

BURUNDI

Burundi lies to the south of the equator in the middle of the African great lake region. Area: 27,834 km². Population (1967 estimate): 3,406,000. Formerly part of Ruanda-Urundi, a trusteeship territory under Belgian administration, it became independent on 1 July 1962. One of the most densely populated countries of Africa (123 inhabitants per km²), with considerable agricultural resources (coffee, cotton, tropical fruit).

ORIGINS OF THE CENTRAL BANK

When the union of Ruanda-Urundi and the Belgian Congo was set up in 1952, the two members had a common issuing bank, the *Banque Centrale du Congo Belge et du Ruanda Urundi*. This bank was replaced on 4 August 1961 by two separate issuing banks, the *Banque Nationale du Congo* and the *Banque d'Emission du Ruanda et du Burundi*.

The monetary union between the latter two states was dissolved on 18 May 1964, and the respective governments decided to split the joint issuing bank into two Central Banks, the *Banque Nationale du Ruanda* and the *Banque du Royaume du Burundi*, subsequently, on 28 November 1966, renamed *Banque de la République du Burundi*, in line with the country's constitutional change.

ORGANIZATION OF THE CENTRAL BANK

The *Banque de la République du Burundi* has a nominal capital of 30,000 million Burundi francs, entirely subscribed by the state, which appoints the Bank's top-ranking officials.

The Central Bank is directed by a President, a Council of Regency and an Executive Committee.

The Council of Regency has powers to define the objectives of the Central Bank's monetary and credit policy. It includes the President and the members of the Executive Committee, and in addition four members appointed by the Head of the State upon the proposal, respectively, of the Finance Minister, the Minister of Agriculture, the Chambers of Commerce and Industry and the Banking Association.

The Executive Committee has wide powers in respect of the Bank's management and administration, as well as of current operations. It consists of the Bank's President, who is its chairman *ex officio*, and two directors appointed by the Head of the State upon the proposal of the Council of Ministers.

Finally, two auditors appointed by the Finance Minister are responsible for the formal verification and certification of the Bank's accounts and balance sheet.

FUNCTIONS OF THE CENTRAL BANK

The statutory functions of Burundi's Central Bank are to conduct monetary and credit policy with a view to monetary stability and the country's balanced economic development, and to co-operate with the government in the latter's financial policy.

It has the monopoly of money issue, and in 1965 started to issue a national currency, the Burundi franc, which replaced the

Ruanda-Burundi franc previously issued by the *Banque d'Emission du Ruanda et du Burundi*. The Bank is responsible for pooling and managing the country's foreign exchange reserve and for exchange control, and has a monopoly of dealings in gold and silver.

THE CENTRAL BANK'S RELATIONS WITH THE STATE

The Central Bank acts at the state's banker. First of all, it takes care, at home and abroad, of most of the cash transactions and credit operations connected with the budget, either through its own branches, or, in localities where it has none, through commercial banks acting, for this specified purpose, as the Central Bank's agents.

Secondly, the Central Bank helps in balancing the public finances, both by direct lending to the Treasury and by measures designed to ensure the placing, and support the price, of public loan stocks, especially Treasury bonds.

Direct lending by the Central Bank to the government is subject to a series of restrictions. In the first place, the operations concerned may be on a short term basis only, intended to bridge temporary cash deficiencies. The conditions governing permissible amounts and the rate of interest charged are agreed at the beginning of each financial year between the Finance Minister and the Central Bank. In no case, however, may the rate of interest be less than 3 per cent, nor the state's overall debit position exceed 50 per cent of government revenue after deduction of foreign aid and the proceeds of foreign and domestic loans. This quantitative limit may, however, be exceeded in specified conditions of urgent need, though additional credits must be approved by the Council of Ministers and ratified by the Legislative Assembly, the decision being published in the Official Gazette.

The Central Bank may, furthermore, purchase Treasury securities maturing in less than twelve months, or may accept them as collateral for advances.

MONETARY AND CREDIT POLICY

The key objectives of the Central Bank's monetary policy are the defence of the stability of money and the creation of an efficient credit market. The instruments of credit control at the Bank's disposal are the manipulation of the official discount rate, the establishment of a rediscount ceiling, changes in the proportions and the composition of compulsory bank reserves, control over the destination of commercial bank credits and the right to demand import deposits.

