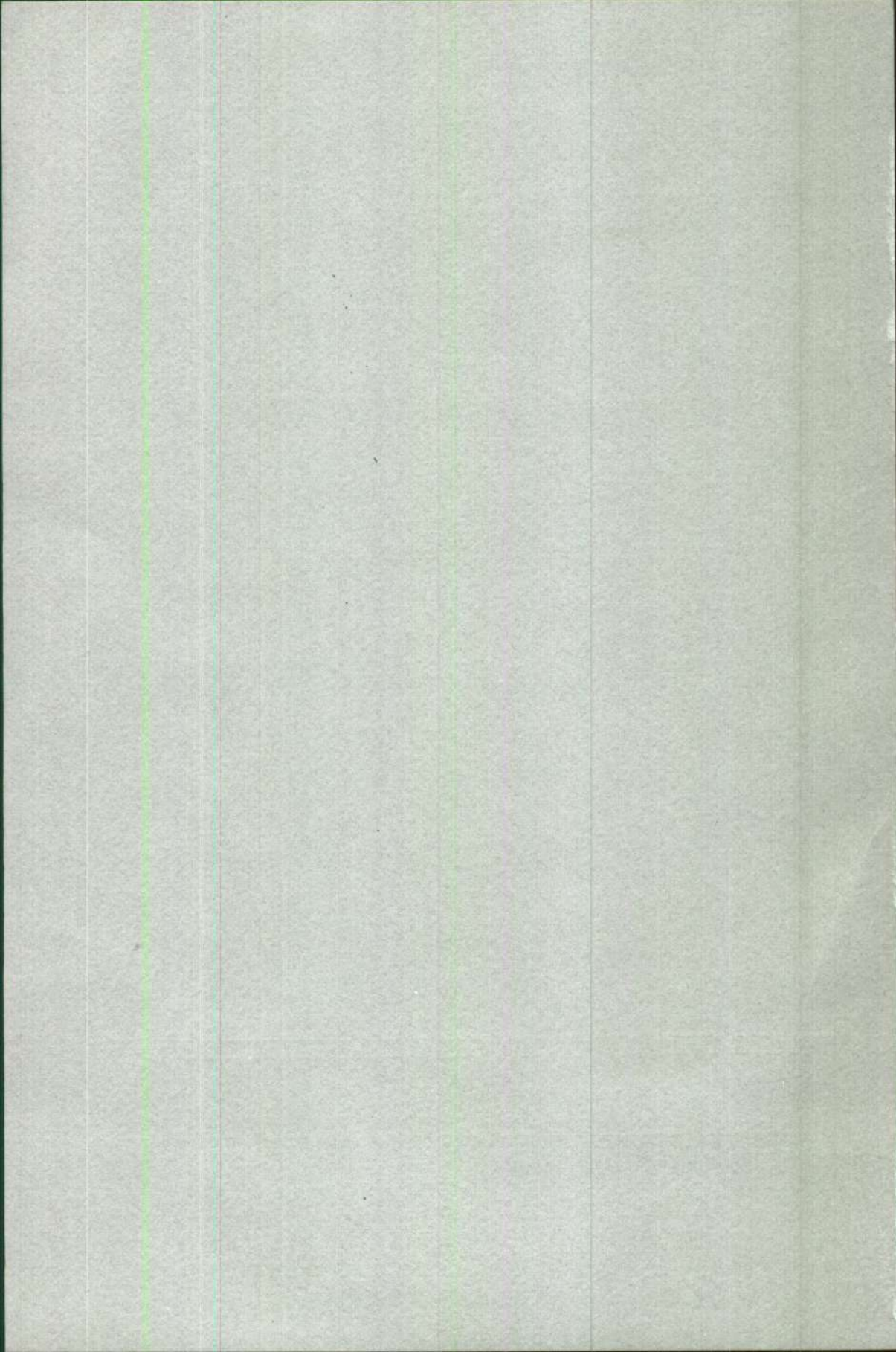


## **VERBATIM RECORD OF THE MEETINGS**

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**Monday, 20 September 1971**

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*Notes*

- Professor Dell'Amore always spoke French.
- The letters (E.), (F.), (I.) stand, respectively, for interventions in English, French, Italian.

OPENING OF THE CONFERENCE: PROFESSOR GIORDANO DELL'AMORE

Your Eminence, Your Excellencies, ladies and gentlemen, permit me first of all to read to you a message which I have had the honour to receive from the President of the Republic of Italy, under whose patronage this Conference takes place but who is unable to be present. His telegram reads as follows:

"Thank you for the courtesy of your communication on the eve of the Conference on the mobilization of savings in African Countries Stop In my turn I welcome all the distinguished participants and send my best wishes for the success of a meeting which offers a splendid opportunity and useful stimulant for ever closer collaboration between Italy and the developing countries" Stop Giuseppe Saragat.

Many other goodwill messages were sent to me for this Conference; regretfully, I must limit myself to reading you only one of them. It is a letter from the Governor of the Bank of Italy Dr. Guido Carli, who, for reasons we all appreciate, cannot be here today but is represented by Professor Paolo Baffi, General Manager of the Bank of Italy. This is what Dr. Carli writes:

"Dear Dell'Amore, To my intense regret circumstances prevent me from taking part in today's ceremony. I have nothing but the most sincere admiration for the projects which, on your initiative, the *Cassa di Risparmio delle Provincie Lombarde* is sponsoring with a view to fruitful collaboration between our country and the countries of Africa. My imminent departure for the United States makes it impossible for me to be with you today, but this should not be interpreted as lack of interest on my part. On the contrary, I hope to be able in the future to make some concrete contribution to the success of your endeavours. Yours very sincerely, Guido Carli".

And now it is my pleasant duty to extend a warm welcome to all who have accepted our invitation to take part in this Conference, first and



foremost to the distinguished representatives of 38 African countries. Since I cannot name them all, I single out heads of government departments, in alphabetical order of their countries: the Finance Minister of Burundi; the Minister of Posts and Telecommunications of Cameroon; the Minister of the Economy and Economic Planning of Dahomey; the Minister of Tourism of Dahomey; the Minister of State of Ethiopia; the Minister of Labour and Communications of Gambia; the Minister of Agriculture of Mauritius; the Finance Minister of Rwanda; the Minister of Finance and Economic Affairs of Senegal; the Minister of Agriculture of Sierra Leone; the Finance Minister of Somalia; the Minister of the Treasury and Economic Planning of Sudan; the Minister of Agriculture of Swaziland; the Minister of Trade and Industry of Tanzania, and the Minister of the Rural Economy of Togo.

It is a great pleasure, too, to welcome the Ambassador to Italy of Algeria, the Congo, Ghana, Liberia, Somalia and Sudan, as well as the Governors and Deputy Governors of the central banks of the Ivory Coast, Mauritius and Somalia. I am happy to see among those present so many — almost 180 — chairmen and managers of commercial, development and agricultural banks from almost all African countries.

A good many international organizations, too, are represented. We have with us, among others, M. Pierre Benoit and Mr. Gerry Desmond of the United Nations; Mr. John Abbott of the Food and Agriculture Organization of the United Nations; Mr. Sherwood, Financial Adviser to the United Nations Development Program at New York; M. Mohamed Ghenima of Tunisia, Deputy Chairman of the Permanent Africa and Madagascar Commission of the International Confederation of Agricultural Credit; Mr. David Gill, head of the Capital Markets Section of the International Finance Corporation; and Father Brossard, representative of the Vatican.

I have furthermore the very pleasant duty of thanking all the many central and local authorities of Italy which have sent representatives to take part in this opening session of our Conference as a sign of their goodwill towards the peoples of Africa. We have with us His Eminence Cardinal Colombo, Archbishop of Milan; His Excellency Senator Pella, former Prime Minister and now chairman of the Senate's Foreign Affairs Committee; His Excellency Mario Pedini, Under-Secretary of State in the Ministry of Foreign Affairs, as the official representative of the Italian government; several other members of the Italian government; the Italian Ambassadors

to Cameroon, Ghana, Morocco, Nigeria, Tanzania and Zambia; Professor Baffi, whom I have already named; the President of the Region of Lombardy; the Mayor of Milan and a representative of the Prefect of Milan; representative of the magistrature and the Court of appeal of Milan; representatives of the armed forces; the rectors of four Lombard universities and the President of the Lombard Academy of Sciences and Letters; the Dean of the Consular Corps with many of its members; the President of the Province of Milan; and the Police Prefect of Milan.

The University "L. Bocconi" of Milan, a generous financial supporter of assistance projects for African countries, is represented by its distinguished chairman Dr. Cicogna, who is also chairman of the *Federazione Nazionale dei Cavalieri del Lavoro*; and from the International Savings Banks Institute we have, aside from its chairman, also its deputy chairman M. Rougemont of Geneva, several other members of the board of directors and Dr. Sinnwell, the general manager.

I am, finally, happy to see among us such a large number of chairmen and managers of savings banks in Italy and abroad. The *Cassa di Risparmio delle Provincie Lombarde* is represented by its deputy chairman and by its entire management.

And now allow me to present to you the General Report I have prepared for the opening of the Conference. In reading it I shall, for lack of time, have to omit some parts of it, but the full text in French, English and Italian, will be available at the end of the session. (*See on page 1 the general report: BANKING POLICY AND SAVINGS POLICY IN AFRICAN COUNTRIES*).

PROFESSOR DELL'AMORE

It is my pleasure now to give the floor to His Excellency Mario Pedini, Under-Secretary of State in the Ministry of Foreign Affairs, who will speak in the name of the Italian government.

PROFESSOR PEDINI

ADDRESS ON BEHALF OF THE ITALIAN GOVERNMENT

(F.) Mr. Chairman, Your Excellencies, ladies and gentlemen. If President Pompidou were with us here today, he would, I think, be pleased to hear

that the *Cassa di Risparmio delle Provincie Lombarde*, as its distinguished Chairman has just demonstrated, believes in the use of French as an international language. M. Pompidou, as we know, is a little worried at the moment about the future of the French language in an enlarged European Community, where room will have to be made for the Queen's English. But, Mr. Chairman, the Italian government can have no preference for either French or English, and so, with your permission, I will continue in Italian and trust your excellent system of interpretation. I do hope that in the course of this week Italian will prove a suitable — because neutral — language for our African friends to talk about African unity, or rather about problems which are the same in French-speaking and in English-speaking African countries.

