

TUNISIA

Tunisia lies in North Africa on the Mediterranean coast. Area: 164,150 km². Population (June 1969 estimate): 5,027,000. Formerly a French protectorate, it became independent on 20 March 1956. A prosperous country with excellent agricultural resources (Mediterranean products) and good mineral deposits (phosphates, iron, oil).

ORIGINS OF THE CENTRAL BANK

The origins of the Central Bank of Tunisia, the *Banque Centrale de Tunisie*, go back to 1851, the year of the foundation of the *Banque d'Algérie*. This was initially a private bank, modelled on the statutes of the *Banque de France* and vested with the privilege of issuing money in the territory of Algeria. The project to extend its activities to Tunisia as well dates back to 1881, but was put into effect only in 1903, upon the formal request of the Tunisian Chamber of Commerce, representing the interests of French colonists in the region. A decree of the Bey of Tunis, dated 8 January 1904, authorized the *Banque d'Algérie* "to establish itself in the Regency of Tunis, with the privilege of issuing notes payable on sight to the bearer". A decree of the French government, dated 7 March 1904, in its turn authorized the bank to open branches in the Regency. The Tunisian state was given no control whatever over the activities of the *Banque d'Algérie*.

This situation did not change substantially even when the bank was nationalized by the French government on 17 May 1946. It was not until the reform of January 1949 that the Tunisian state, which thereby obtained certain rights in monetary matters, was also allowed a minority shareholding and a voice in the administration of the bank, which at the same time assumed the name of *Banque de l'Algérie et de la Tunisie*. However, even then Tunisia's shareholding was so small that it had no appreciable effect on the decisions of the bank's Board of Directors. For this reason, the Tunisian proclamation of independence did not give immediate monetary independence to the country, which remained subject in monetary matters to an Algerian issuing Bank managed almost exclusively by French executives. It was not until 19 September 1958 that the government of Tunis, after prolonged negotiations with the *Banque de l'Algérie et de la Tunisie*, succeeded in setting up its own issuing bank, named the *Banque Centrale de Tunisie*.

At that time the country also changed its monetary unit. The Tunisian government decided on 18 October 1958 to replace the Tunisian franc by the Tunisian dinar, at the conversion rate of 1,000 to 1. This was, however, a purely formal change, since the Tunisian franc, which had been introduced in 1891, was linked by a fixed parity to the French franc by virtue of the agreements preceding the creation of the franc zone. Even the introduction of the dinar, therefore, did not give Tunisia full monetary independence; economically speaking, the country still remained a "monetary satellite" of France.

Nevertheless, this was an important step, in so far as it testified to the new nation's political determination to break away from monetary dependence upon France. A more effective step soon followed, when the Tunisian government decided, on 28

December 1958, not to let the dinar follow the French franc into its 17.55 per cent devaluation, but to break the link between its own currency and the French franc and not to change the par value of the dinar against other convertible currencies. Having finally broken loose from its fixed parity with the French franc, the Tunisian dinar was defined in terms of gold, with an official par value of 2.115880 grams of fine gold per currency unit. But this breaking loose (*décrochage*) from the French franc raised a number of urgent and serious problems with respect to French-Tunisian financial relations in the new context. These relations were reorganized by the Franco-Tunisian agreements of 5 September 1959, which not only altered the conditions of Tunisia's adherence to the franc zone, but also gave the new state customs autonomy. This, then, must be regarded as the birth date of Tunisia's monetary sovereignty.

ORGANIZATION OF THE CENTRAL BANK

The Central Bank of Tunisia answers directly to the President of the Republic, to whom it submits its annual accounts and annual reports on its activities.

The Bank's administrative organs are the Governor, the Board of Directors and the Auditor.

The Governor is appointed by Presidential decree for a renewable term of office of six years. He is responsible for management decisions and for monetary policy, takes the chair at meetings of the Board of Directors and validates the latter's decisions by his signature.

The Board of Directors consists of the Governor, the General Manager and eight other members appointed by Presidential Decree. It takes decisions on all questions concerning general organization and the conditions of carrying out the Bank's statutory operations.

