

## MAURITIUS

*Mauritius is one of the Mascarene Islands in the Indian Ocean to the east of Madagascar. Area: 1,865 km<sup>2</sup>. Population (December 1968 estimate): 794,000. Formerly a British colony, it became independent on 12 March 1968, remaining in the Commonwealth. A country of tropical agriculture, with exports of sugar and tea.*

### ORIGINS OF THE CENTRAL BANK

The Bank of Mauritius was established by ordinance on 28 September 1966, but did not actually start working until 1 July 1967. By the bank of Mauritius (Amendment) Act of 19 December 1968 the statute of the Bank was altered on some points, and it now has all the regular attributes of a central bank as regards both the money issue and monetary and credit control in close co-ordination with government policy.

Although Mauritius is part of the sterling area, it has its own currency system. The money unit is the rupee, divided into 100 cents; its value equals 0.18 U. S. dollars.

### ORGANIZATION OF THE CENTRAL BANK

The Bank of Mauritius is a body corporate, whose establishment, statute and activities are laid down by law. Its authorized capital of 10 million rupees was subscribed by the government.

One quarter of net profits has to be allocated at the end of each financial year to a general reserve fund until the latter at least matches the Bank's paid-up capital.

The general policy and administration of the affairs and business of the Bank are entrusted to its Board of Directors, which consists of the Governor, the Managing Director and not less than three nor more than five other directors.

The Governor is chairman of the Board of Directors, is the Bank's principal representative, and responsible for the general supervision of the Bank. He is appointed by the Governor-General of Mauritius on the advice of the Premier. His term of office is five years, on terms and conditions such as the Governor-General may determine.

The Managing Director is responsible for the day-to-day management of the bank's affairs and business, subject to the general supervision of the Governor of the Bank; in the latter's absence, he acts for him. The Managing Director is appointed in the same way as the Governor, and both are chosen among persons of recognized experience in banking and currency administration. The Governor and the Managing Director are answerable to the Board of Directors for their acts and decisions.

The other members of the Board of Directors are appointed by the Premier on the recommendation of the Minister of Finance; they hold office for three years and have to be persons of experience in banking or public finance or in one or more of the major economic activities of Mauritius. The Board is required by law to meet at least once every two months, but may be convened more often if required. Its chairman is the Governor or, in his absence, the Managing Director. Three Directors, including the chairman, constitute a quorum. Decisions are taken by a majority of the votes of those present, the chairman having a casting vote.

The Board supervises all the Bank's activities, and in particular is responsible for: consideration of monetary policy and the formulation and execution of the credit policy of the Bank; fixing the rate or rates of discount and rediscount, as well as those on advances to the government or to other customers of the Bank; determining the rates of exchange at which the Bank shall buy and sell foreign exchange. The Board, furthermore, approves the balance sheet and profit appropriation, appoints the auditors, approves staff contracts and appoints officials and other employees (this latter function may be partly or fully delegated to the Governor, subject to his keeping the Board informed).

#### FUNCTIONS OF THE CENTRAL BANK

The 1966 Ordinance assigns to the Bank of Mauritius the purposes of exercising the functions of a central bank, and of safeguarding the internal and external value of the currency and its international convertibility. The Bank is further enjoined to direct its policy towards achieving monetary conditions conducive to strengthening the financial system and increasing the economic activity and the general prosperity of Mauritius. To this end, the Bank formulates and puts into effect monetary policy, exercises exchange control and credit control, supervises and refinances the banking system, and takes care of public debt management.

The Central Bank has the sole right of issuing legal tender and therefore has exclusive responsibility for all money-creating operations. As coverage for the money issue, it has to maintain a reserve of gold or convertible foreign exchange equivalent to not less than 50 per cent of the total value of the Bank's notes and coins in circulation and its other demand liabilities. In exceptional circumstances, however, the Minister of Finance may, on a unani-

mous recommendation of the Board of Directors, authorize the Bank to alter the minimum reserve for a period not exceeding six months, or for longer subject to a resolution taken by the Legislative Assembly and published in the official gazette.

#### THE CENTRAL BANK'S RELATIONS WITH THE STATE

The Bank of Mauritius is required to act as banker to the government, but, since it has no branches, may appoint other banks to undertake, as its agents, the execution of the government's banking business in places where the Bank is not otherwise represented. In its turn, the government may, for so long as may be determined by the Minister of Finance on the advice of the Bank, maintain accounts with other banks in Mauritius.