(E.) I hope indeed that in this week of meetings, in this hospitable town of Milan, the Italian language will prove very helpful for a closer unity of both the English-speaking and the French-speaking African countries.

(I.) Mr. Chairman, it is a pleasant duty for me to be the Italian government's spokesman at this promising Conference, and to convey to it the personal greetings of the Foreign Secretary, Signor Moro, who cannot be here for the sole reason that, as you know, the Council of Ministers is due to meet this morning at Brussels. What is to be discussed there will, no doubt, have an important bearing also on the problems which you, Mr. Chairman, have so ably put before us in your report. Signor Moro, as Italy's Minister of Foreign Affairs, will be informed by me, this very day, of the successful opening of this Conference, which we owe to the initiative of Professor Giordano Dell'Amore, Chairman of the *Cassa di Risparmio delle Provincie Lombarde*.

Speaking for myself, a native of Lombardy, I welcome this initiative for yet another reason. Mr. Chairman, if some day Italy, like other nations, should set up a special Ministry for co-operation with African countries, then Milan — with its Chamber of Commerce, regional government, Bottego Group and *Cassa di Risparmio* — Milan, I say, might be well placed as a candidate for the seat of such a Ministry for Developing Countries.

But leaving aside such Lombard musings, Mr. Chairman, it seems to me that your opening address to the Conference could not have been made at a more opportune moment than now. The circumstances which make this timing so perfect are in part unfortunate, in part fortunate. It is an



extremely interesting speech; I have read it with the utmost attention and others in the Foreign Ministry will surely do the same. I agree completely with your analysis of the problems of saving and of the banking system in developing countries, especially in Africa. These are problems of great concern to my Ministry, and this is why I am here today to express my Ministry's special interest also through those of our Ambassadors in African countries whom I am glad to be able to welcome here. My Ministry, as you know, is introducing a bill on technical assistance and on co-operation with developing countries, a matter in which Parliament, in its turn, is extremely interested. Nothing could match the intentions of this bill better than the reports presented to this Conference and the ensuing debate. But apart from that, a debate about saving and credit in a large continent like Africa is surely most appropriate just in these days when the world is swept by what we might call a monetary hurricane.

We all feel that this is the crisis of a whole economic and monetary system, that certain rules which have governed the world for twenty-five years since the war are today coming up for critical revision. To get together here with our African friends and to talk about such an important problem might perhaps give us an opportunity for a useful and wide-ranging exchange of ideas and lead us to look a bit more closely at what is behind the present monetary crisis. If we do that, we might notice that what is behind it is not only our relations with highly industrialized countries, but the whole problem of underdevelopment. Maybe it is not only the parity of the dollar that is at stake as well as its relations with other currencies, and maybe not only the Bretton Woods agreements have to be reviewed: it may well be the end of a system devised to govern the world's finances and trade through rules applying only to the financial and commercial relations among highly developed countries.

And this means the end, ladies and gentlemen, of an era in which we failed to realize that we had neglected one of the great post-war problems. The Bretton Woods agreements were indeed an adequate means of replacing the defunct nationalistic and autarkic economy of Europe and the world by an international system, which certainly has done much for economic growth in industrial countries since war; but now we must at last take account of another great historical novelty of the post-war world, that is, decolonization

since 1960. The colonial order was, after all, an order in its time and the international economy has not so far found an adequate alternative.

There are some distinguished economists among us, ladies and gentlemen; perhaps if we look at the monetary situation right now we might be tempted to think that the whole problem is to get the system back into order, to fix exchange rates, to devalue or revalue currencies according to their effective international purchasing power. But we should be deluding ourselves if we failed to grasp one fact which you, Mr. Chairman, an economist yourself, have more than once pointed out to us. I have in mind the fact that — not perhaps in Italy, indeed quite certainly not in Italy, but in many other Western countries, beginning with the United States — we are reaching a stage where there is a latent danger of economic stagnation, of falling demand in the saturated market of the affluent highly industrialized countries. Such economic stagnation might well further widen the gap between the rich and the poor countries, and indeed break all economic links between them.

Now, we don't need to dramatize the events of these present days. But we do urgently need to mobilize our universities and economists and politicians, and banking institutes such as our hosts. Everyone of us must draw on past experience and try to work out a new economic and financial order not for the industrial countries alone, but for the whole world including all its developing countries; we shall find no way out of this crisis unless we make provision, too, for the economic stability and progress of the new nations.

The time has come when financial and economic problems have assumed world scale. The Bretton Woods agreements organized the post-war world; now we must organize the post-colonial world, a polycentric world of peaceful progress, and this needs an economic order taking account of the new countries' development needs no less than of our own.

More than ever before we are aware in our own markets that relations with the markets of the new countries are essential for a dynamic economy the world over. And more than ever before, the developing countries in their turn, realize that isolation is incompatible with the overriding necessity to break the power of the poverty multiplier which so far has governed the economies of developing countries in spite of all their efforts.

Ladies and gentlemen, let us each get on with our own business. It is not our business, certainly, to take economic initiative away from the new countries. They have a right to their hard-won freedom, and also the obligations of their independence which is in the interest of society the world over and which they exercise with a growing sense of responsibility. But it is our business to make available to these countries our experience and our fund of knowledge, our systems such as they are, good or bad, with all their errors and their successes. And we must do so in a spirit of genuine solidarity.

It seems to me, Mr. Chairman, that this is precisely what you are doing here at this Conference. I thank you for it in the name of the Italian government, and also that you are doing it here in Italy, a country which, as a joke, I said had a language which might unify the peoples of Africa. Of course, no-one is going to learn Italian just so that English-speaking and French-speaking Africans can talk to each other, but perhaps our universal outlook might help to build bridges for trustful international collaboration.

It is certainly true that we should put at the disposal of the new countries our experience in so important a field as credit and the organization of saving; indeed, we have a duty to do so, because, more perhaps than other nations richer than we are and more closely linked than we to the developing countries by old colonial traditions, we are new-comers in our contacts with the new world. We have a duty to make our experience available because Italy has become a sort of prototype, with all the troubles and costs this involves. We have had to deal, on our own small domestic scale, with the highly topical world problem of economic dualism — with the problem of balance as between Milan and Palermo, between Lombardy and Calabria. We have had to tackle under-development in our own country. In so doing, we had the benefit of three fundamental factors. First, we had a statesmanlike political choice, when men like Einaudi, De Gasperi and Sforza decided to put their faith in international collaboration both for post-war reconstruction in Italy and for a determined effort against underdevelopment at home. Secondly, we had our well-trained and eager human resources — for tired and depressed countries cannot hope for progress without leadership to rouse their determination. And thirdly, Italy had credit. Leaving aside the deficiencies of the Italian credit system, the fact remains that *ad hoc*



fund-raising was a major force behind the creation of the *Cassa per il Mezzogiorno*, behind the law on mountain regions and behind the renewal of our agriculture, a field in which the *Cassa* was one of the pioneers.

It is right for us, therefore, to have organized this Conference, and it is right to discuss this particular subject. And the Italian Government is grateful, too, to the *Cassa di Risparmio delle Provincie Lombarde* for its decision to set up a permanent centre for young bankers from developing countries here in Milan, where they can be trained in the banking business and, I very much hope, also learn how much goodness there is in the Italian people, quite apart from our experience.

But I must not let myself be tempted to talk at length. I was speaking of a new order that might follow the crisis which grips the world. It was really an inevitable crisis, because the world can no longer tolerate the existing economic and social disparities. And the new order involves responsibilities for all of us. Let each of us get on with his own business, and our friends in the developing countries certainly have their tasks cut out for them.

It has been said that the gods help them that help themselves. To help themselves, in their case, means making good use of their freedom and good use of such help as may be given them internationally, and to organize their own natural and human resources to best purpose. We are mere observers in this case, but we have every confidence that Africa will deal with its problems successfully.

You have stressed in your report, Mr. Chairman, that Africa needs above all to organize its agriculture on modern and efficient lines. And, knowing something about Africa, as many others here present do, I think that Africa has been wiser than some others in the past in not letting itself be tempted by the treacherous glitter of large-scale industrialization and instead going ahead with transforming its land with basic infrastructures. The land must be transformed and rationally organized, because only a country which has an efficient and rational agriculture can start up a processing industry for agricultural commodities, an industry perfectly fitted to local conditions. Efficient agricultural production, too, can to some extent redress the balance of payments which so often suffers from the inability of countries to make use of their own rich natural resources, which means that much of their import bill goes on essential consumer goods.



An efficient agriculture is, finally, the condition for African progress in yet another field which, I suggest, may in the near future prove as rich as striking oil. I have in mind tourism and tertiary activities in general. Surely, there is a great future in tourism for countries of such natural beauty and of such fascinating people and culture, and tourism can become a multiplier for economic growth.

Mr. Chairman, your fine report was addressed to a world whose social realities differ from ours. You were perfectly right in saying that credit exists, that credit instruments exist, but that they are all geared to the short term, concentrated in the towns and largely used for financing trade without, for the rest, having as yet given African countries the price stabilization boards they need so much — for stable prices for agricultural and other primary commodities are an essential condition for the development of the local economy. But then, the same applies to all modern credit techniques; for when I speak of a social reality different from ours, I have in mind that behind the skyscrapers of Kinshasa, behind the fine houses of Accra and the new high-rise buildings of a splendid city like Abidjan lies the forest. And up-country in the forest live the tribes, and the tribes have a conception of the individual, of economic enterprise and of social security which is profoundly different from ours, in Italy and in Europe. Everything, in Africa, applies to a different social reality. The more we respect it, the easier it will be to devise new and adequate monetary and banking techniques. I was particularly interested, Mr. Chairman, in your suggestion, in the last part of your report, for co-ordination of African central banks through a sort of standing committee, possibly in collaboration with European banks. This is a suggestion I propose to take up; I will study it closely, pass it on to my colleagues at the Ministry and also draw it to the attention of the European Economic Community. It deserves to be followed up, and it certainly fits very well into the broader scheme which the Ministry of Foreign Affairs has been working out upon the explicit instructions of Signor Moro. This has to do with help in the training of human resources. The new bill on technical assistance, international co-operation and voluntary service that we have introduced in Parliament and which has already been approved by the Council of Ministers, represents a very considerable financial effort on our part. We propose to step up our commitments along three lines: economic planning, investment studies and studies on development

infrastructure; but the most important novelty of the bill is its proposed general system of voluntary service in developing countries. This last provision follows up the earlier so-called Pedini law by which military service could be commuted into civilian service in developing countries. This was a courageous step, but it was taken, at the time, with some apprehension as to the results. What we are now proposing to Parliament, in line with one of its own suggestion, is that voluntary service in technical assistance and in collaboration with developing countries should involve not only the young due for military service, but all Italian citizens, regardless of their age, sex and occupation, provided only that they have something useful to contribute, and some ideal to fire our imaginations in this battle that we all have to fight for the development of the new world and for the good of its peoples.

