

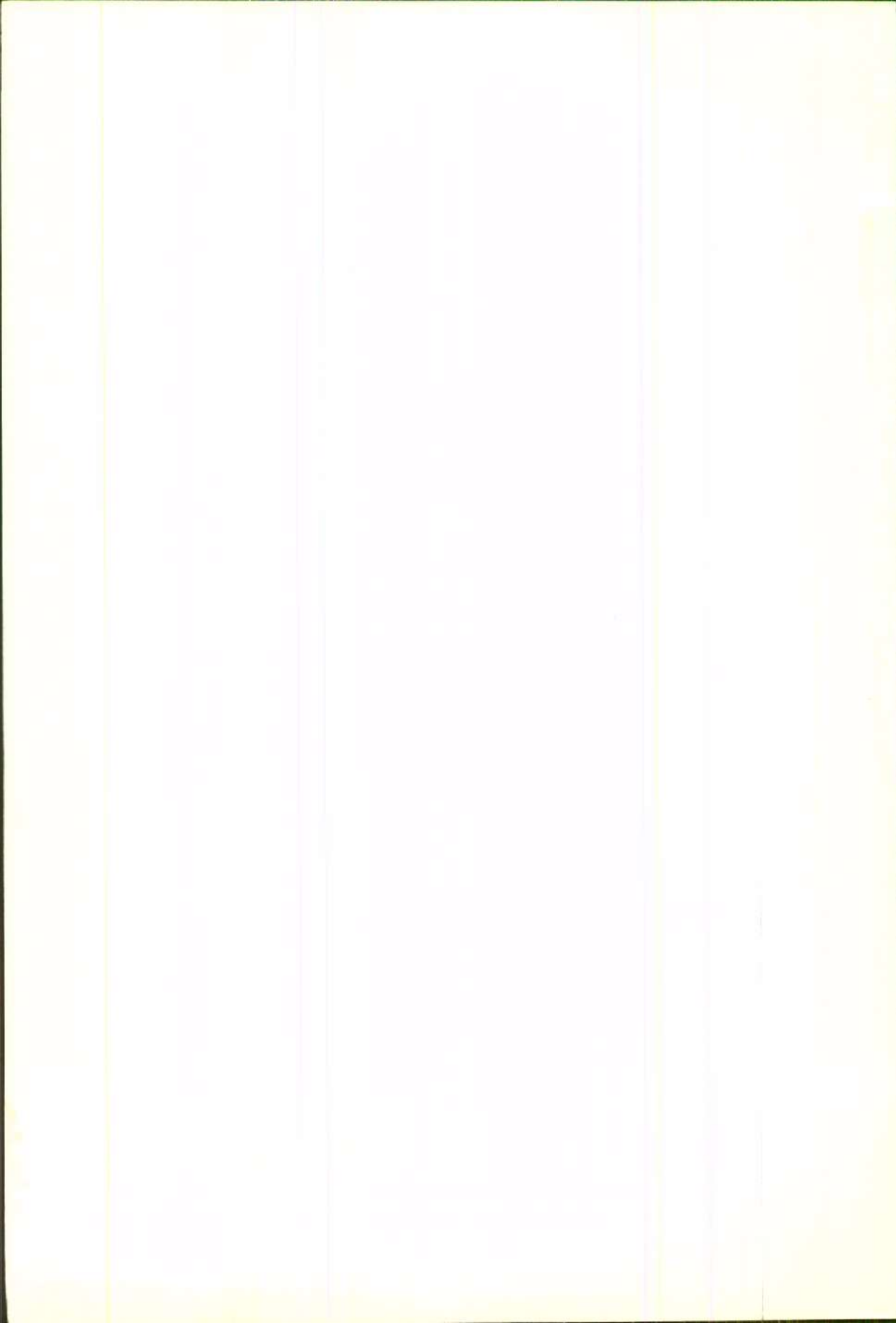
THE CREDIT MARKETS OF AFRICA
A series of monographs under
the general editorship of
Professor Giordano Dell'Amore

Paolo Mottura

THE BANKING SYSTEM OF TUNISIA - 1956-1970



cassa di risparmio delle provincie lombarde — milan





THE CREDIT MARKETS OF AFRICA

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SERIES OF MONOGRAPHS ON THE CREDIT MARKETS OF AFRICA

No. 1. *Banking Systems in Africa*

No. 2. Sergio Bortolani: *The Banking System of Niger*

No. 3. *The Mobilization of Savings in African Countries*

No. 4. Paolo Mottura: *The Banking System of Tunisia, 1956-1970*

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PAOLO MOTTURA

THE BANKING SYSTEM
OF TUNISIA, 1956-1970

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1972

FOREWORD

The banking systems of developing countries offer an enormous and fruitful, but so far almost unexplored, field of research. Such literature as is available is of a general character and, barring a few exceptions, does not deal with the recent profound changes in the banking structure of these countries, nor with the problems which these changes have created. This state of affairs is astonishing, since it stands to reason that, dynamically speaking, there is a close connection between economic development and the processes of financial intermediation, especially in less developed economic systems not yet possessing an efficient capital market. So far, most development economists have been interested in the "real" aspects of economic development, to the detriment of the associated financial aspects — perhaps on the implicit assumption that development finance was merely a means for the achievement of real aims and could therefore be considered as a predominantly technical question.

However, the experience of the last twenty years has demonstrated that the "financial component" of economic development is of primary importance and simply must not be underestimated any longer. We have learnt enough by now to

know that developing countries only too often get trapped in the contradictory situation of being burdened with large foreign debts while their own domestic financial resources are underutilized because of quantitative and qualitative shortcomings in their system of financial intermediation. It is in this light that we can appreciate why the governments of many countries launched on a process of accelerated and, to the extent possible, independent economic development are at present so interested in strengthening the domestic financial infrastructures. External sources of finance for economic development have proved too unreliable and too restrictive of choice, so much so that it has become clear that in the long run political independence and economic development are indissolubly linked together, and that both presuppose an adequate volume of domestic savings and their rational investment. If each country is to finance its economic development from its own resources, all of them must, of necessity, aim at the greatest possible efficiency in their systems of financial intermediation. From this point of view the history of the Tunisian banking system, like that of many other countries, is of instructive significance. It is not, however, as a representative case that Tunisia was chosen as the subject of the present monograph, but for purely practical reasons.

I have been greatly assisted in my work by M. Mohamed Ghenima, Chairman and General Manager of the *Banque Nationale de Tunisie*, by M. Tahar Farah, Assistant General Manager, M. Hamda Beji, Manager, and Mme. F. Dhrif, Chief of the Research and Documentation Unit. To them, and to the management and

staff of the bank, I express my gratitude for generous hospitality and collaboration, as well as for their help in procuring bibliographical and statistical material on the spot during my visit in Tunisia in July and August 1970. My thanks extend similarly to all other institutions to which I am indebted for kind collaboration. The responsibility for this book is, of course, entirely my own.

Paolo Mottura

Milan, December 1971.

