

STABEX: HOW GOOD A MODEL FOR INTERNATIONAL RELATIONS? (*)

1. Introduction

In this paper, I attempt to lay bare the skeleton of the major economic agreement provided for in the Convention — the so-called « STABEX » system for the stabilization of ACP (1) export earnings — and evaluate its appropriateness as a model for a broader-based stabilization scheme for the export earnings of the world's poor countries. This latter issue has a certain topicality since in response to a programme proposed by the Secretary-General of UNCTAD for the stabilization of these countries' export earnings from commodities — a programme based on international buffer stocks and commodity agreements incorporating « supply management » (i.e., restrictions on exports and, where feasible, production) — the world's rich countries are reportedly considering just such a « globalised STABEX » system. Moreover, it is reported that the ACP countries themselves have caused a rift to develop in the political bloc of the poor countries, the « Group of 77 » (which attempts to unite 110 such countries), by their insistence upon the retention of the special benefits which the Lomé Convention is thought to confer on them.

2. The STABEX scheme

The Lomé Convention established the STABEX scheme « with the aim of remedying the harmful effects of the instability of export earnings and of thereby enabling the ACP States to achieve the stability, profitability and sustained growth of their economies » (2).

STABEX is a mechanism designed to reduce fluctuations in the earnings of the 46 ACP countries from their exports to the EEC of a selected group of commodities and semi-processed products. The workings of this scheme may be briefly summarized as follows: for each ACP country and each eligible product, a reference level of earnings from exports to the EEC is calculated

(*) The views expressed in this paper are mine alone, and should not be attributed to the United Nations Conference on Trade and Development, with which I am presently affiliated. I should like to thank A.R. Lamond and D. Ridler for helpful comments and suggestions on an earlier draft of this paper.

(1) The ACP countries are listed in the Annex.

(2) Article 16 of « Title II: Export earnings from commodities » of the Lomé Convention.

for each year as the average of these earnings, in nominal terms, in the preceding four years; ACP countries are entitled to apply for financial compensation under the scheme provided that actual earnings from exports to the EEC of an eligible product for a given calendar year fall at least 7.5 per cent below the reference level; the amount of the compensation is the full difference between actual earnings and the reference level; the compensation is repayable under certain conditions, but does not bear any interest. The total funds allocated by the EEC to the STABEX scheme are 375 million units of account (u.a.), divided into equal tranches of 75 million u.a. for each of 5 years.

In the following paragraphs, I examine the STABEX scheme under six headings, corresponding to its basic characteristics: country coverage; product coverage; « trigger » and « dependence » thresholds; reference level for export earnings; repayment provisions; and financial adequacy.

3. Country coverage

STABEX is applicable, under the Lomé Convention, to the 46 ACP countries listed in the Annex. This list is based on the « special relationship » which these countries bear to the EEC, and not, for example, on criteria of export earnings instability (e.g., the relative magnitude of fluctuations in the export earnings of the ACP countries as compared with the earnings of other poor countries).

The list of eligible countries thus discriminates in particular against the Latin American and Asian countries, many of which suffer equally severely as (or even more so than) the ACP countries from fluctuations in the purchasing power of their foreign exchange availabilities. Moreover, although it is not necessary that ACP governments do so, they may pass on the benefits of STABEX to their primary commodity producers, thus giving these producers a competitive advantage vis-à-vis producers in non-ACP countries, and possibly thereby distorting global resource allocation.

4. Product coverage

The STABEX scheme, as covenanted in the Lomé Convention, is limited to 12 commodities and 17 of their semi-processed forms. Although these 29 items

account for a substantial proportion of the exports of many of the ACP countries to the EEC, the limitation of the coverage of a global STABEX-type scheme to these few commodities and semi-processed products would seriously discriminate against many poor primary-exporting countries, as indicated in Table 1 below, which lists the main exports of some major poor commodity-exporting countries. It will be noted that only two of these countries (Zambia and Zaire) are included in the ACP countries. Furthermore, of the 17 products identified in Table 1, only 8 are STABEX products (cotton; coffee; iron ore; rubber; palm oil; lumber, pulpwood and logs; sugar and tea) whilst the remaining 9 (maize; beef; wheat; copper and copper ore; tin; tobacco; zinc; lead and fruit) are not covered. If the STABEX commodity list were retained in a scheme with wider geographical coverage, then, for example, Brazil's three most important exports would all be included, but none of Argentina's would, nor would Zambia's three most important exports (which together account for over 97 per cent of her exports).

Moreover, one article of the Lomé Convention enables the EEC to refuse to make payments under the scheme if « the fall in earnings from exports to the Community of the products in question is the result of a trade policy measure of the ACP State concerned adversely affecting exports to the Community » (3). If the EEC were to interpret the increased processing of one of the 12 primary commodities into one of the 17 semi-processed products as such an « adverse » policy — and there are no criteria listed in the Convention for the determination of what an « adverse » policy is — then under the terms of Article 19, compensation could be refused, and the benefit of the inclusion of exports of processed products in the scheme might be nullified.

All of the commodities chosen for inclusion in the eligible list are tropical products (with the exceptions of wood and iron ore). For these products, there is no protected production in the EEC: the Community will always import coffee, cocoa, tea, bananas, cotton, etc. The scheme is not, therefore, of the trade-creating variety. Furthermore, it can be viewed as trade-diverting, since it establishes an incentive for the EEC to import from ACP rather than non-ACP countries. Finally, it is interesting to note that the degree of processing

(3) Article 19, para. 4 (a) of the Lomé Convention.

of a country's exports to the EEC of a given eligible product, previously meeting the «dependence» threshold, to fall below this level, no compensation would be paid, although this seems in principle to be a case in which assistance should be made available.

6. Reference level for export earnings

The reference level, against which actual export earnings in any given calendar year are measured, is defined as the moving average for the four years preceding the shortfall year of a given ACP country's receipts, in nominal terms, from exports to the EEC of the product concerned. This reference level follows the trend of nominal export earnings, and does not make any allowance for changes in the purchasing power of money. Moreover, it lags behind the shortfall year, and is combined with the «trigger» threshold. These characteristics make the scheme wholly inadequate in periods of rapid inflation, as the following example shows.

The value in the shortfall year of a dollar of exports earned 4 years previously would be $\frac{1}{(1+r)^4}$, where $100r$ is the inflation rate in per cent per annum.