The Auditor, who is appointed by Presidential decree upon the recommendation of the Secretary-General of the Planning and Economic Affairs department, examines the Bank's records of business and reports thereon periodically to the Board of Directors and, at the closure of accounts at the end of each financial year, to the Secretary of State for Planning and Economic Affairs.

FUNCTIONS OF THE CENTRAL BANK AND ITS RELATIONS WITH THE STATE

The Central Bank of Tunisia has the functions of issuing legal tender, managing the foreign-exchange reserve, financing the Treasury and exercising credit control.

The Central Bank has the exclusive privilege of issuing legal tender on behalf of the state. From 1958 to 1967, the volume of legal tender in circulation rose from 29 to 70 million dinars, but in 1967 accounted for only 36 per cent of means of payment, compared with 50 per cent in 1958.

The Central Bank, furthermore, has the monopoly of buying and selling foreign exchange. Until September 1959, foreign exchange transactions in settlement of open positions vis-à-vis states outside the franc zone took place in Paris through the common pool of the French exchange equalization fund, for account of all members of the franc zone.

Since September 1959, Tunisia has administered its foreign exchange reserves itself, through its own Central Bank.

The Central Bank is the state's banker in a double sense: it handles most of the cash and credit operations connected with the budgets both of the state and public agencies, and it finances the state by overdrafts on current account, up to 5 per cent of ordinary revenue and for at most 240 days.

Finally, the Central Bank manages the public debt, issuing and servicing the securities concerned.

MONETARY AND CREDIT POLICY

The Central Bank of Tunisia acts also as the bankers' banker. It does not deal with private clients, and extends credit only to the banking system and the Treasury.

In matters of the conditions required to make rediscounted bills bankable and of quantitative restrictions, the Central Bank's rediscount policy makes certain distinctions depending on the destination and maturity of the banking system's credits. Commercial paper is normally required to have a maturity of not more than three months and to bear at least three good signatures. Bills issued in connection with harvesting credits need only bear two such signatures, and the three-month time limit may be prolonged up to nine months. For bills connected with medium-term credits the maximum duration is fixed at three months, but may be prolonged up to five years; the sums obtained by rediscounting them must be used to finance fixed investments, specified exports or residential building.

The Central Bank has established the following rediscount ceilings:

- (1) An "ordinary" quota distributed among the various banks according to the volume of their deposits and credits; this quota covers rediscount of trade and financial bills other than those eligible for the "special quota" or classified as not subject to any quota at all.
- (2) A "seasonal" quota to meet the need for liquid funds to finance the harvesting and marketing of specified agricultural products; this quota is available to all banks for the grape and olive harvests, but only to the *Banque Nationale de Tunisie* for the grain harvest.

- (3) An "extraordinary" quota conceded only to the *Banque Nationale de Tunisie*, to refinance certain credits to agriculture.
- (4) A "special" quota for refinancing medium-term credits extended by banks which can prove compliance with the legal requirement (Law of 23 July 1963) of a ratio of 10 per cent between medium-term credits and deposits.

The Central Bank furthermore makes advances to the banking system against government stock and also against private securities with an official stock exchange quotation and declared acceptable by the Bank's Board of Directors. These advances are for three months and may be renewed up to nine months.

For purposes of liquidity control over the banking system, the Central Bank can purchase from the commercial banks short-term public securities and bankable bills, with purchases of the former limited to 10 per cent of the preceding year's ordinary budget revenue.

THE BANKING SYSTEM

Tunisia's banking system displays little functional specialization. Most of the banks may be described as mixed banks, or merchant banks. It is easier, on the other hand, to classify them by legal status, public or private.

The three banks incorporated under public law are the *Société Tunisienne de Banque*, the *Banque Nationale de Tunisie* (formerly *Banque Nationale Agricole*) and the *Société Nationale d'Investissement*.

The *Société Tunisienne de Banque* was set up on 20 December 1956, with the state contributing 52 per cent of its capital,

private investors 44 per cent and state-controlled agencies 4 per cent. It handles ordinary credit, and acts both as a development and a merchant bank.