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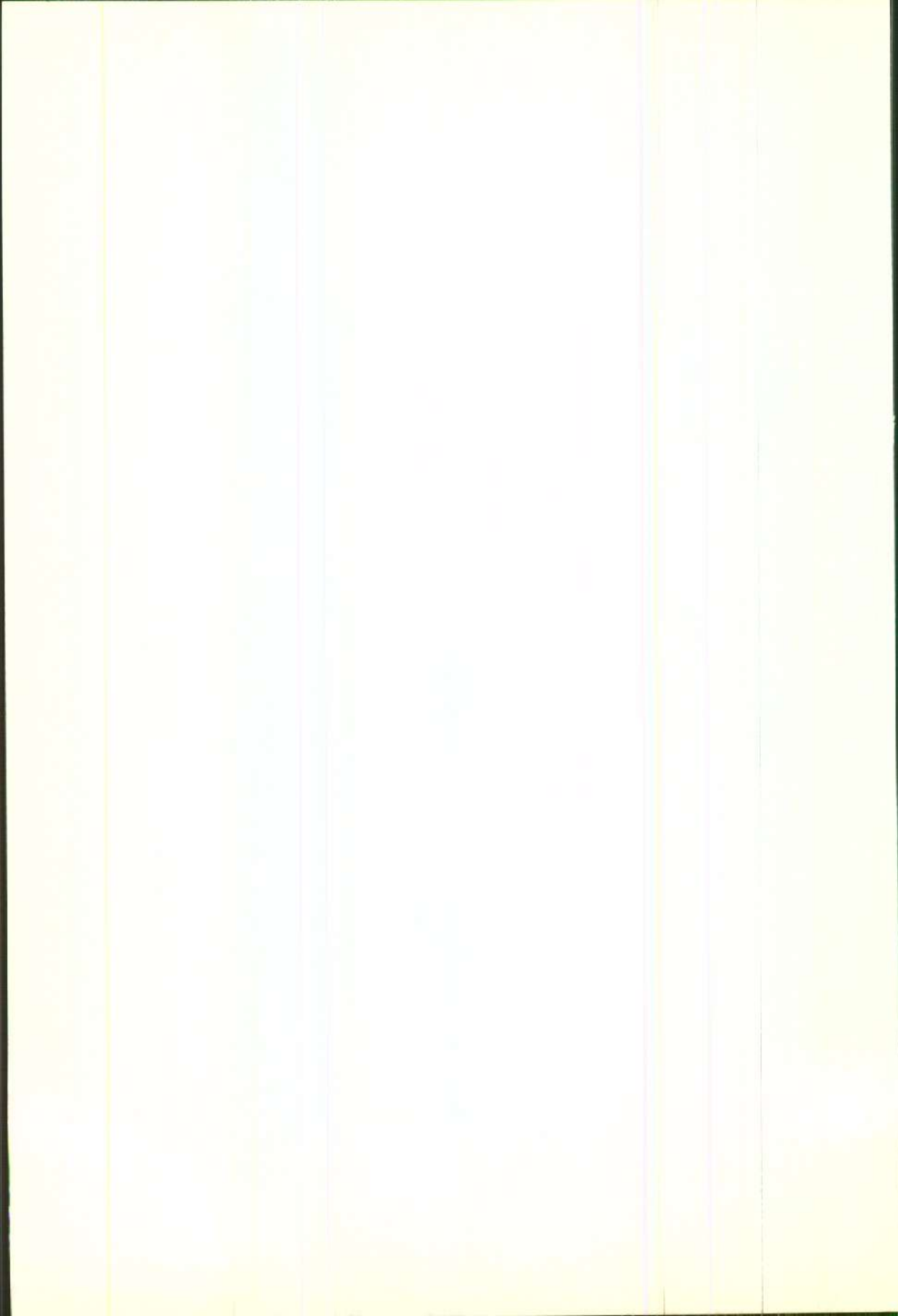
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PART ONE

THE ECONOMY OF TUNISIA ON THE EVE OF
INDEPENDENCE: THE LEGACY OF THE PROTECTORATE



1. INTRODUCTION

When Tunisia attained full political independence in March 1956, its economy still had obvious "colonial" features. It was a contradictory and confused situation, and no sooner had the new government taken office than it had to deal with a whole set of problems, the urgent solution of which constituted a necessary, though not sufficient, condition of setting in motion a process of reasonably independent economic development. The best way to analyse this initial situation will perhaps be to classify the problems concerned and to assess how important and serious they were, and how they were interconnected. If such an analysis must inevitably involve some oversimplification, this may be forgiven for the sake of clear exposition.

The tasks which faced the new government of Tunisia in 1956 may briefly be summarized as follows.

- (1) To survey the structure, organization and development of the Protectorate's economy, so as to have a real basis for defining the main lines of economic policy for the following years.
- (2) To make a reality of the new state's political sovereignty by assuming effective control in economic, financial and monetary affairs, all of which were still strictly ruled by the French-Tunisian agreements within the Franc Zone.
- (3) To decolonize the economy, which meant overhauling the institutional legacy of the Protectorate by getting rid of any part of it which had nothing to contribute to balanced economic development in a free country, and to reorganize

the whole system by setting up, one by one, such new institutions as might be suitable for speeding up economic development.

- (4) To obtain as much as possible financial aid from abroad, but from a variety of sources rather than from a single one, with a view to balanced international relations and to independence from the more advanced countries.

The order in which these problems are listed above reflects, as it were, a logical scale of priorities, but it does not in any way correspond to the actual course of events. As will be seen from the analysis which follows, the Tunisian government was single-minded in the pursuit of one ultimate aim, which was to achieve economic independence through a programme of accelerated economic development. Nearly always, its approach was realistic and pragmatic, and therefore what actually happened, the sequence in which the various problems arose and were dealt with, and the manner of their solution, were chiefly determined by the changing course of domestic and international politics and of economic conditions.

2. THE TUNISIAN ECONOMY FROM 1950 TO 1958¹

A fairly complete, if somewhat approximative and superficial view of the Tunisian economy during the fifties may be gained

¹ It is not easy to give an accurate summary of economic development in Tunisia during the last years of the Protectorate and the early years of independence, because of the scarcity and inaccuracy of statistics concerning the chief economic magnitudes, even at the highest level of aggregation. Such information as is at hand about the country's domestic product, consumption, saving, investment as well as foreign trade and financial relations, is fragmentary and not always reliable. It is impossible, therefore, to put together an overall picture of the Tunisian economy during the early years of independence. In the absence of a coherent reference base, the available figures, which often are mere estimates of varying

from an analysis of the figures for domestic product, consumption, saving and investment, both gross and net of depreciation, as shown in Table 1¹.

The figures show up the main elements of the system's weakness. The domestic product is seen to have been subject to frequent ups and downs, and consumption tended on the average to expand more than GDP. Consequently, the propensity to save was generally low and fluctuating, and the frequent appearance of

reliability, have no more than indicative value. They make it possible to identify trends in the economic variables, but not to quantify them.

As regards monetary, credit and financial statistics, there is nothing prior to the establishment of the *Banque Centrale de Tunisie* in 1958, or rather the beginning, at the end of 1959, of its regular publication of figures relating to its own sphere of competence, both in a quarterly Bulletin and, more fully, in its Annual Report.

The scientific groundwork for a system of national accounts was done in 1960, but although the government's statistical office began at once to reconstruct the national accounts, the first full figures do not predate 1962-1963. Most of the earlier statistics on the macro-variables of the Tunisian economy came from the *Secrétariat d'Etat au Plan et aux Finances* and from the connected *Direction au Plan*.

Subsequently, economic statistics were improved and studied in depth, mainly for planning purposes. It was clearly necessary to have a more analytical and functional set of figures for reference and control, and indeed the inadequacies of the then available national accounts were shown up in the course of the three-year plan 1962-1964. Hence it was decided, in 1965, to prepare annual projections in the *budget économique annuel*, to serve the purposes of stricter planning for the four-year plan 1965-1968. It was not, however, until the third plan, the current four-year plan 1969-1972, that full co-ordination between the projections and investment planning was actually achieved. One result, incidentally, of the introduction of the projections was that the preparation and publication of the outturn of the economic accounts were much delayed, so that it is hard to come by any up-to-date figures. On this matter, see Marie Andrée Buisson, "Chronique économique - Tunisie", *Annuaire de l'Afrique du Nord*, 1966, Paris, C.N.R.E., 1967, pp. 416-417.

¹ The reader is warned again that, as explained in the preceding footnote, these figures do not rest on a system of national accounts, but are the result of estimates of varying completeness and reliability.

TABLE 1

DOMESTIC PRODUCT, CONSUMPTION, SAVING, INVESTMENT AND
(million dinars at constant 1957 prices)

| Year | Gross domestic product (1) | Rate of change per cent | Aggregate consumption (2) | Rate of change per cent | Gross domestic saving (3) = (1) — (2) | Gross investment (4) | Rate of change per cent | Net foreign debt (5) = (4) — (3) | Rate of change per cent |
|------|-------------------------------|-------------------------|------------------------------|-------------------------|------------------------------------------|-------------------------|-------------------------|-------------------------------------|-------------------------|
| 1950 | 204.2 | ... | 168.5 | ... | 35.7 | 42.0 | ... | 6.3 | ... |
| 1951 | 206.3 | + 1.0 | 184.4 | + 9.4 | 21.9 | 44.3 | + 5.5 | 22.4 | + 255.5 |
| 1952 | 231.8 | + 12.4 | 212.3 | + 15.1 | 19.5 | 39.9 | — 9.9 | 20.4 | — 8.9 |
| 1953 | 240.5 | + 3.8 | 220.2 | + 3.7 | 20.3 | 40.3 | + 1.0 | 20.0 | — 2.0 |
| 1954 | 245.7 | + 2.2 | 220.7 | + 0.2 | 25.0 | 36.0 | — 10.7 | 11.0 | — 45.0 |
| 1955 | 233.2 | — 5.1 | 225.0 | + 1.9 | 8.2 | 35.3 | — 1.9 | 27.1 | + 146.4 |
| 1956 | 248.7 | + 6.6 | 253.4 | + 12.6 | — 4.7 | 28.5 | — 19.3 | 33.2 | + 22.5 |
| 1957 | 238.5 | — 4.1 | 230.6 | — 9.0 | 7.9 | 23.1 | — 18.9 | 15.2 | — 54.2 |
| 1958 | 269.5 | + 13.0 | 250.7 | + 8.7 | 18.8 | 27.8 | + 20.3 | 9.0 | — 40.8 |
| 1959 | 258.2 | — 4.2 | 237.4 | — 5.3 | 20.8 | 31.6 | + 13.7 | 10.8 | + 20.0 |
| 1960 | 290.1 | + 12.4 | 269.4 | + 13.5 | 20.7 | 45.7 | + 44.6 | 25.0 | + 131.5 |
| 1961 | 279.5 | — 3.7 | 278.5 | + 3.4 | 1.0 | 53.0 | + 16.0 | 52.0 | + 108.0 |

Note: In this as in subsequent tables all the figures expressed originally in French francs (i.e. those prior to the introduction of the dinar) are converted into dinars at the rate of 1,000 (old) French francs = 1 dinar.

