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# HOUSE COMMITTEE REPORT

(11)

Date Referred: May 2, 1990

FURTHER REFERRALS:

Date of Committee Action: 5/4/90

The FINANCE Committee considered:

SB 353

SENATE BILL NO. 353

INVESTMENT BY INSURERS IN CERTAIN BANKS

"An Act relating to insurer investments in development banks."

RECOMMENDATIONS:

- [ ] be replaced with \_\_\_\_\_ [ ] the same title
- [ ] have attached amendment(s) [ ] a new title
- [ ] do pass
- [ ] do not pass
- [  ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Date/Dept)

- [ ] fiscal impact \_\_\_\_\_
- [ ] zero fiscal note \_\_\_\_\_
- [ ] zero with analysis \_\_\_\_\_

- [ ] fiscal note(s) \_\_\_\_\_
- [  ] zero fiscal note(s) 1/25/90/C&ED
- [ ] zero fn/analysis \_\_\_\_\_

SIGNING DO PASS:

SIGNING:

(Check approp. column)

DO NOT PASS    No Rec    Amend

Donald J. Larson LARSON  
Robert Koguen KOGUEN  
Steve Rieger RIEGER

Signature	DO NOT PASS	No Rec	Amend
<u>Frank Hoffman</u> Hoffman	X		
<u>Charles Swackhammer</u> Swackhammer	X		
<u>Paul Brown</u> Brown	X		
<u>Robert Phillips</u> Phillips	✓		

Donald J. Larson LARSON  
 Chairman's Signature Hoffman

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Insurer investments in  
development banks  
Sponsor: Kelly  
Requestor: Senate Labor & Commerce

Agency Affected: Commerce & Economic Dev.  
BRI: Insurance  
Components: Administration

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES		0				
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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**FUNDING:** (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

This legislation would have no fiscal impact on the department in FY 90.

Prepared by: James J. Jordan, Acting Director Phone: 465-2515  
Division: Insurance Date: 1/18/90

Approved by Commissioner: Larry Mercutioff Date: 1/1/90  
Agency: Department of Commerce & Economic Development

**Distribution (by preparer):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

BY SEN. KELLY

1 IN THE SENATE

2

SENATE BILL NO. 353

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to insurer investments in develop-  
7 ment banks."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 21.21.130 is amended to read:

10 Sec. 21.21.130. [INTER-AMERICAN] DEVELOPMENT BANKS [BANK]. An  
11 insurer may invest in obligations issued, assumed, or guaranteed by  
12 the Inter-American Development Bank, the African Development Bank, or  
13 the Asian Development Bank, if the bank is solvent and not in default  
14 in the payment of principal or interest on any of its direct general  
15 obligations on the date of the investment.

16

# STATE OF ALASKA

DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES, SMALL LOANS & CORPORATIONS

83-14996

BILL SHEFFIELD, GOVERNOR

FOUCH D  
JUNEAU, ALASKA 99811  
PHONE: 455-2521

September 16, 1983

Mr. Donald T. Regan  
Secretary of the Treasury  
Department of Treasury  
15th Street & Pennsylvania Avenue  
Washington, D.C. 20220

Dear Mr. Regan:

Re: African Development Bank

Your letter has been passed on to me for an answer. Please excuse the delay in answering regarding the subject dated August 12, 1983. Some amount of research was, however, in order. We do not, at the present time, have a firm policy regarding the subject. We have the matter under investigation and advisement. We will probably not finalize until we hear from the bank's legal counsel.

If I may be of further assistance, please feel free to call on me at any time.

Sincerely,



Willis F. Kirkpatrick  
Director

WFK/cw#25311  
91563A



THE SECRETARY OF THE TREASURY  
WASHINGTON

August 12, 1983

Dear Governor Sheffield:

I am writing you in support of the African Development Bank's efforts to obtain the qualification of its obligations in the State of Alaska for investment by certain institutions.

The African Development Bank was established as a multi-lateral development bank in 1963 to foster economic and social development of its African members individually and through regional cooperation. In addition to fifty African countries, the Bank's membership now includes the United States and 16 other non-regional countries (primarily the countries of Western Europe and Japan). The African Development Bank is patterned after the International Bank for Reconstruction and Development (the World Bank) and the Inter-American Development Bank. Like them and the Asian Development Bank, the African Development Bank has been making extensive use of capital markets throughout the world to obtain resources for its development lending activities.

I would appreciate your state taking the necessary steps to have the African Development Bank receive at least as favorable treatment under the laws of Alaska as is currently accorded to one or more of the other multilateral development banks with respect to the qualification of its securities for purchase by certain institutions in your state (see the enclosed excerpts from Alaska's statutes). New York and Illinois have already acted to accord such treatment to the African Development Bank. I anticipate that the Bank, through its legal counsel, will be in touch with you to present detailed proposals.

Sincerely,

Donald T. Regan

The Honorable  
Bill Sheffield  
Governor of Alaska  
Juneau, Alaska 99811

Enclosures

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT

POUCH D  
JUNEAU, ALASKA 99811  
PHONE: 465-2521

DIVISION OF BANKING, SECURITIES, SMALL LOANS & CORPORATIONS

March 5, 1984

Mr. Arnold H. Weiss  
Arent, Fox, Kintner, Plotkin  
and Kahn  
1050 Connecticut Ave., N.W.  
Washington, D.C. 20036-5339

Dear Mr. Weiss:

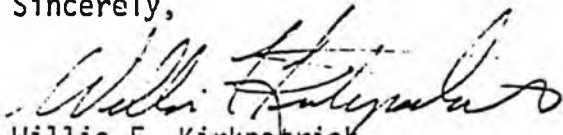
Re: African Development Bank

Please excuse the somewhat tardy answering of your letter of January 17, 1984. I have reviewed your letter and the enclosures with interest. The suitability of the bank's securities as an investment appears to be sound. I would, therefore, pose no objection to the State's financial institutions being able to purchase them.

Our present statutes, however, do not allow for investment in the African Development Bank. It will, therefore, be necessary to introduce the appropriate legislation to enable them to specifically invest in securities offered. It will be necessary for you to introduce the legislation in our Legislature. We shall be glad to testify in favor of such legislation.

I hope I have answered all your questions. If I may be of further assistance, please feel free to call on me at any time.

Sincerely,

  
Willis F. Kirkpatrick  
Director

WFK/mst1/5  
030584a

## **HENRY LANCASTER, INC.**

550 West Seventh Avenue • Suite 1325 • P.O. Box 10-3461 • Anchorage, Alaska 99510 • (907) 278-4729 • FAX (907) 276-4289

May 1, 1990

Rep. Dave Donley  
Chairman  
House Labor & Commerce Committee  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Chairman Donley:

It was brought to my attention that a question was raised during Labor & Commerce Committee deliberations on May 1, 1990 concerning any association between the African Development Bank and the country of South Africa. The regional members of the bank include 50 of the 52 countries on the continent of Africa. South Africa is not a regional member country.

There are twenty-five (25) non-regional members of the bank and twenty-seven (27) members of the African Development Fund. South Africa is not a member of either of those entities. I have enclosed a section from an AfDB publication that identifies countries where it has invested in projects.

Please do not hesitate to contact me if you have any other questions.

Sincerely,



Henry M. Lancaster II  
President

HML:bgm

THE HEART OF THE NEW AFRICA



**THE AFRICAN DEVELOPMENT BANK**  
*a special sponsored section*

AFRICAN DEVELOPMENT BANK



The Sonichar mining project, Niger, co-financed by the AfDB.

Governors in Harare, Zimbabwe, in May 1986, which will govern or strongly influence our activities during the next five year period, 1987-1991.

**Q.** How much of an increase do you expect to see?

**A.** We expect to see an increase of 150 percent to 200 percent above the current capital of UA 5.25 billion. That will put us up to about UA 13 billion. I don't think that this is too much, when compared with the four-fold capital increase of the third general capital increase.

**Q.** Who are your non-borrowing members?

**A.** All of the non-regional members, in addition to Algeria, Libya and Nigeria. It now appears that Nigeria and Algeria may start borrowing from the Bank.

# WHERE THE MONEY IS INVESTED

The AfDB last year devoted 36 percent of its new loan money to agriculture, much of it for food production. In a continent where the race between population growth and food production continues to be a close one, with grave consequences for its inhabitants, this percentage is unlikely to decline. "Agriculture," states S.S. Omari, deputy director of planning and research, "will continue to be the priority sector."

The Bank's overall priorities are laid out in a series of five-year plans. The present plan (1982-1986) has called for total investment of U.S. \$7.3 billion for the five-year period, with 33 percent of this amount for agricultural lending. In fact, the proportion of resources devoted to agriculture has been growing in the course of the five-year period. A Bank publication entitled "Agriculture and Rural Development in Africa", states: "The AfDB Group will continue to treat agriculture and rural development as priority areas in the foreseeable future.... Apart from increasing lending to agriculture and rural development, the Bank Group intends to expand technical assistance in the planning, design and implementation of projects."

Other sectorial allocations of new loans last year reflected the Bank's priorities. Transport projects received 28 percent of the new loans; public utilities 21 percent; industry 8 percent; and social services (mostly health and education) 7 percent.