Similarly, the value in the shortfall year of an average of dollars earned 4, 3, 2 and 1 years previously (what might be called a «reference» dollar) would be

$$1 / \left(\frac{1}{4} \left[\sum_{i=1}^4 (1+r)^i \right] \right)$$

This represents the purchasing power in the shortfall year of the average «reference» dollar. If the inflation rate were 20 per cent per annum, as it currently is in many poor commodity-exporting countries, the «reference» dollar would be worth only 0.622 dollars evaluated at the prices prevailing in the shortfall year; i.e., the loss in purchasing power as a result of inflation would be 37.8 per cent. Ignoring the «trigger» threshold and applying this result to the STABEX scheme (and with the qualification noted in the next paragraph), it becomes evident that, at this rate of inflation, STABEX would require the purchasing power of a country's exports of a commodity to decline by 37.8 per cent before they became eligible for compensation. When the «trigger»

threshold is taken into account, this decline becomes fully 42.5 per cent (6). At a 10 per cent rate of inflation, these two figures become 21.6 and 27.5 per cent, respectively; at 30 per cent inflation, they are 50.2 and 54.0 per cent, respectively.

It is the case, however, that under the STABEX scheme the purchasing power of an average « reference » dollar would not be the simple average calculated in the preceding paragraph, but rather a weighted average of the purchasing power of a dollar in years $t-4$ to $t-1$, the weights being the total value of exports in each of these years. Thus, the extent to which, at a constant rate of inflation, the STABEX formula would require the purchasing power of a country's earnings to decline before it becomes eligible for compensation, would differ from the values computed in the preceding paragraph, unless the value of these exports was in each year the same. If the value of exports tended to rise over the period from $t-4$ to $t-1$, the required decline in purchasing power would be lower than the figures cited above; if the value of exports tended to contract over the period, the required decline would be still greater than these figures.

Moreover, if in addition to suffering from price inflation, the volume of a country's exports to the EEC of an eligible commodity were growing, then the decline in the commodity's real *price* which would be necessary to make the exporting country eligible for transfers under the STABEX scheme, would be correspondingly greater than the figures for *earnings* cited in the example above.

7. Repayment provisions

Under the Lomé Convention, the ACP countries are required to repay (without interest) any transfers made to them if for a given year and a given product both the unit value of the exports is higher than the reference unit value, and the quantity actually exported to the EEC is at least equal to the reference

(6) The 7.50 per cent « trigger » threshold means, in effect, that a dollar of export earnings in the shortfall year counts only as .925 dollars when calculating whether the threshold has been passed. Thus, the limit above which the purchasing power of a country's earnings on exports to the EEC of an eligible commodity must not rise if it is to be eligible to draw under the STABEX scheme is $(.925) (.622) = .575$ or 57.5 per cent of an average « reference » dollar; the decline at 20 per cent inflation is thus $(100 - 57.5) = 42.5$ per cent.

quantity. The amount which must be paid back in any calendar year if these conditions are met is equal to the reference quantity for the product concerned multiplied by the difference between its reference unit value and its actual unit value. If, at the end of five years following the allocation to an ACP country of a loan for a given commodity under the STABEX scheme, the full amount of the loan has not been repaid, the EEC has the right to decide that the sums outstanding are to be repaid wholly or partially, in one or more instalments, or that further repayments are to be waived (7).

Since, as noted in the preceding section, the reference levels of earnings are defined in nominal terms, loan repayment within the 5-year «contingency period» could conceivably be required, in conditions of rapid inflation, even though the real value of an ACP country's exports to the EEC of an eligible product had substantially declined from its average level of the four preceding years. As with the IMF's compensatory financing facility (8), this arbitrary requirement of repayment without regard for the country's balance-of-payments condition at the time, could have a serious impact on the country's overall development programme by severely interrupting the continuity of foreign exchange availabilities. Moreover, the short repayment period may make it difficult for governments to use the loans provided under the STABEX scheme for purposes of production diversification, since such projects will likely have a payback period rather longer than the five years cited in the Lomé Convention.

Also noteworthy is the fact that the amounts which would be required to be paid back under the STABEX formula could be extremely large. For example, if actual export volume remains at the reference level and the (nominal) unit value of exports rises by 50 per cent above the reference level, then a country in a given year could be required to pay back fully one-third of its year's export earnings from the product (if it had received loans amounting to at least this

(7) A special group of 24 ACP countries listed in the Annex is not, however, required to make repayments at any given time.

(8) This is a facility open to IMF members only. It provides for short-term loans (at standard IMF rates) to poor countries whose aggregate merchandise export earnings fall short of a medium-term trend calculated by IMF. It is subject to a number of conditions and constraints, of which one is mentioned. It has recently (January 1976) been somewhat liberalised, but is still hedged about with conditions, and is unlikely to be the source of much inexpensive finance for poor countries suffering from export fluctuations.

amount) (9). In such a case, a country which has been benefiting from the STABEX scheme over a period of years could be faced with the prospect of having to repay the whole of its accumulated debt in a single year.

8. Financial adequacy

The EEC agreed to allocate for the duration of the Lomé Convention (five years) a sum of 375 million u.a. (10) to cover all its commitments under the STABEX system. It also provided that this total would be divided into 5 equal annual tranches of 75 million u.a. This latter amount is equivalent to less than 4 per cent of the value of EEC imports in 1973 of the 18 principal eligible commodities from the ACP countries (11) and to somewhat less than this proportion of all 29 products covered by the scheme. If earnings of all STABEX commodities declined by no more than the minimum required (under the « trigger » threshold) for compensation to be payable, this fund — even at pre-commodity boom prices — would therefore have covered little more than half the aggregate shortfall.

The Convention also authorised (for all years but the last) the use in advance of a maximum of 20 per cent of the following year's tranche. This provision means that, if it paid out the maximum amount possible in each year, the fund could make annually available the following amounts (not taking into account any repayments of outstanding loans, which under the Convention would be used to « reconstitute » the stabilisation fund):

Year	1	2	3	4	5	Total
(million units of account)						
Amount	90	75	75	75	60	375

(9) This example is not far-fetched. If the STABEX scheme had been in operation since 1966, Ghana would have found that in 1969 the unit value of its exports of cocoa to the EEC was almost double the reference unit value, and it would have had to pay back in that one year alone the entire accumulated amount of its outstanding loans.

(10) Defined in Annex 17 to the Convention as 1 u.a. = 1 SDR of 28 June 1974.