Only commercial bills are accepted for rediscount, subject to their maturity being less than 180 days, or, if they serve to finance agricultural activities, 270 days.

The Central Bank may, in addition, refinance medium-term loans (2 to 5 years) granted for investment in industry, trade, agriculture and building, up to 80 per cent of the amount of each loan.

THE BANKING SYSTEM

Apart from the Central Bank, the banking system of Burundi consists of commercial banks, a savings bank and, for medium- and long-term loans, a development bank called *Banque Nationale pour le Développement Economique*. Furthermore, the Post Office engages in banking activities through the *Office des Chèques Postaux*.

The commercial banks accept money on current account and on deposit accounts, either as demand or time deposits, though

the latter are more particularly the specialized sphere of the *Caisse d'Epargne*. Commercial banks may lend only for the short term, and do so mostly through opening credit lines on current account, rediscounting and advances against securities.

The *Caisse d'Epargne du Burundi* was set up in 1964, to succeed the *Caisse d'Epargne du Congo Belge et du Ruanda-Urundi*. Its registered head office is at Bujumbura, and it has two branches as well as a network of correspondents, mostly post offices. The Savings Bank is guaranteed by the state and is authorized to accept savings deposits at 3 per cent, as well as demand deposits and time deposits subject to 3-12 months notice of withdrawal.

The *Banque Nationale pour le Développement Economique* was set up on 8 December 1966, under the auspices of the public authorities. Its purpose is to provide low-interest medium- and long-term loans to companies in agriculture, industry, building and retail trade.

BANKING REGULATIONS

The Central Bank of Burundi has statutory powers of quantitative and qualitative control with respect to the compulsory reserves of commercial banks. The latter are required to keep in tied deposit with the Central Bank a reserve not exceeding 20 per cent of their deposit liabilities. The Central Bank may, however, lay down differential percentages for deposits on current or on savings accounts. The commercial banks in addition have to submit to the Central Bank their balance sheets and periodic reports on their liquidity situation.

CAMEROON

Cameroon covers a large part of Central Africa. In the north it occupies a small part of the Sahel, watered by Lake Chad, and in the south it includes part of the Gulf of Guinea coast. Area: 470,200 km². Population (1968 estimate): 5,562,000. Became independent of the French trusteeship administration on 1 January 1960. In 1961, as the result of a plebiscite, Cameroon was united with Southern Cameroon, formerly a trusteeship territory under British administration. In a predominantly agricultural economy (coffee, cocoa and cotton), industrialization has already made notable progress, with Duala (a town of 250,000 inhabitants) as the most developed centre of manufacturing industry.

ORIGINS OF THE CENTRAL BANK

The *Communauté Financière Africaine*, the currency zone of the CFA franc¹, is the result of a free and voluntary contractual agreement between France and the countries of French-speaking Africa. It includes two monetary unions, each with its own Central Bank. The Central Bank of the Equatorial African Monetary

¹ The CFA (*Communauté Financière Africaine*) franc is freely convertible into French francs at the rate of 1 CFA franc for 0.02 new French francs. In terms of U.S. dollars, according to the par values established with the International Monetary Fund, 1 CFA franc = 0.0036 \$, and against the Italian lire 1 CFA franc = 2.252 lit.

Union is called *Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun* (B.C.E.A.E.C.), and that of the West African Monetary Union, *Banque Centrale des Etats de l'Afrique de l'Ouest*¹.

In 1960, immediately after they became independent, the five countries of Central Africa [Chad, the Central African Republic, Congo (Brazzaville), Gabon and Cameroon], with the co-operation of France, established B.C.E.A.E.C., as a multi-national public corporation and bank of issue for money having force of legal tender throughout the territories of member countries. This was the birth of a monetary union, which was meant, ultimately, to facilitate the creation of a customs union. It was agreed that the Central Bank was to have a registered branch in the capital of each member state, the central administration being located in Paris. Later, the Central Bank opened agencies in major towns of Cameroon, Gabon and Congo (Brazzaville).