This approach, Mr. Chairman, seems to me relevant also in the context of your remarks concerning the Africanization of the senior staff of banks and credit institutes in Africa. Technical assistance and co-operation are most successful when they end up by making themselves redundant. This proposed new law may perhaps enable you, Mr. Chairman, to use your own men, men of your experience drawn from the banks of Italy and especially Lombardy, to send them out to the countries of Africa with the guaranteed assurance that they will be working on the spot for the emergence of others to succeed them.

I think you will find your own efforts supported by some of the things we are proposing to do, like reorganizing the Africa Institute and the Agronomic Institute at Florence and introducing a more international approach in Italian universities. All these matters are now under study by the Senate and the Chamber of Deputies. The government's own international experience for the rest confirms one of the major points of your report, namely that agriculture is a matter of the most profound interest to Africans. Again and again they turn to Italy asking that we put at their disposal the experience of our research institutes and universities with regard to the organization of an efficient, modern agricultural market.

This is all I have to say Mr. Chairman. It remains for me only to thank you for your personal initiative in organizing the Conference, and to convey to you, and to it, the Italian Government's good wishes for its success and for fruitful results to follow these four days of work with



CONFERENZA SULLA MOBILITAZIONE DEL RISPARMIO NEI PAESI AFRICANI



His Excellency Mario Pedini  
Under-Secretary of State in the Ministry of Foreign Affairs  
speaks on behalf of the Italian government



all their distinguished contributions. Our greetings to you, Mr. Chairman, are addressed not only to the chairman of the *Cassa di Risparmio*, but also to the Rector of the Bocconi University. The combination of offices is symbolic. For if, at this precise moment, we fail to mobilize our resources of learning, and our economic knowledge and thought for the purpose of finding practical solutions for modern problems rather than for finding out what happened in the past, then, I think, we shall fail also in our world responsibilities. We live in hard but wonderful times, and we must be glad to be alive now; but it is also an era which propels us at breakneck speed towards the limits of strain one generation can bear. Our generation, after all, started out after the war with the crumbling remnants of an autarkic and nationalistic order, and today we have to think of solving problems on the scale of nothing less than the whole world. And if we search our soul, there may be some among us who have their doubts as to whether we, as Italians, are right in concerning ourselves with these problems.

I believe we are, Mr. Chairman. I believe it not so much because I represent the government, but rather because I am a member of a democratic parliament and represent a nation which has chosen the path of international solidarity and co-operation with the world's peoples. Let me remind our friends in Africa that Italy has risen from the ruins of its own past just because of its faith in a concert of free peoples, and because it has had the courage to step beyond its own frontiers into the European Economic Community. I believe, finally, that we Italians must concern ourselves with these things even for the sake of our own attitude in domestic affairs.

There is none amongst us who is not worried about the strains in our own country, about the threats to democracy, about the superficial impatience which tempts us sometimes simply to throw out of the window all the patient work done in the many years behind us. But we should think of these wider problems. If, looking into our own soul, we may sometimes come to doubt ourselves as Italians, we should look outwards instead, beyond our frontiers. And there we shall see that we still have a contribution to make to world progress, and we shall see also what other countries expect from Italy's collaboration — modest, perhaps, but willingly given. And this, I believe, will make us happy and proud to be Italians today.

Thank you, Mr. Chairman, and thank you, ladies and gentlemen.

## PROFESSOR DELL'AMORE

Thank you, Your Excellency. Ladies and gentlemen, please be seated, and I will now call upon M. Pierre Benoit to speak on behalf of the United Nations, where he is chief of the Financial Policy and Institutions Section, Division of Public Finance and Financial Institutions.

## M. BENOIT

## ADDRESS ON BEHALF OF THE UNITED NATIONS

(E.) Your Excellencies, Mr. President, ladies and gentlemen, it is a pleasure and an honour for me to address this Conference.

I should like to congratulate warmly the International Savings Bank Institute, and particularly its President, Professor Dell'Amore, and its General Manager, Dr. Sinnwell, for having taken the initiative of organizing this gathering to discuss ways and means of promoting the mobilization of savings in African countries.

Last month, the representatives of the International Savings Banks Institute made an outstanding contribution to the first Interregional Seminar on the Mobilization of Personal Savings in Developing Countries, which was held in Stockholm by the United Nations in co-operation with the Swedish International Development Authority and the Swedish Savings Banks Association. During ten days, participants from 20 developing countries and 11 developed countries, together with representatives of the international organizations concerned, surveyed the major problems and issues involved in the mobilization of personal savings in developing countries. They discussed the objectives of a savings promotion policy and endeavoured to identify the major obstacles to the mobilization of savings in both urban and rural areas.

They then considered ways and means of overcoming those obstacles, namely the types of savings mobilization institutions best adapted to that purpose, the savings mobilization instruments to be issued by those institutions, and the savings incentives to be provided by governments and by savings mobilization institutions. The Seminar also devoted great attention to the question of savings mobilization campaigns, which included such topics as changing traditional attitudes toward saving in the form of financial assets, as opposed to saving in the form of physical assets, and the need to make

people aware of the existence of savings mobilization institutions, instruments and incentives. Lastly, the Seminar discussed savings policy planning, that is, the place of savings policy in overall economic planning.

The Seminar's first finding was that considering that a large proportion of development financing about 85% according to the Pearson Commission is provided by domestic savings, governments, development economists and international organizations have either to paid surprisingly little attention to the mobilization of domestic personal savings.

Of the three income-earning groups in developing countries, namely government, business and households, it is, as you know, the latter, that is, the household group, which is a net accumulator of savings. The governments of developing countries, seeking to achieve self-sustained growth, have in most cases found it necessary to resort to deficit financing or to borrow from the rest of the economy and also from foreign sources. In any event, government expenditure often exceeds government revenue, so that governments are usually net borrowers from the rest of the economy. As to business enterprises in developing countries, they often finance their expansion programmes by borrowing from banks the funds deposited by households, so that enterprises in developing countries may also be considered as net borrowers from the rest of the economy. Under conditions of relative monetary stability, households thus constitute the only income-earning group which, generally speaking, spends less than its income, and is thus a net accumulator of savings. However, households in developing countries tend to keep a large proportion of their savings in the form of physical assets.

The task before us during the Second United Nations Development Decade is thus a twofold one. First: how to encourage households to save a larger proportion of their income. Second: how to encourage households to convert their physical assets into monetary savings, which can be mobilized by financial intermediaries, and channeled to productive investment, or to investment deemed to be in the national interest. The International Development Strategy adopted by the General Assembly of the United Nations, on the occasion of the Organization's 25th Anniversary, stresses the need to establish an appropriate institutional framework for the mobilization of domestic savings.

The United Nations stands ready to assist developing countries, at their request, to strengthen or set up and operate the types of savings mobilization



institutions adapted to the social and economic conditions prevalent in each country and to the traditions of its people. At the Stockholm Seminar we from the United Nations were very gratified by the willingness expressed by the representatives of international and national associations of savings institutions to co-operate with the United Nations, in particular by helping us to marshal the expertise needed by the developing countries.

In that connection, the Seminar stressed the importance of research relating to the mobilization of savings in developing countries. There is no doubt that the effectiveness of the work of savings mobilization experts provided to the developing countries under bilateral or multilateral programmes would be enhanced if those experts had access to detailed information on savings mobilization activities and techniques in countries throughout the world, and to studies on the results obtained through the use of different savings mobilization institutions, technique and instruments, and the underlying reasons for those results.

The Stockholm Seminar was of the view that international co-operation in the research field was highly desirable and it therefore recommended that suitable arrangements for such co-operation should be worked out. International co-operation in the savings mobilization fields is already a concrete reality, as is shown by the fact that the Stockholm Seminar was organized by the United Nations in close co-operation with the Swedish Savings Banks Association, and the fact that this Conference has been organized by the International Savings Banks Institute in close co-operation with the *Cassa di Risparmio delle Provincie Lombarde*. It is to be hoped that this trend towards international co-operation will, as recommended by the Stockholm Seminar, be systematically intensified and broadened to encompass research and training.

The main purpose of savings mobilization research and studies is to assess the need of specific countries or groups of countries, and to determine how savings techniques and savings instruments which have proved successful elsewhere can be adapted to conditions in other countries. Thus, the organization of this Conference is an auspicious development, since it will provide an opportunity to identify the specific savings mobilization problems confronting African countries and point the ways to the most promising avenues for future research.



Given the distinguished speakers who are to address this Conference, and the importance of the topics to be discussed, there is no doubt that the Conference will constitute an ideal forum for constructive and stimulating discussion, which will among other things help the international community to define and implement a programme of action that will assist the African countries to obtain additional development finance by mobilizing an increased volume of domestic personal savings. Thank you Mr. President.

PROFESSOR DELL'AMORE

Thank you very much, Monsieur Benoit, for speaking to us on behalf of the United Nations. Before going on with this morning's programme, I have another obligation of gratitude to discharge. I wish to thank His Excellency Mario Pedini for his speech, which was more than a message of goodwill from the Italian government, in that it brought us a very interesting and encouraging contribution of his own. He has told us to persevere on our chosen path, and I assure him that his words will not be forgotten. In thanking you, Mr. Pedini, I am happy to note that your speech bears witness to new insights into African affairs, with which you have been concerned for some years and to which you have brought not only our country's spirit of solidarity, but your own personal humane approach.

We have with us here representatives of several other international organizations who have indicated that they would like to say a few words. With your permission, I shall regretfully have to reduce the number of these addresses to two. I shall call first on Mr. Gerry Desmond, Economic Adviser to the United Nations Centre for Housing, Building and Planning, and then on Mr. John Abbott of the FAO in Rome. Mr. Desmond, please.

MR. DESMOND

ADDRESS ON BEHALF OF THE UNITED NATIONS

(E.) Mr. Chairman, Mr. Minister and distinguished representatives from African countries, fellow conferees, thank you for the opportunity to make these brief remarks to this very promising Conference. I would like first to congratulate Professor Dell'Amore, the *Cassa di Risparmio delle Provincie Lombarde* and the ISBI for the splendid preparations they have undertaken.

