

NIGER

Niger, a large desert territory without an outlet to the sea, lies in West Africa. Area: 1,267,000 km². Population (June 1969 estimate): 3,909,000. Formerly a French colony, it became independent on 3 August 1960. The economy is based on agriculture (groundnuts) and animal husbandry. Large uranium deposits have recently been discovered.

ORIGINS OF THE CENTRAL BANK

Niger is one of the seven African countries which belong to the West African Monetary Union and have a joint Central Bank; the other six members are Dahomey, the Ivory Coast, Mauritania, Senegal, Togo and Upper Volta.

The West African Monetary Union was set up by the treaty of 12 May 1962. By virtue of Art. 4, the participating states undertake to comply with the provisions governing the money issue, the pooling of reserves and the free circulation of money tokens within the Union. In the Union's Council, every participant state is represented by one member of ministerial rank.

The seven participant states have one single Central Bank, the *Banque Centrale des Etats de l'Afrique de l'Ouest*, which was set up by virtue of the constituent treaty and is governed by its own statute. It succeeded the *Banque de l'Afrique Occidentale*,

an ordinary private commercial bank, which had a monopoly of the note-issuing privilege from 1901 until 1955, when this privilege devolved, upon decision of the French government, to the —public—bank of issue of French West Africa and Togo.

ORGANIZATION OF THE CENTRAL BANK

The Central Bank has the legal status of an “international public institution” and, as such, enjoys in all the Union’s member states the privileges and immunities normally extended to international financial organizations. Its capital of 2,800 million CFA francs, the common currency of the Union, is held in equal parts by all member states.

The highest organ of the Bank is the Board of Directors, of whose members two thirds are appointed by the Union’s participating states, each having a right to two board members, and the remaining third is appointed by France. This arrangement rests on a special agreement by which France guarantees free convertibility of the Union’s currency into French francs, in exchange for a voice in the decisions of the Central Bank. Every two years, the Board elects the President of the Bank from among its own members. In addition to the Board of Directors and the President, the Bank’s business is managed by a General Manager, branch managers and the National Monetary Commissions. Each of the latter has five members, generally distinguished personalities from the economic and financial world, who meet at the Central Bank’s branch headquarters in their own country and are responsible for decisions of current local interest.

For the time being, the Bank has its central head office in Paris, and a branch and several agencies in each of the countries belonging to the Union.

FUNCTIONS OF THE CENTRAL BANK

The French guarantee of free convertibility for the Union's currency into French francs finds technical expression in a special current account, called the "operations account", which the French Treasury has opened in the name of the Union's Central Bank. The Union pays into this account all its foreign exchange, and the French Treasury supplies the Union with the French francs it needs. This arrangement has the advantage of pooling the reserves of the Union's seven states, and of giving those which run a deficit at least temporary access to the surpluses of the others.

As regards the circulation of CFA francs within the Union, the Central Bank's branch in each country issues bank notes with its own countersign (a distinguishing letter), in accordance with the local economy's cash requirements.

THE CENTRAL BANK'S RELATIONS WITH THE STATES

There are strict rules limiting each member government's powers to borrow from the Central Bank. Each country's Treasury has a current account with the Bank, but, barring the provisions of Art. 15a of the statute, this may never show a debit balance. Under Art. 15a, however, the Bank may allow an overdraft for not more than 240 days and in an amount not exceeding 10 per cent of the preceding year's budget revenue in the country concerned. The time limit may be extended by one year upon a government's request showing good reason, and the amount may be raised to 15 per cent of budget revenue, "after due consideration of the situation of the monetary circulation and after appraisal of the likely repercussion upon it of such an increase".

MONETARY AND CREDIT POLICY

There is no scope for the use of the traditional instruments of quantitative credit control, at least in normal conditions. The discount rate has remained unchanged at 3.50 per cent since October 1956, there are no open market operations, and not even reserve requirements, though these latter are provided for in case of exceptional circumstances.