DEPRECIATION IN THE TUNISIAN ECONOMY, 1950 TO 1961

| Depreciation (6) | Net domestic product (7) = (1) — (6) | Rate of change per cent | Net domestic saving (8) = (3) — (6) | Ratio of foreign debt to gross investment (5:4) per cent | Net investment (9) = (4) — (6) | Rate of change per cent | Ratio of net saving to net domestic product (8:7) per cent | Ratio of net investment to net domestic product (10:7) per cent | Year |
|---------------------|-----------------------------------------|-------------------------|----------------------------------------|----------------------------------------------------------------|-----------------------------------|-------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------|------|
| 8.2 | 196.0 | ... | 27.5 | 15.0 | 33.8 | ... | 14.0 | 17.2 | 1950 |
| 9.2 | 197.1 | + 0.6 | 12.7 | 50.6 | 35.1 | + 3.8 | 6.4 | 17.8 | 1951 |
| 10.3 | 221.5 | + 12.4 | 9.2 | 51.1 | 29.6 | — 15.7 | 4.2 | 13.4 | 1952 |
| 11.2 | 229.3 | + 3.5 | 9.1 | 49.6 | 29.1 | — 1.2 | 4.0 | 12.7 | 1953 |
| 12.0 | 233.7 | + 1.9 | 13.0 | 30.5 | 24.0 | — 17.5 | 5.6 | 10.3 | 1954 |
| 12.7 | 220.5 | — 5.6 | — 4.5 | 76.8 | 22.6 | — 5.8 | — 2.0 | 10.3 | 1955 |
| 13.4 | 235.3 | + 6.7 | — 18.1 | 116.5 | 15.1 | — 33.2 | — 7.7 | 6.4 | 1956 |
| 13.8 | 224.7 | — 4.5 | — 5.9 | 65.8 | 9.3 | — 38.4 | — 3.1 | 4.1 | 1957 |
| 14.5 | 255.0 | + 13.5 | 3.3 | 32.4 | 13.3 | + 43.0 | 1.3 | 5.2 | 1958 |
| 15.2 | 243.0 | — 4.7 | 5.6 | 34.2 | 16.4 | + 23.3 | 2.3 | 6.8 | 1959 |
| 16.0 | 274.1 | + 12.8 | 4.7 | 54.7 | 29.7 | + 81.1 | 1.7 | 10.8 | 1960 |
| 16.8 | 262.7 | — 4.2 | — 15.8 | 98.1 | 35.2 | + 18.5 | — 6.0 | 13.4 | 1961 |

Sources: For items 1, 2 and 4, Secrétariat d'Etat au Plan et aux Finances, *Perspective décennale de développement*; for the rest, Claude Zarka, "L'Economie tunisienne à l'heure de la planification impérative", *Annuaire de l'Afrique du Nord* 1962, Paris, C.N.R.E., pp. 214-217.

dissaving meant that consumption was incompressible because of the low individual incomes. The economy was thus unable to accumulate capital beyond the propensities of individual income recipients. This is why Tunisia had to rely so heavily on foreign capital, which financed not only the bulk of net investment but, in some years, even depreciation, and once, in 1956, also part of domestic consumption.

The reason why the domestic product changed so much from one year to another was its close dependence on agricultural production. This, as can be seen from Table 2, fluctuated very much, and at any rate a good deal more than could be made good by the more stable output of mining and industry. This, in turn,

TABLE 2

INDICES OF AGRICULTURAL, MINING AND INDUSTRIAL PRODUCTION,
1950 TO 1961 (1950 = 100)

| Year | Crop production | Mining and quarrying output | Industrial production |
|------|-----------------|--------------------------------|-----------------------|
| 1950 | 100 | 100 | 100 |
| 1951 | 74 | 113 | 113 |
| 1952 | 124 | 136 | 125 |
| 1953 | 131 | 124 | 119 |
| 1954 | 124 | 125 | 125 |
| 1955 | 84 | 146 | 147 |
| 1956 | 131 | 141 | 140 |
| 1957 | 119 | 138 | 143 |
| 1958 | 169 | 141 | 145 |
| 1959 | 125 | 129 | ... |
| 1960 | 137 | 125 | ... |
| 1961 | ... | 115 | ... |

Source: Claude Zarka, *op. cit.*, p. 214. Zarka extracted the data for the construction of these indices from the Statistical Yearbook of Tunisia, but warns that the original figures cover only the main items of production in each sector and that the principles of weighting are rather simple.

was due to the overwhelming predominance of agriculture in income formation. Furthermore, the country's dependence on abroad was reflected in a structural deficit in the trade balance (Table 3), a deficit that was highly sensitive to changes in agricultural output, which accounted for a large part of Tunisian exports¹. But the greatest weakness in the Tunisian economy was that, at least until 1958, saving and investment were on a distinct downward trend. What is worse, saving fell faster than investment, which aggravated the country's dependence on external sources of finance.

It is not easy to analyse why this was so. The saving and investment figures in Table 1 are estimates not always based on

TABLE 3

THE TRADE BALANCE, 1950 TO 1959
(thousand current dinars)

| Year | Imports (cif) | Exports (fob) | Deficit | Import coverage per cent |
|------|------------------|------------------|---------|-----------------------------|
| 1950 | 51,533 | 39,826 | 11,707 | 77 |
| 1951 | 63,819 | 37,907 | 25,912 | 59 |
| 1952 | 64,879 | 40,180 | 24,699 | 62 |
| 1953 | 60,121 | 39,103 | 21,018 | 65 |
| 1954 | 59,268 | 44,477 | 14,791 | 75 |
| 1955 | 63,276 | 37,388 | 25,888 | 59 |
| 1956 | 68,000 | 39,297 | 28,703 | 58 |
| 1957 | 63,352 | 54,187 | 9,165 | 85 |
| 1958 | 64,886 | 64,405 | 481 | 99 |
| 1959 | 64,202 | 59,585 | 4,617 | 93 |

Note: Until 1960 the B.C.T. did not have the figures needed to work out a balance of payments.

Source: Banque Centrale de Tunisie, *Rapport annuel* 1960, p. 36.

¹ As late as 1959, for instance, agricultural products — classified in Tunisian statistics as "food" (*alimentation humaine*) — made up 60.2 per cent of Tunisian exports. Banque Centrale de Tunisie (B.C.T.), *Rapport annuel* 1959, p. 36.

complete information, and must be taken with a grain of salt¹. They are also synthetic, in that they represent the balance of real and financial flows of opposite sign. What little can be gathered about the separate items that make up this balance, suggests that disinvestment and transfers of income and savings to abroad play a large part in them. In this connection, statistics on money and capital movements in the Franc Zone show, from 1954 on, an altogether abnormal increase in the deficit on "Invisible operations through private channels" as between Tunisia and France (Table 4). This item includes private transfers not deriving from any commercial transaction, or in other words, capital flight from Tunisia. It seems reasonable to assume that it was these capital exports rather than other invisibles that were responsible for the marked growth of Tunisia's deficit on that account. Such an assumption is indirectly confirmed by the decline of private investment in Tunisia from 1953 on, as shown in Table 5. This can most probably be attributed to the political situation. The first discussions on a reform of the political status of the Protectorate go back to 1953, and subsequently led, first, to the gradual introduction of more autonomy, followed eventually by the proclamation of independence in March 1956. This sequence of events must surely have played a part in discouraging private French investment in Tunisia, even though in the negotiations prior to independence the Tunisian representatives agreed to the country's continued membership of the Franc Zone and its subordinate position vis-à-vis France. The French government in its turn

¹ In its Annual Report for 1960, p. 24, the B.C.T. warns that "given the present state of statistical information, it is impossible to know the total volume of investment effected in Tunisia... The statistics cover only public and corporate investment. Very little is known about other private investment, both by firms and individuals."

