing to hold a Conference on the theme: 'The Challenge to Recovery and Growth: Finding Solutions to Africa's External Debt Problem'. The Conference will be held in London, at the Hotel Inter-Continental on 18th and 19th April, 1988. This Conference is being organized jointly with the Financial Times of London, who have already sent you an invitation to the Conference.

I am writing to cordially invite you to this same Conference. I am also pleased to inform you that you have been earmarked to be one of the few distinguished speakers expected to address the Conference in your individual capacity. As indicated in the attached Conference Programme, you have been programmed to address the Conference on the topic: 'Actions for the Long Term' during the morning session on 19th April, 1988.

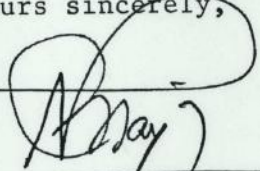
.../..

- 2 -

I am certain that your extensive knowledge and exposure to African economic development problems will introduce new insights towards responding to the challenge of recovery and growth in Africa.

I am looking forward to hearing from you. I should then be able to send you further details on the arrangements for the Conference.

Yours sincerely,

  
A horizontal line is drawn across the page, and the signature is written over it. The signature is in cursive and appears to read 'B. Diaye'.

Babacar N. DIAYE

February 8, 1988

Dear Mr. Grant:

The very kind remarks in your letter of January 16, 1988 regarding the PAMSCAD initiative in Ghana were most appreciated by me as well as the staff who contributed to the design of this program. Your pledge of continued support during the implementation of PAMSCAD will be a key factor in helping the program achieve its goals and I know that my staff look forward to continued cooperation in the field with UNICEF staff.

Indeed, I support wholeheartedly further operational collaboration between our institutions. Such collaboration is currently exemplified in Guinea where UNICEF Resident Staff are actively working with Bank staff to implement the Social Dimensions of Adjustment (SDA) Project in that country. As I am sure you are aware, the SDA Project, with a mandate that covers Sub-Saharan Africa, embodies the philosophy that social components should be incorporated in structural adjustment operations from the very start of such programmes. As such, the implementation of this project and all the new adjustment operations that we are now preparing, build upon the experience gained from the specific components to protect vulnerable groups in earlier structural adjustment loans, such as those in Guinea and Senegal. More complete designs can be found in the recent SALs approved by the Board last year such as Guinea-Bissau, and Sao Tomé and Príncipe.

I would very much hope that UNICEF's experience can be added to ours, leading to even better designs for the next generation of structural adjustment programmes, particularly in Sub-Saharan Africa where the need to safeguard access of the poor to social services is especially urgent.

I have encouraged my staff to actively work with UNICEF in the design and implementation of structural adjustment programmes. I know that at the senior levels, Mr. Jolly is already in frequent contact with Messrs. Serageldin, Isenman and others. Our joint efforts could make an immense difference to the poor and disadvantaged in countries which engage in very courageous efforts to restructure their economies.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

Mr. James P. Grant  
Executive Director  
United Nations Children's Fund  
3 United Nations Plaza  
New York, NY 10017

CGrootaert:jpw



United Nations Children's Fund  
Fonds des Nations Unies pour l'enfance  
Fondo de las Naciones Unidas para la Infancia

3 United Nations Plaza  
New York, New York 10017  
212 326-7000  
Telex: 175989

16th January, 1988

Dear Mr. <sup>Barber</sup>Conable,

May I congratulate you and the Bank for your splendid effort in leading the interagency team and task force which produced with the Ghana Government the PAMSCAD programme of Actions to Mitigate the Social Costs of Adjustment. To us in UNICEF, this is a pioneering effort of major significance, since it shows in basic practical terms how programmes of economic adjustment can include measures to protect vulnerable groups, to generate employment while encouraging redeployment of labour from over-manned sectors and to rehabilitate and strengthen the social sectors, focused on meeting basic needs. All this, as the Ghana Government recognises, should also help sustain the basic economic adjustment programme and avoid "perpetual pain bearing to be the core characteristic of the process of adjustment".

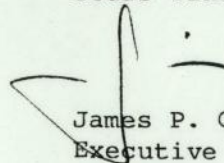
We in UNICEF see enormous significance in this document and will be doing all we can to support in Ghana the implementation of the programmes it proposes. In addition, we will be seeking to draw wider attention to the PAMSCAD document and programme as an example of what can be done on the human side to complement the more economic elements of adjustment programmes. The fact that it emerged from an interagency effort lead by the World Bank to us is also an example of the type of partnership and approach which we feel is needed to make a significant contribution to developing parallel programmes elsewhere.

Mr. Barber W. Conable,  
President,  
The World Bank,  
1818 H Street N.W.,  
Washington, DC 20433

May I make one other point? In the case of Ghana, the PAMSCAD programme has been planned and introduced several years after the commencement of the stabilization and structural adjustment programmes. In UNICEF's view, it is important that these responses to human need be planned and introduced as part of the structural adjustment programmes from the beginning, not at the third or fourth stage. I think this is now often recognized in the World Bank as desirable, but it is still far from being the general practice. Now that we have a PAMSCAD model, I would ask you to explore how this element can be made part of every adjustment programme.

May I end by congratulating in particular those of your staff who have played a part in developing these ideas and this programme and helping to bring it to fruition. If actively pursued in Ghana and more widely in other countries undertaking adjustment programmes, this pioneering effort could, I believe, change the whole perspective within which adjustment is conceived, seen and judged.

Yours sincerely,



James P. Grant  
Executive Director

① IS  
→ ADD

WORLD BANK OTS SYSTEM  
OFFICE OF THE PRESIDENT

RECEIVED DATE : 87/02/17

DUE DATE : 00/00/00

LOG NUMBER : EXC870218009

SUBJECT : (EStern) Note to BBC on the policy-based lending operations  
of the African Development Bank. (For BBC's information.)

OFFICE ASSIGNED TO FOR ACTION : ② Mr. Barber ✓ Conable E1227 (o/r)

ACTION:

\_\_\_\_ APPROVED  
\_\_\_\_ PLEASE HANDLE  
✓ \_\_\_\_\_ FOR YOUR INFORMATION  
\_\_\_\_ FOR YOUR REVIEW AND RECOMMENDATION  
\_\_\_\_ FOR THE FILES  
\_\_\_\_ PLEASE DISCUSS WITH \_\_\_\_\_  
\_\_\_\_ PLEASE PREPARE RESPONSE FOR \_\_\_\_\_ SIGNATURE  
\_\_\_\_ AS WE DISCUSSED  
\_\_\_\_ RETURN TO \_\_\_\_\_

COMMENTS :

Logged out (2/18/87).  
Oy

**\* IMPORTANT**

RECEIVED  
FEB 17 1987  
February 17, 1987

Mr. Conable

Barber -

In December, you responded to a suggestion from Mr. N'Diaye, President of the African Development Bank, for closer World Bank cooperation in policy-based lending. You indicated that we would send a mission to work at the details.

I sent a two-man mission, headed by Mr. de la Renaudiere, in January, and they reached agreement on an approach and a tentative list of cofinancing operations. Their report is attached for your information.

The AfDB expects to cofinance about \$100 million annual with us from the African Development Fund (their equivalent of IDA), and about \$80-100 million annually from their regular resources.



Ernest Stern

RECEIVED

1987 FEB 17 PM 2:40

February 17, 1987

THE WHITE HOUSE

Mr. Gosselin

Barber

In December, you responded to a suggestion from Mr. W. Davis, President of the African Development Bank, for closer World Bank cooperation in policy-based lending. You indicated that we would send a mission to work at the details.

I sent a two-man mission, headed by Mr. de la Renaissance, in January, and they reached agreement on an approach and a tentative list of collaborating operations. Their report is attached for your information.

The AfDB expects to collaborate about \$100 million annual with us from the African Development Fund (their equivalent of IDA), and about \$80-100 million annually from their regular resources.

Ernest Stein

# OFFICE MEMORANDUM

DATE February 13, 1987

TO Distribution

FROM X. de la Renaudiere, Director, SOA

EXTENSION 73931

SUBJECT Policy Based Operations Cofinancing Mission to ADB  
Back-to-Office Report

1. In accordance with President Conable's letter of December 15, 1986, to President N'Diaye, a Bank mission consisting of Messrs. Westebbe, Departmental Senior Economist, WA2DR, Beguery, Cofinancing Coordinator, WANVP, and de la Renaudiere, SOA, visited Abidjan during the week of January 19 to discuss with the African Development Bank a program of cofinancing of policy-based operations. Mr. Kpognon, Bank Special Representative to ADB helped set up and participated in the meetings with senior ADB staff, including President N'Diaye.

2. The attached memorandum sets forth the rationale for and terms of World Bank-ADB cooperation in policy-based operations. It refers to the African Recovery Program approved by the May 1986 UN Special Session and, in particular, to the need for increased donor support of Africa's reform programs. It notes the effort already made by the World Bank to increase its structural and sectoral adjustment lending to Sub-Saharan Africa, and the desire of the World Bank and ADB to expand their traditional cooperation to a new relationship concerning policy-based lending. The ADB is proposing to allocate some 15 percent of its non-concessional lending and a higher proportion of its African Development Fund resources for policy-based operations. The African Development Bank wishes to benefit from the World Bank's experience in this field, and fully recognizes the special role the Bank plays in economic policy dialogue and aid coordination, as well as in the formulation and negotiation of international programs of adjustment financing (see paragraph 7 (c)). The relationship between the two institutions is intended to be a flexible one with provision for periodic reviews to assess experience. Based on indications provided by ADB staff (see in Annex a tentative list of proposed ADB cofinancing over the next two years with Bank policy-based operations), the ADB contribution to World Bank policy-based operations is likely to average \$80-100 million annually in non-concessional financing and \$100 million in African Development Fund lending.

3. The following procedure has been agreed upon to implement the arrangement:

- (a) In the coming months, Programs Divisions of the two institutions will identify the countries and sectors where shared program objectives create favorable conditions for collaboration. On this basis ADB will make a preliminary choice of countries for

initial cofinancing. In these countries the ADB will participate in the main preparatory steps such as macroeconomic and sectoral studies, PIPs and others as appropriate; appraisal and negotiations with Governments; and supervision. Where the ADB does not participate in all steps of processing, the World Bank undertakes to make available on a timely basis all relevant working documents.

- (b) Initially only 4 or 5 countries per year will be included in the arrangement for full participation by ADB in view of manpower constraints. ADB is likely to concentrate in the next two years on Congo, Togo, Senegal, CAR, Madagascar, Somalia, Tanzania and Zaire.<sup>1/</sup>
- (c) ADB will cofinance SAL's and sectoral adjustment operations. Its financial contribution will be made on a flexible basis, either through joint financing of the Bank policy based operations or through complementary operations within the overall adjustment program formulated by the Bank.

4. The agreement with ADB provides a satisfactory basis for collaboration on policy-based lending. Nevertheless a word of caution is in order. President N'Diaye of the ADB personally is pushing for a close collaboration with the World Bank in order to strengthen the professional competence of his staff and build the capacity of ADB to undertake policy based lending. In this he has the support of well placed senior staff members. On the other hand, President N'Diaye has to navigate with great care to accommodate powerful regional representatives on the Board who want to maintain the identity of the ADB and are suspicious of any World Bank influence over the way they do business. The refusal of ADB's Board to accept the appointment of a World Bank economic policy adviser<sup>2/</sup> is illustrative of their attitude.

#### Attachments

Distribution: Mr. E. Stern, SVPOP  
Mr. W. Thalwitz, WANVP  
Mr. E. V. K. Jaycox, EASVP  
Mr. C. Koch-Weser, WA1  
Mr. I. Serageldin, WA2  
Mr. J. Kraske, EA1  
Mr. M. Wiehen, EA2  
Mr. S. Kpognon, WANVP  
Mr. R. Westebbe, WA2  
Mr. M. Beguery, WANVP  
Mr. J. de Leede, EA2NE

RWestebbe:XdelaRenaudiere:jlh

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<sup>1/</sup> In addition to on-going collaboration in Gambia, Guinea Bissau and Sao Tome.

