

SAVINGS AND CREDIT FOR LOW COST HOUSING: THE EXPERIENCE OF THE TANZANIA HOUSING BANK

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1. Introduction

Tanganyika became an independent country in 1961 and after union with Zanzibar in 1964, they formed what is now known as the United Republic of Tanzania. Tanzania has an area of 365,000 sq. miles and a population of 16 million people. Nearly 95% of the population lives in villages scattered all over the countryside. These people grow all their food and most of the major cash crops which form the backbone of the economy. The remaining 5% of the population lives in rapidly growing urban centres. For some years following independence, the Tanzania Government, like many other Governments in developing countries, paid very little attention to housing credit. In the urban areas, housing loans were being offered by private moneylenders at exorbitant rates of interest, and by a few private financial institutions to selected high income borrowers. But in the rural areas, there was virtually no organised source of credit for housing at all. In 1967, there was a major shift in Government political and economic thinking which led to a whole new Development Philosophy being announced in the « Arusha Declaration » of that year¹. According to the Declaration, Tanzania is to develop into a Socialist and Self Reliant State. To attain this goal, a number of institutional changes and new policy measures have been introduced in subsequent years. These have included a higher allocation of resources for integrated rural development and the creation of public financial and commercial enterprises to cater for the various sectors of the economy. Among the new financial institutions created to implement the new development strategy, was the Tanzania Housing Bank established in 1972 to mobilise savings and provide housing credit throughout the country. This paper will first look at the legal objects, functions and operational principles of the THB. After that, it will examine the Bank's experience during the first five years of its existence, noting particularly the techniques used in mobilising domestic savings and other resources for housing credit and how this credit is extended to the low income earners in both urban and rural areas of Tanzania. Because Housing Banks of the THB model are still rare institutions today, it is hoped that, from this paper, some lessons will be drawn which might be useful to existing and proposed housing credit institutions in other developing countries.

1 *The Arusha Declaration*, Government Printer, Dar es Salaam.

2. Establishment and functions of the THB

The Arusha Declaration has emphasized shelter, together with food and clothing, as man's three basic necessities for sustaining a meaningful life. Since 1967 therefore, the Government has been allocating an increasing share of its development budget to the housing sector each year. However much of these resources were being used in building new houses in urban centres. The rural areas were getting a very low proportion of public and institutional funds for housing. By 1972, it had become evident that a specialised national institution was necessary to mobilise savings, manage funds provided by the Government specifically for housing development and provide housing credit throughout the country. Thus by an Act of Parliament — The Tanzania Housing Bank Act, 1972² — the THB was established. It started operations on 1 January 1973, after taking over the assets and liabilities of a small semi-private urban Building Society.

According to Section 4 of the Act, the THB has the following objects and functions:

- I. « (a) to mobilize local savings and external resources for housing development;
- (b) to operate savings, time and term deposit accounts and to pay interest thereupon;
- (c) to promote housing development by -
 - (i) making available loan or equity finance for housing development to any person;
 - (ii) making available technical and financial assistance for site and service facilities;
 - (iii) rendering technical, financial and other assistance for promotion and implementation of owner-occupied housing schemes;
 - (iv) rendering technical, financial and other assistance to Villages in the preparation and implementation of building programmes;
 - (v) rendering technical, financial and other assistance for the establishment and administration of institutions, co-operatives and other organizations engaged primarily in housing development for the benefit of the people of the United Republic;
 - (vi) making loans, or guaranteeing loans made by others, to any person

² *The Tanzania Housing Bank Act, 1972 (Act No. 34 of 1972)*, Government Printer, Dar es Salaam.

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- or body of persons, corporate or unincorporate, for the purpose of enabling such person or body to carry out housing development;
- (d) to make loans, guarantee loans made by others and to provide technical and other assistance, to person or body of persons, corporate or unincorporate, for the construction and development of commercial and industrial premises;
 - (e) so far as it falls within its competence, to ensure the implementation of Government policy on housing and building, and, without prejudice to the generality of the foregoing, to promote the use of local materials, to encourage the construction of types of houses best suited to local conditions, to foster the minimizing of building costs, prices at which houses may be sold and rents at which they may be let;
 - (f) subject to the provisions of this Act, to administer such special funds as may from time to time be placed at the disposal of the Bank;
 - (g) to perform any similar or other related function conferred upon it by the Minister after consultation with the President;
 - (h) to do all such acts and things as may be necessary, expedient or advantageous for the performance of the foregoing functions.
- II. The Bank shall utilize all its ordinary and special resources for the purpose only of furtherance of the objects for which it is established ».
- Having defined the functions of the bank in such broad terms, the Act goes on to elaborate the manner in which the operations of the Bank are to be conducted. Section 12 of the Act is quite specific, and states that the operations of the Bank shall be conducted in accordance with the following principles:
- « (a) the Bank shall finance only projects which are economically viable, socially desirable and technically feasible;
 - (b) in making loans the Bank shall satisfy itself that adequate provisions for the enforcement of repayment of the loan and payment of interest exist;
 - (c) the Bank shall determine the type and value of any security or collateral to be pledged by a borrower or an applicant for a guarantee;
 - (d) the Bank shall satisfy itself of the expected ability of the borrower to repay the loan without undue hardship;
 - (e) the Bank shall take all necessary measures to ensure that the proceeds of any loan made, guaranteed or participated in by the Bank are used solely for the purposes for which the loan is granted and that due attention is paid to considerations of economy and efficiency;
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- (f) the Bank shall ensure that every loan contract entered into by it shall enable the Bank to require the borrower to provide all necessary and relevant information and to allow inspection of relevant books and records during such time as the loan or any part thereof remains outstanding;
 - (g) in the conduct of its business the Bank shall establish and maintain proper liaison with all public departments dealing with housing standards, land and town planning, site servicing and location of buildings;
 - (h) the Bank shall take all necessary measures to protect its interests ».