After consultation with the Governor of the Bank, the Minister of Finance may give the latter such directions as he considers necessary in the public interest. The government consults the Bank in matters of economic and financial policy, and the Bank has the duty to inform and advise the government on any matter which in its opinion is likely to affect the achievement of the Bank's purposes. The Bank issues and manages public loans on behalf of the government, local authorities and statutory or corporate bodies (in the latter case, subject to special approval by the Board of Directors).

The Bank of Mauritius may grant advances to the government in respect of temporary deficiencies of budget revenue, at such rates of interest as the Bank may determine. The total amount of such advances outstanding must not, at any time, exceed 10 per cent of estimated budget revenue for the current year. These advances must be repaid not later than four months after the end of the financial year in which they are granted, by default of which

the Bank may make no further advances to the government until the outstanding balances have been repaid.

The Bank of Mauritius may, furthermore, purchase and sell government securities maturing in not more than 20 years, either issued in the past or forming part of a public issue at the time of acquisition. However, the total value of such securities held by the Bank at any time may not exceed 30 per cent of the current year's estimated budget revenue. Government securities which the Bank buys as investments for its own funds do not enter into this computation.

Finally, the Bank may, subject to approval of the Minister of Finance and up to 50 per cent of the sum of the Bank's capital and reserves, subscribe to, hold and sell shares of any corporation set up with the approval or under the authority of the government for the purpose of facilitating the financing of economic development.

#### MONETARY AND CREDIT POLICY

The Bank of Mauritius acts as the bankers' banker and does not deal directly with the public, except for keeping accounts for its own staff. For purposes of maintaining the purchasing power of money without detriment to the promotion of economic development, the Bank varies the official discount rate, fixes rediscount ceilings, varies the reserve ratio and the liquidity ratio required of commercial banks, controls the destination of credit and applies moral persuasion.

The Bank may purchase, sell, discount and rediscount bills of exchange and promissory notes arising out of commercial transactions and maturing within 90 days from the date of presentation, provided they bear two acceptable signatures, including one from



an authorized bank or other credit institute which is a customer of the Bank. For paper arising out of the financing of seasonal agricultural operations, including fishery and animal husbandry, or of the movement, marketing or processing of agricultural produce or minerals, the maturity may be 12 months, all other conditions remaining the same.

To such credit institutes as are its customers, the Central Bank may grant advances for fixed periods, not exceeding three months, against gold, government securities maturing within 20 years, and bankable bills and promissory notes, provided that no advance so secured may exceed 75 per cent of the nominal value of the instruments pledged.

The Bank may accept as collateral for such advances also warehouse warrants, or their equivalent securing possession of goods, in respect of staple commodities or other goods duly insured and with a letter of hypothecation from the owner, but in that case may not advance more than 60 per cent of the current market value of the commodities or goods in question.

#### THE BANKING SYSTEM

The banking system of Mauritius grew up under the dominating influence of British banks. Until independence, all the country's credit institutes were directly or indirectly affiliated with British banks. At present, the banking system consists of six commercial banks (including two domestic banks, the Mauritius Commercial Bank and the Mauritius Cooperative Central Bank, and four foreign ones—Barclays Bank, the Baroda Bank, the Habib Bank and the Mercantile Bank); the Mauritius Agricultural Bank, which is a public institute specializing in agricultural, real estate and industrial credit; one medium-term credit institute (Barclays Over-

seas Development Corporation Ltd.); a Post Office Savings Bank; and the Development Bank of Mauritius.

The latter is a public agency managed by a board of directors appointed by the Minister of Finance. It helps firms the development of which is in the national interest, to acquire the financial resources they need for their programmes. It gets its capital funds mostly from the government or international financial organizations, and also accepts deposits and floats bond issues; it extends medium- and long-term credit to agricultural and industrial firms, at rates on the average 2.50 to 3 per cent lower than those usually charged by commercial banks.

A final point to mention is that, since 1963, a stock exchange has been working at Port Louis. It is governed by special legislation, and deals in shares and fixed-interest securities (private, government or foreign).





