

Wednesday, 22 September 1971

PROFESSOR DELL'AMORE

The first report on our agenda this morning is on the mobilization of savings in the United Arab Republic. I call on Mr. Rizk, general manager of the National Bank of Egypt.

MR. RIZK

THE MOBILIZATION OF DOMESTIC SAVINGS IN THE U.A.R.

The report (original English) will be found on p. 141

PROFESSOR DELL'AMORE

It was very interesting to hear in Mr. Rizk's report about the good work done in Egypt by German savings banks, in setting up new savings banks in that country. Let me recall that Dr. Sinnwell personally lent his valuable collaboration to this project and, as you have heard, the new savings banks are already doing much to raise savings in Egypt.

There were two points in Mr. Rizk's report which I should like to single out for special comment. One of them concerns the savings certificates which have proved so successful in Egypt; this is a method well worth imitating elsewhere, because it makes room also for medium-term loans, seeing that the money does not come from deposits which can be withdrawn at short notice by the depositors. This is a useful system much to be recommended to other African countries.

Secondly, Mr. Rizk mentioned the importance of insurance for the growth of savings. I am quite sure that this, too, is a method of promoting savings which could, with advantage, be applied in all African countries — even allowing for different types of insurance companies and institutions according to the different conditions in each individual country.

Now we are to hear another report, but I am sorry to say we are an hour behind schedule and I have on my list many speakers, all of whom,

I am sure, we shall wish to hear. I must therefore request the next speaker to keep to a time limit of ten minutes. I give the floor, then, to Mr. Owen to tell us about the mobilization of savings in Swaziland.

MR. OWEN, WHOSE REPORT "THE MOBILIZATION OF SAVINGS IN SWAZILAND" (*original English*) will be found on p. 163, remarks what follows:

(E.) Mr. Chairman, honourable ministers, ladies and gentlemen, I am going to follow our Chairman's words even more than you expect. Instead of speaking myself now, I am going to ask your permission to say a few words to you after the coffee break. But, since the *Cassa di Risparmio delle Provincie Lombarde* has been so kind as to invite our Minister of Agriculture, we feel it only right that he should address you and not I.

Therefore, Mr. Chairman, with your permission, I would now like to give the floor to His Excellency the Minister of Agriculture, the honourable Mr. Hlophe.

PROFESSOR DELL'AMORE

Certainly, I am only too happy to call on His Excellency, Mr. Hlophe, the Minister of Agriculture of Swaziland.

MR. HLOPHE

(E.) Mr. Chairman, Your Excellencies, ladies and gentlemen, to begin with I think I should point out that I do not think it necessary to speak at length as to many eloquent speakers who have spoken before me.

First and foremost I should like on behalf of my delegation from Swaziland to express to you Sir, Professor Dell'Amore, our grateful thanks and appreciation for having been good enough to invite us to such a great and important Conference, from which we, no doubt, have benefited very greatly.

Personally I have followed with great interest the exchange of views by technicians since the commencement of this Conference.

Now and then it so happens that a politician too speaks in the debat, and apparently this is unexpected. But one might think it pardonable, because politics and economics are so strictly connected that it is difficult, if not impossible, to extricate one from the other.

So, not a technician myself, I hope I shall be pardonned if I say that some technicians become so technically minded, if not so highly computerized, in their field of work that they become abstract to the ordinary man.

However, it is gratifying, Sir, to say that through technicians we learn the techniques of solving what we, ordinary people, might have thought intricate and complexe.

As it is, we have been acquainted with the principles and methods of the mobilization of savings in African countries. I am tempted to say that thanks to our seniors and contemporaries, we have landed on the moon, and the problem we are now faced with is how do we land on the sun, which is in this context the ordinary man. The man who has not acquired the education that apparently some people have had the benefit to acquire. I am reminded of a technique Mohammed used when he found that the mountain he had intended to come to him did not come to him, so that he himself went to the mountain.

So, Jesus Christ too, realizing that the people of this world would not understand him if he spoke from high, came down, identified himself with the people, as a sinner among sinners, and it was from this angle that he was able to be understood by people.

Mr. Chairman, you have before you the report of the development of savings in Swaziland. This, I must state, is a technical report; I am a politician and, as such, I am concerned with people, with their wishes and their needs. Today, therefore, I intend in my remarks to try to clothe the technical bones of the Swaziland report with the flesh of human interest and concerns.