TABLE 4

BALANCE OF NON-COMMERCIAL PRIVATE TRANSFERS BETWEEN TUNISIA AND FRANCE, 1952 TO 1958
(million current dinars)

| 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 |
|------|------|------|-------|-------|-------|-------|
| -5.9 | -4.8 | -9.3 | -17.1 | -29.5 | -33.1 | -31.3 |

Source: *Cinquième Rapport du Comité Monétaire de la Zone Franc*, p. 250. The same data will be found also in Robert Bistolli, *Structure économique et indépendance monétaire*, Paris, Cujas, 1967, p. 120, and in Claude Zarka, *op. cit.*, p. 218.

TABLE 5

PRIVATE INVESTMENT, 1950 TO 1959
(million dinars)

| Money unit | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 |
|----------------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|
| Current dinars | 5,580 | 6,738 | 6,243 | 9,084 | 5,069 | 5,072 | 6,711 | 3,197 | 5,630 | 8,650 |
| Constant 1959 dinars | 7,923 | 8,423 | 7,179 | 10,262 | 5,741 | 5,681 | 6,867 | 3,056 | 5,462 | 8,650 |

Source: The data were furnished by the *Direction du Plan* and published in Banque Centrale de Tunisie, *Rapport annuel 1959*, p. 29.

promised continued technical and financial assistance. Nevertheless, during that period foreigners certainly became less willing to invest in Tunisia, and the time series of deficits on invisibles in the years 1954-1958 suggests that financial transfers from Tunisia to France must have drawn on liquid resources generated by fairly widespread disinvestment. The rules of the Franc Zone, of course, provided for free movement of capital among the member countries, and this made such transfers possible.

Similar reflections can be made with respect to the formation of savings during the same period. According to the figures in Table 1, the economy's rate of saving was clearly not high enough

to maintain the population's standard of living¹, in the face of an annual population increase estimated at more than 2 per cent. But apart from this quantitative aspect, there is the interesting question of the determining factors and the composition of savings in Tunisia. At the date of independence, saving in kind probably still accounted for a very considerable part of the total, and most often took the form of accumulating stocks of farm produce and to some extent self-financing through land improvement on the farmers' own account or additions to the number of livestock. This essentially precautionary type of voluntary saving in kind was widespread among the farm population, which constituted the bulk of the labour force and traditionally lived in a subsistence economy. Sometimes such stocks as the family did not need were marketed and the proceeds used for the purchase of other consumer goods or some inputs. Only part of them went into the formation of monetary savings, which in any case were only an intermediary step pending the purchase of gold or jewelry as a reserve to be resold or pawned in case of need². Even livestock was sometimes bought with the same end in view. Finally, savings were invested in landed property, not so much for the sake of the income it could generate, as because it was a symbol of social status and wealth.

What little money was saved by small farmers and traders, therefore, largely went into hoarding rather than productive

¹ Deliberately, no reference is made in this connection to average *per caput* income, since this cannot be accurately quantified in developing countries whose economy is not wholly monetized. Any such figure is bound to rest on guesswork, and to lend itself to discrepant and questionable interpretations.

² See Robert Bistolfi, *Structure économique et indépendance monétaire*, Paris, Cujas, 1967, p. 88, where the author points out a significant correlation between the index of gold imports (Tunisia produces no gold itself, it will be remembered) and the index of agricultural production between 1950 and 1955.

investment, and only a marginal part of it ever found its way to such financial intermediaries as existed. This was natural enough in the primitive, underdeveloped and dual economy of the Protectorate. It should, of course, not be forgotten that, alongside the so-called traditional sector comprising the indigenous population's farming, trade and crafts, the French settlers — plantation farmers, merchants, entrepreneurs and bankers — had developed a prosperous modern sector. This dualism was further accentuated by the fact that the French Administration had created a deliberately dualistic banking system, which was meant to perpetuate an institutional separation between the financial flows of the traditional and the modern sector. This went so far that some intermediaries systematically invested the savings of the indigenous population either in the modern sector of the Tunisian economy or else in France, while the credit institutes specially set up to serve the traditional sector did not much more than distribute to it the French Administration's subsidies¹.

The resulting closed financial circuits accentuated the existing dualism and encouraged the formation of savings among the numerous foreign colony in the modern sector. This is confirmed by income tax statistics for the years 1955 and 1956²: in the high-income groups, which in practice means those with more than 1,000 dinars of taxable income, Tunisians accounted for only a small minority of, say, 10 to 20 per cent. Saving, therefore, was mainly concentrated in the modern sector, since only the foreigners

¹ More will be said about this later, in connection with the analysis of the banking system under the Protectorate.

² See *Annuaire Statistique de la Tunisie*, 1957, p. 146, and 1958, p. 159. Some of the figures are cited by Claude Zarka, "L'Economie tunisienne à l'heure de la planification impérative", *Annuaire de l'Afrique du Nord*, 1962, p. 222, and by Bistolfi, *op. cit.*, p. 82.

belonging to it had enough money to set some of their income aside¹. Furthermore, as we have seen, these savings, which used to be reinvested locally, after 1954 went to swell the flow of transfers from Tunisia to metropolitan France. This, at any rate, may rightly be assumed from the previously discussed figures on private corporate investment in the Protectorate.

At the same time, the outflow of the French settlers' savings from Tunisia was encouraged by political developments, by the freedom of capital movements within the Franc Zone, and by the existence of a local banking system which was no more than a direct offspring of leading public and private French banks. Another cogent proof of the size of foreign savings and their flight at the time is furnished by Bistolfi (*op. cit.*, p. 83). In discussing the activities of the Tunisian *Caisse d'Epargne*, an offspring of the French *Caisse de Dépôts et Consignations*, he points out that during the period when the Protectorate was liquidated, deposits at the *Caisse* fell by almost half, while the number of deposit accounts hardly changed at all (it dropped by 1.4 per cent). This surely proves two things, namely, that French citizens were repatriating their deposits, and that the average amount of deposits was much higher on French accounts than on those of the indigenous population.

The picture of corporate saving, or self-financing, prior to the proclamation of independence is similarly unpropitious, and for much the same reasons. But this argument will not be pursued

¹ It is interesting, in this connection, to look at the figures for investment in securities during the Protectorate period. The capital market, restricted though it was in terms of the volume of transactions, handled dealings almost exclusively by foreigners, who not only subscribed virtually all share issues, but also the greater part of bond issues, the bulk of which was in the form of two- to four-year *bons d'équipement* issued by the Administration of the Protectorate.

here, because the relevant statistics¹ appear to be more imprecise than most.

Much more reliable figures, on the other hand, are available with respect to saving on the part of the public administration². These show that from 1951/1952 on, ordinary revenue fell increasingly short of current expenditure, until the budget deficit reached 2,139,000 dinars in 1955/1956, the fiscal year preceding the proclamation of independence. In this respect, too, the new national government therefore inherited from the Protectorate a situation that had recently deteriorated and offered no scope for an independent development policy. The current budget deficits of the Protectorate were covered by advances and subsidies from the French Treasury, and so was almost the whole of the public administration's investment expenditure (*dépenses d'équipement*). At its very birth, the new Tunisian state was therefore saddled with a heavy burden of foreign indebtedness, and this structural dependence on abroad naturally tended to get worse as soon as the Tunisian authorities tried to launch an accelerated process of development with planned, and higher, investment.

To round off this brief survey of the Tunisian economy during the Protectorate and the early years of independence, it may be useful to recall a few basic aspects of determinant influence for the country's development in the subsequent years.

The demographic situation was certainly unfavourable, even though the census figures permit no precise quantification of the more important variables. One thing that can be stated with confidence is that in Tunisia, as in most other developing countries,

¹ See *Annuaire Statistique de la Tunisie*, 1960.

² These figures, too, are found in the Statistical Yearbooks for successive years.

the rate of population growth rose conspicuously after the beginning of the twentieth century, thanks to lower mortality, especially infant mortality. Since the war the population had been growing at an annual rate of some 22‰, with slightly higher rates for the Moslems¹. Without going in detail into the complex relationships between demographic variables and economic development, it does seem clear that population growth ruled out any sanguine hopes of improvement in the Tunisian economy. It compromised the chances of raising the national product in two ways; first, by reducing the proportion of the working population in the total, and second, by pushing up consumption to the detriment of saving and thus of investable resources².

The second basic feature of the economy at the end of the Protectorate period was its still pre-industrial production structure, typical of undeveloped countries. According to certain estimates for the years 1953-1956, the primary sector (agriculture, forestry, mining and fishing) would seem to have accounted for some 40 per cent of the gross domestic product at factor cost, while occupying 69.3 per cent of the working population. The same estimates put the proportion of the labour force employed in the tertiary sector

¹ The rates for the Moslem population are really the more significant ones for the prospects of economic development in Tunisia at the time, because independence brought in its wake a gradual decline in the non-Moslem communities, mostly Europeans and Jews.

