

DOCUMENT OF INTERNATIONAL MONETARY FUND
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**IMMEDIATE
ATTENTION**

MASTER FILES

EBS/83/265

CONFIDENTIAL

December 8, 1983

To: Members of the Executive Board
From: The Secretary
Subject: East African Development Bank - Application to
Become a Holder of SDRs

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Thursday, December 15, 1983. In the absence of such a request, the draft decision will be deemed approved by the Executive Board on that date by votes of all Executive Directors, to take effect on that date. The decision will be recorded in the minutes of the next meeting after its adoption.

Att: (1)

INTERNATIONAL MONETARY FUND

East African Development Bank:

Application to Become a Holder of SDRs

Prepared by the Treasurer's Department

(In consultation with the Legal Department)

Approved by David Williams

December 8, 1983

1. The East African Development Bank (the "Bank") (EADB) has applied to the Fund for prescription as a holder of SDRs, in accordance with Article XVII, Section 3 of the Articles of Agreement, following consultation between representatives of the Bank and Fund staff. A prescription under Article XVII, Section 3 requires a decision of the Executive Board taken with an 85 percent majority of the total voting power of participants in the SDR Department. The letter of application from the Bank is attached.

2. The East African Development Bank was originally established under the Treaty for East African Cooperation, signed by the governments of Kenya, Tanzania and Uganda. A new charter for the Bank was signed, by the same signatories, on July 23, 1980. The purpose of the Bank, which, under the original Treaty, was confined to the provision of financial and technical assistance for the promotion of industrial development, has, under the new charter, been broadened to include investment in agriculture, forestry, tourism, transport and development of infrastructure, with preference for projects which promote regional cooperation. Further information about the institution and its activities is provided in the Appendix.

3. The East African Development Bank is an official entity within the meaning of Article XVII, Section 3(i). The prescription of the Bank as a holder of SDRs would be consistent with the Articles of Agreement. In the view of the staff, the proposed prescription would contribute to the further development of the role of the SDR and the effective functioning of the SDR Department.

4. The attached letter of application indicates that the Bank wishes to be authorized to receive and use SDRs in accordance with the terms and conditions governing the acceptance, holding and use of SDRs by holders generally. These terms and conditions are currently set out in Executive Board Decision No. 6467-(80/71)S, adopted April 14, 1980.

5. Recommended Decision

Accordingly, the following draft decision on a matter pertaining exclusively to the SDR Department is proposed for adoption by the Executive Board:

Decision Prescribing the East African Development Bank
As a Holder of SDRs

1. Prescription as a Holder

The East African Development Bank is prescribed, in accordance with Article XVII, Section 3(i) of the Articles of Agreement, as a holder of SDRs.

2. Terms and Conditions for Acceptance, Holding,
and Use of SDRs

The East African Development Bank is authorized to accept, hold and use SDRs in transactions and operations in accordance with and on the terms and conditions specified in Executive Board Decision No. 6467-(80/71)S, Adopted April 14, 1980. ("Terms and Conditions for the acceptance, holding, and use of Special Drawing Rights by other holders prescribed under Article XVII, Section 3").

Attachments

THE EAST AFRICAN DEVELOPMENT BANK

MEMBERSHIP

Three Partner Countries:

Kenya
Tanzania
Uganda

HEADQUARTERS

4, Nile Avenue
P. O. Box 7128
Kampala, Uganda

ESTABLISHMENT AND FUNCTIONS

The East African Development Bank (EADB) was established originally under the Treaty for East African Cooperation on December 1, 1967 signed by governments of Kenya, Tanzania and Uganda. A new charter for the Bank was signed by the same partner Countries on July 23, 1980. The purpose of the Bank, under the original charter, was confined to the provision of financial and technical assistance for industrial development. On July 23, 1980 the member governments signed a new Treaty and a Charter for the Bank. The scope of the Bank activities were broadened in that it could finance agriculture, tourism, and infrastructure (in particular energy and telecommunication) in addition to industrial development. The membership of the Bank has also been opened up to other states in the East African region.

Organizational Structure

The Bank has a governing council, a Board of Directors and, a Director General. The Governing council is made up of the three ministers from partner states. The Board of Directors consists of not more than five but not less than three. Directors hold office for a period of three years and are eligible for reappointment or reelection. The Director General is appointed for a period of five years and is eligible for reappointment. All powers of the Bank are vested in the Governing Council which may delegate its powers to the Board of Directors except in such matters as admission of new members, any increase in the authorized capital, the election of chairman and vice chairman of the Board of Directors, the appointment of Director General and any amendment to the charter of the Bank. The Board of Directors is responsible for the general operations of the Bank and must meet at least once every three months or as the business of the Bank requires. The Director General is the Legal representative of the Bank and is Chief of the staff.

Chairman, Board of Directors: A. H. Mshangama

Director General : L. Ekengren

Financial Structure

The operations of the Bank are financed from paid-in capital by partner governments and loans from foreign institutions and other governments. Among the latter the Bank has succeeded in getting loans from the African Development Bank, the World Bank and Swedish government. The Bank has also succeeded in getting equity loans from six different banks and institutions. The Bank uses the SDR as its unit of account.

APPENDIX

Balance Sheet (as of December 31, 1982)
(In millions of SDRs) 1/

<u>Assets</u>		<u>Liabilities</u>	
Cash and Liquid			
Investments	12,093	Medium and long term	23,569
		Other Liabilities	5,362
Loans	30,631	<u>Capital and Reserves</u>	
		Subscribed Capital	13,010
Other Assets	<u>3,854</u>	Reserves	<u>4,637</u>
	46,578		46,578

1/ The Bank uses SDR as the unit of account.

Our ref. FR/12/53

Date 7th November, 1983

The Secretary,
International Monetary Fund,
WASHINGTON, D.C. 20431,
U.S.A.

Gentlemen,

Application to become a Holder of SDRs

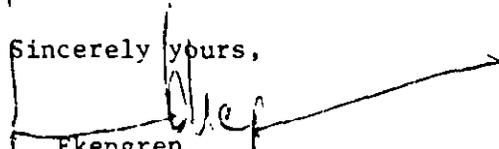
On behalf of the East African Development Bank (the Bank), I have been authorized to submit an application for the Bank to be prescribed by the International Monetary Fund as a Holder of SDRs.

The Bank wishes to become a Holder of SDRs and to have the authority to hold SDRs and to accept and use them in transactions and operations in accordance with the Fund's terms and conditions for the acceptance, holding and use of SDRs by Holders prescribed under Article XVII, Section 3.

All communications between the Bank and the Fund regarding the Bank's acceptance, holding and use of SDRs, shall be legally binding on the Bank and the Fund if authenticated in a manner agreed between the Bank and the Fund.

The Bank as a Holder of SDRs would be prepared to consult with the Fund and would undertake to collaborate with the Fund, participants in the SDR department, and other Holders of SDR, as necessary, in order to facilitate the effective functioning of the SDR department and the proper use of SDRs, and would adhere to the terms and conditions prescribed by the Fund.

Sincerely yours,


L. Ekengren,
DIRECTOR GENERAL.

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INTERNATIONAL
MONETARY FUND
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COMMUNICATIONS
DIVISION