But I think far more gratifying to the organizers of this Conference will be the results of the deliberations, and the follow-through in African countries in terms of the establishment of savings banks and similar financial institutions.

I represent a Division of the United Nations Department of Economic and Social Affairs: the Centre for Housing, Building and Planning. The Centre has operations at the present time in more than fifty developing countries, at least one third of which are African. For the past several years we have stressed, both in our research and in our technical assistance programmes, the importance of financial institutions for the mobilization of capital for housing and community facilities. Many of the other speakers will be talking about savings banks and the magnificent job they can do in mobilizing capital. I would like, if I may, to use this opportunity to direct the attention of the conferees to the purposes to which the mobilized capital will be put; because ultimately we are all interested in investment, in the right investment for each country, in the best interests of the country.

I believe from my own experience and travel through many of the developing countries of the world, that some of the most serious problems facing us today are those resulting from urbanization, and that of the many crises generated by this world-wide phenomenon none is more acute than the shortage of decent housing and community facilities.

It will be pointed out in other papers today and in the following days that savings banks have traditionally served the needs of the average man and the average family by providing credit for sector neglected by other banking institutions.

This fine tradition is perfectly exemplified in savings banks policies for housing and urban infrastructure. Although other speakers will go through this in more detail, I would like to draw your attention to one possibility by which savings banks in affluent countries can help enormously to mobilize capital for these purposes in the presently developing countries.

African countries have in fact already evidenced their interest in this possibility. There have been three international seminars in the African region in the past two years on the subject of finance for housing and urban development, and I would draw your attention to them. They were organized by the Economic Commission for Africa, in co-operation with African governments and the U.N. Centre for Housing, Building and Planning. At

these meetings, savings banks were represented by officials from the International Savings Banks Institute, and the concept of savings banks was fully endorsed by the African delegates. They recognized the great flexibility and dynamism of savings banks, and that they were particularly adaptable to varying conditions throughout the African region. Accordingly, they recommended further efforts to encourage their establishment in African countries, and steps have been taken in this direction. This conclusion was reinforced at the Stockholm Seminar, to which M. Benoit referred. But the African delegates at these meetings went further. They pointed out that the special conditions of developing countries today called for accelerated responses to their accelerated problems. Because of urbanization and other obvious social, economic and technological changes, developing countries cannot afford the slow and steady pace that was adopted by the present industrialized countries in earlier periods. This is *not* the 19th century and the institutional answers of that period are simply no longer adequate. The pressures of the 20th century are far greater, and they require action commensurate with the needs of today.

With this in mind the delegates to these seminars on the mobilization of capital for housing and urban infrastructure, endorsed a proposal to urge the United Nations system, with particular reference to the World Bank and the Regional Development Banks, to establish an international programme to promote savings and credit institutions to serve the needs of ordinary people, businesses and communities. They further recommended that this programme be based on the concept of seed capital loans, together with training and technical assistance; and they suggested that the initial capital for such loans might be raised through the great savings systems of the developed world. This would represent a truly effective example of international co-operation.

This proposal will be before a Committee of the Economic and Social Council which meets next month in Geneva (the Committee on Housing, Building and Planning) in which many of the African countries represented here today are participants.

So, perhaps this Conference, in drawing up its conclusions and recommendations, might wish to consider the possibilities that exist in such a programme and to indicate its ideas on how the ISBI can help to further its development.



It is true that the times demand new initiatives, and I was very gratified to hear today of the wonderful initiative that Professor Dell'Amore referred to in allocating one billion lire to establish a training institute here in Milan.

It is also true that this is an age of great change and development, and I cannot think of a more productive departure for the savings bank industry than to channel a small percentage of its loanable funds to international efforts to set up similar institutions in developing countries. If delegates from African countries and the Savings Banks Institute would like to discuss any aspect of this proposal in more detail, I will be more than happy to accommodate in any way I can. Thank you very much.

#### PROFESSOR DELL'AMORE

Mr. Desmond, many thanks for your interesting speech and for the kind words you have addressed to the *Cassa di Risparmio delle Provincie Lombarde*. Thank you. I now give the floor to Mr. John Abbott, of the Rural Institution Division of FAO.

#### MR. ABBOTT

##### ADDRESS ON BEHALF OF FAO

(E.) Mr. President, ladies and gentlemen, FAO, the Food and Agriculture Organization of the United Nations, is deeply concerned with the establishment of savings and credit institutions to meet the needs of agricultural development and agricultural populations. In the developing countries agriculture is generally the mainstay of the economy and the majority of people depend on agriculture for a living. So the responsibility of FAO in credit and savings for agricultural people is very great indeed.

A feature of our work in this area is the assessment of the investment and credit needs of agriculture in the developing countries and provision of assistance to those countries in the establishment of strong credit and banking institutions and programmes for agriculture. Our most recent studies of investment needs — those carried out for the Indicative World Plan for Agriculture for the years 1975 to 1985, laid special stress on the enormous investment in agriculture and related agricultural marketing, storage, fertilizers



and other farm supplies and similar enterprises and services needed if food production is to keep pace with population growth and also earn something extra to help raise the level of living. These needs have been recognized in the greatly increased scale of lending for agricultural development by world and associated regional banks. The role of FAO here is to help identify sound projects, to help establish sound institutions for the distribution of the funds provided, and to accelerate correspondingly the mobilization of savings from domestic sources. We can provide technical assistance through resident experts and fellowship; through our links with UNDP, the World Bank and bilateral aid we may be able to provide initial capital in cash or kind to start revolving credit funds.

However, as you all know FAO has to work over a very wide area from plant breeding and animal disease control, for example, to irrigation, nutrition and marketing. The resources we can put at the disposal of our team working on agricultural banking and credit are only sufficient to handle a small part of the load. We appreciate greatly, therefore, the initiative that Professor Dell'Amore and the *Cassa* are taking in providing assistance to developing countries in building up their banking and credit institutions. We are particularly appreciative to Professor Dell'Amore for the agreement which has recently been concluded with the Director-General of FAO for the carrying out of studies to verify the validity of accepted concepts regarding banking and credit policies for agriculture in developing countries. We look forward to very profitable collaboration in carrying out practical research and formulating projects for international and bilateral assistance that will be to the immediate benefit of the developing countries. The *Cassa* has made a very generous gesture in its offer to finance this work. It is indeed a model for other financial institutions to follow. We hope also that the governments of countries interested in building up their banking institutions for agriculture will welcome this initiative and give it the support it deserves. We shall help wherever we can through contacts with governments and through our field service.

In the name of my Director-General, Mr. Boerma, I wish the organizers of this Conference all success in its practical and well laid-out programme. I and my colleagues Mr. Laure of our Agricultural Banking and Credit Group and Mr. Anania, who is responsible for promoting co-operative organizations in agricultural credit, are here to help in every way we can.

## PROFESSOR DELL'AMORE

Thank you very much, Mr. Abbott. Please convey to the FAO all our thanks for what it has been and is doing for the development of agricultural credit in developing countries.

I have to announce a small change in my plans for this morning as indicated a little while ago. We have with us M. Mohamed Ghenima, Deputy Chairman of the Africa and Madagascar Commission of the International Confederation of Agricultural Credit, and he would like to bring us the greetings of the organization. After him, I will give the floor to Mr. Sinnwell, general manager of the International Savings Banks Institute of Geneva; his report will be the last item of business for this morning's meeting. M. Ghenima.

## M. GHENIMA

## ADDRESS ON BEHALF OF ICAC

(F.) Mr. Chairman, Your Excellencies, ladies and gentlemen, it is a great honour for me to be allowed to bring to this Conference the greetings of the Permanent Africa and Madagascar Commission of the International Confederation of Agricultural Credit. That Commission, I would remind you, was set up largely at the instance of one of the Deputy Chairmen of ICAC, a man of vision and heart, and one belonging to a country which increasingly is assuming a pioneer role in disinterested aid to the developing countries of Africa: I am speaking of Professor Dell'Amore.

The programme of this Conference on the Mobilization of Savings in African Countries is very rich — too rich, almost, as regards both the subjects to be discussed and the quality of the authors of our reports. I am sure that the Commission I represent will draw great benefit from this Conference, which should help us, not, perhaps, to solve all our problems, but to clear our minds with respect to some of them — for instance agricultural credit and the training of bank staff.

In conclusion I express our gratitude to the International Savings Banks Institute and to the *Cassa di Risparmio delle Provincie Lombarde* for

organizing this exceptionally useful Conference, which, I am sure, will have fruitful results. Not the least of them will surely be the personal contacts we make here, in this beautiful and hospitable city of Milan, for personal contacts are at the root of all genuine and constructive co-operation among nations. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you, Monsieur Ghenima, for your kind words. Let me point out that the International Confederation of Agricultural Credit has its agricultural credit experts in the field throughout Africa and has done very useful work already in helping to develop agricultural credit. And now we shall hear a report by Mr. Sinnwell, general manager of the International Savings Banks Institute at Geneva. I take this opportunity to thank him personally for all he has done — and it was a great deal indeed — for the organization of our Conference. With him, I thank those of the Institute's staff who have been concerned with this, whether they are here today or not.

I give the floor to Mr. Sinnwell.

MR. SINN WELL

HOW SAVINGS BANKS OPERATE. WHY THERE IS A NEED FOR WORLD-WIDE CO-OPERATION

*Mr. Sinnwell's report (original English) will be found on p. 19*

PROFESSOR DELL'AMORE

Mr. Sinnwell has given us a very clear review of the functions and structure of savings banks in different countries. He concluded with a plea for more international co-operation by savings banks. In thanking him, I add my plea to his and hope that this proposal will be supported everywhere. Ladies and gentlemen, the meeting is adjourned. Let me remind you that we are all lunching at the Hotel Continental, just a few steps from here. We shall reassemble here at 3 o'clock.

## AFTERNOON MEETING

## PROFESSOR DELL'AMORE

Ladies and gentlemen, the first point on our programme this afternoon is a report by Professor Mauri, of the University of Genoa, on Savings Banks in African Countries. Professor Mauri, please begin.

## PROFESSOR MAURI

## SAVINGS BANKS IN AFRICAN COUNTRIES

*Professor Mauri's report (original French) will be found on p. 31*

## PROFESSOR DELL'AMORE

Thank you in the name of the Conference, Professor Mauri, for a very stimulating report. There are two more to follow this afternoon, as you saw on the programme, and then a discussion period for this morning's reports. I give the floor to Professor Ruozi, of the University of Siena, for a report on Savings Banks and Agricultural Credit.