The Board and Management of the Bank have a free hand in running the Bank in accordance with the abovementioned overall operational guidelines. The management interprets and implements these guidelines as it sees fit, and reports to the Minister for Finance every three months, and to Parliament once a year. These periodic reports include statements of financial position and audited annual accounts of the Bank.

3. Sources of THB Finance

In view of the fact that housing has for a long time been regarded by the private sector as an investment with a very low rate of return, the Tanzania Government wanted to make sure that the THB would not be hampered in its intended activities by lack of financial resources, especially during the early years. The THB Act therefore gives the Bank five main sources of finance. These are: first, savings mobilised from individuals and institutions in the country; second, a special Fund called Workers and Farmers Housing Development Fund contributed by employers every month; third, share capital paid in by the Government; fourth, loans and grants; and the fifth source is loan repayments and investment income. For the purpose of financing the Bank's activities, the Act treats share capital, savings, borrowings, grants and loan repayments as the ordinary resources of the Bank to be used in ordinary operations only; and special funds as special resources to be used in special operations only.

« *Savings and Housing* » is the motto of the THB. It underscores the fact that THB's first and foremost source of finance is Savings. The motto also gives savings an active rather than the traditional passive role under which savings are regarded as a residual of income after consumption. Unlike most savings banks

which mobilise savings for any unforeseen uses, the THB mobilises savings for the sole purpose of financing housing. In pursuit of public deposits, the Bank has, during the first five years, opened 18 Regional branch offices in the 20 Regions of mainland Tanzania and one branch office in Zanzibar. As will be seen in Table 1, the THB accepts three types of deposits only and they are all passbook accounts: they are savings accounts, deposit and fixed deposit accounts. The Bank does not operate chequing accounts of any kind for its customers.

Table 1
DEPOSITS IN THE THB

(Million shillings)								
End of	Savings Accounts		Deposit Accounts		Fixed Deposit Accounts		Total	
	No.	Shs.	No.	Shs.	No.	Shs.	No.	Shs.
1972	9,979	24.1	2,936	28.8	188	9.6	13,103	62.5
1973	10,809	27.2	3,776	33.1	190	11.2	14,775	71.5
1974	13,652	31.9	4,628	37.1	217	5.5	18,497	74.5
1975	14,682	38.5	5,333	58.4	293	30.9	20,308	127.8
1976	15,806	52.4	5,835	58.2	305	78.1	21,946	188.9
1977	20,115	78.7	9,447	123.5	342	26.5	29,904	228.7

Source: Tanzania Housing Bank reports.

Savings Accounts are aimed at the low income workers and small peasant farmers. Such an account can be opened with only Shs. 40/— (5 US\$) and it earns interest at 5% p.a. Savings accounts rose rapidly from 1972 to 1977 both in numbers and in value. The increases were largely due to rigorous mobilisation campaigns through the radio, press, lotteries and the new Branch Offices near the potential savers in the Regions. Withdrawal conditions for savings accounts have been liberalised to the extent that savers can in cases of emergency, such as illness or funeral, withdraw their savings virtually on demand. Surprisingly, this unconventional withdrawal facility has had the effect of stabilizing savings accounts and has not led to frequent withdrawals as is commonly believed. Intensive publicity was mounted through the mass media especially during public festivals. Participation in lotteries was done through special accounts opened for that

purpose and winners have their accounts credited with the winnings instead of receiving cash prizes. Rural savers have been reached by the THB periodically at their crop selling posts or market places. The opening up of new Branch Offices was another attraction to small savers. Contrary to some belief that posh new offices scare away small savers, the THB's experience indicates that a bank branch in an old backyard building discourages savers. A clean, new office near the town centre, on the other hand, is the pride of every small saver. Indeed, the other older savings banks in some towns did lose some customers who were attracted by the new THB offices! One of the conditions for getting a THB loan is that the applicant must contribute at least 5% of the cost of the house to be built. Although this contribution can be in cash or in labour or in building materials, quite often it is raised in the form of periodic savings in the THB. Loan repayments have also contributed towards an increase in savings accounts at the THB. A borrower would normally open a savings account into which his salary would be credited by his employer every month. Out of this account, monthly loan repayments would be deducted by the bank automatically. The balances on these accounts are growing as loan accounts increase over the years.

One interesting feature observed with regard to savings accounts was that nearly 1/3 are « dormant », that is, they were opened and either left for a long time without further debits or credits, or they were drawn down to the minimum allowed balance and then left dormant. This phenomenon is explained largely by the fact that some savers open accounts only because of pressure from the THB savings mobilisation staff or in order to win a lottery prize, but in actual fact, they have no intention or ability to operate a savings account on a regular basis. This being the case, the average balance on savings accounts (active savings accounts) would be higher than is shown by simple arithmetic in Table 1.

