

THE CREDIT MARKETS OF AFRICA

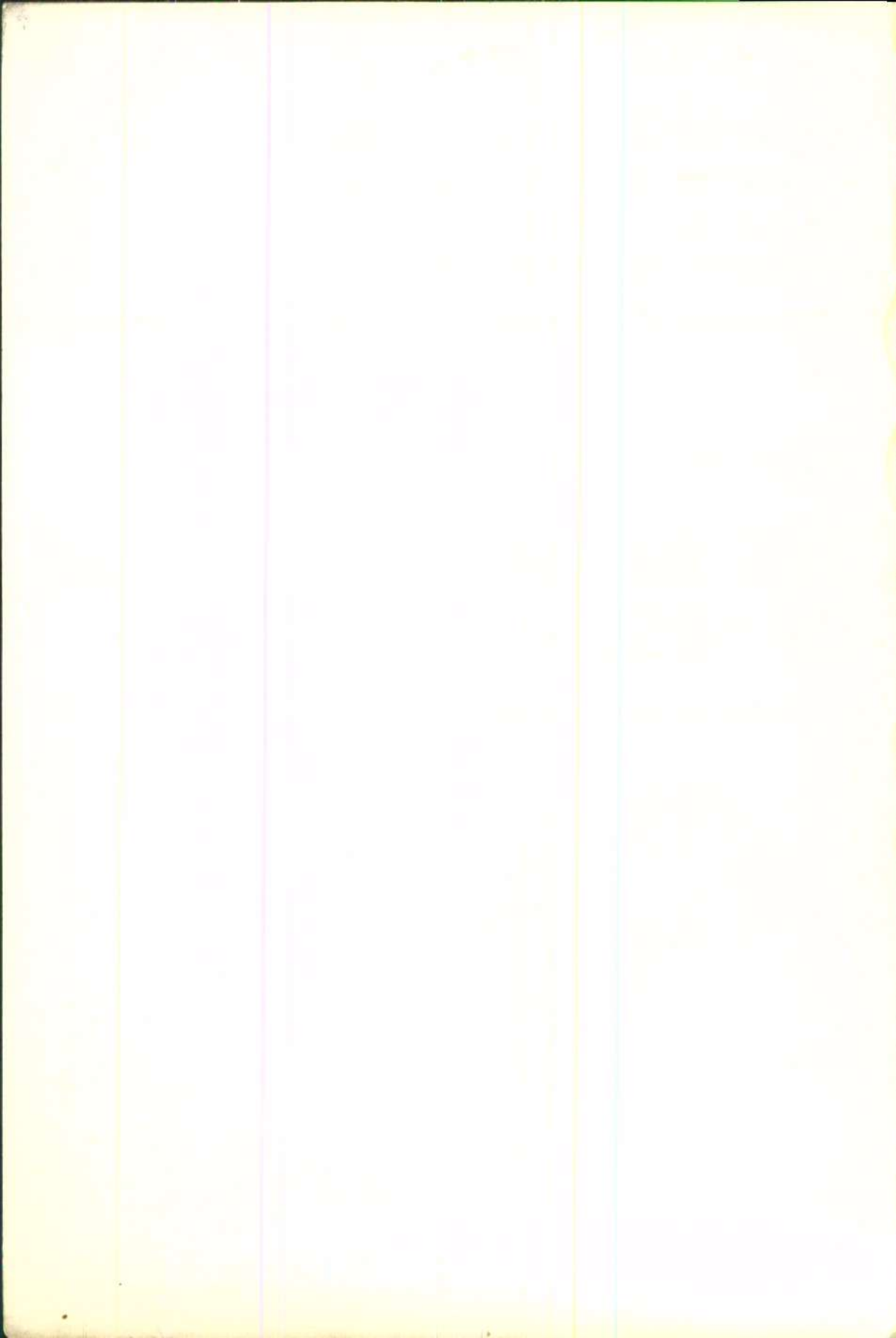
**A series of monographs under
the general editorship of
Professor Giordano Dell'Amore**

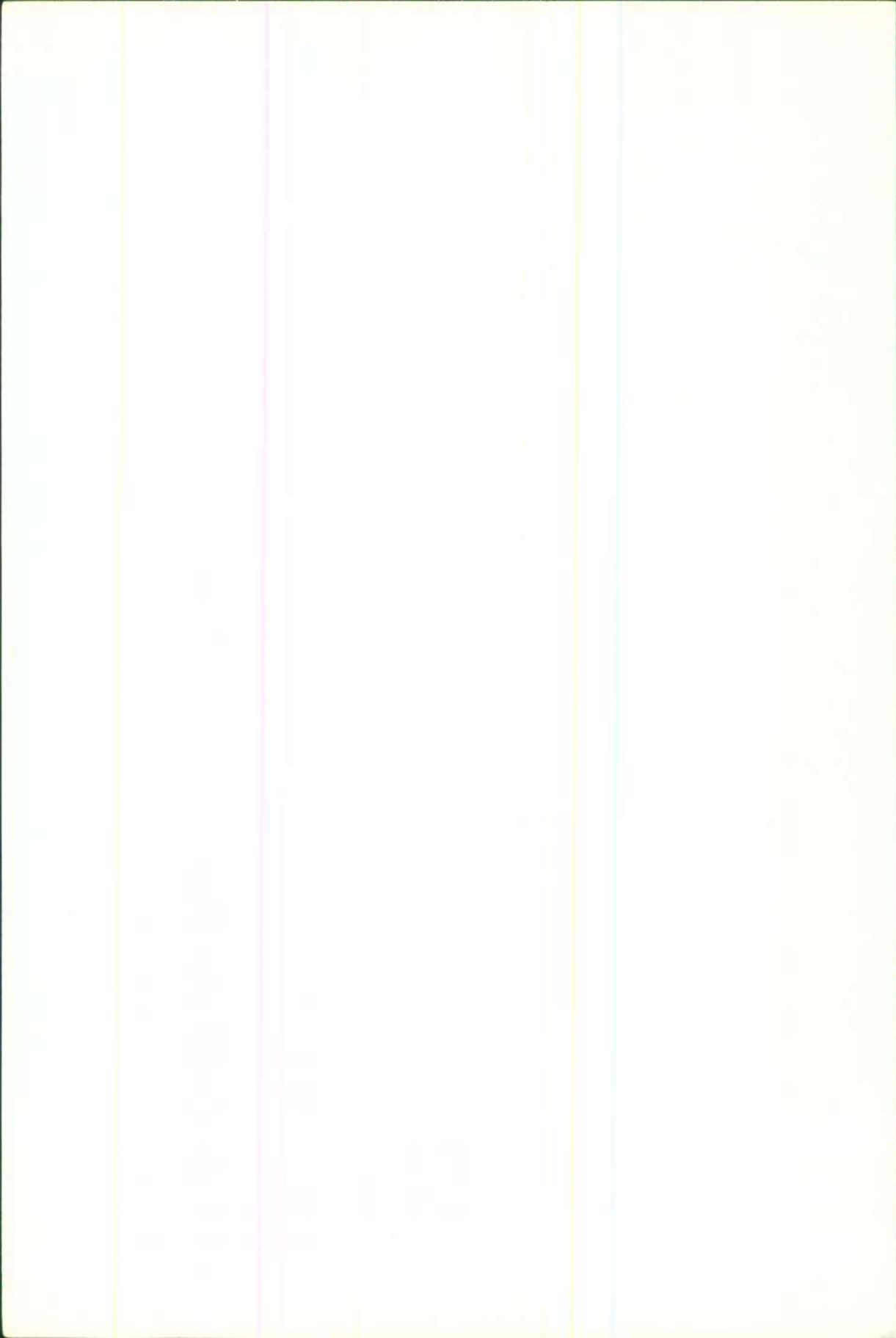
Sergio Bortolani

THE BANKING SYSTEM OF NIGER



cassa di risparmio delle provincie lombarde — milan





THE CREDIT MARKETS OF AFRICA

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Professor Giordano Dell'Amore

SERIES OF MONOGRAPHS ON THE CREDIT MARKETS OF AFRICA

No. 1. *Banking Systems in Africa*

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

IN PREPARATION:

Paolo Motlura: *The Banking System of Tunisia*

SERGIO BORTOLANI

THE BANKING SYSTEM
OF NIGER

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The *Cassa di Risparmio delle Provincie Lombarde* and the *Università L. Bocconi* of Milan commissioned me to make a study of the banking system of Niger, and I carried out this mission in June and July 1970, at Niamey, the capital of Niger.

At Niamey, I was the guest of the *Caisse Nationale de Crédit Agricole*, to which I am greatly indebted for help extended to me and material put at my disposal. I wish to express my gratitude to M. Boubou Hama, chairman of the *Caisse Nationale de Crédit Agricole* and of the *Banque de Développement de la République du Niger* as well as President of the National Assembly, and to all staff members of the *Caisse Nationale de Crédit Agricole* especially to Director M. Keletigui Mariko, to M. Guy Puissochet, technical adviser and acting director, and to M. Jean-Pierre Donot.

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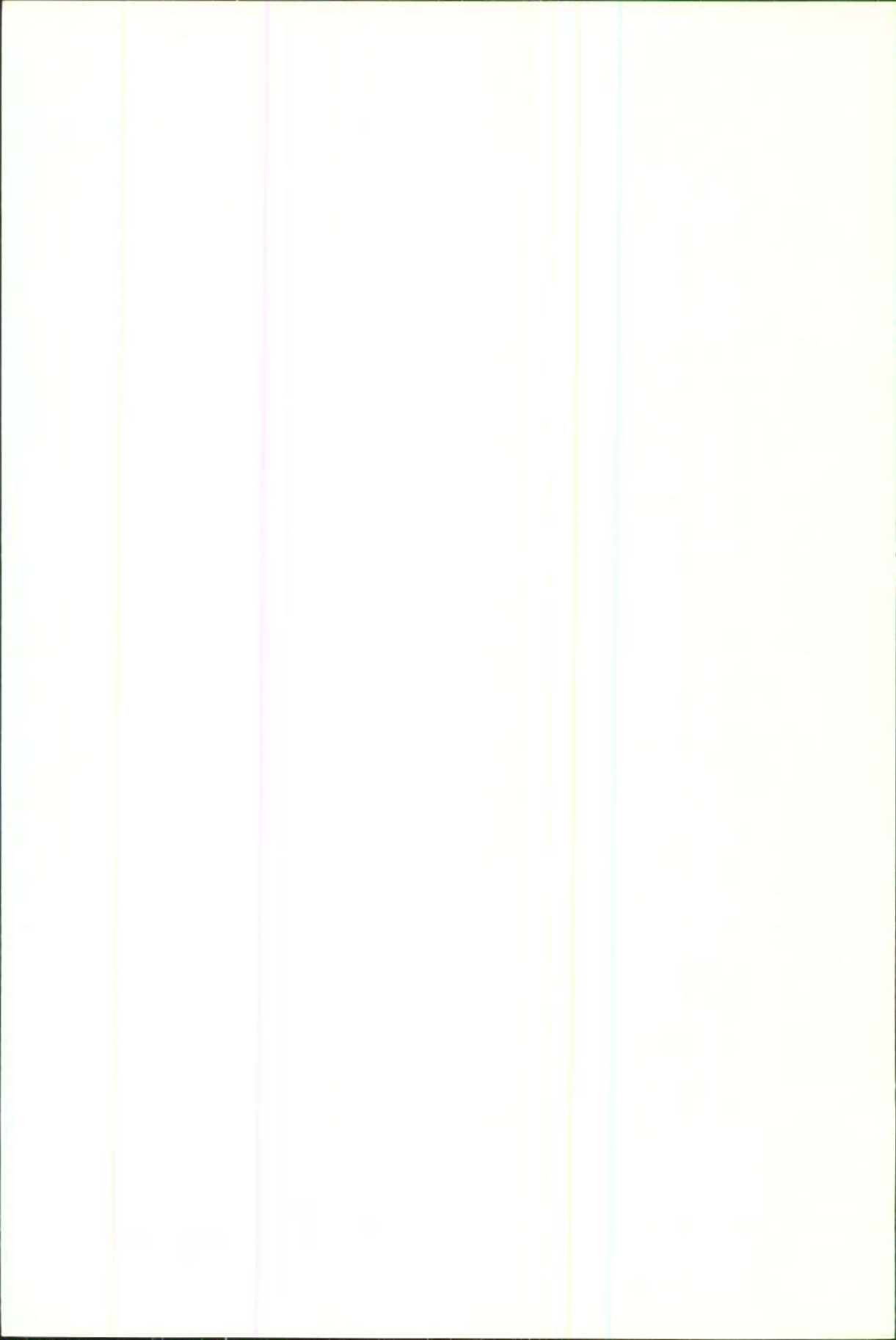
Niger; M. Longhi, FAO expert at Niamey; M. Althuzer, acting manager of the Niamey branch of the *Banque Internationale pour l'Afrique Occidentale*; M. Oumarou Moussa, manager, and M. Durupt, technical assistant, of the *Caisse d'Epargne Postale du Niger*; M. Marx, acting manager of the *Caisse Centrale de Coopération Economique*; M. Lancelin, economic adviser of the *Union Nigérienne de Crédit et de Coopération*; and M. Cesar, manager of the *Société Nigérienne de Crédit Automobile*.

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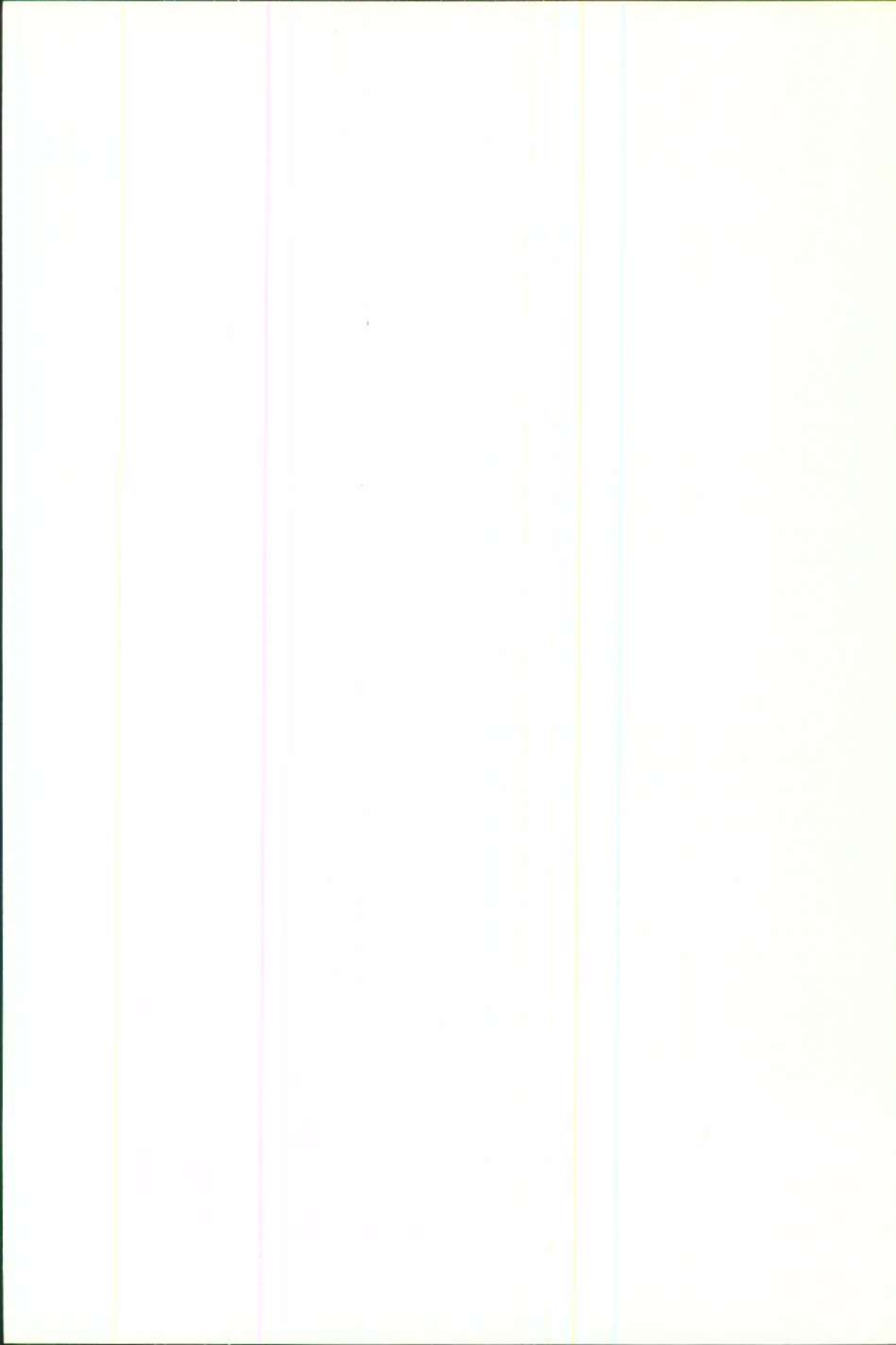
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SERGIO BORTOLANI



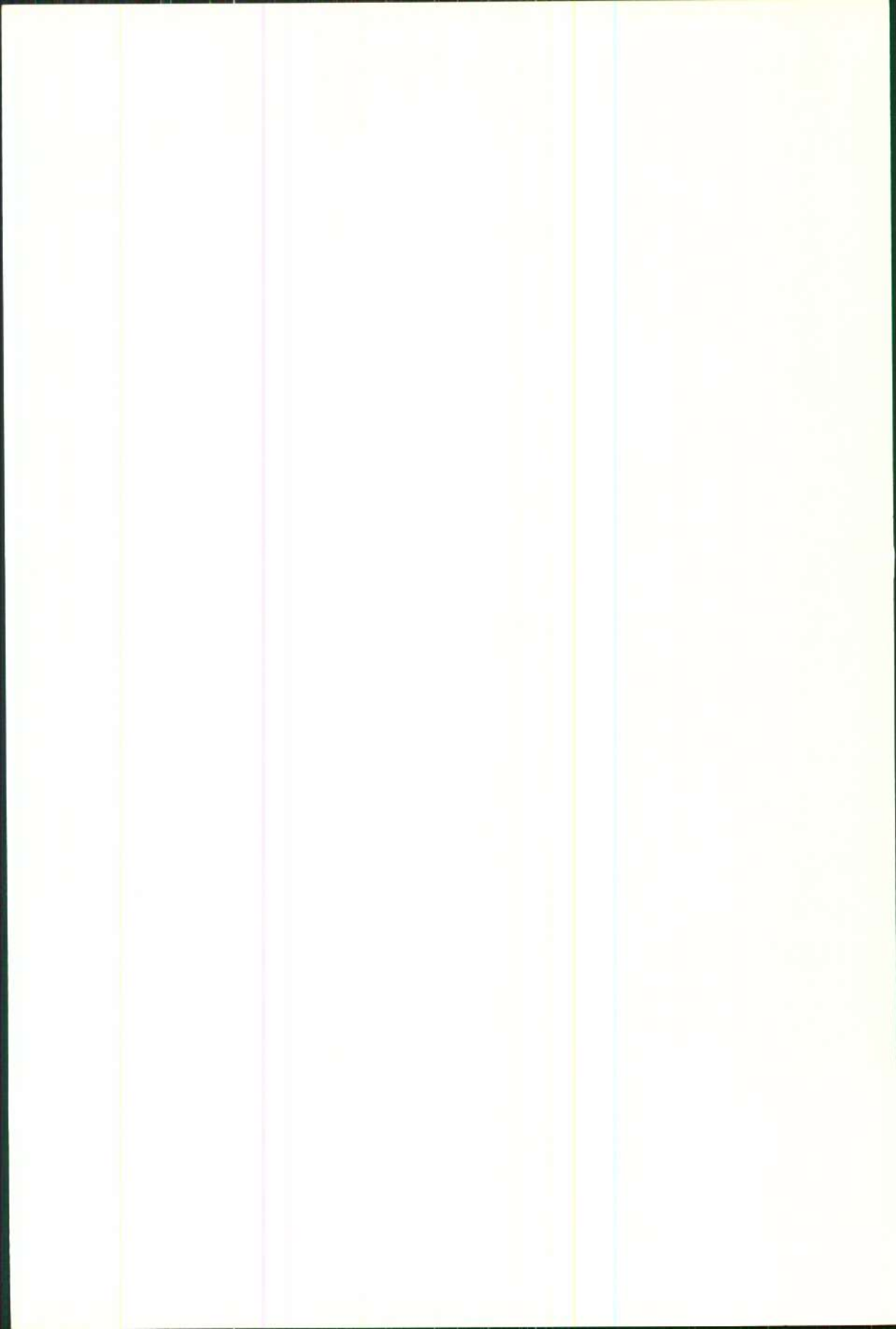
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PART ONE

THE ECONOMY OF NIGER



THE ECONOMY OF NIGER

THE LAND AND THE PEOPLE

While the African Continent's 30 million square kilometres amount to a quarter of the world's land surface, its population of roughly 350 million accounts for only 10 per cent of the world's population. Its population density of 12 inhabitants per km² is low in comparison with the general average of 25. The Continent's 43 independent states¹ and 16 dependent territories together (leaving aside the Republic of South Africa) have a gross national income no higher than about two thirds of that of Italy. *Per caput* income is the lowest among the world's continents: Africa's 112 dollars compared, in 1966, with 141 dollars in Asia, 300 in Latin America, 1,400 in Europe and 3,000 in North America.