(11) Total imports by the EEC from ACP countries of these 18 commodities amounted in 1973 to 1,985 million u.a. (See *Lomé Dossier*, p. 28).

In conditions of inflation, however, the real value of each u.a. lent will decline over the five years' duration of the scheme. If a 10 per cent annual rate of inflation is assumed, this means that the maximum aggregate amount that could be paid out over the five years would be equivalent to only 317.5 million u.a. of the same purchasing power as 1 u.a. in the first year (12), or about 15 per cent less, at prices of the first year, than the original 375 million u.a. allotted. Moreover inflation, which ensures that STABEX loans never cover the full extent of shortfalls in real export earnings, at the same time reduces the real cost of the loans to the EEC countries themselves. Currently inflation in the EEC countries is proceeding at about 12.5 per cent per annum, a rate which if continued, would reduce the real value of 1 u.a. of assistance provided in the last (fifth) year of the STABEX scheme by over 60 per cent compared with its value in the first year.

Finally, it is worth noting that the Convention contains general escape clauses to permit reductions in the amounts potentially available to ACP countries.

Under one of these, if the officials of the Commission of the European Communities consider that « the total exports of the requesting ACP State show a significant change, consultations shall be held between the Commission and the requesting State to determine whether such changes are likely to have an effect on the amount of the transfer, and if so to what extent » (13).

No criteria are given in the Convention for the determination of what constitutes a « significant change », nor for the procedure whereby the ACP and Commission Officials would resolve any differences in their respective judgments of the effect of such changes on the transfer.

A second such escape clause provides that « on the basis of a report submitted to it by the Commission, the Council of Ministers may reduce the amount of the transfers to be made under the stabilization system » (14).

Again, no criteria are set for the contents of such a report nor for the conditions under which it could lead to a reduction in the STABEX fund. Moreover, as Wall has noted, « there is no parallel stipulation indicating the recognition

(12) $317.5 = 90/(1.1)^0 + 75/(1.1)^1 + 75/(1.1)^2 + 75/(1.1)^3 + 60/(1.1)^4$.

(13) Article 19, para. 4 (b) of the Convention.

(14) Article 18, para. 4 of the Convention.

of any conceivable situation in which funds available to STABEX might be increased » (15). As there are also no criteria mentioned in the Convention for the rationing of STABEX funds in the event — likely, to judge from the evidence adduced here — that the fund should run short of money, it is presumably to this clause which the Commission would resort when it becomes necessary; such a procedure clearly would provide very little security for those countries in need of transfers when the funds began to run out.

9. A globalised STABEX-type scheme

The previous analysis has pointed out the changes which would seem to be necessary if a scheme of the STABEX type, but more broadly based, were to be introduced into commodity trade at the international level. These changes would, I suggest, have to include the following:

- (I) The country coverage should not discriminate among regional groups of poor commodity-exporting countries, but rather make all such countries (or at least those below a given level of per capita income) eligible to become beneficiaries under the scheme;
- (II) a globalized version of the STABEX scheme should contain more liberal rules on the eligibility of commodities, and on the circumstances in which compensation payments should be refused. Moreover, the list of eligible commodities and semi-processed products should be much broader than that contained in the STABEX scheme defined by the Lomé Convention;
- (III) the scheme should avoid the anomalies introduced by the use of « dependence » and « trigger » thresholds, either by eliminating these thresholds altogether, or by establishing a single administrative limit fixed in money terms (e.g. \$ 100,000) below which no application for compensation would be accepted;
- (IV) in view of the serious deficiencies identified in the formula used in the STABEX scheme to compute the reference level, in a globalised version of STABEX the reference value should be calculated in terms of real pur-

(15) Wall, D., *The European Community's Lomé Convention: STABEX and the Third World's Aspirations*, London, Trade Policy Research Centre, 1976, p. 12.

chasing power measured in dollars of the shortfall year. The simplest formula which would contain this property would be one in which the reference value were calculated as a moving average explicitly corrected for inflation. Thus, the formula for the reference level of export earnings should become:

$$[1] \frac{1}{(n+m)} \sum_{\substack{i=-m \\ i \neq 0}}^n \left[\frac{x_{t-i}}{r_{t-i}} \right]$$

in which m = number of years prior to the shortfall year to be included in the moving average;

n = number of years after the shortfall year to be included in the moving average;

r_{t-i} = ratio of average import price in year t to average import price in year $t-i$;

x_t = export earnings in year t .

With $-m = 1$, $n = 4$ and $r_{t-i} = 1$ (16), this becomes

$$[2] \frac{1}{4} \sum_{i=1}^4 x_{t-i}$$

which is the formula actually used in the STABEX scheme.

The difference between the figures produced by the two formulae would indicate the exact extent to which, under the existing STABEX scheme (ignoring the « trigger » threshold), the purchasing power of a country's earnings would have to fall in any year compared with the average for the preceding four years before any compensable shortfall could appear;

(16) If $n = m = 2$ and $r_{t-i} = 1$, then formula [1] would represent the formula used (until January 1976) in the IMF compensatory financing scheme, so long as i were allowed also to be 0, and the divisor therefore to be $1/5$. This, however, means that the shortfall year enters with a weight of one fifth, and hence that the reference level given by the IMF formula would underestimate the « true » shortfall or average (as determined from [1]) by about 20 per cent.

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- (V) a globalized scheme should avoid the hardships imposed by treating all compensations as loans repayable in the short to medium term. This could be done by making repayments at all times contingent upon excesses, calculated in real terms, of exports over the established reference values;
 - (VI) vastly more financial resources should be devoted to the scheme if it is to make a realistic contribution to the lessening of the difficulties imposed on poor commodity-exporting countries by fluctuations in their export earnings.

I have estimated that the net cost (17) of a globalised scheme as outlined above — and which provided unconditional grants to the « least-developed » and « most seriously affected » countries and conditional grants (18) to other poor commodity-exporting countries — would have been of the order of \$ 1,000 million per annum (at 1974 prices) over the period 1965-1974 for a sample of 72 countries accounting for approximately 70 per cent of the trade of non-oil exporting poor countries. If the remaining such countries had the same average export pattern, these figures would have to be multiplied by a factor of 1.4 if full country coverage were to be obtained. Moreover, since the estimates were based on total exports, some scaling down of the figures would be necessary if a commodity-based scheme were to be considered.

A recent study by Morrison and Perez (19) suggests that a scale factor of about 0.85 is appropriate in such a case, so that taking both these factors into account, a full coverage commodity-based scheme might have had an average annual net cost in the period 1965-1974 of about \$ 1,200 million (at 1974 prices).