The report speaks of penetrating the rural savings market as a major need. I would like to rephrase this in more human terms: the need is to educate the rural people in the meaning of saving, to educate them to the need and the benefit of producing more that is needed for subsistence. To do this the rural people must be convinced of several other matters. First, they must be convinced that if they produce more than their personal needs,

there will be a fair and reasonable market for their surplus. Such a market in the more developed countries is frequently a private market. But in the developing countries it is very often desirable, if not essential, that such a market be government controlled in order to prevent exploitation of the relatively ignorant. Secondly, they must be convinced that it is better to put their savings, into a savings institution of whatever kind, even business, than to keep them in physical form such as cattle, coins etc. Thirdly they must be convinced that in that form their savings will benefit both them and their local community more than if held in physical form.

All this does not, of course, imply that the very concept of producing more than is needed, or of paying a per capita tax or of saving in some form is not understood.

I think I am on sure ground, Sir, when I say that there have been several cases in Swazi history of per capita taxes being employed for the provision of common benefits. Today many community development projects in Swaziland are financed up to 50 per cent by individual contribution, the balance being found by the government. I think I have said enough to make it clear that however excellent technical experts we may be, our plans are unlikely to bear fruit unless the human element is taken fully into account and considerable trouble taken to put over the plan to the people.

I think, Sir, that this at least is one point on which the philosophies of credit unions and savings banks will find themselves fully in accord.

The report also makes reference to a measure of duality in the economy and government of Swaziland. I think it would be pointless for me, politician as I am, to say that this is not so. It is a problem that so far has not been solved.

Swaziland is a fast developing country and it is clear that governmental methods and systems must keep pace with economic growth. What must be created, of course, is a mutually acceptable and workable formula meeting the needs both of those who would progress cautiously and those who would rush ahead. And this brings us back to our basic problem: people and their needs.

It also seems to me important to refer to the purpose of educating the rural people in the principles of thrift, when they are in many cases still farming at subsistence level. The final answer to this question lies in the consideration of what would happen if this education were left until

agricultural development reached the stage where there is a surplus over actual needs. If, at that time, education in thrift had not taken place, there could well arise an undesirable and improvident use of such surpluses, which would not only fail to benefit the individual and the nation as it should, but could even result in discouragement of the farmer and a back-sliding of agricultural development. This would be highly undesirable, but people being people and only too human, it could happen. I therefore feel that thrift education must, at last, go hand in hand with agricultural advance.

As I have understood it, the main purpose of this Conference, Sir, is to study ways and means of better thrift education and the mobilization of savings in the developing countries of Africa.

Results may well depend on agricultural progress and, as Minister of Agriculture in Swaziland, I can assure you that I shall for my part do all in my power to bring about the agricultural development needed, so as to enable your efforts to produce substantial and satisfactory results.

Thank you very much, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you, Your Excellency. Would you please be seated here with us, at the Chairman's table?

Here, then, ladies and gentlemen, we have heard some extremely interesting things from a politician. I should like to call your attention particularly to what he said about education for the rural population. We all agree that the growth of savings depends crucially on an intensive educational programme for savers, especially in rural centres.

I understand that we have with us in the Conference hall also the Minister of Agriculture of Mauritius. Will you too, please, join us at the Chairman's table? Thank you.

Now I give the floor to M. Diarra, of the National Savings Bank of Abidjan. He will report on the mobilization of savings in the Ivory Coast.

M. DIARRA

THE MOBILIZATION OF SAVINGS IN THE IVORY COAST

The report (original French) will be found on p. 171

PROFESSOR DELL'AMORE

Thank you very much, M. Diarra, for the interesting things you have told us about the valuable part played by your country's National Savings Bank in the promotion of saving.

Our next speaker should have been Mr. Asabia, deputy governor of the Central Bank of Nigeria. Unfortunately, he has informed me by telegram that other engagements prevent him from coming to Milan. I call instead on his substitute, Mr. Enuenwosu, an economist of the Central Bank of Nigeria.

MR. ENUENWOSU

(E.) Mr. Chairman, Your Excellencies, distinguished participants, ladies and gentlemen, I am here this morning, as a last-minute substitute, to represent the deputy governor of the Central Bank of Nigeria, who was to give a report on the mobilization of savings in Nigeria. Unfortunately, he is unable to attend this Conference.

Let me use this opportunity, on his behalf and my own, to thank the Chairman for giving us the opportunity to make this report, and particularly for allowing me to stand in for the deputy governor.