The *Banque Nationale de Tunisie* does most of its business in short- and medium-term credits to agriculture, and, on the basis of an agreement dated 10 July 1967, lends financial and technical assistance to the *Caisses de Crédit Mutuel*, that is, credit co-operatives with variable capital.

The *Société Nationale d'Investissement*, which was set up on 18 April 1959 under government auspices, specializes on loans secured on personal property and on credits to companies in tourism, the hotel industry and manufacturing industry. In connection with its loans, it often acts as consultant in investment planning and feasibility studies.

Tunisia's private banks may be divided into two categories, those incorporated under Tunisian law and branches of foreign banks. The former are six in number; they are the *Banque de Tunisie*, the *Union Bancaire pour le Commerce et l'Industrie*, the *Banque du Sud*, the *Crédit Foncier et Commercial de Tunisie*, the *Banque Franco-Tunisienne* and the *Union Internationale de Banques*.

The *Banque de Tunisie* is a merchant bank operating mainly in the field of tourism and capital goods imports.

The *Union Bancaire pour le Commerce et l'Industrie* was set up on 27 November 1961, as a result of the merger between the *Banque Nationale pour le Commerce et l'Industrie en Afrique* and the *Union Financière et Technique de Tunisie*. At the end of 1969 it took over the *Banque d'Escompte et de Crédit à l'Industrie en Tunisie*, which in turn owed its origins to the merger between the *Comptoir National d'Escompte de Paris* and the *Banque Industrielle d'Afrique du Nord*.

The *Banque du Sud* was set up in August 1968, having taken over the *Banque du Peuple* and secured the participation of a number of banks and institutional investors in Tunisia, including the *Société Nationale de Sécurité Sociale*, the *Union Générale des Travailleurs de Tunisie*, the *Banque Nationale de Tunisie*, the *Caisse Nationale de Sécurité Sociale*, the *Société Tunisienne de Banque*, the *Banque de Tunisie* and the *Union Bancaire pour le Commerce et l'Industrie*.

The main function of the *Banque du Sud* is to promote economic development in the southern parts of Tunisia. To this end it extends not only ordinary credit, but medium- and long-term loans and loans secured on personal property.

The *Crédit Foncier et Commercial de Tunisie* was set up in August 1967 to replace the Tunisia branch of the *Crédit Foncier d'Algérie et de Tunisie*.

The *Banque Franco-Tunisienne*, founded in 1879, specializes on mortgage credits and assignment of annuities.

The *Union Internationale de Banques* was set up on 7 October 1963, as a result of the merger between the Tunisian branch of the *Crédit Lyonnais* and the *Société Francophone Tunisienne de Crédit et de Banque*, itself a subsidiary of the *Société Tunisienne de Banque*. The latter holds 25 per cent of the capital of 700,000 dinars; the rest of the equity is distributed among the *Société Financière de Gestion* (25 per cent), the *Crédit Lyonnais* (34 per cent), the *Banca Commerciale Italiana* (8 per cent), the *Commerzbank* (4 per cent) and the Bank of America (4 per cent). The bank lends for the short and the medium term, and also against personal property.

The second category of private banks in Tunisia, foreign banks, is represented by the overseas branches of the *Société Marseillaise de Crédit*, the British Bank of the Middle East and the Arab Bank.

BANKING LEGISLATION

Commercial banking in Tunisia is governed by Law No. 67-51, of 1967, the principal provisions of which concern the banks' capital, the appropriation of profits and trade investments.

The minimum capital required for establishing a bank is fixed at 200,000 dinars, both for domestic and for foreign banks. In both cases, too, a government licence has to be obtained. One fifth of annual profits has to be appropriated to reserves until the sum of capital and reserves reaches a certain ratio to total deposits, this ratio being determined by the Central Bank.

There are, furthermore, restrictions on trade investments in various sectors of the economy. In any event, no bank may hold equity in any one company in excess of 20 per cent of the latter's capital and of 5 per cent of the bank's deposits. Many other provisions apply to various aspects of the banking business.