## PROFESSOR RUOZI

## SAVINGS BANKS AND AGRICULTURAL CREDIT

*Professor Ruozi's report (original French) will be found on p. 55*

## PROFESSOR DELL'AMORE

It was very interesting to have Professor Mauri's report on the structural and functional characteristics of savings banks in general followed up by the Ruozi report on one specific problem, that is, agricultural credit — a matter of the greatest importance to African countries, as I had occasion earlier to point out. Professor Ruozi's report is most stimulating and gives us much to talk about, and I hope you will take an active part in the discussion which is to follow. In the meantime, we have one more report on our agenda this afternoon. I give the floor to Mr. Völling, Deputy Chairman of the *Westdeutsche Landesbank Girozentrale* at Düsseldorf.



MR. VÖLLING

SAVINGS BANKS AND HOUSING FINANCE

*Mr. Völling's report (original English) will be found on p. 69*

PROFESSOR DELL'AMORE

We all know that the German savings banks are in the vanguard of the savings banks movement in all continents. Hence Mr. Völling's report is particularly interesting, not only because of his expert knowledge in the matter of savings banks organization, and in Germany this organization is perfect, but because he chose to stress the importance of savings banks in the field of housing finance. This, too, is a field in which we can look to Germany for very promising examples, because German savings banks are devoting themselves to a very large extent to the provision of housing finance. Thank you very much, Mr. Völling.

The meeting is now due for a short break. Since we are running late, I would ask you not to stay away for the full half hour that is scheduled, but to be back in fifteen minutes. We shall then open the debate, and we still have to set up a drafting committee for resolutions. We shall start again at five o'clock sharp. The meeting is adjourned.

PROFESSOR DELL'AMORE

The meeting is called to order. I have many speakers on my list. The first of them is Professor Lombardini, of the University of Turin.

PROFESSOR LOMBARDINI

(E.) Mr. Chairman, ladies and gentlemen, Professor Dell'Amore in his outstanding and comprehensive paper has rightly outlined the difficulties which have to be overcome in order to increase saving in developing countries, and, as Professor Mauri has said in his paper, also to utilize savings in those same countries.

I would like to touch another point which is connected with this one, namely the importance which both loans and grants will have for developing

countries in the future, including grants in kind in the form of goods and, especially, services.

The importance of loans is due to two reasons: first the difficulties of increasing private savings, and second the discontinuities in the process of development. The developing countries have to make a jump in order to start a new process of development. The way loans are given now causes some drawbacks which I want to recall to your attention. First they cause a distortion in international trade. To avoid such a distortion is a prerequisite for the creation of a prosperous and stable international system. Secondly, they may affect the efficiencies of economic planning in a negative way. In fact each government, in trying to get as much loans from different sources as possible, usually makes up a plan comprising a number of separate projects which, taken each by each, are well grounded; but the programme as a whole is usually rather ambitious, because its main purpose is to convince other countries that several projects should be and can be undertaken in order to speed up economic development. The result is a plan which cannot be implemented: therefore they cannot be a guide for the government. The third drawback is that the loans are given without any prior assessment of the capacity of the country to reimburse the loans. After some time the burden of servicing the loan, of paying interest on it, is such as to cast doubt on the chances of loan repayment. In these circumstances, it is not difficult to forecast that in the future, perhaps in consequence of political changes, some of the loans will be cancelled. That is the reason why I think that it would be better to find out in advance, to evaluate "ex ante", how much any country should be given in grants, which should be regarded as an obligation on all the world, not least because this is the only way to be sure that peace will be kept, and how much should be given as a loan that one can reasonably expect to be paid back in the future.

Well, in my opinion, we now have a new opportunity of solving this problem after the crisis of the international monetary system. As you certainly know, some people are now proposing the old Keynesian idea of an international account currency, in terms of which an international monetary authority can assure liquidity to all the different countries. Such an international currency would be backed by several strong currencies, not only by dollars. This plan could be conceived in such a way as to help the developing countries

as well. This could be done by providing developing countries with grants and loans through this international monetary institution in such a way as to induce them to organize a well grounded plan — a plan which can be implemented and accepted by this international monetary authority as the basis for the creation of the necessary liquidity provided to these countries in order to help them increase their imports to be provided in such a way as not to distort international trade. At the same time countries will be encouraged to try as much as possible to increase their own savings in order to be able to pay back these loans.

This is one objective that should be taken into account in the discussions on the international monetary system.

I don't think that this is the most likely outcome; my opinion is that unless Europe adopts a united attitude towards this problem, and unless this attitude is supported also by other countries, the outcome is likely to be a dollar standard. But if there is a different alternative, I think that this alternative should be considered also in the light of the problems of developing countries. Such an alternative would have another advantage or rather several advantages. First of all competition for loans will no longer oblige developing countries to tie particular funds to particular projects, and thus to plan in terms of separate projects; instead all loans, or at any rate the great majority of loans, will be granted through this international monetary fund after an assessment of the borrowing country's general plan. Thus all the different projects should be co-ordinated in one comprehensive plan.

There is also another advantage. Now the monetary policy of most poor countries has some reflashionary bias since, as you well know, most of the central banks in developing countries are obliged to keep a foreign currency reserve of 100% to back domestic circulation, in order to avoid difficulties in the balance of payments. If the developing countries can be sure of obtaining liquidity when they need it in their process of development, the internal monetary policy will have some degree of freedom and can be adjusted to the requirements of the development plan.

This is the main advantage of such a new international monetary system for the developing countries. Of course, this is only one way to help them. There are many other ways, equally useful and equally required. I have in mind especially the provision of services to developing countries, such as the scheme Professor Dell'Amore announced this morning. To

provide services, consultation, and technical assistance is as important for the implementation of development plans as the supply of monetary liquidity. It may indeed be more important. Thank you.

PROFESSOR DELL'AMORE

Professor Lombardini is an economist who specializes in the problems of economic development. In thanking him for his interesting remarks I may perhaps take some of the credit for myself, for I recall he was a pupil of mine twenty years ago or so. I now call upon Mr. Mhlakaza, manager of the Credit Union Scheme for Agriculture in Lesotho.

MR. MHLAKAZA

(E.) Mr. Chairman, I should like to give the Conference some brief information about my country Lesotho, under the following headings.

1) *Brief description:*

The Lesotho Credit Union Scheme for Agriculture, abbreviated LECUSA, is a secondary co-operative with limited liability, to which are affiliated 17 primary societies named credit union schemes for agriculture (CUSA). It is an organisation of small savers and small landowners who augment their individual small savings with credit from their own credit union to produce more from their small lands. LECUSA drives its members, through education and capitalisation, from traditional subsistence farming to modern, scientific and commercial farming. It leads the farming sector to the intricacies of credit and controlled co-operative marketing.

2) *Historical Background:*

As in most developing countries, a major portion of Lesotho's population derives its livelihood from agriculture. It was found that agriculture was deteriorating year after year because of the following:

- a) Shortness of the ploughing period as a result of late rains and early frosts.
- b) Lack of sufficient draught cattle.
- c) Poor condition of such cattle during the busy ploughing season (August to November).
- d) Exhausted soils.



Briefly, it can be stated that a dire need was felt for a mechanized type of farming coupled with the use of artificial fertilizers and hybrid seeds. The Extension Department of UBLs and Catholic Relief Services in the persons of Father Dugas OMI and Father J.G. Brossard did pioneering work in outlining the structure LECUSA was to take and finding funds for the purchase of tractors and other heavy agricultural machinery. Initially the CRS, the U.S. Embassy in Lesotho and the Oxford Committee for Famine Relief (OXFAM) donated money for four units. Each unit consisted of:

- i) One Massey Ferguson 135 tractor
- ii) One 3/4 ton trailer
- iii) One 3-furrow plough
- iv) One maize-planter with fertilizer attachments
- v) One hoist
- vi) One wheat drill

The total cost of a unit was R 3,000.00 (S.A.) (4,200 U.S. dollars). This took place in 1968. Credit unions were found to be the most suitable cooperatives in the country to receive these units in consideration of the following points:

- i) Good leadership and management
- ii) Financial strength
- iii) They are situated in farming communities
- iv) They already had facilities such as office buildings
- v) Team spirit of the membership

A year later more funds were obtained and eight more schemes started. In August 1971, the number of CUSAs rose to 17. One of the first four schemes became insolvent and had to close down, the rest are flourishing.

### 3) *LECUSA contract:*

All CUSAs have to enter into a written agreement with LECUSA, which is the national body. One interesting item in this contract is that each scheme agrees to accumulate within a period of six years money equivalent to the original cost of the unit. This is termed Growth Fund. The purpose of the Growth Fund is to enable the schemes concerned to

have an additional set every sixth year or earlier. In this regard the schemes are performing very well. Below are the latest figures:

*October 1968 Schemes:*

Phoqoane	R 1,818.34 = 2,545 U.S. \$
Mapoteng	1,425.85 = 1,995 U.S. \$
Lerato	1,151.00 = 1,611 U.S. \$

*October 1969 Schemes:*

Mazenod	R 1,564.00 = 2,200 U.S. \$
Mositi	1,225.33 = 1,715 U.S. \$
Pela-Tsoeu	1,024.00 = 1,435 U.S. \$
Ramothamo	960.00 = 1,344 U.S. \$
Khomo-Khoana	950.00 = 1,330 U.S. \$
Thabana-Morena	818.10 = 1,145 U.S. \$
Motsekuoa	710.72 = 994 U.S. \$
Kueneng	584.33 = 817 U.S. \$

*August 1971 Schemes:*

Just about to start operating.

4) *Higher yields:*

LECUSA was primarily established in an effort to stimulate agricultural production. So, yields per acre should be the standard for measuring the progress of LECUSA. From statistics compiled by the Lesotho Ministry of Agriculture, Co-operatives and Marketing, the average yield per acre of maize or sorghum was said to be three bags per acre. However, we have a record of LECUSA yields for 1970 and 1971 only. According to the amount of rainfall, Lesotho can be divided into (a) the drier region of the South (b) the wetter region of the North. Below are the average yields per acre of LECUSA.

YEAR	Southern Schemes	Northern Schemes
1970	6 bags	8 bags
1971	9 bags	14 bags

5) *Lesotho government support:*

The Lesotho government is fully aware of the economic significance of LECUSA and is giving it both moral and material support. It has

provided office accommodation and seconded to LECUSA three agricultural extension agents whose work is to make LECUSA members understand good agricultural practices.