Let me also seek the indulgence of this distinguished audience in using as a basis for my presentation the outline that the deputy governor had prepared in answer to the questionnaires that have been circulated. I cannot, however, lay claim to his erudition and detailed analysis. I only hope that I will be able to identify the broad landscape of savings mobilization in Nigeria. Let me also seek the indulgence of the interpreters when I will repeatedly make some interjections to the broad outline, whenever I feel I want to elucidate some point. For reasons that are obvious, ladies and gentlemen, my presentation will be brief.

First of all, let me give you an idea of the economy of my country. Nigeria, as you know, is one of the largest and most populous countries in Africa, with a current population estimated to be over 60 million people. It has a variety of agricultural export products, such as cocoa, groundnuts, palm oil, timber, and many mineral resources among which petroleum has now taken the lead. Indeed, Nigeria is today among the ten most important petroleum-producing countries in the world. And although agriculture is

still the mainstay of the economy, industrial expansion is now responding to the stimulus provided by the potential resources of the economy and the deliberate industrial policy of the Nigerian government. The recent oil boom and the scarcities generated by the civil war have created a new vista for industrial growth, while the existence of six universities, numerous technical colleges and grammar schools, as well as hospitals, ensures a ready supply of a well trained and healthy manpower prepared to take up the challenge of business organization and management. These features, ladies and gentlemen, of the Nigerian economy point to the savings potential in the country.

The Nigerian authorities have recognized that effective mobilization of savings ultimately depends to a large extent on sound monetary management. Indeed, one of the serious evils which militate against the willingness to save is the rapid erosion of the value of money, which economists call inflation. Inflation has become a world-wide problem, and Nigeria has got a bit of it. This problem became evident during the civil war and immediately after. Because of their recognition of the many evil effects of inflation, the Central Bank of Nigeria and the government have used several methods both monetary, fiscal and direct, to maintain the value of money, which is an essential ingredient not only for the promotion of savings, but in fact for engaging in any economic activity and safeguarding the welfare of the people.

It has also been recognized in Nigeria that maximum mobilization of savings would require the existence and regular use of appropriate savings and credit institutions. The savings and credit facilities available in the country at the moment have expanded, but they are still inadequate for the needs of the economy. For example, there are no savings institutions as such, although there are 16 commercial banks with some 300 branches which are the main organizers of savings in the country. These concentrate their operations in big cities and towns to the neglect of the rural areas. In fact, if we relate the number of bank branches which we have today to the total population, there would just be one bank serving over 200,000 people. In many of the rural areas there are no financial institutions of any kind to serve as a channel for mobilizing savings and meeting the credit needs of the people. As Professor Tinbergen told us yesterday, branches of savings institutions should be close to the savers. This is a great stimulus that has to be provided on a large scale in Nigeria. There is an urgent

need, therefore, in Nigeria today not only for the extension and the improvement of the existing financial institutions, but also for the establishment of new ones like agricultural credit banks, mortgage banks, unit trusts, savings and loan associations, etc. We need specialized credit institutions that provide a variety of services to attract not only the big corporations and firms, but also the individual small saver in the rural areas. In providing these services, the savings institutions should not be solely interested in collecting the savings of the people, but should be ready to extend loans to them, even to the small saver.

In stating this point, I know I am parting company with some distinguished authorities who have spoken before me here and emphasized the need of loans to be given to co-operatives and farmers' groups instead of the small individual saver. I have by misgivings on this, because in the majority of African countries the savers are not organized in communities or societies. And, if we follow strictly the principle of the savings institutions giving their loans only to farm co-operatives or associations, we shall end in a vicious circle where the small saver will always continue to be poor and always continue to be small. I want to associate myself in this regard with one of the speakers who, drawing on his experience in Panama, said that small savers should be given loans and technical assistance to enable them to make effective use of such loans and thus be able and willing to save. I think this is a practical type of thinking that would be of benefit to the small saver in Africa, who is very important to the stability and progress of any savings institutions that may be established. In fact, in making this submission, I am also guided by the experience of Nigeria; today we have some saving facilities that have been introduced by the government but which lack this essential lending facility and therefore have not proved very successful. There may be other reasons for their lack of success, but I think this is a very important factor because if these saving facilities had as a complement a lending facility which the saver can enjoy, some of the institutions or instruments could have been accepted very well by the people. For example, the Post Office, which has proved very successful in other countries, in Nigeria has not done well in the sense that the cumulative savings attracted by this institution have not been growing for a number of years now. They have been stable at 2.4 million pounds for about 4 or 5 years now; there may of course be some other factors which militate against