A rough order of magnitude for a scheme operating during 1976-1980 can be obtained by adjusting this figure for the assumed growth in exports to 1980.

(17) Defined as the sum of unrepaid loans, i.e., total grants under the scheme.

(18) These grants are termed conditional because they were made only when, during a five-year period from the date of the corresponding loan, repayments out of the excesses of actual exports over their reference level, were insufficient to cover the full repayment of the loan, in which case the grant was equal to the unrepaid portion.

(19) Morrison, T. and L. Perez, *Export Earnings Fluctuations and Economic Development: An Analysis of Compensatory Financing Schemes*, AID Discussion Paper No. 32, Washington, September 1975.

Taking an annual average growth rate of 6 per cent in real terms (20), the ratio of average 1965-1974 exports to average 1976-1980 exports of the non-oil exporting poor countries is about 1.75; this leads to a figure of about \$ 2,100 million (at 1974 prices) as the annual average net cost for a similar scheme during the 1976-1980 period.

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(20) And assuming zero real growth in 1975, an assumption which preliminary evidence suggests may be an overestimate.

ANNEX: THE LOME CONVENTION**I. THE 46 ACP STATES****West Africa**

Benin*
 Gambia*
 Ghana
 Guinea*
 Guinea-Bissau*
 Ivory Coast
 Liberia
 Mali*
 Mauritania*
 Niger*
 Nigeria
 Senegal
 Sierra Leone
 Togo*
 Upper Volta*

Central Africa

Burundi*
 Cameroon
 Central African Republic*
 Chad*
 Congo (Brazzaville)
 Equatorial Guinea*
 Gabon
 Rwanda*
 Zaire

East Africa

Botswana*
 Ethiopia*
 Kenya
 Lesotho*
 Madagascar*
 Malawi*
 Mauritius*
 Somalia*

Sudan*
 Swaziland*
 Tanzania*
 Uganda*
 Zambia*

The Caribbean

Bahamas*
 Barbados*
 Grenada*
 Guyana
 Jamaica*
 Trinidad and Tobago*

The Pacific

Fiji*
 Tonga*
 Western Samoa*

II. THE 24 ACP COUNTRIES which are not required to make repayments on loans made to them under the STABEX scheme are the following:

Benin
 Botswana
 Burundi
 Central African Republic
 Chad
 Ethiopia
 Gambia
 Guinea

Guinea-Bissau
 Lesotho
 Malawi
 Mali
 Mauritania
 Niger
 Rwanda
 Somalia

Sudan
 Swaziland
 Tanzania
 Togo
 Tonga
 Uganda
 Upper Volta
 Western Samoa

Source: *World Bank Atlas*, 1974.

* Least-developed, landlocked or island state.

**STABEX: EST-IL UN MODELE VALABLE
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RESUME

L'Auteur analyse les caractéristiques du système STABEX prévu par les accords de la Convention de Lomé. Et sur ce système, qui porte notamment sur l'adoption d'une méthode visant à stabiliser les recettes provenant des exportations des pays ACP vers la CEE, il exprime son désaccord même s'il devait s'appliquer à un plus grand nombre de pays. Tout en soulignant la nécessité de calculer les niveaux des exportations en termes de pouvoir d'achat réel et de donner plus d'importance aux aspects financiers de l'accord même, l'Auteur met en relief la nature discriminatoire du choix des pays compris dans l'accord, la rigidité et le nombre limité des marchandises admises, ainsi que les anomalies existant dans les techniques d'interventions prévues.

Money and credit in Africa

● It is reported foreign banks will be allowed to open branches in Tunisia and their activity will be limited to business transactions with non residents.

● The Arab International Banking Company, a new Egyptian joint-stock company has been established. Its stock capital equal to 4 million dollars has been subscribed by the Arab Company for International Financing, Luxembourg (3 million dollars), the National Bank of Egypt (350,000 dollars), the Misr Insurance Company (350,000 dollars) and the Arab Contractors Osman Ahmed Osman (300,000 dollars). 25 % of the capital of the new company, whose head office is in Cairo, is held by Egypt.

● Mr. Houphouet-Boigny, President of Ivory Coast, inaugurated on April 2 the new stock exchange in Abidjan. Created with the main objective to provide domestic savings to the national economy, it will be the first one operating in French speaking black Africa.

● Bamako: It is reported the establishment of a Malo-Libyan bank with a capital of 500 million Mali francs (49 % is held by Mali).

● The Bank of Ghana is working out details in conjunction with the University of Cape Coast for the establishment of a stock exchange in Ghana. The impact of a stock exchange on industrial development in the country is being investigated.

● An agreement establishing the African Reinsurance Corporation (Africare) was signed in Yaoundé, Cameroon, in February with the representatives of 32 OAU mem-

Monnaie et crédit en Afrique

● L'on apprend que les banques étrangères seront autorisées à ouvrir des guichets en Tunisie, et leur activité devra se limiter aux opérations commerciales avec les non-résidents.

● Sous la raison sociale Arab International Banking Company a été constituée une société égyptienne par actions au capital de \$ 4 millions auquel participent: l'Arab Company for International Financing, Luxembourg (\$ 3 millions), la National Bank of Egypt (\$ 350.000), la Misr Insurance Co. (\$ 350.000) et l'entreprise Arab Contractors Osman Ahmed Osman (\$ 300.000). La participation égyptienne est donc de 25 % du capital. Le siège social est au Caire.

● Inaugurée le 2 avril par le Président Houphouet-Boigny, la Bourse des valeurs d'Abidjan est la première bourse créée en Afrique noire francophone. L'ivoirisation du capital et de l'économie par la mobilisation de l'épargne ivoirienne constitue la finalité de la création de la Bourse des valeurs.

● Bamako: prochaine création d'une banque malo-libyenne au capital de 500 millions de francs maliens (49 % au Mali).

● Les détails de la création d'une Bourse des valeurs au Ghana, ainsi que ses effets sur le développement industriel du pays, ont été mis à l'étude par la Bank of Ghana et l'Université de Cape Coast.

● Un accord portant notamment sur la création de l'African Reinsurance Corporation (Africare) a été signé à Yaoundé (Cameroun) en février entre les représen-

ber countries and the African Development Bank.

● Yaoundé: it has been created the Banque camerouno-arabo-libyenne pour l'investissement et le commerce extérieur.