It is against this background that Niger must be seen. Niger lies in West Africa, and has been politically independent since 1960. It is one of the least populous and one of the poorest countries of Africa, with the severe geographical handicaps of having no outlet to the sea, of large desert areas, of poor soils, scarcity of water and a terrain not lending itself to easy communications.

With an area of 1,267,000 km² (four times that of Italy), Niger is the sixth-largest state in Africa. Lying land-locked in

¹ Officially 42, since Rhodesia's independence rests only on a unilateral declaration.

the centre of former French West Africa, the country has a compact shape (1,600 km from east to west, and 1,200 km from north to south) and is not at any point closer than 700 km to the nearest sea coast. It borders on seven neighbours: Algeria and Libya in the north, Chad in the east, Nigeria and Dahomey in the south, and Upper Volta and Mali in the west (see map).

The country is a great upland plain of an average altitude of 300 m, desolate, arid, rocky or sandy, interrupted here and there by isolated peaks, ancient fossil river beds and hollows. The country's mountain ranges lie in the north east, the most important being those of Air (Asben), a chain mostly of granite with many volcanic cones and rising to summits of 2,000 m. This massif is flanked by the Sahara. In the southern part of the country, where it borders on Nigeria, are the best soils, and it is here that virtually all the sedentary population lives.

The country's hydrography is characterized by two basins, that of the river Niger in the west and that of Lake Chad in the East. The Niger, the largest river in West Africa, has a total length of 4,160 km; of this, 550 km are in the country, but not particularly useful as a navigable waterway, because of the irregular rate of flow and shallowness. For similar reasons, Lake Chad is of little use to Niger, since it includes only 3,000 of the lake's total of approximately 25,000 km².

In so large a country, of course, the climate is not everywhere the same, though it is generally very hot and dry. The dry season lasts from October to June, and the rainy season brings its maximum rainfall in August. The country is divided into three climatic zones: one of desert climate in the north, with annual rainfall of less than 100 mm; one of sub-desert climate in the centre, with summer rainfall of around 250 mm, enough to keep

livestock; and savannah climate in the south, where rainfall of 500 mm or more makes arable farming possible.

By and large, then, going from north to south, the typical desert landscape of sand dunes (*erg*) in the southernmost parts of the Sahara gives way to sub-desert grassland with thorny shrubs (*brousse*) and finally to savannah woodland, which, in the south-west, so abounds in wildlife ranging from the big cats and ungulates to pachyderms, that it has been earmarked for a National Park.

In terms of human geography, most African countries have only a small population. Some thirty of them have no more than 5 million inhabitants, and Niger, despite its size, is one of them. In 1970, its population was estimated at 3,900,000, and its population density at 3 inhabitants per km². However, four fifths of Niger's people live in the south of the country, in a territory of about 350,000 km²—just a little larger than Italy.

Of the total population, 77 per cent are settled in rural areas, 18 per cent lead a nomadic or semi-nomadic life, and 5 per cent live in towns. Urbanization, though slow, is likely to create problems of unemployment in the near future, since there is not enough industry in the towns to give employment to all the available manpower.

All the principal urban centres are small and most of them are in the south. Niamey, the capital, is situated on the banks of the river Niger and has 72,000 inhabitants; Zinder has 31,000 inhabitants, Maradi 23,000, Tahoua 19,000 and Agadès, N'Guigmi, Tillabéri and Guré each less than 10,000.

Among the country's many tribes, the Hausa (1,700,000) are the most numerous and are settled in the centre and south-east. The Djerma-Songhai (700,000) are likewise sedentary farmers,

mostly in the west and south-east; the Fula (457,000), largely pastoral nomads, can be found almost anywhere; the Kanuri (Berbers, Manga) (240,000) live in the south-east; the Tuareg (330,000), a white people of Arab origin, lead a nomadic life in the north and, together with their ancient vassals, the Buzi, go in for livestock raising. There are, finally, a few thousand Europeans, half of them French.

French is the official language, but the people most often use their local languages and dialects—Hausa most of all, Djerma, Fula (as almost anywhere else in West Africa), Berber and, between the Tuareg and the Buzi, Tamachek. The country's ethnical variety contrasts sharply with the predominance of one religion: 80 per cent of Niger's people are Moslems, even though they belong to different sects.

The economy of Niger is overwhelmingly rural. Of the country's 1,400,000 people of working age, 95 per cent or so are farmers, herdsmen or rural craftsmen. Wage and salary earners in industry and the tertiary sector number a mere 25,000, including about 500 bank and insurance clerks. But in Niger, as in other developing countries, to be "employed" has a rather particular meaning since only part of the rural population makes an active contribution to production, even though the entire labour force is part of the productive process. With work on the local food crops concentrated in only a few months and with excessive demographic pressure in the primary sector, as much as between 30 and 50 per cent of those "employed", while earning some sort of wage, however miserably small, in fact have zero marginal productivity. This disguised unemployment is one of the key problems of underdevelopment; if it is to be solved within the agricultural sector, the answer seems to lie in raising agricultural output and marketing the surplus so created as a first step by

which to set in motion the mechanism of accumulation and hence the formation of capital for investment in other sectors of production.

Ever since the country became independent, the authorities have made intensive efforts to raise the living conditions of a people stuck in its primitive ways for centuries, perhaps millenia. But however great the effort, it often fell far short of the enormous needs. In education, the legacy taken over ten years ago from the colonial administration was a disastrous situation, and it has since undoubtedly improved. The schooling rate has risen from 2.6 to 11 per cent, but even so is still one of the lowest in Africa; there are now four times as many schools, and 82,000 children attend primary school in comparison with 15,000 ten years ago. The difficulties are still great, but thanks to a massive investment programme, to the increase in teaching staff and to the use of television in schools (25 villages are so equipped), which keeps down costs and spreads instruction very widely, it is hoped to bring the schooling rate up to 40 or 50 per cent by 1980 and to narrow the gap which in this respect divides town and country, and the country's different regions. For higher studies, Niger students have to go to foreign universities, mostly in Senegal and France.

Health is another field in which much has been done, but the problems here are perhaps even greater. In addition to all the difficulties from which education suffers, there is an almost total absence of any rules of hygiene, an environment in which many diseases thrive, widespread undernourishment, lack of equipment and personnel, and an infant mortality rate of more than 25 per cent. In these circumstances, priority was given to medical measures applicable on a large scale, by mobile units—vaccination designed to reduce the incidence of infectious epidemics and

of endemic diseases, as well as a "health census" of the population, carried out by teams of doctors travelling from village to village. There are some permanent facilities¹, but much remains to be done, especially as regards health education among a people 85 per cent of whom have never had a chance to consult a doctor, or for that matter have ever felt the need to do so.

To round off this picture of the population of Niger, mention must be made of one of the government's fundamental political aims, which might best be described as the promotion of human betterment. Special extension services were created to this end in 1963, their purpose being, in the words of the *Commissariat Général au Développement*, "to make the whole people take a real part in its own development, economic, social and cultural". Essentially, this means making the broad masses understand their problems and stimulating them to take the road of change and progress. The key approach of the movement is the promotion of community leadership (*animation rurale*), given that virtually the whole population lives in rural communities. The system works in three stages: in the first, the leaders, young people with personal drive, get discussions going in the villages on all sorts of subjects, generally connected with the community's everyday problems; in the second, action takes over from words, the leaders decide, together with the villagers, what can be done at once through small projects, which have a great psychological rather than practical significance; in the third stage, finally, new institutions are set up—or will be set up in the future—through which local communities run their own affairs and a new relationship is created between government and the people.

¹ In 1968, Niger had 22 clinics, 28 prenatal care centres, 119 dispensaries and 1 sanatorium for tubercular patients, plus 6 private clinics and 3 schools for nurses.

POLITICAL HISTORY AND FORM OF GOVERNMENT

The territory which now constitutes the Republic of the Niger has in past centuries formed part of the major empires of black Africa, those of the Tuaregs, the Songhai, the Hausa and Fula, often in complicated alternation.

The nineteenth century brought in a new element and opened the way to the colonial period. European explorers came first, and after them military missions sent to occupy the discovered regions. France and Great Britain delimited their respective spheres of influence in East and Central Africa by the agreement of 1890 and later by the Treaty of Paris in 1898. In 1911 the territory stretching from the river Niger to Lake Chad was given the name of Military Territory of Niger, but French occupation did not become firm and complete until 1917, when the last resistance of the "blue men of Agadès" was quelled. In 1922, Niger was given colonial status and became part of French West Africa.

The people of French West Africa acquired the rights of French citizens in 1946, and ten years later the so-called Enabling Law brought other reforms, including a measure of local self-government and universal suffrage. A further big step towards independence came in 1958, when the people of Niger, like those of all other French colonies, took part in the referendum on General De Gaulle's constitution. They had three choices: complete integration with France, retaining their existing status, or becoming a member state of the French Community with full internal autonomy, but leaving to the Community control of foreign affairs, defence and economic policy. Niger chose the last alternative, by a big majority.

In 1959 Niger, together with Dahomey, the Ivory Coast and Upper Volta, formed a joint *Conseil d'Entente*, an association

(joined by Togo in 1966) which gave expression to their geographical links and common economic interests and co-ordinates the four countries' policies in various fields. In 1960, the four entente countries demanded and obtained from France their withdrawal from the French Community, and on 3 August 1960 the then Prime Minister, Hamani Diori, proclaimed Niger's independence. The new state became a member of the United Nations on 20 September of the same year. On 9 November 1960, Hamani Diori was elected the first president of the Republic of Niger. In the years that followed, Niger took an increasing part in international and inter-African agreements and organizations.

The constitution of the Republic of Niger is modelled on those of the United States and France. The President, who is elected every five years by direct popular vote, is the head of the state and sole holder of executive power; he appoints the members of the government (who must not be members of parliament), is the head of the administration and commander-in-chief of the armed forces, determines and directs national policy, shares with the National Assembly responsibility for legislation and may call a referendum.

Legislative powers are vested in the unicameral National Assembly, whose 60 members in their turn are elected every five years by direct popular vote.

Public administration is more decentralized than it used to be under the colonial system. The country's territory is divided into seven departments, each headed by a prefect, 32 districts, each headed by a sub-prefect, and 150 communes, each under a mayor. The most striking innovation is that the districts and communes were given financial autonomy, which enables them to discharge important functions formerly centralized. By contrast

the village, which still is the basic unit of settlement, has no other place in public administration than as a census and tax collection unit.

Politically, Niger has so far given proof of remarkable stability. President Diori was re-elected in 1965 and in his ten years of office has imparted a certain continuity to the country's politics. Niger has only one political party, the *Parti Progressiste Nigérien*, which was founded in 1946 as a national offshoot of the broader *Rassemblement Démocratique Africain*. The constitution by no means precludes other political parties, but the opposition group, the Sawaba party, was proscribed in 1964 after an unsuccessful *coup d'état*.

THE GENERAL ECONOMIC BACKGROUND

By and large, the economy of Niger is not very different from those of the poorest countries of West Africa, nor, more generally, from those of countries in the earliest stages of economic development.

The common characteristics include the preponderance of agriculture, the high proportion of farm produce consumed by the producers themselves, the predominance of the traditional non-monetary sector, the paucity of savings, the dependence on foreign aid for investment, and the insignificance of industry.

Niger's gross national income in 1966 amounted to 72,600 million CFA francs¹ (258 million U. S. dollars), and per caput income was estimated at 21,000 CFA francs (75 dollars). These figures place Niger among the 21 African countries with an income

¹ The money unit of Niger is the CFA franc (franc of the *Communauté Financière Africaine*), which is freely convertible into French francs at the rate of 1 for 0.02 new French francs. The dollar rate is 1 CFA franc per 0.0036 U.S. dollars, and the lire rate is 1 CFA franc per 2.252 Lit.

per head of less than 100 dollars¹. The total gross domestic product is rising at an annual average rate of 4 per cent, though the increase is proportionately rather larger in the secondary and tertiary sectors. Unfortunately, however, these contribute little—15 and 23 per cent, respectively—to income formation, compared with agriculture's 62 per cent (all 1966 figures).

The greatest obstacle to the economy's take-off into self-sustained growth is that production is very inadequately equipped to cope with existing needs. With little entrepreneurship and a deficient market, demand for capital is not considerable, and in its turn the supply of finance funds is minute because there is so little saving. To break out of this vicious circle would need an initial investment effort financed by government and foreign funds, so as to set a development process in motion. All this has indeed been put in hand since the day of independence, but the best intentions often came to grief in the absence of investment opportunities.

Apart from the recent discovery of uranium deposits, Niger's prospects are not very bright. Much to its credit however, the government has taken the road of economic and social reforms and development; domestically, it is trying to create conditions in which the population can aspire to economic independence and a better standard of living, and externally it does what it can to find a place for the country in international relations.

Agriculture is of the form typical of developing countries: subsistence farming on the one hand, industrial monoculture on the

¹ See ECONOMIC COMMISSION FOR AFRICA, *A Survey of Economic Conditions in Africa*, 1967, p. VII. According to the same source, another 13 African countries are in the range between 100 and 199 dollars *per caput* income, which means that 94.1 per cent of Africa's population (with the exclusion of the Republic of South Africa) live on less than 200 dollars a year.

other. As much as 87 per cent of the country's territory consists of pastures, desert and unproductive land, only 9 per cent are arable land and the remaining 4 per cent are woods and savannah. Only about one third of agricultural land is actually cultivated each year. Total agricultural output was estimated at 36,000 million CFA francs in 1967, half of it imputable to millet and one-eighth to groundnuts; more than two-thirds of it was not marketed.

Subsistence farming gives the people more or less enough to eat, though not a complete diet. The staple food is millet, followed by other cereals (sorghum and, increasingly, rice), as well as pulses (niébé and bambara nuts) and vegetables¹. The government is committed to improving the conditions of agriculture, which are still very primitive. Production needs to be diversified and expanded, unit yields need to be raised, animal traction (e.g. ox-drawn ploughs) needs to be introduced, and the co-operative system needs spreading. Progress is so far confined to a minority of farmers, and in any event is slow—not so much because the rural world resists innovation, as because in the normal conditions of farming in Niger machines and fertilizers yield scant returns.

Much the most important industrial crop is groundnuts, which alone account for 70 per cent of the value of Niger's exports. They occupy about one tenth of usable farmland and are for the economy of Niger, though on a smaller scale, what coffee is for the Ivory Coast or cocoa for Ghana. Almost the whole of the annual output of 180,000 tons is sold abroad, which puts Niger fourth among African groundnut exporters, after Nigeria, Senegal and the Sudan. Groundnut marketing has, since 1962, been the monopoly of

¹ The 1967 figures for the main food crops were as follows (in 1,000 tons): millet - 1,000; sorghum - 300; cassava - 170; niébé - 70; bambara nuts - 31; rice - 32.5; onions - 36; sweet-potatoes - 12; maize - 2.6.

SONARA., a company in mixed public and private ownership, controlled half by the state and half by the old private growers. It was set up for the purpose of rationalizing the harvesting, transport and sale of groundnuts, with a view to complete disposal of the crop at a guaranteed minimum price. The results so far have been highly satisfactory, though falling world prices created difficulties in some years. Another industrial crop, introduced at a more recent date but the repository of great hopes for the future, is cotton. At present the harvest is no more than 6,200 tons, but expansion is planned with a view to providing Niger with a basic raw material for domestic industry (the textile industry is usually the first to get established in developing countries), as well as with a new item to broaden its export range.

Animal husbandry constitutes Niger's soundest wealth, and places it second only to Mali among West African meat producers. The figures certainly are considerable, both in absolute terms and in terms of density¹. While Niger has not so far exploited this wealth to best purpose, a beginning has been made now with rationalizing animal husbandry. To make up for the shortage of surface water resources, innumerable wells and water storage tanks have been built under public auspices in the typically nomad rangelands, and steps have been taken to improve the processing of some animal products which can fetch a high price. Particular mention should be made in this connection of the activities of the

¹ In first approximation, 1967 estimates put livestock numbers at the following figures: cattle - 4,200,000; sheep - 2,180,000; goats - 5,600,000; camels - 360,000; asses - 315,000; horses - 160,000. Livestock numbers per 100 inhabitants are among the highest in Africa:

	Africa	West Africa	Niger
Cattle	41	26	117
Sheep and goats	86	68	228

Animal Husbandry Service at Maradi, where improved tanning methods are being introduced for the hides of the Maradi goat, which have a world market under the name of Sokoto. Live animals are an important export item (16 per cent of the total value of exports) especially in trade with Dahomey, Ghana and Nigeria, and the export of fresh and smoked meat is developing. Fishery along the river Niger and on Lake Chad produces about 7,000 tons of fish a year, part of which is dried and salted for export.

While agriculture, therefore, by and large fulfils its functions, the same cannot be said of the country's nascent industry, which for various reasons cannot be expected to do anything of major importance, at least in the immediate future. For the time being, it remains inappropriate to speak of "industry" in a country which has no more than 35 or 40 factories in all, each of them, with a few exceptions, operating in a different field and on a small scale (20-30 people, apart from the Malbaza cement mill with 200). Niger's industrial backwardness is due above all to the low productivity of a largely illiterate and undernourished—and hence physically weak—labour force in unstable employment. Furthermore, there is little or no complementarity in firms dealing only with a small number of the operations making up the production cycle of any one product, with the result that there are none of the "cumulative effects" which generate expansion in industry. Most existing firms are engaged in the processing of crop and animal products, or else in the manufacture of a few goods previously imported¹.

¹ Among the former, mention may be made of the oil mill and cotton ginning plant at Maradi, the rice mill at Tillabéri, the flour mill and the tannery at Zinder, and the textile mill, cheese factory and abattoir at Niamey; among the latter, the cement mill at Malbaza, and, at Niamey, a shoe factory, a soap factory, brick mills, and factories making tiles, plastic articles, soft drinks and beer.

Most of them are companies in mixed ownership, with majority holdings in the hands of the state and the rest in private hands. In most cases the government itself sponsored their establishment, especially in fields neglected by private enterprise; it did so in the first place for purposes of public interest, but also in the interests of economically sound management. The composition of these companies' financial funds has, as will be seen, a direct bearing on their borrowing policy, based predominantly on recourse to the local development bank, itself in mixed private and public ownership. Experience suggests certain reservations as to the way these companies work¹, though it must be added that without them Niger would probably have had to wait even longer for its industrial take-off.

As regards mineral resources, the situation has recently changed radically. Geological prospecting has brought to light important deposits of cassiterite in the mountain area between Guré and Zinder, where some 50 tons of tin are now mined annually plus a sizeable amount of tungsten for export to France. A few iron ore mines have been put into operation near Say and Kantché, some hydrocarbon deposits have been found in the desert region, and salt extraction has been modernized in the area of Bilma and Agadès. Most important of all, a beginning has been made with exploiting the huge uranium deposits at Arlette in the Air region. These latter may well change the face of Niger's

¹ Among others, an FAO expert (R.D. HIRSCH, *Etudes en vue de la mise en valeur du Dallol Maouri*, pp. 53-54) notes that whenever these companies acquire a certain degree of financial independence, they tend to behave like private companies and to forget their original social purpose; whenever, on the contrary, their financial situation is precarious, they have to cut down on the scope of their action. The main reasons for these rather disappointing results are that the companies are short of trained managers and that the government has no effective control over them by which to keep them to their original purposes.

economy during the seventies. The deposit is estimated to contain 20,000 tons of uranium metal easy to extract partly because the ore appears to be free of admixtures of calcium carbonate, and partly because open mining is possible. Uranium exports are at present expected to add about 5 million dollars a year to the country's budget revenue. Mining is to start in 1971, and the company responsible is SO.M.AIR., in which the Niger government holds a stake together with several foreign groups¹. In the light of the new mining activities in the Agadès area, plans have been made for building a residential centre at Arlette and a new road linking Air to Cotonou, the export port for uranium ore.

Communications suffer from all the deficiencies common to Africa generally: there are not enough of them and there is no integrated network. And in Niger there is the additional drawback of distance from the sea. There are no railways, the road network consists of 6,000 km of tracks, and the main routes of access to the sea are via Kano-Lagos in Nigeria to the east, or via Parakou-Cotonou in Dahomey in the west. Generally speaking, the way to go to Niger is by air. Niamey has an international airport accommodating some 200 flights a month, and in addition a dozen smaller airports cater for fairly frequent internal communications.

Intermediary activities are, like farming, of two kinds: some of them modern and dealing with abroad (of which more in the next section), and some of them traditional, performed by small or medium traders, most of them local, and another mixed company called CO.PRO.NIGER. With not altogether satisfactory results and serious financial difficulties, this company is trying

¹ More precisely: the French Atomic Energy Commission - 33.5 per cent; the Republic of Niger - 16.75 per cent; the *Société minière Pechiney Mokta et Compagnie française des minerais d'uranium* (France) - 33.5 per cent; the *Urangesellschaft* (Germany) and *Agip nucleare* (Italy) - 8.125 per cent each.

to rationalize distribution channels in the interior of the country by opening many sales outlets, as well as to sell part of Niger's products beyond the frontiers. In the characteristic backwoods markets traders exchange their goods, mostly manufactures for home use, against the products of the soil and animal husbandry brought to market by the farmers. But these markets are of little significance in an economy still based on home consumption by farms, on local crafts and barter.

