

**Tuesday, 21 September 1971**

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words to me must obviously be attributed to a feeling of friendship which I, on my part, most warmly reciprocate.

As regards his very interesting report, I should like to take up just a few points which I think merit further detailed discussion.

The Algerian Savings Bank is, if I may say so, a shining example of what savings banks can do in African countries. M. Imalhayène has told us of its success in developing saving for housing purposes. This confirms what I said yesterday in my own report, with respect to the signal contribution that savings banks can make to the expansion of the building industry, and thus to enabling countries to cope with the population explosion.

M. Imalhayène has also told us that in an effort to enlarge its network, his bank makes wide use of post offices. But these merely accept savings, they have nothing to do with their investment. Investment is the business of the Algerian Savings Bank, and this is a good example of the sort of collaboration I mentioned yesterday.

Now I want to say a few words on the abolition of consumer credit. This measure, I am sure, is...

M. IMALHAYENE

Provisional.

PROFESSOR DELL'AMORE

Yes, provisional. Nevertheless, it shows an intention to counteract the expansion of consumption. This is a very wise approach in developing countries, and I would say even in developed ones...

M. IMALHAYENE

Surely, only in developing countries...

PROFESSOR DELL'AMORE

No, no, I do mean also developed countries. You all know that restrictions have been placed on consumer credit even in the United States and in Great Britain. We tried it for a few months in Italy, too, but in an altogether faulty manner. I really think that all those of us who are convinced

that savings must be expanded, should regard consumer credit with certain misgivings. I want to thank M. Imalhayène specially for having brought out this point, which is very significant in the context of what needs to be done to increase savings.

I now give the floor to Mr. Deguefe, general manager of the Commercial Bank of Ethiopia — which, I would remind the Conference, collaborated with Italian savings banks in setting up the Savings Bank of Ethiopia.

MR. DEGUEFE

THE MOBILIZATION OF SAVINGS IN ETHIOPIA

*Mr. Deguefe's report (original English) will be found on p. 89*

PROFESSOR DELL'AMORE

I thank Mr. Deguefe for his extremely interesting report on what is done in his country to promote saving. Much of the credit for this belongs to himself, for clearly the savings movement in Ethiopia owes a great deal precisely to the Commercial Bank of Ethiopia, of which he is general manager. I hope that in its turn the Savings and Mortgage Bank founded a few years ago will successfully carry on along the same lines, and thus help to speed up economic and social development in Ethiopia.

Our next speaker is Mr. Thadani, a distinguished official of the International Savings Banks Institute, who will address us on the important subject of appropriate legislation for savings banks.

MR. THADANI

THE IMPORTANCE OF ADEQUATE SAVINGS BANKS LEGISLATION

*Mr. Thadani's report (original English) will be found on p. 107*

PROFESSOR DELL'AMORE

Mr. Thadani has put before us certain considerations essential for the organization of savings banks and, most of all, for legislation regarding them. This is a very relevant subject in the context of this Conference, and I thank him for his interesting remarks. I now give the floor to Mr. Nyoni, an official of the Finance Ministry at Lusaka, in Zambia.

MR. NYONI

THE MOBILIZATION OF PERSONAL SAVINGS IN ZAMBIA

*Mr. Nyoni's report (original English) will be found on p. 111*

PROFESSOR DELL'AMORE

It was very interesting to hear from Mr. Nyoni that in his country the Finance Ministry has a special unit for the promotion of savings. M. Nyoni himself is senior finance officer of that department. For the information of the Conference, I should like to add that the Austrian savings banks have sent one of their experts to Zambia to study the possibilities of setting up a new ordinary savings bank there. These studies are well advanced, and I hope that within the next few months a new savings bank may be established in Zambia.

We have now come to the end of the first part of our agenda, and our time-table provides for a coffee break of half an hour. But we are behind schedule, and so I would ask you to be back in 15 minutes instead; it is now five minutes past 11; the meeting will be resumed at 20 past.

PROFESSOR DELL'AMORE

I have several speakers on my list. I call first upon His Excellency M. Hicuburundi, Finance Minister of Burundi.

M. HICUBURUNDI

(F.) Mr. Chairman, my country's delegation, which I have the honour to lead, greatly appreciates the invitation extended to it by the International Savings Banks Institute to take part in this Conference on the Mobilization of Savings in African countries. Our gratitude goes more particularly to the Institute's chairman Professor Giordano Dell'Amore, who discharges all his numerous functions with exceptional vitality and far-sightedness. I also thank the *Cassa di Risparmio delle Provincie Lombarde* and its management, who are generously defraying the travelling and hotel expenses of the African delegations, whose countries' Treasury might not in all cases have been able to afford the outlay.

I propose to give you a succinct account of the background and history of the Burundi Savings Bank, and more generally review the problem of saving in Africa.

The Burundi Savings Bank was founded by the Belgian authorities as long ago as June 1950, well before our country attained its independence. It was meant to replace the existing private and public savings schemes under the auspices of a variety of agencies and employers.

From the outset, this new savings bank was remarkably successful, because our hard-working people already had the habit of saving or hoarding in various forms. Since, furthermore, the use of bank money was spreading rapidly in the circles of traders, craftsmen and farmers alike, people soon came to understand how useful a savings bank could be.

Actually, the savings bank established in 1950 by the Belgian authorities served not only my country, but also the Belgian Congo and the UN trust territory of Ruanda administered by Belgium. The seat of this joint bank was at Léopoldville, now Kinshasa. It was called CADECO, and, as of September 1960, opened a branch at Bujumbara and an agency in Rwanda. This date marks the turning-point for saving in the Congo and Rwanda-Burundi.

Under article 1 of the decree of 10 June 1950, the *Caisse d'Epargne du Congo Belge et du Ruanda-Burundi* was a public enterprise with its own legal personality. Its deposits kept growing steadily until, in June 1960, on the eve of the Congo's independence, they stood at more than 4,000 million Belgian francs, that is, roughly 80 million U.S. dollars.

For a mere ten years, this was a quite remarkable result.

The accession to independence of the Congo first, in 1960, and then of Rwanda and Burundi in 1962, brought administrative union to an end, and later also financial union. Events in the three countries cut the links between them, and the situation of agencies administered and managed from Léopoldville became precarious.

An attempt was made to organize a joint savings bank for Rwanda and Burundi, but because of difficulties in dividing up the assets and liabilities, it never got off the ground. Instead, a separate savings banks for Burundi was established by the law of 19 March 1964. It is called *Caisse Nationale d'Epargne du Burundi*, for short CADEBU.



This bank took over the accounts of the defunct *Caisse d'Epargne du Congo et du Ruanda-Burundi* to the extent that they pertained to Burundi. For this operation, it has the help of a team of technical assistance experts, who did much to create a sound basis for our own *Caisse Nationale*.

The initial capital consisted of claims on the Congo rediscounted by our own central bank, the *Banque de la République du Burundi*. With this, the savings banks was ready to start operations.

Its legal status, as defined by article 1 of the law of 19 March 1964, is the same as that of its predecessor; it is a public enterprise with its own legal personality. This means that it is a public service created by the state, but not run by it. As a public enterprise it is distinct from the state; it has its own independent management, subject, however, to state supervision. The state does not have powers to enforce any decision, it can merely block decisions.

Thus the independence of public enterprise management is restricted by government supervision. In the case of the savings bank this is exercised by a government commissioner appointed by the Finance Minister, and comes into play mainly in the board's investment decisions. Decisions of this kind are in effect subject to approval by the Republic's Ministry of Finance.

Organizationally, the bank is governed by a board of directors, with day-to-day management in the hands of a general manager.

Next, the channels through which the bank works. Its primary purpose, as defined by article 1 of the law of 19 March 1964, is to promote saving in Burundi. Accordingly, two agencies were established up-country, and the facilities of post offices are available everywhere. While this was a great deal, it was not enough to reach the whole of the population. So the bank set up mobile units, called savings trucks, and pay desks in the towns. The savings trucks now circulate regularly throughout the up-country areas, with resulting penetration in depth. The pay desks in the towns are open for business at fixed days and hours, and thus enable the inhabitants to pay in or draw money without having to come a long way to do so.

In addition, the savings bank can count throughout the country on a great deal of voluntary help from missionaries, employers and the army.

With all these facilities at hand, the bank also puts a special effort into making contact with the young people and inculcating them with the spirit of saving. In this it gets valuable help from the teachers.

As regards the results so far achieved by this still very young institution of ours, its total deposits at present amount to 160 million Burundi francs, that is approximately two million U.S. dollars.

This may not seem very much. But in a country like ours, where average income per inhabitant amounts to no more than the equivalent of 100 dollars and where the national budget at present fluctuates around 2,000 million Burundi francs, or about 23 million dollars, 160 million francs of savings deposits actually represent 9 to 10 per cent of the gross annual budget. This is a significant and quite considerable proportion.

The bank's private savings accounts at present number some 90,000. This is still not a great deal for a population of more than three million, but then the majority of this population live in rural areas and their income does not exceed the above-mentioned average.

Turning to the future outlook for saving in Burundi, I should say that we must try even harder than in the past to reach private savers. But private saving goes hand in hand with public saving, and indeed is conditioned by it. One requirement, certainly, is a stable economic policy. The government is acutely aware of the need to promote and increase saving, and to this end to take measures capable of generating a general sense of security and of stimulating private individuals to save.

We intend to concentrate on services to the small saver, who has always been severely handicapped in the past.

The three chief disadvantages from which he suffered were:

- (1) he had no access to commercial bank facilities;
- (2) he got a very low rate of interest on his own savings;
- (3) he was unable to obtain credit, or, if at all, only at usury rates.