● Ouagadougou: the Central Fund for Economic Co-operation granted a one million francs loan to the Government of Upper Volta for the Caisse de crédit agricole de l'Autorité des aménagements des vallées des Volta.

● Bangui: The Central African Republic increased from 20 to 60 % its share in the capital of the Central African Banking Union (20 % is held by the Crédit Lyonnais and 20 % by the Société Générale).

● On May 13, a branch has been opened in Libreville by Citibank, the former First National City Bank. Citibank, the second largest bank in the United States, already contributed to the financing of several development projects in Gabon.

● On May 3, it has been established in Brazzaville the Development Bank of the States of Central Africa, which is the result of the meeting held in Brazzaville on April 30 between the ministers of Finance of UDEAC (Central African Customs and Economic Union) and representatives of the African Development Bank of Chad and Kuwait.

● Zaïre linked its currency to SDR, severing its tie with the U.S. dollar. The central rate exchange from zaïre 1=US \$ 2 to zaïre 1=SDR 1 amounted to a depreciation of 42.1 per cent.

tants de 32 pays de l'OUA et la Banque Africaine de Développement.

● Yaoundé: création de la Banque camerouno-arabo-libyenne pour l'investissement et le commerce extérieur.

● Ouagadougou: prêt CCCE de 1 million de francs pour la dotation par l'Etat de la Caisse de crédit agricole de l'Autorité des aménagements des vallées des Volta.

● Bangui: prise de contrôle de l'Union Bancaire en Afrique Centrale (UBAC) par la République Centrafricaine qui détient désormais 60 % du capital (20 % au Crédit Lyonnais et 20 % à la Société Générale) contre 20 % auparavant.

● La First National City Bank américaine, dont la raison sociale est devenue Citibank, a ouvert, le 13 mai, une filiale à Libreville. Deuxième banque des Etats-Unis, la Citibank a déjà participé, à plusieurs reprises, au financement de projets de développement au Gabon.

● La Banque de Développement des Etats de l'Afrique Centrale (BDEAC) a été créée le 3 mai à Brazzaville, à l'issue de la réunion des ministres des Finances de la UDEAC (Union douanière et économique des Etats d'Afrique centrale) et des représentants de la Banque africaine de développement, du Tchad et du Koweït, qui s'est tenue dans la capitale congolaise le 30 avril dernier.

● Le Zaïre a relié sa monnaie aux droits de tirage spéciaux en coupant ainsi ses liens avec le dollar. La parité de change a été donc portée de 2 dollars US à 1 DTS, ce qui représente une dévaluation de 42,1 pour cent.

● The World Bank, the Arab Bank for Development in Africa and the Kenya Government are to finance small-scale farmers' agricultural projects in Kenya. The first phase of the programme will cost nearly 246 million shillings, and it is expected to benefit 70,000 small-scale farmers. The World Bank will provide 140 million shillings, while the Arab Bank will provide 35 million shillings. The World and Arab Banks loans will be repayable within 50 years with a seven-year grace period.

● The Kenya Government will grant 12.4 million shillings to the Co-operative Bank of Kenya for the establishment of a national mortgage co-operative and an insurance co-operative society. An agreement has just been signed between the Ministry for co-operative development and the Co-operative Bank of Kenya.

● Negotiations and arrangements have been finalised by which a new Yugoslav banking institution, Ljubljanska Banka, will be established in Nairobi to cater for both Kenyan and Yugoslav nationals interested in advancing trade and economic relations between the two countries.

● A general resettlement of the Ethiopian banking system has been recommended by the Research Department of the Ethiopian National Bank in a quite recent study. The reshape of the credit institutions will lead to the merger of the Addis-Bank with the Commercial Bank of Ethiopia.

● La Banque mondiale, la Arab Bank for Development in Africa et le Gouvernement du Kenya financeront les petits exploitants agricoles du Kenya. La réalisation du premier stade de ce programme aura un coût égal à 246 millions de shillings et en bénéficieront 70.000 exploitations agricoles environ. L'apport financier de la Banque mondiale et de l'Arab Bank sera respectivement de 140 et 35 millions de shillings. Ces prêts seront remboursables au bout de 50 ans avec un délai de 7 ans.

● La Co-operative Bank of Kenya doit recevoir du gouvernement un prêt de 12,4 millions de shillings, qui lui permettra de constituer une société nationale coopérative d'hypothèques et une société coopérative d'assurances. Un accord en ce sens a été signé tout récemment entre le ministère du développement coopératif et la Co-operative Bank of Kenya.

● Les négociations qui se sont déroulées au Kenya ont abouti à la création d'une nouvelle banque yougoslave, la Ljubljanska Banka. La nouvelle banque qui sera créée à Nairobi devra promouvoir les rapports commerciaux entre le Kenya et la Yougoslavie.

● Dans une étude récente, le Service de la recherche de la Banque nationale d'Ethiopie recommande une réorganisation complète du système bancaire. La restructuration complète des institutions financières devrait aboutir, selon cette étude, à la fusion de l'Addis-Bank et de la Commercial Bank of Ethiopia.

ECONOMIC CONDITIONS

The brightest features of the Italian economy as it entered the summer were the recovery of the lira and the continued upward trend of industrial production.

Industrial expansion was most marked in textiles, food, chemicals, electricity and means of transport, and, besides growing demand from households, owed much to the settlement of major wage negotiations. As a result, at least part of the country's unutilized plant capacity could again be taken into production, but, because of the time lag between production and employment, this is not as yet reflected in any improvement of employment levels. The latter are still depressed by last year's decline in production, and, while industrial output during the months from January to April was 6.3 per cent higher this year than in 1975, employment actually fell slightly, even though payments from the Wage Compensation Fund remained high. The lira, which had been subject to such strong pressures early in the year, has now settled down. Recently the exchange rate has been more or less stable, thanks to a spate of foreign exchange measures designed to curb imports as well as capital exports. The most important of these measures was the introduction of a foreign currency deposit scheme, involving the deposit for 90 days in a non-interest bearing account with the Bank of Italy of 50 per cent of virtually all payments in foreign exchange. Imports had, in fact, grown steadily throughout the early months of the year, so that even a good export performance did not prevent the balance of payments from deteriorating sharply, especially since the fall in the lire rate made imports dearer. As a result, the balance of payments plunged into a deficit of more

LA SITUATION ECONOMIQUE

Au début de l'été, les éléments les plus réconfortants caractérisant l'économie italienne sont la reprise de la lire et l'accroissement de l'activité productive.