## MOROCCO

*Morocco lies in western North Africa, with coasts on the Mediterranean and the Atlantic. Area: 445,500 km<sup>2</sup>. Population (June 1969 estimate): 15,050,000. Formerly a French protectorate, it became independent on 2 March 1956. Morocco is the world's third-largest producer of phosphates, and its other mineral resources include iron, manganese, cobalt and lead. It has a thriving and diversified agriculture, with exports of early spring fruit and vegetables.*

### ORIGINS OF THE CENTRAL BANK

Morocco's Central Bank, the *Banque du Maroc*, was set up on 30 June 1959. It inherited the organization and activities of the *Banque d'Etat*, which had been founded in 1906 by a group of French financial institutes, and had always discharged the functions both of a bank of issue and a commercial bank. Both functions were taken over by the *Banque du Maroc*.

After independence, Morocco became part of the franc zone. The par value of the Moroccan franc was fixed equal to that of the French franc, and convertibility at par between the two currencies was maintained with the help of a credit line opened by the French Treasury to Morocco's Central Bank. The two

currencies, however, ceased to have equal value when Morocco, in 1958, judged it inopportune to devalue its currency in line with the French franc.

But then came the monetary reform of 1959, with its key provisions of devaluing the Moroccan franc by 20.44 per cent and replacing it by the dirham, at a conversion rate of 1 : 100. The par value of the new currency unit was fixed at 5.06 dirham per U. S. dollar, and 1.025 dirham per French franc. Since the monetary reform, Morocco has pursued its own independent monetary policy.

#### ORGANIZATION OF THE CENTRAL BANK

The Central Bank is a public corporation with a capital of 20 million dirham, entirely subscribed by the state. Its organs are the Governor, the Council, the Committee of Directors, and the Board of Auditors.

The Governor is appointed by royal decree upon recommendation of the Finance Minister, for an unspecified term of office. He co-ordinates and directs the Bank's activities in accordance with the provisions of the statute and the decisions of the Council. He is assisted either by a Deputy Governor who substitutes for him in case of absence or disability, or by a General Manager, who is directly responsible to him. The General Manager is appointed by decree of the Finance Minister, upon recommendation of the Governor confirmed by the Council.

The Council consists of: the Governor, who is its chairman; the Deputy Governor or General Manager; a number of chairmen or general managers of government-controlled credit institutes

according to a list determined by the Finance Minister; three representatives of government departments, appointed, respectively, by the Minister of the Treasury, the Minister of the National Economy and the Minister of Agriculture; two councillors appointed by the Finance Minister in the light of their functions in the economy and the world of finance.

The Governor, in addition to being chairman of the Council, also has the duty of drawing up its agenda and of ratifying its decisions by his personal approval. The Council, in its turn, is called upon to take decisions with respect to the organization and activities of the Bank (the opening of new branches, internal organization, staff rules and salaries, appointment of officials), as well as on monetary, credit and exchange policy. However, such decisions as the Council takes on rediscount policy become effective only after approval by the Finance Minister.

#### FUNCTIONS OF THE CENTRAL BANK

As in many other African countries, the fundamental task of the Central Bank is control of the monetary circulation with a view to meeting the paramount requirements of economic development, without detriment to the stability of the currency's purchasing power.

To help it achieve these aims, the Central Bank has exclusive powers: (1) to issue legal tender and handle all gold and foreign exchange transactions which might increase the money supply; (2) to rediscount bills and extend credit to commercial banks; (3) to act as the government's banker and fiscal agent.

In addition to these typical functions of a Central Bank, the *Banque du Maroc* is free to deal directly with private clients and

to handle on their behalf every type of operation typical of commercial banking.

The Central Bank, then, has exclusive powers to issue money and deal with all operations which lead to a change in the volume of circulation (foreign exchange operations, advances to the Treasury, rediscount of bills, open market operations). The Bank is required, however, to issue new money only on condition that it has gold and gold-convertible foreign exchange reserves amounting to at least one ninth of the total of bank notes in circulation. This required proportion of reserves may be raised to one third by decree of the Finance Minister, upon request of the Bank's Council.

#### THE CENTRAL BANK'S RELATIONS WITH THE STATE

The government's financial policy is the product of close collaboration with the Central Bank, which also acts as the government's adviser in international financial relations. To this end, the Bank takes part in all relevant negotiations, and sometimes even represents the government in arranging foreign loans. It also acts as the Treasury's agent in all the latter's banking, credit and fiscal operations. In particular, the Bank handles all the Treasury's cash transactions, and in case receipts fall short of disbursements, may advance to the Treasury sums not exceeding 10 per cent of budget revenue for a period totalling at most 240 days in any one year; this limit may not be exceeded even if the 240 days are not consecutive. The Bank floats, converts, repays and services government stock, and may be asked to do the same for government-guaranteed bonds. No charge is made to the Treasury

for any of these services, but the Bank is reimbursed for any exchange loss that may occur in foreign operations on behalf of the state.