In November the Bank allocated a loan of UA 31.15 million (\$34.2 million) for agricultural development in Egypt and an additional UA 18.62 million (\$20.4 million) for the fifth stage of a large-scale drainage pro-

gram intended in part to combat the debilitating disease bilharziasis, which is transmitted by waterborne parasites.

In both cases, the Bank's "hard loans" were supplemented by "soft loans" granted through the African Development Fund (see below). Leonard M. Shango, chief of the Bank's North Africa division, said that the agricultural loan to Egypt will help to finance the purchase of new farm machinery, the establishment of shops for the repair and maintenance of farm machines, the installation of modern seed-cleaning plants and the establishment of two seed laboratories and a farm testing center.

When they are fully operative, these facilities will aid the production of cereals, vegetables and cotton. There follows an overview of some projects, both agricultural and non-agricultural, which the Bank is helping to finance. The list is by no means comprehensive; it serves only as a brief indication of the kinds of activities, throughout the African continent, that the Bank is helping to make possible.

For Settat Province in Morocco, the bank granted a loan of UA 41.63 million (\$45.7 million) for integrated rural development. Morocco also received approval for a loan of UA 45 million (\$49.41 million) for agricultural rehabilitation.

Among other agricultural-related projects approved for AfDB loans last year were a rubber-growing scheme in Gabon (UA 40.17 million, \$44.1 million); the Mahdia rural development project in Tunisia (UA 19.80 million, \$21.7 million); and in Zimbabwe, a line of agricultural credit worth UA 20 million (\$22 million). The Bank's 1984 annual report describes other agricultural projects for which loans were granted in that year. Among them are the following:

\* In Guinea, a fisheries and pisciculture development project to increase the supply of fish for local consumption. The loan was for UA 10.20 million (\$11.2 million), to help along a scheme that will cost UA 35.17 million (\$38.6 million) over 20

years.

\* In the Côte d'Ivoire, UA 6 million (\$6.6 million) in new loans was approved for a 20-year program to increase the production of livestock through improvement of breeding stock and management methods.

\* In Mozambique, an agricultural rehabilitation project qualified for a new loan of UA 9.6 million (\$10.5 million) for a program designed to cost a total of UA 23.62 million (\$25.9 million), to expand the production of cashews for export and mangoes and other food crops for domestic consumption.

\* In the Seychelles, the Bank committed a new loan of UA 8 million (\$8.8 million) to develop fisheries to supply domestic markets and export demand.

### NON-AGRICULTURAL PROJECTS

In most of these projects, the AfDB provided co-financing mainly to meet foreign exchange requirements in programs that are strongly supported by their sponsoring governments and in many cases aided by loans from the African Development Fund and other multilateral agencies.

In transportation, the Bank was also active in financing new and ongoing projects. Last year's loan approvals included:

\* In the Seychelles, UA 5.70 million (\$6.3 million) for the Victoria Commercial Port.

\* In the Côte d'Ivoire, UA 56.2 million (\$61.7 million) for various road projects, including an improved all-weather road to the Ghana border that will become part of the trans-Africa highway.

\* In Zimbabwe, UA 30 million (\$32.9 million) for rural roads.

\* In Morocco, UA 49 million (\$53.8 million) for road maintenance.

\* In Zambia, UA 20 million (\$21.86 million) for railway rehabilitation.

Beyond the two highest priority areas of agriculture and transport, loans approved during the last two years reflect a variety of approaches to Africa's development needs.

Items:

\* Egypt, both a large shareholder and a substantial borrower from the AfDB, was approved for a UA 43.50 million (\$47.8 million) financing of its Shoubra-El-Kheima power project.

\* Zambia was approved for a loan of UA 33.80 (\$37.1 million) for further improvements in its telecommunications system.

Other important projects approved in 1984 included the Serowe-Orapa road project in Botswana; airport studies or physical improvements in Equatorial Guinea and Lesotho; railway improvements in Congo and Zaire; urban electrification in Tunisia, telecommunications in Ethiopia and Mozambique; and a project to improve scientific and technical education in Tunisia.

Other loans were directed to national development banks. As Leonard Shango, chief of the North Africa division, explains, these loans provide funds for projects too small for the AfDB to monitor and supervise effectively. "The national development bank signs the loan agreement and assumes responsibility for collecting the funds and repaying the AfDB," says Shango. "Local people are better able to provide supervision and utilization for such loans."

M. Bouzid, director for West Africa and Central Africa, emphasized the professional care and study that the AfDB staff devotes to loan applications. "We are guided by the sectorial priorities set out in the five-year plan, and with our resources, we are generally able to accommodate almost everyone with reasonable proposals," says Bouzid. "We look at the soundness of the project, the rate of return it is likely to produce and we look for co-financing by other multilateral bodies. We are happy to share the risk with other agencies."



Mr. Willis F. Kirkpatrick  
January 17, 1984 .  
Page Two

As was the case for the International Bank for Reconstruction and Development (the World Bank), the Inter-American Development Bank, and the Asian Development Bank, legislation will be required to authorize institutional investors in Alaska and other states to invest in securities issued by the African Development Bank. Such legislation has already been passed in New York and Illinois.

The Bank makes loans at near-market rates to member countries. These loans in the main support agricultural development and basic infrastructure projects in the recipient African countries.

In 1981 Congress enacted and President Reagan signed into law a bill (Public Law 97-35) authorizing United States participation in the Bank. Approximately \$360 million has been appropriated for the initial U.S. stock subscription. Twenty-five percent (\$89.93 million) of the U.S. subscription would be paid in and seventy-five percent (\$269.8 million) would be callable.

The African Development Bank plays perhaps the leading role in fostering economic cooperation in Sub-Saharan Africa, an area of increasing economic significance for the United States. This cooperative effort among Black African countries serves as the only pan-African institution still in existence. U.S. participation in the Bank will be of critical importance in our attempts to enhance and consolidate our relationships with the nations of this region.

As with other multilateral development banks, the African Development Bank raises its lending resources primarily on the international capital markets. The issuance and marketing of securities in the United States is governed by both federal and state law. As noted above the federal government has already acted to permit federally-chartered financial institutions to invest in the securities of the Bank. We must now seek appropriate legislation at the state level.

#### PROPOSED LEGISLATIVE CHANGES

With respect to Alaska, I outline below for your review those laws which govern the investment authority of state investors. The needed legislative changes are not

Mr. Willis F. Kirkpatrick  
January 17, 1984 .  
Page Three

complicated and in general require only the addition of the name "African Development Bank" to existing statutes. All references and citations are to Alaska Statutes (A.S.).

#### I. Commercial Banks

State commercial banks will need specific authority to invest in African Development Bank securities. Alaska Statutes § 06.05.270.(a)(9) will have to be amended to add the African Development Bank to the list of approved international development bank obligations which now includes those of the International Bank for Reconstruction and Development and Inter-American Development Bank.

#### II. Insurance Companies

Domestic insurers will require specific authorization to invest in African Development Bank securities. The following amendment will be necessary to A.S. § 21.21:

Sec. 21.21. . African Development Bank. An insurer may invest in obligations issued, assumed or guaranteed by the African Development Bank.

(Investment in the obligations of the International Bank for Reconstruction and Development and the Inter-American Development Bank are authorized at A.S. §§ 21.21.120 and 21.21.130, respectively.)

A.S. § 21.21.25 authorizes investments "not otherwise expressly permitted," provided they qualify as "sound" investments and meet other conditions.

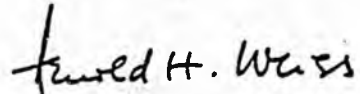
As the above outline indicates, only two provisions of existing Alaska law will need to be amended in order to qualify fully the securities of the African Development Bank. Similar legislation has already been adopted in New York and Illinois and has been proposed in a number of other states.

I would appreciate the opportunity to discuss this legislative proposal further with you or your staff. My colleague, George Lehner, and I would be happy to review with you in detail any questions you may have with regard to this matter. Mr. Lehner can be reached at 202-857-6232.

Mr. Willis F. Kirkpatrick  
January 17, 1984.  
Page Four

Enclosed for your review is a copy of the White House press statement issued on February 8, 1983 marking the occasion of the formal acceptance of the U.S. in the African Development Bank and a reprint from "Institutional Investor" on the Bank.

Sincerely yours,

  
Arnold H. Weiss

Enclosures

S.B./H.B. \_\_\_\_\_

Offered \_\_\_\_\_ (Date) \_\_\_\_\_

By Senator/Representative \_\_\_\_\_

A Bill to amend Alaska Statutes §§06.05.270(a)(9) and 21.21, providing for certain investments in obligations of the African Development Bank.

BE IT ENACTED BY THE ALASKA LEGISLATURE THAT THE ALASKA STATUTES BE AMENDED AS FOLLOWS:

Section 1: Alaska Statutes §06.05.270(a)(9) is amended as follows:

"(9) obligations of the International Bank for Reconstruction or the Interamerican Development Bank or the African Development Bank subject to the limitation of (b) of this section."