Deposit and Fixed Deposit accounts are aimed at depositors with large amounts to be saved for relatively long periods. A few of these accounts are pension and provident funds of private and public companies who are most likely attracted by the high interest rates paid by the THB. As the table shows, these accounts also rose rapidly in 1973/77. They remain relatively fewer in numbers but substantial in amounts. Interest paid on these accounts ranges between 5½% and 7% p.a. and the period they remain fixed is 1 - 2 years. Withdrawal conditions are stringent; they include forfeiture of all interest earned if premature withdrawal is made. The THB deliberately, but carefully, pursued these savings for special short term investments. Thus a large 2 - year fixed deposit, for example, would

be used in financing a turnkey housing estate. The houses would be sold for cash to individuals and institutions before the deposit comes up for redemption. It is in handling these types of deposits that the cardinal banking rule of balancing liquidity with profitability comes into play. The THB has so far applied this rule to the best advantage of its depositors and in meeting its stated objectives.

By 1974, that is hardly two years after the THB started operations, it had become quite clear that savings alone, are not adequate because they are too low and too expensive to meet the growing demand for housing loans particularly from the basic low income section of the population. Savings deposited at $4\frac{1}{2}\%$ to 7% p.a. have to be lent out at interest rates of 6% - 10% per annum. But such high rates of interest can only be paid by the very small middle/high income portion of the population. The majority of Tanzanians in rural and urban areas need low cost housing credit. It was for this reason therefore that the Government decided to give the THB its second major source of finance. By an Act of Parliament, the *Workers and Farmers Housing Development Fund* was created in July, 1974³. The fund is built up by monthly contributions from all employers in Tanzania (including the Government) at the rate of 2% of each employer's total wage bill. The contributions are collected from the employers by the Income Tax Department and handed over to the Tanzania Housing Bank for administration and for lending to specific users. According to the Act, the Fund is to be used for, inter alia, financing low cost housing projects of employment-based housing cooperatives; financing housing in rural areas; and for financing low cost housing in Dodoma (Tanzania's new Capital City). The Fund, which stood at Shs. 223.4 million at the end of December 1977, has been flowing in at an average rate of Shs. 5.0 million every month. The THB gets this Fund at zero interest rate, and lends it out at 5% p.a. The size of the Fund and the easy terms at which it comes to the Bank, have enabled the THB not only to reach more borrowers, but also to keep down the cost of credit to the needy members of the population especially in the countryside.

Loans and grants constitute the third source of finance for the THB. However, in view of the satisfactory results from mobilisation of savings and the volume of the W & F.H.D. Fund, the THB did very little borrowing during the years 1973/77. In fact the only loans the bank took during this period were two small soft loans

3 *The Workers' and Farmers Housing Development Fund (Finance and Management) Act, 1974*, Government Printer, Dar es Salaam.

from the International Development Agency of the World Bank for Sites and Services projects. The bank has also received substantial grants for low cost housing credit from the Swedish International Development Agency and the Norwegian Agency for International Development during the period under review. Although the authorised *share capital* of the THB is Sh. 100 million, the amount already paid in by the end of 1977 was 28.4 million only. This leaves a potentially large source of finance from the Government — the sole shareholder — which can be called in by the Bank whenever the need arises. *Loan repayments* by borrowers have gradually gained status as a regular source of capital for the THB. Similarly *income* from the Bank's own investments is growing each year. This source is chiefly rental income from properties such as office buildings, residential houses and storage premises in many parts of the country.

4. Lending

Thus, during the first five years of THB's operations, finance was not a serious constraint. The major bottlenecks facing the Bank were shortage of trained manpower, lack of suitable premises and inadequate operational systems. However, these problems notwithstanding, the THB is today the main source of housing credit in Tanzania for individuals and institutions both in the rural and urban areas. As mentioned earlier in this article, the Bank is expected to observe all the rigorous rules of lending normally observed by any modern credit institution. To some readers this may sound a bit odd for an institution which is wholly Government owned, heavily dependent on Government resources, and operating under a Socialist ideology. Under these circumstances, one would expect the THB to be more socially oriented than profit motivated in its operations. But this is not the case, Section 12 of the THB Act enjoins the Bank « to ... finance only projects which are economically viable, socially desirable and technically feasible ... ». This means that the Bank must behave like a commercial enterprise and not like a charitable organisation when evaluating applications for credit.

However, no sooner had the THB started operations than it became evident that some of these legal lending guidelines were virtually unworkable if applied strictly in the Tanzanian environment. They assumed a country at a much higher level of development than was in fact the case. The social and economic environment in which the THB was expected to operate was that of an underdeveloped coun-

try with poor communications and a population which is predominantly rural, agricultural, low income and scattered in villages all over the place. Land, which is plentiful and mostly unsurveyed, belongs to the State and is cheap for anyone who wishes to develop it. The lending guidelines in the THB Act had therefore to be adapted to the Tanzanian situation. As Nwankwo says; « Lending is a highly subjective phenomenon ... it depends on the judgement of the lender. In making this final judgement the lender should review, with all the techniques, principles and knowledge acquired through environmental and project analysis the whole character and prospects of the borrower ... »⁴. This was exactly what the THB management had to do right from the start. And it was in its lending activities that the THB successfully experimented with some indigenous ideas. Loan limits, security, use of loan and repayment of loans are areas which had to be looked into afresh in order that the Bank could operate effectively.