The national savings bank should be able to redress the situation, and provide small credits to farmers and craftsmen. To achieve significant results, however, it will need to see its deposits rise a great deal.

But it is not so easy in African countries at present to expand savings. The major obstacles are the income level, which is a factor of vital importance, inflation and a rate of consumption increase often in excess of income growth.

And this brings me to the problem of saving in Africa generally. When I say Africa, I have in mind more particularly Africa south of the Sahara, where the problems of promoting and mobilizing savings are by and large

very similar. Nevertheless, there is no standard solution applicable in all the countries concerned. In each country, different conditions are created by the stage of economic development, by economic policy and by endowment with natural resources, which of course varies widely.

In all countries, the level of savings depends on many factors, including more particularly the level of income per head, income distribution, the fiscal and tax system, and the level of economic and industrial activity. Nor must we forget the stability of the political régime and, more than anything else, the honesty and sense of responsibility of the people.

Our governments and the managers of our savings banks certainly have no easy task before them. They will need much determination to succeed. I am convinced that every country here represented will derive great benefit from this Conference, to which I wish every success, and, by adopting the guiding principles here defined, each country will be able to make much faster progress in the administrative and ideological organization of its savings institutions.

#### PROFESSOR DELL'AMORE

In thanking His Excellency the Finance Minister of Burundi, I take the liberty of pointing out that he has told us two very interesting things. On the one hand, Burundi already has a savings bank, and this is making a significant contribution to the expansion of savings; on the other hand, we hear that the population of Burundi has a very low average income. Nevertheless, the people do save — not enough, admittedly, but the important point is that a beginning has been made. I am sure that the Finance Ministry itself, which recognizes the need for the formation of savings, will lend its support to this savings bank which already has a record of success.

I now give the floor to another minister, His Excellency the Minister of Agriculture of Mauritius, Mr. Boolell.

#### MR. BOOLELL

(E.) Mr. Chairman, Your Excellencies, distinguished delegate, I have promised to be very brief. I would like in the first instance, Mr. Chairman, to thank you and the *Cassa di Risparmio delle Provincie Lombarde* for the



very kind invitation extended to me personally and to my country to attend this very interesting and important Conference. Mr. Chairman, I come from a very small country, but one with a long tradition of saving. I would like to stress here that in common with other developing countries we have the same problems of underdevelopment, unemployment, limited resources, lack of trained personnel and lack of capital. We have got also a very articulate, rebellious, young population, which wants to get rid of the establishment to which we are supposed to belong.

We have to think in terms of poor countries, I am speaking in general terms of all the developing countries, of fast development, if we want to save the establishment and to save the young generation itself. So it is against this background that we have to think of the mobilization of all our resources, and by resources I mean human and material, and material resources mean capital.

And one of the sources from which we think we can derive this capital is by means of saving. Now, as I stated, saving is a very old tradition in our country. As a matter of fact, the government first started the savings bank institution as far back as 1847. So it is over a century old. Now, as in many of the ex-British territories which have, for better or for worse, obtained their independence, we have inherited the tradition of postal savings banks. But this is not the only source of savings. We have also got other traditional forms of saving, such as were mentioned here: mutual aid societies, debenture benefit schemes, and so on. And, parallel with the postal savings banks, there are the commercial banks which also have a savings section.

We have also, depending on income brackets, savings which take the form of life-insurance premiums, and some people buy the savings bonds which are issued from time to time. These are the different forms of savings which are mobilized for the formation of capital, for investment, for economic growth.

Now, I will tell you that we have set ourselves a target for our rate of growth, which is now very slow — only about 4.7 per cent. We have set ourselves a target rate of 7 per cent growth in total output of goods and services over the next ten years. We have, like many countries, our four- or five-year plan; we have even a ten-year plan.

Now I will turn, Mr. Chairman, to the mobilization of savings for agricultural development. You yourself stressed this point yesterday, and I entirely agree with you.

I don't want to go into details of the banking institutions of our country. They have done very valuable work, even though some of them are privately owned. But I would like to mention here the part played by the Development Bank. Before the Development Bank, we had what we called the Agricultural Bank. Now, the Agricultural Bank had a limited scope of activities confined to agriculture alone; we changed over to the Development Bank so as to enlarge the scope and to make capital available for industrial development. We have no choice, we have to industrialize, although in our own way.

Therefore, our Development Bank also finances agricultural development, and, as I said, savings being a very important element in capital formation, the Development Bank has also a savings accounts section.

In addition, there is the Co-operative Central Bank, which has also a savings accounts sections and is mainly engaged in agricultural development. Now, we heard today that those countries which are mainly agricultural should devote much more capital and human resources to the development of agriculture, which is the very basis for any economic growth and for any development in developing countries.

The Co-operative Central Bank is not a governmental institution. It is autonomous, it runs credit unions and credit societies; and these credit societies, which are spread all over the country, cater mainly to the small farmers, they make loans to the farmers, give advice on fertilizers, and so on, but at the same time take precautions to make sure that money loaned is paid back. That is why a credit society limits its activities to certain agricultural crops, for which the marketing is ensured. In my country, we have got the problem of agricultural diversification, and it is there that we come across certain problems of investment, in agricultural diversification.

Now, these credit societies, as I said, only invest in certain crops for which the market is guaranteed. Because they deal with other people's money, they do not go into other forms of agriculture, where a risk is inherent at the initial stage.

Mr. Chairman, we have heard here about the creation of savings banks, and savings and credit banks, which will serve the public purpose, but

which will be completely independent of the government. I am not speaking here on behalf of the government, but I think that each country has got its own problems, and we'll have to take into account all the existing institutions instead of multiplying institutions to serve this purpose. And I was wondering whether at this Conference some people might come forward with certain suggestions and advice and say in what way the existing institutions, which are after all trying to do everything to encourage saving and thrift, and to mobilize savings for capitalizing purposes, for development purposes, in what way the existing institutions could be more effectively utilized.

This is one of the points I wanted to raise here, and I hope that somebody will be kind enough to give some thought to it. Because, I realize that maybe the need exists for the creation of savings banks as such, but it may not be necessary in all the developing countries.

The other point I wanted to bring to the notice of this assembly, is the vicious circle in which sometimes developing countries find themselves. On the one hand you have got underdevelopment, which means the wage of the individual worker is so low as to hardly enable him to subsist, and on top of that we want to mobilize domestic savings for development, for economic growth, to enable these people to earn more.

So, this is the problem I believe will have to be studied: what are the sources, what categories of saving should be more encouraged, what sources should we attack so that savings should come forward more effectively. Domestic savings can only give limited resources in developing countries. More savings probably could be obtained from other sources. As I said, some people in a high income group like to invest in savings bonds, just to avoid income taxes probably in some cases, because it gives certain facilities for income tax. Other people like to take out an insurance policy — this also gives relief from income tax. I am just wondering whether these other things should be encouraged or whether saving should go into other forms. I am just putting the problem, the question to the assembly.

Now, one other thing has just been pointed out by His Excellency the Finance Minister of Burundi: in spite of the very low income of the people of Burundi, many of them have been able to save. That means savings is inherent in some communities, and it is so in many countries, but there is a limit to which people could be motivated to save. Now, when we come



to the motivation, I was thinking that what we can learn from this Conference, especially from your organization, Mr. Chairman, is the techniques which you employ to motivate people and to increase savings and so on.

We have heard about the mass media, television, radio, newspaper advertisements, slogans, personal contacts, mobile units and so on. All those things are there, but I think there is also the problem of how to inculcate in the ordinary man his duty towards the country to save from what he earns. I believe that this is possible. We must educate people by telling them on what sort of expenditure they can save. Furthermore, I was reading in one of the papers which have been distributed to us about the school children. I believe this is where the start has to be made. But I understand, and this is also my experience, in my own country, that there has not been much success with savings schemes among the school children, probably again because of a lack of trained people. Teachers may not be properly trained, or they may think that this is another burden on them. What should be done? Suggestions would be welcome as far as we are concerned. Now, Mr. Chairman, I would like to underline here the appreciation of my country, and my own, about this training scheme which you run in this place, and for which you are proposing to spend a billion lire. I hope that whenever there is any possibility of including members of our small country in your list of people to be invited for training, you will not forget it.

Mr. Chairman, finally, I would like just to thank you very much again, and say how much we have learnt from this Conference, from all the very interesting speeches, and I am sure that when we go back home we shall try to digest them, to study them further, and try to see what we can implement. It will not be everything of course, because no system can be exported and adopted by another country, but there will be things that we can adapt to our needs, and so on. And I believe that this Conference has been very helpful for us, if only because it has enabled us to have a very friendly exchange of ideas and information, and this in itself is a very big step forward. Thank you very much.

PROFESSOR DELL'AMORE

Thank you very much, Your Excellency, for your remarks in which you have raised a number of further points for our discussion.



I fully agree with your view that since each country has its own peculiar characteristics, there can be no question of organizing identical banking systems in all the different countries. You have told us about the various institutions concerned with savings and credit in your country, and you have asked the very relevant question what savings banks as such could do in a situation where many other institutions are already concerned with the same problem.

Well, Sir, you are Minister of Agriculture, and you will no doubt appreciate my point when I say that it seems to me that none of the institutions you have mentioned specialize sufficiently on agricultural credit. To be sure, they extend credit to farming, but not to the farmers themselves. You mentioned marketing. Now, credit for the marketing of agricultural produce is no doubt useful to farmers. But what the countries of Africa need, and your country too, is direct financial help for farmers.

And it is here, I think, that savings banks can be useful. They can solicit and accept deposits from the rural population, and lend their disposable resources to the farmers themselves. This, I should think, would be a means of mobilizing increased savings for the benefit of the agricultural sector.