A few words, finally, on the economic role of government. The *Commissariat Général au Développement*, which was set up in 1960, is responsible for working out four-year programmes, subject to annual revision, to fit into a longer, ten-year plan. These programmes take the shape of a current budget, containing all the ordinary items of revenue and expenditure, and an investment budget (*budget d'équipement*) for financing productive projects. The former is in chronic and, since 1967, mounting deficit, and the latter draws 80 per cent of its funds from foreign aid, with France in the lead. The provisional programme for the next four years budgets for a total expenditure of some 10,000 to 11,000 million CFA francs, with a French contribution of 1,000 million francs a year, an annual growth of revenue at the rate of 4 per cent plus new revenue from uranium, and priority in spending for the development of agriculture, education, public works and health. The deficit is expected to increase, and its coverage is a matter of some concern, for the Treasury has no sources of finance other than budget revenue and the Central Bank lends the government no more than 10 per cent (or exceptionally 15 per cent) of the preceding year's fiscal revenue.

Niger's tax system is made up of direct and indirect taxes as well as a variety of dues, and tax revenue has so far been expanding at an annual rate of 7-8 per cent, rather faster than

national income. The tax burden is extremely heavy for so poor a people, and, at an estimated 12.5 per cent in 1966 of the total domestic product, or 21.4 per cent of that part of it which enters the money economy, had reached saturation point. Direct taxes account for more than a third of total revenue, and the most important among them is the so-called fiscal minimum, which has to be paid indiscriminately by every person between 15 and 60 years, at the rate of 900 francs for the settled population and 700 francs for nomads¹. Then there is a general income tax which on the whole applies to wage and salary earners, and a livestock tax—a subject of widespread evasion, so that probably no more than half of it is actually paid². Among the many indirect taxes, import duties predominate.

FOREIGN ECONOMIC RELATIONS

For Niger, as for all developing countries, foreign economic relations are of crucial importance, in their three forms of foreign trade, financial ties and participation in international organizations.

Niger's foreign trade displays the typical pattern of the developing world: exports of raw materials and imports of manufactures. Among exports, groundnuts are the leading item, with 70 per cent of the total; the bulk of them go to France and other members of the European Economic Community. Next come live animals (13 per cent) to Nigeria, groundnut oil, hides and skins and cottonseed. In imports, cotton textiles, with 24 per cent of the

¹ This is a heritage from the past, and indeed it is difficult to get the notion of taxable income across to people whose money income is nil or, at best, marginal.

² The rates vary as between different animals and different regions. In 1967 the average rates were 240 CFA francs per head of cattle, 70 for sheep or goats, 430 for horses, 375 for camels and 110 for asses.

total, still take first place pending the opening of the Niamey textile mill; motor cars and spares account for another 12 per cent, mechanical and electrical equipment for 9 per cent, and the rest consists mainly of petroleum products, iron, pig iron and steel, pharmaceuticals and beverages.

Niger's chief suppliers are France (50 per cent), the other countries of the European Economic Community (13 per cent), the members of the West African Monetary Union (9 per cent) and the United States (7 per cent). Among buyers, the countries of the franc zone are far ahead with 75 per cent of the total, France alone taking 60 per cent of Niger's exports; next comes Nigeria, with a good deal of clandestine trade across the border, and finally the other members of the European Economic Community.

These figures illustrate Niger's close ties with France, even since the end of colonialism. However, in the ten years since becoming independent Niger has built up its trade relations and concluded bilateral trade agreements with various western and eastern countries, in addition to adhering to the Yaoundé Convention and the West African Customs Union. Foreign trade has been expanding steadily throughout the post-independence years, but the trade deficit has been growing—so much so that it is no longer covered by the large surplus on capital movements, which Niger owes to foreign aid. In the medium-term future import substitution by domestic production ought to do much to bring down imports.

The financial ties which link Niger to the rest of the world are all one-way, namely, aid in various forms from economically more advanced countries. A distinction has to be made between grants and loans, both of which may be bilateral or multilateral. But whatever their form, foreign aid finances no less than 80 per cent of Niger's public investment both in infrastructures and

directly productive projects. Often the aid agreement specifies for what particular project the funds provided must be used, regardless of the priorities of the development plan¹.

Most of the foreign aid is received in the form of grants, and its geographical distribution by sources shows France to be far in the lead among donor nations, with 55.3 per cent of the total between 1960 and 1967. French funds reach Niger either directly through F.A.C. (*Fonds d'Aide et de Coopération*) or indirectly through the EDF (European Development Fund), which is financed by France together with the rest of the European Economic Community. In recent years, new countries and new organizations have joined the ranks of donors. Bilateral aid comes from the United States (through U.S.A.I.D.) in the form of loans on special terms, from West Germany and Israel, to mention only the most important sources; among multilateral aid, apart from EDF aid mentioned above, there have been two loans (with a third in the pipeline) from IDA, the International Development Association (an affiliate of the International Bank for Reconstruction and Development), and a large-scale regional development programme organized by FAO (Food and Agriculture Organization of the United Nations) on behalf of the UNDP (United Nations Development Program).

Niger's participation in various international organizations bears witness to the country's desire to break out of the narrow bounds within which its geographical situation and its history have confined it. On the world level, Niger is a member of the United Nations and its specialized agencies (FAO, Unesco, the World Health Organization, etc.), of the two Bretton Woods institutes, that is, the International Monetary Fund and the International

¹ Private investment, which comes to one third less than public investment, is financed by foreign funds to the extent of two thirds.

Bank for Reconstruction and Development (with negligibly small quotas) and, as regards commerce, in GATT (General Agreement on Tariffs and Trade).

In Africa, Niger is a member of many groups and organizations, and has brought to their foundation a generous contribution of ideas and initiative. In addition to the *Conseil d'Entente*, of which mention was made earlier, Niger is a member of the following organizations:

(1) The African Development Bank, to which Niger has applied for a loan to finance a project in transport and telecommunications;

(2) the West African Monetary Union, of which more will be said in Part II;

(3) the *Organisation Commune Africaine et Malgache*, within which marketing agreements have been concluded for sugar and meat;

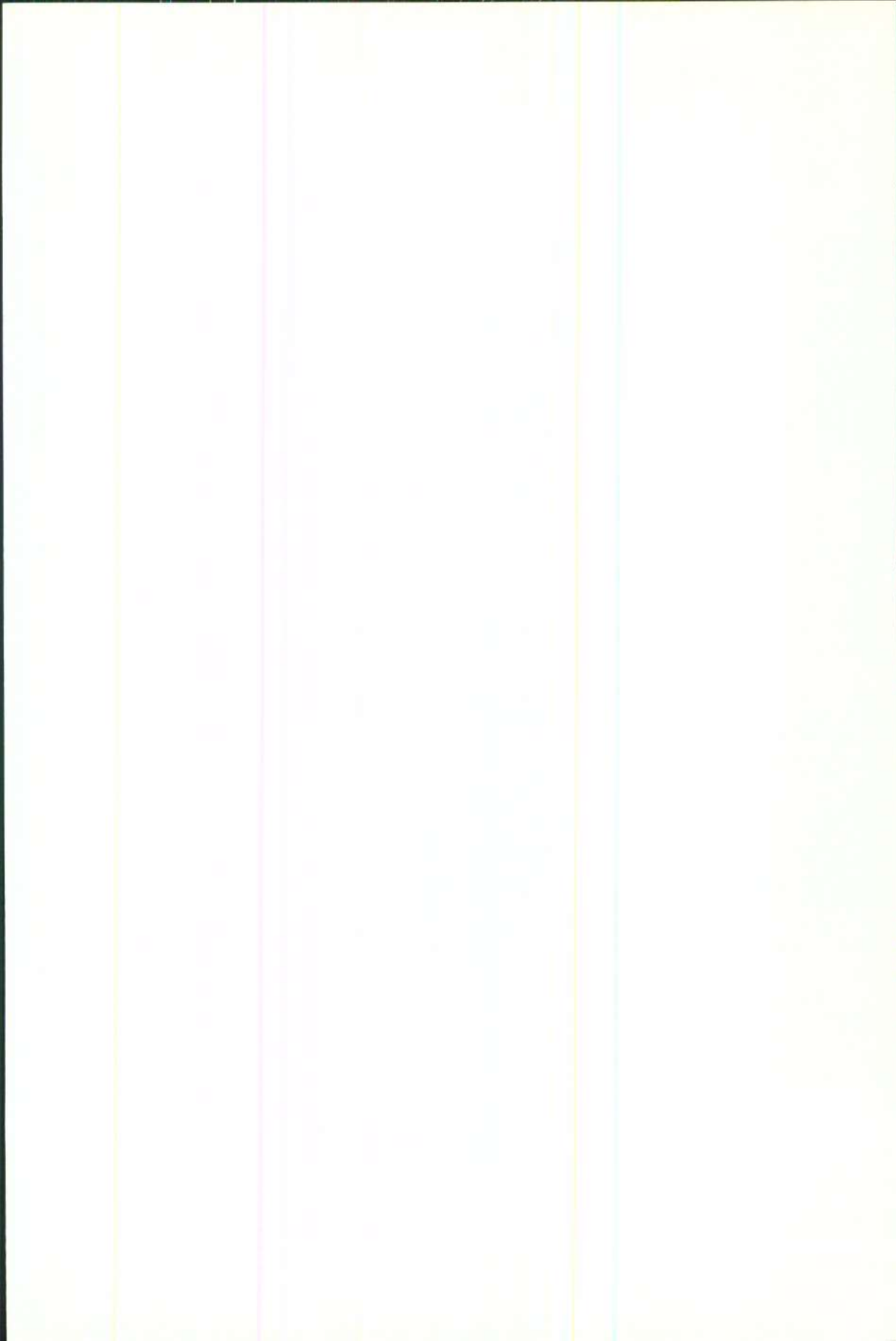
(4) the organization of 18 African States associated with the European Economic Community by the Yaoundé Convention;

(5) the West African Customs Union, which includes the Ivory Coast, Niger, Dahomey, Upper Volta, Senegal, Mauritania and Mali and tries to keep alive the customs arrangements which existed between the members prior to independence, but does not disallow import duties on manufactures as a protection for infant industries.

As regards, finally, its relations with its West African neighbours, Niger looks to the future with confidence. If the proposed West African Economic Community develops, as it is meant to, into a common market for twelve African nations, it will provide opportunities for all of them, and more especially the landlocked ones, to expand their markets, co-ordinate their industrial investments and take advantage of economies of scale.

PART TWO

THE BANKING SYSTEM OF NIGER



THE BANKING SYSTEM OF NIGER

INTRODUCTION

In Part One, the first two sections sketched out the general background against which the economy of Niger must be seen, while the following two sections briefly described that economy, and hence the conditions in which the banking system has to work in fulfilment of its economic and social functions. The few figures cited and the comments thereon, brief and incomplete as they are, make it clear that Niger is definitely still in the earliest stages of economic development.

This must still be regarded as true for the early seventies even though great strides have undoubtedly been made since the day of independence and the foundations have been laid for future progress. The banking system of Niger, on the other hand, has already emerged from its infancy and can be said to have reached an intermediate stage of development, in terms of the classification suggested by Mauri in an interesting study¹.

Mauri classifies the developing countries' credit systems according to their maturity. He distinguishes three stages of development, each characterized by specific features added to those of the preceding stage. At the first stage of development, the main effort is brought to bear on gradually spreading the use of money and reducing the area of subsistence economy and barter. At least two credit and financial institutions are necessary to qualify for

¹ A. MAURI, *Il mercato del credito nei Paesi sottosviluppati*, p. 81-96.

this stage, each supplementing the other; one is a bank of issue, performing in addition the functions of commercial banks, of which there are none as yet, and the other a development bank, which for the time being takes the place of the non-existent capital market and makes up for the lack of private entrepreneurship¹.

In the second stage, it is assumed that there exists a central bank in the true meaning of the word, with all the functions attributed to it by modern theory, such as credit control and supervision; and furthermore, that commercial banks, both public and private, are springing up, that the development bank begins to specialize on financing industry, leaving agriculture to be financed by a new, in turn specialized, credit institute. At this stage there are already some of the conditions for the emergence of an organized securities market, and it is up to the Central Bank to differentiate public securities and to educate the public to invest in them.

At the third stage, the banking system fills out and begins to spread more widely throughout the country. Functional specialization increases with the appearance of new credit institutes concentrating on medium-term and mortgage credit, as well as other specific forms of financing production. In the securities market, public securities are joined by company bonds and shares. Some pilot projects sponsored by the development bank can be transferred to private capital.

On the basis of this classification, the credit system of Niger can, with some reserves, be placed in the second stage of development.

Niger has a Central Bank which is more than a mere bank of issue and does not deal with private clients. This is the *Banque*

¹ A. MAURI, *op. cit.*, p. 87.

Centrale des Etats de l'Afrique de l'Ouest (B.C.E.A.O.), the common Central Bank of several countries; more will be said below about its organization and functions. A private, foreign group has survived from colonial days; this is the *Banque Internationale pour l'Afrique Occidentale* (B.I.A.O.). The development bank is the pivot on which much of Niger's economy turns. It was set up under public auspices on the morrow of independence, and is active in a wide range of fields, though keeping out of those for which other, specialized institutes have been created. Agricultural credit is handled by the *Caisse Nationale de Crédit Agricole* (C.N.C.A.), which is coming to lean more and more heavily on the rural co-operative movement.

So far, then, Niger's credit system has all the characteristics of the second stage. But one of them, and an important one, is missing. There is no securities market at all, let alone an organized one. Nor is there any prospect of such a market in the near future. The credit system described above still has to grapple with one of the typical problems of the first stage, namely, that of spreading the use of money among large groups of the rural population. At the same time, however, there are already signs of the third, more diversified, stage in the credit system's division of functions; there is a real estate bank, another which lends exclusively to local authorities, and a finance house, the *Société Nigérienne de Crédit Automobile* (SO.NI.C.A.), which finances hire-purchase sales of cars.

It appears, then, that Niger's economy and its banking system are at different stages of development. The latter, on Mauri's criteria, belongs to the second stage. It must be added, however, that the credit systems of different countries are not strictly speaking comparable; each has its own peculiarities due to reasons of

a historical, geographical, economic, social and legal nature. To classify these credit systems is only a first step towards a better understanding of them. Nevertheless, one general point may be made at the outset: Niger can count for its future economic development on a credit system which, far from holding it back, will be in a position to assist and promote it. In other words, banks and financial intermediaries will grow in number and will increasingly develop their services in response to changing demand, and thereby will give the process of growth the support it must have and guarantee its future.

THE WEST AFRICAN MONETARY UNION

The *Union Monétaire Ouest Africaine* (U.M.O.A.) is one of several monetary systems in Africa, all of which, in spite of their variety, may be reduced to two basic forms, according as a country's currency is wholly independent or belongs to a monetary zone or area¹.

In the first case, a country's money can be used only for domestic transactions, because inconvertibility into foreign exchange makes international transactions strictly subject to the balance of payments. Such countries can pay for the goods and services bought abroad only to the extent of their resources of convertible currencies, or else on the basis of commercial agreements involving exchanges of equal value. Money, in other words, may be a limiting factor in economic growth².

¹ See J. ALIBERT, *L'Afrique dans le système monétaire international*, p. 8-9.

² This applies, of course, to all countries whose economy is weak, which is the case of the whole of Africa except the Republic of South Africa.

By contrast, countries belonging to a currency "zone"¹ or, even better, to a monetary "union" having a joint currency, enjoy a number of undoubted advantages, ranging from completely free settlement of payments within the area concerned to the facilities of external payments. It is a prior condition, of course, that the economies of member states must be close to each other and that measures are taken to reduce or keep down undue imbalances in their mutual relations.

In Africa, the two major "zones" are those of sterling and the French franc—a legacy of the continent's colonial past. Niger belongs to the latter, together with the 14 other states formerly under French rule. Within the franc zone, two independent monetary unions² were formed in the early sixties: one which includes the states of former French Equatorial Africa together with Cameroon, and the West African Monetary Union, both linked with France by co-operation agreements.

The members of the first are Congo (Brazzaville), the Central African Republic, Chad, Gabon and Cameroon, and their common central bank is the *Banque Centrale des Etats de l'Afrique Equato-*

¹ According to A. GEORGE, *La zone franc*, the factors which characterize a "currency zone" are:

- (1) fixed parity between the zone's various currencies and the leading currency;
- (2) freedom of transfers within the zone;
- (3) the pooling of gold and foreign-exchange reserves;
- (4) a common, or at least co-ordinated, system of exchange.

² In addition to the 12 states forming part of the two monetary unions referred to in the text, Madagascar and Mali belong to the franc zone under the narrower system of the "operations account" (for which see p. 30 *et seq.*). Of the remaining states of French-speaking Africa, the three Maghreb countries — Algeria, Morocco and Tunisia — have the system of an independent bank of issue, under which the ties with France are much looser, and Guinea has now completely withdrawn from the franc zone.

riale et du Cameroun; the second comprises the Ivory Coast, Dahomey, Senegal, Upper Volta, Mauritania, Togo and Niger, with the *Banque Centrale des Etats de l'Afrique de l'Ouest* as their common central bank.

The common currency of both Unions is the CFA franc (the franc of the *Communauté Financière Africaine*), but each of the two central banks has exclusive issuing rights within its geographical area of competence. Under special agreements, the value of the CFA franc is guaranteed by the French franc, and, through the mechanism of the "operations account", it is freely convertible. It has a fixed rate of 1 : 0.02 to the French franc. The notes issued by each member state bear an identifying letter indicating its origin¹. Public payments offices and the banks are under an obligation to put back into circulation only notes issued in their own country.

The West African Monetary Union was created by a treaty dated 12 May 1962, and entered into force on 1 November of the same year. It had seven members originally, but subsequently Mali declined to ratify the treaty, and instead adopted an inconvertible currency of its own. This created a lot of financial problems for Mali, until it concluded a special agreement with France by which the Mali franc, too, became convertible and freely transferable within the franc zone². On the other hand, Togo joined the Union a year after its formation, taking advantage of Article 2 of the treaty which states that "every state of West Africa shall, upon its request and by agreement with the other members of the Monetary Union, be admitted as a member of the Union".

¹ Although the francs of the two Unions have the same name, they look different, and Cameroon has a complete series of denominations of its own.

² After six years of unconstructive monetary isolation, Mali seems all set now for a gradual process of rejoining the Union.

The Union is governed by a Council, on which each participant state is represented by one member of ministerial rank, and which meets at least once a year to watch over compliance with the clauses of the treaty. Although no member has withdrawn from the Union so far, this can be done subject to 180 days' notice to the other member governments.

Under Article 4, all participant states undertake to comply with the provisions governing the money issue, the pooling of reserves and the free circulation of money tokens within the Union, though with respect to the latter exceptional restrictions may be introduced on condition that, in the Council's view, they do not work out to the detriment of other members.

Special interest attaches to the rules designed to harmonize monetary and banking legislation. The seven member states agreed to introduce uniform regulations on counterfeit notes, on cheques and other trade paper, on exchange control and the general system of exchange, on the exercise of the banking profession and on credit control and distribution.

One of the major advantages of membership in the Union is that any one state's external deficit is offset by another's surplus. If a country does run a deficit, its government is, of course, requested to take measures to redress the situation and not to get into debt beyond certain limits. In the meantime, however, the CFA franc, though weakening more in one country and less in another, keeps its declared external value, to the obvious benefit of trade and the soundness of the currency. Thanks mainly to the trade surplus of the Ivory Coast, the Union's external accounts are in surplus and hence generate sizeable French franc reserves. Should it prove necessary, however, the French Treasury stands ready to intervene and support the parity of the CFA franc to the extent judged appropriate. Because of their close ties with France,

the members of the West African Monetary Union followed the French franc into devaluation in August 1969, a move which in any case was indicated since their position vis-à-vis countries outside the franc zone was in deficit.

In monetary terms, the seven member states of the Union are of unequal importance, with rather wide divergences. A glance at the fiduciary issue outstanding on 30 September 1968¹, for instance, shows the following distribution: Ivory Coast 45.6 per cent; Senegal and Mauritania together 25.2 per cent; Upper Volta 9.5 per cent; Togo 8.3 per cent; Dahomey 5.8 per cent; Niger 5.6 per cent. Niger, consequently, is among those members that carry least weight.

THE CENTRAL BANK

Having set Niger's monetary system in its broad context, it is time to take a closer look at the institution which gives functional reality to the West African Monetary Union, that is, the *Banque Centrale des Etats de l'Afrique de l'Ouest*. Here, then, is a brief description of its organization, its monetary functions and its methods of credit control.

The West African Central Bank owes its origin to the same treaty by which the West African Monetary Union was established in 1962, and is governed by its own statute, which can be altered only by unanimous decisions of the Bank's own Board of Directors. Chronologically speaking, it is the successor of the *Banque de l'Afrique Occidentale*, a private commercial bank which had a monopoly of the note-issuing privilege from 1901 until 1955, when this

¹ B.C.E.A.O., *Rapport d'activité* 1968, p. 113. The same source states that separate figures are not available for Senegal and Mauritania, because of the two countries' overlapping commercial and financial circuits.

privilege devolved, upon decision of the French government, upon the—public—bank of issue of French West Africa and Togo.