² All those who have studied the Tunisian economy hold the common view that in the years just before independence the rate of investment was altogether too low for keeping up the standard of living of the population. Zarka (*op. cit.*, p. 217) estimates that to maintain *per caput* income constant would have required net investment at an annual rate of about 8 per cent; all others put the figure even higher. However much guesswork may be involved in these estimates, the figures in Table 1 do show that in spite of growing foreign debts, investment in Tunisia during the years 1953-58 was scarcely enough to maintain the existing standard of living.

at 22.2 per cent, and its share in value added at 43 per cent. This means that only 8.5 per cent of the labour force worked in industry, whose share in total production was 17 per cent. However, in the view of some development economists, national accounts tend to overstate the real contribution of services to value added; if an economy not as yet industrialized and still largely based on the closed circuits of self-consumption has so strong a tertiary sector, the implication is that there must be a good many parasitic activities which contribute little to income formation and are merely a consequence of unemployment and underemployment elsewhere in the economy¹. If these arguments are true, it would seem reasonable to scale down the share of the tertiary sector and to regard the Tunisian economy at the time as essentially a primary-producing one. This means that the resources needed for launching a process of development and industrialization must initially come from agriculture. Agricultural productivity, therefore, was the main problem, and its improvement the chief aim of the land reform planned by the new national government.

Another aspect of the Tunisian economy that caused much concern at the time of the demise of the Protectorate, was the chronic unemployment of a large proportion of the labour force. This took various forms; alongside those wholly unemployed, there were many, especially in the primary sector, afflicted by seasonal unemployment or underemployment. There are no reliable statistics on this point, but even if there were they would not be particularly meaningful, because even the best statistics cannot reflect what is called disguised unemployment, that is, the extent to which jobs are unnecessary or even fictitious, not to speak of parasitic

¹ One of the most eye-catching symptoms of a bloated tertiary sector is the mushroom growth of intermediaries in the trade channels, when in fact distribution could be handled more efficiently and economically by fewer people.

activities. It is this form of unemployment, as has been suggested above, which inflated the strength of the tertiary sector¹. How serious this problem was, is proved by the speed with which the Tunisian authorities proceeded to initiate "public works camps for the fight against underdevelopment". These were financed by budgetary funds and intended to put unemployed labour to work on the creation of infrastructures.

Yet another major potential obstacle to economic development in Tunisia was the growth of consumption. Contrary to what had been mistakenly assumed before the high-income European settlers left, this was by no means due to them alone. The high propensity to consume not only impeded the formation of domestic savings, but, since much of it found expression in the purchase of imported goods, had the additional effect of increasing the trade deficit and impairing the country's capacity to import capital goods². It is right to say that at this time the population of Tunisia were really living beyond their means.

Finally, the new government had the problem of how to deal with the sort of dual economy created by the Protectorate's Administration. This meant concentrating all initial efforts on

¹ It is an interesting point that this tends to happen when there is not enough capital in relation to available manpower. For obvious social reasons, excess labour gets employed all the same, with the result that the marginal productivity of labour falls to zero or even becomes negative. This means that if in any given sector the number of persons employed were reduced at an unchanged volume of capital and unchanged production techniques, that sector's value added would not decline or might even rise.

² Zarka, *op. cit.*, p. 221, gives the following figures for Tunisia's imports of consumer goods, without, however, mentioning the source (1949 = 100):

| | | | | | | | |
|------|-----|------|-----|------|-----|------|-----|
| 1950 | 112 | 1953 | 116 | 1956 | 152 | 1959 | 142 |
| 1951 | 120 | 1954 | 120 | 1957 | 141 | 1960 | 155 |
| 1952 | 113 | 1955 | 132 | 1958 | 125 | 1961 | 186 |

an attempt to integrate the economy on a unitary pattern. The existing dualism had varied and complex aspects, with obvious social repercussions. Geographically speaking, the north of the country had reached a considerably higher level of development than the centre and south. Within any one branch of activity, furthermore, there was a sharp separation between the modern sector and the very backward traditional one, still at the margin of subsistence. On the one side were the large model plantations managed by French citizens, their factories, banks, import and export firms and their insurance companies; on the other side the fellahs' crafts, a credit system resting on direct, personal loans at usury rate, an overgrown system of distribution by small traders. This dualism was, moreover, of a cumulative nature, in the sense that, if it were not checked, it harboured within itself all the conditions of its own aggravation.

The above brief survey suggests that at the very moment when Tunisia attained its political independence, it was in danger of being sucked into a descending spiral of cumulative economic underdevelopment.

3. THE FRENCH-TUNISIAN AGREEMENTS ON TERMINATION OF THE PROTECTORATE

On 3 June 1955, with the final dismantling of the Protectorate and the proclamation of Tunisia's independence in sight, France and Tunisia concluded an economic and financial convention which was to govern the two countries' future relations. This Convention had a very broad range and covered in detail all monetary, financial and commercial aspects, with rules so co-ordinated as to form a coherent and unitary whole.

Before examining the 1955 agreements, a few words may usefully be said on the spirit in which Tunisia approached its day of independence. The country's new political status was the final result of a series of negotiations which, despite all the inevitable friction, misunderstandings and setbacks, did testify to both parties' real intention to collaborate. The attitude of the Tunisian representatives was dictated largely by their overriding purpose of obtaining their final aim of political independence, without detriment, if possible, to the economic, financial and commercial relations existing between the two countries. The Tunisians knew very well that in the years to come they would need French help for economic development, since the domestic economy could not in any way be regarded as self-sustaining. The Tunisians, therefore, implicitly accepted their country's actual economic dependence on France, given that this dependence was regarded as an indispensable condition for obtaining substantial French help for economic development and for the emancipation of the emergent nation. There can be no doubt that so far as the Tunisian negotiators were concerned the function of the 1955 agreements was to provide the country with the means of achieving a reasonable degree of economic independence some time in the not too distant future, as a basis for the real exercise of sovereignty.

The French government's main concern, on the other hand, was to prevent Tunisian independence from upsetting the balance of political and economic relations between North Africa and France and within the Franc Zone. In addition, France was anxious to safeguard the economic interests of French citizens in Tunisia.

In these circumstances, and allowing for the obvious weakness of the new Tunisian government's bargaining power, it was inevitable that the 1955 Convention was tailored to the rules governing the Franc Zone, of which Tunisia already formed part.

Consequently, the changeover from the régime of the Protectorate to independence did not really alter anything very much. Tunisia achieved its ideal of formal political sovereignty, but in practice the 1955 agreements reaffirmed the country's economic dependence, though tempered by a prospect of development within these limits.

In brief, the Convention provided for a monetary system strictly subject to the powers of control and decision vested in the central governing body of the Franc Zone and, hence, in practice in the monetary authorities of France. The Tunisian government was, of course, represented among the Franc Zone's decision makers, but its presence there was purely symbolical and had no influence on the balance of powers. Monetary relations, then, were governed by the following rules:

- (a) the issuing bank was to be the *Banque de l'Algérie et de la Tunisie* (B.A.T.)¹;
- (b) the Tunisian franc and the French franc were to be linked by a fixed rate of exchange;
- (c) funds were to be allowed to move freely in both directions between France and Tunisia, regardless of whether the underlying transaction was commercial or financial;
- (d) the monetary authorities of the Franc Zone were to retain control over the money issue in Tunisia, even if subsequently a Tunisian issuing bank were to be set up;
- (e) pending the establishment of a *Conseil Tunisien du Crédit*, credit control in Tunisia was incumbent on the B.A.T.;
- (f) a Tunisian representative was to join the highest authority in matters of monetary policy throughout the whole Franc Zone, the *Comité Monétaire de la Zone Franc*;

¹ This bank will be described below in the section dealing with the banking system of the Protectorate.

- (g) Tunisia was to adhere strictly to the current exchange control regulations of France, with supervisory powers vested in the *Office des Changes de la Zone Franc*;
- (h) the management of Tunisia's currency reserves was to be entrusted to the *Fonds de Stabilisation des Changes de la Zone Franc*.

This set of rules needs no special comments. Clearly, the new Tunisian government was deprived from the outset of any powers in monetary and credit matters, for the sake of the overriding purpose of preserving the monetary unity which was both the justification and the aim of the Franc Zone. However, as a counterpart to these extremely restrictive monetary arrangements, the agreements contained more liberal and, for Tunisia, seemingly more favourable provisions regarding trade relations.