Obviously, this is not going to be an easy task, and it cannot be expected that recently founded savings banks will grow quickly enough to the required size. But we have to begin somewhere. You mentioned an educational campaign for young people. This is a crucial point. Savings will materialize only if the children acquire the habit of considering this temporary abstention from consumption as necessary for the development of the whole community. Permit me to express the hope, therefore, that your country will try to step up its efforts in this direction. The International Savings Banks Institute will be only too glad to lend what help it can.

Our next speaker is Mr. Wirmark, a member of parliament in Sweden.

MR. WIRMARK

(E.) Mr. President, I have listened with great interest both to the addresses which we have heard yesterday and today and to the various interventions in the discussion. If I dare to make some comments, it is because I have been studying these very problems during the last few years, and particularly with reference to the African continent. I share entirely the

opinion expressed by the last speaker, that you cannot find any model, any pattern which is suited for every country. This is true for all continents, and not at least for Africa with its varying conditions.

I believe, however, that people from various backgrounds, from various organizations, profit a great deal from exchanging experiences and views, and perhaps from adopting some of each other's methods. Therefore I believe a Conference like this one fulfills a most useful purpose.

Now, I believe, Mr. Chairman, that there is a danger when we are all assembled here and everybody talks about what they have achieved and what we want to achieve — we may run the risk of getting too rosy and too optimistic a picture. It is true that savings deposits increase in almost all institutions, in some more rapidly than in others, but it is also true that we are going to meet very great difficulties. One difficulty was mentioned yesterday by M. Benoit: the problem of confidence, the confidence of the saver in the institution that we have established or are to establish. We know that the notion of government is different from one country to another in Africa. I can see that in certain countries the flourishing commercial bank deposits may be a sign of a lack of confidence in the government's policies. I can also see countries where this is in fact no problem, where there exists a feeling of co-operation and confidence. On the other hand, if in the first category of countries a government guarantee is used for some savings, it might not in fact become a guarantee but its opposite. I believe this matter has to be scrutinized very objectively and without passion by politicians, economists and those responsible for the savings and credit institutions, because it is important both as far as the savings and the credit are concerned. On the savings side you have to take into account the confidence and reputation which existing or planned schemes are enjoying or might enjoy, and on the credit side you also have the wide spread notion in many countries that government money does not need to be repaid, at least not in the time scheduled.

I have come to the conclusion, Mr. Chairman, during my travels, and on this point I share the viewpoint of our German speaker of yesterday, that it is not realistic to envisage the establishment of private institutions, of the type of savings banks we have in our part of the world. You need to have some type of government institution, or government-sponsored institutions. But that does not mean, as M. Imalhayène has so ably pointed

out, that everything has to be centrally run. The savings bank can be autonomous in its management, in its management of credits, in its investment policies, within the limits laid down in the general rules decided by the government. And his example has also shown that it is perfectly possible to have this kind of division of work and still maintain and promote the efficiency of the bank. In Algeria they have done a lot, as M. Imalhayène proved here, in the field of promotion and publicity. This is also essential in African countries. Only one has to find the right kind of media to reach the population.

Another thing which the Algerian case shows is that it is possible to combine such a system with that special enthusiasm in work which, we know, also is an element of success in the savings business. Now, may I point at another problem. We have been talking about problems in the field of agricultural credit several times already. We know that land in many African countries is tribal land or not privately owned. I would be very interested in listening to representatives from the various African countries how they intend to solve these credit problems.

In an interview I asked the President of Zambia, Dr. Kenneth Kaunda, about this problem, and he said that the tribal land was going to be considered as state-owned land in Zambia, but that very long-term leases would be given to individuals, who then could go to the banks and obtain loans with these leases as securities.

I also saw recently when I passed through Kenya, our Kenyan delegate might correct me, if I am wrong, that the land consolidation policy has made very rapid progress in Kenya: they have chosen to privatise land and this has meant that there is now a great deal of increased interest, both on the part of the commercial banks and other credit institutions, to come forward with credits, even for small farmers. But on this point, which still is a major problem for agricultural credit, I would like to invite comments from the participants here.

Let me add a concluding remark. According to my impression, saving is not a problem of a special political colour in the sense that governments of a certain political direction would favour saving and others not. Every political set-up needs to have domestic savings mobilized. I asked ten days ago Julius Nyerere, the president of Tanzania, if his policy of self-reliance was only referring to nations or also to the citizens of his country. He



pondered and then answered "Is it really possible to have a self-reliant nation without self-reliant citizens?" He meant, as he further explained, that this need for each individual to plan for himself, to be self-reliant, is an integral part of the policy of Tanzania.

He pointed out one problem, which also might be worthy of comments from various African delegates, namely that the extended family system today in urban areas represents a growing problem. People are moving to urban areas and other distant members of the family tend to follow them, only to be dependent on their relatives without being able to work as they did back in the village. This tends to create a system which is not conducive to saving.

How is one to overcome that problem? The President of Tanzania had no precise answer. I don't have any either, but I believe that the savings bank solution is a possible solution, in urban areas particularly but also in time extending into the rural areas. My belief is based upon the fact that savings banks have a non-profit character and can offer developing countries a politically attractive institution. If well run they have a good chance of gaining the confidence of the people, and confidence is crucial. One reason for the success of the traditional savings societies in many African countries, Ethiopia was mentioned but you have them all over Africa, is the psychological and social gap between the common man and the modern bank. My conclusion is that part of their success derives from the fact that people want to handle their money themselves. So, why not combine the wish of African people to have a hand in what is going to be done on the savings side with the various modern solutions in terms of structure that we are proposing? I beg to submit that in so doing it should often be possible to draw heavily on the savings banks idea.

#### PROFESSOR DELL'AMORE

Thank you, Mr. Wirmark. Clearly, neither the promotion nor the mobilization of savings is possible without an economic policy explicitly concerned with these fundamental problems.

You raised the question as to whether savings banks should be private or public. I am familiar with Swedish savings banks, and I know how much of their success is due to their being private institutions. But in Africa



things are rather different from what they are in Sweden. In Africa, newly established savings banks could not survive, let alone expand, without government backing. But this must not go so far as to turn into public control. As I see it, savings banks should be based on private enterprise but subject to government control. This applies especially to investment policy, which naturally will have to be adjusted to the nature of the deposits, such as savings deposits, current accounts, etc., and likewise must take account of local economic and social conditions, which means it will depend on what sectors of production are prevalent in any particular country.

There is a solution, though, to this very difficult problem. New savings banks set up in Africa should have a public, or if you like, a social, purpose, strictly without profit motive. Only on these conditions can they rightly claim tax privileges and other incentives. What is more, the savings banks' investment policy can be aligned with economic policy in each country, that is to say, can be integrated with the government's economic and social planning. To sum up, therefore, we might say that the savings banks should be private from the point of view of juridical status, but public, or social, from the point of view of their activities. This, at any rate, is the conclusion to which I personally have come after thinking a great deal about the problem.

I now give the floor to M. Ghenim, general manager of the *Société Tunisienne de Banque*.

#### M. GHENIM

(F.) Mr. Chairman, ladies and gentlemen, I propose to tell you about the part the *Société Tunisienne de Banque* is playing in the mobilization of household savings in Tunisia. Before doing this, I will give you a brief outline of the whole savings situation in Tunisia at present.

All developing countries need domestic capital if they are to carry out their investment programmes without getting more deeply into dependence on foreign countries. Tunisia is no exception to this rule. Accordingly, we have tried in recent years to create and mobilize domestic savings on a scale large enough to reduce, if not to replace, foreign aid.

We are beginning to see the fruits of this effort in the rising proportion of savings with respect to the gross national product. In 1968, this

proportion was 14.3 per cent, in 1969 16.8 per cent and in 1970 15.1 per cent; according as we assume a growth rate of 6.6 or 7.7 per cent for 1971, the proportion in that year can be estimated at 16.2 or 17 per cent.

On the further assumption that the final figures for 1971 will show no slow-down in investment (the target figures was approximately 180 million dinars, corresponding to almost 26 per cent of GNP) national savings will cover almost 63.5 per cent of gross fixed capital formation. The last few years' relevant figures are set out in the table below, in million dinars, together with each year's percentage increase over 1967.

Items	1967	1968	%	1969	%	1970	%
Gross fixed capital formation	126.7	127.3	+ 0.4	144.7	+ 14.2	153.2	+ 20.9
National savings	57.6	80.0	+ 38.8	101.6	+ 76.3	97.2	+ 68.7
Coverage of gross fixed capital formation by savings (per cent)	45.4%	62.8%		70.2%		63.4%	

Even so, these results fall short of what we need, because we have to spend something like 25 million dinars each year on servicing foreign loans, interest and repayments included.

Again, I give you figures for the last two years, in million dinars.

Items	1969	1970	%
Net foreign funds	57.7	65.0	+ 12.6
Debt repayments	26.7	25.5	— 4.5
Gross foreign funds	84.4	90.5	+ 7.2
of which: public	68.3	70.0	+ 2.4
private	16.1	20.5	+ 27.3

These figures show up the full importance of raising domestic resources in Tunisia.

## I. THE STRUCTURE OF SAVINGS IN TUNISIA

A. *Composition by source of savings*

The largest source of savings is self-financing by firms, both private and public, as shown by the table below (in million dinars).

Items	1966		1967		1968		1969		1970	
	amount	%	amount	%	amount	%	amount	%	amount	%
National savings	67.4	100	57.6	100	80.0	100	101.6	100	97.2	100
of which:										
Public administration	21.5	31.9	12.6	21.9	3.8	4.8	25.6	25.2	20.8	21.4
Firms	38.4	56.9	37.0	64.2	65.8	82.2	63.4	62.4	61.3	63.0
Households	7.5	11.2	8.0	13.9	10.4	13.0	12.6	12.4	15.1	15.6

The self-financing rates of firms as a whole and of public firms in particular are as follows:

Items	1967	1968	1969	1970
Self-financing rate: of firms as a whole	44%	90%	73%	72%
of public firms	53%	92%	77%	73%

A special effort needs to be made, therefore, to raise household savings, but there are also special obstacles in this field.