Its legal status is not that of a joint stock company, but of an “international public institution”, and, as such, it enjoys in all the Union’s member states the privileges and immunities normally extended to international financial organizations. It has wide legal powers and is exempt from any taxes or dues throughout the area of its competence.

The Bank’s capital of 2,800 million CFA francs is held in equal parts by all member states. The capital was originally provided by France in the form of a transfer from the old to the new issuing bank; it can be increased either by raising new cash or by incorporating reserves.

The highest authority of the Bank is the Board of Directors, of whose members two thirds are appointed by the participating states, each having a right to two Board members, and the remaining third by the French government. This arrangement sets the West African Central Bank apart from most other central banks. On the one hand, every decision which any one government wishes to take, is subject to the most careful scrutiny on the part of the other members, and on the other hand, a foreign government has a voice in the Bank’s management and, in more subtle but for all that no less effective ways, thus still exercises the control it used to in colonial days. For these two reasons it may be said that among the states of the Union the West African Central Bank, while closely collaborating with the respective governments in matters of monetary and credit policy, is not “subject” to any of them as happens often in other systems, especially when there is a difference of opinion between the central bank and the government.

In addition to the Board of Directors, which every two years elects the President of the Bank from among its own members, the Bank is managed by National Monetary Commissions and by a General Manager. Each of the National Monetary Commissions has five members, generally distinguished personalities from the economic and financial world, who meet at the Central Bank's branch headquarters in their own country and are responsible for decisions of current local interest. The General Manager's functions, among others, include that of appointing the branch managers, in agreement with the government concerned.

For the time being, the Bank has its central head office in Paris but eventually this is to be established in one of the Union's member states, by their unanimous decision. In each member state there is a branch of the Central Bank and several agencies. In Niger, the branch is at Niamey, there is an agency at Zinder and a "bank note deposit" at Maradi, the latter under the management of the *Banque Internationale pour l'Afrique Occidentale*.

The French guarantee of free convertibility for the Union's CFA francs into French francs works, technically, through a special current account, called the "operations account", which the French Treasury has opened in the name of the B.C.E.A.O. The Union pays into this account all its foreign exchange assets (the bulk of them French francs, as well as other foreign currencies), except for a small working balance; the French Treasury, in its turn, supplies the Union with the French francs it needs. This arrangement has the advantage of pooling the reserves of the Union's seven states, and of giving those which run a deficit at least temporary access to the surpluses of the others.

This system makes room for complete freedom of transfer within the whole area of the Union, as well as to and from France;

it also facilitates private investment and renders actual balance-of-payments settlement by monetary movements redundant throughout the Union. In exchange, the French Treasury was given a voice on the Central Bank's Board of Directors, as mentioned above. France, it must never be forgotten, is far and away the biggest source of financial aid for the Union, but it also gives it other indisputable advantages through its guarantee of the CFA franc. Naturally enough, France thereby manages to keep the participant states tied to itself. Whatever the rights and the wrongs of the situation, it is the result of a free agreement among all concerned, and moreover, if any state felt the arrangement impaired its independence, it is free at any moment to repeal the agreement and withdraw from the Union.

All the West African Monetary Union's reserves, then, are kept in French francs only. But if any member state needs other foreign exchange, it has, under special bilateral agreements, a "drawing right" on the French reserves, and then can buy on the Paris exchange market whatever currencies it requires ¹.

The balance of the "operations account" obviously reflects the balance-of-payments situation of all the Union's members together. In case there should be a debit balance for six consecutive ten-day periods, special provisions come automatically into force, including a one-point increase in the discount rate, a reduction of varying proportion in the rediscount quota previously available to the Bank's separate branches, and the suspension of new approvals for medium-term facilities ².

¹ B. HEPP, *Monnaie et Crédit en Afrique Noire Francophone*, p. 13.

² Article 8, *Accord de Coopération entre la République Française et les Républiques membres de l'Union Monétaire Ouest Africaine*, signed by the governments concerned in Paris, 12 May 1962.

Contrary to the system adopted for the Equatorial African countries and Cameroon, the French Treasury supports the CFA franc issued by the West African Central Bank only after all the foreign exchange in the area has first been mobilized. In other words, the Bank itself calls in, against French francs, all the foreign exchange in public and private hands; depending on its requirements, it may address this demand only to public agencies and banks, and does so more particularly in those member countries whose external transactions, as reflected in the "operations account", are in deficit. Naturally, both credit and debit balances on the "account" bear interest at a rate laid down in the relevant convention¹.

So much for the mechanism by which the CFA franc is connected with the world's other currencies. As regards monetary circulation within the Union, what will be said below of Niger by and large applies also to the other participating states, with some differences on a few points in the two most developed of them, the Ivory Coast and Senegal.

The Central Bank's branch in each country issues bank notes with its own countersign, in accordance with the local economy's cash requirements. On the basis of credit applications submitted by banks, each branch prepares an advance estimate for six months and, after carefully weighing various factors, decides on a given quantity. In this way the bank notes enter into circulation not only in the issuing country, but, through successive transfers, throughout the Union. At this point it becomes impossible for the Central Bank to know with absolute precision how much fiduciary issue is held in each state. Leaving aside the fractional coins which

¹ Articles 4 and 6, *Convention de Compte d'Opérations*, signed in Paris, 20 March 1963.

are identical in all countries, an approximate notion of the circulation can, however, be gained from the statistics of bank note movements as between one state and another ¹.

A first point which the Central Bank's figures bring out is that these intra-Union movements have been increasing and thus testify to the beneficial effect of a single currency on the process of integration among the Union's seven members.

Secondly, these figures give an idea of the share of fiduciary money in the total liquid assets of individuals and firms. For Niger, the break-down is as shown in the table below.

MONEY AND QUASI-MONEY ASSETS OF INDIVIDUALS AND FIRMS
(average figures for the financial year 1967/1968)

Type of assets	Million CFA francs	Composition per cent
Money assets	6,045	91.7
<i>fiduciary issue</i>	3,143	47.7
<i>bank money (sight deposits)</i>	2,902	44.0
Other liquid assets (time deposits)	548	8.3
Total	6,593	100

SOURCE: B.C.E.A.O., *Rapport d'Activité* 1968, Table 47.

More than half the effective money supply, therefore, is accounted for by the fiduciary issue. Allowing also for secondary liquidities (time deposits), which do not amount to much, the proportion is just under 50 per cent. Although bank money has been

¹ See above p. 26 *et seq.* The statistics say nothing, however, about the bank notes not returned to banks or public payments offices. Figures on the distribution of the fiduciary issue among member countries will be found on p. 30. What happens is that any bank notes marked with an identifying letter other than Niger's own are physically transferred by the Central Bank's Niamey branch to the branch of the issuing country, against an equivalent credit entry in the bilateral account which each state keeps with every other.

gaining ground in recent years as a means of settling trade transactions, bank notes are still, after all, the sole form of money assets for a large part of the population. It could hardly be otherwise, given the very scant network of banking and post offices in the country.

The circulation has a marked seasonal rhythm, largely dictated by the marketing of the main crop, groundnuts. The sales season, by government decree, starts in the last months of the year; at its beginning, the circulation increases rapidly, reaches its peak in December, January and February, and then slowly declines from March on. The seasonal rise may be as much as the 25 per cent.

In annual terms, the circulation has been increasing at a higher rate from one year to the next than the national product. This is a matter on which the authorities are keeping a careful watch, but for which no certain explanation has been found so far, mainly because of the lack of reliable statistics. It is generally thought that the phenomenon is both a cause and an effect of several trends, which find expression in:

- (1) rising aggregate income and population increase;
- (2) an increase in hoarding;
- (3) the spread of the use of money in the economy;
- (4) rising prices.

The first point needs no comment. As regards hoarding, little is known about it in Niger; theoretically, it is one of the explanatory factors, but some research would have to be done to learn more about it. The increasing use of money in exchange transactions, on the other hand, is a matter of ascertained fact; more and more of the rural population get in contact with money and come to appreciate its advantages, so that barter slowly gives way to paid exchanges.

Rather more needs to be said on the price rise, because of its possible inflationary implications. The statistics record price movements only for Niamey, where, during the period 1962-1968, the general price index for African consumption rose by an annual average of 1.45 per cent, and that for European consumption by 5.13 per cent¹. Since the latter is, of course, concentrated precisely in Niamey and accounts for only a small proportion of the country's total consumption, it may, with some caution, be concluded that the increase in the circulation has pushed up prices only to a limited extent.

In Niger, as in the other countries of the West African Monetary Union, there are no chronic situations of inflation such as exist in other parts of the developing world, notably in Latin America. An inflationary process is sometimes sparked off by excessive public spending, and in those countries where the budget is in part financed by issues of public securities, the Central Bank then has to take in a large volume of them. This does not happen in Niger, where the Central Bank enjoys a high degree of independence and the rules governing Treasury borrowing from the Central Bank lay down very narrow limits, as will be seen presently.

It must be remembered, in any case, that the problem of inflation is much reduced in scope by the fact that so much of the country's produce is consumed on the farms and credit is often extended in kind. In Niger, the traditional trade circuits would only be slightly affected by any pathological increase in the money circulation, which would be more likely to push up imports of European goods and eventually to worsen the balance of payments.

In addition to assisting the Treasury in all monetary questions, the Central Bank also keeps the Treasury's current account, which,

¹ B.C.E.A.O., *op. cit.*, p. 20.

barring the provisions of Article 15a of the statute, must never show a debit balance. Under Article 15a, however, the Bank may allow an overdraft for not more than 240 days and in an amount not exceeding 10 per cent of the preceding year's budget revenue. The time limit may be extended by one year upon the government's request showing good reason, and the amount may be raised to 15 per cent of budget revenue, "after due consideration of the situation of the monetary circulation and after appraisal of the likely repercussions upon it of such an increase"¹. From these ceilings the Bank still has to deduct any advances it may have granted against Treasury securities—though in Niger none have been issued so far.

There are limits therefore, to the extent to which the government can incur debts, or rather finance them, especially since the Treasury has no appreciable means of raising funds other than budget revenue. Even the limited facilities available from the Central Bank, however, have not been drawn on much in past years by the Union's states taken together, so that we find a situation, extremely rare anywhere else in the world, in which the public Treasury is a creditor of the monetary authorities².

As regards credit control, the Bank can exert an influence only on the modern sector of the economy, and has never entered into direct relations with private clients. In this respect, the Central Bank's task is eased by the fact that there are only a few banks, including a development bank which takes care of a large part of credit demand. In a banking system so compact, mainly because it is still so simple, credit control is not as complicated a matter as it is in more advanced countries.

¹ Article 15a, para III, statute of the B.C.E.A.O.

² B.C.E.A.O., *Rapport d'Activité* 1969, pp. 75-77.

There is no scope for the use of the traditional instruments of quantitative credit control, at least in normal conditions. The discount rate has always remained unaltered at 3.50 per cent¹, there are no open market operations and not even reserve requirements, since, as the Central Bank's experts explain, it would be useless to ask banks to deposit cash which they immediately afterwards claim back by drawing on rediscount facilities². Instead, the Central Bank, when circumstances require, relies on moral persuasion.

Qualitative credit control is much more suitable in economies of the type here under discussion, especially in Niger, where development policy is implemented through a programme stretching over several years. Strictly speaking, the words "selective control" hardly apply, since any application for credit is granted if it is judged capable of promoting sound projects. In other

¹ The B.C.E.A.O.'s discount rate, which has not been changed since 15 October 1956, is one of the lowest not only in Africa, but in the world. The Central Bank's views on its scant effectiveness as a means of credit control have been summarized as follows by P. MARQUIS (*Concours de la Banque Centrale au financement de l'économie ouest africaine*, p. 5): "What applies to the complex economies of the developed countries, applies even more to the West African Monetary Union, where changes in the Central Bank's discount rate can, in the present institutional framework, exert only a very limited influence, even in indicative terms. The economy of the countries in our currency area is divided into a large 'public sector', whose behaviour will not be affected by changes in the discount rate, and a 'private sector' which is more responsive to the degree of security of capital than to loan costs".

² The statute does provide, however, for reserve requirements in exceptional circumstances. Article 25 of the B.C.E.A.O. statute says: "If the monetary situation so requires, the (Central) Bank may, upon instructions from the governments members of the West African Monetary Union, prescribe that banks and credit institutes shall maintain in their accounts with the Central Bank a credit balance corresponding to a minimum proportion of the deposits received from their clients. The Bank shall assist the governments in determining the method of calculation and the rate of that proportion".

words, economic growth and social development take precedence over all other considerations in Niger, and, subject only to avoiding any conflict with possible counter-cyclical policy, there is a tendency to encourage the emergence and spread of differentiated activities. This attitude can easily be understood in the light of the efforts the public authorities make in order to spread more modern farming methods and to create an industry, if only on a small scale, that will reduce the country's dependence on imports. To the extent that these projects are judged to be economically sound, and the persons who are to carry them out solvent, the Central Bank is generous with its funds. Membership in the Union, furthermore, has the advantage that development projects can be put into effect, or at least need not be delayed, even if the balance of payments should temporarily get into deficit.

Technically, refinancing takes place by means of the rediscount of bills, and credit control works through the fixing of a refinancing ceiling. The National Monetary Commission periodically examines the economy's short-term financial requirements, and in so doing carefully sifts the requests submitted by the banks. From these figures it calculates the volume of Central Bank funds judged to be necessary, and submits the whole documentation to the Board of Directors, which takes the final decision on the ceiling of facilities to be extended. Within this overall amount, the Monetary Commission fixes a maximum quota for each bank, in the light of its activities and, more particularly, its resources, liquidity and risks outstanding. The Commission also fixes an individual rediscount quota for each firm and lays down a medium-term time table for access to these facilities. These data are used by the Central Bank to keep its central risk pool up to date¹.

¹ For more details see below p. 53 *et seq.*

LEGISLATION GOVERNING BANKING AND CREDIT

One of the chief purposes of the West African Monetary Union, and at the same time a condition of its efficient working, is to harmonize the legislation governing banking and credit in the seven member states¹. Current regulations in Niger are fully in line with the common principles incorporated in the banking laws of the other member countries, and more particularly with those suggested by the Central Bank. Although provisions sometimes need to be adjusted to particular local conditions, the very fact that they are applied over a large area undoubtedly fosters the process of unification now taking place in West Africa with the ultimate aim of extending the benefits of integration and free trade to more and more sections of society.

In Niger, the rules governing banking and credit are incorporated in laws, decrees and ordinances (*arrêtés*), in decreasing order of importance. The key piece of legislation is Law No. 65-019, of 15 May 1956, "*portant organisation de la profession bancaire et des professions s'y rattachant, et réglementation du crédit*". It is, in fact, the only law, and is supplemented by thirty or so decrees and ordinances ruling on a variety of often minor points². Only those will be considered here which have to do with the implementation of the above-mentioned law, with minimum capital requirements and with liquidity requirements.

The law contains 40 articles, set out in seven parts, as follows:

Part I: on the bodies taken into consideration in these regulations (Articles 1-10);

¹ See p. 26 above and Article 10 of the constituent Treaty.

² For a complete list of relevant legislation, see B.C.E.A.O., *Annuaire des banques U.M.O.A.* 1969, pp. 213-216. The text of all laws, decrees and ordinances is published in the Official Gazette of the Republic of Niger.

Part II: on registration of banks and financial establishments (Articles 11-14);

Part III: on the conditions of exercising the banking profession and related professions (Articles 15-18);

Part IV: on regulations governing banks and financial establishments (Articles 19-23);

Part V: on regulations governing credit (Articles 24-27);

Part VI: on contraventions of this law (Articles 28-39);

Part VII: transitional provisions (Article 40).

The most interesting rules are those contained in Part I, which defines two types of firms to which the law is applicable, namely, *banques* and *établissements financiers*. Banks are defined as "all companies incorporated under public or private law which habitually exercise the profession of accepting from the public, in the form of deposits or otherwise, funds which they employ, either on their own account, or on account of their clients or third parties designated by them, in financial operations of discount, credit, stock market or foreign exchange dealings" (Article 1).

This definition, it will be seen, covers the typical concerns of the banking business¹, that is, the systematic performance of intermediary credit activities, and the management and employment at own risk (funds employed by the companies "on their own account") of money belonging to others together with the bank's own capital, which is treated in another part of the law.

Only banks as such are authorized to accept demand deposits or deposits tied for not more than two years, to act as agents or brokers in operations having to do with securities or bills of exchange, and to engage continuously in foreign exchange business (Art. 3).

¹ See G. DELL'AMORE, *I sistemi bancari*, pp. 30-39.

In addition to these operations which are restricted to banks, the latter may, under Article 4, engage in others which give them much bigger scope. These provisions are very important for an understanding of the functional set-up of the whole system. The banks are entitled to extend short-, medium- and long-term credit, as well as to take a share in existing or new ventures. On the fund-raising side, they may: (1) accept deposits tied for more than two years; (2) issue two- to five-year cash certificates to the public; (3) take up loans not exceeding 24 months from public agencies or private financial institutes; (4) issue bonds with maturities of more than 5 years—but this latter faculty is restricted to institutes whose statutory object it is to promote economic development.

It looks, therefore, as though the principle of functional specialization had not been accepted, thus stressing the inexpediency for a country in the earliest stages of economic development to observe a strict separation of short-term credit on the one hand, and medium- and long-term credit on the other. In practice, however, the activities of the different institutes are fairly well differentiated. It has already been pointed out¹ that, for all its simplicity, the banking system of Niger consists of a number of firms doing business in different specific fields. This specialization is no doubt the result of practice, but it corresponds to the spirit of the law, in so far as the latter states that banks are not precluded from extending credits of various maturities. It so happens that not very much use has been made of this faculty; the only commercial bank, for instance, has no long-term loans outstanding, nor has the agricultural credit fund.

¹ See above, p. 23 *et seq.*

In matters of trade investments, too, the approach is very cautious, and there is a clear intention to forestall any institute turning itself into the kind of mixed bank that flourished after the first world war, with all the dangerous consequences only too well known. While banks and financial establishments are authorized to acquire equity, and so to gain more control of the companies to which they lend and to enable them to promote sound ventures, the amount of permissible equity holdings is subject to strict conditions. In the aggregate, they may not exceed the bank's or financial establishment's effective own resources, and no single holding may exceed 15 per cent of these resources, except by special permission of the Minister of Finance. The Central Bank itself may invest its capital in shares, but only of companies or agencies of general interest (Article 38 of the statute).

As against banks, financial establishments are defined as "all public or private enterprises which, without having the nature of a bank, habitually and professionally engage in operations of: financial intermediation; purchase and sale of coins and precious metals; credit of whatever duration, and in particular advances against securities¹, discount, hire-purchase finance for capital or consumer goods, housing loans, and real estate loans, with or without surety" (Article 8).

Financial establishments may not directly engage in stock market or foreign exchange business, and may not accept from the public any funds having the nature of deposits, except if the depositor specifies to what use they are to be put and the establishment

¹ Including advances on commercial bills in pawn (*effets en pension*), which, in the practice and terminology of the Bank of France, in effect means commercial paper not rediscounted, but lodged with the bank as surety for refinancing advances of fixed or indeterminate, but always short, maturity.

undertakes a commitment not to employ them itself. They have ample possibilities of long-term refinancing, under a system of appropriate procedures.

All banks and financial establishments operating within the territory of Niger are subject to this banking law, regardless of their legal status, the location of their head office, and the nationality of their management or shareholders. Exceptions are international financial organizations, the Central Bank, the Post Office Savings Bank, insurance companies and the *Caisse Centrale de Coopération Economique* (C.C.C.E.).

After these important definitions and interpretations, the law goes on to require registration in the "list of banks and financial establishments" as a prior condition for the exercise of the profession. Any bank or financial establishment struck from this list by order of the Minister of Finance must cease doing business within six months. Many conditions are then laid down for those at the head of either type of institute: they must be of Niger nationality or of a nationality assimilated to it by international agreements, though this requirement may be waived; they must be relieved of their office subsequent to specified penal or civil sanctions.

The legal status of banks incorporated in Niger (excluding, therefore, branches of foreign banks) may be that of limited liability company with fixed capital, or of public or semi-public corporation endowed with juridical personality, financial autonomy and a legal statute of its own. Financial establishments may, in addition, have the status of a co-operative society with variable capital.

The provision which obliges both banks and financial establishments to supply the Central Bank with a wide range of information, makes it clear that, contrary to what happens in other countries,

the Central Bank can also exercise control over financial establishments, which, incidentally, have no direct access to its credit facilities. The obligatory information required includes periodic reports on various aspects of management, submitted on standard forms devised by the Bank itself.

Part V of the law, which contains the regulations governing credit, provides for the creation of a new body, the Banking and Finance Commission¹, which is to take decisions both of general validity for the whole of the banking profession and related activities, and of particular validity for a specified bank or financial establishment. In so far as its decisions concern matters of supervision and control, they are discussed in the absence of the representatives of the two groups concerned. The Commission's decisions are enforced by the Minister of Finance.