<sup>2/</sup> See memorandum from Johan de Leede to Messrs. Thalwitz and Jaycox dated January 27, 1987.

INDICATIVE LIST OF PROPOSED ADB COFINANCING  
OF BANK POLICY BASED OPERATIONS

ADB Lending

Congo	- PE and/or SAL	- \$20 million (1988)
IVC	- Agric. Sector	- \$20 m (IFAD possibly \$5-10 million from ADB)
Nigeria	- Indus. Expor.	- \$140-180 million
		\$180-220 million

African Development Fund Lending

CAR	- Agric. Sector	- \$10 million
Chad	- Agric. cum cotton	\$10 million
Togo	- SAL III	- \$10 million
Senegal	- SAL III	- \$10 million
Gambia	- SAL II	- \$10 million
GUB	- SAL I	- \$10 million
St. Tome	- SAL I	- \$5 + 8 million
Guinea	- SAL II	- \$10 million (to be confirmed)
Sierra Leone	- SAL	- \$7-10 million
Madagascar	- Agric. & Ind.	- about \$20 million
Somalia	- SAC	- \$10-15 million
Tanzania	Rehab. Plurisect	- \$20 million
Mauritius	- Industry	- \$30 million
Zambia	- Indus. Rehab.	- \$20-30 million
		\$192-218 million

ELEMENTS OF A WORLD BANK/AFRICAN DEVELOPMENT BANK  
COOPERATION PROGRAM IN THE AREA OF NONPROJECT AID  
(POLICY-BASED OPERATIONS)

1. The severity of the African crisis, which is not just cyclical but reflects profound structural problems, the continuous fall in per capita income since 1980, the public finance, debt and balance of payments problems faced by most of the Governments, the considerable social repercussions of the economic crisis on the entire population but particularly on the poorest and most vulnerable groups, all these factors call for vigorous action on the part of the African Governments and the international community to stimulate growth, diversify the African economies and rekindle the development process.
2. At the Special Session of the United Nations General Assembly held in New York in May 1986 the African Governments solemnly affirmed their commitment to reform and rehabilitation. In those discussions the concept was also put forward of a "compact": the reform commitments undertaken by the African Governments must be matched by exceptional support by the international community for the African recovery program.
3. The multilateral agencies--regional and international--must play a special role in mobilizing the financial resources that the African countries need to implement their programs. The preparatory documents and the New York discussions demonstrated that far-reaching agreement exists between the World Bank and the regional institutions concerning the magnitude of the financial effort demanded of the international community. The World Bank and the African Development Bank are firmly resolved to spare no effort to achieve that goal.
4. Mobilizing the required financial resources has two major implications. First the development institutions must expand the volume of their commitments and improve the quality of their operations in favor of long-term programs and projects in the areas of infrastructure development, technological progress, human resource development, and protection of the environment. Second, they must take measures to accelerate their disbursements through, in particular, quick-disbursing funds for the reform and adjustment programs; expansion of this category of operations is particularly necessary at a time when the likely trend of terms of trade and growth of debt-service obligations could slow down the economic recovery and block the effects of the adjustment programs. Nonproject aid has become essential in order to maintain an adequate flow of current imports, finance infrastructure maintenance and rehabilitation, and optimize utilization of the countries' own human and natural resources.

5. The World Bank and the African Development Bank have long been collaborating through investment project cofinancing operations. The modalities of this collaboration are described in an agreement (modus operandi) of October 1986. The World Bank and the African Development Bank see the need today for special efforts to harmonize their nonproject aid in the context of a dynamic adjustment cofinancing program. The present memorandum defines the principles that will govern this new type of collaboration.

6. Over the last five years the World Bank has appreciably expanded its nonproject aid to the African countries. During its last fiscal year (1985/86) about 30 percent of IBRD loans and nearly 50 percent of IDA credits to Sub-Saharan Africa were quick disbursing loans under structural and sectoral adjustment programs. Together with the resources of the Special Facility for Africa these operations accounted for about two-thirds of "concessional lending" by the World Bank. Under its 1987-91 program the African Development Bank plans to earmark about 15 percent of its lending for nonproject aid. The African Development Fund also plans to allocate a substantial share of its future operations to assistance of this type.

7. Collaboration between the World Bank and the African Development Bank in the area of nonproject aid will be governed by the following general principles:

- (a) It is for the African Governments themselves to decide whether they wish to receive this type of assistance and to assess the advantages of World Bank/African Development Bank collaboration for the cofinancing of nonproject operations.
- (b) The World Bank and the African Development Bank recognize that the purpose of nonproject aid is to support the macroeconomic and sectoral adjustment programs formulated and adopted by the African Governments themselves. These programs must be coherent and realistic and must be regarded by the World Bank and the African Development Bank as effective instruments for improving the economic performance of the country in question. However, neither institution envisages financially supporting any program to which the Government concerned is not deeply and genuinely committed or does not regard as its own program.
- (c) One of the functions of the multilateral financing agencies is to help the African Governments to formulate their programs, taking into account both economic, financial and human resource constraints and political, administrative and social problems. Neither institution has a monopoly right of economic policy dialogue with the African Governments. However, in the context of its aid-coordination functions the World Bank assumes a special role both in this field and in the design and negotiation of international adjustment-financing programs.

- (d) The African Development Bank wishes to take advantage of the experience gained by the World Bank in this field but intends to protect the integrity of its objectives and the identity of its operations.

8. The arrangements and procedures of the program of nonproject aid collaboration and cofinancing between the World Bank and the African Development Bank will be designed to be flexible and evolutive. They will be reviewed from time to time in light of experience, of the way the program is received by the African Governments, and of the results obtained through its implementation.

9. The major stages of the collaboration process can be summarised as follows:

- (a) discussions between Program Division Chiefs of the World Bank and the African Development Bank in order to identify, within the next few months, those countries and sectors in which conditions for this collaboration are particularly favorable thanks to a far-reaching consensus on program goals. When, following these discussions, the African Development Bank makes a preliminary selection of countries for which this type of collaboration is deemed desirable, it will be brought into all the major stages of the preparation process. Those stages can be summarised as follows:
  - (i) macroeconomic and sectoral studies; public investment program reviews; other specific studies;
  - (ii) conversion of the study recommendation into an "operational program" defining the goals of the proposed operation;
  - (iii) appraisal and negotiation with the Government of the operation to be financed;
  - (iv) monitoring of the program.
- (b) In the event that, for lack of sufficient personnel, the African Development Bank needs to exercise tighter selectivity, it will focus its activities on reviewing public investment programs, defining operational goals and, of course, the final stages of the operation (negotiation and supervision); also, in the cases of a number of operations (see Annex) for which cofinancing has been decided on in principle and preparation of which is already well advanced, the cooperation arrangements will be adapted accordingly.
- (c) When the African Development Bank does not participate in a particular stage of the process, the World Bank will forward the working documents it has prepared to ADB promptly.
- (d) In the initial stage, the African Development Bank's sectoral adjustment financing operations will concern chiefly the following three priority sectors: (i) agriculture;

(ii) industry, and (iii) the public enterprises. The African Development Bank could consider extending the program to other sectors in light of a country's priority ranking, the urgency of its needs and the resources available to it.

- (e) Initially, the African Development Bank will only be able to mobilize the necessary personnel resources to participate in the major stages of program formulation and preparation of operations for four or five countries a year. For the next two years, an indicative list of eight countries (Congo, Togo, Senegal, Central African Republic, Madagascar, Somalia, Tanzania and Zaire) has been identified for this purpose.
- (f) The arrangements governing the African Development Bank's financial contribution will be flexible. In some cases it will take a share of the proposed operation. In others it will identify and finance a specific component of the overall program. The African Development Bank does not rule out the possibility of participating in structural adjustment loans directly. However, it will often prefer to participate in sectoral operations compatible with the general goals of the adjustment program.
- (g) Terms of lending will be tailored to the economic situation of the countries concerned.

10. The arrangements for the nonproject aid cofinancing program will be reviewed from time to time in the context of consultations provided for by the modus operandi agreement of October 1986.

ANNEX

Cooperation countries

1. As indicated in paragraph 9 (e) of the body of this memorandum, eight countries have been selected in principle for which World Bank/African Development Bank collaboration will apply to all the principal stages of preparation of nonproject operations:

- Congo: preparation for 1988 of a structural adjustment loan and a public enterprises rehabilitation loan;
- Togo: preparation of a structural adjustment loan;
- Senegal: preparation of an adjustment loan for the industrial sector;
- Central African Republic: preparation of an adjustment loan for the agricultural sector;
- Madagascar: adjustment loan for agriculture and industry;
- Somalia: adjustment loan for agriculture;
- Tanzania: multisectoral rehabilitation loan;
- Zaire: adjustment loan for agriculture.

Other operations

2. The operations in course of preparation for which cofinancing has already been decided on in principle are the following:

- Sao Tome and Principe: structural adjustment loan;
- Sierra Leone: structural adjustment loan;
- Guinea-Bissau: structural adjustment loan;
- Gambia: second structural adjustment loan;
- Mauritius: industrial loan;
- Zambia: industrial loan.

3. In addition, consultations will be envisaged with a view to World Bank/African Development Bank cooperation in one or more operations in Côte d'Ivoire (sectoral loan for agriculture) and Nigeria (industrial and agricultural exports).

4. The lists of countries and sectors are purely indicative and will be amended in the context of consultations between the World Bank and the African Development Bank.

5. The World Bank and the African Development Bank will also examine the possibility of jointly organizing seminars and symposia on macroeconomic and sectoral policies for experts of member countries.

1986 ANNUAL MEETING BRIEFING PAPER  
African Development Bank (AfDB)

I. Background and recent developments

1. The African Development Bank Group includes: the African Development Bank (AfDB); the African Development Fund (AfDF), 1/ its soft loan affiliate; and the Nigeria Trust Fund (NTF) 2/. AfDB Group's total commitments reached \$1.1 billion in 1985, up from \$879 m. in 1984, an increase of 31.3 percent.
2. Gross disbursements totalled \$531 m. in 1985, an increase of 84 percent over 1984. The main reason for this improvement was basically due to efforts made in 1985 to strengthen dialogue with officials responsible for project execution. As of December 31, 1985, AfDB Group loans and credits totalled, since 1964, 873 in number and \$6.8 billion in amount. Cumulative disbursements stood at \$2.4 billion. AfDB Group sectoral emphasis has been on agriculture, public utilities and transport which, together, account for 83 percent of commitments in 1985.
3. The AfDB Group is in the fifth year of implementation of its five-year operational program (1982-86) which foresaw an average AfDB Group annual lending of about \$1.4 billion and total cumulative commitments of about \$7.2 billion over the period. Because of country creditworthiness difficulties, project generation problems and a slowdown in AfDB lending to countries in arrears with their loan/credit servicing, the current program had to be scaled down by about 30 percent. A five-year operational program (1987-91) is being developed by the Management of AfDB and an internal reorganization of AfDB is taking place.
4. On the financial side, AfDB's subscribed capital stock stands at \$5.8 billion; AfDB will seek a doubling of its authorized capital base (from \$6 to \$12 billion) 3/; a General Capital Increase is being considered by the shareholders at present and a meeting of an Ad hoc Committee of Ministers will be held here in Washington after the World Bank's Annual Meeting to decide on the size of the increase.
5. AfDB current lending rate is 8.750 percent with a commitment fee of 1 percent. Maturities range from 12 to 20 years with grace periods of 2 to 7 years.

- 
- 1/ AfDF lends for 50 yrs including 10 year-grace period with a service charge of 3/4 of 1 percent per annum.
  - 2/ NTF loan terms are up to 25 yrs maturity, including up to 5 year-grace period with 4 percent annual interest rate and 0.75 percent annual commitment fee on undisbursed balance. The NTF has an initial capital of \$150 million; uncommitted resources amount now to about \$42 m.
  - 3/ A high case of \$15-20 b. is also being considered.