ORGANIZATION OF THE CENTRAL BANK

The capital of the Central Bank is owned by the states of equatorial Africa and Cameroon. The French Treasury guarantees free convertibility into French francs of the CFA francs issued by the Central Bank, and in exchange France has the right to appoint representatives of the Bank of France to eight seats on the Central Bank's 16-member Board of Directors; of the remaining eight seats, four were attributed to Cameroon, and one each to the Central African Republic, Chad, Congo (Brazzaville) and Gabon.

¹ The West African Monetary Union was created by the treaty of 12 May 1962 and came into force on 1 November 1962. Its members are Dahomey, the Ivory Coast, Mauritania, Niger, Senegal, Togo (joined on 27 November 1963) and Upper Volta.

The Board of Directors has powers to determine the general lines of the Bank's conduct of affairs, and to decide on monetary and credit policy. In each member country, a Monetary Commission is responsible for current operations, with specific powers in matters of credit control and credit distribution.

The Monetary Commission of Cameroon has eight members, of whom five represent the state and three the Bank of France. In the other four countries, the Monetary Commission has only four members, two representing the state and two the Bank of France. The Chairman of the Central Bank's Board of Directors presides at all meetings of the Monetary Commissions.

FUNCTIONS OF THE CENTRAL BANK

The B.C.E.A.E.C.'s functions are defined as the issue of legal tender, exchange control, collaboration with the government in the implementation of financial policy, and credit control.

The currency issued by B.C.E.A.E.C. is the CFA franc, which is worth 0.02 French francs and, since the devaluation of 8 August 1969, 0.0032 grams of fine gold. The parity against the French franc is fixed on the basis of agreements between France and the member states of the Equatorial African Monetary Union. The currency's internal convertibility is complete. By virtue of the co-operation agreements, which in practice find expression in the operations accounts which the French Treasury keeps in the name of the Central Bank, the money issued in the various states concerned is automatically convertible into French francs. The operations accounts record all movements of funds between the Monetary Union and the other countries of the franc zone. The accounts are credited with all transfers to the Monetary Union, and debited with transfers from it.

Transfers between the Monetary Union and countries outside the franc zone are handled by the Central Bank's head office in Paris, on the exchange market of which foreign exchange is bought and sold.

THE CENTRAL BANK'S RELATIONS WITH THE STATE

Every branch office of the Central Bank keeps an account in the name of the Treasury of the country concerned. The Treasury pays into this account any cash surplus it may have, and draws on it, in case of need, for 240-day advances. The Central Bank furthermore indirectly finances the government by rediscounting short-term Treasury securities.

CREDIT CONTROL

Nearly all the countries of Central Africa have a sort of seasonal economy. The supply of bank notes and coin, which still accounts for the great bulk of the monetary circulation, is closely connected with the sales of the main export products. The Bank puts notes and coin into circulation at the beginning of the marketing season (the autumn), and these flow back to the Bank from March onward. The seasonal rise in the monetary circulation may be as much as 25 per cent, whereas the annual average rise is something like 9 per cent.

The instruments of credit control at the disposal of the Central Bank are manipulation of the official discount rate, the determination of a rediscount ceiling, and moral persuasion. Although the Bank is formally entitled to extend credit directly to private firms, applications for credit are in practice channelled through

the commercial or development banks. The Bank may lend for the short or medium term. Its short-term credits include marketing and export credits for specified agricultural products, import credits, and credits to finance the distribution of specified products or raw materials. The rate of interest charged for short-term credits ranges from 3.50 to 4.50 per cent.

As regards medium-term credits, the Central Bank's Board of Directors has fixed an upper limit of 7,500 million CFA francs, and has limited their purpose to specified production projects and building. The rate of interest charged is 3.50 per cent.

With a view to raising the efficiency of the banking systems in the states of the monetary union, a clearing house and a central risk pool are attached to each branch of the Central Bank. All banks are required to notify the Central Bank, at the end of each month, of the credit position of all clients having obtained credit of more than 2 million CFA francs; medium- and long-term credits have to be reported if they exceed 10 million francs.