The Commission and the Central Bank, rather than the Finance Minister, are competent in the matter of: decrees fixing minimum capital requirements, liquidity regulations, rules concerning the opening and closing of banking premises, as well as the conditions for, and the amounts of, the deposits which banks have to keep with the Central Bank when the monetary situation so requires; ordinances laying down upper and lower limits for the interest rates to be applied by banks and financial establishments to operations with their clients, and those concerning individual measures

¹ Its composition is laid down in Article 17 of the law's implementing regulations:

- a judge of the Supreme Court (chairman)
- one representative each of the Ministries of Finance, Economic Affairs and Planning;
- one representative of the Treasury (*Trésorier-Payeur*);
- the head of the Niger branch of the Central Bank;
- one representative of the banks;
- one representative of the financial establishments.

of law enforcement. In practice the Central Bank, taking advantage of its position of independence and of its prestige, suggests virtually the whole body of such provisions.

Part VI of the law (Articles 28-39) contains the most detailed rules on various cases of contravention involving disciplinary or penal sanctions. These are not of particular interest in the present context, and will not be discussed further.

The above review of the basic law governing the banking system of Niger has dealt with the rules that seemed most significant for its understanding. Two matters left by the law to be dealt with in more detailed regulations by subsequent decrees merit special attention: they are the minimum capital requirements and the rules on liquidity. In both cases the Central Bank was consulted, and explained its views with reference to the different conclusions applicable to advanced or developing economies.

First, then, minimum capital requirements. It will be convenient to begin with listing the relevant legislation, and then to discuss the reasons underlying its adoption. The banking law, in Articles 20 and 22, and the decree No. 66-015 of 13 January 1966, place upon banks and financial establishments the double obligation of maintaining their capital at a certain absolute minimum and of ensuring that it covers a specified proportion of aggregate risks, whether appearing as such in the balance sheet or not; in both cases the figures differ according to the business concerned. For banks, their own resources must never be below 50 million CFA francs, and in any event must cover at least 8 or 12 per cent of risks, according as the bank in question is a commercial bank, or a merchant or development bank. The same proportions are required of branches of foreign banks. In the case of financial establishments, their capital must not be less than 10 million CFA

francs and must cover at least 10 per cent of risks¹. The absolute minimum figure must obtain at any time, while the proportional one need obtain only at the date of closure of accounts, on 30 September of each year.

These provisions are a combination of two types ruling in other countries, some of which require only a minimum absolute capital, and others only certain minimum ratios. Among the former, France, for instance, has fixed very low absolute minimum capital requirements without reference to outstanding risks; the purpose is to make it possible for small local banks to survive. This purpose is of no relevance in West Africa where, on the contrary, there is a case for preventing the mushrooming of small private firms, which might elude the control of the monetary authorities and perpetuate the practices of usury. Many small units competing keenly for the limited volume of business would, moreover, cause the banking system as a whole to be used to less than best purpose. There is good reason, therefore, for a sufficiently high minimum capital requirement.

The argument relating to financial ratios is more complex. Among the various possible denominators, the one chosen is total outstanding risks, rather than the own-resources/deposits ratio often adopted elsewhere. This latter would not be very meaningful in the countries of the Union, given that deposits from the

¹ Article 4 of Decree No. 66-015 of 13 January 1966, gives the following definitions of capital and risks for purposes of implementation:

Capital: the own resources of a bank or financial establishment, that is, the sum of authorized capital, reserves, endowments, appropriations not earmarked for specific purposes, and profits carried forward net of losses;

Risks: all credits granted by the bank or financial establishment, regardless of their duration and regardless of their having been rediscounted or lodged as collateral for an advance, guarantees and acceptances, confirmed credits not yet utilized.

public are generally small in volume and rather unevenly distributed at that. The own-resources/total risks ratio, on the other hand, takes account of a feature peculiar to banking in the Union, namely, the large volume of liabilities "outside the balance sheet"¹, and is thus more suitable for giving an overall indication of the risk situation.

Next, the actual value of the ratio has to be determined on different considerations for commercial and for development banks. For the former the average ratio in the West African Monetary Union as a whole was 4 per cent in 1964/1965. This was very low, but, by adding to the numerator the resources obtained by foreign banks from their head office abroad, the ratio worked out at 11 per cent. On the basis of these figures the Central Bank, anxious not to depart too much from the practices of sound management and at the same time to guarantee a minimum of safeguard to depositors, recommended a ratio of 8 per cent, to be reached gradually in the course of a five-year transition period.

Both recommendations were adopted in the law of Niger. The fact, moreover, that the minimum required proportion need obtain only at the closure of accounts, has the advantage of easing the burden for the banks, because that date usually falls within the dead season for local crops (chiefly groundnuts and cotton) and, hence, of credit demand. Nevertheless, the requirement helps to strengthen weaklings by a moderate, but continuous, self-adjustment.

¹ A sizeable part of credit to companies — little of which takes the form of discounting commercial bills of exchange — is refinanced by the Central Bank against presentation of appropriate bills, and, under the current accounting rules, there is no trace of them in the balance sheet after their conversion into cash has been entered in the books. For this reason they are "recorded" separately. They are, nevertheless, effective risks for the bank, and as such additional to those figuring in the balance sheet.

As regards merchant banks, as typical in France¹, which the Central Bank in this respect treats like development banks, the ratio under discussion is generally around 20 per cent. Because these banks invest in equity and their risks are less well spread, they need to cover them to a great extent by their own resources, which explains the higher ratio. In West Africa the ratio is actually slightly lower, but then the development banks with their mixed activities—which, incidentally, are not in full swing as yet—occupy an intermediate position between merchant and commercial banks. For these reasons the Central Bank recommended a minimum ratio of 12 per cent, to take effect immediately because it was well below that actually obtaining in practice. For financial establishments, finally, the ratio was left at 10 per cent, in line with the existing situation.

As regards the expediency of other ratios linking own resources to new parameters, the Central Bank thought it right to advise against them, barring the case of equity holdings mentioned earlier. The so-called risk-spreading ratio, for instance, which sets a bank's capital against its credits to one single client or one single economic group, has the purpose of limiting the open credit position to any one client—a proven principle of sound management. But in West Africa the number of activities to be financed is small and that of lenders minute, and therefore it was thought to be more appropriate in the local situation not to insist on risk spreading but instead to strengthen the general safeguards for the banks; this was done by making refinancing on the part of the Central Bank subject to the borrowing firm's keeping its indebtedness below a certain ceiling (roughly ten times the amount of its capital). A fixed assets ratio (own resources over fixed assets), finally,

¹ For an analysis of their structural and functional characteristics, see G. DELL'AMORE, *op. cit.*, pp. 196-202.

was thought to be redundant in the presence of a limitation implicit in required liquidity ratios.

This is the case in Niger. Decree No. 66-018 of 13 January 1966 lays down explicitly (Article 1) that "banks registered in the territory of the Republic shall maintain between the aggregate of their liquid and mobilizable assets on the one hand, and their total short-term liabilities on the other, a ratio which shall not for any length of time be lower than:

70	per	cent	in	the	financial	year	1965/66
71	"	"	"	"	"	"	1966/67
72	"	"	"	"	"	"	1967/68
73	"	"	"	"	"	"	1968/69
74	"	"	"	"	"	"	1969/70
75	"	"	in each subsequent financial year".				

The ratio is to be calculated by methods set out in instructions by the Central Bank, but the decree states that its rules apply to commercial banks, merchant banks and development banks with respect only to their short-term operations. They do not, obviously, apply to financial establishments, since they are not allowed to accept deposits.

It may be useful to add some explanation of this ratio, which in some ways differs from that customary in most other countries and is a mere "safety index" resting on the extent to which credits can be "transferred" to the Central Bank. In the local conditions of Niger, banks are, for various reasons, forced to solve their liquidity problems mainly by recourse to Central Bank facilities. The volume of deposits cannot be adjusted speedily to the changing requirements of management, and the possibility of refinancing with other banks is virtually nil. On the other hand, since the banks lend predominantly in the technical form of opening a credit line on current account, they can refinance themselves at the Central

Bank only by rediscounting mobilization bills; these do, indeed, carry the signature of the borrowing firm, but become a financial liability for it only in the infrequent case of the lending bank's defaulting. It is the latter, therefore, which is directly responsible for honouring the bill. These are real liabilities, but, as mentioned before, they are under current accounting rules recorded as items "outside the balance sheet". These latter thus acquire considerable importance.

Short-term in this context means six months, because that is the maximum the Central Bank accepts. In effect, therefore, the ratio groups together in its numerator a bank's liquid assets and short-term mobilizable or mobilized assets, and in the denominator, deposits plus other liabilities payable within less than 180 days, as well as short-term bills rediscounted. The current rather high ratio of 75 per cent is intended to prevent the banks from freezing their assets and to induce them to reject applications for credit in cases where either the borrower's situation or the returns likely to be earned on the net proceeds, are too doubtful for the bank to be able to count on refinancing by the Central Bank.

The Central Bank, finally, objected to the introduction of a cash ratio (liquid assets/short-term liabilities, *i.e.* essentially deposits), arguing that the purposes it might serve had no relevance in the banking conditions of the West African Monetary Union. It was not needed, first of all, for credit control, because the same purposes could be achieved by compulsory reserves against deposits, such as by law may be introduced when a country's monetary situation so requires¹.

A second argument in favour of such a ratio is that it enables banks to even out adverse cash flows by drawing on their own

¹ See p. 30 *et seq.* above, and especially footnote ² on p. 39.

minimum cash reserve rather than turning all the time to the Central Bank for help. In West Africa, on the other hand, the banks' day-to-day adjustments of incoming and outgoing cash must rely predominantly on rediscounting, because there is little scope for internal offsetting. It is important, therefore, that every bank can at all times count on these facilities. Any unutilized margin of rediscounting facilities is in effect a cash reserve for the banks, and so is the arrangement by which bills may be—and are—pledged to obtain advances up to 10 per cent above the rediscounting ceiling. To all intents and purposes, therefore, there is a cash ratio under the Central Bank's continuous control, and there is no need for any other.

THE STRUCTURE AND WORKING OF THE BANKING SYSTEM

Following the above discussion of the multi-national Central Bank at the apex of Niger's banking system, the latter's structure and working will now be examined. The banking law, as has been seen, makes a distinction between banks and financial establishments, the banks being further classified by a subsequent ordinance under the headings commercial banks, merchant banks or development banks. In the meaning of these definitions, four banks operate at present in Niger. They are:

- (1) The *Banque Internationale pour l'Afrique Occidentale* (B.I.A.O.), a commercial bank;
- (2) the *Banque de Développement de la République du Niger* (B.D.R.N.), a development bank;
- (3) the *Crédit du Niger* (C.N.), a development bank;
- (4) the *Caisse Nationale de Crédit Agricole* (C.N.C.A.), a development bank.

There are no merchant banks, but two financial establishments:

- (1) the *Caisse de Prêts aux Collectivités Locales* (C.P.C.L.);
- (2) the *Société Nigérienne de Crédit Automobile* (SO.NI.C.A.).

There is also a Post Office Savings Bank, but this is regarded as part of the Ministry of Posts.

The banks listed above cannot easily be classified according to any typical duration of their credits. Only the *Banque Internationale* extends ordinary short-term credit though it is not prohibited from engaging in longer-term operations; the *Banque de Développement* handles operations of various duration in many fields; and the *Crédit du Niger* and the *Caisse Nationale* specialize not so much in terms of the maturities of their credits as by the economic sectors which they finance, namely building and agriculture, respectively. Specialization by sectors is the criterion also for placing the two financial establishments, whose very names indicate their respective fields of action.

These banks and financial establishments will be described individually in the next section; here they will be discussed in terms of their position in the general context of Niger's credit system¹.

Leaving aside their legal status, which goes by a number of different names², the commercial bank and one of the financial establishments, the Automobile Credit Company, are entirely in private hands, while all the others are in public hands.

Classed according to the volume of credit extended, the *Banque de Développement* is definitely in the lead, followed by the

¹ The P.O. Savings Bank will be discussed separately in the last section, in connection with the wider problem of saving.

² See p. 67 below.

Banque Internationale pour l'Afrique Occidentale, and, at a distance and in that order, by the *Crédit du Niger*, the *Caisse Nationale du Crédit Agricole* and the *Caisse de Prêts aux Collectivités Locales*; last, a good way behind the others, comes the Automobile Credit Company.

The network is necessarily small, given the low population density. The opening and closing of banking premises is subject to authorization by the Ministry of Finance, and they are classified by the relevant decree¹ under the three headings permanent, intermittent and seasonal, according as they are open to the public for more than two days a week, for not more than two days a week, or for a period of less than four consecutive months. These arrangements reflect the changing need for banking services in the course of the year, and an effort to keep down costs in localities of minor interest or during the quiet periods of the crop year.

There are in all 13 banking premises in Niger, of which 8 are permanent, and they serve 7 localities. The densest concentration is obviously in the capital, where all the banks have their head offices. Only the two main ones have branches in other towns and have already applied for, and obtained, the right to open a branch at Arlette, the urban agglomeration now springing up next to the uranium deposits in the north of the country². However, this description of the network does less than full justice to the effective reach of some of the banks, especially the National Agricultural Credit Fund which channels its credits to agriculture throughout the large number of agents who are working throughout

¹ Decree No. 66-019, of 13 January 1966, "*portant réglementation de l'ouverture et de la fermeture des banques et établissements financiers sur le territoire de la République*", Article 3.

² See above, p. 9 *et seq.*

the rural areas for the *Union Nigérienne de Crédit et de Coopération*¹.

In comparison with other states of the West African Monetary Union, Niger's network is less developed only than that of the Ivory Coast and Senegal, with 48 and 29 banking branches, respectively; here is further proof that in Niger the credit system satisfactorily answers local requirements, to the extent that current difficulties permit².

So much for the general structure of Niger's banking system. A brief survey of how the banking system raises its resources and how it extends its credits will show up the importance of recourse to the Central Bank not only for the solution of the problem of bank liquidity, but for the actual working arrangements of every single bank.

The supply of resources from the public comes through two kinds of accounts: deposit accounts (*comptes de chèques*, in the customary terminology), and current accounts. The distinction between the two is very simple. Deposit—or cheque-book—accounts are in the name of individuals, the funds paid in are mainly savings, they may never show a credit balance for the bank, and they are drawn on by cheque for making payments. Current accounts are usually in the name of firms and traders, mainly for purposes of evening out cash flows, and can serve as a means for extending credit.

On 30 September 1968 the supply of these liquid funds was distributed almost equally between the two categories of accounts (about 1,100 million CFA francs each) and, of the money on deposit

¹ See below, p. 67 *et seq.*

² For details of the banking network of the individual countries of the West African Monetary Union as of 1 January 1969, see B.C.E.A.O., *Rapport d'Activité* 1968, p. 109.

accounts, about 600 were demand deposits and the rest time deposits. The Development Bank furthermore had the bulk of the Treasury's and the Post Office's cash surplus, in addition to the conspicuous sums raised by the issue of the National Loan, of which more below ¹.

But all these resources together are not enough to meet the country's credit demand. During the financial year 1968/69, for instance, the average volume of credit outstanding to the economy was 9,700 million CFA francs, an amount surpassed elsewhere in the Union only by the Ivory Coast and Senegal. Obviously, then, other sources of funds must contribute a great deal.

As regards the distribution of credits by maturities, some 80 per cent or so are for the short term, and of the rest one third is for the medium and two thirds for the long term. Even though over the years the latter two types of credit have been gaining ground, the distribution pattern can still, today, be explained by the difficulty of finding clients who can offer sound guarantees as well as projects promising adequate returns, and by the fact that most current development projects are financed by government and foreign funds or by equity capital.

While long-term loans cannot be refinanced by the Central Bank, medium-term ones can, and about half of them are in fact so refinanced. The commercial banks draw on Central Bank facilities for about two thirds, and development banks for only one third, since they have more funds from other sources. These proportions, which apply to the whole group of countries in the West African Monetary Union and which there is no reason to disallow for Niger in particular, bring to light the difference in the extent to which the two categories of banks draw on the Central

¹ See below, p. 67 *et seq.*

Bank. In any event, rediscount facilities are far from fully used, simply because it often proves impossible to fulfil the Central Bank's conditions regarding the solvency and guarantees required of borrowing firms.

The bulk of short-term credit goes into the marketing and processing of crops, into building and to traders on what is called the *marché local*, a market, that is, which finds its principal outlets in West Africa. In this trade, Niger has always held an outstanding position among the states of the Union. The Central Bank's contribution varies widely according to the season, with a maximum of 40-50 per cent at the height of the marketing season for ground-nuts and other crops, and only 20-25 per cent at quiet moments.

More will be said about this in connection with individual credit institutes, but even these brief remarks show the extraordinarily high percentage of Central Bank support for the economy—one of the highest in the world and certainly altogether unknown in developed countries. It is to the mechanism of Central Bank financing, therefore, that we must turn for an understanding of how Niger's banks work in practice and of what the problem of liquidity really means for them.

The inadequacy of local saving, which finds expression in a low volume of deposits, together with the seasonal rhythm of agricultural production, which at times requires loanable funds of some considerable amount, are the main reasons for the banking system's need to borrow from the Central Bank and above all, to borrow from it on such a permanent basis. Within the quota of facilities assigned to them, the banks must, in fact, every day adjust their cash position by presenting or withdrawing mobilization bills, and in its turn the Central Bank, by making these operations possible, constitutes the only form of money market at present in existence.

After its daily internal compensation of cheques and bills of exchange, every bank adjusts its balance with the Central Bank. If it has a credit balance (on which no interest is paid), it will withdraw some of the bills it has lodged as collateral for an advance¹; if it has a debit balance, which the law prohibits, it must at once wipe it out either by presenting new bills, or by transferring money from credit balances with other institutes, or by paying in bank notes.

Brief mention has already been made² of the three levels at which the upper limits of Central Bank facilities are determined: by countries, by individual banks and by borrowing firms. The rules governing this important matter are contained in several of the articles of the Central Bank's statute, in the "General Regulations Concerning the Distribution of Short- and Medium-term Credit" issued by the Central Bank in 1963, and in some subsequent decisions of its Board of Directors. Together, these provisions provide a full picture of how the refinancing mechanism works.

The rules and the procedures are different for short-term and for medium-term credits. As regards short-term credits, the purpose of Central Bank intervention is to distribute available credit to suit the rhythm of annual production, in other words to help firms both during the marketing season and at other times to make up their working capital requirements.

Until quite recently³ short-term quotas had to be re-examined every six months; this practice has now been replaced by

¹ For the difference between this type of advance and rediscount, see below in the same section.

² See above, p. 30 *et seq.*

³ See the decision of the B.C.E.A.O.'s Board of Directors in September 1970.

a more flexible system under which the quotas are fixed for an indeterminate period but the Central Bank has powers to revise them at any moment at its discretion. This makes it possible to adjust them quickly to seasonal fluctuations and to the liquidity situation of the banks.

The first step is to deduct from the total volume of facilities for Niger the share earmarked for the Treasury for rediscounting the so-called *obligations cautionnées*, special securities issued by the Treasury which are subscribed by firms owing customs duties and give them four months' credit at a rate between 4 and 5 per cent. In this way importers and exporters can get their goods across the frontiers before paying these duties, which constitute a considerable cost element. Given the possibility of using this kind of credit as an alternative to bank credit, the amount of these indemnity bonds has to be included in the country's total quota, so as to prevent this faculty of substitution from impairing the effectiveness of the authorities' credit policy¹.

Deduction of this amount, then, leaves the total available for all the banks together. The most any one of them can obtain is an amount equal to the difference between the whole of the short-term credits it plans to extend and the resources available during the same period. Within these limits, however, the maximum may not exceed 50 per cent of "probable short-term credits"². Since this is a rather rigid rule for the actual conditions in which banks have to work, the percentage may be raised to 65 in the case of those which take an active part in financing the marketing of agricultural produce and hence are very short of cash during the mar-

¹ See B.C.E.A.O., *op. cit.*, p. 99.

² Very often, this percentage turns out to be the more restrictive limit, given the low resources of the banks; it is an obvious constraint on their lending whenever their resources are less than half the credits they would like to extend.

keting season¹. Investment abroad and interbank loans are in any event excluded from the computation.

Up to its fixed ceiling, every bank can utilize the Central Bank facilities either by rediscounting any type of bills eligible (commercial bills, documentary bills, mobilization bills), or by lodging them as security for advances, up to 10 per cent of the quota. The difference is that, with an advance, the bank concerned can repay the sum at any moment until, at the latest, 10 days before it falls due, and that interest therefore does not have to be paid beforehand, as in the case of discounting, but only when the bill is withdrawn. Whereas the fixed quota may not in any circumstances be exceeded with rediscounts, advances may be granted in excess of it in exceptional cases when there is no other way of covering specific requirements; the decision is up to the National Monetary Commission.

So far the discussion has been about the overall quota fixed for individual banks. Within these quotas, maximum limits are determined for the credit lines opened to borrowing firms capable of meeting the conditions required by the Central Bank. In addition to having juridical personality, these firms must be engaged in productive activities of general interest either in production, trade or services; they must also satisfy the normal conditions of solvency. This last phrase means that their accounts must be balanced, with short-term liabilities being at least fully covered by gross working capital funds (cash, credits and stocks), that they must have a minimum of circulating assets, and must not have more debts than ten times their own resources.

¹ P. MARQUIS (*op. cit.*, p. 9) points out that some bankers would have liked even more help, but that the Central Bank opposed such a move so as not to give them any encouragement to let up in their efforts to attract deposits.