Mr. Babacar N'Diaye, new President of the AfDB

6. Mr. N'Diaye (a Senegalese) was elected President of AfDB for five years in May 1985 and has been in office now for about a year. This was the first presidential election in which non-regional 4/ (non-African) states participated, and which was contention-free compared to past elections. Mr. N'Diaye has been on AfDB staff since 1965, holding for five years the post of Vice President Finance where he had shown an impressive record of high performance; he commands the respect of the international business community. Mr. N'Diaye's biosketch is attached in Annex 1

II. Points for Discussion

7. Since assuming the Presidency of the AfDB, Mr. N'Diaye has met twice with the World Bank Senior Management. AfDB Management shares our new approach to structural changes and policy reforms in Africa and had made it clear that this thrust will be central to AfDB's lending strategy. Mr. N'Diaye has also shown keen interest in the debt issue in Africa and might raise it with you in connection with resource mobilisation.

8. Two points are proposed for discussion :

- (a) Aid Coordination
- (b) Debt and resource mobilisation.

9. Aid Coordination

The Memorandum of Understanding in Annex 2 lays out the framework for our Aid Coordination activities with the African Development Bank. You might want to stress the need for closer consultation on our respective assistance strategy in African countries, including coordination on public investment programs. The key point is, for the two institutions, to avoid conflicting advice to countries in economic management, and to maximize the impact of our advice and actions towards the recovery of these countries. In particular, we need to synchronize our views on the efficient use of resources through concerted support of priority investments which are economically viable. Careful project selection based on strict economic criteria should be given attention.

10. We would welcome AfDB's participation in the preparation and the holding of Bank's Consultative Group meetings. There was an expansion of Aid Coordination through C.Gs in the Bank and the Development Committee will review a Bank's staff paper on how to improve the effectiveness of Aid Coordination.

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4/ The Bank's capital stock was opened to non-regionals in December 1982. AfDB's Board comprises 18 members with 1/3 of votes for non-regionals and 2/3 for regionals; according to the revised Charter, the President of the Bank will be an African.

*a list of economists*

11. We would welcome AfDB staff to join in Bank economic missions. The establishment of a Bank Special Representative to the African Development Bank in Abidjan this year should facilitate the Aid Coordination efforts with AfDB; the planned secondment of a Bank senior economist to AfDB should also assist in enhancing AfDB's own internal analytical capacity for policy-based lending and economic work.

12. Debt

Mr. N'Diaye is likely to raise the debt issue in Africa. Indeed, the high debt service ratio in most African countries frustrates investment planning and impedes progress. As stressed in the Bank's latest report on Sub-Saharan Africa, debt is being seen as an integral part of the overall resource problem and Mr. N'Diaye shares this approach.

13. You might wish to point out to Mr. N'Diaye that a number of Sub-Sahara African countries have embarked, with Bank's assistance, on financial/debt restructuring: for example, in the case of Niger, a multi-year financial plan in support of an adjustment and recovery program, for which significantly higher, long-term commitments of grant as well as rescheduling of outstanding debt is being put into place. In the case of Zaire, the Bank has intensified its efforts to mobilize external financial resources, on a multi-year basis - including debt rescheduling - in order to support the country's medium-term adjustment program.

14. Resource mobilisation: exchange of views

AfDB is in the midst of putting together its five-year operational program 1987-91 to be supported (a) by a general capital increase (\$12 b) which is being considered by AfDB shareholders at present, and (b) by a revamped organizational structure of the institution. You might wish to have Mr. N'Diaye keep you abreast of the status of their efforts.

15. Mr. N'Diaye will also be interested in IDA8 new developments, and in our experience with the Special Africa Facility (SFA). Please see note in Annex 3.

Attachments

<u>Annex 1</u>	Mr. N'Diaye's biosketch
<u>Annex 2</u>	Memorandum of Understanding on Aid Coordination
<u>Annex 3</u>	Note: IDA and Special Africa Facility

X

X

X

Biosketch

Babacar N'Diaye, (Senegalese)

Age: 50, married, 5 children

Business and Management School, Toulouse, France,  
(Business Administration)

Institute of Political Studies, Paris (BSc Economics)

University of Paris (Chartered Accountant with  
Diplôme d'Etat)

1965	Joined African Development Bank
1965-67	Financial Assistant
1967-70	Project financial analyst
1971-72	Chief of public utilities section
1973-74	In charge of internal auditing
1974-75	Assistant Director, Finance
1976-78	Deputy Director, Finance
1978-80	Director of Finance
1980-85	Vice President, Finance
1985-	President

Outcome of discussions with AfDB Delegation  
(Consultation Meeting of Jan. 14, 15, 16, 1985  
on Aid Coordination)

1. Both the plenary sessions and the regional meetings have provided the opportunity for the two delegations to exchange views on how best to collaborate in order to achieve the objectives of the Joint Program of Action.

2. The two delegations agreed on the following guiding principles for their future aid coordination activities:

- (a) a closer and regular communication/contact between Management and staff of the AfDB and the World Bank should be organized in the future;
- (b) conditionality implicit in policy reforms to be undertaken by African countries is essential and inevitable; we should therefore make all efforts to share and discuss information on some or all aspects of conditionality and encourage African Governments to implement them. The AfDB delegation made it clear that they are committed to "telling the African Governments the truth" on the need for sacrifices in the adjustment process and that AfDB would support, through its resources and dialogue, the World Bank in its role of stimulating policy reforms in Africa.
- (c) the AfDB and the World Bank agreed that performance of policy reforms should be the leading criterion for allocating quick disbursing scarce resources.

3. Based on the foregoing, the two institutions agreed to concentrate, at the working level, their aid coordination efforts on the following concrete areas:

(i) Consultative Groups (CG)

- . The AfDB has expressed the desire to be involved, at the preparator stage of the CG cycle, in order to provide substantive input. It was agreed that an AfDB economist may participate, through a mission, in the preparation of the Country Economic Memorandum (CEM) for the next Ghana Consultative Group. The AfDB has also urged that, to the extent feasible, timely dispatch of documents for the next Zambia CG be made.
- . It was also understood that AfDB could share in sectoral studies with the World Bank, or participate in, or lead donor/sector meetings.
- . Staff working on the preparation of CG for a given country will be in regular contact for exchange of information with their AfDB counterparts; it will be desirable that, at an appropriate time, a review of the country lending programs by staff of both institutions takes place in the context of the CG preparatory work.

(ii) Non-Project Lending

- . AfDB staff have advised the Bank that their Board has just authorized non-project financing, in particular lending for sector rehabilitation. The AfDB Board has also encouraged the staff to cooperate closely with the World Bank to gain more experience in non-project lending. With this in mind, AfDB would wish to be associated with the restructuring to be agreed upon with countries such as Liberia, Niger, Ghana, Sierra Leone, Malawi; we would expect AfDB to provide financing for specific expenditures in sectors or sub-sectors of its choice under agreed upon conditionalities. World Bank staff will undertake to brief AfDB staff in due course and provide them with the required documentation on the non-project loans/credit envisaged.

(iii) Public Investment Review (PIR)

- . World Bank staff briefed the AfDB delegation on the utility and the methodology of the PIR whose main objective is to help Governments plan sound investments for the resumption of growth. It is critically important for the two institutions to coordinate their efforts in advising Governments that the financing of low return investments should be avoided. The World Bank is prepared to include AfDB economists in its PIR missions.

(iv) Technical Assistance (TA)

- . Staff of the two institutions agreed that dialogue should be pursued on the effective delivery of TA in Africa and that policy-related technical assistance should be given increased prominence. The two institutions also agreed that knowledge of the working of TA was far from being complete and that a lot was to be learnt in that respect. It was agreed that AfDB and the World Bank should consider concentrating their efforts on technical assistance for institution-building in public enterprises rehabilitation, PIR implementation at the country level and technical assistance on non-project lending work, etc. The AfDB delegation has been informed of the on-going joint technical assistance assessment work with UNDP on Somalia, designed to learn about, and evaluate, the effectiveness of TA, which will help map out TA strategy in the future. The AfDB delegation has also indicated that, in the use of consultants as technical assistants, consideration be given to regional or local expertise.

(v) Economic/Sector Work

- . The World Bank is open to cooperate with AfDB in economic and sector work; the modalities for such cooperation will have to be worked out later, taking into account AfDB's severe staff

constraint and the need for AfDB to upgrade the economic analytical capabilities of its staff. It was agreed that participation, to be useful, should provide for time for pre-mission briefings, field work and post mission discussions and report writing, involving a minimum of about three/four months of work. AfDB has tentatively indicated that, in 1985, they might join two Bank economic missions (one each in East and West Africa regions) for their lending program requirements.

- (vi) It was also understood that, in the near future, agreement should be reached on a selection of countries on which concerted action by the two institutions should focus. Vice-President Thalwitz will discuss the matter further with President Mugomba in Abidjan during his next visit to Africa in January/February 1985.
- (vii) As regards the experiment of a jointly prepared and appraised project for which AfDB will be the leader, discussions on project selection, procedures for project work in the transportation sector have taken place. These preliminary discussions will be firmed up when a World Bank mission visits the AfDB's headquarters on February 11, 1985.
- (viii) The two parties have satisfactorily completed the review of their respective cofinancing programs and will update such review on the occasion of the AfDB Annual Meeting in May 1985 in Brazzaville (Congo).

Note on IDA and Special Africa Facility

IDA

As you are aware, the outcome of the recent IDA deputies' meeting in Paris had been encouraging, with the consensus on a replenishment size of \$11.5 billion. While substantial consensus has been reached among Deputies on shortening IDA credit maturities, they have agreed that IDA credit will not bear an interest rate and that a substantial share of IDA money (up to 50%) may go to Sub-Saharan Africa.

Special Facility for Africa

In July 1985, the Special Facility for Sub-Saharan Africa (SFA) started its operations; direct and joint financing contributions have now reached close to \$1.6 billion, of which \$780 million was committed during FY86, with another \$700 million of SFA commitments planned for FY 1987. SFA provides quick-disbursing assistance in support of structural, sectoral and other adjustment-related programs. The number of countries considered eligible for SFA financing has increased from about twelve at the beginning of the program to twenty countries. Between FY 1982 and FY 1986, commitments by IDA and the SFA in fifteen low-income countries undertaking adjustment programs increased by 141 percent. Disbursements also increased by 145 percent. Furthermore, over 50 percent of the Bank's financial support to these countries is in the form of fast-disbursing adjustment-related lending.

Source: SOA

08/26/86

December 15, 1986

Dear Mr. N'Diaye,

I wish to thank you for your letter of November 18, 1986, regarding the increase in the capital of the African Development Bank, the replenishment of the African Development Fund, and the reorientation in the operations of your institution. I sincerely hope that your efforts to increase the volume of financial resources of both of your facilities will meet with full success.

I was gratified to learn that you intend to allocate a significant portion of your resources to policy-based operations. As you may know, quick-disbursing loans within the framework of structural and sectoral adjustment programs are becoming more and more important as a component of the World Bank's operations in Africa and, in Fiscal Year 1986, represented about half of the total amount of concessional assistance provided by IDA and the Special African Facility to those countries of sub-Saharan Africa which have adopted reform programs.

It goes without saying that we are eager to work more closely with you in this area. Given your special relationship with the African governments, your plans to pursue a more intensive dialogue with them, and the acknowledged need for donors to seek consistency in their viewpoints as regards macroeconomic and sectoral policies, we believe that increased collaboration would be beneficial to all parties.

The African Development Bank and the World Bank are already cofinancing a number of operations (both conventional and policy-based) in Africa. In this regard, Mr. Wiehen, Programs Director, will be visiting you on December 17-19, 1986, to discuss overall cofinancing prospects for the Eastern Africa Region. However, I agree with you that some special AfDB/IBRD arrangements for cofinancing policy-based operations are warranted. We therefore propose to send to Abidjan, during the week of January 19, 1987, a mission composed of Messrs. de la Renaudiere, Director of the Special Office for African Affairs; Westebbe, Senior Economist; and Beguery, Cofinancing Coordinator. This mission will work with you

and your colleagues to explore the options, and, if you agree, establish the procedures for implementing a joint AfDB/IBRD program for cofinancing policy-based lending operations in sub-Saharan Africa..