(1) *Economic obstacles*

## (a) Low incomes

## (b) Fluctuating incomes, because

- (i) the economy is still largely subject to weather factors;
- (ii) unskilled workers find it hard to get stable employment, especially under the pressure of the great pool of unemployed workers;

(c) Depreciation in the value of money, which causes a large part of savings to take the form of hoarding (especially jewels and real estate property).

(2) *Obstacles other than economic*

- (a) The imitation effect among the poorer classes with respect to the richer ones and to foreigners in the country affects the consumption pattern and reduces the propensity to save;
- (b) Observance of certain traditions works against saving; examples are the expenses occasioned by the slaughtering of sheep for the festival of Aid El Kebir, or by marriage or circumcision feasts — these expenses represent potential savings which could be invested. But education alone cannot channel these funds towards investment, because the behaviour of these potential savers is often explained by their repressing a frustration complex.

B. *Composition of savings by assets*

The money supply has been increasing steadily in Tunisia, and since the national product has been rising less fast, the disparity in the two rates of increase inevitably had its effect on prices. The following table gives figures for the money supply and its composition, in million dinars, together with each year's percentage increase over the base year 1967.

Items	1967	1968	%	1969	%	1970	%
Bank notes	57.5	62.1	+ 8.0	64.5	+ 12.1	67.3	+ 17.0
Bank money	91.8	105.2	+ 14.5	117.7	+ 28.2	129.5	+ 41.0
Subtotal	149.3	167.3	+ 12.0	182.2	+ 22.0	196.8	+ 31.8
Quasi-money	44.5	49.4	+ 11.0	50.4	+ 13.2	57.7	+ 29.6
Total money supply	193.8	216.7	+ 11.8	232.6	+ 20.0	254.5	+ 31.3

Quasi-money, or liquid savings, generally accounts for about one quarter of the total money supply. The composition of these liquid savings, in million dinars, is shown below, together with each year's increase or decrease compared with the base year 1967.



Items	1967	1968	%	1969	%	1970	%
Time deposits in banks	27.4	29.4	+ 7.2	33.0	+ 20.4	39.2	+ 43.0
Deposits with the National Savings Bank	6.5	7.1	+ 9.2	7.8	+ 20.0	8.5	+ 30.7
Other deposits	7.7	9.1	+ 18.1	6.0	— 22.0	6.6	— 14.2
Bonds and loans (for more than 1 year)	2.9	3.8	+ 31.0	3.6	+ 24.1	3.4	+ 17.2
Total quasi-money	44.5	49.4	+ 11.0	50.4	+ 13.2	57.7	+ 29.6

## II. GOVERNMENT MEASURES FOR THE PROMOTION OF SAVING

Measures taken in Tunisia to stimulate the formation and mobilization of savings include the following:

- (1) tax exemption for interest earned on savings accounts;
- (2) tax exemption for income invested in specified national-interest enterprises or saved in the form of government or government-guaranteed bonds;
- (3) legislation on investment trusts;
- (4) authorization for banks to keep savings accounts (before independence, only the *Caisse Nationale d'Epargne* was entitled to accept savings from the public; since 1964 savers can open a savings account with any bank in Tunisia);
- (5) an interest rate policy favourable for savers (savings deposits tied for more than two years earn 5 per cent, and time deposits as well as certificates of deposit with a duration of more than 3 years earn 5.5 per cent).

## III. THE PART PLAYED BY THE SOCIÉTÉ TUNISIENNE DE BANQUE IN THE MOBILIZATION OF SAVINGS

The *Société Tunisienne de Banque* (STB), now Tunisia's largest bank accounting for more than 40 per cent both of total deposits and of total credits to the economy, has been concerned ever since its inception with the problem of saving. Together with the monetary authorities, it has been

studying and investigating every possible means of stimulating the formation and mobilization of saving in the interest of the country's economic development.

Institutionally speaking, the banking facilities created at the time of Tunisia's accession to independence proved perfectly adequate for the role of collecting such savings as were forthcoming; but there was the additional problem of creating an environment and institutional facilities such as actively to promote saving.

It was our bank which was the prime mover behind the establishment of a stock exchange in Tunisia and behind the legislation on investment trusts. It was our bank, too, which was the first to launch a large-scale campaign to promote household saving on special savings accounts.

Our campaign was conducted in terms of a number of different themes, such as "saving and marriage", "saving and children", and so on. The results surpassed all our hopes.

Within six years deposits on our special savings accounts reached six million dinars. To appreciate what this means, we must compare this figure with the less than 9 million dinars attracted by the *Caisse Nationale d'Epargne*, which has been in existence since the beginning of the century and has a very dense network throughout the country. The following table gives annual figures for the two institutions since 1967, in million dinars, together with each year's percentage increase over the base year 1967.

Items	1967	1968	%	1969	%	1970	%	31-7-1971	%
C.N.E.	6.5	7.1	+ 9.2	7.8	+ 20.0	8.5	+ 8.9		
S.T.B. (savings accounts)	1.6	2.6	+ 62.5	3.9	+ 143.7	5.1	+ 218.7	6.0	+ 277.3

We had 36,863 depositors on 10 August 1971; their number, too, has been increasing steadily, and so has the average amount of deposits per account, which is now 165,847 dinars, compared with 25 dinars at the CNE.

We needed a lot of ingenuity to think up new schemes so as to prevent the rate of expansion from slowing down. Examples are:

- (1) Quarterly prize draws, with prizes connected with the key theme:  
e.g. school equipment at the beginning of the new school year,  
furniture and beach toys for the holiday season,  
clothes and electric household appliances in the winter,  
private houses at the end of the year;
- (2) Premiums for newly-wed savers;
- (3) Gifts of savings books for babies born on a certain date;
- (4) Premiums for young savers on passing their exams.

In our campaigns, we used a wide range of publicity means, including newspapers, radio, posters, advertising on road hoardings, television and cinema cartoons, paper hats distributed at football matches, pullovers with publicity slogans as a gift for any child saving 5 dinars, and so on and so forth.

Our campaigns were designed on the one hand to educate the public to save and to spread knowledge about the techniques of saving, and on the other hand to attract the resulting savings to our accounts.

Even so, we feel we have not yet exhausted all the possible means of mobilizing household savings. We are now working along several lines simultaneously.

- (1) We are expanding our network with a view to having numerous agencies all over the country. Our mobile units serve the most outlying districts and also enable us to judge what priority to assign to various inhabited centres;
- (2) we are anxious to develop a very wide range of forms in which people can save, including  
sight deposits  
time deposits  
certificates of deposit  
special savings accounts  
securities  
long-term loans, etc.

The idea is to cater for the savers' different motivations, and to make it possible for them not to "put all their eggs into one basket". We are planning a publicity campaign to make the public familiar with all these different forms of saving.

- (3) We are planning to supplement a "comprehensive" campaign with specific ones aimed at particular population groups and catering to their particular needs. We shall gear each of these campaigns to one group, such as doctors, teachers, lawyers, farmers, young people, women, etc.

We are paying special attention to saving for housing purposes, and are now examining, together with government authorities, what possibilities there are of mobilizing part of the nation's savings for residential construction. Since incomes are very low, we shall have to find medium- or long-term resources at home or abroad to supplement domestic savings in housing finance. To this end, our agencies in Paris and Marseilles are going into the question of how to mobilize the savings of Tunisian workers abroad.

In conclusion, it may be said that Tunisia at present has enough facilities to make room for an expansion of national saving. Action needs to be taken along two lines:

- (1) with respect to the formation of savings (reduction of consumption),
- (2) with respect to attracting savings to institutions which can mobilize them for economic development.

#### PROFESSOR DELL'AMORE

For all its brevity, M. Ghenim's report was most interesting. He has told us of a number of excellent savings promotion schemes, and I am sure that much of what is being done in Tunisia could be done likewise in other countries.

Personally, I was much impressed by what he told us about publicity campaigns. Clearly, large sums are being spent for that purpose, and this is a matter worth consideration by all African credit institutes.

He has also told us about setting up a stock exchange. We all know only too well how difficult this is to do, because, without an appropriate environment, a stock exchange cannot function properly. One of the most difficult things when a stock exchange is first set up is to arrive at the formation of prices which are significant in national terms, that is, in terms of the economy as a whole. All I can say is that this is an endeavour to



encourage. Obviously, a well functioning stock exchange cannot be created overnight, but in the long run people can be taught and accustomed to make use of this financial institution which is characteristic of the developed countries of Europe and America.

M. Ghenim also mentioned the development of investment trusts of the French SICAV type, which have grown so much in France in recent years. Here again our Tunisian friends should be encouraged to persist along these lines.

Corporate savings, it seems, account for 63 per cent of national savings in Tunisia, so that, together with household savings, private savings are far in excess of public ones. This is a very healthy situation, since in most other African countries it is the other way around and public savings are far in excess of private ones. It is altogether right that private saving should predominate over public saving. Naturally, different countries have to make the best of their own conditions, which often means that the government must rely in the first place on public saving, but I hope that this will be a passing phase in Africa. No effort must be spared to increase private savings — not only corporate savings, although this certainly is in itself a great success, but household savings as well. The main thing is that in the overall savings pattern private savings should predominate.