The condition of balanced accounts may be waived in cases where the imbalance is due to an excess of investments of incontrovertible economic usefulness. In such cases the Central Bank does not withhold its help, but makes it subject to the firm's management taking corrective measures within a reasonable time.

On the question of how individual quotas are used, something needs to be said about the reasons which lead the Central Bank and the banks themselves to discourage the presentation of commercial bills and prefer mobilization bills. This would certainly be an unusual practice in a developed economy, but in Niger and in the other countries of the West African Monetary Union it is warranted by a number of abuses which commercial bills are in fact put to. Some of these abuses are much the same as those not unusual in advanced countries; many bills are dishonoured, and often several bills are made out for the same lot of goods.

The Central Bank therefore does not like to issue money against such low-quality credits. To accept them would, moreover, make it difficult to know just what liabilities of this kind the signatory firms have, because once a bill is discounted by a bank it goes out of their books and is no longer shown in the balance sheet. Nevertheless, the Central Bank does accept for rediscount bills with certain required characteristics of solvency and guarantee; even so, they account, throughout the whole of the Union, for only 2 per cent of all Central Bank credits¹.

So much for the rules governing the distribution of short-term credit. Those for medium-term credit are rather different. In this case the purpose of Central Bank support is to promote the economy's take-off by refinancing specific projects forming part of each country's development plan. A careful watch is

¹ See P. MARQUIS, *op. cit.*, pp. 12-13.

kept on the effects on monetary stability, because they could jeopardize planned development—but then monetary authorities always have the difficult task of reconciling these two conflicting requirements.

Because this type of credit is of such importance both in counter-cyclical policy and in the promotion of economic and social betterment, the Central Bank makes it subject to its own prior authorization, which it does not do for short-term credit. In other words, no project can be put in hand without the Central Bank's knowledge and approval, or at any rate no project for which its promoters hope to obtain Central Bank support either at the outset or later. The purpose of this rule is to enable the Central Bank to assess any project right from its planning stage, and to suggest such changes as it thinks are necessary to make it eligible for access to rediscounting facilities.

For every bank, the absolute limit of its possibilities of borrowing from the Central Bank is set by its so-called medium-term lending potential, which is the maximum amount beyond which the bank's liquidity is assumed to suffer. This amount is calculated with reference to the bank's resources, and equals the sum of: (1) its own free funds (*i.e.*, financial resources less fixed assets, losses, credits outstanding and doubtful debts); (2) deposits and medium- and long-term funds from other sources or available from other sources at notice (less loans at notice not eligible for rediscount); and (3) 20 per cent of demand or short-term deposits. For development banks with their particular purposes, the computation is slightly different and leaves room for more generous intervention by the Central Bank.

It must be added, though, that so far the limit described certainly has put no brake on economic development, since both the Central Bank's project authorizations and the banks' effective

use of the connected facilities have fallen a good deal short of the "potential" in question. This brings us back to what has already been said in another context, namely, that what is lacking in practice is investment opportunities, or at any rate sound and profitable ones.

As regards expenditures that can be financed by a rediscountable medium-term loan, the rule is that they must be for projects forming part of the development plan of one or more of the Union's states and having been authorized by the competent authorities, or else for exports of manufactures or for the consolidation of short-term prefinancing credits in particular circumstances.

Preference is given to local expenditure; of the costs of buying foreign capital goods only that part is refinanced which is not covered by a trade credit from the suppliers and has not been mobilized by them in their own country. It must, furthermore, be shown for such investments that they are likely to generate additional earnings and thereby to improve the profitability of the borrowing firm, so that it can repay the credit according to the agreed schedule.

Until September 1970, rediscountable medium-term credits could run for between two and five years; since then they may have a maximum duration of seven years. The change was decided by the Board of Directors with a view to giving the Central Bank more scope for intervention, which in any case is in principle quantitatively limited to half the total investment costs. In some cases the proportion is higher, namely, 65 per cent for projects intended to raise agricultural or industrial production, and as much as 80 per cent for building of a social character. At the same session, the Board of Directors proposed the creation of a National Guarantee Fund, which would enable smaller firms, too, to obtain

rediscountable credit up to four fifths of the costs of expansion or modernization projects.

So much for the mechanism of refinancing short- and medium-term credits, which is the essential instrument of the banks' cash and liquidity policy. There remains the question of interest rates.

As mentioned earlier¹, the official discount rate is of little use for purposes of monetary and credit control, and it has, in fact, not been altered anywhere in the West African Monetary Union since 1956. Of course, even to hold the official discount rate at the same level for so many years is in itself a sort of strategy, even if it cannot be called "manipulation", and in any case this rate has a more important function than in many other economic systems, just because recourse to Central Bank facilities is so widespread and of determining influence.

The level at which the official discount rate was fixed was essentially meant to reconcile two conflicting purposes. To the extent that it was meant to be an incentive for economic development, there was a case against fixing it too high; fixing it too low would have given rise to a danger that the banks might incur too many debts, and would also have constituted a disincentive for the other normal source of supply for bank resources, namely, local deposits. The monetary authorities were loath to abandon 3.50 per cent even in recent times when interest rates were rising everywhere in the world, and this meant they had to face the risk that some of the funds raised in the Union would find their way abroad to more attractive and safer capital returns. There probably was some capital flight, but there is reason to believe that on the whole the Central Bank, thanks to the powers it has, was able to control virtually all foreign exchange movements.

¹ See p. 30 *et seq.*, above, and particularly footnote ¹ on p. 39.

The official rate is the same in all countries belonging to the Monetary Union, so as not to create disparities among them, and it is also the same for all rediscountable types of credit, regardless of their maturity. The only exceptions are a reduction to 3 per cent for export credits, and a higher rate for advances against pledged bills beyond the ceiling (6 per cent for an excess up to 10 per cent, and 8 per cent thereafter)¹.

The rates the banks charge and pay to clients are governed by the "general conditions" laid down by the Central Bank. Interest rates paid on private deposits² are graded according to the amount involved and the type of account: money at sight or for less than six months bears between nil and 2.50 per cent, for fixed-term deposit accounts the rate may be as high as 4.50, and for savings accounts 3.25 per cent.

The banks' lending rates are obviously more closely linked to the official rate. They are determined in the light of various factors, including the economic usefulness of the operation, the risk it entails, the returns earned by the lending bank and the relative weight of the credit for the borrowing firm. The lowest rates are thus charged for marketing credits, credits for the expansion of means of production in accordance with the development plan, and credits to firms eligible for privileged treatment because of the nature of their activities. The rates vary between 5 and 6 per cent for credits within the borrowing firm's individual credit

¹ Here is an example to clarify the matter. If a bank's quota for Central Bank facilities is 100, and it needs funds of, say, 125, it pays rates as follows: 3.50 per cent for 100 rediscounted (or 90 rediscounted plus 10 in advances); 6 per cent for 10 in advances *hors plafond*; 8 per cent for 15 in advances *hors plafond*.

² For public deposits and those assimilated to them, interest rates are agreed between the parties.

quota, and between 8 and 9 per cent for others which are regarded as more speculative.

The "general conditions" usually fix a fairly narrow range between the minimum and maximum rates permissible for any operation, leaving banks free to compete within this range; thus the borrower is protected against prohibitive credit costs, and at the same time banks are prevented from hopelessly undermining their own earnings by cut-throat competition for new clients. These rules, however, allow exceptions in cases of important projects of outstanding interest to the national economy.

THE BANKS AND FINANCIAL ESTABLISHMENTS

Having described the structure of Niger's banking system, which, in addition to the Central Bank, consists of four banks and two financial establishments, each of these will now be discussed in more detail, with particular reference to the way it works and the fields in which it operates.

La Banque Internationale pour l'Afrique Occidentale (B.I.A.O.)

This is the only commercial bank, and also the only private one, among Niger's four banks. The *Banque Internationale pour l'Afrique Occidentale*, which officially assumed this name on 1 April 1965, has a very long history. It was, in fact, the first bank ever to operate in French-speaking black Africa, way back in 1853. At that time it was called *Banque du Sénégal* and had the privilege of the money issue, which it retained and extended, together with its commercial functions, in 1901, when it transformed itself into the *Banque de l'Afrique Occidentale* (B.A.O.). It kept the monopoly of money issue until 1942 in French Equatorial Africa and Cameroon, and until 1955 in French West Africa

and Togo, when it turned that monopoly over to the Central Bank of West Africa. Ten years later it changed its name again to what it is now.

This bank far outranks all the other French banks in West Africa, in terms both of its rather extensive branch network and of the volume of business it actually transacts in and with French-speaking Africa: about 75 per cent of its total business falls under this heading, compared with only 1-2 per cent in the case of the other French banks.

There is yet another aspect, which has to do with the ownership of its capital, under which this bank differs from its rivals, the three great nationalized French banks *Société Générale*, *Banque Nationale de Paris* and *Crédit Lyonnais*. After the former French colonies became independent in 1960, these banks' branches were incorporated under local law, with a sizeable, and often majority, holding assumed by the government concerned and other foreign financial groups taking out small stakes. The B.I.A.O. alone, by contrast, retained its organization as a unitary concern under centralized management, working through its own extensive branch network¹.

In 1965, the bank "went international" with fresh capital from the First National City Bank of New York, which for the rest made little difference to the general principles of management. At present, its capital of 60 million French francs is in the hands of only two shareholders; 49 per cent are owned by the above-

¹ In 1969 the B.I.A.O. had 45 branches in the 13 states of French-speaking black Africa, distributed as follows: Cameroon - 8; Central African Republic - 1; Chad - 2; Congo (Brazzaville) - 2; Dahomey - 2; Gabon - 3; Ivory Coast - 9; Mali - 1; Mauritania - 5; Niger - 4; Senegal - 4; Togo - 2; Upper Volta - 2. In addition, it had set up a wholly-owned company, the International Bank for West Africa, in Nigeria, an English-speaking country. It was not operating at all in Guinea.

named American bank, and 51 per cent by the *Compagnie Financière France-Afrique*, which in turn is controlled by a group of large French banks holding about 40 per cent of the equity.

Although it is a French limited liability company, the bank is, in respect of its activities in Niger, subject to that country's banking law and other regulations concerning minimum capital requirements and liquidity ratios, as described earlier at some length¹.

Economically speaking, the juxtaposition of domestic and foreign banks leads to a certain specialization not devoid of beneficial effects, such as the foreign banks' ability to channel private foreign capital towards sound local ventures. In the case of Niger this applies with reference not so much to the past or the present as to the future, seeing that industrialization is only just beginning, that environmental difficulties are enormous and returns are still too low to be interesting for individual investors.

Very rightly, the commercial bank has not been precluded from using part of its funds in medium- and long-term operations, while appropriate rules have been laid down for its right to acquire shares in borrowing firms. In actual fact, the *Banque Internationale pour l'Afrique Occidentale* lends predominantly on the short term, venturing into medium-term operations only when it knows it can rediscount, and keeping altogether out of long-term credit and trade investments in Niger companies.

The bank's sources of supply, apart from its own capital, include: deposits, nearly all on demand with a slight preponderance of current accounts over *comptes de chèques*, which, depending on the time of year, together amount to between one fifth and one third of total third-party funds; loans from the Paris head office, which have to pass through the Central Bank and are there-

¹ See above, p. 41 *et seq.*

fore subject to authorization; and Central Bank facilities, as described earlier.

The bank does business with all sectors of the economy except agriculture and building, which rely on specialized institutes, and the public sector which generally deals with the *Banque de Développement de la République du Niger*; more particularly it takes care of the requirements of local traders, French companies, exporters and importers. It has been going in increasingly for so-called consortium loans, mainly in conjunction with the *Banque de Développement de la République du Niger*; these go to companies in mixed private and public ownership, and in practice every firm in Niger which has to do with industry and export is financed by these two banks.

The technical forms of credit used most often are credit lines on current account, discount of bills, advances on agricultural produce¹, documentary credits on abroad and a wide range of guarantees, including the bank's guarantee of *obligations cautionnées* for those of its clients who are debtors to the Treasury.

La Banque de Développement de la République du Niger (B.D.R.N.)

First and foremost among the three banks in Niger which the law treats as development banks, is the *Banque de Développement de la République du Niger*; the other two, incidentally, are not of the same type².

¹ Advances may be granted against the security of goods *sous contrat des Caisses*. Such goods are regarded as perfect security, because the marketing board in question, the *Caisse de stabilisation des prix des produits du Niger*, a public corporation of commercial character, exists precisely for the purpose of stabilizing the prices of groundnuts and cotton.

² There exists by now a fair amount of literature, in Italy and elsewhere, on the theoretical and practical aspects of development banks. Among others, see G. DELL'AMORE, *op. cit.*, pp. 202-216, and M. ONADO, *Le banche di sviluppo dei Paesi africani*, pp. 1267-1315.

In French-speaking black Africa it was, until 1960, the *Caisse Centrale de la France d'Outremer* which somehow took care of the long-term financial requirements of companies and public authorities. The local "social credit" institutes, which it promoted, granted loans for the purchase of durable consumer goods; after independence, most of them were taken over by new, national development banks, which branched out into industry and in time assumed an altogether new look. In addition to the state's majority shareholding, part of the equity is usually in the hands of the Central Bank and the above-mentioned French agency, which has altered its name to *Caisse Centrale de Coopération Economique*.

In Niger, things did not quite happen that way, because the *Caisse Centrale* had its doubts about the wisdom of such a course. Instead, the capital of the Development Bank is divided among a number of shareholders, and the "social credit" institute survives as *Crédit du Niger*.

The B.D.R.N. is a limited liability company incorporated under Niger law in 1961. It was set up for three main purposes: (1) to help finance the country's development plans; (2) to provide venture capital for specialized national companies; (3) to operate in the field of short-term credit with a view to bringing down interest rates, attracting and mobilizing savings¹.

In other words, the bank is the most important instrument of the country's economic and social development policy. Its capital is 450 million CFA francs, and under Article 6 of the statute at least 55 per cent of it must be held by the state, this proportion to be maintained in case of later capital increases. This provision gives explicit recognition to the bank's public nature

¹ J. CLARY, *Législation et techniques financières appliquées au Niger*, p. 131.

and indirectly classes it among companies in mixed public and private ownership¹. At present, the equity is distributed as follows:

Republic of Niger	55	per cent
Central Bank of the West African Monetary Union	10	per cent
<i>Caisse Centrale de Coopération Economique</i>	10	per cent
<i>Société Tunisienne de Banque</i>	6.4	per cent
<i>Crédit Lyonnais</i>	6.4	per cent
<i>Banque Française du Commerce Extérieur</i>	2.2	per cent
<i>Caisse d'Allocations Familiales du Niger</i>	4.0	per cent
Private shareholders	6.0	per cent

The *Caisse Centrale de Coopération Economique*, it will be noted, has a strikingly small stake in the bank compared with analogous cases elsewhere in the Union². Another interesting feature is the participation of the *Société Tunisienne de Banque*, with which a co-operation and assistance agreement has been concluded. The bank has three permanent branches, one each at Niamey, Maradi and Zinder, and three intermittent ones, at Madaua, Tessaua and Magaria. Its total personnel consists of 15 managerial staff and about 130 clerks.

The precise economic nature of the B.D.R.N. is rather hard to describe. On the one hand, it is a genuine development bank in the sense that most theoreticians give to the word, since it is authorized to extend medium- and long-term investment credit for the promotion of economic and social development, and also to

¹ See above, p. 9 *et. seq.*

² Its equity holdings in local development banks are 34 per cent in Mauritania, 33.3 per cent in Dahomey, 28.2 per cent in Upper Volta, 27.6 per cent in Senegal, 20 per cent in Togo. In the Ivory Coast, as in Niger, the development bank is not a successor of the previous "social credit" institutes, and the *Caisse Centrale's* shareholding is only 10.7 per cent.

provide venture capital to new companies; on the other hand, it works on the classical pattern of a commercial bank lending on the short term to industry, trade and craftsmen.

This second part of the bank's business, which runs to considerable amounts, would not in itself be open to criticism, if it did not ultimately vitiate the bank's original purposes and induce it to divert its main attention to other problems. It could, however, simply be a symptom of the lack of public and private entrepreneurship in the country's economy.

On 30 September 1969, the bank's outstanding funds were distributed as follows (in million CFA francs) ¹:

Short-term credits	3,512
Medium-term credits	196
Long-term credits	977
Equity holdings	352

In addition to the reason already suggested, the preponderance of short-term credit operations is no doubt due to the higher returns they yield and to their greater liquidity thanks to Central Bank facilities. About three quarters of these credits go to finance the marketing of agricultural produce and trade in general, and in fact the bank is responsible for more than half of all marketing credits.

Medium-term operations do not amount to much, given that "social credit" is for the most part the business of a special institute. Often medium-term credits are tacked on to long-term ones for the construction of industrial plants, the purchase of capital goods or materials for public works.

Just how much the bank can lend on the long term depends on the amount of its long-term resources, since Article 3 of the

¹ B.D.R.N., *Note d'information*, p. 5.

statute establishes a direct correlation between sources of supply and investments.

The same Article of the statute also governs the acquisition of shares in "commercial, industrial or financial companies whose purpose is of essential general interest" (paragraph 4). The bank promotes the establishment of such companies up to the limit of its own resources, and reserves the right to sell its shares later to other investors. However, in Niger so far private capital has not shown much interest, and therefore the bank has been unable to mobilize the capital so invested. The companies concerned are, of course, small or at best of medium size, and the bank—in this respect discharging one of the characteristic functions of a development bank—provides them with a certain amount of technical assistance in such things as feasibility studies as well as labour and management training.

As regards the sources of the bank's funds, finally, their composition on 30 September 1969 can be summarily described as follows (in million CFA francs):

Own resources	979
Long-term debts	1,494
Short- (and medium-) term debts	3,503

The first and last of these items call for no particular comment other than has already been made in connection with the *Banque Internationale pour l'Afrique Occidentale*. The bank's own resources consist of its capital (450 million), reserves (200 million) and various contingency funds (329 million). Of the short-term liabilities, two thirds are deposits of one kind or another, and the rest Central Bank facilities.

But the B.D.R.N.'s long-term debts highlight its institutional nature as a development bank, with reference both to domestic and

foreign capital funds. As regards the former, the bank has been authorized by the Ministry of Finance to launch a large government-guaranteed national loan up to 2,000 million CFA francs.

Since 1961/62, the loan has been floated in *tranches* according to the economy's needs. At present, bonds outstanding amount to 569 million CFA francs—little enough in itself and in comparison with the authorized maximum, and as such eloquent testimony to the various obstacles encountered in placing the loan. But then, it must be remembered that these are the only bonds so far issued at all in Niger, which explains the resistance of the local mentality and customs and hence the difficulties of attracting savings to a hitherto unknown form of investment.

The loan is in the form of tax-exempt bearer bonds and carries a 4 per cent coupon; it is repayable in 15 annual instalments from the fourth year on. Since there is no market for these securities the bank itself undertakes to negotiate them and to buy them in three years after they have been issued.

Funds of foreign origin amounted at the end of September 1969 to about twice as much as those raised by the National Loan issue, thus proving that a country in the earliest stages of development has to rely on an inflow of foreign resources rather than on any massive contribution from domestic savings. The funds in question are loans to the state from various foreign governments and are channelled through the B.D.R.N. They include 90 million CFA francs from the United States (through U.S.A.I.D., the United States Agency for International Development), 58 million from the Federal Republic of Germany (through the *Kreditanstalt für Wiederaufbau*), and 14 million from Israel (through the Water Resource Development), but much the most conspicuous amount is the 763 million CFA francs from the *Caisse Centrale de Coopération Economique*.

This French agency not only pays out the aid funds, generally free grants, which France provides through the *Fonds d'Aide et de Coopération* (FAC) and the European Economic Community through the European Development Fund (EDF),¹ but also extends, out of its own resources, loans on special terms to governments or local public institutions, including the development banks; these may fall under the heading "programme aid", *i.e.* can be used for unspecified expenditures usually of small amount, or "project aid", *i.e.* funds earmarked for particular, more expensive projects.

La Caisse Nationale de Crédit Agricole (C.N.C.A.)

In contrast to the multifarious activities of the largest bank in Niger, the other two so-called development banks have a well-defined field of action. To begin with the primary sector, agriculture is served by the *Caisse Nationale de Crédit Agricole*, the latest link in the chain of transformations in the structure and organization of agricultural credit in Niger.

Its origin goes back to the colonial period and is common to all the former French dependencies². The French authorities first tackled the problem of agricultural credit in 1926 and tried to solve it by introducing the French system of entirely private farm credit funds.

¹ See above, p. 17 *et seq.*

² See G. BELLONCLE, *Le Crédit agricole dans les pays d'Afrique noire d'expression française*, pp. 1-18, for a more detailed treatment of the problems of agricultural credit in French-speaking Africa, and also the bibliography included in that study.

In the text, the activities of the Agricultural Credit Fund are discussed only within the existing institutional framework, without more than very general reference to the wider and difficult problem of structural change in the agriculture of developing countries; this would need a monograph all to itself.

The results were meagre, and five years later the foundations were laid for a public organization, headed by a no longer private central agricultural credit fund and making use of the numerous existing provident societies controlled by the administration.

But the central fund's lending activities proved to be quite ineffective over the course of the year, because of a mistaken approach to the key problem of security. Registration of mortgage was required as a condition of any loan, but this came to grief on the African tradition of regarding land as a common, inalienable property.