THE BANKING SYSTEM

The banking system of Cameroon consists of commercial banks and, for medium- and long-term credit, a development bank called *Banque Camerounaise de Développement*.

During the years 1962 and 1963, the local branches of the big French banks were reincorporated under Cameroon law, with consequent changes in the ownership of their equity. The capital of the new banks was subscribed in part by the government, either directly or indirectly through the development bank, in part by the French parent banks, and in part by American, German, Swiss and Italian banks.

The commercial banks accept money on current account and on deposit accounts, either as demand or time deposits. The minimum amount required for opening an account is 50,000 CFA francs.

Around 90 per cent of the credits granted by the commercial banks are for the short term, most often by means of a credit line on current account, discount of bills or advances against export documents.

The *Banque Camerounaise de Développement* was set up in 1961, with a capital of 1,000 million CFA francs subscribed by the government of Cameroon (75.5 per cent), the *Caisse Centrale de Coopération Economique* (15.5 per cent), the Central Bank (8 per cent) and a German bank (1 per cent).

Its function is to render financial and technical aid for every project and venture judged likely to promote and accelerate the country's economic development. To this end, the bank is entitled to engage in operations both on its own and the state's account. It operates on its own account and at its own risk in extending short-, medium- and long-term credit to public and private enterprises, to finance projects for the development of industry, agriculture, trade and the crafts. On behalf of the state, it operates as consultant on public development projects, as well as management agency for the state's shareholdings.

The *Banque Camerounaise* is authorized to accept savings from the general public and to float loans abroad.

Domestically, the bank issues *bons d'équipement*, two-year certificates bearing interest at 3 per cent. Insurance companies are obliged to invest in these certificates and commercial banks have to take them up in amounts covering 10 per cent of their deposits. The certificates may be presented for discount at the Central Bank 180 days before they fall due.

The rates charged by the development bank vary between 3 and 7 per cent, depending on the type of operation. Long-term loans to farm enterprises normally do not cost more than 5 per cent.

The development bank, furthermore, enjoys special facilities with the Central Bank, such as a special quota for short-term re-financing operations and a special rediscount rate (1 point below that charged to commercial banks) for medium-term operations.

Cameroon, finally, has two public and two private financial institutes. The former are the *Société Nationale d'Investissement* and the West Cameroon Development Agency. Operating respectively in East and West Cameroon, both act on behalf of the state in providing risk capital for new producer companies, and managing these equity holdings. More than half the funds invested by these two institutes goes into industry.

The *Société Camerounaise de Crédit Automobile* and the *Société Camerounaise d'Équipement* are private companies specializing, respectively, on financing hire-purchase sales of motor vehicles and of durable consumer goods.

THE COMMERCIAL BANKS

As soon as Cameroon had its political independence, in 1962, the local branches of the big French banks began to reorganize themselves into independent banks incorporated under Cameroon law, with capital provided in part by the state and in part by other European and U. S. banks. This was done by the branches of the *Société Générale*, *Banque Nationale de Paris* and *Crédit Lyonnais*.

The *Société Générale* began as far back as 1913 to set up branches, first in Algeria, and later elsewhere in North Africa. In

1941 it spread into Cameroon and the other countries of French Equatorial and French West Africa. The Cameroon branch transformed itself in 1963 into the *Société Générale de Banques au Cameroun*, with a capital of 400 million CFA francs, in which the parent company held 51 per cent of the equity, the *Banque Camerounaise de Développement*, the *Banca Nazionale del Lavoro* and the Bankers International Corporation 10 per cent each, the *Bayerische Vereinsbank* 5 per cent, the *Crédit Suisse* 5 per cent, and the *Banque d'Indochine*, the *Banque de l'Union Parisienne* and the *Crédit Industriel et Commercial* 3 per cent each.

The *Banque Nationale pour le Commerce et l'Industrie*, which was founded in 1932 and renamed *Banque Nationale de Paris* in 1966, was operating throughout French-speaking Africa in 1960, either with its own branches or indirectly through those of its subsidiaries *B.N.C.I. - Afrique* and *B.N.C.I. - Océan Indien*. The Cameroon branch was locally incorporated in 1962 as *Banque Internationale pour le Commerce et l'Industrie du Cameroun*. Of its capital of 380 million CFA francs, 19.74 per cent was subscribed by the *Banque Camerounaise de Développement*, 51 per cent by the *Société Financière pour le Pays d'Outremer*, 21.05 per cent by Barclays Bank and 8.21 per cent by the predecessor of the present *Banque Nationale de Paris*.