A customs union was established between France and Tunisia, with the declared aim of facilitating Tunisian imports of French capital goods, protecting Tunisian products against competition from French exports and, generally speaking, helping Tunisian exports to France. The whole set of privileges and restrictions was to be implemented by means of adjustments in the customs duties charged on the goods concerned and of the selective application of quantitative restrictions, or even prohibitions, on the movements of certain goods.

The rules governing financial relations between France and Tunisia similarly made provision for certain forms of aid for the new state. As regards investment finance, the control of the 1955 Convention laid down procedures by which the two governments would each year draw up a joint programme, under which loans of various types would be conceded by the French Treasury or other French agencies either to the Tunisian Treasury or directly

to beneficiaries. The Tunisian government was given the privilege of having its foreign loans guaranteed by the French Treasury. More stringent rules, on the other hand, applied to current budget expenditure. The Tunisian Treasury was allowed to draw advances from the French Treasury only for the limited purpose of keeping the budget in equilibrium. In return for these concessions, the French authorities naturally reserved to themselves the right of control over the Tunisian government's borrowing and the budget accounts. In these circumstances public expenditure was almost wholly subject to French decisions.

In conclusion it may be said that the 1955 Convention gave the Tunisian state no economic powers, but aimed at perpetuating and consolidating the situation of French predominance as it was during the Protectorate. It was merely a formal restatement of the Tunisian economy's "satellite" status.

Notwithstanding their logical consistency, however, the 1955 agreements were soon overtaken by events. The protocol of 10 March 1956 gave political independence to Tunisia. It was obviously absurd that a sovereign state should have no powers of determining its own economic future. Very soon this contradictory situation led to the end of the Convention, as Tunisia assumed full responsibility for all parts of its economy.

4. THE BANKING SYSTEM OF TUNISIA BEFORE THE *Banque Centrale de Tunisie*

Tunisia, then, found itself in 1956 in a situation of economic dependence. Because its national accounts did not balance, it had continuously to accept help from outside, and it was hamstrung by the restrictions embodied in the Convention described above.

But economic dependence was also solidly grounded institutionally. Most of the main economic decision centres were in French hands, so much so that the country's production and financial system were mere appendices of their metropolitan counterparts. It was in Tunisian institutions that economic dependence was manifest, in the large estates of the settlers, in the big joint stock companies formed exclusively with French capital, in the import and export firms, the insurance companies and the banks. These were the most conspicuous witnesses to French predominance in the economy.

In particular, the Tunisian banking system, to the extent that it could rightly be called a system at all, was a direct offspring either of the Protectorate Administration or of leading French credit institutes. But since a gradual process of what was called "Tunisification" soon put indigenous institutions in the place of the French ones, there is not much point in analysing the latter at length. It will be enough to give a brief description of the Protectorate's credit system, just enough to sketch in the background of the situation as it was the beginning of 1956¹.

(1) *Banque de l'Algérie et de la Tunisie*

When Tunisia acceded to independence, it did not have a central bank of its own, but, as was mentioned before, relied on the services of the *Banque de l'Algérie et de la Tunisie* (B.A.T.), which took care of the note issue², of exchange control³, of credits to local

¹ For thorough analysis of the financial institutions of the Protectorate, see Robert Bistolli, *Structure économique et indépendance monétaire*, Paris, Cujas, 1967, pp. 42-101.

² Coins were minted by the Protectorate Treasury.

³ This was a purely formal function, because in the Franc Zone all currencies were linked by fixed exchange rates and there was freedom of capital movements. But the B.A.T. administered the system of financial transfers.

authorities, banks and individuals¹, of credit control and supervision of banking activities². When this bank was originally founded, in 1851, it was called *Banque d'Algérie* and was modelled on the statutes of the *Banque de France*. Its governing body consisted of members of the French public administration. It extended its activities to Tunisia in 1904, and with them the issue of its banknotes. Nevertheless, Tunisian authorities had no effective control over the bank's operations until 1949, when a reform of the statutes conceded to Tunisia the right to a small minority shareholding and a voice in the administration of the bank, which had been nationalized in the meantime (in 1946), and in 1949 assumed the name of *Banque de l'Algérie et de la Tunisie*. It cannot be said that the Tunisian representatives, who were led by the Director of Finance of the Protectorate government, succeeded in exerting any influence on the decisions of the bank's Board of Directors. In practice the B.A.T. was closely linked with French interests in Algeria and Tunisia, and this remained so even when the new independent Tunisian government's Finance Minister joined the board in 1956. Nothing else could have been expected, of course, given the letter and the spirit of the 1955 Convention between France and Tunisia.

¹ The B.A.T. was authorized to handle all banking operations with private clients, but in practice withdrew from them more and more until, after the second world war, it became almost exclusively a lender of last resort. Even this, however, did not give the B.A.T. effective control over the volume and conditions of credit, because the banks in Tunisia could always obtain liquid funds from their parent banks.

² These two functions, too, were developed relatively late. Initially the B.A.T.'s powers vis-à-vis the banks did not go far. In Tunisia, the B.A.T. in 1949 set up a sort of central risk pool, called *Service Tunisien d'Unification des Risques*; this was subsequently taken over by the *Banque Centrale de Tunisie* and proved very useful for purposes of investment planning.

(2) *The banks*

The banks operating in Tunisia at the end of the Protectorate were so heterogeneous as to defy classification. But they can at least be listed, with a summary indication of their main structural and functional characteristics, and this is done in Table 6¹. Despite its obvious limitations, the Table does at least give an outline of the banking system that came into being under the Protectorate and was then inherited by independent Tunisia. Some of that system's basic features, too, become apparent, as follows.

(a) There was a strikingly large number of credit institutes for so limited an economy as that of the Protectorate. Despite its rather advanced modern sector, the economy was, after all, still at a low degree of development, and of the country's population of barely four million, the overwhelming majority had little or no demand for financial services. Yet there were 27 credit institutes, most of them operating on a rather small scale. One is led to wonder why this was so. Two explanations come to mind. As regards public credit institutes, the reasons for their multiplication is fairly obvious. The local Administration had encouraged the establishment of indigenous financial institutes, either of a co-

¹ The Table is not quite complete, because it was impossible to obtain full information about all the banks concerned. Many of them went into liquidation during the early years of independence, some were taken over by others, and some merged with others into new ones. The Tunisian authorities and central bank encouraged this process of transformation, but in the circumstances it is hard sometimes to retrace reliable sources of information and to reconstruct the pre-independence situation with precision. Only three of the Protectorate's banks still survive now. Another difficulty is that under the Protectorate banking activities were governed by a somewhat ill-defined legal régime which provided no valid criteria of classification. The best and fullest source is the oft-mentioned monograph by Robert Bistolfi, and I have done my best to verify and complete his information in the light of such scant documentation as I could lay my hands on and of what I gathered from personal conversation with Tunisian bankers.

operative kind or of a rather advanced specialized type according to the economic activities they financed (agriculture, industry, trade, etc.), the kind of credit they extended (short-, medium- or long-term loans), and the type of clients they served (French or Tunisian). At the same time the authorities in France had encouraged a number of public and semi-public French institutes to go into business in the Protectorate. As regards private banks, on the other hand, of which there were fourteen before independence, nearly all of them branches or affiliates of French banks, the explanation is no doubt that they had found a number of profitable investment opportunities in Tunisia, in such fields as real estate, foreign trade, equity investments, oil production, etc. Especially during the early years of the Protectorate and up to the second world war there certainly was a strong speculative element in private banking, which far exceeded the limits of formal credit business in the orthodox sense¹.

(b) There was a very marked dualism in the Tunisian banking system. Table 6 shows that the indigenous population and borrowers from the traditional sector had access only to very few credit institutes, which, moreover, had rather limited resources and suffered from obvious organizational deficiencies. The *Sociétés Tunisiennes de Prévoyance* and their *Caisse Centrale*, the *Caisse Foncière* and the *Caisse Centrale de Crédit Artisanal et Maritime* all had to rely largely on the public administration for their supply

¹ One reason why such a situation came about was that there were no legal banking regulations in the Protectorate, and the *Banque de l'Algérie et de la Tunisie* did not have effective powers of control either (it was given limited powers of supervision only after the second world war). The consequences of this state of affairs still linger on; for instance, there is still a complicated law-suit going on between the Tunisian state and the *Société Marseillaise de Crédit* over the expropriation of *Enfida*, a large landed property of incalculable value acquired by the bank in question in Regency times.