any increase of savings at the post offices. But what I am thinking of is an institution guided by this principle, that is to say, an institution that would provide both saving facilities and lending facilities; this type of institution would be preferred by individual savers. The commercial banks in Nigeria, for example, have proved very successful; not only do they serve as depositaries for the savings of the people, but they also provide lending facilities to the community. And because of this, I think, commercial banks have proved very successful in mobilizing savings in Nigeria. In fact, at the end of last year, 1970, the commercial banks had about 82 per cent of the total institutional savings in the country. There is therefore, ladies and gentlemen, much need for extending this type of facilities to the rural areas.

Official recognition has been given to the importance of mobilizing savings in Nigeria for a very long time now. In 1962 the Federal Government, through the Ministry of Finance, launched a nation-wide campaign known as the "national savings campaign" to mobilize personal savings; and simultaneously saving instruments, such as savings certificates, savings stamps and premium bonds, were introduced. Another measure designed to encourage personal saving is the exemption of insurance premiums from personal income tax. There is also the national reconstruction and development saving scheme which was launched in January 1968, by the Federal Government. The scheme embraces all Nigerian workers including pensioners. Under this scheme workers earning £ 50 per annum are required to save 5 per cent of their gross monthly income for a period of 12 months, while those who have smaller incomes have to save a flat rate of 10 shillings during the period. Both capital and interest at 3 per cent are payable after 10 years. This scheme has produced some interesting results. The necessity for mobilizing personal savings for development was also emphasized in our first national development plan 1962-1968. So was the development of the stock market, another private institution for the purpose of increasing the flow of private savings. The Central Bank of Nigeria has recently shown an active interest in the development of the Nigerian capital market. In consultation with the Lagos Stock Exchange, which was established in 1960, recommendations were made to the Federal Government early this year which would ensure an adequate supply of securities on the capital market and maximise trading in stocks and shares. This recommendation, when approved, will go a long way towards strengthening the saving habit.

At the moment, saving facilities in Nigeria are provided by about nine organizations, or institutions. We have the commercial banks, which I said are today the main mobilizers of savings; we have the national provident fund; we have the post office savings banks; we have the building society; housing corporations; life insurance companies; savings co-operatives; indigenous "circle" saving schemes called "Esusu", and government lottery schemes.

I want to enlarge a little about the "Esusu" scheme which, under some other names, is very popular not only in Nigeria but also in many other countries in Africa. It operates in this way: any number of people may agree to contribute each a stated sum of money every month to a pool, which goes to each of the participants in turn. Assume there are five participants in the scheme. Mr. A may be the first to take the five collections; the following month it is the turn of Mr. B, and so forth until the fifth participant, Mr. E, takes his turn and the "circle" is completed. It may then be started all over again. This is a simple illustration of an institution that is fast becoming complex with the emergence of a "middleman" whose function is to organize the collections and make the distributions to the various participants.

The "Esusu" is essentially an African traditional institution of mobilizing savings and making use of them to meet the needs of those people who made the savings. It has proved to be of great assistance to many small savers.

Here is a case which indicates a habit of saving which needs not to be taught to the people, since it is already engrained in their minds that saving is essential. It is a traditional system with no modern orientation whatsoever; and the system works well. Here I recollect what other speakers before me have emphasized over and over again — the danger of slavish transplantation of foreign systems, however good, to another country having perhaps a different environment. The "Esusu" system could be modernized into a typically African form of savings institution which may even be more successful in Africa than the European type of savings institutions.

Savings statistics in Nigeria are at the moment available from about six institutions. Of these, commercial banks take the lead. This is followed by the national provident fund. I shall not go into every detail about all the other institutions. But perhaps there is a little to say about the national provident

fund, which is a scheme of social security designed to provide non-pensionable workers throughout Nigeria with the opportunity of accumulating a lump sum of money for their use on retirement. It is a compulsory scheme to which the worker and his employer contribute. Let me give an example: a worker earning £ 15 a month has to contribute 15 shillings and his employer has also to contribute 15 shillings, making £ 1.10.0d. per month, which goes to his credit. Now these funds are mobilized in the national provident fund which uses them for investment. When the worker retires, he is paid a lump sum or, if he is incapacitated earlier or if he loses his job, he can apply to the National Provident Fund and have his money given back to him. This is a scheme which assures a better future for the worker on retirement or when he has lost his job.