Dans le secteur de la production industrielle, une plus forte propension à l'achat des ménages et la solution des principaux conflits syndicaux, ont favorisé une nouvelle phase d'expansion qui s'est manifestée surtout dans les industries textiles, alimentaires, chimiques, dans la production d'énergie électrique et de moyens de transport, ce qui a permis de récupérer en partie la marge inutilisée de la capacité de production.

La meilleure utilisation des installations industrielles n'a cependant pas été accompagnée par une amélioration des niveaux de l'emploi qui, en raison des décalages temporels entre les cycles de la production et de l'emploi, ont souffert de la récession de l'an passé. Pendant les quatre premiers mois la production industrielle a en effet enregistré une augmentation de 6,3 % par rapport à la même période de 1975, tandis que le nombre des salariés baissait légèrement bien que les interventions du fond de compensation salariale se soient maintenues à des niveaux consistants.

Après la crise aiguë des premiers mois, la lire a conquis une position substantiellement stable, notamment après l'adoption de nombreuses mesures de nature monétaire (telle que le dépôt improductif trimestriel égal à 50 % de presque tous les paiements à l'étranger) destinées à endiguer la sortie des capitaux et les importations. En effet, ces dernières avaient beaucoup augmenté au début de l'année et entraînaient un déséquilibre progressif de la balance commerciale qui devait déjà

than 2,000 billion lire for the first four months of the year, vastly more than the corresponding shortfall of 148 billion in January-April 1975.

The foreign exchange controls together with restrictive credit measures, further pushed up money costs (the prime rate rose from 18 to 19.5 per cent), and as a result bond prices were in general retreat.

The latest figures on prices seem to suggest that the rate of inflation is slowing down. In May, the monthly rise in the cost of living (1.7 per cent) and in consumer prices (2 per cent) was one of the lowest so far this year, even though it pushed the index to 16.7 per cent above its level in May 1975. Wholesale prices, too, calmed down after a 5.2 per cent spurt in April, but it is too early to speak of a reversal of trend.

supporter le poids de la dépréciation de la lire à l'étranger. Tout cela s'est répercuté sur la balance des paiements qui a ainsi accumulé, pendant les quatre premiers mois, un déficit (plus de 2.000 milliards de lires) supérieur à celui de la même période de 1975.

Les mesures monétaires et surtout celles dans le domaine du crédit ont encore fait monter le coût de l'argent (le *prime rate* a monté de 18 à 19,5 %) et provoqué, par conséquent, une baisse généralisée des cours des obligations.

Les dernières données sur les prix semblent indiquer une atténuation des poussées inflationnistes. L'indice du coût de la vie et celui des prix de détail ont enregistré en mai une des plus faibles variations de l'année (1,7 % et 2 %) bien que l'augmentation par rapport au même mois de l'année précédente ait été de 16,7 %. L'évolution des prix de gros, elle aussi, après la montée en flèche du mois d'avril (+5,2 %), a ralenti de façon sensible, mais il est encore tôt pour parler d'une inversion de tendance.

NEWS OF FINAFRICA

● For a general approach to the Italian industry, African students attending the course in banking at Finafrica have been given the opportunity of visiting Same factory in Treviglio and Roncaglia works in Modena. At Same — one of the largest Italian farming tractors manufacturers — they have been received by the managing director, Dr. Vittorio Carozza, and have seen the most interesting operating sections. On such an occasion rag. Sandro Fedegari, one of CARIPLO central managers, joined them. Roncaglia, a very im-

NOUVELLES DU FINAFRICA

● Dans le but de donner aux boursiers africains fréquentant le Cours d'économie bancaire au Finafrica un aperçu général sur l'industrie italienne, il a été organisé pour eux une visite à la Same SpA de Treviglio et à la Roncaglia de Modène. A la Same qui est une des plus importantes firmes de tracteurs agricoles, ils ont été accueillis par l'administrateur délégué, Dr. Vittorio Carozza, et ils ont pu visiter les secteurs de production les plus intéressants. Avec eux, il y avait le rag. Sandro Fedegari, un des directeurs centraux

portant mechanical firm in the milling sector, has organized a seminar on cereals produced by developing countries.

● On June 8, it has come to an end the 9th Course in Banking for African Countries. At the end of this course African students have been offered an additional period of training on accounting machines which has been organized by Olivetti SpA at the African Countries Training Centre at Palazzo Africa within the premises of the Milan Trade Fair.

● A group of 25 students coming from different third world countries and making a training at the Institute of Development Studies of the University of Sussex visited Finafrica.

● Mr. Ndaye-Kayembe, member of the management committee of the Caisse Générale d'Epargne du Zaïre, has quite recently visited Finafrica.

● Finafrica received the visit of delegations of the East and West Milan Rotary Club. They were headed by Dr. Giovanni Bodio, assistant general manager, and Dr. Azelio Azzarelli, chief engineer of Cassa di Risparmio delle Provincie Lombarde.

● Dr. Corrado Pirzio Biroli, officer of the Commission of European Communities, Directorate General for Development, held a conference at Finafrica on « The European Economic Community and the third world ».

● Mrs. Tina Novelli, an ethnologist, held three debates at Finafrica on dowry, mar-

de la CARIPLO. La Roncaglia qui est une importante société mécanique de l'industrie de la minoterie a organisé un séminaire d'étude sur les céréales des pays en voie de développement.

● Le 8 juin s'est terminé le neuvième cours de spécialisation bancaire organisé en faveur des pays africains. A la fin de ce cours, il a été prévu une période d'apprentissage sur machines comptables. Cet apprentissage a été organisé par Olivetti et a eu lieu au Palazzo Africa de la Foire de Milan, au centre de formation pour les ressortissants des pays africains.

● Un groupe de 25 étudiants provenant de plusieurs pays du tiers monde et en stage à l'Institute of Development Studies de l'University of Sussex, ont rendu visite au Finafrica.

● M. Ndaye-Kayembe, membre du Comité de Direction de la Caisse Générale d'Epargne du Zaïre, a récemment rendu visite au Finafrica.

● Finafrica a été visité par les délégations du Rotary Club de Milan Est-Ouest. Le vice directeur général, dr. Giovanni Bodio, et l'ingénieur en chef, M. Azelio Azzarelli, de la Cassa di Risparmio delle Provincie Lombarde, étaient à la tête de ces délégations.