Section 2: Alaska Statutes §21.21 is amended to add new section 340, as follows:

**"Sec. 21.21.340 African Development Bank.** An insurer may invest in obligations issued, assumed or guaranteed by the African Development Bank."

Section 3: This legislation shall take effect immediately upon passage.

THE WHITE HOUSE  
Office of the Press Secretary

For Immediate Release

February 8, 1983

United States Joins African Development Bank

FACT SHEET

President Reagan today signed the necessary documentation accepting United States membership in the African Development Bank.

In 1972, non-regional countries joined Bank members in establishing the African Development Fund to provide concessional financing to the poorest African countries. In 1979, the Governors of the Bank extended the offer of membership to the United States and other non-regional countries.

In 1981, Congress authorized both U.S. membership in the African Development Bank and a U.S. subscription of \$359.7 million of Bank capital. Also in 1981, the first installment (\$17.99 million of paid-in capital and \$53.96 million of callable capital) was enacted by the Congress. Four additional installments with identical amounts for paid-in and callable capital subscriptions will be sought in the FY 1984-1987 period.

United States membership in the African Development Bank reflects this country's growing economic and security interests in this important region, and our desire to cooperate in a constructive multilateral effort to help the countries of Africa overcome their very serious development problems.

Background on the African Development Bank

The African Development Bank, with headquarters in Abidjan in the Ivory Coast, was established in 1963, by 30 African countries to make loans on near-market terms to promote economic and social development in member countries individually and through regional cooperation. Under the terms of the original Articles of Agreement, membership was restricted to independent African countries. There are currently 50 African member countries. In 1972, Bank members joined with non-regional countries to establish the African Development Fund to provide financing on concessional terms to the poorest African countries. The United States became a member of the Fund in 1976.

The Bank finances its loan operations primarily from the paid-in capital subscriptions of member countries and funds raised through borrowings or guarantees in international capital markets. Lending operations totaled \$1,663 million as of year-end 1981, with lending concentrated in public utilities (32 percent), industry and development banks (25 percent), transport (24 percent) and agriculture (17 percent).

Although Bank resources have increased significantly, the absence of industrial countries severely limited the Bank's access to world capital markets. In May 1979, the Governors of the African Development Bank agreed, subject to the necessary ratification by member governments, to invite non-African countries to join the Bank. Twenty-one non-regional countries subsequently agreed to subscribe a total of \$2.1 billion to the Bank, 25 percent in paid-in capital and 75 percent in callable capital. The United States share of the non-regional subscription is 17.04 percent, i.e., \$89.93 million in paid-in capital and \$269.80 million in callable capital.

THE WHITE HOUSE  
Office of the Press Secretary

For Immediate Release

February 8, 1983

EXECUTIVE ORDER

-----  
AFRICAN DEVELOPMENT BANK

By the authority vested in me as President by the Constitution and statutes of the United States of America, including Section 1 of the International Organizations Immunities Act (22 U.S.C. 288), Reorganization Plan No. 4 of 1965, and the African Development Bank Act (22 U.S.C. 290i), and in order to facilitate United States participation in the African Development Bank, it is hereby ordered as follows:

Section 1. The African Development Bank, in which the United States participates pursuant to Sections 1332-1342 of Public Law 97-35 and the Agreement Establishing the African Development Bank, is hereby designated as a public international organization entitled to enjoy the privileges, exemptions, and immunities conferred by the International Organizations Immunities Act. This designation is not intended to abridge in any respect the privileges and immunities which such organization has acquired or may acquire by treaty or Congressional action. This designation shall not affect in any way the applicability of Section 1 of Article 52 of the Agreement, Article 57 of such Agreement or the Declaration made by the United States pursuant to Article 64 of the Agreement.

Sec. 2. Executive Order No. 11269, as amended, is further amended by deleting "and African Development Fund" and adding ", African Development Fund, and African Development Bank" in Sections 2(c), 3(d) and 7, respectively.

Sec 3. The functions vested in the President by Sections 1333(c), 1334, 1338(a) and 1341(b) of Public Law 97-35 (22 U.S.C. 290i-1(c), 290i-2, 290i-6(a), and 290i-9(b)) are delegated to the Secretary of the Treasury.

RONALD REAGAN

THE WHITE HOUSE,  
February 8, 1983.

\* \* \* \* \*

THE WHITE HOUSE  
Office of the Press Secretary

For Immediate Release

February 8, 1983

TEXT OF A LETTER FROM THE  
PRESIDENT TO THE PRESIDENT OF THE  
AFRICAN DEVELOPMENT BANK

February 8, 1983

Dear Mr. President:

On behalf of the United States of America, it gives me great pleasure to accept membership in the African Development Bank in accordance with Board of Governors resolutions 05-79, 06-79, and 07-79.

In accepting membership, I also wish to inform you of the following:

1. The United States of America has completed all steps necessary in accordance with its laws and is prepared to fulfill all the obligations of membership under the Agreement Establishing the Bank.
2. On January 31, 1983, a duly authorized representative of the United States of America signed the Agreement Establishing the Bank and deposited our instrument of acceptance with the United Nations.
3. The United States of America hereby subscribes to 1,491 shares of the paid-up capital stock of the African Development Bank ("Bank"), and 4,473 shares of the callable capital stock of the Bank (inasmuch as pertinent budgetary appropriations have already been obtained); and subscribes, subject to obtaining budgetary appropriations, to an additional 5,964 shares of the paid-up capital stock of the Bank and an additional 17,892 shares of the callable capital stock of the Bank in accordance with the provisions of the General Rules Governing Admission of Nonregional Countries to Membership in the Bank.
4. I have nominated Donald T. Regan, Secretary of the Treasury, to be Governor of the Bank and W. Allen Wallis, Under Secretary of State for Economic Affairs, to be Alternate Governor of the Bank. The Senate is now in the process of confirming those nominations. We will notify you when they have been confirmed.
5. Pursuant to Article 40 of the Agreement Establishing the African Development Bank, the United States of America designates the Department of the Treasury for purposes of communication with the Bank on matters connected with the Agreement.

DOJO

OVER)

and the Federal Reserve Bank of New York as the depository in which the Bank may keep its holdings of the currency of the United States of America or other assets.

6. The United States of America has fulfilled all the legal requirements necessary to make the subscription to the capital stock and to assure that the currency received by the Bank thereunder shall be freely convertible into the currencies of other countries for the purposes of the Bank's operations.

Sincerely,

RONALD REAGAN

Mr. Wila Mung'Ombe  
President  
African Development Bank  
Abidjan, Ivory Coast

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 8, 1983

REMARKS OF THE PRESIDENT  
IN CEREMONY MARKING U.S. MEMBERSHIP  
IN AFRICAN DEVELOPMENT BANK

The State Dining Room

1:51 P.M. EST

THE PRESIDENT: Your Excellencies, President Mung 'Coba, Secretary Regan and members of the Congress and distinguished guests, one of the great pleasures of this office is that I often have a chance to do something unabashedly positive in nature. And I'm pleased to say that what we're about to do offers such an opportunity.

Today we mark the new American partnership, as I'm sure Secretary Regan has told you, with the people of Africa through our acceptance of membership in the African Development Bank.

We take the step purposefully and by it we underscore our commitment to African growth.

The United States has always taken a farsighted view to assist the growth of developing nations. At the Cancun Summit in October of '81, the United States laid out a broad-based program of trade, investment and aid to meet the diverse needs of the developing countries. Last year, we put this approach into practice in our Caribbean Basin Initiative for the developing countries of the Caribbean and Central America. And with this step today, the United States reaches out to its developing nation partners in Africa.

The United States and the African Development Bank are not new friends by any means. Since '68, the United States has provided technical assistance to the bank through the Agency of International Development. And since '76, we've channeled part of our development assistance to Africa through the bank's affiliates -- or affiliates, I should say, of the African Development Fund.

And now, by opening its membership to the non-African countries, the African Development Bank has given us the opportunity for even closer cooperation. I'm happy to say we accept the invitation and stand ready to do our share.

We're painfully aware that Africa's economic development is encountering difficult obstacles. As the leader in the cause of the progress, the African Development Bank group along with other assistance organizations must strive for more effective use of the limited development funds.

The African governments who carry the heaviest responsibility for their own domestic economy -- or economic conditions

MORE

must pursue a sound, growth-oriented policy if progress is to be made. Far too often, the governments of developing countries undermine their own private sector -- one of the essentials for commercial and industrial expansion -- only to see the standards of living decline in the countries that do that.

If the leaders of Africa's nations recognize the critical role of private enterprise, they can then expect to share in much more of the worldwide economic upturn that we think is now beginning in this country. Americans recognize both the special development needs and the great potential of Africa. The African Development Bank Group symbolizes the determination of Africa and the International Community to meet those needs and to achieve that potential.

We, in the United States, are enthusiastic about this partnership as I am sure the Secretary has told you. And we look forward to seeing tangible results from this cooperative and very special effort.

And now, I am going to sign a letter to the President of the Bank, and I am going to sign our Action Paper.

(The documents are signed. Applause.)

There, that makes it absolutely official.

(Applause.)