As I have indicated before, the savings potential is very high in Nigeria, and every effort should be made to tap it. Savings could be further stimulated by the following measures: extension of saving facilities and establishment of savings banks in the rural areas of the country, adequate publicity on saving and campaigns against ostentatious living, for which most African countries are well known. There has been a lot of wastage, like remembering a great-grandmother or a great-grandfather who died several years ago and arranging an elaborate programme of entertainment entailing stupendous expenditures. This type of activity will have to stop. Money wasted on such entertainments could be put to better use by diverting it to savings institutions for productive investment. Perhaps one reason for this squandermania, I should think, is that some of the people are not immediately given the opportunity, or they do not have the facilities, to save this money.

Thought should also be given to the introduction of adult education. Adult education is very important especially in the rural areas, in order to make people aware of the need for saving and of the varied opportunities for investment.

Lastly, I think, a feasibility study of savings and of the introduction or establishment of savings institutions is necessary in Nigeria. In this regard, I think, Mr. Chairman, if foreign expertise and finance become necessary, such external aid must be within the framework of national policy in Nigeria.

Thank you very much.

PROFESSOR DELL'AMORE

I thank Mr. Enuenwosu for his most interesting report — interesting above all in that it reflects the favourable conditions of Nigeria. Nigeria, as you know, is a country in a state of advanced economic and social development. Its stock exchange is one of the most developed in the whole of Africa, and its central bank, on behalf of which Mr. Enuenwosu has spoken to us, is in a position to exercise highly effective control in monetary and short-term economic policy matters.

It is now time for our, very necessary, coffee break, but I must cut it down to less than what is scheduled. It is now 4 minutes to 11, and we shall resume the meeting at 11.10. Let me remind you that I have many speakers on my list and that we must stop at 12 o'clock sharp, when those of you who so wish will join the visit to the *Cassa di Risparmio delle Provincie Lombarde*. This afternoon at 3, there will be a meeting with Italian industrialists concerned with public works and the development of industry in African countries. In the evening, finally, at 7 o'clock sharp, the Mayor of Milan is expecting us at a reception in honour of this Conference. The meeting is adjourned.

PROFESSOR DELL'AMORE

I now give the floor to Mr. Parker from Liberia.

MR. PARKER

(E.) Professor Dell'Amore, I would like to say to you, on behalf of the three gentlemen from Liberia, that we greatly appreciate the initiative that you have taken in calling us together to discuss the problems of the mobilization of savings in Africa.

The three of us who have come from Liberia have listened very carefully to the discussions that have been held here. We have taken note of the comments that have been made by our friends from the capital-exporting countries, and we have listened carefully to the statements that have been made by our colleagues from the African continent on the problems of mobilizing savings there. Now, when we were invited to come here, to Italy, and when we looked at the documentation, the theme of this Conference,

we were very anxious to know what was the purpose of this meeting and what it was expected to achieve.

Mr. Hogen, who unfortunately is not here, and myself have been involved in the mobilization of capital not only for Liberia, but for the entire continent of Africa for great number of years. I am sorry Mr. Hogen had to go out for another engagement, but I would like to say here that in 1959 it was my friend Mr. Hogen who first proposed to me in Liberia the possibilities of mobilizing resources in Africa for the establishment of an African development bank. And beginning in 1959, Mr. Hogen and myself undertook a world-wide tour, first covering most of the continent of Africa where we draw attention to this particular need and solicited the support of almost every head of state or government at that particular time, every finance minister, and practically every governor of any central bank. I am happy to say that the African development bank is now a living reality and stands today as the first great testimony to African economic co-operation, because it is an institution that has been able to mobilize since 1964 some 65 million dollars from the African countries alone.

We have also both been involved in the creation of institutions in our own country. Mr. Hogen established one of the very first Liberian or African commercial banks, and I was responsible for the creation of the Industrial Development Bank of Liberia.

Now, we have come here and we listened to all the comments. I am a little bit appalled by sitting in the meeting and listening to speeches that drive on and on and do not come to the point. I am a little bit appalled by a situation that continues to exist in Africa, where we continue to go out to the capital-exporting world with our hands held out and continue to say: please help.