6) *Need for funds for education:*

LECUSA is a people's movement and much of its success depends on the quality of its membership. It is for this reason that we need to have intensive and diversified educational programmes aimed at making members realize the power they can generate once they mobilize all their resources together. The donor agency can play a major role in financing such programmes. Our field instructors have to be constantly visiting local schemes as educators, promoters as well as inspectors; hence the need for convenient means of transport that we do not have.

7) *Need for outside credit:*

To satisfy the agricultural requirements of LECUSA the member farmer has to purchase a so-called package deal. For one acre he has to pay R 4.00 for ploughing, R 2.00 for planting, R 5.10 for fertilizer, R 1.60 for seed and 75 cents for insecticides. Often the farmer does not have enough cash in time to have his fields cultivated in this manner. Similarly our credit unions are young and suffer from liquidity problems. So it has been found that progress would be accelerated if credit either in cash or in kind from outside could be made available to LECUSA farmers.

PROFESSOR DELL'AMORE

Mr. Mhlakaza has spoken to us of his country's credit unions. These institutions, as I said this morning, devote much of their activities to the promotion of agriculture. The scheme he described is a very interesting one, and I would invite other participants to tell us more about how agricultural credit is organized in their countries. I believe that agricultural credit should be at the base of all our discussions, because it is in this field that African countries suffer their greatest deficiencies. Yet it is a fact that agriculture still is, and will be for a long time, the foundation of all economic and social development in Africa.

I now give the floor to Mr. Ivan Alphonse, from Panama, representative of the World Council of Credit Unions.

MR. ALPHONSE

(E.) Mr. Chairman, honourable delegates, ladies and gentlemen, it is a great privilege to introduce you today to the World Council of Credit Unions and its role in providing agricultural credit to small farmers in some countries. Before I begin this brief introduction, however, I would like to bring you greetings from Mr. Herbert Wagner, Managing Director of Credit Unions National Association Incorporated, and Mr. Balley, the Acting Managing Director of the World Council of Credit Unions. I extend to you their sincere wishes that this Conference will not only be a beacon which will shed light on the problems associated with the mobilization of local savings in African countries, but that, on returning home, many of your observations, conclusions and recommendations will be swiftly implemented by the governments and organizations that you so capably represent.

I also express their, and my, deep appreciation of the wonderful invitation extended by the *Cassa di Risparmio* and Professor Dell'Amore to the World Council to send me as their representative to this auspicious gathering.

In its organic structure the World Council of Credit Unions is an association of confederations, federations and leagues of credit unions all over the world dedicated to the advancement of the credit union philosophy. The members of the World Council include the Latin-American Confederation, the African Confederation of Savings and Credit Associations, the Australian Federation of Credit Union Leagues, the Asian Confederation of Credit Unions, the Canadian Confederation of Credit Unions, and of course the Credit Unions National Association Incorporated of the United States.

Financially, the World Council of Credit Unions represents total savings of over 20 billion dollars; its membership embraces all continents and people of every race and culture.

In view of the fact that this morning Professor Dell'Amore made reference to the disinterested but scarce aid that Credit Unions offer to urban and rural populations in developing countries and in the light of Professor Mauri's statements on Credit Unions in Africa, in section five of his paper, I would briefly like to mention my own experience.



The World Council of Credit Unions is collaborating with a programme of the State Department of the United States of America in offering agricultural credit to small farmers in Latin America. In several countries of Latin America, Ecuador, Peru and Panama, of which I am a citizen, when a small farmer requests a loan for productive purposes, he is offered not only financial but also technical assistance: the use of fertilizers, the best type of grain or seed to plant, and even the proper way to till the soil. This information and this help are immediately made available to him.

The result of such fundamental technical assistance is often very startling and no doubt is positive, as Professor Ruozzi pointed out. This may be seen in the case of Ecuador, where the problem of low potato yields hampered farming for many years. Several farmers, small farmers belonging to credit unions, approached the credit unions for aid so that they could improve their potato production. The result was dramatic. After receiving aid, not only money, but good seed, fertilizer and advice about how to plant, the result was so dramatic that many tons of potatoes were produced, and the total production of this crop rose so much that problems of marketing and price falls were created not only for the farmers belonging to the credit unions, but also for all the potato farmers of Ecuador.

Despite the marketing and price problems created, however, it is my conviction that this type of combined financial and technical assistance can best reach the small farmers of all developing countries in Latin America, and perhaps Africa, through the collaboration of voluntary agencies such as credit unions. Consider how spectacular the growth of credit unions in Latin America has been; I cite two examples — in 1970 there were a little more than 900,000 members belonging to credit unions in Latin America, in 1971 there were over a million. This is an 11% growth in membership. Or, if we take the case of savings, in 1970 there were 78 million dollars of savings in the Latin American Credit Unions, and by 1971, March of 1971, there were over 105 million dollars in savings; that is a 35% increase. When we consider this kind of unmatched growth, it is patent that there is a groundswell of indigenous financial and moral aid supporting the programme of self-help and self-development which the national federations and the World Council of credit unions can offer towards the economic development of the people of Latin America and perhaps Africa. I thank you for your patient attention.

## PROFESSOR DELL'AMORE

Thank you very much, Mr. Alphonse, for your message from the World Council of Credit Unions, and for your own, very interesting remarks.

The next speaker is Sig. Sergio Bortolani, an economist with specialist knowledge of central banks.

## SIG. BORTOLANI

(E.) Mr. Chairman, my brief contribution is related to the final section of the general report given by Professor Dell'Amore this morning. In his report he pointed out the important task of central banks for the mobilization of savings in African countries and the contribution they can make to the formation and strengthening of efficient financial markets.

It seems to me that there is particular interest in the proposal of creating a permanent monetary board, which, according to Professor Dell'Amore, would at first be only consultative, but organized in such a way that it can be transformed at a later stage into a financial body on the lines of the Bank for International Settlements, which has for a considerable time been operating with success in Basel.

As everyone knows, there is close monetary co-operation among the central banks of the industrial countries of the Western world; this works at different levels, such as the International Monetary Fund, the Group of Ten, the Bank for International Settlements, the Monetary Committee of the EEC countries, and has undoubtedly been a factor of greater stability during the complicated economic and monetary events of the last 25 years. Even at the present difficult moment of international monetary relations, there may be a possibility to reach an agreement thanks to the frequent consultations among the countries concerned.

The Bank for International Settlements has represented, at various times, the most suitable centre to arrange monetary strategies and loan agreements for supporting a particular currency. This has been possible owing to its three main institutional functions: first, as a bank devoted to promoting the co-operation of central banks; second, as a club of central banks where every month the governors gather together to make a general survey of the current situation; and third, as a centre of economic and financial studies and research.

Now, I feel there is a strong case for trying to create a similar institute for African countries, in line with the present tendency, which will surely be even stronger in the future, towards economic integration among the various countries. A first necessity is to fill the existing gap in statistical documentation, and to make available to African central banks information concerning the activities of other central banks. In many countries there is a series of statistical data that is rapidly improving, but it is my impression that there is very little communication between one central bank and another, and more especially between those in English-speaking countries on the one side and French-speaking countries on the other. It is true that not all countries have the same problems; on the contrary, there are differences deriving from geographical, historical, political and economic factors. But no one can deny that the activities of central banks in different countries follow basically common lines in accordance with different levels of economic and financial development.

Therefore the solutions adopted by one central bank can suggest a similar course of action to other central bank, of course modified and placed in a different institutional environment.

These considerations encourage me to undertake a comparative study of African central banks. Much interest has been shown in the investigations made by other Italian and foreign experts in individual countries or economic areas, and I can also draw on my personal experience in Niger last year.

In this regard I would like to thank here the *Caisse Nationale de Produits Agricoles* of Niamey and all the authorities of Niger I met there for their welcome and their assistance. To accomplish this proposed study two things are necessary: direct missions in individual countries and the co-operation of local monetary authorities, which I am sure I can count on.

For this purpose I have prepared a detailed questionnaire on the functions of central banks, and I will take the liberty to send it to you, in English or in French, in the hope that it may provide a good base of scientific information. The questionnaire is divided into various parts dealing with the structural features of the central bank, its purposes, its monetary functions, the instruments of monetary control, its relations with the government and the rest of the world, and the financial market.

You will find, besides purely descriptive questions, other more difficult questions which can probably not be answered without the help of various qualified persons.

Your co-operation will be greatly appreciated and in any case I would like to address here my special thanks to every one who helps me. The results of this study will be published and sent to the various African central banks and financial institutions. All this may represent, in my opinion, the beginning of an information centre extremely useful to the monetary board to which Professor Dell'Amore referred. Thank you very much.

#### PROFESSOR DELL'AMORE

Thank you, Sig. Bortolani. You have told us that you are very much in favour of the proposal I made this morning regarding central bank co-ordination. This is good to know, for you are a competent judge in the matter, seeing that you are the author of a book, among others on the Bank for International Settlements. So yours is the judgement of an expert and I am grateful to you.

Our next speaker is M. Mankoubi, general manager of the Development Bank of Togo.

#### M. MANKOUBI

(F.) Mr. Chairman, Your Excellencies, fellow conferees, in the light of what has been said so far this afternoon, I should like to discuss two specific problems. One of them is the provision of housing finance by the sort of development bank we have in the French-speaking countries of Africa, and the other is the field in which I feel that savings banks could usefully operate. And here the two problems merge, because this field could, in my view, very well be rural housing. Our development banks are often reproached with giving too much preference to residential building. They extend loans for building, and the question arises whether this could not be done instead by specialized institutions, as a previous speaker has told us is done in Germany — such institutions, say, as savings banks or real estate banks or even property companies. But there are arguments, too,



in favour of housing loans by development banks. These arguments are of various kinds. Our development banks were set up in the first place to help our local population. You know what enormous difficulties Africans have had in gaining access to commercial credit provided by commercial banks which, themselves, owed their origin to the former colonial powers. And so the development banks helped their respective country's own people, and helped them in the field which at first was their special preserve. That field was building. What actually happened was that Africans, when they began taking an interest in credit at all, wanted credit for building, and to this day this is the one sector where demand is very active and there is never any lack of would-be borrowers.

But development banks have gone into housing finance for another reason as well, namely, that it is a profitable business. Credits for individual house-building, or for property development, are major income earners for the development banks, which otherwise have no sources of funds inside the country and few outside.