Most important of all is the Central Bank's reserve requirement. By a circular of 11 April 1968, the Central Bank obliged all banks to set aside as reserve an amount of 10 or 30 per cent of the monthly increase in their deposits, according as this increase was less or more than 1 per cent. The banks are, furthermore, required to subscribe the Treasury's *bons d'équipement* and bonds in proportion with the increase in bank deposits.

Secondly, there are restrictions on the maximum amount of any one short-term credit that may be granted without prior authorization of the Central Bank. This ceiling was, in 1964, reduced from 75,000 to 50,000 dinars for those that can be rediscounted.

Finally, the overall volume of annual credit, except for credits financed from special funds, may not expand at a rate faster than that fixed annually by the Central Bank.



UGANDA

Uganda, lying on the equator in the heart of Africa, consists almost exclusively of a high table-land in the region of the great lakes. Area: 235,886 km². Population (1968 estimate): 8,133,000. Formerly a British protectorate, it has been independent since 9 October 1962, though remaining in the Commonwealth. An agricultural country, whose economy is based on cotton and coffee exports. Fair mineral resources (copper).

ORIGINS OF THE CENTRAL BANK

Until 1966, Uganda shared with Kenya and Tanzania a common currency, the East African shilling, issued by the East African Currency Board¹ against sterling balances held in London. Subsequent to banking and monetary legislation of 28 May 1966, the Bank of Uganda was established on 1 July 1966 and began its operations in August of the same year.

ORGANIZATION OF THE CENTRAL BANK

The Bank's capital of 40 million Uganda shillings was entirely subscribed by the government, which also appoints the Bank's top-ranking officers.

¹ On the working of the East African Currency Board see under the heading KENYA.

The highest authority of the Bank of Uganda is the Board of Directors, which consists of the Governor, who is its chairman, the Deputy Governor, the Secretary of the Treasury who is an *ex officio* member, and not less than four nor more than six other directors.

The Governor and Deputy Governor are appointed by the head of the state for five-year terms and are eligible for reappointment. The directors are appointed by the Minister of Finance for three-year terms, and are also eligible for reappointment.

The Board of Directors has overall responsibility for the management of the bank and for monetary and credit policy. The Governor, in his turn, has specific personal responsibilities as regards continuity in the management of the Bank and supervision of its activities.

FUNCTIONS OF THE CENTRAL BANK

The principal purposes of the Bank of Uganda are: (1) to issue legal tender, to pool and manage the country's foreign exchange reserves with a view to safeguarding the external value of the currency; (2) to promote the formation of an efficient credit market with a view to balanced economic development and monetary stability; and (3) to collaborate with the government in the latter's financial policy.

The Central Bank has the exclusive right to issue legal tender in the country. The new currency, the Uganda shilling, replaced that previously issued by the East African Currency Board, and at the same time a new gold parity was fixed.

Under the Bank of Uganda Act, the new currency has full external convertibility, and the Central Bank is authorized to buy and sell it against gold, sterling, or other convertible currencies,

in amounts not less than 200,000 Uganda shillings for any one transaction.

External reserves must never fall short of 40 per cent of the Central Bank's demand liabilities, and they may consist of gold, sterling or other convertible currencies, of Treasury securities with a maturity of less than 184 days and convertible into gold or sterling, and finally of bonds guaranteed by states whose currency is convertible into gold or sterling, subject to their not exceeding 40 per cent of total reserve assets.

THE CENTRAL BANK'S RELATIONS WITH THE STATE

The Bank of Uganda acts as the government's banker in two respects. First of all it takes care of most cash transactions and credit operations connected with the budgets of the state and other public authorities. Barring exceptions to be agreed in each case with the Minister of Finance, these services are free of charge, and credit balances of the government and other public authorities bear no interest.

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 stock. The Bank is authorized to make advances to the government up to 15 per cent of current budget revenue, at an interest rate to be agreed between the Minister of Finance and the Bank's Board of Directors. These advances must be repaid within three months from the end of the financial year in which they were made, by default of which the Bank may make no further advances until all outstanding debit balances have been repaid.

The Central Bank may buy or sell securities issued or guaranteed by the state, provided their maturity is less than 25 years.