While the funds reaching rural communities through this official channel were negligible, much larger amounts were made available by the provident societies, out of a common fund fed from various sources. But these societies made the opposite mistake of not requiring sufficient security, which in time meant bankruptcy.

This unsuccessful system went on until 1955, when the new principle of mutual credit was introduced under the auspices of the *Caisse Centrale de la France d'Outremer*. This principle still underlies agricultural credit policy in the independent states of French-speaking Africa, and its essential points may be summarized as follows. Credit co-operatives are set up at village level, with joint and unlimited liability of all members; these societies operate in only a small area, so that all members know each other personally; loans are closely tied to production.

This was the beginning of the co-operative movement in the rural world and great efforts were made to develop it as a means of initiating the process of transformation and development in agriculture, for the authorities well knew that the family farm was much too small a production unit.

But the results are still doubtful, because the principle comes up, in practice, against a number of obstacles, especially in the

matter of people understanding what is involved by a joint liability when it comes to repaying credit. A new form of security has to be found, therefore, which gives effect to the solidarity of any one group's members. Senegal is trying out a new system which improves upon the basic mutual principle by introducing an organic link between a co-operative's distribution of credit and its marketing of the produce. The co-operative society buys up its members' crops and sells them to the agency responsible for final sale and export. The difference between the co-operative's buying and selling price, less various costs incurred, constitutes the net profit margin, and this is the principal security backing the loan from the credit institute¹.

The Senegalese "model" has spread to other French-speaking countries, including Niger, with certain adjustments and improvements, as required. The profit is distributed or, in the current terminology, "refunded", in full to the farmers only if each of them has repaid all his debts. Otherwise, the "refund" is cut down proportionately, the rest being used to reimburse the unpaid bank credit. The bank, therefore, knows the amount of defaults, which is the difference between the actual "refunds" and those theoretically possible. It may happen occasionally that in spite of its marketing profits a co-operative still remains in debt to the bank.

Individual producers thus come to understand that the principle of solidarity is very real, because it is clear to them that the

¹ This security may cover a high proportion of the credit granted. G. BELLONCLE (*op. cit.*, p. 22), gives the following example. A medium-sized co-operative in Senegal has bank debts equalling one tenth of the value of groundnuts it markets. Supposing it makes a net profit of 1.20 francs per kg for a crop of 500 tons worth 10 million francs, its net profit of 600,000 francs ($500 \times 1,200$) covers the loan of 1,000,000 (1/10th of the sales proceeds of the crop) in the remarkably high proportion of 60 per cent.

extent of the "refund" to which they are entitled depends on the extent to which they have repaid the sums borrowed earlier. There can be no shadow of doubt that a farmer who has repaid in full and who gets a smaller "refund" than he would be entitled to on the basis of his deliveries of produce, will not look with indifference upon the other members who have caused this diminution, and he is the person in the best position to insist they make amends in one form or another¹.

But this system can generate profound disparities and injustice, and eventually may be paralysed if the co-operative societies are too far-ranging in territorial and human terms, with the result that the ties of solidarity are depersonalized and collective responsibility is weakened. Yet if a co-operative is to work economically, it must be sufficiently large. In these circumstances, various "village mutual groups" were set up, where the links among members are closer and more immediate.

It is at this new level that the principle described above is now applied. Instead of calculating a single "refund" rate for the whole co-operative, every component village group is allocated a "refund" of different proportion according to repayments actually made.

All these various solutions proposed and adopted for agricultural credit were, of course, not examined without reference to other problems of the rural world, but on the contrary in the context of a whole set of reform measures designed to promote overall development. The authorities are well aware of the funda-

¹ G. BELLONCLE (*op. cit.*, p. 26) writes: "If farmers feel personally damaged, they are best placed to know what measures to take for getting indemnified, and above all they have means of applying them such as no outside body will ever have".

mental importance of mass education and training if a real change is to be made in a backward mentality and extremely hard living conditions; for this reason, a whole series of institutions has been created, all co-ordinated by the Planning Department. On the one hand, there are agencies which back the co-operatives with certain economic services (marketing boards, agricultural credit institutes, price stabilization funds), and on the other hand, agencies which enable co-operatives to use these services to best purpose (community leadership and agricultural extension services spreading modern farming methods).

This is the background against which the *Union Nigérienne de Crédit et de Coopération* (U.N.C.C.) was founded in 1962 as a public corporation with its own juridical personality and financial autonomy, for the purpose of promoting the practices of co-operation and mutual credit among the rural population by organizing information for producers and training their leaders¹.

For five years the *Union* was active in the fields both of co-operation and of credit. In 1967, as will be seen presently, it was thought expedient to turn the second function over to a genuine bank (the *Caisse Nationale de Crédit Agricole*) and to leave only the remaining duties to the *Union*.

It will be convenient to take a brief look at this latter corporation and at the results it has achieved. The U.N.C.C. is under central management and works through a dense network of departmental and district offices and by a wide range of means to promote "the creation of multi-purpose co-operatives providing the whole set of services needed for technical, economic and social develop-

¹ Article 3, paragraph 1, of Law No. 67-032 of 20 September 1967, "*portant abrogation de la Loi n. 62-37 du 20 Septembre 1962 et institution de deux établissements publics distincts: l'U.N.C.C. et la C.N.C.A.*".

ment in their area of competence" ¹. Adherence to a co-operative is on a collective basis since 1967, that is, through the intermediary of the village mutual groups, whereas previously farmers joined individually.

These new co-operatives are called multi-purpose because they intervene in several fields, such as credit distribution, supply of means of production and, above all, marketing of the crops. With reference to the latter they are of really great importance, seeing that they handle the sale of the entire rice crop, 40 per cent of groundnuts and about one third of cotton.

The U.N.C.C. aims at spreading the co-operative movement throughout the whole country, but it encounters obvious difficulties among the nomad tribes and in areas where few or no industrial crops are grown. On 1 October 1969, the situation was as follows: there were 64 co-operatives, 1,523 village mutual groups and 61,754 individual members, involving in all 407,576 people, that is, about 12 per cent of the total population of Niger ².

The U.N.C.C. will cease to exist in its present form and turn itself into an association of co-operatives, just as soon as the latter are able to manage their own affairs at departmental level. Naturally, there is a long way to go yet until this aim is reached, but since 1967 the U.N.C.C. has been free to devote itself to it entirely without being hampered by the serious drawbacks of its previous situation.

This involved, it will be recalled, combining a public service with the functions of a private financial institution concerned with

¹ Article 3, paragraph 2, of the law quoted in the preceding footnote.

² The figures are from U.N.C.C., *La formation des coopérateurs*, pp. 12-16. The population involved in the co-operative movement is calculated by multiplying the number of co-operators (heads of families) by 6.6, the average size of a family in Niger (see U.N.C.C., *Rapport d'Activité*, 1968, p. 14).

the recovery of the short- and medium-term loans that the co-operatives, with its own prior agreement, extended to farmers. This double function, so it was stated in introducing the 1967 law, led to failure to keep the management of the two parts of the agency strictly separate, and got it into trouble with the banking law for engaging in credit activities without actually being a bank; as a result, it had no access to Central Bank facilities and had to refinance itself at higher cost with the *Banque de Développement de la République du Niger*¹.

It was decided, therefore, to create a new institution for the task of providing the rural community with the funds it needed. However, given the complementary nature of the two agencies' activities and the advisability of integrating them in a homogeneous approach, the U.N.C.C. and the C.N.C.A. were to share one Board of Directors composed of 20 members representing various ministries, the Central Bank, public banks, the National Assembly and the co-operative movement².

The *Caisse Nationale de Crédit Agricole*, "a public institution of industrial and commercial character", has a curious legal status, to say the least of it, since it deals exclusively with agriculture. It has a capital of 117.4 million CFA francs, which certainly is not much but is expected to increase considerably during the next few years, thanks to a scheme worked out with the International Bank for Reconstruction and Development, of which more will be said presently. It has only one office, in the capital, and works

¹ The National Agricultural Credit Fund actually had to do the same until March 1969, when rediscount facilities were extended to it.

² A. MAURI (*op. cit.*, p. 67) agrees in principle with the idea of a unified effort, and states that "when there exists a public agency for the purpose of assisting farmers by several means, the agricultural banks should co-ordinate their credit policy with its activities and adjust them to its programme".

through correspondents in charge of collecting credit applications and repayments.

Unlike many other countries in French-speaking Africa, where the local development bank is responsible for a variety of operations including those having to do with agriculture¹, Niger has thus opted for specialization on the supply side of agricultural credit.

The credits which the C.N.C.A. is authorized to extend to its clients may be of short, medium and long duration, and it also has powers to acquire equity capital. In practice, so far, its loans have been only of the following kinds:

- (1) Production credits $\left\{ \begin{array}{l} \text{(a) improvement (medium-term)} \\ \text{(b) working capital (short-term)} \end{array} \right.$
- (2) Marketing credits (short-term)
- (3) "Hungry season" subsistence credits (short-term)
- (4) Credits to miscellaneous borrowers (short-term).

Quantitatively, marketing credits outstrip all others (479.7 million CFA francs at the peak of the 1969 financial year), but it is credits of the first type which are the more immediate concern of the Agricultural Credit Fund and which will be developed under the proposed agreement with the International Bank for Reconstruction and Development. These production credits merit a closer look.

Working capital credits are for the purchase of selected seeds, fertilizers and pesticides, and cover the period between sowing and harvesting, when the farmer sells his produce and the proceeds give him the means to repay the credits—possibly through the

¹ For a useful discussion of the pros and cons of such specialization, see G. BELLONCLE, *op. cit.*, pp. 101-105. Summarizing the arguments in favour of it, the author states: "The problems of agricultural credit are too specific and too important to be dealt with suitably by organizations of which it is not the sole concern" (p. 103).

mechanism of "refunds" described above. Generally speaking, these credits, like the medium-term ones, are not supposed to involve an actual transfer of money to the borrower; instead, the agreed amount is handed over to the supplier in settlement of his bills as and when the farmer needs the products concerned. Short-term production credits, most of which are eligible for rediscount, include also those for the purchase of small farm implements, with repayment in less than two years.

Beyond two years' duration, production credits come under the heading improvement, and finance such things as the costs of land improvement, the purchase of fishing boats or the purchase of a *culture attelée* unit¹. The loan never covers the entire cost, but has to be made up from the borrower's own means, to the extent of between 10 and 30 per cent; the idea is to induce him to set aside some savings in advance, and thus to make him understand that he cannot make progress without personal sacrifice.

Production credits are granted more often to co-operatives than to individuals, and the largest amounts go to finance the purchase of seeds².

¹ This term, it will be recalled, means ploughing with the help of draught animals. The importance attached to this as a means of transforming farm methods is underscored by an agreement between Niger and the European Economic Community for the introduction of several thousand such units. Mechanization, on the other hand, is not thought to answer the needs of agriculture at its present stage of development, nor those of the local farmers at their present degree of training.

² During the financial year 1969, production credits amounted to 64.6 million CFA francs, of which 48.7 million were collective credits, and 15.9 million individual ones. Their composition by purpose was as follows:

Fertilizers and pesticides	6.4 million
Seeds	39.6 million
<i>Culture attelée</i>	7.5 million
Miscellaneous	11.1 million

At harvest time, marketing credits are extended to co-operatives so as to enable them to pay producers for their deliveries. These credits are necessary because the agencies which buy the produce from the co-operatives (and subsequently process it or sell it abroad) do not pay the latter at once. They have to pay before the end of the marketing season, however, and this is excellent security for the lender¹.

The opposite, as regards security, applies to the "hungry season" loans which tide the farmers over from the end of one production cycle to the beginning of the next (in the case of millet, from about May to July), when they cannot live on their scant stocks of food. It may be a very difficult time for the farmers—they may not have enough to eat either because the last harvest was poor, or perhaps because they were improvident. Often in the past a village has come to the aid of its poorest members, but often, too, usurers have taken advantage of the compelling needs of the people².

The social character of these consumption credits led the local authorities to take an interest in the matter and to help the farmers, borrowing to this end from the Fund and then often not repaying the credits. This system should in any case disappear once the co-operatives are in a position to distribute the "refunds" to their members during this "hungry season" between harvests.

¹ During the same year, 1969, the Agricultural Credit Fund made the following marketing credits available: 275 million CFA francs for rice, 140 million for groundnuts and 61 million for cotton.

² For the loan of a sack of millet, a farmer often has to give back after a few months a sack and a half, or even two sacks. This gives an idea of the prohibitive rates of interest implicitly charged. But in the absence of any other source of controlled supply, there is no alternative way out: "*on ne va pas laisser mourir les enfants*", said a farmer curtly when it was explained to him how exaggerated was the cost of borrowing. (R. D. HIRSCH, *op. cit.*, p. 102).

Credits to miscellaneous borrowers, finally, include first and foremost those to the *Union Nigérienne de Crédit et de Coopération*, which is the Fund's biggest client, for paying imports required for agricultural production.

The recovery rate of credits is around 80 per cent, which means that one fifth of the sums due fail to come in. Defaults are most frequent among individual credits, and more generally among production credits repayable in money (those for the purchase of fertilizers for example), while credits for the purchase of seeds, which are repayable in kind, are amongst the safest, together with marketing credits.

As regards the rates charged, they are, in accordance with the Fund's by-laws, fixed in relation to the purpose of the credits, due allowance being made for the source and cost of the loanable funds and especially the Central Bank's rediscount rate¹.

Partly because of the insufficient spread between lending and borrowing rates, and partly because of the high proportion of

¹ The rates approved by the Fund's Board of Directors at its meeting of 27 April 1970 are as follows:

Short-term production credits: a fixed commission of 6 per cent;

Medium-term credits repayable in at most 4 years: a fixed commission of 5 per cent, corresponding to a real annual interest rate of 8 per cent;

Marketing credits: interest at 7 per cent annually.

In the case of medium-term credits, it was thought best to collect the annual instalments plus commission in equal annual amounts. In theory, the interest schedule would be as follows for a loan of 100,000 francs repayable in four annual instalments of 25,000 francs:

8,000 at the end of the first year (8 per cent on 100,000)

6,000 at the end of the second year (8 per cent on 75,000)

4,000 at the end of the third year (8 per cent on 50,000)

2,000 at the end of the fourth year (8 per cent on 25,000)

20,000 total interest charged.

To make things easier, the total interest is collected in four equal annual amounts of 5,000, so making up a constant amount of 30,000 payable each year.

unpaid debts, the real problem of this young credit institution—how to strengthen its financial structure—is aggravated by its limited resources. A loan agreement recently concluded with the International Development Association (IDA), an affiliate of the International Bank for Reconstruction and Development, will not only provide funds to finance a large-scale programme for the improvement of agricultural productivity, but should enable the *Caisse Nationale de Crédit Agricole* to add considerable amounts to its capital on a permanent basis. It is a very important scheme, involving some interesting details.

The loan is for 584,000 dollars, and its general conditions are those typical of IDA loans: repayment within 50 years with first instalment delayed for 10, no interest, commission of $\frac{3}{4}$ per cent. Part of the money is to be used by the U.N.C.C. for expanding its programme for the spread of new production methods and its technical assistance services, and part by the C.N.C.A. for short- and medium-term production credits and marketing credits.

The interesting point is the arrangement by which the Agricultural Credit Fund can increase its own capital. Suppose a co-operative asks the U.N.C.C. for a loan of, say, 1 million francs. The U.N.C.C. approaches the C.N.C.A. which grants the loan out of IDA funds. When the loan is repaid, the C.N.C.A. keeps the million and adds it to its capital, while the state of Niger takes care of reimbursing IDA. It follows that the C.N.C.A. has every interest in being careful with the loans it grants, so that it can enter into possession of most, if not all, the money earmarked for itself under the scheme (360,000 dollars). This arrangement is, at the same time, the best guarantee of international funds being put to good use.

Le Crédit du Niger (C.N.)

The importance of the primary sector in Niger and the possibilities of its development have made it seem right to discuss the problem of agricultural credit at some length. The fourth and last of Niger's banks, the *Crédit du Niger*, was set up in 1958 to replace the old *Office des Habitations Economiques de l'A.O.F.* It is a limited liability company with a capital of 220 million CFA francs, held by the state (45.4 per cent), the *Caisse Centrale de Coopération Economique* (27.3 per cent), the *Banque de Développement de la République du Niger* (18.2 per cent) and the Central Bank (9.1 per cent).

It operates in two separate fields: one is to provide funds for residential building and housing improvement (excluding, therefore, industrial construction), and the other "social credit" for the purchase of durable consumer goods, such as electric household appliances, equipment of various kinds, motor cycles, etc.

Loans of the first type have a maximum duration of 15 years and are covered by refinancing operations with the Central Bank and the *Caisse Centrale de Coopération Economique*; the interest rate varies between 5 and 7 per cent, depending on the amount and duration of the loan. These housing credits have already had some success in generating saving for housing purposes, but more can be expected in the future, especially to the benefit of town dwellers.

Loans of the second type are generally for between 12 and 24 months, and are secured on the pledge of the goods purchased, with an additional clause to the effect that the goods must not be sold before the loan is fully repaid. Nevertheless it happens sometimes that an application for a credit of this kind is a trick by which the would-be borrower hopes to obtain cash he cannot

otherwise acquire: the bank finances the purchase, naturally by paying the bill to the supplier, and the purchaser subsequently sells the goods, often at a price far below their real value, and thus manages to get the money he wanted. In such cases it is rather difficult to recover the credit, even by legal proceedings; much the safest borrowers are fixed wage or salary earners.

La Caisse de Prêts aux Collectivités Locales (C.P.C.L.)

This is a financial establishment in the meaning of the law, and as such it is, as will be recalled¹, subject to much the same rules as banks, especially with regard to registration, minimum capital requirements and the obligation to apply approved terms and conditions as well as to submit their annual accounts to the Central Bank. Financial establishments do not, however, have direct access to Central Bank facilities.

Of Niger's two financial establishments, one, the *Caisse de Prêts aux Collectivités Locales* (C.P.C.L.) is public, and the other, the *Société Nigérienne de Crédit Automobile* (SO.NI.C.A.) is private. Neither is of much importance or does anything much to differentiate the pattern of the country's credit system.

The C.P.C.L. has independent legal status, but is in fact an offshoot of the *Crédit du Niger*, whose functions it supplements in a certain sense in so far as it is authorized to extend credit to all local authorities—but not to the state—for infrastructures of collective utility. It finances such projects as well-building, water control works, construction of roads and tracks of regional interest, the building of elementary schools, etc.

¹ See above, p. 41 *et seq.*

Most of its credits are for the long term, between 5 and 20 years, and the rate charged varies according to the scale of priorities fixed by the Board of Directors. The funds come from budget appropriations and from contributions by local authorities in the amount of 3 per cent of their ordinary revenue, which means that the C.P.C.L. effects a sort of redistribution of financial resources among local authorities. These may become shareholders.

La Société Nigérienne de Crédit Automobile (SO.NI.C.A.)

The Automobile Credit Company is one of five such companies associated with the Renault Group, which finance the sale of motor vehicles in various countries of the West African Monetary Union¹.

Like these others, it is a limited liability company incorporated under local law. It was set up in 1963, and its present capital of 22 million CFA francs is partly in the hands of the Renault Group and partly in those of the licensed representatives of car manufacturers.

At the end of 1968 there were altogether 9,381 motor vehicles in Niger, including lorries, tractors, buses and motor cycles. Cars numbered 6,348, of which two thirds were of French make². Seeing that new registrations do not exceed 1,000 a year and that no "traffic explosion" is expected in the near future, it is easy to see why the volume of the company's credits is both small and relatively stationary (153 million CFA francs at closure of accounts in 1969).

¹ For details on the activities of these companies see B.C.E.A.O., *Les établissements financiers de ventes à crédit*, pp. 1-8.

² B.C.E.A.O., *Indicateurs économiques*, p. 9.

The company lends mostly for 18, or exceptionally for 24 months, to licensed dealers against a series of bills signed by the purchaser and backed by a third person. The dealer himself assembles the evidence for the safety of the loan, subject to re-examination by the lending company. The effective interest rate is around 16 per cent, and the down payment by the purchaser amounts to 25-30 per cent of the price of the motor vehicle.

One tenth of the funds for each credit is supplied from the company's own resources and the remaining 90 per cent come from refinancing with the Development Bank, the *Banque Internationale pour l'Afrique Occidentale*, and through the latter, with the Central Bank, which, however, refinances only credits for the purchase of new vehicles, up to 80 per cent of their price.

THE PROMOTION OF SAVING

The discussion of the activities of credit institutions in Niger may suitably be concluded by some remarks about saving and the chances of encouraging it¹.

For Niger as for all other countries with a backward economy the key problem of development is the formation of capital. During the first few years after independence financial funds came mostly from abroad, through loans either from individual nations or from international organizations.

In the future, however, development will have to be financed largely from domestic resources, so that the country can become

¹ As representative of the literature on the general aspects of the problem, see G. DELL'AMORE, *Economia del risparmio familiare*, pp. 1-131, and A. MAURI, *Il risparmio nei Paesi in via di sviluppo*, pp. 1351-1386.

independent economically, too, and, among other things, can repay the debts it has contracted.