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable  
President

Mr. Babacar N'Diaye  
President  
African Development Bank  
01 B.P. No. 1387  
Abidjan 01, Cote d'Ivoire

cleared with and cc: Messrs. Stern, SVPOP  
Jaycox, ESAVP  
Thalwitz, WANVP

cc: Messrs. de la Renaudière, SOA  
Beguery, WANVP  
Westebbe, WA2DR  
Wiehen, ESADR

Mr. Conable's Office

Xdelarenaudiere/TTriche:rh

*Sent by pouch to Stanislas Kpoznon in Abidjan.*

11-189  
11/25/86

IS

Xavier

WORLD BANK OTS SYSTEM  
OFFICE OF THE PRESIDENT

RECEIVED DATE : 86/11/21

DUE DATE : 86/12/15

LOG NUMBER : EXC861121010

SUBJECT : African Dev. Bank - wants to discuss co-financing policy-  
based loans; could someone come to Abidjan & discuss.

OFFICE ASSIGNED TO FOR ACTION : Mr. E. Stern El227

ACTION:

\_\_\_\_ APPROVED  
\_\_\_\_ PLEASE HANDLE  
\_\_\_\_ FOR YOUR INFORMATION  
\_\_\_\_ FOR YOUR REVIEW AND RECOMMENDATION  
\_\_\_\_ FOR THE FILES  
\_\_\_\_ PLEASE DISCUSS WITH \_\_\_\_\_  
✓ \_\_\_\_\_ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE  
\_\_\_\_ AS WE DISCUSSED  
\_\_\_\_ RETURN TO \_\_\_\_\_

COMMENTS : cc: Messrs. Thalwitz, Jaycox

BANQUE AFRICAINE DE DÉVELOPPEMENT  
AFRICAN DEVELOPMENT BANK



ADDRESSE TELEGRAPHIQUE  
AFDEV ABIDJAN  
TELEPHONE: 32-07-11

TELEX: 3717  
" 3498  
" 3263

OI B. P. N° 1387 ABIDJAN OI  
COTE D'IVOIRE

PRESIDENT

Mr. Barber B. CONABLE  
President  
International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
WASHINGTON, D.C. 20433  
U.S.A.

RÉFÉRENCE

DATE. 18 November 1986

Dear Mr. Conable,

As you probably know, we are now in the concluding stages of our negotiations on the Fourth General Increase in the capital of the African Development Bank (to cover our lending over the years 1987-1991), and are about to submit to our Executive Board a proposal for the Fifth Replenishment of the African Development Fund (1988-1990). Prior to the preparation of these proposals, we had discussed with our Board a general re-orientation in the operations of our institution, and been given the green light to prepare the requisite policy papers to give effect to this orientation. One such paper was on the need for the African Development Bank to engage more actively than before in a continuous and constructive dialogue with our borrowers - both in the context of our project as well as our non-project lending. These ideas now form an integral part of the ADB and ADF programme of operations mentioned at the beginning of this letter.

An important proposal we made in the document on the Fourth General Increase in the capital of the ADB is the need to work closely with the IBRD and others on co-financing policy-based lending. This has been welcomed by our Governors.

The purpose of this note is to request if it would not be useful for our two institutions to discuss the mechanism for co-financing policy-based loans. ADB's lending programme for the 1987-1991 period is expected to be in the range of U.A. 5.0 to 6.5 billion, and some 15% of that would likely be in the form of non-project lending. A higher share of the 1988-1990 ADF lending is envisaged to also be in that form. Negotiations on the latter have not started yet, but our proposal will be for a replenishment of FUA 3.0 billion. The groundwork for such an important shift in our lending operations needs to be carefully prepared.

BANQUE AFRICAINE DE DÉVELOPPEMENT

AFRICAN DEVELOPMENT BANK

PRESIDENT

- 2 -

As I am sure you know, we have recently and jointly taken new initiatives to improve IBRD/ADB co-ordination. It may very well be that the mechanism for co-financing policy-based loans could be treated within this framework, but we have not as yet explicitly addressed this question in this manner.

I think, and I hope you will agree, that it would be useful to have an early exchange of views on this question. You may wish for this purpose to consider sending to Abidjan one of your collaborators to explore with me and my colleagues in the Bank a specific mechanism for collaboration and see how best we can move forward. Would it be possible for these consultations to take place in Abidjan between 16 and 31 January 1987? If not, the last ten days of February would be equally convenient for us. I should appreciate it if we could have your reaction to these dates. I look forward to hearing from you soon.

With personal regards.



Babacar N'DIAYE

RECEIVED  
AFRICAN DEVELOPMENT BANK  
ABIDJAN  
17 JAN 1987

As I am sure you know, we have recently and jointly taken new initiatives to improve IDB/ADB co-ordination. It may very well be that the mechanism for co-financing policy-based loans could be treated within this framework, but we have not as yet explicitly addressed this question in this manner.

I think, and I hope you will agree, that it would be useful to have an early exchange of views on this question. You may wish for this purpose to consider sending to Abidjan one of your collaborators to explore with me and my colleagues in the Bank a specific mechanism for collaboration and see how best we can work together. Would it be possible for these conversations to take place in Abidjan between 16 and 18 January 1986? If not, the last ten days of February would be equally convenient for us. I should appreciate it if we could have your reaction to these dates. I look forward to hearing from you soon.

With personal regards,

  
 Robert N. N'GUE

OFFICE OF THE PRESIDENT

1986 NOV 21 PM 1:46

RECEIVED

THE WORLD BANK

ROUTING SLIP		DATE: February 12, 1986	
FROM THE VICE PRESIDENT EXTERNAL RELATIONS			
NAME		ROOM NO.	
Mr. Southworth		E.1227	
APPROPRIATE DISPOSITION		NOTE AND RETURN	
APPROVAL		NOTE AND SEND ON	
COMMENT		PER OUR CONVERSATION	
FOR ACTION		PER YOUR REQUEST	
INFORMATION		PREPARE REPLY	
INITIAL		RECOMMENDATION	
NOTE AND FILE		SIGNATURE	
REMARKS: Please see the attached comments, and I agree that Mr. Clausen should try to attend if at all possible. Also that he should see Mr. Ndiaye if he asks for an appointment next week.			
FROM: Jose Botafogo G.			

February 10, 1986

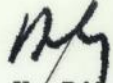
Mr. Burki,

If it could be arranged, a one-day visit by Mr. Clausen to the AfDB meeting, for this purpose would be a positive and well-received move.

As you know, the U.N. General Assembly has a Special Session on Africa planned for May 27-31. A statement by Mr. Clausen at the AfDB would be an excellent opportunity to make Bank views known.

Scheduling might not be easy however. Mr. Clausen will be travelling in Europe and the Middle East April 15-27, and has some travel planned in the U.S. May 8-10. Harare is a long way.

I suggest we encourage Mr. Clausen to go to Harare, pointing out however the timing constraints he would face.

  
V. Riley

Urgent

Mr Botafogo:

If you agree, we  
will send a note  
to AWC to encourage  
him to accept this  
invitation.

VR/sk

Jared  
2/11/86.

## THE WORLD BANK

## ROUTING SLIP

Date

Feb. 7, 1986

## OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Botafogo

E-823

*Mr. Burke**(not seen TBG)**MB*

To Handle

Note and File

Appropriate Disposition

Prepare Reply

Approval

Per Our Conversation

Information

XX

Recommendation

Remarks

Your views on this please?

Roy Southworth

AWC is TRAVELLING ONLY ON MAY 8-10  
in U.S.A.

From

JWS0691

EXC

FCA

159

2704 WBZ ZW

FOR SOUTHWORTH

BABACAR NDIAYE, PRESIDENT AFRICAN DEVELOPMENT BANK WILL BE IN WASHINGTON WEEK OF 17 FEB. HE WISHES TO INVITE MR. CLAUSEN TO ATTEND AFDB ANNUAL MEETING MAY 4-7 HARARE, ZIMBABWE TO HONOR HIM AS MOST RESPONSIVE TO AFRICAN CRISIS, MANY MINISTERS WOULD SPEAK TO THIS. PLEASE CONSIDER THIS BEFORE NDIAYE ARRIVAL.

REGARDS - JAYCOX

## OFFICE MEMORANDUM

DATE February 19, 1986

TO Mr. A.W. Clausen

FROM Stanislas Kpognon, *Special Adviser to RVP, WAN*

EXTENSION 72063

SUBJECT Visit of Mr. N'Diaye, President of AfDB2-19-86  
A

Mr. N'Diaye, President of the African Development Bank, will pay you a courtesy call at 11.00 a.m. today. He has not indicated interest in any specific subject for discussion. AfDB is moving gradually in the area of policy-based lending and Mr. N'Diaye is keen to associate himself with Bank's efforts at economic reforms and financial restructuring in Sub-Saharan Africa. You might wish to stress Bank's readiness to strengthen collaboration with AfDB through agreement on, and cofinancing of, investment programs, mission exchange, regular staff visit to AfDB headquarters in Abidjan, and sharing of economic and sector reports.

Mr. N'Diaye might raise with you the debt issue in Sub-Saharan Africa. You might point out to him that the debt problem is a serious problem in Africa and that international assistance is needed; debt should be seen as part of the overall resource problem that should be tackled to generate growth momentum in Africa. Both medium-income and low-income African countries are involved. For the former, the key issues are policy reforms to be supported by a resumption of lending of nonconcessional money; for the latter, the solution to the debt situation and to the decline of income is to increase the flow of concessional financing coupled with additional debt relief. Further efforts should be made to ensure the replenishment of IDA8 and AfDF 1/ 5 at an adequate level.

These issues are dealt with in the report on Sub-Sahara being prepared by the Special Office for Africa, for the consideration of the Development Committee next April. As to the debt Conference planned for this year and postponed for 1987, it is feared that it may turn out to politicize the issue.

Mr. N'Diaye may wish to talk to you about the Annual Meeting of the AfDB which is to take place about May 4-7 in Harare, Zimbabwe this year. Mr. Thalwitz will represent the Bank at the meeting. He has, at an earlier stage, indicated to me and to Mr. Jaycox that he would like to invite you personally to this meeting and present you with an award in appreciation of your work on Africa.

1/ The African Development Fund

Cleared with Messrs. Thalwitz and Jaycox

cc: Mr. Wai

Mr. Agarwala

SKpognon/it

# OFFICE MEMORANDUM

*Southworth*

DATE October 18, 1985

TO Files

FROM Michel Beguery, Regional Cofinancing Coordinator, WAN

EXTENSION 73535

SUBJECT Annual Meetings: Discussion with the African Development Bank

1. In the course of the Annual Meetings, the two Africa Regions hosted a lunch in honor of Mr. N'Diaye, the new President of the African Development. Mr. N'Diaye also had a meeting with Mr. Clausen. During this meeting, Mr. N'Diaye stated that he had lots of ambitions and plans for ADB but that in his opinion, the most pressing problem was the indebtedness of the countries of his constituency. Mr. Clausen noted that indeed, the debt problem was not only a Latin American problem, and that important repayments from African countries were becoming due. "These countries", he added, "need rescheduling and growth. Be assured that we will do what we can".
2. Referring to a discussion he had recently with the Chairman of the OAU, Mr. N'Diaye insisted that the time was not for intellectual exchanges but for practical solutions. He added that the collaboration between the Bank and ADB had been very productive on the project side. "We now need to do the same on the program and Country Strategy side". Mr. Clausen noted that project financing will remain important but in the context of a well defined country strategy. He agreed that we must share information and coordinate our efforts, but that we must not give the impression that we are conspiring or ganging up. Mr. Thalwitz interjected that the objective should be to "gang-up" behind strategies defined by the countries themselves.
3. Mr. N'Diaye indicated that ADB needs help from the Bank; its structures must be reinforced, in particular the Economic Department, and training needs are important. Mr. Clausen assured Mr. N'Diaye that he could count on our support to address these needs. He then went on to express his appreciation for ADB's substantial cofinancing activities with the Bank, and hoped they will develop further. In that respect, Mr. N'Diaye stated that he was very interested in the B loan instrument and would like Bank's assistance to familiarize ADB's Board with this cofinancing technique. Mr. Clausen noted that although the volume of B loans had been disappointing, the percentage of voluntary lending associated to projects financed by the Bank had been very satisfactory. Mr. Clausen also mentioned that the Bank had used its guaranteed three times as a cofinancing instrument.
4. During the regional discussions, the main theme was program lending. Mr. N'Diaye appears very eager to engage ADB in that type of lending, but is concerned about the acceptance by ADB's membership of the conditionality attached to it. He did not exclude, however, the

possibility of cofinancing program lending with the Bank as a way for ADB to avoid in part the conditionality issue. Another topic discussed was Aid Coordination to which Mr. N'Diaye seems to attach the greatest importance, in particular in terms of public investment reviews to which ADB would like to be associated.