The Bank owns the whole of the foreign exchange reserves, and uses them as a primary source for financing the country's economic development plans. For this reason, exchange control, though actually within the competence of the Ministry of Finance, has been delegated to the Bank, which uses it as an instrument of monetary policy.

A last point to mention with respect to the Bank's relations with the state, is that all public agencies are required to conduct all their banking transactions through the Central Bank.

#### MONETARY AND CREDIT POLICY

The Central Bank's primary purpose is to keep the economy supplied with such finance funds as it needs for balanced development, but without an inflationary expansion of the money supply. The Bank's credit control is exercised mainly through quantitative and qualitative credit restrictions (fixing an upper limit) and through manipulation of the reserve requirements (fixing a lower limit). It has done its best to secure the co-operation of the banks by moral persuasion.

Morocco's banks are organized in a "Committee", and the Central Bank is always bringing its influence to bear on this Committee with a view to inducing it to use its institutional powers in the sense of keeping credit distribution aligned to general policy.

A credit control system introduced in 1960 provides for the determination of a rediscount quota for each bank, as well as for



prior approval of certain forms of credit. The intention was to keep the volume of credit within limits compatible with industrial and trade activities and with stable money, making sure, at the same time, that priority projects got all the credit they needed.

The Central Bank rediscounts trade bills bearing at least three signatures, and bills issued by industrial or agricultural companies with at least two signatures, provided they fall due within at most 90 days. Rediscount facilities are available also for trade bills relating to medium-term loans, provided they bear three acceptances, one of them by the lending bank; in this case the furthest admissible maturity is five years from the date of rediscount by the Central Bank. The Central Bank also has a commercial banking department and is explicitly entitled (under Art. 36, IV of the statute) to open and keep current accounts, accept securities for deposit, rent out safes and handle all business having to do with securities. This combination of central bank functions with commercial banking is traditional in Morocco and has always worked well. It gives the Central Bank an opportunity to expand credit to priority sectors through its own commercial banking department, and thus enables it to make a massive contribution to the achievement of the targets set by the country's economic and social development plans.

#### THE BANKING SYSTEM

Morocco has one of the most diversified and well-developed banking systems in the whole of Africa. Apart from the Central Bank, there are some 30 commercial banks (with more than 200 agencies), seven people's banks, a great many specialized financial

institutes, a development bank and, finally, a post office savings fund which works through the network of post offices up and down the country.

The first commercial bank, the *Banco Salvador Hassan y Hijos*, was founded as long ago as 1865. As time passed, many others came to join it, mainly in response to expanding trade traffic. Most of the new banks were branches of big foreign, mostly French, banks; it was only later that these made themselves legally independent of their parent banks, and even then they maintained close financial relations with them.

After Morocco became independent, a number of foreign banks either closed their doors or were sold to local interests. Most of them, however, were reorganized in accordance with Moroccan law, and in some of them the government or some other local group now holds part of the equity. In terms of the volume of business, the commercial banks account for about 90 per cent of total bank deposits and about 50 per cent of bank credit.

Among specialized banking institutes set up under the auspices of the Central Bank or the government, the following may be mentioned: the *Banque Marocaine du Commerce Extérieur* (foreign trade), the *Caisse Nationale de Crédit Agricole* (agricultural credit), the *Caisse de Dépôts et de Gestion* (a financial management agency for the government in connection with development plans), the *Caisse Marocaine des Marchés* (refinancing of state and other public contracts), the *Caisse des Prêts Immobiliers du Maroc* (credit to hotels and builders).

The *Banque Nationale pour le Développement Economique* exists to promote the country's economic development. To this end, the bank has powers (1) to extend long-term credit, (2) to

discount or hold paper representing medium-term credits, (3) to furnish every type of guarantee, more particularly by endorsement, helpful in promoting the growth of all kinds of companies and firms, (4) to administer any fund, public or private, (5) to assist, in whatever form may be judged necessary, both the state and all institutions concerned with the preparation and implementation of economic development plans.

To finance all these activities, the Development Bank may, in addition to using its own capital, float bonds, contract loans, and get advances and subsidies from the government. It may not, however, accept deposits from the public. Its own capital is 30 million dirham; half of it was provided by the government, the Central Bank and other public institutions, and the other half by Moroccan and foreign banks.