Qualitative credit control is much more suitable in the conditions of the countries concerned, especially in Niger, where development policy is implemented through a programme stretching over several years.

Technically, refinancing takes place by means of the rediscount of bills, and credit control works through the fixing of a refinancing ceiling. Each National Monetary Commission regularly examines the respective economy's short-term financial requirements, and in so doing carefully sifts the requests submitted by the banks. From these figures it calculates the volume of Central Bank funds judged to be necessary and submits the whole documentation to the Board of Directors, which makes the final decision on the ceiling of facilities to be extended in each country. Within this overall amount, each National Monetary Commission fixes a maximum quota for each bank, in the light of its activities and, more particularly, its resources, liquidity and risks outstanding. The Commission also fixes an individual rediscount quota for each firm, and lays down a medium-term time table for access to these facilities.

THE BANKING SYSTEM

Legislation

One of the chief purposes of the West African Monetary Union is to harmonize the law governing banking and credit in

the seven member states. Current regulations in Niger are fully in line with the common principles incorporated in the banking laws of the other member states. The key piece of legislation is Law No. 65-019, of 15 May 1965, "*portant organisation de la profession bancaire et des professions s'y rattachant, et réglementation du crédit*".

The law provides for two types of credit institutions, banks and financial institutes. Banks have full scope for all types of short-, medium- and long-term operations, while financial institutes are barred from accepting deposits. No bank or financial institute may operate in Niger without prior registration. A special body, the Banking and Finance Commission, takes decisions both of general validity for the whole of the banking profession and related activities, and of particular validity for a specified bank or financial institute.

The rules for minimum capital are as follows. In the case of banks, their capital and reserves must never be short of 50 million CFA francs, but in any event must cover at least 8 or 12 per cent of risks, according as the bank in question is a commercial or a development bank. In the case of financial institutes, their capital and reserves must never be short of 10 million CFA francs, and must cover at least 10 per cent of risks. The absolute minimum figure must be maintained at all times, while the proportional one need obtain only at the date of the closure of accounts, on 30 September of each year.

As regards liquidity, banks are required to maintain a ratio not for any length of time lower than 75 per cent between their total primary and secondary liquid assets and their total short-term liabilities.

General characteristics of the banking system

Niger has four banks and two financial institutes, all public corporations except for the sole commercial bank and the Automobile Credit Company. The branch network is necessarily limited; of the country's thirteen bank branches in seven localities, only eight are permanent.

As regards the composition of credits by maturities, some 80 per cent or so are short-term credits, and of the remaining 20 per cent one third is for the medium term and two thirds for the long term. Central Bank facilities are not available for refinancing long-term loans, but are drawn on for about half the funds needed for medium-term credits. In the case of short-term credits, finally, the Central Bank's contribution varies widely according to season, with a maximum of 40-50 per cent at times when agricultural produce is marketed, and only 20-25 per cent at quiet moments.

Refinancing with the Central Bank is thus a matter of the greatest importance for the banking system. The rate charged is 3.50 per cent in all the countries belonging to the Monetary Union, so as not to create disparities among them. The same rate applies to all rediscountable types of credit, regardless of the date of maturity. The only exceptions are a reduction to 3 per cent for export credits, and a higher rate for advances beyond the pre-determined maximum limit.

The commercial bank

The *Banque Internationale pour l'Afrique Occidentale*, which officially assumed this name on 1 April 1965, has a very long history. It was, in fact, the first bank ever to operate in French-speaking black Africa—way back in 1853, when it also had the privilege of the money issue. In 1901 it transformed itself into

the *Banque de l'Afrique Occidentale*, and in 1955 turned over the money-issuing monopoly to the Central Bank of French West Africa. Ten years later it went "international", with capital from the First National City Bank of New York. At present, its capital of 60 million French francs is in the hands of only two shareholders; 49 per cent are owned by the above-named American bank, and 51 per cent by the *Compagnie Financière France-Afrique*, which in turn is controlled by a group of large French banks holding about 40 per cent of the equity.