Realising that, in the long run, its financial resources will be limited in relation to the demand for loans, the THB has put an upper ceiling of Shs. 80,000/— on the loan that can be given for each housing unit. This figure was arrived at after taking into account the low cost of land, building materials, labour etc. in 1973. The Bank has also subdivided the loan limit into four categories each carrying a different rate of interest. Thus in 1977, a loan from Shs. 1,000/— to Shs. 25,000/— carried an interest rate of 5% p.a.; Shs. 25,001/— to Shs. 35,000/— ... 6% p.a.; Shs. 35,001/— to Shs. 60,000/— ... 8½% p.a.; Shs. 60,001/— to Shs. 80,000/— ... 10% p.a. The rationale behind this breakdown is to encourage borrowers generally to take small loans and to reach low income earners in particular, by lowering the cost of housing credit. The overall effect of this policy was that more housing units were financed each year especially in the rural areas. See Table 2.

In calculating the actual loan amount to be given, the THB takes a number of factors into account. First is the size of the house to be built. The house plan is studied by the Bank's architects and the cost of construction is estimated on the basis of the plan. Then the income of the borrower (alone or together with his wife's or her husband's income) is taken into consideration in relation to the estimated cost of construction. The bank's regulation is that, loan repayments, per year or per month, should not exceed 25% of the gross income of the borro-

4 G.O. Nwankwo, « A Strategy for Effective Lending in a Developing Economy », in *Savings and Development*, Finafrica Quarterly Review - No. 1 - 1977 - 1.

Table 2

THB MAIN INDICATORS: 1973-1977

Period	Million Shillings				
	1973	1974	1975	1976	1977
1. Deposits (end of year)	71.5	74.5	127.8	188.9	228.7
2. W.F.H.D. Fund (end of year)	—	14.6	68.5	140.4	223.4
3. Share capital paid in	2.6	18.7	28.4	28.4	28.4
4. Loan Commitments					
a. Total (i) Value	42.2	47.8	112.3	105.0	169.3
(ii) Housing Units	1,595	1,811	2,754	3,383	4,197
b. Rural (i) Value	—	7.3	28.3	50.0	88.0
(ii) Units	—	358	1,005	2,171	2,585
c. Urban (i) Value	42.2	40.5	84.0	55.0	81.3
(ii) Units	1,595	1,453	1,749	1,212	1,612
5. Mortgage and other assets	46.2	118.1	182.5	259.7	372.2
6. Revenue	7.2	8.8	15.0	25.0	35.0
7. Gross Profit	1.1	0.4	2.4	5.6	9.0
8. Staff	120	180	260	320	415

Source: Tanzania Housing Bank Reports.

wer. The third factor is the age of the borrower. A THB loan must be repaid by the time the borrower reaches the official retiring age in Tanzania, which is now 60 years. These regulations apply to employed persons, self-employed persons and peasants also, although the last two have no official retiring age. These factors together with any savings or other contributions to be made by the borrower, give the Bank the maximum loan to be offered.

Generally, the best security for a housing loan is a first mortgage on the property because, in the event of a breach of the terms of the mortgage agreement by the borrower, the lender can legally acquire the house and sell it. However, to create a mortgage such as the one used by the THB, you need to have a Certificate of Title to the piece of land to be developed. To get this Title, the land has to be surveyed, and to survey the land you need qualified surveyors and equipment. Tanzania, like many other developing countries, has plenty of unsurveyed land because it does not have enough surveyors to quickly survey all the land needed for building purposes. Most of the surveyed land is in the towns and it is only here that the THB requires a mortgage as security for its loans. Of the various types of mortgages, the THB uses the long term fixed rate mortgage system with steady periodic repayments of the loan and interest. This arrangement does not

preclude repayments by any borrower who chooses to do so in order to reduce the loan period. A borrower can also enhance his monthly repayments in order to bring them to 25% of his gross monthly or annual income. This usually happens when there is an upward change in income. The other types of mortgages which have been considered but not yet introduced by the THB are: long term variable-rate mortgages with steady payments; variable payment mortgages — indexation of principal; variable payment mortgages — pre-scheduled; and balloon payment mortgages.

In the rural areas where borrowing is naturally increasing each year, the Bank has no legal security for its loans. As an alternative, the Bank requires each rural borrower to take a loan protection insurance policy. Urban borrowers whose properties must be mortgaged to the THB can, if they wish, also take the loan protection policy. This policy is like a life insurance policy but it covers only the loan amount outstanding in the event of death by the borrower. The premium, which is payable each month together with the loan repayment, is small. For example, a loan of Shs. 60,000/— repayable over 15 years will carry an insurance premium of about Shs. 50/— per month (and a principal plus interest instalment of Shs. 500/— per month). In the event of the borrower's death, the THB recovers the debt outstanding from the National Insurance Corporation of Tanzania and the heirs of the deceased person get the house free, as it were. The policy ceases to be effective when the loan is fully repaid. It should also be noted that the policy does not offer the Bank any protection against ordinary default by a borrower. In such an event, the Bank can only embark on a long drawn-out civil case in the courts of law. But perhaps an even more interesting type of security is THB's subtle reliance on the aversion of rural people to debt generally. It is a fact that many rural Tanzanians are shy of debts. To borrow in order to buy food, or to build a house, or even to pay for marriage expenses, is usually frowned upon. But if it becomes necessary to borrow — say for a house — then the borrower tries very hard to repay the debt as quickly as possible and not to fall into disgrace by being publicly harassed for default in repayment. It is not certain how long this custom will continue to « positively » influence rural borrowers. It is quite possible that as affluence spreads, even decent peasants will fear debt less and less and start defaulting in their loan repayments. The THB is fully aware of this possibility.