PRESIDENT MUNG'OMBA: Mr. President of the United States, Mr. Secretary of the Treasury, and the Governor of the African Development Bank, distinguished Senators and Congressmen, Your Excellencies, ladies and gentlemen, on behalf of the Board of Governors and the Board of Directors of the African Development Bank and on my own behalf, permit me to acknowledge with sincere gratitude the singular honor you have done the Bank and ourselves today in deciding to mark the signing of the formal instruments of accession of the United States to membership of the African Development Bank with this special ceremony.

Mr. President, the ceremony we have just witnessed is significant in many respects. But I think it is most obviously significant in that it marks the clearest commitment of the government and the people of this great country to the development objectives and aspirations of the African peoples as collectively expressed in their institutions that form the African Development Bank Group.

Mr. President, we have long had clear and consistent proof of the sincerity and sympathy of the United States toward these institutions. Your country's assistance both in the form of funds and technical assistance to the Bank has been a reliable and invaluable supplement to the Bank's own efforts for nearly as long as the Bank has been in existence. And this notwithstanding that, for reasons that are now happily historical, the United States could not at that time be a member of the African Development Bank.

The same history of great care and concern is even more amply evident in the clear leadership position that the

MORE

United States unreservedly accepted, in terms of both direct contributions and indirect assistance, when it became possible for this country to become a state participant in the African Development Fund a few years after its creation. Sir, today it marks a further confirmation of the commitment of your people, your government, and we recognize it as an explicit assurance that it is a long-term commitment.

And because it's long-term in nature, it further underscores the concern of the people of this country for the plight of the people of Africa, which is the chief duty of the institutions of the Bank group to help mitigate.

On behalf of the governing bodies of the Bank, it is my singular honor and pleasant duty to welcome the United States of America to membership of the Bank. You will, Mr. President, have, no doubt, have been informed at least in outline of the long period of internal debate which preceded the decision of our governors to admit non-African countries to membership of the Bank. In the end, what persuaded them was the consideration that non-African membership could create an opportunity on the continental level and, under their own leadership, for a more extensive dialogue and partnership between the two sides in combatting Africa's endemic development problems.

Mr. President, it is this opportunity which we in the Bank, with the assistance of countries like yours, have the responsibility to translate into reality. And I am convinced that we will succeed in this endeavor. There can be no doubt that with the material and technical resources that will be made available to the Bank as the result of this day's work, its effectiveness in manning this frontier and pushing it back is significantly enhanced.

Mr. President, your decision to have present at this ceremony such a distinguished and broadly representative selection of the members of the executive, the legislature and the business and banking organs of the nation signifies clearly to all of us how essential is the participation of all these sectors of the nation before this great adventure in international cooperation can become a true success.

Allow me, sir, to address a word of gratitude to the many concerned friends of Africa in the Senate and Congress whose consistent support for this program over all these years has today brought our efforts to fruition.

Equally, sir, a word of thanks is due to these tasks of both of the executive and the legislative who sought tirelessly and patiently assisted us at all stages of our preparations.

Mr. President, I would on this happy occasion go further and take this wonderful opportunity, on behalf of my colleagues, myself, the African Development Bank, personally to wish you a belated Happy Birthday and sincere good wishes for health, success and God's blessings in your future endeavors.

Sir, on behalf of the Boards of Governors and Directors of the Bank group, accept our most sincere welcome to the African Development Bank and our thanks to you and to the people of your great country. (Applause.)

END

2:05 P.M. EST

521125

**Corporate  
Finance**



**October 31, 1983**

# **African Development Bank**



**SUMMARY FACT BOOK**



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## AFRICAN DEVELOPMENT BANK

### Description

The African Development Bank (the "Bank" or "AFDB"), established in 1963, provides financial and technical resources to the African region for the economic and social development of its member countries.

In its first twenty years, the Bank was organized and capitalized entirely by African countries. The Bank's capital consists of callable and paid-in subscribed capital stock and reserves. Callable capital may not be used to fund loans and is subject to call only when required to meet the Bank's obligations on borrowings or guarantees. It is especially noteworthy that at March 31, 1983, the total subscribed capital of African members was \$3,269.7 million, of which \$817.4 million, or 25%, was in the form of paid-up capital.

On December 30, 1982, the Bank amended its Charter to open its membership to non-regional member countries. At March 31, 1983, the Bank's membership consisted of sixty-seven countries, fifty of which were African country members with the remaining seventeen composed of the new non-regional members, which include the United States, Japan, Canada,

and most of the major industrial countries of Europe. The new non-regional subscriptions at March 31, 1983 amounted to \$1,699.5 million, of which callable capital totalled \$1,274.6 million and paid-up capital amounted to \$424.9 million. These member countries are, in effect, both the Bank's shareholders and to the extent of their capital subscriptions, ultimate guarantors of the Bank's obligations. Their collective financial strength within the Bank transcends the individual strengths of each member country's subscription. At March 31, 1983, the Bank's total capital resources amounted to \$5,362.1 million, of which \$4,637.6 million was callable capital and \$724.5 million was paid-in capital plus reserves. The Bank has been profitable in every year since its creation and by policy, has retained all net income by transferring it to reserves.

In the ordinary capital operations of the Bank, loans are made for specific projects which are planned on the basis of detailed analysis and designed to fulfill a priority need in the borrowing member country. These are "hard" loans which have been thoroughly analyzed as to technical and economic feasibility and are fully documented as legal and binding obligations with terms and conditions comparable to commercial loans in the private sector. These loans are made only to, or guaranteed by, sovereign member governments or to agencies which engage the full faith and credit of a sovereign government. Since the Bank's inception, no borrowing entity has ever defaulted on a loan, and the Bank has maintained its firm policy of not engaging in any loan renegotiations or reschedulings.

*This summary book has been prepared by the Corporate Finance Department of Kidder, Peabody & Co. Incorporated. The information contained in this report with respect to the African Development Bank, Inter-American Development Bank, World Bank, Asian Development Bank, and European Investment Bank has been obtained from officials, releases, trade and statistical services, and other sources which we deem reliable. We do not represent that it is accurate or complete, and it should not be relied upon as such. Any opinions expressed herein reflect our judgment at this date and are subject to change.*

*Kidder, Peabody & Co. Incorporated has on numerous occasions acted as an underwriter of the securities of the Inter-American Development Bank, World Bank, Asian Development Bank, and European Investment Bank and also acts as a market-maker in these securities. Kidder, Peabody & Co. Incorporated also acts as investment banker for the African Development Bank and will act as an underwriter and market-maker in its securities.*

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**AFRICAN DEVELOPMENT BANK**

Ordinary Capital Resources  
(Expressed in thousands of U.S. dollars)

**FINANCIAL SUMMARY**

Year	Total Assets (thousands)	Total Operating Expenses (thousands)	Net Income <sup>1</sup> (thousands)	Total Assets (thousands)	Ordinary Capital Resources (thousands)	Capital & Reserves (thousands)	Capital Stock (thousands)	Public Capital & Reserves (thousands)	Capital Stock (thousands)	Public Capital & Reserves (thousands)	Capital Stock (thousands)	Capital & Reserves (thousands)	Public Capital & Reserves (thousands)	Capital Stock (thousands)	Public Capital & Reserves (thousands)	Capital Stock (thousands)	Capital & Reserves (thousands)	Public Capital & Reserves (thousands)	Capital Stock (thousands)	Public Capital & Reserves (thousands)	Capital Stock (thousands)	Capital & Reserves (thousands)	Public Capital & Reserves (thousands)	Capital Stock (thousands)
3/31/83	57,206	87,246	811,241	51,414,477	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524	541,524
1982	72,606	41,517	15,118	41,477	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344
1981	74,606	41,517	15,118	41,477	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344	111,344
Ave. Annual Compound Growth Rate: 1978/82	17.4%	34.0%	1.0%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%

**RATIO SUMMARY**

Year	Net Income % <sup>1</sup>	Capital & Reserves %	Public Capital & Reserves %	Capital Stock %	Public Capital & Reserves %	Capital Stock %	Capital & Reserves %	Public Capital & Reserves %	Capital Stock %	Public Capital & Reserves %	Capital Stock %	Capital & Reserves %	Public Capital & Reserves %	Capital Stock %
3/31/83	1.4%	94.6%	6.3%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
1982	1.3%	157.4%	1.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
1981	1.4%	94.6%	6.3%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%

**LOAN & BORROWING LIMITATIONS**

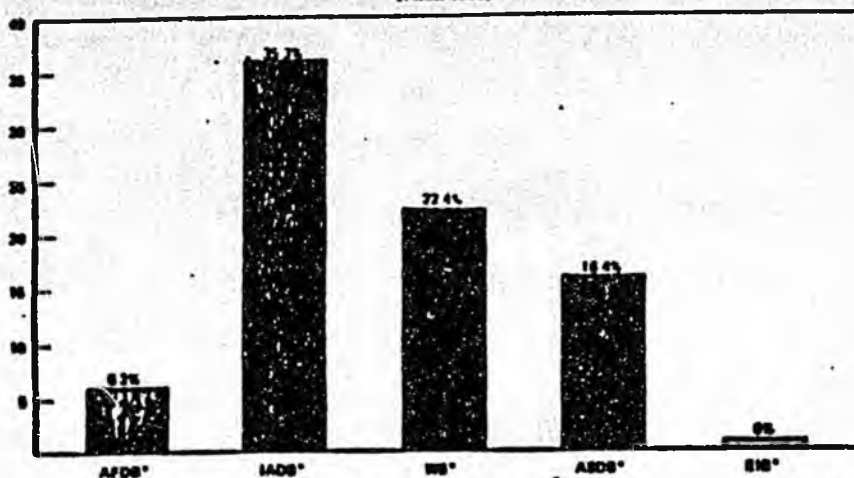
Loan Limitation: The Bank is bound by its Agreement to limit its loans according to the total amount of its authorized subscribed capital, reserves and surplus, exclusive of the Special Reserve.  
Borrowing Limitation: The Bank has adopted a policy of limiting its borrowings to 50% of the callable portion of its subscribed capital stock.  
Currency Limitation: The Bank is authorized to allocate its resources to financing in any currency.  
Financial institution: Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, and Sweden.  
N.A. Not applicable.