TABLE 6
CREDIT INSTITUTES OPERATING IN TUNISIA AT THE END OF THE PROTECTORATE

| Year of foundation and name | Type and legal status | Financial resources | Financing operations | Main sectors and clients served | Location (and number of branches in 1956) | Remarks |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1905 and subsequent years <i>Caisses Locales de Crédit Agricole</i> C.L.C.A. | Short-, medium- and long-term credit institutes of private nature (mutual associations of European farmers) | Capital subscriptions and deposits from members, rediscounts and advances from the C.M.C.A.T. | Short-term loans for production and marketing Long-term loans against mortgage of landed property | Modern agriculture French settlers and their organizations | The 48 <i>Caisses</i> operating in 1959 were located in the main farming zones | All affiliated to the <i>Caisse Mutuelle de Crédit Agricole de Tunisie</i> |
| 1934 <i>Caisse Mutuelle de Crédit Agricole de Tunisie</i> (until 1948 <i>Caisse Régionale de Crédit Agricole Mutuel</i>) C.M.C.A.T. | Short-, medium- and long-term credit institute of semi-public nature (association of C.L.C.A.), under Tunisian law | Capital subscribed by C.L.C.A. Clients' and C.L.C.A. deposits, rediscounts from the B.A.T., medium- and long-term state advances from Tunisia and France | Loans of same type as those extended by the C.L.C.A. Rediscount of bills presented by the C.L.C.A. and advances to them | Modern agriculture (C.L.C.A. and French settlers) | Tunis | In time assumed the three functions of central institute of the C.L.C.A.; finance centre of modern agriculture; financial agent of the government for modern agriculture |

| | | | | | | |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------|
| 1957 and subsequent years <i>Société Tunisienne de Prêt</i> S.T.P. | Short-, medium- and long-term credit institutes of public nature (obligatory mutual associations of Tunisian farmers), under Tunisian law | Memberships, quotas on loans disbursed, advances, subsidies and rediscunts from the C.C.S.T.P., proceeds of land surtax | Short-term loans in cash and kind, secured or unsecured Distribution of subsidies to members | Traditional agriculture Tunisian farmers and their organizations | Farming zones | Additional functions: extension work on co-operatives and modern farming methods. Affiliated to the <i>Caisse Centrale des S.T.P.</i> |
| 1945 <i>Caisse Centrale des Sociétés Tunisiennes de Prévoyance</i> C.C.S.T.P. | Short-, medium- and long-term credit institute of public nature (association of S.T.P.) | Advances and subsidies from Tunisian and French Treasury, own capital resources bank credits rediscunts from the B.A.T. | Discount or guarantee of S.T.P. bills Advances and subsidies to S.T.P. Small amount of long-term loans | Traditional agriculture S.T.P. and Tunisian farmers | Tunis | Additional functions: Central institute of the S.T.P.; management of S.T.P. stores and equipment |
| 1934 <i>Caisse Foncière</i> C.F. | Short-, medium- and long-term credit institute of public nature (directly dependent on the <i>Direction des Finances</i>), under Tunisian law | Advances from Tunisian and French Treasury, own capital resources, deposits from individual clients, rediscunts from B.A.T., bank credits, bond issues | Small amount of short-term loans. Long-term loans secured on mortgage or "Arab" titles, for purchase of farm equipment, hydraulic construction and orchard plantation | Mainly traditional agriculture Mainly Tunisian farmers | Tunis | |

TABLE 6 (continued)
CREDIT INSTITUTES OPERATING IN TUNISIA AT THE END OF THE PROTECTORATE

| Year of foundation and name | Type and legal status | Financial resources | Financing operations | Main sectors and clients served | Location (and number of branches in 1956) | Remarks |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------|
| 1948 <i>Caisse Centrale de Cr dit Agricol et Maritime</i> C.C.C.A.M. | Short-, medium- and long-term credit institute of private nature (board of directors made up of representatives of ministries and organizations concerned), under Tunisian law | Advances from Tunisian Treasury, own capital resources, rediscounts from B.A.T., bank loans, deposits from members (small amount) | Short-, medium- and long-term loans to craftsmen and fishermen and their organizations | Crafts and fisheries Tunisian craftsmen and fishermen | Tunis | Established by the merger of earlier institutes specialized in the field |
| 1931 <i>Caisse Mutuelle de Cr dit Immobilier de Tunisie</i> C.M.C.I.T. | Long-term credit institute of public nature (mutual association of <i>Soci t s d'Habitat   Bon March </i>) | Own capital resources, advances from Tunisian and French Treasury | Long-term loans to the <i>Soci t s d'Habitat   Bon March </i> | Residential building Mainly French clients | Tunis | Closed down in 1961 |

| | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------|---------------------------------------------------|-------|--------------------------|
| 1921 <i>Crédit Commercial et Industriel de Tunisie</i> (formerly <i>Banque Populaire Française de Tunisie</i> C.C.I.T. | Deposit bank of semi-public nature (co-operative association of French businessmen), under Tunisian law | Own capital resources, deposits | Short-term credit | Industry and trade Exclusively French clients | Tunis | Closed down in 1960 |
| 1926 <i>Crédit Hôtelier de Tunisie</i> C.H.T. | Medium-term credit institute of semi-public nature (co-operative association of French businessmen), under Tunisian law | Own capital resources, deposits | Medium-term credit | Industry and trade Exclusively French clients | Tunis | Closed down in 1960 |
| — <i>Crédit Foncier de France</i> C.F.F. | Real estate credit institute of public nature, dependent on <i>Crédit Foncier</i> in France | — | Mortgage credit | Building and agriculture Mainly French clients | Tunis | Closed down in 1955-1956 |
| — <i>Crédit National</i> C.N. | Medium-term credit institute of public nature, dependent on <i>Crédit National</i> in France | — | Medium-term credit | Industry and trade Mainly French clients | Tunis | Closed down in 1955-1956 |

TABLE 6 (continued)
CREDIT INSTITUTES OPERATING IN TUNISIA AT THE END OF THE PROTECTORATE

| Year of foundation and name | Type and legal status | Financial resources | Financing operations | Main sectors and clients served | Location (and number of branches in 1956) | Remarks |
|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------|--------------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------|
| — <i>Caisse Nationale des Marchés de l'Etat</i> C.N.M.E. | Short- and medium-term credit institute of public nature, dependent on <i>Caisse Nationale des Marchés</i> in France | — | Advances against claims on the state, acceptances | Industry Mainly French clients | Tunis | Closed down in 1961 |
| 1879 <i>Banque de Tunisie</i> B.T. | Deposit and merchant bank of private nature, under Tunisian law | Own capital resources, deposits | Short-term credit, venture capital shares | Agriculture and foreign trade Mainly French clients | Throughout the country (21 branches) | Affiliated to the <i>Crédit Industriel et Commercial</i> of Paris |
| 1879 <i>Banque Franco-Tunisienne</i> B.F.T. | Deposit bank of private nature, under Tunisian law. | Own capital resources, deposits | Short-term secured credit | No specialization French and Tunisian clients | Tunis (1 branch) | |
| 1894 <i>Comptoir National d'Escompte de Paris</i> C.N.E.P. | Deposit bank, under French law | Own capital resources, deposits | Short-term credit | Foreign trade Mainly French clients | Ports and oil-growing zones (4 branches) | Branch of the French C.N.E.P. |

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|------------------------------------------------------------------------|--------------------------------------------------|---------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------|
| 1900 <i>Compagnie Algérienne de Crédit et de Banque</i> C.A.C.B. | Deposit bank of private nature, under French law | Own capital resources, deposits | Short-term credit | Agriculture and foreign trade French and Tunisian clients | Farming zones and ports (15 branches in 1958) | Branch of the French C.A.C.B. |
| 1907 <i>Crédit Foncier d'Algérie et de Tunisie</i> C.F.A.T. | Mixed bank of private nature, under French law | Own capital resources, deposits | Short-, medium- and long-term credit, venture capital shares | Agriculture, building, land improvement, public works, industry, trade, banks, transport Mainly French clients | Throughout the country (17 branches) | Branch of the French C.F.A.T. |
| 1912 <i>Crédit Lyonnais</i> C.L. | Deposit bank, under French law | Own capital resources, deposits | Short- and medium-term credit | Foreign trade, oil production, <i>mar-chés publics</i> Mainly French clients | Oil-growing zones and ports (6 branches) | Branch of the <i>Crédit Lyonnais</i> at Lyon |
| 1912 <i>Société Générale</i> S.G. | Deposit bank, under French law | Own capital resources, deposits | Short- and medium-term credit | Foreign trade Mainly French clients | Ports (3 branches) | Branch of the <i>Société Générale</i> of Paris |
| 1919 <i>Société Marseillaise de Crédit</i> S.M.C. | Deposit bank of private nature, under French law | Own capital resources, deposits | Short-term credit | Oil production Mainly French clients | Oil-growing zones (4 branches) | Branch of the S.M.C. of Marseilles |