● Dr. Corrado Pirzio Biroli, fonctionnaire de la Commission des Communautés Européennes, Direction Générale pour le Développement, a tenu une conférence au Finafrica sur « La Communauté Economique Européenne et le tiers monde ».

● M.me Tina Novelli, ethnologue, a animé trois débats sur la dot, le mariage et la

riage and the family in Africa, which had a very good reception from African students.

● A Somali Democratic Republic delegation headed by the Governor of the Benadir region visited Cassa di Risparmio delle Provincie Lombarde. Received by the vice chairman, Avv. Camillo Ferrari, and officers of the foreign and advertising departments, the Somali delegation stressed the possibility of mutual co-operation with Cassa di Risparmio, which on the other hand already exists with Finafrica (as for instance the technical assistance afforded to the National Bank of Commerce and to the Somali Post Offices).

● Messrs. Jean De Gryse, Eugenio Lari and Eugene D. McCarty from IBRD visited Finafrica.

● CARIPLO and Finafrica participated to the 54th Milan International Fair. The former through 2 offices and the latter through the bureau located at Palazzo Africa.

● The African Unity Day was celebrated at Finafrica in the presence of Italian authorities, African diplomats and some top executives of Cassa di Risparmio delle Provincie Lombarde. Mr. Tamba Matturi from Sierra Leone, dean of the heads of delegations at Palazzo Africa, gave the official address.

famille en Afrique, remportant un grand succès parmi les jeunes africains.

● Une délégation de la République démocratique de Somalie dirigée par le Gouverneur de la région de Bénadir a rendu visite à la Cassa di Risparmio delle Provincie Lombarde. Accueillis par le vice président de la banque, avv. Camillo Ferrari, et par le cadre du service de l'étranger et de la publicité, les membres de cette délégation ont souligné la possibilité d'une collaboration éventuelle avec la Cassa di Risparmio comme il existe déjà d'ailleurs avec le Finafrica (telle que l'assistance technique donnée à la National Bank of Commerce et aux Postes somaliennes).

● Finafrica a été visité par MM. Jean De Gryse, Eugenio Lari et Eugene D. McCarty de la BIRD.

● CARIPLO et Finafrica ont participé à la 54ème Foire Internationale de Milan. La première au moyen de deux guichets et le deuxième par son bureau situé au Palazzo Africa.

● Au Finafrica on a célébré la Journée de l'Unité Africaine en présence d'autorités italiennes, de diplomates africains et de quelques dirigeants de la Cassa di Risparmio delle Provincie Lombarde. M. Tamba Matturi de la Sierra Leone, doyen des chefs des délégations du Palazzo Africa, a présenté le rapport officiel.

African survey

● The European group formed by Fiat and Sadelmi Cogepi from Italy and by Jeumont Schneider and Studelec from France signed a contract of 111 million dinars for the construction of three gas turbine units (of 30 mgw each). They will be taken over by Sonelgaz and set up near Tiaret (Algeria).

● Two important contracts for the construction of five mills have been signed between Sempac (the Algerian firm for molinary industry, flour, alimentary paste and couscous) and two Italian firms (Intercoop and Sanguati). Three mills will be built by Intercoop and two by Sanguati. They will be set up in Sidi Aissa, Ksar Boukhari, Béchar, Tadmait and in Ain Bessem (Algeria).

● A modern plant for gas pipes zinc plating will be built by Monter (a Montedison associate) for Maghreb Tube, Casablanca (Morocco).

● A contract has been signed in Lagos between the Nigerian Federal Minister for Oil, Mr. Akobo, and the sales manager of Snam-Progetti (ENI), Dr. Greppi for the construction of the second Nigerian refinery with a yearly production capacity of 5 million tons. According to Mr. Akobo's statement this contract is the most important one signed up to today in the oil field by the Nigerian Government.

● The Italian firm Oltremare has started the construction of a factory in Kilifi (Kenya) which will process 18 million tons of ground-nuts a year.

Nouvelles africaines

● Le groupe européen formé par les sociétés italiennes Fiat et Sadelmi Cogepi et les sociétés françaises Jeumont Schneider et Studelec a signé un contrat pour la construction de trois turbines à gaz (de 30 mgw chacune) d'une valeur de 111 millions de dinars. Les trois turbines seront prises en charge par la société Sonelgaz et installées dans les alentours de Tiaret (Algérie).

● Deux contrats pour la construction de cinq moulins ont été signés entre la S.N. Sempac (société nationale algérienne pour l'industrie meunière, de la farine et pour la fabrication de pâtes alimentaires et couscous) et deux sociétés italiennes (Intercoop et Sanguati). Trois seront notamment bâtis par l'Intercoop et deux par Sanguati et ils seront installés à Sidi Aissa, Ksar Boukhari, Béchar, Tadmait et à Ain Bessem (Algérie).

● Une installation moderne pour la galvanisation de tubes à gaz sera bâtie par la Monter (associée de la Montedison) pour le compte de la Maghreb Tube de Casablanca (Maroc).

● Un contrat a été signé entre le Ministre fédéral nigérien du pétrole, M. Akobo, et le directeur commercial de la Snam-Progetti (ENI), dr. Greppi, pour la construction de la seconde raffinerie nigérienne qui aura une capacité de production de 5 millions de tonnes par an. Selon M. Akobo ce contrat est le plus important signé par le Gouvernement nigérien jusqu'à présent dans le domaine pétrolier.

● La firme italienne Oltremare a entrepris à Kilifi (Kenya) la construction d'une usine qui traitera 18 millions de tonnes d'arachides par an.

● The new road linking Mwara to Masasi (Tanzania) will be ready in June and it is built by the Italian firm Denaco.

● For the construction of the Nyarabongo bridge in Rwanda it has been chosen the Italian firm Impresa Montaggi Industriali C. Campagna.

● Within short it will start operating the second Somali diesel power plant in Balad built by the Italian firm Industrie Meccaniche Lombarde, which will have a power of 4,300 kw.

● A contract has been signed with an Italian company to build an oil refinery in the Somali Democratic Republic. The project will be completed in two years and be financed out of the Iraqi Fund for Foreign Development. The capacity of the refinery will be some 10,000 barrels of Iraqi crude oil a day.

● Tecnomare, an ENI affiliate, will build an off-shore platform in front of Loango (Congo). The new platform will be exploited by Elf and Agip and will drill down to a depth of 250 meters. The studies carried on since 1972 in Congo proved the profitability of the carnallite exploitation of the Holle potassium mines. 200 new technicians have just arrived in Pointe-Noire.