- Important Facts About the African Development Bank**
- The African Development Bank is located in Abidjan, Ivory Coast, where it is accorded sovereign status by treaty. The Bank has representative offices throughout Africa as well as in London, England.
  - At March 31, 1983, the United States subscription to the African Development Bank alone covered the Bank's net funded debt by 80.3%. This compares very favorably to the U.S. subscription coverages (at fiscal year-end 1982) for the World Bank (30.4%), Asian Development Bank (46.3%) and the European Investment Bank (0%). Only the Inter-American Development Bank has a stronger U.S. coverage ratio of 160.0%. (Chart 2)
  - At March 31, 1983, when the capital subscriptions of the major industrial nation members of the Bank, including the United States, Japan, and the major European countries, are collectively assessed, their total capital subscriptions covered the Bank's total net funded debt by 361.3%. This compares very favorably to the same coverages of other multilateral development banks' industrial members' subscriptions (at fiscal year-end 1982): World Bank (84.6%), IADB (205.4%), AsDB (170.8%) and EIB (69.6%). (Chart 3)
  - Finally, when each bank's full membership subscription is compared to its net funded debt, for the above period of comparison, the African Development Bank reflects the strongest coverage ratio (1,338.4%), when compared to World Bank (147.9%), IADB (488.6%), AsDB (312.2%) and EIB (96.7%). (Chart 4)
  - At year-end 1982, the AFDB'S ratio of temporary investments, consisting of government securities and equivalents, to net funded debt amounted to approximately 50.7%. This compares favorably to WB (29.2%), IADB (57.5%), AsDB (71.8%) and EIB (10.3%). (Chart 5)
  - At year-end 1982, total equity capital (subscribed plus reserves) of the Bank (\$4,400.9 million) provided a coverage of 712.3% of total loans outstanding (\$617.9 million), the strongest coverage of the multilateral development banks compared. (Chart 6)
  - Total loans outstanding, \$617.9 million at year-end 1982, have grown at a compound growth rate of 17.4% for the 1978-1982 period. At March 31, 1983, total loans outstanding (\$641.5 million) represented 45.4% of the Bank's total assets (\$1,414.5 million).
  - Total debt for the Bank (net funded debt plus all other liabilities) at March 31, 1983 represented an amount equal to 48.8% of the Bank's total assets.

### ASSET QUALITY RATIOS

UNITED STATES SUBSCRIPTION  
% TOTAL STOCKHOLDER SUBSCRIPTION  
(Fiscal 1962)

CHART 1



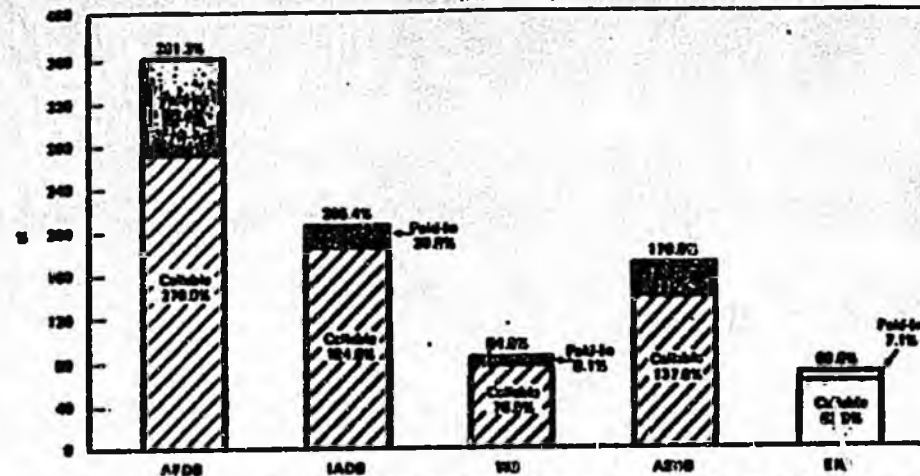
1. Inter-American Development Bank figures include combined Ordinary and Inter-Regional Capital.
  2. European Investment Bank figures reflect conversions to U.S. dollars at year end rate.
- IADB year ended 3/31/63

\* African Development Bank ("AFDB"), Inter-American Development Bank ("IADB"), World Bank ("WB"), Asian Development Bank ("ASDB"), and European Investment Bank ("EIB").

### ASSET QUALITY RATIOS

SUBSCRIPTIONS OF:  
U.S., CANADA, SELECTED EUROPEAN MEMBERS\*,  
JAPAN, AUSTRALIA, AND NEW ZEALAND  
% FUNDED DEBT (NET)  
(Fiscal 1962)

CHART 2

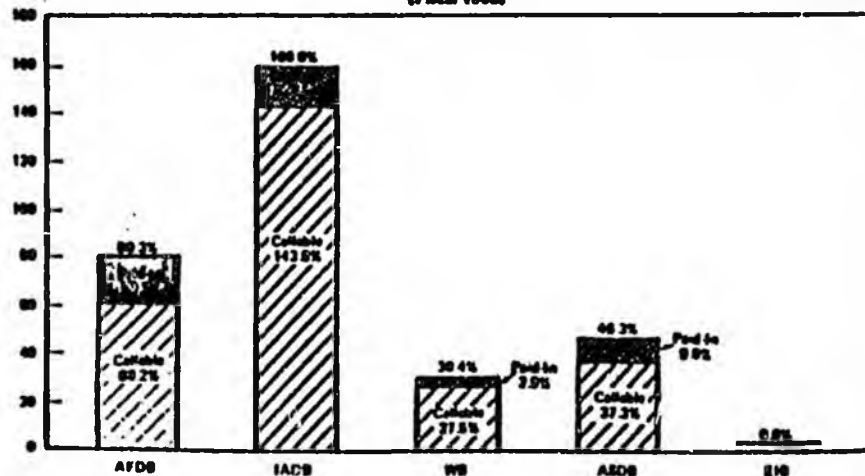


\*Members include: Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Spain, Sweden, and United Kingdom.

IADB year ended 3/31/63

UNITED STATES SUBSCRIPTION  
% FUNDED DEBT (NET)  
(Fiscal 1962)

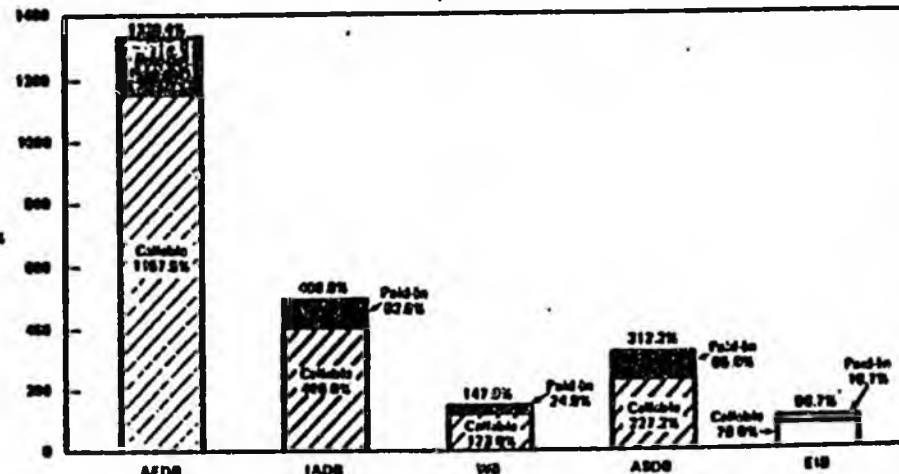
CHART 3



IADB year ended 3/31/63

TOTAL SUBSCRIPTIONS PLUS RESERVES  
(Total Equity)  
% FUNDED DEBT (NET)  
(Fiscal 1962)