Much the same was done in the case of the Cameroon branch of the *Crédit Lyonnais*. It was reorganized in 1961 under the name of *Société Camerounaise de Banque*, with a capital of 400 million CFA francs. In this case the shareholders are the state (35 per cent), the *Banque Camerounaise de Développement* (25 per cent), the *Crédit Lyonnais* (25 per cent), the *Banca Commerciale Italiana* (5 per cent), the *Deutsche Bank* (5 per cent) and the Morgan Guaranty International Banking Corporation (5 per cent).

The other commercial banks operating in Cameroon are the Standard Bank of West Africa, the Cameroon Bank Ltd. and the *Banque Internationale pour l'Afrique Occidentale*.

The Cameroon Bank Ltd. has its head office at Victoria. Its capital of 305 million CFA francs was subscribed by the West Cameroon Development Agency and the Central Co-operative Finance and Savings Society.

The *Banque Internationale pour l'Afrique Occidentale* was set up on 1 April 1965, after the reorganization of the *Banque de l'Afrique Occidentale*. Its capital of 60 million CFA francs is divided between the *Compagnie Financière France-Afrique* (51 per cent) and the First National City Bank of New York (49 per cent). The capital of the *Compagnie Financière*, in its turn, is held by a group of French banks (40 per cent) and private investors. The *Banque Internationale*, incidentally, operates not only in Cameroon, but also in all the countries of the Equatorial African and the West African Monetary Unions.



CENTRAL AFRICAN REPUBLIC

The Central African Republic lies right in the centre of the African continent, more than 600 km from the nearest coast. Area: 622,984 km². Population (June 1968 estimate): 1.488.000. Was proclaimed independent of France on 17 August 1960. Agriculture and agricultural exports (cotton, coffee, tobacco and ground-nuts) are the mainstay of the economy, but the country also has timber resources and important diamond mines.

THE BANKING SYSTEM

The banking system of the Central African Republic consists of commercial banks and one development bank, called *Banque Nationale de Développement de la République Centrafricaine*.

The local branches of the *Crédit Lyonnais* were reincorporated under the Republic's law in 1962, and this led to the establishment of the *Union Bancaire en Afrique Centrale*, with a capital of 200 million CFA francs. The Republic itself contributed 20 per cent of the capital, the *Crédit Lyonnais* 40 per cent, and the *Société Générale* 40 per cent. In addition, there are branches of the *Banque Nationale de Paris* and the *Banque Internationale pour l'Afrique Occidentale*.

The development bank was set up on 9 May 1961, to replace the *Société Centrafricaine de Crédit*. The state subscribed 63.2

per cent of its capital of 420 million CFA francs, the *Caisse Centrale de Coopération Economique* 29.4 per cent, and the *Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun* 7.4 per cent.

The bank raises its funds by accepting deposits, especially from insurance companies, social security funds and public agencies, and also floats loans abroad. Its credits go mainly to agriculture, industry, trade and the crafts. It normally charges between 6 and 8.50 per cent, but loans for residential building are subject to a higher rate of interest, of about 10 per cent.

CHAD

Chad, lying in the heart of Africa, covers a large territory made up of a Saharan region, a strip of the Sabel, and a region of savanna. Area: 1,284,000 km². Population (June 1969 estimate): 3,510,000. Formerly a French colony, it became independent on 11 August 1960. Poor agricultural resources (some cotton exports) and little animal husbandry.

THE BANKING SYSTEM

The banking system of Chad consists of commercial banks and one development bank, called *Banque de Développement du Tchad*.