While security is an important consideration in the THB lending policy, the fact

that the Bank was set up to specifically finance housing, puts the actual construction of houses above all other considerations in extending loans. Houses must be built, and this means that the Bank must ensure that loan proceeds are used by borrowers for this and for no other purposes whatsoever. One way to ensure proper use of loan monies is that the loan is never more than 95 % of the cost of the house, subject to the overall ceiling of Shs. 80,000/—. Furthermore, the loan is disbursed to the borrower in portions relating to the progress of construction of the house. The Bank starts disbursing the first amount after the borrower has contributed his 5 % or more of the cost of the house, either in cash or in materials or in work already done on the site. This requirement is not only in keeping with the country's policy of self-reliance, but it also demonstrates the borrower's commitment to the project. After each stage of construction, the Bank's Building Inspectors visit the project and write a report on materials used, workmanship and stage reached. Further loan disbursements depend on favourable reports by the Building Inspectors. The Project has to be carried out in strict accordance with the plan accepted by the Bank when the loan was granted. If a borrower fails to comply with the loan agreement, the THB stops further disbursements of the loan and the outstanding debt becomes repayable immediately. If on the other hand, the borrower fails to complete a section of his house due to factors beyond his control, such as, a sudden increase in the cost of labour or building materials, the Building Inspector will recommend that the borrower be given an additional loan to assist him finish the project. But additional loans are granted very sparingly. In order to make sure that projects are completed without undue delays, loan repayments become due after either a specified period of construction, normally 9 months, or the actual completion date of the house, whichever comes first.

Misuse of loan proceeds by borrowers is perhaps one of the serious bottlenecks still facing the THB today. For instance, due to lack of an adequate number of Building Inspectors, and in order to reach many borrowers with as little paperwork as possible, the Bank once tried to give building material loans in lump-sums to employers for onward lending to needy employees. However, when some shrewd employees discovered that neither the Bank nor the employer had the machinery to check whether or not the loans were being properly utilised, they started using the funds on things such as clothing, musical items, etc., which had nothing to do with house improvement. The idea, good as it was, had

to be abandoned within six months due to lack of supervision on the proper use of the loan monies.

All THB loans go to borrowers who have a proven regular source of income. In urban areas these will be mostly workers with wages and salaries. Their loan repayments are made by their employers through the salary check-off system. Again, this arrangement enhances the Bank's security on the loans because it minimises default which would occur if borrowers were to repay direct to the THB. In the rural areas, most borrowers are self employed peasants who sell their cash crops usually once a year. The THB has allowed them to repay their loans once a year either direct to the Bank branch near them or through their crop buying agencies who deduct and remit the amounts due to the Bank. The THB's experience with loan repayments, default rate, arrears, etc. is not long enough to form the basis of a definite judgement. However, problems of repayments are expected to increase as more rural people borrow from the Bank. Defaults will arise largely from natural disasters, such as a bad crop due to bad weather. It is largely because of this uncertainty in rural incomes that the THB relies less on ordinary savings and more on the W.F.H.D. Fund for extending rural housing credit.

Other loans offered by the THB include those for manufacture or production of local building materials within the country. Such loans have no upper limit and the borrower, usually an institution, such as a village cooperative society, has to raise at least 25% of the cost of the project. Interest on such loans was 10% p.a. in 1977. The Bank also offers other services to borrowers. It sells house plans designed by its own Architects at very low prices and it offers advice to borrowers on the use of building materials, site layouts, etc. The Bank has in the past assisted in the establishment of housing cooperatives in the country.

5. Further Comments and Conclusions

The short experience of the Tanzania Housing Bank has shown that while small savers are more responsive to attractive customer service than to interest rate changes, larger savers are clearly attracted by high interest rates on deposits. It has also shown that savings in themselves are too low to meet the demand for housing credit in a large developing country. There is need therefore for substantial supplementary financing, such as special low cost funds or equity capi-

tal. As regards the fundamental problems of shortage of trained manpower, lack of suitable premises and inadequate operational guidelines, experience has shown that these are long term problems which need long term solutions. As a beginning, the THB has embarked on a staff training programme which includes on the job training and formal training in local as well as foreign institutions of higher learning. The Bank has also acquired its own premises and has started to develop indigenous operational regulations especially in respect of its lending activities. Equipped with adequate financing, qualified manpower and a flexible management policy designed to suit the local political and social environment, a Housing Bank can effectively extend housing credit not only to the countryside, but also to the low income members of the population. This is borne out by the fact that the THB, young as it is, is already playing an increasing role in the Government's drive to accelerate rural development and bring to a halt the much dreaded rural-push urban-pull phenomenon on the population.

L'EPARGNE ET LE CREDIT POUR L'ABITATION A COÛT MODERE: L'EXPERIENCE DE LA TANZANIA HOUSING BANK.

RESUME

L'article discute l'expérience de la Tanzania Housing Bank dans la période 1973-1977. La THB joue un rôle unique dans l'économie du pays en tant que caisse d'épargne mobilisant les ressources dans le seul but de financer la construction d'habitations à coût modéré dans les zones rurales et urbaines.