CHART 4

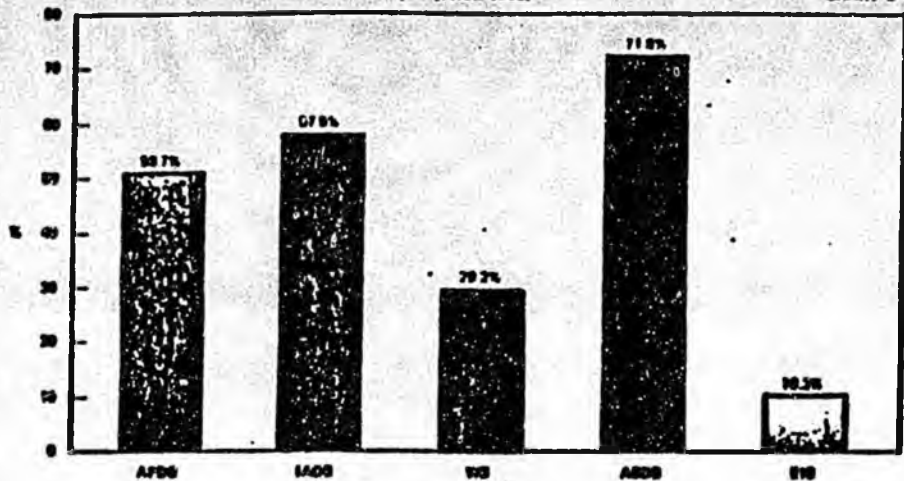


IADB year ended 3/31/63

**LIQUIDITY RATIO**

**TEMPORARY INVESTMENTS  
& FUNDED DEBT (NET)  
(Fiscal 1982)**

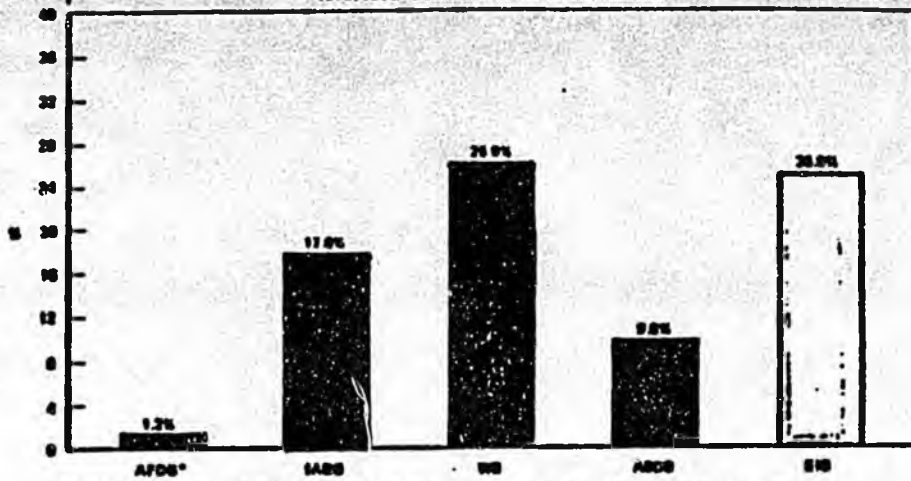
CHART 5



**EARNINGS & PROFITABILITY RATIOS**

**NET INCOME  
1978/1982 COMPOUND GROWTH RATES**

CHART 7

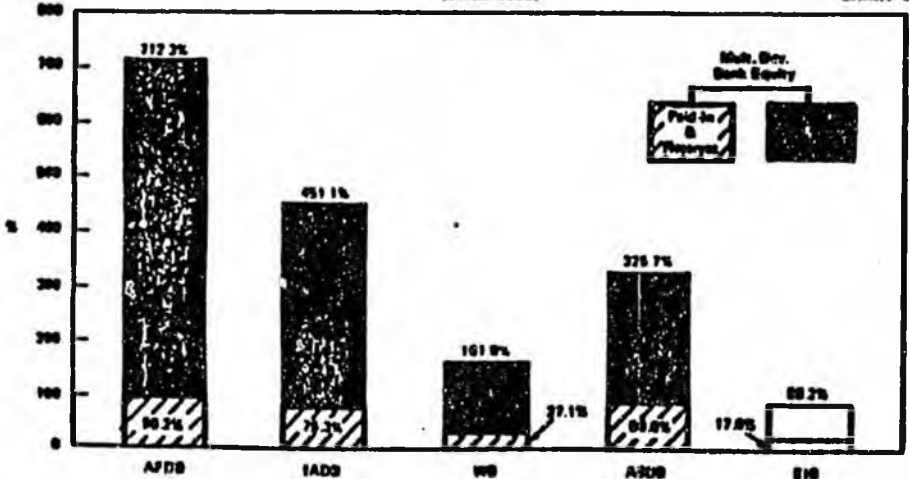


\*AFDB figure adjusted to reflect Net Income prior to allocation to Special Reserve and any exchange loss or gain.

**CAPITAL ADEQUACY RATIO**

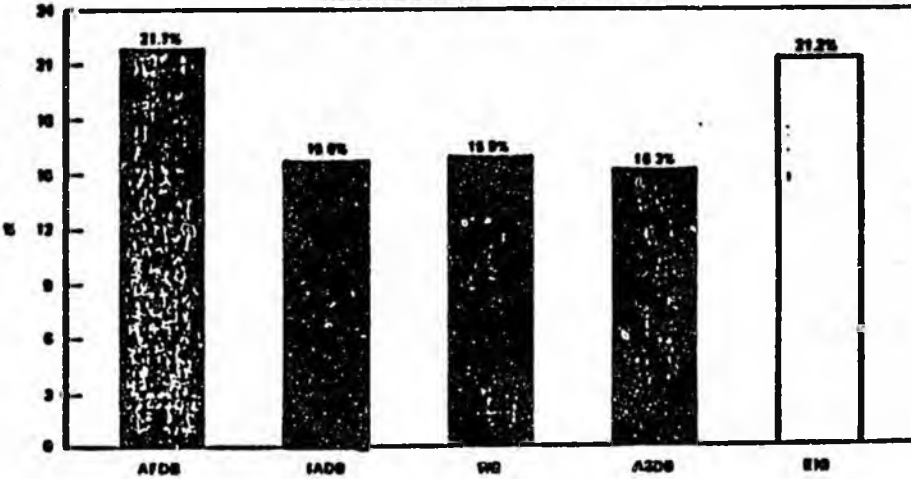
**YEAR-ENDED EQUITY  
& YEAR-END LOANS  
(Fiscal 1982)**

CHART 8



**TOTAL LOAN INTEREST  
OR LOAN INCOME  
1978/1982 COMPOUND GROWTH RATES**

CHART 9



**OUTSTANDING LOANS AND LOAN RATIOS  
(Fiscal 1982)**

(In thousands of dollars)

		<u>Total Disbursed, Undisbursed and Approved Loans Outstanding</u>	<u>(Disbursed) Total Loans Outstanding</u>	<u>Loans Undisbursed Balance</u>
ADB <sup>1</sup>	S.U.S.	\$ 1,656,100	\$ 641,534	\$ 1,014,566
	% Subscribed & Reserves	30.9%	12.8%	18.9%
IDB <sup>2</sup>	S.U.S.	\$10,360,673	\$ 4,593,770	\$ 5,766,893
	% Subscribed & Reserves	49.7%	22.2%	27.5%
IDB <sup>3</sup>	S.U.S.	\$61,151,746 <sup>4</sup>	\$29,167,335	\$24,978,811
	% Subscribed & Reserves	138.2%	62.1%	53.2%
AsDB <sup>5</sup>	S.U.S.	\$ 6,036,704	\$ 2,484,629	\$ 3,552,075
	% Subscribed & Reserves	69.8%	38.7%	38.3%
EBD <sup>6</sup>	S.U.S.	\$19,298,583	\$17,594,810	\$ 1,656,973
	% Subscribed & Reserves	124.1%	113.4%	10.7%

ADB figures reflect year-ended 3/31/82 for ordinary and extraordinary resources.  
For combined ordinary and intra-regional capital resources.  
International Bank for Reconstruction and Development.  
Ordinary capital resources.  
At year-end conversion rate: 1 European Unit of Account = 0.937667 U.S. dollars.  
Includes loans approved but not yet effective, and disbursed and undisbursed effective loans.

**OUTSTANDING FUNDED DEBT  
AND FUNDED DEBT RATIOS**

	<u>Net Funded Debt</u>	<u>Net Funded Debt % Of Total Capital</u>
	(Expressed in thousands of U.S. dollars)	
ADB <sup>1</sup>	\$ 408,629	8.6%
IDB <sup>2</sup>	\$ 4,241,699	24.8%
WB <sup>3</sup>	\$31,768,918	81.3%
AsDB <sup>4</sup>	\$ 2,800,713	44.8%
EBD <sup>5</sup>	\$16,034,390	128.1%

<sup>1</sup>At 3/31/82 for ordinary capital resources.  
<sup>2</sup>At 12/31/82 for combined ordinary and intra-regional capital resources.  
<sup>3</sup>At 6/30/82 for International Bank for Reconstruction and Development.  
<sup>4</sup>At 12/31/82 for ordinary capital resources.  
<sup>5</sup>At 12/31/82 at year-end conversion rate.