The *Banque Internationale* far outranks all the other French banks in the countries of the West African Monetary Union, in terms both of its branch network (45 branches in 1969) and of the volume of business it actually transacts in and with French-speaking Africa: about 75 per cent of its total business fall under this heading, compared with only 1-2 per cent in the case of the other French banks. It lends predominantly on the short term, venturing into medium-term operations only when it knows it can rediscount, and keeping altogether out of long-term credit and trade investments in Niger companies.

The development bank

The *Banque de Développement de la République du Niger* is a limited liability company incorporated under Niger law in 1961, on the morrow of the declaration of independence. It was set up for three main purposes: to help finance the country's development plans; to provide venture capital for specialized national companies; and to operate in the field of short-term credit with a view to bringing down interest rates, and attracting and mobilizing savings.

Its capital is 450 million CFA francs, and under Art. 6 of the statute at least 55 per cent of it must be held by the state,

this proportion to be maintained in case of further capital increases. Apart from the state's 55 per cent, the Central Bank owns 10 per cent of the capital, the *Caisse Centrale de Coopération Economique* another 10 per cent, the *Société Tunisienne de Banque* 6.4 per cent, and other shareholders the remaining 18.6 per cent.

Quantitatively speaking, most of the bank's business is on the short term, but qualitatively more importance attaches to its promotion of long-term economic development through loans and the provision of venture capital for young companies in Niger. Apart from deposits, long-term funds are raised through placing National Loan Stock on the domestic market, and also borrowed abroad or from international organizations.

The agricultural credit fund

The *Caisse Nationale de Crédit Agricole* is the latest link in the chain of transformations by which the structure and organization of agricultural credit in Niger moved on from the provident societies of the colonial period, through the subsequent mutual credit institutions and overall development policy for agriculture, with the creation of co-operatives and mutual village groups.

The new agricultural credit fund was set up in 1967 and took over the activities of the *Union Nigérienne de Crédit et de Coopération*, which in its turn had been founded in 1962 for the purpose of promoting the practices of co-operation and mutual credit among the rural population. The *Union* still exists, but its sole function now is publicity and promotion work on behalf of co-operatives. Given the complementary nature of the two agencies' activities, they share one 20-member Board of Directors. The *Caisse Nationale* has a capital of 117.4 million CFA francs, but this is expected to increase considerably during the next few years, thanks to a scheme worked out with the International Bank for Reconstruction and Development.

The loans which the Fund is authorized to extend to its clients may be of short, medium and long duration, and it also has powers to acquire equity capital. However, in practice so far it has limited itself to production credits (working capital and improvement credits), marketing credits for farm produce and consumer credits to tide farmers over the "hungry season" prior to the new harvest.

Other credit institutions

The fourth and last of Niger's bank, the *Crédit du Niger*, was set up in 1958 to replace the old *Office des Habitations Economiques de l'A.O.F.* It is a limited liability company with a capital of 220 million CFA francs, held by the state (45.5 per cent), the *Caisse Centrale de Coopération Economique* (27.2 per cent), the Development Bank (18.2 per cent) and the Central Bank (9.1 per cent). It operates in two separate fields; one is to provide funds for residential building and housing improvement, and the other "social credit" for the purchase of durable consumer goods.

Of the two financial institutes in Niger, one, the *Caisse de Prêts aux Collectivités Locales*, has independent public and legal status, but in fact is an offshoot of the *Crédit du Niger*, whose functions it supplements in a certain sense in so far as it is authorized to extend credit to all local authorities for infrastructures of collective utility. Its loans are mostly for the long term, with maturities between 5 and 20 years.

The other financial institute, the *Société Nigérienne de Crédit Automobile*, is a private company connected with the Renault group and finances hire-purchase sales of motor vehicles. It lends mostly for 18, or exceptionally for 24 months, to licensed dealers, against the bills signed by the purchaser and backed by a third person.