Building credits thus enabled the development banks to accumulate reserves, and these reserves were then used to finance more difficult sectors — first agriculture, and now industry.

It must be stated that it was the profits earned on building credits that enabled agriculture to obtain low-interest loans, and these same profits are now the mainspring of industrialization, of small and medium-scale industrial enterprise in Africa.

I now come to my second point, lending by our savings banks. Now, lending by savings banks obviously could be useful, but I can see no case for them to handle individual loans directly in our African countries — if only because this would multiply lenders, and countries with a restricted market cannot afford diversification of financial institutions, nor anything but the very lightest of financial structure at all. But there is another field which might well prove interesting for savings banks. The point is that if one wants to stimulate saving, it is important to make people see a visible link between their savings and the projects financed with these savings. Such a visible link could be rural housing in our villages. Rural housing needs to be modernized to the extent that modernization of agriculture implies also modernization of the place where the farmer lives. It is no good having splendid stabling and having the animals live in spacious

quarters while the farm family goes on living in cramped ones. I don't want to suggest, of course, that we should change African architecture. It's a good architecture and can be adapted, all we have to do is to make use of local building materials and to improve housing within the pattern of African architecture. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

M. Mankoubi of Togo has raised an extremely interesting point which is, in my view, of fundamental importance in any discussion of banking organization in African countries. He has told us that his development bank operates in several sectors, and he has talked of the profitability and the usefulness of these loans. Now, obviously, any loans to any enterprise that can repay a loan are welcome in Africa. But we have to make up our minds whether we want to encourage multiple-sector loans by one credit institute, or whether we want a certain degree of specialization in the organization of African banking systems. Now, I take the view — and I said so this morning — that development banks have a very broad field of action in financing small and medium-sized industrial firms. It is here that I see their essential function, because this is a field in which other banks cannot operate.

If a development bank has more money than it can lend out in this way, very well then, by all means let it branch out into other sectors. But generally speaking development banks have very limited financial resources, and in that case I think it would be better to concentrate on lending to one sector only, leaving other banking institutions to fill credit needs elsewhere.

At this particular stage of development in banking systems, I repeat, we have to accept the practice of operating in several sectors, but all the same we should think of specialization, because this has many advantages. It is only by specializing that a credit institute can finance its loans with the most suitable funds for the purpose, and, more broadly speaking, specialization alone can provide simultaneous finance for industry, agriculture, housing, etc. If we carry on with a banking system in which any one bank handles all kinds of credit operation, then I fear that we shall not succeed in promoting economic and social development to the extent that we desire.

Of course, opinions may differ on this point, and I should be happy to hear other heads of development banks say what they think about it. I do believe, at any rate, that this is a problem which we must discuss at this Conference, because it touches the very roots of the reorganization of the banking system.

I now give the floor to M. Amadou Bamba Sourang, Chairman of the *Banque Conacap* in Senegal.

M. SOURANG

(F). Mr. Chairman, ladies and gentlemen, first of all let me, on behalf of the *Conseil National pour la Promotion et le Développement des Caisses Populaires* in Senegal, and of ACOSCA, thank Professor Dell'Amore for his invitation to take part in this Conference, which I am sure will have most fruitful results.

Now I would like to tell you about the *caisses populaires*, we might say the people's banks, in Senegal. *Conacap*, the National Council of People's Banks, is an organization made up of Senegal citizens from different regions. Its purpose is to instal people's banks up-country, in the bush. This is its principal purpose: to set up people's banks in the bush, where no-one has ever heard of a banking system. We now have 13 people's banks working in the bush in Senegal, where there never was any sort of bank before.

PROFESSOR DELL'AMORE

Excuse me, sir — may I ask a question: are these people's banks private or public banks?

M. SOURANG

*Conacap* is a private movement recognized by the government, and its purpose is to help in the promotion and development of people's banks exclusively in the rural world.

PROFESSOR DELL'AMORE

They are rural banks, then.

## M. SOURANG

Precisely. I repeat, the purpose of *Conacap* is to help in the promotion and development of people's banks in Senegal. We have set up several such banks in the bush; thirteen of them are working at present. We set them up as follows. When we arrive in a village, we establish a board of directors, chairman and all; the board runs the bank — they have full financial independence, they accept deposits, make loans and between them deal with all affairs. When we have got such a bank running in one village, we go on to the next and start again. The President of the Republic has asked us to go on with what we are doing, because he knows that this is a system that can ultimately lead to economic take-off in Senegal.

This is why we have not paid much attention to the large towns. It is in the bush that we have to set up our banks, so that people who do not even know what a bank is can begin to put aside savings. We now have thirteen such banks in Senegal.

## PROFESSOR DELL'AMORE

May I ask another question please. They grant credits to farmers with savings...?

## M. SOURANG

With their own savings. Apart from this, we belong to an international movement that no doubt you know, the Africa Co-operative Savings and Credit Association, ACOSCA. This association organizes an annual conference; this year we had it last month in Addis Ababa. So you see, from the local level of *Conacap* to the international level of ACOSCA, world co-operation is an established fact with us already. It is through this channel that we are known in many parts of the world. Through this channel, too, we get help from a number of organizations such as CUNA, *Miserior* and *Conсор*; we are grateful to them all. For the rest, we have with us here M. Mascarenhas, General Manager of ACOSCA, and he will explain exactly what ACOSCA is and stands for.

Now, Mr. Chairman, as you said so well, what we must be concerned with is the rural world, and if the rural world is to make real progress, it must be helped. I think we should try to develop these private,



officially recognized movements whose sole purpose is to help the farmers. These movements exist, they are already recognized by the government and they have proved their worth in the field — I think that here, at the international level, you can dispose of sufficient information about us to collaborate with us towards a rapid economic take-off. And in this connection I have a request to make to you, Mr. Chairman, as head of the *Cassa di Risparmio delle Provincie Lombarde*. You said this morning that you have set aside one thousand million lire for the training of Africans. Now, it is certainly a good thing to train Africans, but before training any of us it would be well to come to our respective countries, to see what we need and then train us accordingly. To begin with, what is suitable for a big power is not necessarily suitable for a developing country. That is why I want to ask you to ascertain through your own experts what the needs are in the French-speaking and the English-speaking countries, or else to ask private organizations what they need in different countries of Africa in order to set up people's banks. We want to do this, so that one day we can, in our turn, come to the aid of other countries.

One last point I want to make is that in ACOSCA both French-speaking and English-speaking countries are represented. I make the distinction here, but it is not really one I like making, I usually just speak of Africa. In ACOSCA, then, you will find Africa, and ACOSCA members will surely be able to give you all the information you need in order to try and help us in a way which might enable us to succeed. That is why I want to explain again what *Conacap* is. *Conacap* is a private movement, officially recognized and also supported by the government. Everything we do, we do in collaboration with the government, but we have every right to act according to our own discretion, because our management is entirely independent. Now, if I look around at this Conference, it seems to me that very few private movements are represented, most of the movements here represented are governmental ones. Now, the *Cassa di Risparmio* of Lombardy, I believe, is a private institution, and I don't see that it could work out at all well for a private movement to give orders to a governmental one. But a private movement can be started up in any African country — something like the *Cassa* here, which is recognized by the Italian government, or like *Conacap*. We should then all be private groups working together, alongside our respective governments, in helping the farmers and in trying

also to achieve other aims, not least in trying to satisfy those great countries which have decided to help us to escape from underdevelopment and to take off into self-sustained growth. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you, M. Sourang. Allow me to make a few remarks in reply. First of all I want to make it clear that while Italian savings banks are public institutions, they are not governmental. They are public in so far as they pursue aims which are in the public interest, social aims. From this point of view our principles are those of a public institution, but our management is based on the private principle. The government cannot oblige us to give money to this or that enterprise, and we are free to invest where we choose. So from this point of view, obviously, we are private. Now, one other clarification. Our Centre for Technical and Financial Assistance, which we propose to set up in the near future, intends to help all African countries, without distinction as to whether their language is French or English. All countries are to be assisted, without discrimination. As to the kind of assistance which we hope to offer, we shall say to these countries: Here we are; if you need us, we stand ready to help you; if you don't need us, we shall work for those that do — and there are many of them, as you know. One of the things which the Centre will do is continue and develop the training course on banking which we have been running for the past four years.

The fifth course is due to begin shortly, in November. We can, at present, accommodate only 50 trainees, but we have almost 250 applications. We shall try to allocate the available vacancies among different countries, but without discrimination as to language or otherwise. Our choice will be governed solely by the needs of different countries in the matter of training young men who are anxious to come to Milan for eight months and there to study banking under the guidance of experts. The Centre, incidentally, will concern itself also with the credit needs of countries, upon their request. The Centre itself will not have any capital to hand out, but it will organize the quest for such funds as may be needed for certain purposes which we regard as deserving top priority in the scale of the African countries public requirements. I hope I have made my

point quite clear; I am at your disposal, of course, for any further information you may want.

I now give the floor to our next speaker, Mr. Afful, general manager of the Agricultural Development Bank of Ghana.

MR. AFFUL

(E). Thank you, Mister Chairman. Fellow participants in this Conference, I wish to make a brief contribution to the discussion on the subject "Savings Banks and Agricultural Credit", particularly as regards the part development banks in general can play by themselves to mobilize funds for further development in agriculture. But before I make my contribution, I wish on behalf of my bank, the Agricultural Development Bank of Ghana, to thank you, Professor Dell'Amore, and the entire management of the *Cassa di Risparmio*, for inviting me to this Conference.

The Agricultural Development Bank of Ghana has been in existence for the past six years, and its main objective is to encourage agricultural development and the establishment of rural industries related to agriculture. The Bank is wholly owned by the government and the Bank of Ghana, the former holding the majority of the shares.

The Bank is also permitted under its charter to accept savings from the public for further investment in agriculture. This part of the Bank Act was put into operation only two years ago for three main reasons:

- a) demand on the Bank's resources has been increasing faster than the Bank can conveniently meet from its paid-up capital and there is therefore a need to look for other sources of funds;
- b) the commercial banks and the Post Office savings bank which traditionally collected savings from the public, especially the rural population, were reluctant to lend to agriculture in view of the high risks connected with agricultural lending;
- c) the Bank used the savings, especially savings of its borrowers, as collateral for the loans given to them.

The results of our activities in this area to date have been very encouraging and the future looks very hopeful. Perhaps other development banks in Africa might wish to consider savings mobilization as a potentially fertile source of funds to explore.