Another interesting point that M. Ghenim mentioned is that the number of depositors is increasing steadily. This too is relevant in the context of each country's economic and social development. Even if individual deposits are small, too small as a matter of principle, the important thing is to have the saving habit well spread throughout all population groups. Even small savings matter for economic and social progress. Your approach seems to me a very good one, these publicity campaigns to increase the number of your depositors, just because total private savings fall short of your country's economic needs and just because the bulk of private savings comes from firms, although of course corporate savings is an important source of funds for economic and social development.

Our last speaker this morning will be M. Amethier, governor of the Ivory Coast Industrial Development Bank. After hearing him, I suggest we adjourn and meet again at 3 p.m. to listen to the report of Professor Tinbergen. With your permission, I shall hold over the rest of my list of speakers for this morning until after the Tinbergen's report.

I now give the floor to M. Amethier, and I would ask him to be as brief as possible, because most participants will no doubt wish to go back to their hotels before the afternoon meeting.

M. AMETHIER

(F.) I would like to make a point, Mr. Chairman, in connection with your proposal of yesterday for an association of central banks. There already exists an association of African central banks, and all they need to do now is to pass on to the second stage of organizing a sort of capital market in African countries. But as regards an association, we already have one.

For the rest, I am still hungry — or thirsty, if you like — for more information about the mobilization of savings among the rural population. Tomorrow my young colleague M. Diarra will tell you what we have done in the Ivory Coast to mobilize savings. I shall not go into technical aspects, therefore; but I do want to take up a point made by Mr. Wirmark a little while ago, and that is, the importance of confidence and enthusiasm when it comes to mobilizing savings in the rural world. This presupposes the confidence of the people concerned. It is not possible for just anyone to undertake this work, however well educated and well trained he may be; without the confidence of the people concerned he would be courting failure.

It follows that before undertaking anything whatsoever in the rural world, one must ask oneself whether one enjoys the confidence of the people concerned, and next one has to generate the sort of enthusiasm which leads to massive popular support.

I was interested in what the delegate of Senegal said here yesterday about the establishment of people's banks in his country. I should like to discuss this further with him, and ask him to tell me, or all of us, more about this organization of people's banks, for it seems to me to be important for our countries.

I have had occasion to take part in all sorts of meetings about the problems of saving, and I get the impression that we are not always told enough about the sociological context in which saving is organized, say, in Italy or in France. In the rural areas of France we certainly do find offices or agencies of the *caisses populaires* — but what do they represent? They are offices or agencies of banks whose seat is in Paris. The offices or agency in a French village is not something the local people have anything

to do with, it is an import, so to speak. But in Africa, the important thing is to get the rural populations to understand that they must organize themselves. We do, after all, have rural banks already, the local money-lenders, black market bankers if you like, but they lend at usury rates.

Clearly, the idea of organizing and mobilizing savings, and of using savings for loans and investments of various kinds, does exist. What we need to do is to reshape this idea, to rationalize or modernize it.

We need to do more along the lines of the Senegalese scheme, we need to set up savings banks, and savings and credit co-operatives. This means that production and marketing have to be organized first, for it is impossible not to link saving and credit. Borrowers must in all cases contribute something themselves. Hence one has to make sure that borrowers really can afford to make a contribution of their own, and to this end make sure that their work brings them in a profit.

In my view, the most difficult part is to organize production. This is an essential task, and I should have liked to hear some helpful suggestions from Ministers of Agriculture here present. Many people in Africa simply do not work enough, and therefore cannot have enough income to be able to save.

Algeria, too, seems to be a very interesting model of how to organize savings banks. In many parts of Africa there are still post office savings banks, touched up here and there but never fundamentally overhauled. Algeria, on the other hand, which also had its post office savings banks, set up genuine savings banks alongside, with their own offices, with an entirely new organization, and with new men rather than post office employees. This, I think, is the important point. These savings banks were organized by economists, by men, therefore, who have something new and very valuable to contribute in this field. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you, M. Amethier. You have spoken about post office savings banks, and this is a point on which I would like to comment. The one great shortcoming of post office savings banks, in my view, is that they collect savings for investment either by the government or by other centralized financial institutions.



Now, it seems to me that M. Imalhayène has been very wise in making use of post offices to accept savings, but he has been equally wise in having his own bank, the *Caisse Nationale d'Epargne et de Prévoyance d'Alger*, take care of the investment side. This is an example that I shall hold up to all post office savings banks in Africa, and to all Africans concerned with economic affairs in their country. What I mean is that post offices should certainly be used, wherever possible, to collect savings, but they should not take on the function of extending credit. Lending is the business of banks, possibly ordinary savings banks. But the important thing is that savings should be invested where the depositors live. That, to me, is a fundamental principle. Otherwise the regions where savings are formed, especially rural regions, would be deprived of the economic and financial backing they need.

We in Italy are, unfortunately, a good example of this kind of danger. In the south, large sums are saved through post offices. But in the south this is a noxious system, because the savings that go to the post offices are thereby withdrawn from the local economy which could make good use of them to finance industrial enterprises, and farms above all, also services, etc. My conclusion is that we should oppose the proliferation of post office savings banks so long as the savings that accrue to them cannot be invested locally.

M. Amethier also told us that there already exists an association of central banks. I know about it, but the monetary committee I have in mind is meant to have much broader functions than this existing association. Somebody at this Conference has kindly promised to send me a copy of the statutes of this association, and I shall read them with great interest, even though this is not the sort of thing I mean. What I have in mind is that African central banks should organize a monetary committee to work together with European central banks in matters of technical assistance and, eventually, also financial assistance. In time, this committee could evolve into an organization on the pattern of the Bank for International Settlements in Basle, which discharges not only technical assistance but also financial functions.

I now adjourn the meeting, and request you all to be here punctually this afternoon at 3 o'clock, to hear Professor Tinbergen.



## AFTERNOON MEETING

PROFESSOR DELL'AMORE

I now have the honour to give the floor to Professor Jan Tinbergen, Nobel Prize winner, as you all know.

PROFESSOR TINBERGEN

SAVINGS AND DEVELOPMENT. WAYS AND MEANS TO ACHIEVE THE GOALS OF THE SECOND DEVELOPMENT DECADE

*Professor Tinbergen's report (original English) will be found on p. 115*

PROFESSOR DELL'AMORE

In the name of all the participants in this Conference I thank you, Professor Tinbergen, for having accepted our invitation to come and talk to us, and for your stimulating report in which we find certain general principles concerning saving. There is much in it that will be fruitful for us to discuss, and I hope that many participants will take advantage of this opportunity to tell us their view on the various points touched upon by Professor Tinbergen.

For my own part, I should like to pick out one point on which we surely all agree, namely, that the human capital, in terms of education, training and experience, is quite as important as physical capital.

I note, further, what Professor Tinbergen has said about the role of savings banks in promoting saving, and hence economic and social development. He said that we need to think carefully about the destination of possible savings. This is a problem which has already come up earlier during these two days of our Conference. I suggest that the savings banks of developed countries have demonstrated what can be done with a public-spirited management of credit institutions. This is one of the fundamental matters with which we must concern ourselves, and I hope that the Drafting Committee will propose some recommendation on this point.

Professor Tinbergen spoke of a "sophisticated" investment policy. This is so right — a very sophisticated policy is indeed required of all types

of banks, and especially of savings banks which are managed with a social purpose in view, without any profit motive. I want to stress this point: it is much to be hoped that any new savings banks that are set up in Africa will always be run in a public spirit, without ever trying to make profits. This is relevant for another problem on which Professor Tinbergen touched briefly, namely, the problem of interest rates on bank loans.

Now, this is a controversial matter. Some of the most distinguished economists, Pareto for example, hold that in the long run economic and social development is fostered by low interest rates. This is true enough, but we have to ask ourselves whether low interest rates are feasible in African countries. Of course, we would wish to see very low rates charged by all African credit institutes, but then they also have to think about attracting deposits. And from this point of view African countries may be led to adopt a policy very different from that of the developed countries of Europe. There is a case in Africa for paying savers as high a rate as possible on their deposits, because obviously this would help to overcome the difficulties of raising savings in sufficient amounts. Yet the banks' high borrowing rates must on no account be allowed to find reflection in high lending rates, for otherwise there would arise the new difficulty that production costs become too high for enterprises in various fields.

What, then, is the solution? The solution surely is to organize credit institutes in such a manner as to keep down their management costs to the absolute minimum. In the underdeveloped countries of Europe the formation of savings is very high in comparison with Africa, in spite of the very low rates of interest paid to savers. In Italy, for instance, it is only in the last few years that we have been paying 1.5 or 2 per cent on savings. But savers in this country have so much money that they brought along their savings anyway. In these conditions, savings banks have been able to reduce the rates they charge on loans, though admittedly another reason why they were able to do this was the adoption of advanced management techniques.

My own conclusion on this point is that I fully agree with those who argue that banks should pay interest rates high enough to stimulate deposits. But we need to study how to organize credit institutes — all types of credit institutes — so as to save on management costs. I am sure Professor Tinbergen will agree with me on this point.

Once more, then, I express to Professor Tinbergen my warmest thanks on behalf of the Conference; and now we return to our discussions. I have very many speakers on my list, and with your permission I must ask each one of them to be very brief. First on my list is M. Mankoubi, General Manager of the Development Bank of Togo, but I understand he wants to speak later, on another day. So I call on Ambassador Borin, Permanent Representative of Italy with FAO.