L'Auteur mentionne aussi en détail les buts institutionnels et les principes de gestion de la banque, tels qu'on les retrouve dans le THB Act de 1972. On souligne que bien que la THB appartienne 100% à l'Etat et fonctionne sur des politiques socialistes, elle est gérée sur des bases purement commerciales que la direction de la banque adapte chaque fois au milieu local.

Dans la seconde partie de l'article on parle des sources principales de financement de la THB et notamment les dépôts du public, un Fonds Spécial qu'on appelle « Fonds Développement Habitation pour les Travailleurs et les Agriculteurs » (Workers and Farmers Housing Development Fund), le capital social, les prêts et les dons et le rendement des investissements. A propos des dépôts l'Auteur souligne que la mobilisation de l'épargne peut être fructueuse même dans un pays aussi pauvre que la Tanzanie, pourvu qu'elle soit intensive et bien plani-

fiée, et décrit les différentes techniques employées par la THB: une table montre une augmentation de trois fois des dépôts du public entre 1973 et 1977.

L'Auteur décrit ensuite les activités de crédit de la THB dès son début en soulignant les multiples initiatives et les expérimentations de la direction de l'institut. Tout a été fait, dit l'Auteur, dans le but d'étendre le crédit pour la construction au plus grand nombre possible d'emprunteurs et aux termes les plus favorables. On discute en particulier des conditions de prêt, des limites de crédit, des types de garantie, de l'assistance et suivi des projets, des taux d'intérêt et du remboursement des prêts.

En fin, l'article liste les problèmes principaux que la THB doit encore affronter aujourd'hui, entre autres, le manque de personnel spécialisé, le manque de locaux convénables dans plusieurs zones du pays, des routines de travail encore peu appropriées, le détournement des fonds empruntés et les défaillances de remboursement. Il s'agit de problèmes à long terme qui nécessitent des solutions à long terme. Une table montre que, malgré tous ces problèmes, la THB a fait des progrès remarquables pendant ses premières cinq années de vie: les dépôts ont augmenté rapidement, le crédit à la construction a augmenté aussi et a touché tous les coins du pays et toutes les couches de la population, et la banque a réussi à tirer des profits acceptables. On espère que les lecteurs pourront tirer de cette expérience des enseignements utiles pour les institutions de crédit à la construction existantes ou à l'étude dans les autres pays en voie de développement.

Book reviews

Revue bibliographique

GIOVANNI ARRIGHI, *The Geometry of Imperialism*, New Left Books, London, 1978.

The term « imperialism » has for years been the topic of a widespread debate in the most different fields going from semantics to political and economic theory. Yet the debate was not so fruitful and we are still far from mastering a conceptual pattern which would allow us to interpret at least the main events of this century. This frustrating reality induced some scholars to propose, quite seriously, that the word causing so many misunderstandings be banished from the vocabulary of social sciences and replaced by a series of specific terms everytime identifying the economic and political phenomena under consideration unmistakably.

Arrighi's essay is to be viewed in the frame of the New Left trend of studies aiming at overstepping the standstill we have come to and looking for a meeting point among the contrasting trends of thought. The Author underlines that the present confusion stems from the wellknown pamphlet Lenin wrote during the first World War to an essentially tactical end. Lenin's thought was in many points misunderstood by marxist scholars, but, as the Author points out, the responsibility of so many mistakes and misunderstandings affecting today the theory of imperialism lies in the very ambiguity characterizing some parts of Lenin's work. For instance, the acceptance by the orthodox marxist-leninist school of the postulate of identity *imperialism = monopolist and financial phase of capitalism*.

To overstep the obstacle, Arrighi proceeds to examine Hobson's thought, since he identifies this British author as the inspirer of Lenin's model of imperialism. Hobson's terminology is accepted, with a single exception, the replacement of the term « internationalism » by « informal empire », which best suits the period of « free trade », after a fundamental study by Gallagher and Robinson showed that even before 1870 Great Britain had enforced an imperialistic policy. After that date, British imperialism put on a new face, became aggressive out of necessity since its role as « workshop of the world » was being threatened.

The Author summarizes Hobson's thought in a conceptual grill and expresses it *more geometrico*. The same scheme is adopted to interpret historical events since the beginning of the first World War.

The association of capitalism with imperialism is emphasized by three-dimensional geometric illustrations in order to analyse the behaviour of individual social groups and classes within the various States and stress the morphological evolution of capitalism. At the end of his analysis, Arrighi states that present multinational capitalism is the antithesis of Lenin's financial capitalism (based on Hilferding's studies): it in fact marks the passage from the post-World War II U.S. formal empire to the multinational informal empire which is characterized by stability. This element differentiates it from 19th century British imperialism which, being an unstable phenomenon, was inevitably to lead to war.

The Author's conclusions show the inadequacy of Hobson's model — and therefore also of Lenin's paradigm — to interpret the evolution of capitalism in the second half of the 20th century when multinational capitalism has overstepped national States.

It is with the utmost methodological exactitude that the Author demolishes a number of dogmatic formulations and statements which are hard to kill even through the latest three decades' events made them vulnerable out of mere common sense also in the eyes of non-qualified observers of the international political and economic scene. Suffice it to think of the various wars in various part of the world where capitalism not always played the role of an assailant or fomenter and — what is even a more traumatic anomaly — the aggression of socialist countries by other socialist countries. Phenomena like

the maintenance of colonies, limited sovereignty and/or economic and political dependence of States which are only formally independent, are a common character of both capitalist and socialist areas.