● Sofricas, Brussels, and Astaldi Estero, Rome, have been entrusted with the construction of the road linking Kengé to Kiwit (Zaire). This construction as well as other works in Zaire will be financed by FED.

● Negotiations are carried on in Sierra Leone by the Salini group for the construction of a power station in Bumbuna. The

● Les travaux de construction de la route de Mwara à Masasi (Tanzanie) seront terminés en juin; il sont exécutés par la société italienne Denaco.

● La construction du pont de Nyarabongo, au Rwanda, a été adjugée à Impresa Montaggi Industriali C. Campagna.

● La seconde centrale diesel-électrique de Somalie va entrer prochainement en service à Balad: sa puissance est de 4.300 kw et elle a été construite par la société italienne Industrie Meccaniche Lombarde.

● Une société italienne a signé un contrat pour la construction d'une raffinerie de pétrole avec la République démocratique de Somalie. La raffinerie qui sera bâtie dans un délai de deux ans sera financée par le Iraqi Fund for Foreign Development et aura une capacité égale à 10.000 barils environ de pétrole brut par jour.

● Tecnomare, filiale de l'ENI, installe au large des côtes du Congo, en face de Loango une nouvelle plate-forme qui sera utilisée par Elf et Agip et permettra l'exploitation des champs pétroliers jusqu'à —250 m. Les études poursuivies au Congo depuis 1972 ont conclu à la rentabilité de l'exploitation de la carnalite des mines de potasse de Holle; 200 nouveaux techniciens viennent d'arriver à Pointe-Noire.

● Un certain nombre de travaux financés par le FED viennent d'être adjugés au Zaïre. Parmi ceux-ci, la construction de la route de Kengé à Kiwit à la Sofricas de Bruxelles et Astaldi Estero de Rome.

● Des pourparlers sont engagés, au Sierra Leone, avec le groupe Salini pour la réalisation d'un projet de centrale hydrau-

new station will satisfy the remaining power needs of Freetown and assure the bauxite treatment mined by the Alosuisse affiliate.

lique à Bumbuna, qui complètera l'alimentation de Freetown en énergie et permettra le traitement de la bauxite extraite par la filiale d'Alosuisse.

Book reviews

CHELLIAH LOGANATHAN, *DEVELOPMENT SAVINGS BANKS AND THE THIRD WORLD*,

Praeger, New York, pp. XII-180.

In this book an interesting project is presented again (to which the same author dedicated a volume a few years ago). It deals with a project elaborated in 1957 when Loganathan belonged to the National Planning Council of Ceylon, which prepared a draft bill in 1959 that was never followed up. The author furthermore believed in the validity of his project as an instrument of economic and social progress in every third world country — by previous introduction of adaptations from time to time considered more appropriate — and he dedicated himself to propagandizing it from 1957 on. The publication of this book aims above all at this objective, which has become the more important for the author since his nomination as consultant to the Development Finance Companies Department of the World Bank. In reviewing this book the following question cannot be avoided: why was the project of the Development Savings Bank over such a long time span not realized in Sri Lanka or in any other developing country? This question can be answered on two grounds. In the first place on grounds of a political nature and of the protection of dominant economic powers. It is the same author that enlightens us in this regard when he points out that in third world countries the mechanism for household savings collection, even when it functions with a certain efficiency, is a cause of the concentration of economic and political power in the hands of a few. If in fact private financial institutions are dedicated to this task the funds are channelled towards national or foreign big business,

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while if state institutions are operating, the funds are centralized in the government coffers and are often destined to the advantage of privileged groups. In the latter case household savings are often directed towards investments of no or of only doubtful utility or go to fueling public consumption.

The political line followed by Loganathan is democratic socialism, based on a more equitable distribution of income and wealth and on the decentralization of economic decision-making. Thus he tends towards a mixed economy, in which the necessary state intervention in the economic and social field is tempered by the survival of free initiative and the competitive system. According to the author, an instrument essential for attaining these objectives is the Development Savings Bank, which contrary to other financial intermediaries dedicated to the mobilization of savings, is geared to protecting the small savers and to benefiting through investment and loans the same social classes that the savings come from.

The Development Savings Bank should in fact finance small industrial and commercial entrepreneurs, artisans and peasant agriculture. The institution should collect financial resources above all from within the country through voluntary and contractual deposits and compulsory contributions. Savings promotion should be facilitated by an appropriate taxation policy. Foreign financial sources should also be drawn from for purposes of integration.

This rapid illustration of the model elaborated by Loganathan is sufficient for understanding the political obstacle encountered in its realization. Above all socialist countries of the Marxist faith are not interested in an instrument that aims at maintaining and even spreading — also

among less well-off social strata — private property including capital goods. But even in the remaining developing countries it is hard to believe on the one hand that the governments would willingly accept limiting considerably their own power in the economic field and watching the yield of their revenues reduced, and on the other that the privileged classes and national and foreign big business would accept being redimensioned. In our opinion however, the realization of Longana-than's project also meets with obstacles of a technical nature. The functioning of the Development Savings Bank results somewhat intricate and assumes preconditions that are not found in many countries. Recourse to securities investment (especially stocks) is overly emphasized, when in many emerging countries, and not only in these countries, this type of investment by small savers has been shown to be dangerous. On the other hand, third world countries endowed with efficient securities markets are few. We are sceptical also about the suggestion for setting up a National Capital and Dividend Equalization Fund: in fact its efficacy especially in generally unfavorable situations is doubtful. Other details of the organizational structure and the operating mechanism of this institution also seem

to us to be inadequate for a model that should have a broad applicability. Possibly they may be put into effect in Sri Lanka and in India, but they cannot be proposed for Africa.

However, going beyond these particulars, we are convinced that an institution that is clearly differentiated from the other types of financial intermediaries such as commercial banks and postal savings banks, can play a foremost role in promoting an economically and socially equilibrated development in emerging countries. To the author without doubt must be ascribed the merit of having been one of the first to advocate an idea, that today even though with characteristics different from those of the project being discussed, has been realized in a certain number of countries where Savings and Credit Banks have sprung up.

Given that the paper does not refer to the specific situation of Ceylon, it would have been appropriate to add the non-extensive, but not less valuable because of its brevity, bibliography, with reference to the experiences, in various third world countries, of other types of financial intermediaries with the same goal as the Development Savings Bank.

Arnaldo Mauri

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