These are big problems, which can here be merely touched upon with reference to the task incumbent upon the credit system in the promotion of saving. To deal first with the obstacles, these are of two kinds: those that are not economic in nature, and those that are.

The first consist largely of the psychological and social attitudes deriving from tradition and centuries of backwardness. The virtual absence of the provident spirit must be ascribed to the low educational and cultural level—it is enough to recall that the schooling rate in Niger is one of the lowest in the world. The authorities concerned are firmly committed to radical betterment through schemes of community leadership, education of the young and cadre training¹, but as things are at present the situation can hardly be said to be encouraging.

There is no widespread propensity to save, nor is the public at large familiar with banking services. The latter circumstance is in part due to the obstacles preventing the establishment of a dense banking network; the country's territory is large, population density low, and communications in the modern sense all but non-existent.

Any part of income withheld from consumption takes the form either of saving in kind (often livestock, among the rural population) or of money hoarding.

More often—and this brings us to obstacles of the second kind—the subsistence economy leaves no room for the formation

¹ See above, Part. I, p. 1 *et seq.*

of surplus assets, though it must be added that money incomes in developing countries are often underestimated¹.

But the propensity to consume is widespread—in rural areas on the occasion of family ceremonies and local feasts (weddings, religious feasts), when each family has to uphold its prestige, and in the towns in imitation of the higher living standards of foreign residents and tourists and in response to advertising. The young are especially susceptible to these attractions, and often spend the bulk of their month's pay to the detriment of saving, which would be all the more easily possible for them as they usually have no family responsibilities. Older wage and salary earners, on the other hand, often have the problem of staving off the crowd of relatives inevitably surrounding them, even if they do not themselves add to their expenses by marrying more than once.

Incomplete as this list of obstacles to saving is, mention must be made of one more factor, namely, the high incidence of taxation on the money part of personal incomes and the—not always entirely voluntary—purchase of tickets for the national lottery.

What, then, has so far been done to stimulate saving? One of the schemes put in hand by the government to raise living conditions in Niger is a campaign launched in 1966 to encourage people not to spend all their income and to explain the advantages

¹ The point becomes clear in international statistics, where the money incomes of developing countries are compared with those of advanced ones. In agreement with A. MAURI (*op. cit.*, pp. 1355-1357) it can be asserted that the contribution of the subsistence economy, the favourable climate (no heating costs, smaller expenditure for clothes, lighting, house-building and furniture, etc.), frugal eating habits and higher physical resistance due to natural selection, as well as other factors do much to reduce the gap between real income levels in the two groups of countries.

of having something put aside for illness, accidents or old age. The principal medium used in this campaign was radio, because it alone can reach a large part of the population, including nomads.

The results are not easy to measure, but it is a fact that the number of deposit accounts with banks and the Post Office Savings Bank increased, and so did the amounts involved. In absolute terms, however, the figures are still rather low.

Secondly, there is the National Loan which, as has been seen, the Development Bank has been issuing since 1961/62; these bonds are subscribed more or less voluntarily by the public, but so far in a smaller volume than was hoped.

The final point to remember in this context is that the gradual spread of the use of money in the economy and the absence of a high rate of inflation—both of them aims doggedly pursued by the Central Bank—have created the conditions for an accumulation of monetary savings. The next question is what can be done to speed up a process which, in spite of the difficulties mentioned, has begun and must play a paramount part in the country's independent development.

Limiting the discussion to the credit sector alone, it must be pointed out that none of the banks or financial establishments has as its main purpose to seek out funds, especially among small savers; or, to put it better, none of them has ever done very much to attract a flow of funds. On the other hand the only institution typically concerned with attracting savings, namely, the Post Office Savings Bank, is not in a position fully to discharge the tasks assigned to it.

Without belittling the results it has achieved (in the first ten years of independence both the number of deposit accounts and

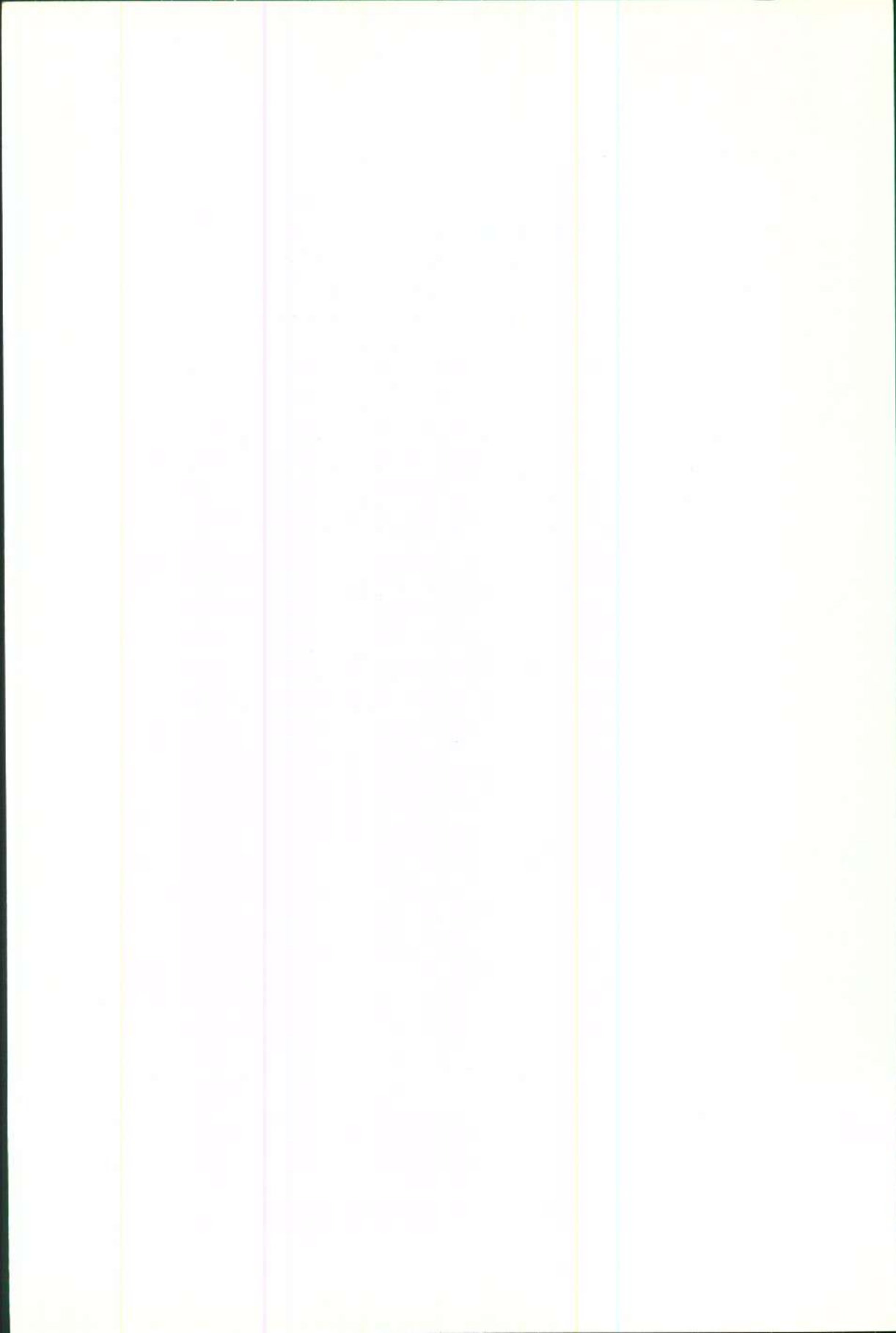
the amount outstanding on them have doubled)¹, it must be recalled that, because it is simply a part of the postal administration, it does not in any way act as a credit intermediary (it just pays the money it collects into the Development Bank, against interest); nor has it ever taken effective action to encourage saving.

Hence there is a case in Niger for considering the establishment of an independent savings bank, either by transforming the Post Office one or merely using its premises in localities where a new savings bank could not have offices of its own. Successful experience in other African countries suggests that it would be of decisive importance for such a venture to be backed by the government.

This is not the place to dwell at length on the contribution that savings banks could make to the solution of the problem under discussion, nor on their desirable structural and functional aspects or on the part they can play in the international field. For all these matters reference is made to Mauri's book, which discusses them with lucidity and authority².

¹ Between 1960 and 1969 the number of deposit accounts rose from 4,906 to 10,684, and the amounts involved from 47.8 to 86.6 million CFA francs. In absolute terms, this is still too slight a result.

² A. MAURI, *op. cit.*, pp. 1367-1386.



LIST OF ABBREVIATIONS

A

- A.E.F. - *Afrique Equatoriale Française.*
A.O.F. - *Afrique Occidentale Française.*

B

- B.A.O. - *Banque de l'Afrique Occidentale.*
B.C.E.A.E.C. - *Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun.*
B.C.E.A.O. - *Banque Centrale des Etats de l'Afrique de l'Ouest.*
B.D.R.N. - *Banque de Développement de la République du Niger.*
B.I.A.O. - *Banque Internationale pour l'Afrique occidentale.*

C

- C.C.C.E. - *Caisse Centrale de Coopération Economique.*
C.F.A. franc - *Franc de la Communauté Financière Africaine.*
C.N. - *Crédit du Niger.*
C.N.C.A. - *Caisse Nationale de Crédit Agricole.*
C.P.C.L. - *Caisse de Prêts aux Collectivités Locales.*

F

- F.A.C. - *Fonds d'Aide et de Coopération.*
FAO - *Food and Agriculture Organization of the United Nations.*
F.E.D. - *Fonds Européen de Développement.*

I

- IDA - *International Development Association.*

O

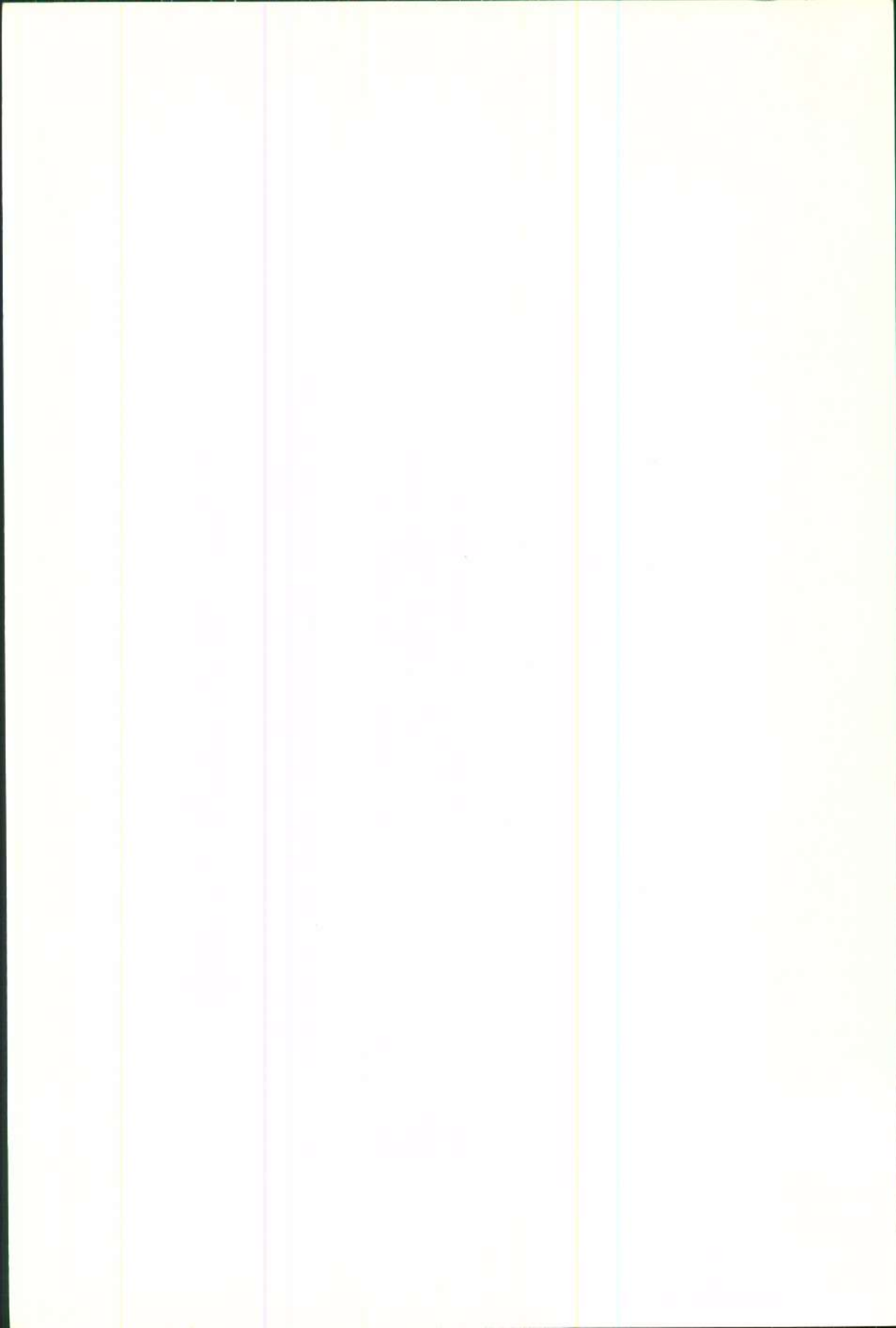
- O.C.A.M. - *Organisation Commune Africaine et Malgache.*

S

- SO.N.ARA. - *Société Nigérienne de Commercialisation de l'Arachide.*
SO.NI.C.A. - *Société Nigérienne de Crédit Automobile.*

U

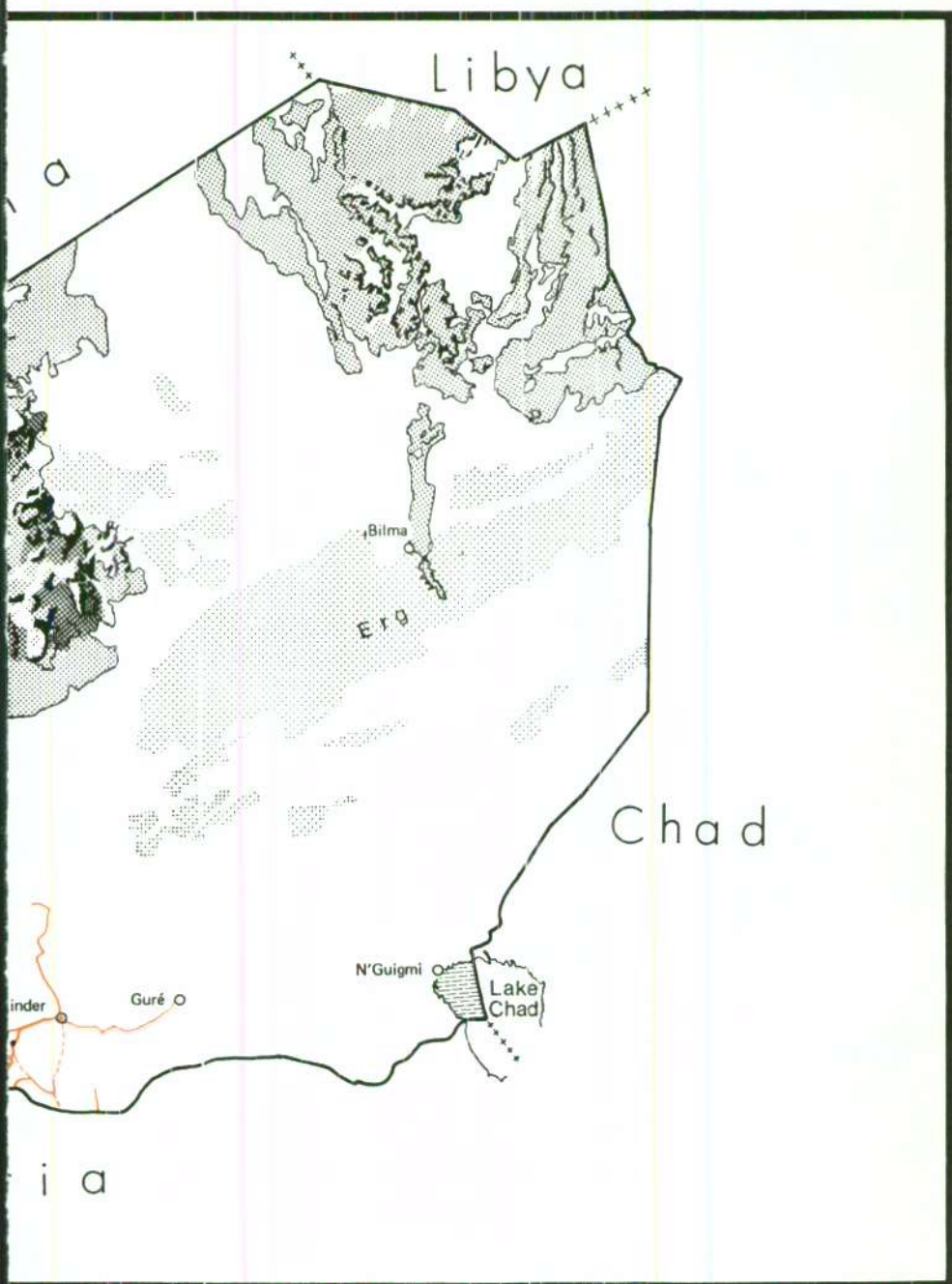
- U.D.E.A.O. - *Union Douanière des Etats de l'Afrique de l'Ouest.*
U.M.O.A. - *Union Monétaire Ouest Africaine.*
U.N.C.C. - *Union Nigérienne de Crédit et de Coopération.*
U.S.A.I.D. - *United States Agency for International Development.*

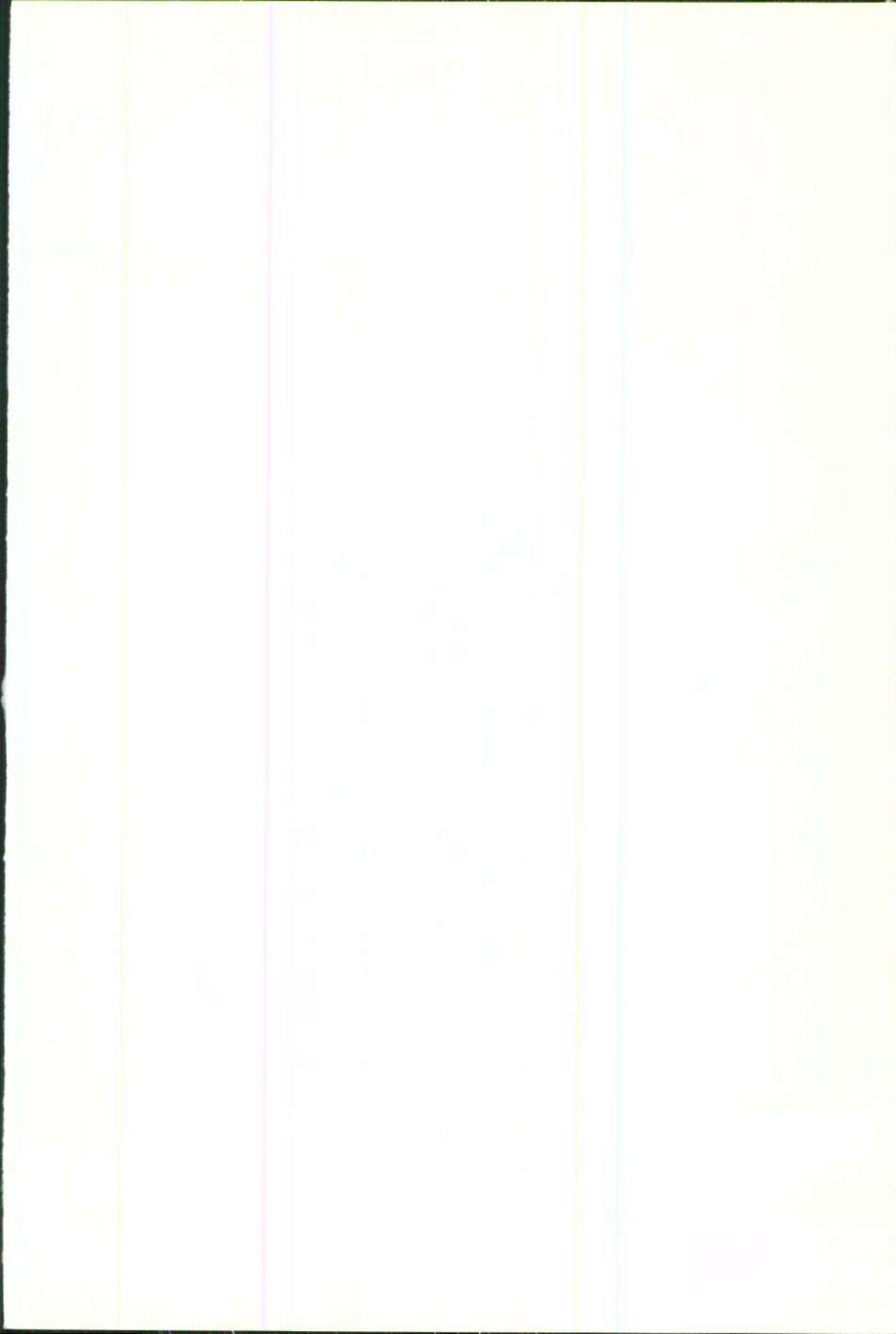


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