SIG. BORIN

(F.) Mr. Chairman, I am acutely aware that diplomats are often reproached with talking about all and everything, and especially about things they know nothing about. I do not propose to make the mistake of talking about technical and economic questions before an audience like this, full of experts and distinguished personalities. My remarks will be very brief, and indeed have only a limited aim. I came here, Mr. Chairman, in all humility, wishing to learn. I have learnt a lot, I have stored a lot of new information, and I shall take with me the conviction that at this Conference, which you have organized, you have put your finger on a fundamental problem, that is, the function of saving in economic development, and especially its function in agricultural credit. Seeing that I am the Italian government's representative at FAO, this is a problem that concerns me closely, the more so as FAO itself is closely concerned. If you allow me a pun, I should say that while savings banks amplify the harvest of money, they still need an amplifier, and the FAO can provide such an amplifier. My main point is that I should like to draw the attention of the drafting committee for resolutions to the fact that the FAO Conference is due to meet at the beginning of November in Rome. The organization's 115 member nations will send delegates of ministerial rank, so it will be a meeting that could usefully be alerted to these problems and to the strategy worked out for their solution. The Italian delegation will make it its business to inform the FAO Conference of the results of this Conference here in Milan, to illustrate them and to pass on what will be said here. I would suggest to the drafting committee, too, to put forward a recommendation to the effect that the Director-General of FAO should be approached via the FAO delegates here present. Speaking for myself, I conclude with the hope that those among



the audience here who will shortly attend the FAO Conference may, on that occasion, shift their ideas and their strategy into an even brighter limelight. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

In thanking Sig. Borin for his remarks, I would like to tell him how grateful we shall be if he makes himself the spokesman of this Conference at FAO, tells FAO of its importance and of what we are discussing here, and tries to get the FAO Conference in its turn to give careful consideration to the recommendations or resolutions on which we shall vote tomorrow.

I now give the floor to Mr. Mambiya, banking manager of the Reserve Bank of Malawi.

MR. MAMBIYA

(E.) Thank you Mr. Chairman, first of all I would like to thank you and your organization for extending the kind invitation to me personally and on behalf of my government to attend this Conference. I also thank you for all the arrangements made on our behalf.

My speech is not going to be a long one, and I do not intend to cover all the subjects that have been covered by previous speakers. Mine will be in the form of questions and also some observations on Malawi's experiences.

As many delegates here may know, Malawi was, before independence, part of the Federation of Rhodesia and Nyasaland. I will only talk about what has taken place since the break-up of the Federation in 1963, because what happened before then in regard to savings is not what one can talk about at a Conference like this one.

When it was evident that Federation was going to break up, most depositors withdrew their savings from the Post Office Savings Bank because of lack of confidence. Therefore, the position prior to independence shows very small figures of savings both at the Post Office Savings Bank and at other financial institutions.

Realising the problem, the government set up a Central Bank in 1964 to take on the responsibilities of a monetary authority, amalgamated three building societies into one with government participation, and re-organized



the Post Office Savings Bank. The commercial banks which were foreign-own institutions also reorganized their business. Thanks to these measures, honourable delegates, Malawi has done very well since then and has had an annual growth rate in savings of more than 19 per cent per annum.

Now turning to the question of mobilizing savings, we have a saying that: "A person can only save when he has enough and something left over". The majority of Malawians live in the rural areas and mostly at below subsistence level. At the time of independence one could not talk of savings, because there was a greater need to provide a better standard of living. This is being achieved by the government's implementation of various agricultural programmes which I will mention later.

Since Malawi achieved political independence, the country has been and is still striving to achieve economic independence; therefore, emphasis is laid on those projects that are economically viable and conform to the economic structure of Malawi.

As many delegates are aware, Malawi is an agricultural country and as such depends on the soil for the well-being of its inhabitants. It is on this field that since independence the government has concentrated in order to develop the country economically.

As this affects the biggest part of the country and population it has not been easy for the government to teach people modern methods of agriculture and at the same time tell them to save in order to increase their capital. Nevertheless this is being achieved in various sectors of agriculture; to give an example, Mr. Chairman, those who grow tea or tobacco are given farm implements and fertilizers on loan, and when they sell their produce part of the proceeds are used to repay the loans. This has proved more successful than cash loans which could easily be misused.

As the population is now being brought into the cash economy, it is possible for them to save and the government lesson in this respect is being heeded.

Coming to the financial institutions, Mr. Chairman, apart from the Post Office Savings Bank which has facilities throughout the country, the commercial banks have also taken a very active part. At the break-up of the Federation there were two banks of foreign origin, namely, the Standard Bank Limited and Barclays Bank, which provided savings facilities both at branch, agency and mobile agency levels.

During 1970 a new local bank was established in competition with the two foreign-owned banks. And since then the two foreign banks have been amalgamated into one, with government participation.

These measures are being taken as the country develops in order to achieve economical independence.

I mentioned earlier, Mr. Chairman, that the government took certain steps in reorganising the financial institutions after the break-up of the Federation. These have resulted in a high year-to-year increase of savings. The reorganization of the banks is aimed towards the same results among others.

There are certain problems, Mr. Chairman, honourable delegates, which may be common to Africa, and certainly are very real problems to Malawi; I would like to mention some of them.

The first I would like to mention is that Malawi has a large labour force which had for a very very long time been travelling to Rhodesia, South Africa and elsewhere looking for employment, because they cannot find employment locally — though many more are turning to agriculture now. These people went on their own accord, but since independence the government reached an agreement with the authorities of those countries, whereby the movements of the people to and from are controlled. The agreement also provides that part of their wages be remitted back to Malawi by means of deduction at the source. The people are issued with Post Office Savings Bank pass books which they collect on their return home. This scheme has contributed greatly to the mobilization of savings in Malawi and percentage wise accounts for about 27 per cent of total savings.

One of the problems has been communication. Whereas the financial institutions have been able to operate in the big centres, the bigger part of the country is being served by mobile agencies which can only operate during the dry season. This means that banking facilities cannot be provided in some areas during the rainy season.

The government on its part, and the people through self-help schemes on the other hand, are reducing this gap by building roads and bridges. As these extend, facilities are being provided to new areas.

I also said, Mr. Chairman, that Malawi has taken the stand that it can implement only those projects that are viable in the economy of the country. Much has already been done to achieve this, but I would like to

plead here that despite what has already been achieved, we do need some assistance particularly in the field of training. We still need to train people in various fields as we are facing a challenging world which is moving at a faster pace than we can keep up with our own resources. Because of this, we have to find assistance where we possibly can, whether from your association, Mr. Chairman, or elsewhere if we think there is a reasonable chance.

As the Mauritian delegate said earlier this morning, Mr. Chairman, please do not forget to include us on any training programmes you may have in the future, and on our part we shall be prepared to send people for as long as possible. With that, Mr. Chairman, thank you once again.

#### PROFESSOR DELL'AMORE

The conclusion we must draw, I think, from Mr. Mambiya's remarks, is that somehow the credit institutions must contrive to have a denser network in rural areas. This is a necessary condition for developing agricultural credit. In many African countries banks tend to concentrate in towns, while on the contrary it is necessary to have a dense credit distribution network in rural areas, if only for the sake of technical assistance to farmers. Farmers, as I said yesterday, need not only a good supply of funds at low interest rates, but also technical assistance on a continuing basis, and this can be provided only if there are branches throughout the country side.

I now call on Sig. Laure of the FAO, who will talk to us about revolving funds for agricultural credit.

#### SIG. LAURE

(F.) Mr. Chairman, as Mr. Abbott of the FAO has already stressed before this Conference, we at FAO consider credit a key factor in agricultural development, and we therefore take a keen interest in any step that is taken with a view to developing agricultural credit. This applies both to its distribution to individual farmers or groups of them, and to the formation of savings as a source of credit funds.



It is common knowledge that agricultural credit is the most difficult of all forms of credit; it entails high risks and high management costs, and the proportion of unrecoverable loans is likewise very high.

Hence attempts are being made to work out new techniques to reduce both the distribution costs and the risks of agricultural credit, and to alter the traditional banking procedures, in so far as they are considered as too conservative.

It is being realized now that credit alone can do little for development, that it must go hand in hand with instruction of farmers via extension work, that it must be preceded by a careful assessment of the needs of each farm, that its use must be supervised, and that it must be accompanied by a timely supply of farm inputs, that is, the things a farmer needs for getting on with his work. From this point of view it has been argued that to promote co-operatives is the most efficient way of organizing the distribution of credit in kind, and also of recovering loans out of the proceeds of marketing the member's produce.

The UNDP, the United Nations Development Programme, which finances development projects via the FAO, is, in its turn, very interested in implementing such a programme and has decided to put one into effect in several countries for which agricultural development projects have been approved. This integrated and controlled, or supervised, method of agricultural credit requires the establishment of a revolving fund for getting off the ground.

A distinction has to be made between revolving funds at national or regional level, and revolving funds at the level of separate development projects. In both cases, credit is usually granted for very well defined purposes and by means of special procedures, and the proceeds of loan repayments, plus interest, are redistributed by the same methods so as to keep the scheme going. But beyond that there are differences.

A government revolving fund is financed by extra-budgetary resources, and may be managed either by some existing bank intermediary or by an ad hoc agency set up for the purpose. Such revolving funds are in operation in several countries of Europe, Africa and America. They usually do not handle short-term credit, but only long and medium-term loans.



By contrast, revolving funds at the level of development projects are allocated by the UNDP to a particular project, in order to provide initial medium- and short-term credit to the farmers in the project area.

The projects concerned are usually designed to develop agriculture in some circumscribed area, by introducing new farming methods or developing some particular crop (e.g. coffee, cocoa, jute), or yet by introducing irrigation and, consequently, more profitable crops.

Thanks to the financial resources, the project management can distribute farm implements and machinery, draught animals, even construction materials such as corrugated iron sheets, doors and windows, and most of all current inputs like fertilizers, insecticides, selected seeds, etc.