cc: Mr. Thalwitz  
WAN Directors  
WAN Assistant Directors  
WAN Division Chiefs  
MM O'Brien, Kpognon, Knotter, Southworth, Sasson

List of WAN Projects  
without cofinancing

FY86

Nigeria	Transport Parastatal Imo Urban Development
Guinea	Mineral Sector Management
Cameroon	Rural Development Agriculture Research Education & Vocational Training
Niger	Health
IVC	Industrial Development SAL IV Agriculture Extension
Regional	Regional Management School

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FY87

Sierra Leone	Population & Health
Liberia	Population & Health Rubber
Cameroon	Teacher Training Cadastre
Nigeria	Teacher Training Forestry II
Mauritania	Development Management
Burkina	Agriculture Research Urban
Mali	Power II
Niger	Primary Education Public Enterprise
Cape Verde	PHN
Ivory Cost	Housing Sector Education IV Agriculture Research
Senegal	Phosphate Development Management Irrigation IV
Guinea	Water Supply
Togo	Agriculture

1985 ANNUAL MEETING BRIEFING PAPER

African Development Bank (AfDB)

Oct 5  
9:00

★  
ARRANGED

I. Background and recent developments

1. The African Development Bank Group includes: the African Development Bank (AfDB); the African Development Fund (AfDF), its soft loan affiliate; and the Nigeria Trust Fund (NTF). AfDB Group's total commitments reached \$899 m. in 1983, but went down to \$879 m. in 1984. The drop in lending reflects AfDB's inability to generate enough projects - especially in the agricultural sector - and also country creditworthiness difficulties.
2. Gross disbursements declined from \$353 m. in 1983 to \$289 m. in 1984; the largest decline was for the African Development Fund. As of December 31, 1984, AfDB Group loans and credits totalled, since 1964, 776 in number and \$5.6 billion in amount. Cumulative disbursements stood at \$1.9 billion or only 34.3% of commitments.
3. AfDB Group sectoral emphasis has been on agriculture, public utilities and transport which, together, account for 75% of commitments. AfDB is likely to devote the bulk of its resources to agriculture and food production, sectoral lending, rehabilitation financing and population.
4. The AfDB Group is in the fourth year of implementation of its five-year operational program (1982-86) which foresaw an average AfDB Group annual lending of about \$1.4 billion and total cumulative commitments of about \$7.2 billion over the period. Because of country creditworthiness difficulties, project generation and implementation problems and a slowdown in AfDB lending to countries in arrears with their loan/credit servicing, the current operational program has to be scaled down by about 30%. Another five-year operational program (1987-91) is to be developed by the new Management of AfDB.
5. On the financial side, AfDB subscribed capital stock stands at \$5.5 billion; AfDB will seek a doubling of its authorized capital base (from \$6 to \$12 billion) and the Management is to submit a General Capital Increase proposal to the Board by March 1986.
6. AfDB current lending rate is 9.55% with a commitment fee of 1%. Maturities range from 12 to 20 years with grace periods of 2 to 7 years.

Mr. Babacar N'Diaye, new President of the AfDB

7. The Annual Meeting of AfDB held in Brazzaville last May elected Mr. N'Diaye of Senegal as President of AfDB. This was the first presidential election in which non-regional (non-African) countries participated. (The Bank was opened to non-regionals in December 1982.) The election was remarkable for its lack of contentiousness compared to past elections and Mr. N'Diaye won in the second round of voting with 63% of the total vote.

8. Mr. N'Diaye's biosketch is attached in Annex I. He has been on AfDB staff since 1965; Vice President for Finance since 1980, he enjoys impressive credentials and commands the respect of the international business community.

## II. Issues for Discussion

9. On August 6, you met with Mr. N'Diaye here in the Bank, took stock with him of the status and prospects of the collaboration between the two institutions and agreed to follow up on your discussion in Seoul.

10. The new President is determined to engage AfDB in non-project lending (i.e. sectoral lending, rehabilitation, etc.) and has made it clear that economic policy reform will be prominent in his objectives. He is also keen to give an operational meaning to the last January framework of understanding on Aid Coordination. You might wish to cover the following areas:

1. Aid Coordination;
2. Cofinancing;
3. Technical Assistance;
4. Cooperation between the AfDB Training Center and EDI.

### Aid Coordination

11. Attached for your information is a copy of the memorandum of understanding on our future Aid Coordination with AfDB (Annex II). AfDB has expressed the desire to collaborate closely with us in the preparation of our Consultative Groups meetings by providing an input to the background documentation for these meetings including the Country Economic Memoranda (CEM). You might wish to confirm that the Bank would welcome AfDB staff on Bank economic missions for Public Investment Review or CEMs, and that we would be happy to provide AfDB Management with tentative mission schedules for '86 and early '87.

You might also suggest that AfDB could increase its role in aid coordination by participating, in collaboration with the Bank, in the organization of sectoral meetings as a follow up to Consultative Groups, and in coordination meetings among donors at the country level.

### Cofinancing

13. Annex III shows AfDB's contributions of about \$600m. to our cofinancing operations over the past five years; we expect this amount to rise to about \$900m. over the next five years. The Bank and AfDB hold annual consultations at the working level to review the status of cofinanced projects and explore new cofinancing opportunities and these meetings have proven to be very useful. We are also studying the possibility for the Bank to participate as a "Junior Cofinancing Partner" in projects jointly appraised by the Bank and AfDB under the lead of the latter (probably in the road sector).

In line with the recommendations of the Special Action Program, you might urge Mr. N'Diaye to expand AfDB cofinancing activities to rehabilitation projects and policy-related operations eligible to the Special Facility. You might also wish to brief him on the status of the Facility. Annex IV on the Special Facility is attached.

Technical Assistance

14. The African Development Bank has established a Technical Assistance Account (financed by 5% of the contributions of AfDF III and by grants) to address institutional and manpower weaknesses which inhibit the formulation of projects and policies.

Since during their August 6 meeting, Mr. Stern had raised with Mr. N'Diaye the issue of collaboration in the field of Technical Assistance (TA) in Sub-Saharan Africa, you might wish to stress again the importance of a close coordination between the Bank and AfDB in designing strategies at the country level to ensure a better use of the available TA resources and suggest to Mr. N'Diaye that discussions could be held in a near future to explore ways of coordinating our programs in this sector (such as the programing exercises we now hold periodically with UNDP).

Training Center of AfDB and Cooperation with EDI

15. Mr. N'Diaye is likely to raise the issue of manpower development in AfDB and the possibility of extending the ongoing close collaboration between AfDB and EDI to the strengthening of AfDB training center. Annex V sets out the status and prospects of AfDB/EDI collaboration; in particular, it raises the issue of the definition of a training policy by the new AfDB Management and of the potential role of EDI role in that respect. Given AfDB increased emphasis on policy issues, there seems to be real possibilities for expanding and strengthening EDI/AfDB collaboration in that area.

Attachments

<u>Annex I</u>	Biosketch of the President of AfDB
<u>Annex II</u>	Aid Coordination: Bank/AfDB Memorandum of Understanding
<u>Annex III</u>	Cofinancing with AfDB
<u>Annex IV</u>	Note of the Special Facility for Africa
<u>Annex V</u>	Note on EDI/AfDB collaboration.

Biosketch

Babacar N'Diaye, (Senegalese)

Age: 49, married, 5 children

Business and Management School, Toulouse, France,  
(Business Administration)

Institute of Political Studies, Paris (BSc Economics)

University of Paris (Chartered Accountant with  
Diplôme d'Etat)

1965	Joined African Development Bank
1965-67	Financial Assistant
1967-70	Project financial analyst
1971-72	Chief of public utilities section
1973-74	In charge of internal auditing
1974-75	Assistant Director, Finance
1976-78	Deputy Director, Finance
1978-80	Director of Finance
1980-	Vice President, Finance

Outcome of discussions with AfDB Delegation  
(Consultation Meeting of Jan. 14, 15, 16, 1985  
on Aid Coordination)

1. Both the plenary sessions and the regional meetings have provided the opportunity for the two delegations to exchange views on how best to collaborate in order to achieve the objectives of the Joint Program of Action.
2. The two delegations agreed on the following guiding principles for their future aid coordination activities:
  - (a) a closer and regular communication/contact between Management and staff of the AfDB and the World Bank should be organized in the future;
  - (b) conditionality implicit in policy reforms to be undertaken by African countries is essential and inevitable; we should therefore make all efforts to share and discuss information on some or all aspects of conditionality and encourage African Governments to implement them. The AfDB delegation made it clear that they are committed to "telling the African Governments the truth" on the need for sacrifices in the adjustment process and that AfDB would support, through its resources and dialogue, the World Bank in its role of stimulating policy reforms in Africa.
  - (c) the AfDB and the World Bank agreed that performance of policy reforms should be the leading criterion for allocating quick disbursing scarce resources.
3. Based on the foregoing, the two institutions agreed to concentrate, at the working level, their aid coordination efforts on the following concrete areas:
  - (i) Consultative Groups (CG)
    - . The AfDB has expressed the desire to be involved, at the preparatory stage of the CG cycle, in order to provide substantive input. It was agreed that an AfDB economist may participate, through a mission, in the preparation of the Country Economic Memorandum (CEM) for the next Ghana Consultative Group. The AfDB has also urged that, to the extent feasible, timely dispatch of documents for the next Zambia CG be made.
    - . It was also understood that AfDB could share in sectoral studies with the World Bank, or participate in, or lead donor/sector meetings.
    - . Staff working on the preparation of CG for a given country will be in regular contact for exchange of information with their AfDB counterparts; it will be desirable that, at an appropriate time, a review of the country lending programs by staff of both institutions takes place in the context of the CG preparatory work.

(ii) Non-Project Lending

- . AfDB staff have advised the Bank that their Board has just authorized non-project financing, in particular lending for sector rehabilitation. The AfDB Board has also encouraged the staff to cooperate closely with the World Bank to gain more experience in non-project lending. With this in mind, AfDB would wish to be associated with the restructuring to be agreed upon with countries such as Liberia, Niger, Ghana, Sierra Leone, Malawi; we would expect AfDB to provide financing for specific expenditures in sectors or sub-sectors of its choice under agreed upon conditionalities. World Bank staff will undertake to brief AfDB staff in due course and provide them with the required documentation on the non-project loans/credit envisaged.

(iii) Public Investment Review (PIR)

- . World Bank staff briefed the AfDB delegation on the utility and the methodology of the PIR whose main objective is to help Governments plan sound investments for the resumption of growth. It is critically important for the two institutions to coordinate their efforts in advising Governments that the financing of low return investments should be avoided. The World Bank is prepared to include AfDB economists in its PIR missions.

(iv) Technical Assistance (TA)

- . Staff of the two institutions agreed that dialogue should be pursued on the effective delivery of TA in Africa and that policy-related technical assistance should be given increased prominence. The two institutions also agreed that knowledge of the working of TA was far from being complete and that a lot was to be learnt in that respect. It was agreed that AfDB and the World Bank should consider concentrating their efforts on technical assistance for institution-building in public enterprises rehabilitation, PIR implementation at the country level and technical assistance on non-project lending work, etc. The AfDB delegation has been informed of the on-going joint technical assistance assessment work with UNDP on Somalia, designed to learn about, and evaluate, the effectiveness of TA, which will help map out TA strategy in the future. The AfDB delegation has also indicated that, in the use of consultants as technical assistants, consideration be given to regional or local expertise.