For more information about the African Development Bank, or a copy of one of Kidder, Peabody's more detailed analyses on Multilateral Development Banks, please contact:

**Edward J. Waters**  
Vice President  
Corporate Finance Department  
Kidder, Peabody & Co. Incorporated  
10 Hanover Square  
New York, N.Y. 10005  
212-747-2227

**S. Melvin Rines**  
Vice President  
Public Finance Department  
Kidder, Peabody & Co. Incorporated  
75 Federal Street  
Boston, Mass. 02110  
617-357-6438

**Research Associates:**  
**William E. Collin**  
Corporate Finance Department  
212-747-2471

**Geoffrey L. Berger**  
Corporate Finance Department  
212-747-2675

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**London**

99 Bishopsgate, London EC2M 3UN  
Kidder, Peabody & Co. Limited  
Kidder, Peabody Securities, Limited  
Kidder, Peabody International Limited

**Paris**

477, rue St. Hazard, 75008 Paris  
Kidder, Peabody S.A.

**Geneva**

13-19, Cours de Biver, 1201 Geneva 3  
Kidder, Peabody (SUISSE) S.A.  
Kidder, Peabody Services S.A.  
Espace Finance S.A.

**Zurich**

Teichler 41000, Zurich  
Kidder, Peabody (SUISSE) S.A.

**Hong Kong**

Cannaught Centre, Cannaught Road, Central Hong Kong  
Kidder, Peabody & Co. Limited

**Tokyo**

ARJ Building, 1-3 Marunouchi, 1-chome,  
Chiyoda-ku, Tokyo 100  
Kidder, Peabody & Co. Incorporated

**Regional Offices**

18 Hanover Square, New York  
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Wilkes-Barre



SB 353: "An Act relating to insurer investments in development banks."

SB 353 adds the African and Asian Development Banks to the eligible list of development banks into which investments can be placed. Provisions regarding solvency and nondefault status are also added.

The provisions in this bill are identical to the language contained on page 30, Section 30 of SB 212, an Act relating to insurer solvency, introduced last session by the Governor. SB 212 is in the Senate Labor and Commerce Committee.

The department supports this legislation. The additional provisions regarding solvency and nondefault status give the department the opportunity to make sure these banks are good investments before they are used by insurers.

  
\_\_\_\_\_  
Larry Mercurieff, Commissioner

Date: \_\_\_\_\_

9/1/90

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MEMORANDUM

AFRICAN DEVELOPMENT BANK STATE  
LEGISLATIVE PROGRAM - ALASKA

I. Background

The African Development Bank ("the Bank") is currently seeking the enactment of legislation, where necessary, which would permit state-regulated banks, insurance companies, fiduciaries and public employee retirement systems to invest in Bank obligations if they choose to do so. Several years ago, largely through the joint efforts of the Congressional Black Caucus and the Reagan Administration, Congress enacted Title XIII of P.L. 97-35 authorizing United States membership and financial participation in the Bank, which was initially created in 1964 and until 1982 limited its membership to African countries. Today, the Bank's membership includes all African nations except for South Africa, plus the Governments of the United States, Canada, Japan and Western Europe.

The Bank, a principal source of financing for economic development projects on the African continent, funds these projects through the sale of its obligations in the world's capital markets. As with the International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank and the Asian Development Bank, investments in African Development Bank securities by the state-regulated institutions described above generally require either state legislation or administrative agency rulings prior to the time such securities can be marketed in a particular state. P.L. 97-35 referred to above authorized federally regulated financial institutions to invest in such securities.

Since initiating state legislation activities several years ago, the Bank has obtained passage of legislation or secured comparable administrative agency public rules to qualify its securities for investment in forty-two states.<sup>1/</sup>

---

<sup>1/</sup> These include Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Virginia, Washington, West Virginia and Wisconsin. In addition, Alaska state-chartered banks obtained such investment authorization through legislation enacted in the 1988 session.

Bills are also pending in several additional states, while others have either issued private administrative rulings or have laws which already permit such investments under a "prudent investor" standard. It should be noted that each state has its own particular laws applicable to state-regulated institutional investors and no two states are alike in this regard.

The Bank entered the United States capital market for the first time in the Fall of 1985 and most recently in early November 1987 with highly successful bond issues. The three principal American bond rating services have given its bonds AAA, AAA and AA ratings, which makes this type of investment quite attractive once a regulated investor receives appropriate legal authorization. In order to assure a successful United States market presence, the Bank is seeking enactment of legislation in a number of additional states, including Alaska, to obtain this authorization.

## II. Specific Legislation Needs in Alaska

A review of the applicable Alaska laws indicates a need for amending only one section of the Alaska Statutes to gain investment authorization for state-regulated insurance companies. This involves merely adding the name of the African Development Bank to those of the World and already eligible for such investments. Alaska state banks recently gained this investment authorization in similar legislation, while other regulated investors apparently already have the necessary authority without the need for statutory change.

Based upon experience to date in other states, this legislation should be completely noncontroversial. President Reagan and the U.S. Treasury Department have actively supported efforts to get this legislation enacted, as have many Black political leaders around the country. Because of the high Bank securities ratings, prospective investors also support it since this increases their high-yield, low-risk portfolio options and provides them an opportunity to make both profitable and socially worthwhile investments. Finally, since the Bank is the major source of foreign exchange financing for transactions in or with Africa, American exporters and technical assistance providers to that continent have ample incentive to support the Bank's financial success.

Prepared November 1988 by:

David Aronofsky, Esq.  
U.S. Legal Counsel, African Development Bank  
Arent, Fox, Kintner, Plotkin & Kahn  
1050 Connecticut Avenue, N.W.  
Washington, D.C. 20036-5339  
202-857-6054



THE SECRETARY OF THE TREASURY  
WASHINGTON

FEB 12 1988

Dear Governor Cowper:

I am writing in support of the African Development Bank's efforts to obtain the qualification of its obligations in the State of Alaska for investment by certain state-regulated institutions.

The African Development Bank was established as a multilateral development bank in 1963 to foster economic and social development of its African members individually and through regional cooperation. In addition to all independent African countries except for South Africa, the Bank's membership now includes the United States, as well as the countries of Western Europe, Japan and other developed nations. The African Development Bank is patterned after the International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank and the Asian Development Bank, in that they all make extensive use of the world's capital markets through the sale of their highly rated bonds and other obligations to obtain funds for development lending activities. A substantial percentage of such funds finances the purchase of American goods and services used in critical development projects. This in turn enables American businesses and academic institutions to participate directly in these activities, to the benefit of all concerned.

I would appreciate your State taking the necessary steps to have the African Development Bank receive at least as favorable treatment under the laws of Alaska as is currently accorded to one or more of the other multilateral development banks with respect to the qualification of the Bank's securities for purchase by state chartered banks, savings and loan associations, insurance companies, public employee retirement systems and any special statutory or constitutional funds. At least 34 states have already wholly or partially accorded such treatment to the African Development Bank through enactment of legislation or, where appropriate, administrative agency rulings. I anticipate that the Bank will be in touch with you through its American legal counsel to present detailed legislative proposals.

Sincerely,

James A. Baker, III

The Honorable Steve Cowper  
Governor, State of Alaska  
Juneau, AK 99811-0101

cc: The Honorable Jan Faiks  
The Honorable Ben Grussendorf

# Third World Projects Create a New Market

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Oct. 9 — Although the market for exports to cash-strapped developing countries has fallen strikingly in the past decade, third-world projects financed by the international development banks have created a booming market for an array of products.

Under their crushing debt burden, developing countries, which normally buy about a third of all American exports, cut purchases from the United States by 13 percent since 1981, to \$82.7 billion in 1987.

But in the same period, American companies doubled, to \$2.1 billion a year, their sales of items needed for projects financed by the four leading development banks — the World Bank, the Inter-American Development Bank, the African Development Bank and the Asian Development Bank.

The market created by the development banks includes power generators, water pumps, trucks, tractors, drilling rigs, irrigation equipment, farm implements, telecommunications equipment, pesticides, seeds and schoolbooks.

In the past five years, the World Bank and the three regional institutions have disbursed \$76 billion to business contractors, chiefly in the industrial countries, to support projects in more than 100 developing countries, according to a recent report by Development Bank Associates Inc., a research group based in Washington.

Chances are that future disbursements will be even greater, following recent Congressional action authorizing American participation in a \$75 billion increase in the resources of the World Bank, nearly doubling its capital. A large increase in funds for the Inter-American Development Bank is likely to be approved in the next few months as well.

"The development banks have created an enormous market," said David A. Raymond, director of international programs for the Enserch Corporation of Dallas, a diversified energy operator which aggressively pursues World Bank contracts. "It isn't an easy business and there's more competition than ever. But it pays hard currency on projects throughout the world."

Despite the numbers, analysts here note that American bidders like Enserch are still relatively few.

"Many business executives do not

## The development banks are bringing about a boom for many products.

know about the bidding process," the United States Chamber of Commerce said in a special study of the market published two years ago. "Others fear red tape."

Development Bank Associates said in a recent report, "A Practical Guide to the Development Bank Business," that less than 3 percent of United States exporters are actively engaged in marketing products for such projects.

The lack of interest has hit the pockets, too. Even as the United States has strikingly increased exports to the development-bank market, it has been losing market share to its principal commercial rivals — West Germany and Japan.