The revolving fund is used in the following way. The project management draws up a qualitative and quantitative list of the credits needed by each farm or by groups of similar farms. It buys materials with money drawn from the revolving fund, which belongs to the UNDP, and distributes these to farmers by means of very simple procedures. Repayment terms are tailored to the real capacity of each farmer, as assessed after careful investigation. The due date of instalments is a few week after the harvest of the main marketable crop. Medium-term loans may be for any period between two and eight years. By this adjustment to effective income, and to the actual time when it is earned, it is hoped to reduce the risk of default.

As soon as a farmer repays his loan, the money is deposited in a local bank approved by the government. This repaid money is then given to the government for the purpose of setting up a revolving fund to be managed locally, but subject to rules laid down in a prior agreement between the FAO and the government.

The management rules have three aims:

- (1) To make sure that the revolving fund remains at the disposal of the local farmers and is not lumped together with other government funds spent for other purposes;
- (2) To make sure that the distribution methods successfully applied at the initial stage are retained, even if they differ from the traditional methods of local banks;
- (3) To make sure that the technical action introduced, if successful, continues after the termination of the project itself.

Another feature of these revolving funds is their educational and savings promotion effect. Development projects financed by the UNDP encourage farmers' groupings and provide them with a certain amount of technical and administrative assistance, with the intent and in the hope that these groups will subsequently turn themselves into co-operatives, and in any event inherit the benefits of the revolving fund once the project is terminated. Thanks to the initial capital endowment of the revolving fund, these farmers' groups can continue and amplify the credit scheme, both by mobilizing local savings to increase the fund's resources, and by organizing co-operative credit.

In agricultural regions where incomes are very low, little can be saved to constitute loanable resources. Revolving funds act as a stimulant to the formation of savings, because they provide an initial outside contribution by which farm incomes are raised and some margin created for saving.

To sum up, the final results which it is hoped to achieve with revolving funds are, first, that the comprehensive method of assisted, or supervised, credit will be continued locally and may, if it proves successful, ultimately be adopted elsewhere in the country, and secondly, that small farmers will be taught the benefits of saving and the mobilization of savings for local use. As I see it, revolving funds are a springboard, in that they encourage the emergence of local, private institutions, such as agricultural savings banks or credit unions, to carry on with a new type of credit scheme.

In conclusion, I should like to suggest to the representatives of African authorities taking part in this Conference, that they might consider this particular form of credit when they have occasion to discuss with officials of the United Nations or other organizations any request for technical and financial assistance for agricultural development in their respective countries.

#### PROFESSOR DELL'AMORE

Sig. Laure has spoken about a very interesting problem and told us about a means of developing agricultural credit that might well be applied in many countries. I thank him for his valuable suggestions and hope that many participants will take advantage of them.

I call upon His Excellency Alpha Sembu Forna, Minister of Agriculture and Natural Resources in Sierra Leone.

MR. FORNA

(E.) Mr. Chairman, Your Excellencies, ladies and gentlemen, I want first of all to take the opportunity on behalf of my government and of the delegation I lead to thank you for inviting us to this Conference.

You will find, Mr. Chairman, that the delegations comprise ministers of state representing different ministries of the various countries, ministers of finance, ministers of agriculture, ministers of development, bank officials, civil servants and representatives of many government departments in Africa. We have come here because we realize that the problems which face the African people with regard to the development of our countries are problems of such magnitude that Conferences like this are very welcome.

Mr. Chairman, before I came to this Conference, a number of questions arose in my mind. One of them was: why was a Conference like this called by an European bank in Europe? In asking this question, I would also like to venture to say in answer, that your bank is doing this because it realizes what the problems of Africa are.

I must thank Professor Tinbergen for bringing out some of the salient problems that will face not only Africa, but the world. The International Labour Organization, I believe, has suggested that in the next ten years the developing countries will have to provide jobs for up to 325 million people. We in Africa, especially those of us who work in the political field, begin to ask ourselves what proportion of this total Africa will have to provide. Half, one third, one fifth? Any one of these fractions would be alarmingly high and raise huge problems. And of course, the problem of creating jobs for so many young people in the course of ten years is one we must take very seriously indeed, and this alone makes it right for us all to be brought together so that can at least begin to look for solutions.

This brings me to the second question that arose in my mind, and that is more immediately connected with the theme of this Conference, the mobilization of savings in African countries. Now, Mr. Chairman, I am not an economist, and, with so many brilliant experts assembled here, I will not attempt to talk about how to mobilize funds. But I will attempt, with your permission, to deal with the connected question of the purpose for which funds are to be mobilized in the African context. I believe the answer is: for rapid development. And in this connection I should like



to suggest very briefly some of the ways in which I think that not only your bank, but European banks generally, can help us.

I think we must get away from the *clichés* which have dominated the European approach to African development. Let me give you an example. We in Sierra Leone discovered only last year that it might be possible for us to grow a so-called dry-season crop. The national average in the production of rice in Sierra Leone is 25 bushels per acre, and that, by comparison with anywhere else in the world, is a very low yield. But last year, with the help of Chinese experts, we set up an experiment with growing a dry season crop. We calculated the full cost including an estimate of the value of the experts, the cost of the officials involved and the farmers' expenditure; and then we bought two pumping machines and grew a dry season crop on 27 acres. We got an average yield of 88 bushels per acre, compared with 25 bushels. Now, if we could get funds, we could repeat the experiment on 270 acres, and find out whether the system is feasible for us. This is the sort of development aid we would welcome.

Africa's rulers today, Mr. Chairman, are able men who realize how enormous are the problems which face us. Chief among them is the problem of agriculture.

Now, the Chinese teams that have come to help us have no involvement with African economic development as a whole; they are involved only in helping us improve and develop our agriculture, and teach us things about tropical agriculture which our colonial masters never told us. It is perfectly possible, of course, that the Chinese have their own reasons for doing this. The People's Republic of China now has a thousand million people, and they may think of the vast territories of Africa as a source of rice for their own consumption. However that may be, it means that our Western European friends may find they are left behind — not because they are not trying to help us, but because they approach their help to African peoples from a different angle. We grow things that could very well be exported to Europe, and might even help to bring down the cost of living there. I can think of at least three countries in West Africa that could provide the finest possible pineapples at a very cheap price. And those of you who have visited tropical Africa will agree that the oranges of Gambia or Sierra Leone are a good deal tastier than any to be bought from



California, Italy or Israel. This is a branch of our agriculture that we would like to develop. I suggest that there is no need to protect the California, Hawai and Israeli planters to our detriment; the world's population is growing so rapidly that there will always be people who do need oranges and will be glad to have them. Agricultural products, especially food including tropical food, can never be in excess supply, if there is to be enough to feed all the rapidly multiplying mouths in the world.

I think, perhaps, the European approach to African development is not direct enough. You have told us, Mr. Chairman, that your bank is going to spend 1 billion lire on a training centre for Africans. Now, we welcome training, and when our delegations go back home they will tell their governments of your great philanthropic effort and of the Italian people's fine intentions with regard to the development of Africa. But this is not enough. I think the Europeans at this Conference should also go back to their governments with a message. And this message is that the development of Africa must not be left solely to the willingness of big industrial concerns, say mining concerns, to come to Africa with their advanced techniques and earn high profits.

What we should be enabled to do, Mr. Chairman, is to concentrate on the development of agriculture, because it is here that we could make the most effective use of the vast majority of the manpower at our disposal. A previous speaker said that in his country some 50 per cent of the population was under 15 years of age. I dare say it is true all over Africa that at least half the population is under 25. These are virile, dynamic people, and jobs must be provided for them. I have no answer to this problem, Mr. Chairman; my only contribution is to highlight it, and I must leave it to the experts to suggest by what means it can be solved.

Some of our African colleagues at this Conference have told us of their countries' efforts to mobilize savings. But as the speaker from Malawi said, people can only save when they have enough to eat, and they will only save when they have a motivation to do so. I think it is important, when we meet our European friends on an occasion like this, to talk not only about the problems that confront us but also about the methods by which our friends can help us.

In my own country, the government is committed to the development of agriculture to the extent of at least 1 million leones, that is about half

a million pounds sterling. But government assistance alone is never enough, as everyone here will appreciate. I venture to suggest that if savings banks set out to help us not only with housing development, but if they go to any African country and suggest loans for the development of agriculture in terms of new implements, such as tractors, harvesters and so on, that will be just the thing that governments will be glad to accept.

In conclusion I want to stress again that the main point I wanted to make in this short speech is that we must try to change the methods by which our European friends want to help us in Africa.

#### PROFESSOR DELL'AMORE

In your most interesting and stimulating remarks, Your Excellency, you have touched upon a number of problems which, unfortunately, I do not feel competent to answer at short notice. I will try to comment on some of your points in my closing speech. Meanwhile, I thank you for your intervention and now call on the next speaker, Mr. Mwenda, of the Finance Ministry and Treasury of Tanzania. After that, we shall have time for only one more speaker tonight, Mr. Demissie of Ethiopia, but of course all the others who have asked for the floor will be able to speak tomorrow, after the reports on our agenda. Mr. Mwenda, you have the floor.

#### MR. MWENDA

(E.) Mr. Chairman, ladies and gentlemen, I would first of all like to associate myself with those previous speakers who have so well expressed their gratitude to Professor Dell'Amore and the organisation behind him for having taken the initiative to call this Conference.

Mr. Chairman, it is generally agreed that the mobilization of small and medium-scale savings is a good thing, an important thing, an aim of real relevance to the achievement of greater and more rapid development in Africa. Certainly I am not here today to challenge that belief; however, I should like to submit it to rather more detailed scrutiny than it normally receives. Why do we think it desirable that the number of people who save through organized financial institutions on a voluntary basis should be increased? What social and financial ends will this serve?