(v) Economic/Sector Work

- . The World Bank is open to cooperate with AfDB in economic and sector work; the modalities for such cooperation will have to be worked out later, taking into account AfDB's severe staff

constraint and the need for AfDB to upgrade the economic analytical capabilities of its staff. It was agreed that participation, to be useful, should provide for time for pre-mission briefings, field work and post mission discussions and report writing, involving a minimum of about three/four months of work. AfDB has tentatively indicated that, in 1985, they might join two Bank economic missions (one each in East and West Africa regions) for their lending program requirements.

- (vi) It was also understood that, in the near future, agreement should be reached on a selection of countries on which concerted action by the two institutions should focus. Vice-President Thalwitz will discuss the matter further with President Mugomba in Abidjan during his next visit to Africa in January/February 1985.
- (vii) As regards the experiment of a jointly prepared and appraised project for which AfDB will be the leader, discussions on project selection, procedures for project work in the transportation sector have taken place. These preliminary discussions will be firmed up when a World Bank mission visits the AfDB's headquarters on February 11, 1985.
- (viii) The two parties have satisfactorily completed the review of their respective cofinancing programs and will update such review on the occasion of the AfDB Annual Meeting in May 1985 in Brazzaville (Congo).

COFINANCING WITH  
AFRICAN DEVELOPMENT BANK

(\$ million)

	FY	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Total</u>
East Africa	(4)	30.2	(4) 36.8	(4) 83.5	(7) 121.8	(4) 75.6 (23)	347.9
West Africa	(3)	27.4	(5) 55.6	(4) 55.5	(4) 32.4	(4) 78.1 (20)	249.0
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	(7)	57.6	(9) 92.4	(8) 139.0	(11) 154.2	(8) 153.7 (43)	596.9
		=====	=====	=====	=====	=====	=====

Source: East and West Africa Regions

August 29, 1985

SPECIAL FACILITY FOR SUB-SAHARAN AFRICA

1. The proposal to establish the Special Facility emerged from the Joint Program of Action for Sub-Saharan Africa which was submitted by the Bank to the meeting of the Development Committee in September 1984. It was endorsed by the Committee and has also been widely endorsed by African Governments and donors.
2. The Joint Program aims at reversing the economic decline of the region and at restoring growth and development. It recognizes that Africa's current economic crisis is embedded in longer-run structural problems. It calls for African Governments to undertake national programs of policy reform and for the donors to provide additional and sustained levels of assistance to help implement the process of restructuring.
3. The World Bank organized a meeting in Paris on January 31 and February 1, 1985, at which fourteen countries and the Bank agreed to mobilize additional resources of over \$1.1 billion to be committed over the next three years through a Special Facility for Sub-Saharan Africa. The aim of the Facility is to support policy reform in IDA-eligible countries in Sub-Saharan Africa. Subsequently two other countries pledged resources to the Facility, and on July 1, 1985 the Facility became effective with total resources of over \$1,2 billion.
4. Donor countries have pledged resources to this Facility in two ways -- either by making a direct contribution or by providing special joint financing. Direct contributions are being made by Austria, Canada, Denmark, Finland, France, Ireland, Italy, the Netherlands, Norway, and Sweden, while countries providing special joint financing include the Federal Republic of Germany, Japan, Saudi Arabia, Switzerland and the United Kingdom. The Executive Directors have recommended that the Board of Governors at the Annual Meeting approve a transfer of \$150 million of the Bank's net income to the African Facility.
5. Terms and conditions of lending from the Facility will be the same as those of IDA -- i.e., 50-year maturity, no interest rate and a 0.75 percent per annum service charge, and a 0.50 percent per annum commitment charge. IDA will administer the Facility's funds. Normally Facility resources will be utilized in association with regular IDA funds. Furthermore, they must be additional to the IDA resources currently available to the beneficiary countries and operations financed under the Facility should be rapid-disbursing -- within a three to five year period.

6. The Facility will be used to finance loans for structural adjustment, sectoral reform programs, rehabilitation projects or emergency reconstruction. In the first three months of FY86, operations are scheduled to go to the Board for approval with a total value of \$175 million. These include activities in Ghana, Togo, Zambia, Zaire, Somalia, and Guinea Bissau. With one exception, all of these initial Special Facility operations will provide supplemental financing for IDA Credits recently approved by our Board. We are currently planning the Special Facility operations for the remainder of FY86.

7. While the establishment of the Facility and start of its operations are very significant events, it is important to reiterate once again that the Facility is intended as a catalyst, encouraging African Governments to undertake difficult reform measures and aid donors to contribute the additional resources needed -- bilaterally and multilaterally -- to sustain these programs. The Facility's capital is far from enough to meet these needs.

\* \* \*

EDI RELATIONS WITH THE AFRICAN DEVELOPMENT BANK (AfDB)Background

1. EDI collaboration with the African Development Bank (AfDB) dates back more than a decade. After a series of five development finance courses organized jointly with the AfDB, the Economic Commission for Africa (ECA) and the African Institute for Economic Development and Planning (IDEP) from 1973 to 1975, EDI impressed on the AfDB management the need to establish an EDI-type training unit. This training center was to serve the whole of Africa, be bilingual and be closely associated with the other departments of the AfDB. The AfDB Training Center was created in early 1978, and Mr. Georges Aithnard was appointed as its first director. He is still at that post, and much credit for the overall good relationship with the AfDB Training Center is due to him.

Past Collaboration

2. EDI relationship with the AfDB Training Center was formalized in 1978 by a memorandum of understanding providing for cooperation on a programme of six seminars in development banking organized jointly with the African Association of Development Financing Institutions (AADFI) over a three-year period. Since expiration of this agreement, collaboration with EDI has continued on ad hoc basis, and also broadened in other sectors as follows.

3. Agriculture and Rural Development. Over the past three years, EDI has co-financed and collaborated with the AfDB Training Center on two main courses on the planning and appraisal of agricultural projects and the organization and management of agricultural projects. EDI also provided teaching support to the agricultural project planning and appraisal course organized by the AfDB Training Center in Nairobi in June-August, 1985. The major collaborative effort at present is the 4-year Agricultural Management and Training Program for Africa (AMTA), which is funded by an IFAD grant (\$1.8 million) with AfDB as the executing agency. The EDI involvement, amounting to about one staff-year annually, consists mainly of designing and supervising the needs assessment surveys, development of training materials, and co-directing the training workshops and seminars. The first subprogram covering six Southern African countries (Botswana, Malawi, Lesotho, Swaziland, Zambia and Zimbabwe) will hold the final seminars in October and December this year. The second subprogram covering an equal number of Western African countries will commence shortly.

4. Industry and Financial Management. EDI involvement in the development banking course was phased out in 1984, reflecting the increased capacity of the AfDB Training Center in handling these courses. Collaboration is ongoing at present in organizing one or two seminars annually for chief executives of development banks, all in cooperation with AADFI.

5. Training of Trainers. After three years of consultation, agreement has now been reached between the AfDB Training Center, AADFI and EDI for the organization of a jointly sponsored case writing workshop, to be held in Abidjan in September 1985 with the Centre Africain et Mauricien de Perfectionnement des Cadres (CAMPC). The target group will be francophone trainers in training institutions in both Western and Eastern African countries, who will in turn organize sub-regional workshops to spread the case writing methodology and multiply the number of available cases oriented to specific African experiences and situations.

6. Others. Especially in recent times AfDB observers have quite frequently been invited and have attended EDI courses and policy seminars organized both in Africa and elsewhere, including the energy/power courses organized in Abidjan. The AfDB Training Center will send an observer to the seminar on Management of Technical Assistance to be held in Washington next November. We have appreciated AfDB attendance in these training programs, and in some instances the AfDB staff made valuable contribution to the discussions.

#### Possible Areas of Future Cooperation

7. Given EDI's new mandate in institutional development and its increased focus on Africa, the AfDB Training Center sees itself in a privileged position to receive EDI support. The new possibilities for expanding and strengthening the EDI/AfDB collaboration appear to be in the area of senior policy seminars, in line with the AfDB's intention to gradually engage in policy dialogue with its member countries. Last year, the AfDB Training Center received support from the Bank Transportation Department (TRP) for a road maintenance seminar organized in Abidjan. Mr. Aithnard has requested EDI support for the design and delivery of similar policy seminars for the other key sectors, and especially in agriculture and rural development. These seminars could initially be organized jointly for a few years, after which the AfDB Training Center would assume full responsibility with only limited pedagogical assistance from EDI. The Center appears also to be the most suitable partner for Pan African policy discussions (on topics such as debt management, structural adjustment, etc...). In the immediate term, EDI and the AfDB Training Center can also organize joint general development and projects planning courses for the lusophone countries (which have recently joined both institutions) besides the further extension of the AMTA program to the remaining African countries.

#### Issues

8. As in the past, resource constraints are likely to remain the limiting factor to an expansion in EDI collaboration with the AfDB Training Center. While projected additional cofinancing—mainly from the UNDP Africa Bureau—could significantly alleviate the financial resource constraint, there is at present no prospect for improvement in the staffing problem of the AfDB Training Center. The situation is not new. Since its establishment, the Training Center has suffered from rather limited support from the AfDB top management, which translated into operational difficulties and limited capacity to undertake new activities. Although the Center is now provided with adequate offices and teaching facilities in the AfDB headquarters building in Abidjan and it is now better integrated with the AfDB's operational complex, the low priority attached to training by AfDB management has made it difficult to attract and retain qualified teaching and administrative personnel. Thus, the Center has only five budgeted full-time professional positions and four technical assistance positions financed by external donors. Three of these nine positions are presently vacant. Moreover, the Center receives only limited and rather casual support from the AfDB operating departments as the operational staff are often reluctant to accept teaching assignments in the courses and seminars.

9. EDI's concerns for the lack of support to the Training Center and for improvements in its staffing and administration as acknowledged necessary and desired by Mr. Aithnard, have been conveyed to the AfDB management on various occasions in the past and most recently by Mr. Willoughby in a consultation visit in February 1984 and Mr. de Lusignan in a similar visit in April 1985. The meeting between Mr. Clausen and Mr. N'diaye provides an excellent opportunity to reiterate this point at the highest level in both institutions. We understand from Mr. Aithnard that Mr. N'diaye fully shares the Bank's preoccupation with development of high-level manpower and capacities for economic management. It is hoped that this increased commitment by the AfDB management will be translated into an explicit training policy and the appropriate strengthening of the Training Center's human resources, so that the AfDB can make a more effective contribution to meeting the considerable training requirements of its member countries. EDI would be ready to assist in these efforts, and to continue to collaborate with the Training Center in areas of mutual interest.

10. A related issue concerns the priority attached by the AfDB to EDI-type training. At present, the Training Center is expected to meet two conflicting demands: on the one hand to develop training programs for officials of the Bank's member countries and, on the other (since 1981) to organize initial orientation courses and skills development seminars (on-the-job training) for the AfDB staff. As a result, the Center has embarked in a program too ambitious in relation to the available resources. We therefore need to receive the views of the AfDB management on their training requirements in general, and on the specific kinds of EDI/Bank support in which they are interested.

#### Footnote

We want to stress that the new President of the AfDB attaches great importance to AfDB Training Center that he is planning to revitalize with EDI assistance and collaboration so as to strengthen the manpower resources of the institution in order to serve effectively AfDB member countries.

September 3, 1985

BANQUE AFRICAINE DE DÉVELOPPEMENT (cc. for info.  
AFRICAN DEVELOPMENT BANK (Messrs. WYSS + FUCHS)



ADRESSE TÉLÉGRAPHIQUE  
AFDEV ABIDJAN  
TÉLÉPHONE 32-07-11  
TELEX 23717  
23263  
23498

01 B. P. 1387 - ABIDJAN 01  
COTE D'IVOIRE

Mr. A.W. Clausen  
President, World Bank  
1818 H Street, N.W.  
Washington, D.C. 20433  
U.S.A.

RÉFÉRENCE 852730  
DATE 24 September 1985

Dear Mr. Clausen,

I would like to take this opportunity to thank you for being able to receive me at your office in Washington, D.C. on during my visit to the U.S., prior to my taking office as the President of the African Development Bank. I really enjoyed the brief encounter we had, especially the issues that we managed to discuss.