The local branches of the *Crédit Lyonnais* were reincorporated under Chad law in 1962, and this led to the establishment of the *Banque Tchadienne des Crédits et des Dépôts*, with a capital of 150 million CFA francs. The government of Chad contributed 26 per cent of the capital, the *Banque de Développement du Tchad* 25 per cent, the *Crédit Lyonnais* 34 per cent, the *Banca Commerciale Italiana* 7.5 per cent, and the *Deutsche Bank* 7.5 per cent. In addition, there are branches of the *Banque Nationale de Paris* and the *Banque Internationale pour l'Afrique Occidentale*.

The bulk of the credits granted by the commercial banks are for the short term and mostly serve to finance international trade,

especially cotton exports. The commercial banks are required to take up 20-year national loan stock in amounts equalling 10 per cent of their deposits. These securities are accepted by the Central Bank as collateral for advances.

The development bank was set up in 1962, with a capital of 420 million CFA francs. The state subscribed 58.4 per cent of its capital, the *Caisse Centrale de Coopération Economique* 33.3 per cent, and the *Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun* 8.3 per cent. Its function is to provide medium-term loans to finance production in industry and agriculture, and short-term credits for cotton exports.

CONGO (BRAZZAVILLE)

Congo (Brazzaville), a former French colony, lies in Equatorial Africa on the right bank of the river Congo. It has a coast on the Atlantic of some 100 km, and the interior includes a vast upland plain that constitutes three fifths of the national territory. Area: 342,000 km². Population (June 1968 estimate): 870,000. Independent since 7 August 1960. The country's northern half is covered by rain forest and tropical hardwoods are the main exports, together with groundnuts and diamonds.

THE BANKING SYSTEM

Congo (Brazzaville) is one of the five African countries which belong to the Equatorial African Monetary Union and have a joint Central Bank, the *Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun*¹.

The banking system of Congo (Brazzaville) consists of commercial banks and one development bank, called *Banque Nationale du Développement du Congo*.

The local branches of the big French banks were reincorporated under Congo law in 1963, with consequent changes in the

¹ For the functions and organization of this Central Bank see under the heading CAMEROON.

ownership of their equity. The *Société Générale* branch became the *Société de Banques au Congo*, with a capital of 200 million CFA francs. The parent company contributed 51 per cent of its capital, the Bankers International Corporation 10 per cent, the *Banca Nazionale del Lavoro* 10 per cent, the public authorities 10 per cent, the *Bayerische Vereinsbank* 5 per cent, the *Crédit Suisse* 5 per cent, the *Banque de l'Indochine* 3 per cent, the *Banque de l'Union Parisienne* 3 per cent, and the *Crédit Industriel et Commercial* 3 per cent.

The local branch of the then *Banque Nationale pour le Commerce et l'Industrie* became the *Banque Internationale pour le Commerce et l'Industrie du Congo*, with 51 per cent of its capital coming from the *Société Financière d'Outremer*, 32.35 per cent from the parent company, and the rest from private Congo investors.

The *Crédit Lyonnais* branch, in its turn, was incorporated under the name of *Banque Commerciale Congolaise*, with a capital of 180 million CFA francs. Of this, the state provided 43.66 per cent, the *Banque Nationale de Développement du Congo* 7.34 per cent, the *Crédit Lyonnais* 34 per cent, the *Banca Commerciale Italiana* 5 per cent, the *Deutsche Bank* 5 per cent, and the Morgan Guaranty International Banking Corporation 5 per cent.

Finally, there is the *Banque Internationale pour l'Afrique Occidentale*, a French bank in which the First National City Bank has a stake. It has its head office in Brazzaville and an agency at Pointe Noire.

The *Banque de Développement du Congo* was set up in 1961 with a capital of 462 million CFA francs. The state holds 58.4 per cent of the equity, the *Caisse Centrale de Coopération Economique* 25 per cent, the *Banque Centrale des Etats de l'Afrique*

Equatoriale et du Cameroun 8.3 per cent, and private financial institutes the remaining 8.3 per cent. To attract domestic savings, the bank issues *bons d'équipement*, 2-year interest-bearing certificates which commercial banks are required to take up in amounts covering 10 per cent of their deposits. The certificates can be presented for discount with the Central Bank 180 days before they fall due. The development bank's credits go mainly to industry, agriculture and building, but it also lends for the purchase of motor vehicles and finances economic and social infrastructures.