TABLE 6 (continued)
CREDIT INSTITUTES OPERATING IN TUNISIA AT THE END OF THE PROTECTORATE

| Year of foundation and name | Type and legal status | Financial resources | Financing operations | Main sectors and clients served | Location (and number of branches in 1956) | Remarks |
|------------------------------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------|
| 1923 <i>Banque Industrielle de l'Afrique du Nord</i> B.I.A.N. | Deposit and merchant bank of private nature, under French law | Own capital resources, deposits | Short- and medium-term credit, venture capital shares | Foreign trade, <i>marchés publics</i> , industry, banks Mainly French clients | Tunis (1 branch) | Branch of the French B.I.A.N. and part-owner of the F.I.M.A.T. |
| 1941 <i>Banque Nationale pour le Commerce et l'Industrie en Afrique</i> B.N.C.I.A. | Deposit bank, under French law | Own capital resources, deposits | Short-term credit | Agriculture, foreign trade Mainly French clients | Farming zones and ports (6 branches) | Branch of the French B.N.C.I.A. |
| 1947 <i>Union Financière et Technique de Tunisie</i> U.F.I.T.E.C. | Mixed bank of private nature, under Tunisian law | Own capital resources, deposits | Short- and medium-term credit, venture capital shares | Grain, wine and citrus fruit production, foreign trade, farm equipment, industry, banks Mainly French clients | North and Cap Bon (3 branches) | Affiliated to the French B.N.C.I.A. and part-owner of the F.I.M.A.T. and S.O.F.I.V.E.C. |

| | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------|-----------------------------------------------------------------------------------|
| 1948 <i>Société pour le Financement des Ventes à Crédit</i> SO.VI.FE.C. | Special credit in- stitute of private nature, under Tunisian law | — | Hire-purchase finance | Motor car sales Mainly French clients | Tunis (1 branch) | Closed down in 1961 |
| 1950 <i>Société Franco- Tunisienne de Banque et de Crédit</i> S.F.T.B.C. | Deposit bank of private nature, under Tunisian law | Own capital re- sources, deposits | Short- and me- dium-term credit | Foreign trade, <i>marchés publics</i> Mainly French clients | Tunis (1 branch) | Affiliated to the <i>Société Franco- Américaine de Banque</i> of Paris |
| 1955 <i>Société Franco- Tunisienne pour le Financement du Matériel Agri- cole et Industriel</i> F.I.M.A.T. | Special credit institute of pri- vate nature, un- der Tunisian law | — | Hire-purchase finance | Sale of agricul- tural equipment Mainly French clients | Tunis (1 branch) | Closed down in 1961 |
| — <i>Société Tunisien- ne de Finance- ment</i> SO.TU.FI. | Special credit institute of pri- vate nature, un- der Tunisian law | — | Hire-purchase finance | Sale of semi- durables Mainly French clients | Tunis (1 branch) | Closed down in 1961 |
| — <i>Caisse d'Epargne</i> C.E. | Savings bank, dependent on the French <i>Caisse d'Epargne</i> | Own capital re- sources, deposits | Deposits with the <i>Caisse de Dépôts et Con- signations de France</i> | Mainly Tunisian clients | Throughout the country | |

of loanable funds. Not only did their resources fall short of their needs, they were also inefficiently administered and the lending principles were such that loans did nothing to enable borrowers in the traditional sector to earn more, but merely got them more deeply into debt. In the absence of adequate supervision, a rather fragmented and ill organized distribution of credit led inevitably to a high proportion of insolvencies¹. The worst consequence of this was that credit eventually came to be regarded as a sort of subsidy, both by the lending institutes and by the borrowers — so much so that the former had in recent years turned themselves from lenders into distributors of subsidies, from credit institutes into assistance agencies. This was a bad lesson for the borrowers, who were led to regard credit as a consumer good rather than as a factor of production. The resulting habits and mentality later made things very difficult for the new agricultural credit institute. Only the *Caisse Centrale de Crédit Artisanal et Maritime* succeeded in forestalling such a situation among its clients, but only at the cost of severe risk selection through the obligatory requirement of sound security.

The other twentythree credit institutes served almost exclusively the modern sector of the economy, which meant French

¹ On the subject of the financial situation of traditional agriculture during the last years of the Protectorate, a (mimeographed) study of the S.E.R.E.S.A., *Le crédit agricole en Tunisie* (Tunis, 1958), states that in agricultural credit defaults amounted to 70-80 per cent of the loans granted. Bistolfi (*op. cit.*, p. 75) quotes the same source, but fails to make it clear that this percentage probably refers to the cumulative amount of defaults (including those of previous years) in relation to current credits outstanding (which include those not repaid). This method of calculation tends to overstate the proportion of defaults. It was probably adopted by the institutes concerned for obvious reasons of balance-sheet window-dressing: any one year's defaults were not shown as losses during that year, but carried forward as "debts held over".

clients. This disproportion was reflected in the distribution of financial resources. According to some estimates ¹ the modern sector in 1949 absorbed more than 90 per cent of all credit other than agricultural, and in 1953 got 61.5 per cent of all agricultural credit. Rough calculations suggest that modern agriculture, represented by some 2,000 French settlers ², received credit at the rate of about 5,000 (old) francs per hectare, whereas traditional agriculture with its 400,000 to 450,000 Tunisian farmers, got only about 1,000 francs per hectare.

These few and very rough figures highlight the fact that the Protectorate's banking system, as it was organized and as it worked, was biased towards promoting the development of the modern sector of the economy, and at the same time the stagnation, or indeed the decline of the traditional sector from which virtually the entire indigenous population drew its means of subsistence. In other words, credit distribution indirectly affected income distribution and aggravated the existing dualism. Finally, the traditional economy was not only underprivileged as regards receipt of financial resources, it was also drained of its own savings by the local *Caisse d'Epargne*, which deposited them in Paris with the *Caisse de Dépôts et Consignations* and thus systematically exported the capital painfully scraped together by the small savers among the indigenous population.

(c) The banking system was quite extraneous to Tunisia. Tunisian authorities had no powers of intervention or control; what is worse, most of the banks were subject to directives originating in the financial centres of metropolitan France. Even

¹ Bistolfi, *op. cit.*, pp. 76-78.

² The membership of the *Caisses Locales de Crédit Agricole*.

the French community in Tunisia was somehow in a subordinate position and at best had control only over the co-operative credit institutes¹ — and even then only to the extent compatible with the wishes of the local public administration and the metropolitan authorities which took part in the management of these institutes and contributed to their finances. Significantly, public funds were conspicuous among the financial resources used by local co-operative or public credit institutes. This most likely meant dependence on France and confirms the assumption of extraneousness put forward above.

In their turn, the private banks were nearly all directly or indirectly dependent² on their respective French parent banks, and this applies both to management and to the supply of funds for local lending.

Another aspect of the banking system's being extraneous to Tunisia under the Protectorate was that the banks habitually made little effort to attract local deposits. They had the confidence of the European community in any case and thus got its liquid funds, and to mobilize the savings of the indigenous population would have yielded too low a return³.

In conclusion, then, it can be stated that Tunisia's banking system was not fully integrated into the country's economic and social setting. Its financial intermediation was in practice confined within the modern sector, including the latter's channels of

¹ The *Caisses Locales de Crédit Agricole* and the connected *Caisse Mutuelle de Crédit Agricole de Tunisie*, the *Caisse Mutuelle de Crédit Immobilier de Tunisie*, the *Crédit Commercial et Industriel de Tunisie* and the *Crédit Hôtelier de Tunisie*.

² Barring the *Banque Franco-Tunisienne*, which nevertheless had connections with French interests.

³ Only the *Caisse d'Epargne* took in savings from the indigenous community.

communication with the French economy¹. However, to say that the private banks exercised a purely ancillary function is to understate their importance and initiative.

(d) The private banks of Tunisia exercised oligopolistic control over local industry and trade. They were linked not only by common interests, but by intricate direct — that is local — and indirect relationships among their parent banks. At first sight the composition of the banking system suggests fragmentation, but in fact it had a concentrated, oligopolistic structure. Many of the private banks, furthermore, were merchant banks, and had ended up with controlling stakes in the principal joint stock companies of Tunisia². How much the modern sector depended on the private banks is proved also by the large extent to which industrial and trading firms relied on bank credit to finance their activities.

¹ These channels of communication served a two-way traffic. They brought to Tunisia French capital needed to finance investment in the modern sector, and in the other direction took home to France the income and savings of the French community, and made it easy to repatriate the liquid funds obtained from widespread disinvestment during the period 1954-1958. In this connection, see Table 4, the figures on movements of invisibles between Tunisia and France.

² For more detail see Bistolfi, *op. cit.*, pp. 65-69.