In the months ahead, I am going to give more serious consideration to those issues, particularly the ways and means by which we can not only strengthen our relations but also work jointly in a few areas where there is great potential for success such as offering advice on macro-economic and sector policies to the African countries. I shall at an appropriate time get in touch with you again in order for our two institutions to work out the possibilities for collaboration.

With my best regards.

Yours sincerely,

Babacar N'Diaye  
President

1985 OCT -3 PM 4:45

September 11, 1985

Dear Mr. Mung'Omba:

Many thanks for your letter of August 26. As you leave your post as President of the African Development Bank, I want to express my deep appreciation for the understanding and the spirit of cooperation that you have shown in our common efforts to further the economic advancement of Africa. We sincerely hope that such a collaboration will continue.

Best wishes in all of your future endeavors.

Sincerely,



A. W. Clausen

Mr. Wila D. Mung'Omba  
African Development Bank  
B. P. 1387  
Abidjan 01  
Ivory Coast

✓ SKpognon:MH

Urgent

[illegible]

FORM NO. 89  
(2-83)

THE WORLD BANK

9/10  
98

ROUTING SLIP		Date Sept. 10, 1985	
OFFICE OF THE PRESIDENT			
Name		Room No.	
Mr. Thalwitz		A-313	
To Handle		Note and File	
Appropriate Disposition		XX Prepare Reply	
Approval		Per Our Conversation	
Information		Recommendation	
Remarks			
<p>Would you please prepare a reply for Mr. Clausen's signature by c.o.b. Sept. 13?</p> <p>Roy Southworth</p>			
From			

1092

# AFRICAN DEVELOPMENT BANK



ADDRESSE TELEGRAPHIQUE  
AFDEV ABIDJAN

TELEPHONE: 32-07-11

TELEX: 3717  
" 3498  
" 3263

OI B.P. N° 1387 ABIDJAN OI  
COTE D'IVOIRE

PRESIDENT

RÉFÉRENCE

DATE. 26 August 1985

Mr. Clausen,  
International Bank for Reconstruction  
and Development  
1818 High Street, N.W.  
WASHINGTON, D.C. 20433  
U.S.A.

Dear Mr. Clausen,

I shall be leaving the position of President of the African Development Bank Group on August 30, 1985. I therefore avail myself of this opportunity to thank you for the co-operation and support you have given to me personally and to the ADB during the last five years. I strongly hope that you and your institution will continue to collaborate with my successor, Babacar N'DIAYE, and the African Development Bank.

I look forward to other opportunities of collaborating with you.

Sincerely yours,



*Wila D. Mung'omba*  
Wila D. MUNG'OMBA

THE WORLD BANK

Office of the President

May 14, 1985

Tom:

You asked about the change of Presidents at AfDB. The outgoing President is Wila Mung'Omba, a Zambian. He was defeated in a re-election bid by Babacar N'Diaye from Senegal. N'Diaye won on the third ballot with 63% of the vote. Peter Daniba, Regional Coordinator for UNDP, was also a candidate. Mr. Soglo had appeared earlier on a list of candidates but withdrew his name from consideration.

Mr. Mung'Omba's support was eroded in the Board by charges of poor management and his plans for a major reorganization of the Bank. His fate was sealed when Nigeria, with over 9% of the vote, shifted its support to Mr. N'Diaye.

Roy

# OFFICE MEMORANDUM

DATE July 30, 1985

TO Mr. A.W. Clausen

through Mr. E. Stern *ad*

FROM M. Ismail Serageldin, Acting RVP WAN *18*

EXTENSION 72305

SUBJECT *en dji*  
Visit of Mr. Babacar N'Diaye, President Elect  
of the African Development Bank

Mr. N'Diaye is to meet with Mr. Clausen on August 2, 1985  
at 3 p.m., accompanied by Mr. Jaycox and myself.

A brief for the meeting is attached.

Cleared with Mr. Wai, ESAVP

cc: Messrs. Jaycox  
Thalwitz (o/r)  
Wai

SKpognon/it  
*slaw*

## BRIEFING NOTE ON THE AFRICAN DEVELOPMENT BANK (AfDB)

### I. Background on the African Development Bank and recent developments

#### Overview

1. The African Development Bank Group includes: the African Development Bank (AfDB); the African Development Fund (AfDF), its soft loan affiliate; and the Nigeria Trust Fund (NTF). AfDB Group's total commitments reached \$899 m. in 1983 but went down to \$879 m. in 1984. The fall in lending in part reflects AfDB's inability to generate enough projects -- especially in the agricultural sector -- to meet countries' needs.

2. Gross disbursements have declined from \$353 m. in 1983 to \$289m. in 1984; the largest decline was for the African Development Fund. As of December 31, 1984, AfDB Group's loans and credits totalled, since 1964, 776 in number and \$5.6 billion in amount. Cumulative disbursements stood at \$1.9 billion or only 34.3% of commitments.

3. AfDB Group sectoral emphasis has been on agriculture, public utilities and transport which, together, accounted for 75% of commitments. We understand that in the future, AfDB will devote the bulk of its resources to agriculture and food production, policy-based lending, rehabilitation financing and population.

4. On the financial side, AfDB capital stock stands at \$5.5 billion; a new General Capital Increase is in the making; this is necessary for the expansion of AfDB operations in the future. AfDB has increased its lending rate by 280 basis points (from 7% to 9.8%). The current lending rate is 9.86% with a commitment fee of 1%. Maturities range from 12 to 20 years with grace periods of 2 to 7 years. The African Development Fund's replenished resources are well over \$3 billion thanks to last year's replenishment of about \$1.4 billion for the period 1985-87.

5. The AfDB Group is in the fourth year of implementation of its five-year operational program (1982-86) which foresaw an average AfDB Group annual lending of about \$1.4 billion and total cumulative commitments of about \$7.2 billion over the period. We learned that the program has to be scaled down by about 30% in response to creditworthiness difficulties, to project generation and implementation problems, and to a slowdown in AfDB lending to countries in arrears with their loan/credit servicing. Another five-year operational program (1987-91) is to be developed by the new Management of AfDB.

#### Mr. N'Diaye, President-elect of the AfDB

6. Last May, the election of the President of AfDB took place at the Annual Meeting of AfDB held in Brazzaville (Congo). This was the first presidential election in which non-regional (non-African) countries participated. (The Bank was opened to non-regionals in December 1982.) The election was remarkable for its lack of contentiousness compared to past elections. Babacar N'Diaye of Senegal, on the AfDB's staff since 1965 and its Vice President for Finance since 1980, won in the second round of voting with 63% of the total vote. This unprecedented majority can be seen as evidence of

strong support and of a clear mandate from the Governors to the new Chief Executive of AfDB for carrying out the difficult development tasks which lie ahead.

7. Mr. N'Diaye's biosketch is attached in Annex I. He enjoys impressive credentials and commands the respect of the international business community. Institutional Investor of May 1985 wrote of him: "... generally credited with being the architect of AfDB borrowing plan, Mr. N'Diaye, despite his disarmingly quiet and boyish charm, has become known as a tough negotiator with the right instincts for clinching a deal". In 1984, the International Financing Review (London) named him "Banker of the Year". Mr. N'Diaye will assume his functions as President of AfDB on September 1, 1985, for a five-year term.

## II. Issues for Discussion

8. Bank cooperation with the AfDB is good both at the operational and policy level, but there is still room for improvement on aid coordination. AfDB is growing into a mature institution, but needs to strengthen its internal analytical capabilities to respond effectively to the economic challenges posed by its borrowing countries. In that context, AfDB looks to the Bank's experience; while anxious to preserve its own identity, it is keen to enrich its partnership with the Bank. AfDB has endorsed the thrust of the Joint Action Program for sub-Saharan Africa; with this in mind, a seven-member delegation of the AfDB, headed by Mr. Bihute, VP Operations, visited the Bank last January for an aid coordination discussion with Messrs. Jaycox and Thalwitz; the objective of the discussion was to seek a common approach in support of policy reforms to be undertaken by African Governments. It is therefore suggested that you take up the following issues with Mr. N'Diaye.

### Policy-based Lending

9. AfDB's Management is placing increased emphasis on the policy environment within which investments should be promoted in Africa, but is moving cautiously on non-project lending. AfDB has been associated with the Bank in supporting rehabilitation programs with policy conditionality in Ghana and Zambia; AfDB is also interested in supporting restructuring efforts in Liberia, Malawi and Niger. Due to its vulnerability to political pressures AfDB Management feels uncomfortable in pressing hard for policy conditionality. Furthermore, AfDB staff has limited analytical expertise for dealing with policy-related issues. In order for AfDB staff to have increased exposure to our work in the area, we have, in the past, offered to AfDB to undertake joint missions for economic and sector work, and for public investment reviews, and we gave them our mission plans for 85 and 86. We received no reaction from AfDB. In that connection you might wish to stress two points to Mr. N'Diaye: (i) the need for our two institutions to agree on policy prescriptions at the working level, through regular consultations, in our dialogue with African Governments; (ii) the mutual benefit ("training opportunities" for AfDB staff) that our staff could derive from the interface at the working level. You might invite Mr. N'Diaye to offer his views on this.

### Aid Coordination

10. At the meeting held last January, the high level AfDB delegation which visited the Bank agreed with us on a framework for future aid coordination activities. A copy of the understanding is attached for your information (Annex II). It, however, seems that serious consideration has not been given by AfDB internally to the provisions of the agreement reached; for example, AfDB has expressed the desire to collaborate closely in the preparation of our Consultative Groups and to provide inputs; we agreed and offered AfDB staff the opportunity to join the Country Economic Memorandum (CEM) mission for the Ghana C.G. last April. For some reason, AfDB staff could not join the Bank team. You might wish to draw Mr. N'Diaye's attention to the thrust of the understanding reached regarding aid coordination, and to seek his views on how this can possibly be put into effect. Of crucial importance is to ascertain with Mr. N'Diaye the kind of role AfDB can play (a) in leading sectoral meetings as a follow up to Consultative Groups and (b) in contributing to the enhancement of aid coordination at the country level.

### Resource Situation

#### AfDB's General Capital Increase

11. Last May in Brazzaville, at the AfDB Annual Meeting, its Governors approved a resolution authorizing the AfDB to initiate consultations with member States leading to a plan for a General Capital Increase (GCI) to replenish the AfDB's ordinary resources for the period 1987-91 and to present a GCI proposal to the Board by March 1986. We learned that AfDB will seek a doubling of its capital base (from about \$6 billion equivalent to about \$12 billion equivalent). You might wish to seek Mr. N'Diaye's views or comments on the preparatory work being done by AfDB on the financial policies and prospects for the GCI as well as his insight as to the review of AfDB's 1982-86 Operational Program and as to how he sees the development of the planned Operational Program for 1987-91. You may wish to inform Mr. N'Diaye that our expectation in the Bank is to secure an agreement in principle at the Development Committee meeting in Seoul for a GCI and a mandate to develop specific proposals. The scope and timing of the Bank GCI are, however, not clear at this time.

### AfDF and IDA

#### AfDF

12. As you know, the African Development Fund secured its fourth replenishment (1985-87) of \$1.4 billion equivalent last year and this became effective on June 19, 1985.

#### IDA

13. Regarding the IDA Mid-term Review and the schedule for IDA8, you might wish to inform Mr. N'Diaye that:

- The Mid-term Review objective has changed from the initial one, since there is no real prospect for supplementary financing.

- The Mid-term Review is addressing major questions, laying the foundation for IDA8, including: (i) the role of IDA in the blend countries, especially India and China; and (ii) possible changes in terms and conditions, including the differentiation of terms for pure IDA and blend countries within the framework of IDA, or through a Third Window arrangement. Questions have also been raised as to whether IDA operations should have a more policy-based orientation similar to that of the Special Africa Facility, or whether the flexibility to operate across-the-board in financing various types of lending instruments should be retained.

- Our present intention is to settle the institutional issues between the Seoul meetings and Spring 1986 when we hope to initiate formal negotiations on IDA8.

14. Mr. N'Diaye may inquire about the status of IDA7. You could inform him of the following:

Effectiveness: With the contributions from donor countries amounting to more than 80% of total contributions, IDA7 became effective on March 31, 1985.