Though it is to Arrighi's credit that in the exegesis of Lenin's thought he replaced the postulate of identity, *capitalism = imperialism* by a causal relationship, he did not take his reasoning to its logical conclusions, viz. that imperialism being an essentially political concept, it is not an exclusive prerogative of any economic structure. This statement would have allowed him to overcome first of all the macroscopic anomalies of the great empires of the past — which Lenin set aside in his pamphlet quite questionably as non pertinent with reference to the historical period under consideration — and also to interpret the evidence of imperialism not connected to capitalism the Author came across in the post-World War II period. Moreover, Arrighi should have identified a number of remarkable anomalies of Lenin's model also in the period between the two World Wars. Paradoxically enough, Soviet Russia, under the guidance of Lenin himself, continued along the line of the czars' imperialism in Asia and in the years immediately after the end of the First World War refused to decolonize Turkestan and annexed the three Transcaucasian Republics by force. This is not meant to undermine the validity of the Hobson-Lenin model in the interpretation of a number of local conflicts in the late 19th early 20th century and especially the first World War. But the model no longer suits quite well the World War II, though this was triggered off by capitalist countries, since following the 1929 crisis, the characteristics of capitalism in the various belligerent countries differed considerably from the financial capitalism, harassed by decreasing profit rates, which had commanded the scene at the beginning of the century.

Arnaldo Mauri

Money and credit in Africa

Monnaie et crédit en Afrique

● The Bank of America, which chose Tunis as the base of its activity in Northern Africa, opened an off-shore branch in this town.

● Egypt and the Arab Bank for Economic Development in Africa concluded an agreement in respect of the establishment of an office for that bank in Cairo.

● The competent Ministry authorized the establishment of the Alexandria-Kuwait International Bank, a Joint Venture Stock Egyptian Company with a capital of U.S. 20 mn. The Egyptian side is represented by the Bank of Alexandria, the participation of which amounts to 25% of the capital paid in Egyptian pounds, with other Egyptians taking up the remainder of the 51% representing the Egyptian share in total capital.

● A joint Mauritanian and Moroccan commission laid out the protocols establishing a joint Mauritanian-Moroccan development bank.

● Egypt is planning to create an institution, the Cairo's Money Market General Authority, under the control of the Ministry of Economy, Trade and Economic Co-operation, whose role would be to control the activities in the Stock Exchange in order to eliminate frauds and illegal practices.

● The government of Senegal is planning to create a « school savings scheme »: 300.000 students would receive a savings passbook. Later the same scheme would be extended to workers and civil servants.

● The Chase Manhattan Bank inaugurated their new branch in Abidjan, Ivory Coast.

● Banco do Brazil too opened a branch in Abidjan, Ivory Coast.

● The Ivory Coast and Yugoslavia are planning to create a joint banking structure.

● La Bank of America qui a choisi Tunis comme base de son action en Afrique du nord a ouvert dans cette ville une agence offshore.

● L'Egypte et la Banque Arabe pour le Développement Economique de l'Afrique ont conclu un accord pour la création d'un bureau de la Banque au Caire.

● On a autorisé la création de la Alexandria-Kuwait International Bank avec un capital de 20 millions de dollars U.S.. Le côté égyptien est représenté par la Bank of Alexandria qui a une participation de 25% du capital payé en livres égyptiennes et par d'autres instituts égyptiens se divisant le reste de la participation égyptienne de 51% au capital de la nouvelle banque.

● Une commission mixte mauritano-marocaine a mis au point les protocoles créant une banque mixte mauritano-marocaine de développement.

● On envisage de créer un organisme, la Cairo's Money Market General Authority qui serait placée sous le contrôle direct du Ministère de l'Economie, du Commerce et de la Coopération économique. Le rôle du nouvel organisme serait essentiellement le contrôle des activités boursières, afin d'éliminer la fraude et les pratiques illicites.

● Le gouvernement sénégalais projette la création d'une « épargne scolaire »: 300.000 élèves seraient ainsi dotés d'un carnet d'épargne. Par la suite il serait fait de même auprès des ouvriers et auprès des salariés du secteur public.

● Inauguration des locaux de l'agence de la Chase Manhattan Bank à Abidjan, Côte d'Ivoire.

● Aussi le Banco do Brasil s'est installé à Abidjan, Côte d'Ivoire.

● On envisage la création en Côte d'Ivoire d'une structure bancaire ivoiro-yougoslave.

• A new bank, the Banque internationale pour le commerce et l'industrie du Niger (International Bank for trade and industry), was set up in Niger with a capital of 300 million CFA, fully paid up.

• On the occasion of its 20th anniversary, in July next, the Central Bank of Nigeria is going to issue a new 50 naira bank-note. The 20 naira, as well as 10, 5 and 1 naira denominations and the 50 kobos denomination will be modified when the new denomination is issued.

• Barclays Bank International decided to sell 50% of their share in the Barclays Bank of Nigeria. The latter's ownership will then be 80% in the hands of Nigerians and the bank will change its name to Union Bank of Nigeria.

• A branch of Chase Manhattan Bank was officially inaugurated in Douala. The branch, named Chase Bank Cameroon, has an initial capital of 300 million CFA of which 195 millions from the Chase Manhattan Overseas Banking Corporation (say 65%), 75 millions from the government of Cameroon (say 25%) and 30 millions from the Caisse Nationale de Réassurance du Cameroun.

• The Ministry of Finance of Cameroon announced that a capital market is soon going to be opened in Cameroon.