On the financial side, one end which will not be advanced materially is all too evident. No plausible rate of increase of the numbers of depositors or average size of small and medium deposits with financial institutions in African countries can possibly have a major effect on total national savings rates or volumes. National provident funds and similar compulsory savings schemes can generate significant growth in national savings, but no such impact can be expected from voluntary, individual arrangements. Indeed, even in the long term, it is rather doubtful that the voluntary savings of individuals of modest means will ever be a significant share of the national investible surplus.

The argument that it is better for individuals to hold their savings in deposits rather than in notes or coins and that therefore it is also better for the national economy, is almost equally doubtful. Currency held by individuals as a form of savings represents a quasi-permanent interest-free loan to the Central Bank. It is by definition non-inflationary and creates no real problems from a national financial management point of view. Thus to argue that it is somehow better for a country if its small savers have deposit accounts rather than stores of currency is by no means to assert a self-evident truth.

Perhaps I should also point to a negative in the opposite direction. It is often argued that in a country engaged in a transition to socialism, small savings are totally irrelevant. This argument seems to me to be misconceived for several reasons. There are, as I shall seek to indicate later, a number of purposes for which individual savings are and will be appropriated in Tanzania, especially until we are able to finance a much broader and more generous public social service and contingency assistance service network than is possible at our present *per caput* national output of less than \$ 100 a year. Furthermore, socialism as we see it in Tanzania, is not to be equated with total centralization either in decision-making, in financing, or in the operation of directly productive units. If communal agricultural productive units, which we call "ujamaa" villages, and jointly owned medium-scale commercial, processing, transport, and manufacturing operations, which are often carried on by co-operative societies, are to be viable and able to plan for phased expansion, they should be seen as small and medium-scale savers, analogous to the small businessman of small-holder farmer in a less communally oriented mode of production.



Before making a few observations on what purposes I believe the mobilization of small- and medium-scale savings can serve, perhaps some brief comments on the actual situation in Tanzania today would be appropriate.

Somewhat over 400,000 small savers hold about Shs. 150 million in deposits with the Post Office Savings Bank, the National Bank of Commerce, credit unions, the Permanent Housing Finance Company and in the built-up value of individual life insurance policies. In numbers of depositors, the Post Office Savings Bank with over 300,000 is first by a very considerable margin, while in terms of savings the Post Office Savings Bank, National Bank of Commerce and Permanent Housing Finance Company each has an excess of Shs. 40 million. In recent years the total of small savings has been rising by about 8 to 11 per cent a year.

The 400,000 individual savers probably include members of about 15 per cent of Tanzania's 2,500,000 family units. Therefore, it would be unnecessarily pessimistic to say that the saving habit is very narrowly confined. On the other hand, with an average level of small savings under Shs. 300 and of Post Office Savings Bank accounts of just over Shs. 150, it is evident that the typical small saver has very small savings indeed — probably under Shs. 100 in the majority of cases — and furthermore that he builds up his savings, uses them to meet a large purchase or a crisis and so runs them down again more often than he achieves a steady build-up in his account over a number of consecutive years.

What purposes can be served by small- and medium-scale savings for the saver and for a society moving toward a decentralized, participatory socialist mode of production and institutional structure?

First, such savings, whether by individuals or by small communal production or distribution groups, provide reserves to meet contingencies and emergencies. A farmer or a worker or an "ujamaa" village or a co-operative society can face the consequences of a burglary or the blowing away in a storm of a roof with much greater assurance if a savings account has been built up to provide for restoring the damage done by such highly undesirable but almost equally inevitable events. Such provision is socially desirable as well as valuable to the immediate beneficiaries. Tanzania can neither afford nor administer a widespread, generous contingency and



disaster relief programme. On the other hand it can ill afford to have the individuals' lives and the small public-sector institutions' economic future crippled by the lack of a few hundred or a few thousand shillings to tide over an unforeseen event which, however small it may look to us who are attuned to thinking in terms of millions of shillings, hundreds of millions of lire, millions of kronor, or hundreds of thousands of pounds, really does represent both economic and human disaster to the small savers we are thinking about today. Many, perhaps most, of Tanzania's small savers do appear to use their accounts for this purpose but the fact that about 85 per cent of households have no accounts and that over half of the accounts are under Shs. 100, demonstrates all too clearly that this purpose is still far from adequately served.

Secondly, small savings form a convenient way of accumulating tiny individual surpluses to meet the costs of a large purchase. Large, that is, by the standards of the saver; a bicycle or radio or sewing machine or improved roof are typical of the target purchases individual small savers might seek and a dairy cow, a used landrover, a small hand-operated tinning unit, are relevant items for small public-sector productive units.

Again, some accounts certainly are used in this way, but not as many as we should like, especially in the case of co-operatives and "ujamaa" villages. It is socially desirable that small surpluses should be husbanded to allow genuinely important consumption or investment aims to be achieved, rather than be dissipated on less important and ultimately less satisfying but individually cheaper items. This is an area in which the savings account has a real advantage over notes and coins in a box or tin; the latter are far more likely to be tapped for an extra bottle of beer or another packet of cigarettes and this defers the possibility of buying a bicycle or sewing machine to eternity.

Thirdly, it is at least probable that the use of formal savings institutions contributes to the development of more orderly budgeting for individuals and small institutions. In Tanzania, as in all countries and especially all poor countries, it is only too evident that many of those with limited resources do not allocate them as well as they might. For example, use of buses in Dar es Salaam is at least twice as high in the week after the end of the month, when many firms and institutions make wage payments,

as it is just before the middle of the month, a pattern strongly suggesting a somewhat unplanned use of money. Achieving a regular savings pattern is, in itself, a step toward more orderly budgeting and as in many other fields this step is likely to lead to others along similar lines.

If, then, these are our reasons for promoting the mobilization of savings from the small saver, what requirements must be met to encourage more individuals and small public-sector bodies to save more, and more regularly?

*Safety* is probably the primary requirement. In the case of Tanzania safety is absolute on the institutional side with the exception of the co-operative credit associations, and even these have a quite good record. While losses can arise from theft and forgery of deposit books, this is a very rare event compared with loss and theft of cash, so that on the whole the safety requirement is met.

*Availability* is another requirement. If the two main reasons for saving are to be able to meet emergencies and to build up funds for major purchases, it is critical to the saver that he is able to get his savings back when he needs them, that is, with minimum delay. To get Shs. 500 only after a month is to defeat the purpose of an account whose depositor envisaged it is a means of protecting himself against the consequences of storms, burglars, or accidents! Here too the Tanzanian institutions are relatively flexible and satisfactory in terms of the immediacy with which savings can be retrieved in case of need.

*Accessibility* is a much harder requirement to meet. With over 900,000 square kilometres of land area, widely dispersed population, and the certainty that individual accounts will be small, there are very great difficulties in serving the rural population at a bearable cost. The Post Office Savings Bank's lead in terms of numbers of depositors is in large measure the result of its greater number of branches.

However, with the introduction of mobile and fixed-point rural agencies the National Bank of Commerce now has over 100 rural outlets and is probably particularly well suited to handling co-operative and "ujamaa" village savings accounts. The question of how to provide wider access to savings institutions is one with which we in Tanzania are actively concerned and one on whose solution elsewhere we would welcome information.

*Knowledge* of the existence of facilities, of their actually being available to small savers, and knowledge of the uses of savings are critical to the expansion of the small-scale saving habit. The Post Office Savings Bank has an advantage here in that Post Office users tend to become aware of its existence almost automatically and can see for themselves that individuals of circumstances similar to their own are welcome. The National Bank of Commerce has begun a variety of campaigns including radio announcements, printed material, talks to groups of employees and co-operative society members, and presentations in schools, to boost knowledge of its facilities. While it is too early to assess their results, they do appear to have some impact, but are much easier to mount in urban than in rural areas. Again we are eager to know of efforts made to widen knowledge of savings facilities and of their value carried out in other poor countries and of their effects.

Equally critical to knowledge is *welcome*. The small saver must be made to feel his business is wanted and that he is welcome in the institutions he enters for the first time, for otherwise he will not return. This was certainly one of the National Bank of Commerce's initial problems — banks, especially in Africa, are regarded as places for people with "big" accounts not for the "small man". Since its creation, following bank nationalization in 1967, the National Bank of Commerce seems to have made significant progress in eroding this class image, but at least the larger city branches would still seem to look rather forbidding to the typical small saver.

Finally we come to the question of *incentives*. While the most obvious one is interest paid on deposits, I am by no means sure that marginal changes in deposit rates will have much effect on total small savings. Obviously very low rates of interest can discourage saving — rates of 3-5 per cent a year would seem likely to be the lowest reasonable range.

Rates above 10 per cent a year might call forth some new small savings but would be much more likely to divert existing large savings into the new schemes. Such rates would represent a very heavy subsidy by the savings institution, and policing to ensure that only genuine small savers benefit would be well-nigh impossible. The high-interest-rate approach to inducing higher savings rates does not seem a very promising one. In the medium and long term, education on the value of savings as a reserve to

meet contingencies, as an aid to orderly budgeting, and as a means to lay aside small sums regularly to meet desired large purchases at a later date, seems likely to be the most effective means of stimulating more individuals and institutions to save larger amounts on an increasingly regular basis.

Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you very much, Mr. Mwenda, for the interesting information you have given us about Tanzania.

It is five o'clock, and therefore we cannot, unfortunately, hear Mr. Demissie until tomorrow.

Since many participants in the Conference have expressed their desire to be shown round our savings bank, such a visit has been organized for tomorrow at 12 o'clock, after the morning meeting. All those who wish to do so will be welcome to visit the *Cassa di Risparmio delle Provincie Lombarde* tomorrow at 12 o'clock; the *Cassa* is quite near here.

The meeting is adjourned.