By far the biggest of the development institutions, the World Bank committed \$17.7 billion in 1987 to expand power distribution in Argentina, build irrigation works in Belize, expand technical education in Brazil and to aid scores of other programs. Commitments by the three regional institutions totaled \$7 billion, bringing the total for the four to \$24.7 billion.

The commitments become actual disbursements as the multiyear projects reach varying stages of completion needing additional equipment and supplies.

Most of the contracts are relatively small — in the range of \$10,000 to \$50,000. In a recent year, 65 percent of all equipment contracts and 55 percent of all consultancy contracts on World Bank projects were for less than \$50,000, according to the Development Bank Associates study.

Over the same period there were 2,000 payments by the World Bank of more than \$1 million.

The development-bank business is confined to developing countries, which includes nearly all countries with per-capita yearly income of less than \$3,000. These include such giants as China and India and such tiny island states as Kiribati and Vanuatu. The market also includes some East bloc countries like Hungary and Poland.

low rates. Others disagree.

"I think tax policy in 1989 is going to be a backburner issue," said Donald H. Straszheim, chief economist for Merrill Lynch & Company, even though "the budget and trade deficits are troubling to economists."

"We're likely to end up with higher taxes down the road, but not immediately," he said. Some form of energy tax is likely, he suggests, and eventually a value-added tax could be imposed. If income tax rates are raised, then preferential treatment for capital gains is "not unreasonable," he said. But with a new Administration and a new Congress due to take office, he does not expect the tax rates to be changed in 1989.

Mr. Straszheim sees a modest recession and lower interest rates for the second half of 1989. If that forecast is accurate, it would argue against making tax-driven sales of bonds now, because bond prices would rise if rates fell. One strategy, though, would be to sell bonds on which one has a loss and replace them with similar securities.

Vern Martens, vice president of Merrill Lynch Tax Advisory, noted that if there is no change in tax rates next year, "taxpayers will pay lower taxes because of indexing for inflation." Nevertheless, he said, "people are still looking for something that will provide a tax break."

The most popular tax-exempt investments are municipal bonds, although certain municipal bonds are subject to the alternative minimum tax. These latter bonds pay slightly higher rates and thus are attractive to investors who are not liable for the alternative minimum tax.

Mr. Martens offered these additional possibilities for reducing taxes:

• Rehabilitation credits for low-income housing can cut taxes by up to \$7,000.

• Tax-deferred annuities can be attractive for retirement plans.

• By switching from money market funds to certificates of deposit or Treasury bills or notes, investors can defer income into future years. A switch in October, however, will only reduce 1988 interest income by 25 percent.



Walt Goldenberg

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## Oil's Challenge to OPEC

From First Business Page

Oil production is up 4.3 barrels a day, from around 4.3 barrels a day a month ago. Officials said their current goal was to keep their production to protect their share of the market against other producers who are discounting their oil prices by increasing production to secure sales.

Industry officials said that the overall OPEC ceiling, bring- ser to 14 million barrels a day. The higher ceiling

permanently lower oil prices.

One industry expert said the tentative proposal depended upon a compromise between Iraq and Iran under which the countries would agree to equal production shares of 2.5 million barrels a day each. Iraq is now producing about 2.7 million barrels a day, while Iran's output is just below 3 million barrels a day.

Under the new proposal, OPEC would also agree to lower the official price it has used as a yardstick, to closer to \$15 a barrel, from \$18.

But OPEC officials and oil analysts fear that until an agreement is reached, a further steep drop in oil prices is a real possibility, bringing

## Pillsbury Sued Over Offer

... to protect the interests of the

# HENRY LANCASTER, INC.

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January 29, 1990

RECEIVED  
JAN 30 1990

Senator Dick Eliason, Chair  
Labor & Commerce Committee  
Alaska State Senate  
P.O. Box V  
Juneau, Alaska 99811

Dear Senator Eliason:

I am writing to thank you for allowing me to testify via teleconference in the January 24, 1990 Senate Labor & Commerce Committee meeting.

Senator Faiks raised a question during the meeting that deserves further clarification. She asked whether the World Bank should be included in SB 353. My review of the Alaska Statutes has revealed that AS 21.21.120 already allows an insurer to invest in the obligations of International Bank for Reconstruction and Development (IBRD). The IBRD is more commonly known as the "World Bank." Thus the concern for inclusion that Senator Faiks expressed is already addressed in Alaska law.

Please do not hesitate to contact me if you have any other questions or concerns.

Sincerely,



Henry M. Lancaster II  
President

HML:bgm

cc: Sen. Tim Kelly  
Sen. Jan Faiks  
Sen. Pat Rodey  
Sen. Jalmar Kertula  
Sen. Jack Coghill



THE SECRETARY OF THE TREASURY  
WASHINGTON

August 12, 1963

Dear Governor Sheffield:

I am writing you in support of the African Development Bank's efforts to obtain the qualification of its obligations in the State of Alaska for investment by certain institutions.

The African Development Bank was established as a multi-lateral development bank in 1963 to foster economic and social development of its African members individually and through regional cooperation. In addition to fifty African countries, the Bank's membership now includes the United States and 16 other non-regional countries (primarily the countries of Western Europe and Japan). The African Development Bank is patterned after the International Bank for Reconstruction and Development (the World Bank) and the Inter-American Development Bank. Like them and the Asian Development Bank, the African Development Bank has been making extensive use of capital markets throughout the world to obtain resources for its development lending activities.

I would appreciate your state taking the necessary steps to have the African Development Bank receive at least as favorable treatment under the laws of Alaska as is currently accorded to one or more of the other multilateral development banks with respect to the qualification of its securities for purchase by certain institutions in your state (see the enclosed excerpts from Alaska's statutes). New York and Illinois have already acted to accord such treatment to the African Development Bank. I anticipate that the Bank, through its legal counsel, will be in touch with you to present detailed proposals.

Sincerely,

Donald T. Regan

The Honorable  
Bill Sheffield  
Governor of Alaska  
Juneau, Alaska 99811

Enclosures

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT

POUCH D  
JUNEAU, ALASKA 99811  
PHONE: 465-2521

DIVISION OF BANKING, SECURITIES, SMALL LOANS & CORPORATIONS

March 5, 1984

Mr. Arnold H. Weiss  
Arent, Fox, Kintner, Plotkin  
and Kahn  
1050 Connecticut Ave., N.W.  
Washington, D.C. 20036-5339

Dear Mr. Weiss:

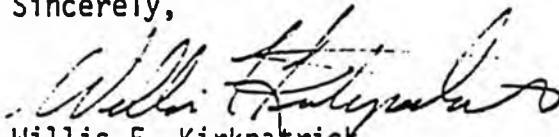
Re: African Development Bank

Please excuse the somewhat tardy answering of your letter of January 17, 1984. I have reviewed your letter and the enclosures with interest. The suitability of the bank's securities as an investment appears to be sound. I would, therefore, pose no objection to the State's financial institutions being able to purchase them.

Our present statutes, however, do not allow for investment in the African Development Bank. It will, therefore, be necessary to introduce the appropriate legislation to enable them to specifically invest in securities offered. It will be necessary for you to introduce the legislation in our Legislature. We shall be glad to testify in favor of such legislation.

I hope I have answered all your questions. If I may be of further assistance, please feel free to call on me at any time.

Sincerely,

  
Willis F. Kirkpatrick  
Director

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# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

*DIVISION OF BANKING, SECURITIES, SMALL LOANS & CORPORATIONS*

83-14996

BILL SHEFFIELD, GOVERNOR

FOUCH D  
JUNEAU, ALASKA 99811  
PHONE: 455-2521

September 16, 1983

Mr. Donald T. Regan  
Secretary of the Treasury  
Department of Treasury  
15th Street & Pennsylvania Avenue  
Washington, D.C. 20220

Dear Mr. Regan:

Re: African Development Bank

Your letter has been passed on to me for an answer. Please excuse the delay in answering regarding the subject dated August 12, 1983. Some amount of research was, however, in order. We do not, at the present time, have a firm policy regarding the subject. We have the matter under investigation and advisement. We will probably not finalize until we hear from the bank's legal counsel.

If I may be of further assistance, please feel free to call on me at any time.

Sincerely,



Willis F. Kirkpatrick  
Director

WFK/cw#2511  
91583A

## HENRY LANCASTER, INC.

550 West Seventh Avenue • Suite 1325 • P.O. Box 10-3461 • Anchorage, Alaska 99510 • (907) 278-4729 • FAX (907) 276-4289

May 1, 1990

Rep. Dave Donley  
Chairman  
House Labor & Commerce Committee  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Chairman Donley:

It was brought to my attention that a question was raised during Labor & Commerce Committee deliberations on May 1, 1990 concerning any association between the African Development Bank and the country of South Africa. The regional members of the bank include 50 of the 52 countries on the continent of Africa. South Africa is not a regional member country.

There are twenty-five (25) non-regional members of the bank and twenty-seven (27) members of the African Development Fund. South Africa is not a member of either of those entities. I have enclosed a section from an AfDB publication that identifies countries where it has invested in projects.

Please do not hesitate to contact me if you have any other questions.

Sincerely,



Henry M. Lancaster II  
President

HML:bgm