• The Banque Arabe Libyenne Togolaise du Commerce Extérieur (The Libya-Togo Arab Bank for Foreign Trade) doubled their capital increasing it from Frs CFA 500 million to 1 billion.

• The denunciation of past treaties and agreements between Libya and the Central African Empire is going to jeopardize the activity of all joint companies, such as the Libyan Central African Arab Bank.

• Une nouvelle banque, la Banque internationale pour le commerce et l'industrie du Niger, a été créée au Niger avec un capital social de 300 millions Fr. CFA, entièrement souscrit.

• À l'occasion de son vingtième anniversaire au mois de juillet prochain la Banque Centrale du Nigeria se propose de lancer un nouveau billet de banque de 50 naira. La coupure de 20 naira ainsi que celles de 10, 5 et 1 naira et celle de 50 kobos seront modifiées lors du lancement du nouveau gros billet.

• La Barclays Bank International a décidé de céder 50% de sa participation dans sa filiale, la Barclays Bank of Nigeria. Cette dernière en changeant son appellation en Union Bank of Nigeria sera désormais détenue à 80% par des intérêts nigériens.

• Une agence de la Chase Manhattan Bank a été officiellement inaugurée à Douala. L'agence camerounaise qui a pour raison sociale Chase Bank Cameroon dispose d'un capital initial de 300 millions CFA réparti comme suit: 195 millions sont détenus par la Chase Manhattan Overseas Banking Co. (soit 65%), 75 millions par l'Etat camerounais (soit 25%), 30 millions par la Caisse nationale de réassurance du Cameroun.

• La Banque Arabe libyenne togolaise du commerce extérieur (Baltex) a doublé son capital, porté de 500 millions à 1 milliard. Fr. CFA.

• Le ministre des finances du Cameroun a annoncé qu'un marché monétaire sera ouvert dans les prochains mois au Cameroun.

• La dénonciation des traités et accords passés entre l'Empire Centrafricain et la Libye va affecter des sociétés mixtes comme la Banque centrafricaine arabe libyenne.

News of Finafrica

• Mr. Getachew Yifru, General Manager of the Ethiopian Housing and Saving Bank-set up in 1970 with the assistance of CARIPLO under the name of Savings and Mortgage Corporation of Ethiopia — paid a visit to Finafrica and the Italian Savings Banks Association in order to arrange a new assistance programme.

• Finafrica trainees have been the guests of Cassa di Risparmio di Genova e Imperia and also visited a number of Italian factories among which FIAT in Turin, Alfa Romeo at Arese (cars), the Permanent Exhibition of Building Material at Segrate, Betelli at Monza (building material), Philco at Brembate Sopra (household appliances) and Marlo at Pero (air conditioning).

• Mr. Giuseppe Villa, Director of Finafrica, attended a round table on « Lomé II » organized by the Institute Nuova Africa at the Chamber of Commerce - Milan. On that occasion he spoke on the relations between the activity of Italian financial institutions and the financial promotion of emerging countries.

• A number of delegations visited Finafrica: among them a group of trainees from Angola accompanied by Mr. Coulibali from I.L.O. Centre in Turin; Mr. Mamadou Diane, Boubacar Bass and Amadou Oumar Cissé, representatives of the Development Bank of Mali; prof. Leo Jakobson, Director of the Regional Planning and Area Development Project at Winsconsin University.

Nouvelles du Finafrica

• M. Getachew Yifru, Directeur Général de la Housing and Saving Bank (Ethiopie) — un institut créé en 1970 sous le nom de Savings and Mortgage Corporation of Ethiopia avec l'assistance de CARIPLO — a visité Finafrica et l'Association des Caisses d'Epargne Italiennes dans le but de discuter un nouveau programme d'assistance.

• Les stagiaires de Finafrica ont visité la Cassa di Risparmio di Genova e Imperia à Gênes, et de nombreuses entreprises italiennes, entre autres la FIAT de Turin et Alfa Romeo de Arese (voitures), l'Exposition Permanente du Matériel de Construction à Segrate, Betelli à Monza (matériel de construction), Philco à Brembate Sopra (appareils électroménagers) et Marlo à Pero (appareils de climatisation).

• M. Giuseppe Villa, Administrateur de Finafrica, a participé à une table-ronde sur « Lomé II » organisée par l'Institut Nuova Africa à la Chambre de Commerce de Milan où il a présenté une relation sur les rapports entre l'activité des institutions financières italiennes et la promotion financière des Pays en développement.

• De nombreuses délégations ont visité Finafrica: entre autres, un groupe de stagiaires de l'Angola accompagné par M. Coulibali du Centre B.I.T. de Turin; MM. Mamadou Diane, Boubacar Bass et Amadou Oumar Cissé, hauts représentants de la Banque de développement du Mali; le professeur Leo Jakobson, directeur du Regional Planning and Area Development Project de l'Université de Wisconsin.

While not implying acceptance, payment of fees, responsibility for loss or return, the Editor encourages the submission of manuscripts concerning money, financial intermediaries, financial techniques, and experiments in savings mobilization in developing countries. Articles (two copies) should be in English or in French 4,000 - 10,000 words in length with a 200-400 word summary. Under the above mentioned conditions news items concerning money and credit in Africa are also welcome. All communications should be sent to the Editor:

FINAFRICA - Via S. Vigilio, 10 - 20142 MILANO (Italy)

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