Notifications: Twenty-one countries out of 34 have sent notifications amounting to \$2.3 billion for commitment authority. Together with transfers from the IBRD and the final payment of the U.S. to the IDA6 of \$150 million and carryovers from FY84 Special Contributions, the IDA had \$2.7 billion in commitment authority for FY85 against \$3.0 billion in FY85 total lending program. We hope this shortfall will be made up as countries notify.

FY86-87 Lending Program: Despite the smaller agreed size of IDA7 over IDA6, sub-Saharan African countries will receive a relatively larger amount of IDA credits per annum in the period of IDA7 than in the period of IDA6. It is envisaged that the total amount of lending from IDA to sub-Saharan Africa would be approximately \$2.3 billion - 37% of total IDA credits in this period, up from 32% during FY81-84.

15. Given the shortage of concessional resources, you might wish to reiterate how important it is for AfDF and IDA to seek the most efficient use possible of these resources, and how a more aggressive aid coordination drive could be a major contributing factor.

#### Special Facility for Africa

16. A note in Annex III is attached for you to brief Mr. N'Diaye on the features and status of the new facility. This became effective on July 1, 1985, with total resources of over \$1.2 billion, which are to be used as a catalyst to encourage African Governments to undertake difficult structural reforms.

July 31, 1985

Biosketch

Babacar N'Diaye, (Senegalese)

Age: 49, married, 5 children

Business and Management School, Toulouse, France,  
(Business Administration)  
Institute of Political Studies, Paris (BSc Economics)  
University of Paris (Chartered Accountant with Diplôme d'Etat)

1965	Joined African Development Bank
1965-67	Financial Assistant
1967-70	Project financial analyst
1971-72	Chief of public utilities section
1973-74	In charge of internal auditing
1974-75	Assistant Director, Finance
1976-78	Deputy Director, Finance
1978-80	Director of Finance
1980-	Vice President, Finance

Outcome of discussions with AfDB Delegation

(Consultation Meeting of Jan. 14, 15, 16, 1985  
on Aid Coordination)

1. Both the plenary sessions and the regional meetings have provided the opportunity for the two delegations to exchange views on how best to collaborate in order to achieve the objectives of the Joint Program of Action.

2. The two delegations agreed on the following guiding principles for their future aid coordination activities:

- (a) a closer and regular communication/contact between Management and staff of the AfDB and the World Bank should be organized in the future;
- (b) conditionality implicit in policy reforms to be undertaken by African countries is essential and inevitable; we should therefore make all efforts to share and discuss information on some or all aspects of conditionality and encourage African Governments to implement them. The AfDB delegation made it clear that they are committed to "telling the African Governments the truth" on the need for sacrifices in the adjustment process and that AfDB would support, through its resources and dialogue, the World Bank in its role of stimulating policy reforms in Africa.
- (c) the AfDB and the World Bank agreed that performance of policy reforms should be the leading criterion for allocating quick disbursing scarce resources.

3. Based on the foregoing, the two institutions agreed to concentrate, at the working level, their aid coordination efforts on the following concrete areas:

(i) Consultative Groups (CG)

- . The AfDB has expressed the desire to be involved, at the preparatory stage of the CG cycle, in order to provide substantive input. It was agreed that an AfDB economist may participate, through a mission, in the preparation of the Country Economic Memorandum (CEM) for the next Ghana Consultative Group. The AfDB has also urged that, to the extent feasible, timely dispatch of documents for the next Zambia CG be made.
- . It was also understood that AfDB could share in sectoral studies with the World Bank, or participate in, or lead donor/sector meetings.
- . Staff working on the preparation of CG for a given country will be in regular contact for exchange of information with their AfDB counterparts; it will be desirable that, at an appropriate time, a review of the country lending programs by staff of both institutions takes place in the context of the CG preparatory work.

(ii) Non-Project Lending

- . AfDB staff have advised the Bank that their Board has just authorized non-project financing, in particular lending for sector rehabilitation. The AfDB Board has also encouraged the staff to cooperate closely with the World Bank to gain more experience in non-project lending. With this in mind, AfDB would wish to be associated with the restructuring to be agreed upon with countries such as Liberia, Niger, Ghana, Sierra Leone, Malawi; we would expect AfDB to provide financing for specific expenditures in sectors or sub-sectors of its choice under agreed upon conditionalities. World Bank staff will undertake to brief AfDB staff in due course and provide them with the required documentation on the non-project loans/credit envisaged.

(iii) Public Investment Review (PIR)

- . World Bank staff briefed the AfDB delegation on the utility and the methodology of the PIR whose main objective is to help Governments plan sound investments for the resumption of growth. It is critically important for the two institutions to coordinate their efforts in advising Governments that the financing of low return investments should be avoided. The World Bank is prepared to include AfDB economists in its PIR missions.

(iv) Technical Assistance (TA)

- . Staff of the two institutions agreed that dialogue should be pursued on the effective delivery of TA in Africa and that policy-related technical assistance should be given increased prominence. The two institutions also agreed that knowledge of the working of TA was far from being complete and that a lot was to be learnt in that respect. It was agreed that AfDB and the World Bank should consider concentrating their efforts on technical assistance for institution-building in public enterprises rehabilitation, PIR implementation at the country level and technical assistance on non-project lending work, etc. The AfDB delegation has been informed of the on-going joint technical assistance assessment work with UNDP on Somalia, designed to learn about, and evaluate, the effectiveness of TA, which will help map out TA strategy in the future. The AfDB delegation has also indicated that, in the use of consultants as technical assistants, consideration be given to regional or local expertise.

(v) Economic/Sector Work

- . The World Bank is open to cooperate with AfDB in economic and sector work; the modalities for such cooperation will have to be worked out later, taking into account AfDB's severe staff

constraint and the need for AfDB to upgrade the economic analytical capabilities of its staff. It was agreed that participation, to be useful, should provide for time for pre-mission briefings, field work and post mission discussions and report writing, involving a minimum of about three/four months of work. AfDB has tentatively indicated that, in 1985, they might join two Bank economic missions (one each in East and West Africa regions) for their lending program requirements.

- (vi) It was also understood that, in the near future, agreement should be reached on a selection of countries on which concerted action by the two institutions should focus. Vice-President Thalwitz will discuss the matter further with President Mugomba in Abidjan during his next visit to Africa in January/February 1985.
- (vii) As regards the experiment of a jointly prepared and appraised project for which AfDB will be the leader, discussions on project selection, procedures for project work in the transportation sector have taken place. These preliminary discussions will be firmed up when a World Bank mission visits the AfDB's headquarters on February 11, 1985.
- (viii) The two parties have satisfactorily completed the review of their respective cofinancing programs and will update such review on the occasion of the AfDB Annual Meeting in May 1985 in Brazzaville (Congo).

SPECIAL FACILITY FOR SUB-SAHARAN AFRICA

1. The proposal to establish the Special Facility emerged from the Joint Program of Action for Sub-Saharan Africa which was submitted by the Bank to the meeting of the Development Committee in September 1984. It was endorsed by the Committee and has also been widely endorsed by African Governments and donors.
2. The Joint Program aims at reversing the economic decline of the region and at restoring growth and development. It recognizes that Africa's current economic crisis is embedded in longer-run structural problems. It calls for African Governments to undertake national programs of policy reform and for the donors to provide additional and sustained levels of assistance to help implement the process of restructuring.
3. The World Bank organized a meeting in Paris on January 31 and February 1, 1985, at which fourteen countries and the Bank agreed to mobilize additional resources of over \$1.1 billion to be committed over the next three years through a Special Facility for Sub-Saharan Africa. The aim of the Facility is to support policy reform in IDA-eligible countries in Sub-Saharan Africa. Subsequently two other countries pledged resources to the Facility, and on July 1, 1985 the Facility became effective with total resources of over \$1.2 billion.
4. Donor countries have pledged resources to this Facility in two ways -- either by making a direct contribution or by providing special joint financing. Direct contributions are being made by Austria, Canada, Denmark, Finland, France, Ireland, Italy, the Netherlands, Norway, and Sweden, while countries providing special joint financing include the Federal Republic of Germany, Japan, Saudi Arabia, Switzerland and the United Kingdom. The Executive Directors have recommended that the Board of Governors at the Annual Meeting approve a transfer of \$150 million of the Bank's net income to the African Facility.
5. Terms and conditions of lending from the Facility will be the same as those of IDA -- i.e., 50-year maturity, no interest rate and a 0.75 percent per annum service charge, and a 0.50 percent per annum commitment charge. IDA will administer the Facility's funds. Normally Facility resources will be utilized in association with regular IDA funds. Furthermore, they must be additional to the IDA resources currently available to the beneficiary countries and operations financed under the Facility should be rapid-disbursing -- within a three to five year period.

6. The Facility will be used to finance loans for structural adjustment, sectoral reform programs, rehabilitation projects or emergency reconstruction. In the first three months of FY86, operations are scheduled to go to the Board for approval with a total value of \$175 million. These include activities in Ghana, Togo, Zambia, Zaire, Somalia, and Guinea Bissau. With one exception, all of these initial Special Facility operations will provide supplemental financing for IDA Credits recently approved by our Board. We are currently planning the Special Facility operations for the remainder of FY86.

7. While the establishment of the Facility and start of its operations are very significant events, it is important to reiterate once again that the Facility is intended as a catalyst, encouraging African Governments to undertake difficult reform measures and aid donors to contribute the additional resources needed -- bilaterally and multilaterally -- to sustain these programs. The Facility's capital is far from enough to meet these needs.

\* \* \*

**WORLD BANK OUTGOING MESSAGE FORM** Cable, Telex  
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START  
2 HERE

THE HONORABLE BABACAR N'DIAYE, PRESIDENT, AFRICAN DEVELOPMENT BANK,  
ABIDJAN, IVORY COAST  
ALL OF US AT THE WORLD BANK SEND OUR HEARTY CONGRATULATIONS TO YOU  
ON BECOMING THE NEW PRESIDENT OF THE AFRICAN DEVELOPMENT BANK. WE  
LOOK FORWARD TO MANY MORE YEARS OF THE FRUITFUL AND CLOSE COOPERA-  
TION THAT HAS BEEN THE HALLMARK OF THE JOINT DEVELOPMENT ACTIVITIES  
BETWEEN OUR TWO INSTITUTIONS IN OUR **WORK** WITH AFRICAN GOVERNMENTS  
THROUGHOUT THE CONTINENT. BEST WISHES FOR A MOST PRODUCTIVE AND  
ENJOYABLE TERM OF OFFICE. SINCERELY. A. W. CLAUSEN, PRESIDENT,  
THE WORLD BANK.

END  
OF  
TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE:	<b>TELEX</b>	TELEX NO.:	<b>23717/23498</b>	DATE:	<b>MAY 13, 1985</b>
SUBJECT:	<b>CONGRATULATIONS</b>	DRAFTED BY:	<b>F. VOGL</b>	EXTENSION:	<b>73468 72468</b>
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature): <b>A. W. CLAUSEN</b>				
	DEPARTMENT:				
	<b>OFFICE OF THE PRESIDENT</b>				
	SECTION BELOW FOR USE OF CABLE SECTION				
	CHECKED FOR DISPATCH				

# OFFICE MEMORANDUM

**DATE:** May 10, 1985

**TO:** Mr. A. W. Clausen, President

**THROUGH:** ~~Mr. Jose Botafogo G., VPE~~

**FROM:** Frank Vogl, Director, <sup>FV</sup>~~IPA~~ Acting VPE

**EXT.:** 73468

**SUBJECT:** African Development Bank - New President

Attached for your signature is a congratulatory telex to the new President of the African Development Bank who was elected yesterday during the AfDB Annual Meetings in Brazzaville, Congo. The President, Mr. Babacar N'Diaye, a Senegalese national, had been Vice President of Finance at the AfDB since 1980, prior to which he held a number of posts at the Bank since the start of his career there in 1965.

**Distribution:**

Messrs. Girukwigomba (ED)  
Soglo (ED)  
Thahane (VPS)  
Thalwitz (WANVP)  
Jaycox (ESAVP)

**CC:** Messrs. Blinkhorn, Sankaran.

PBrennan/nm