The most critical issue in agricultural lending is supervision of the borrowers to ensure that the loans given them are applied to the farming projects for which they were granted and not diverted into other uses. There is also the question of loan collection. In a country like Ghana and, for that matter, many African countries where there are many small-scale farmers scattered over a wide area of land, most of it poorly served by roads, loan servicing and collection become difficult indeed. The Agricultural Development Bank of Ghana is trying to solve these problems in several ways: a) by forming farmers into viable groups or operating through co-operative societies where such societies already exist, in order to reduce supervision costs; b) by establishing branch offices of the Bank at convenient points in the country to facilitate credit supervision and loan collection as well as to accept savings from the farming community; c) by assisting with the establishment of commodity marketing boards which serve as collecting points for loans extended to farmers. Operating by these methods, the Bank has achieved a remarkable degree of success in its lending activities, especially for crops such as sugar cane and tobacco, which are produced for factory processing. In this type of operation, farmers who are given credit are required to enter into a contractual agreement with the factory and the Bank. The farmers' produce is sold directly to the factory or marketing board, which in turn deducts the loan portion from the proceeds and pays it to the Bank.

It is not only in processing where this tripartite arrangement could be made to work, but also in storage operations, where a central store could be constructed to receive farmers' produce and used as collection point for bank loans.

The question of whether a development bank, especially one specializing in agriculture, should also accept savings or not is exercising the minds of many writers on development banking. Some do not think that a development bank should also do commercial banking. From the experience of our institution, I think savings mobilization by development banks in developing countries should be encouraged, as this could form a good source of capital for further investment in development projects.

Perhaps the most crucial problem here, as far as savings mobilization by development banks is concerned, is the rate of interest. At what rate should the development bank borrow from the public and at what rate



should it lend to them? The problem is even more complicated especially if the lending rate, particularly on development projects, is controlled by the government. In such circumstances, perhaps the best solution would be for government to subsidize the interest rate.

I hope Professor Ruozi, in his summing-up at the end of the discussions, will throw some light on this question of interest rates.

Thank you.

#### PROFESSOR DELL'AMORE

In the name of the Conference, I thank Mr. Afful for his remarks on the subject of "Savings Banks and Agricultural Credit". I very much hope that other speakers will take up this subject tomorrow morning, for it is one which in my view, I repeat, is fundamental for the whole problem of economic and social development in Africa. In the meantime I give the floor to M. Benoit, of the United Nations.

#### M. BENOIT

(F.) Thank you, Mr. Chairman. I should like to comment briefly on some points that come to mind in connection with the many questions raised by the reports we have heard this morning.

I propose to discuss three points in particular. The first two of them concern Professor Dell'Amore's report. Professor Dell'Amore, as he has told us again this afternoon, believes in specialization for development banks. Personally, I should be inclined to agree with him, looking at the matter from the point of view of theory and also my personal preferences. But we must be realistic, take things as they really are, and in this connection I should like to direct your view back a little to the origin of the development banks. The first development banks, as you know, were set up in Latin America. The pioneer among them, which is now the world's richest development bank, is the *Nacional Financiera de Mexico*. Now, in its early years and in fact for several decades, the *Nacional Financiera* had multiple tasks — its concern was everything that had to do with economic development in Mexico.

The same pattern was followed by the Development Bank of Chile, and the Bank of North-East Brazil to this day operates in rather varied fields.

Now, if we look at Latin-American developments as a whole since the end of the last war, we see that in Mexico, as economic development proceeded, the *Nacional Financiera* concentrated on increasingly specialized tasks; at present, it plays the key part in Mexico's capital market. On the other hand we see the development banks of Chile and Brazil still carrying on with their multiple-purpose role, while in many other Latin-American countries more specialized banks came into being. These are called *financieras*, and they solicit deposits from the public and invest them in industrial firms, in firms, that is, which can be relied on to earn a profit.

So much for the situation in Latin America. As regards Africa, if it were to follow the pattern set by Latin America, then African development banks should at this stage be multi-purpose banks, as indeed many of them are. As I see it, this situation is not the result of a deliberate government choice; the non-specialization of development banks seems to me to be, rather, the result of necessity. I have visited virtually all the countries of Africa, I have had occasion to talk with a good many African officials, I have been personally involved with the establishment of several development banks and more than once had to contact foreign financial institutions with a view to finding finance for some of these banks. Now, what can I say on the basis of this experience? A financial institutions needs two things above all: it needs capital, and it needs technically competent staff to run the institution. As regards capital, we all know that African governments are short of it. They have to deal with many urgent problems, and often their financial resources are so slender that they cannot afford to provide capital for several institutions at once. So the first limiting factor is capital. But technically competent staff is another limiting factor. It is difficult in the short run to find enough people having not only the required theoretical knowledge but also experience. To be a successful and efficient banker, one needs experience, one needs to know about banking practice. These two limiting factors go a long way to explain why so many African development banks are multi-purpose banks. Of course, if there were some foreign financial institutions prepared, perhaps, to do more for African countries, to provide capital for the establishment of development banks specializing in industrial finance, I should imagine that the countries concerned would be delighted with such help. But in the absence of such necessary financial backing from outside, African governments, with their many pressing problems, had no

choice but to set up multiple-purpose financial institutions. In some countries with very urgent housing problems, development banks even had to finance housing. They did so not as a matter of choice, but because they had to in a situation of strong social pressure.

In future years, perhaps, we may hope for more collaboration between foreign financial institutions and African governments, whereby the latter might obtain capital resources on a scale such as to make room for specialization in development banks — as Professor Dell'Amore recommends and as we all agree, in principle, would be a good thing.

My second point, still with reference to Professor Dell'Amore's report, has to do with the domestic capital market and the part played in it by the central bank. This is an extremely important field, and one, as I see it, in which the development banks could very suitably take on a leading role. Let us look what happens in developing countries — and I myself belong to a developing country, of which I shall presently speak. Supposing there is an equity issue, the shares would find no buyers. On the other hand, if there were individuals who would like to buy shares, they wouldn't find any to purchase. The reason is that in several of our countries firms usually belong to individuals or families; shares go to family members, or change hands among personal friends. Each firm is like a non-communicating vessel, with no opening to the outside. A development bank could break down this closed system, as was done first by the *Nacional Financiera* in Mexico, or by the *Banco Industrial* in the Argentina, by trying to act as an intermediary between industry and the public and as a guarantor for the former. So long as a firm has no communication with outside, nobody knows anything about its accounts, and money sometimes changes hands in rather mysterious fashion. No wonder that savers have no confidence. A development bank could usefully step in here, and sell on the capital market the equity issues of industrial firms.

Now I should like to take up one of Professor Ruozzi's points about agricultural credit. He said that savings banks had never neglected agricultural credit. But I think we really ought to look at this problem as made up of two separate stages. First, how do we mobilize savings? Second, once mobilized, how do we use these savings? Do we really think that savings banks should, themselves, be in charge of using the savings they have mobilized? Or should we not rather think in terms of co-operation



between savings banks and development banks, or savings banks and housing credit institutions? For what concerns the banking specialization, I take up again Professor Ruozzi's statement since it seems the *Cassa di Risparmio* has multiple activities.

Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

M. Benoit has raised a number of very interesting points, to which, if I may, I should like to reply briefly.

First, on the question of multi-purpose development banks. Let me draw on my own experience with the *Cassa di Risparmio delle Provincie Lombarde*. This bank has in recent years gone through a period of quite exceptional expansion and now has resources of almost 5,000 thousand million lire. In the past, it used to specialize almost exclusively on mortgage loans and investment in government securities; but in the course of the last twenty years or so, when I was in charge, it kept spreading the range of its business. It now finances industry, agriculture, foreign trade and local authorities, to name only some of its activities. But the *Cassa* as you see it today is an end result, not a beginning. It has specialized staff for each one of its activities. And here I must ask M. Benoit: is the same true of African development banks? He has already given us the answer; they lack capital and they lack trained personnel. And that is the reason why I recommend specialization in the organization of African banking systems, even if only as an aim for the future. I grant that such specialization is not possible at the moment; but I think we should clear our minds very precisely about the future we want to see for the financial institutions now operating in Africa.

In my view, development banks should not limit themselves to financing large-scale public works and government programmes. I said this morning, and I repeat, that in my view development banks should at this stage devote very special attention to industry, to small and medium-sized industrial firms. African countries are terribly short of industrial entrepreneurs, but it is certainly not large-scale public works that will create an entrepreneur class. Finance must be provided for small- and medium-sized firms so as to create a social and economic environment propitious for economic development.



In these circumstances I cannot repeat too often my conviction that development banks should eventually tend to specialize, and to specialize more particularly on industry, leaving agricultural credit to other specialized institutions including, in the front rank, savings banks. Naturally, a great deal remains to be done for all credit institutions. But if we succeed in setting up savings banks in all African countries and have them specialize on financing agriculture, then I think this would be a very useful approach so far as the economy of these countries is concerned.

M. Benoit has mentioned the development banks of South and Central America. These, of course, were all set up a good many years ago, whereas the central banks and the development banks of Africa are, barring a few exceptions, not more than ten or fifteen years old at most. They are young, they have little money, they have few specialist staff, and I do not think it is right to encourage them to go in for each and every kind of loans. I think we need to work towards specialization, if only because of the staff question. Staff is an essential factor in bank lending, and the same small set of people cannot deal effectively at the same time with financing industry, agriculture, public works, etc. Specialization is necessary, but it will take decades to train not only employees but managing personnel. That is why I keep repeating that specialization is useful. Of course, others may have more to say on this when we continue our debate tomorrow.

For today, we must finish our discussion, but we still have to appoint a drafting committee to work out such resolutions as we might wish to adopt at the end of our Conference on Thursday, with respect to the various problems that we are discussing. With your permission, I should like to propose as chairman of this drafting committee M. Benoit. I further propose that six members should serve with him, three Africans and three Europeans. For Africa, I propose M. Imalhayène of Algeria, Mr. Asabia of Nigeria, and Mr. Beejadhur, governor of the Central Bank of Mauritius. As European members I put forward the names of Mauri from Italy, Greisinger from Austria, and Tenfält from Sweden. To act as secretary I suggest the Committee take Mr. Thadani of the International Savings Banks Institute at Geneva, an Indian and as such from a country neither quite underdeveloped nor quite developed.

The meeting is adjourned until nine o'clock tomorrow morning.