In any event, the amount of securities maturing in more than two years which the Bank is allowed to hold must not exceed 30 per cent of its demand liabilities. There is no such limit on securities the maturity of which is less than two years.

MONETARY AND CREDIT POLICY

One of the principal objectives of the Bank of Uganda is to maintain monetary stability. For purposes of credit control, the Bank has powers to set a ratio which commercial banks must keep between their deposits with the Central Bank and their total liabilities, and also to set different reserve ratios for different kinds of liabilities, subject to the reserve deposits not exceeding 20 per cent of each bank's liabilities.

The Central Bank may, furthermore, set a ceiling for each bank's credits and a time limit to their duration, and may determine upper and lower limits for the bank's borrowing and lending rates.

The Central Bank acts as the bankers' banker, with powers to buy, sell, discount and rediscount Treasury Bills maturing in less than 93 days, as well as commercial bills running for at most 90 days, with the time limit extended to 180 days in the case of credit instruments connected with harvest finance. Commercial banks may, furthermore, obtain advances from the Central Bank, for at most three months and at a rate of interest not less than one point above the official minimum discount rate.

THE BANKING SYSTEM

With the advent of full political independence and the dissolution of the East African Currency Board, Uganda's banking system, consisting mostly of branches of big British banks, lost some of its importance as a channel for the flow of financial

resources to the countries of the sterling area, and instead concentrated more on meeting the local economy's own requirements and on promoting its development.

Apart from the Central Bank, the banking system consists of commercial banks and, for medium- and long-term loans, the East African Development Bank. There are other institutes which accept savings, including more particularly the Post Office savings banks.

The leading commercial banks are former branches of British banks (now called Barclays Bank of Uganda Ltd., Grindlays Bank of Uganda Ltd. and Standard Bank of Uganda Ltd.), together with the Bank of Baroda Ltd., the Bank of India Uganda Ltd., and the Uganda Commercial Bank. The latter was set up in 1965 under government auspices and with funds from the Uganda Credit and Savings Banks, with the aim of rendering Uganda's banking system more responsive to the claims of local firms.

The commercial banks accept money on current accounts and on deposit accounts, either as demand or time deposits. Current balances bear no interest, demand deposits earn 3 per cent and time deposits tied for more than three months 3.50 per cent. Commercial bank credits are mainly for the short term, most often in the form of secured advances or credit lines on current account.

The East African Development Bank, which was set up jointly at Kampala by the governments of Uganda, Kenya and Tanzania, is meant to give priority to the needs of the East African Community's less industrialized member states. The initial distribution key for its investments was 38.75 per cent each for Uganda and Tanzania, and 22.50 per cent for Kenya. It finances public and private investment mainly in agriculture, industry and housing. In 1967, the Housing Finance Company of Uganda was set up in order to finance housing. There is also a Post Office Savings Bank.

BANKING REGULATIONS

The activities of commercial banks are governed by the Banking Act of 28 March 1969. Subsequent amendments, in November 1969, limit the right to operate in Uganda to banks incorporated in the country. The branches of foreign banks therefore had to be reincorporated locally. Later still, nationalization brought all banks operating in Uganda under government control.

Banking is subject to a government licence and minimum capital requirements under the March 1969 law were 2 million shillings paid-up for Ugandan banks and 10 million shillings for foreign ones. The November 1969 amendment abolished the distinction between domestic and foreign banks and introduced a single, higher minimum capital requirement of 20 million shillings.

Under the Banking Act the Central Bank has powers to set a ratio, not exceeding 30 per cent, which commercial banks must keep between certain assets (legal tender, balances at the Central Bank, Treasury Bills, specified liquid financial assets abroad) and their combined demand and time liabilities. These powers help the Central Bank to supervise the banking system. Banks are obliged to submit periodic reports to the Central Bank on their liquidity position, and in case of non-compliance with the reserve requirements are subject to fines and disciplinary sanctions.

The Banking Act, finally, prohibits banks from granting advances on the security of their own shares, from granting unsecured credit in excess of 10,000 shillings to any of their officers, or in excess of a year's emoluments to any of their own employees. Special rules govern share and real estate investments by the banks.