I feel that we in Africa have reached the stage where we must first of all begin to help ourselves, and when we have created a situation where we can commence to help ourselves, then we can go out and say: we have reached this position, we have decided that these projects are viable, we invite you to co-operate and participate with us on a sound economic basis. And I think this is the kind of approach that we have to adopt in Africa from now on.

We recognize the fact that training is necessary in most instances. But let us think in terms of dollars and cents, let us look at the economics of the

situation. When we speak of inviting co-operation we think in terms of asking for technical know-how, but we had better first ask ourselves: what can we do for ourselves? And then, based on sound economic principles, what type of co-operation can we get from the capital-exporting countries? We have heard from many speakers here that the idea of the creation of savings institutions in Africa has already been considered by several African governments, we know that there are such institutions in Nigeria, in the Ivory Coast and perhaps in a few other countries, especially in North Africa, and we also know that there are other African countries that are considering the possibilities of establishing institutions for the promotion of savings.

What is now needed, in our opinion, is to focus the attention of our governments on this particular need and to urge speedy implementation of the requirements for mobilizing savings within the continent.

In this respect I do not wish to engage in a dialogue as to procedures, types of institutions, what should be accomplished; but I would like to propose to this distinguished gathering here that what we must do, now that we spent two days on examining the problem, is to look for a sense of direction: where do we go from here?

And this is the reason why I have asked for the floor, in order to offer my own suggestion and the suggestions of my friends from Liberia as to where this Conference might go from here.

I would like to recall back in 1962, when I was privileged to go to the World Bank and raised the question of establishing an African development bank, Mr. Black was then President of the World Bank, and we had an appointment that we thought would last for 30 minutes. After two minutes Mr. Black looked at Mr. Hogen and myself and he said: «I want to ask you, gentlemen, two questions: what is the African development bank going to do that the World Bank has not done or cannot do? And where are you going to get the money?»

And we told him how we felt about this, and instead of having a 30 minute meeting with Mr. Black we had a three and a half hours lunch with him, and as a result we were able to get the full support of the World Bank for the African development bank.

I also know that for several years many of the delegates here have been present at the African caucus that is usually held at the annual meeting of the World Bank. I recall vividly when one of the governors, and

particularly the Finance Minister of Mali, who was then presiding over the caucus, raised the question with the World Bank of the possibility of financing education in Africa. This upset the Bank. Mr. Woods, who was then President, said in a most unfortunate insulting manner: "What do you people want? You are going to ask us to finance primary education. The Bank is not for this purpose". But I am happy to say that the policy of the World Bank has now changed and today we know that it is possible to get financing for education.

I also know that when the World Bank enunciated its policy of promoting the establishment of development banks and the IFC began to invest capital in development banks in the developing countries, the great argument was: IFC is an institution established to provide capital for private industries. And there again the African governors insisted that because of the structure of our different countries it was not possible in every case to establish a privately owned development bank. Therefore, the World Bank should consider to give some attention to the financing of government-owned development banks.

This again upset the authorities of the World Bank; but we find now that the World Bank has changed its attitude and is considering the possibilities of financing development banks in the government sector.

We have now listened to what can be done towards the mobilization of savings in our own countries, and I think we have listened to much sound advice and many good suggestions but now the important point is, as I said, we must invite the co-operation of the capital-exporting countries of the world, and the question is: how do we proceed to do that?

In my opinion, the International Savings Banks Institute could be of considerable assistance in this field. There you have the expertise, there you have the experience. I think you could be of assistance by helping the African countries to draw up the proper framework for the establishment of savings institutions. You could be of assistance by providing training to the people who are going to run these savings institutions.

I think that the International Savings Banks Institute should draw to the attention of its members, who largely come from the Group of Ten countries, the capital-exporting countries, that it is possible for them to co-operate with African institutions in the area of savings as they have done in the case of commercial banks, not by giving, but by making a

sound investment in a sound institution. It is possible for them to allocate some of their own resources on a sound economic basis to these institutions that might be established in Africa.

And I propose this is the kind of approach that we should make. I would also like to propose that the International Savings Banks Institute should consult with other international organizations, with the United Nations and the World Bank, and solicit their co-operation and interest in what we are trying to do, what we are now indentifying as a new investment possibility in Africa.

I would also like to propose that we ourselves, who are represented here, and in particular the African representatives, should do two things: one, that we should go back to our countries and draw to the attention of our governments, starting with the governors of our central banks and our Ministers of Finance, the importance of creating savings in Africa. Some of them are already aware of this, but may have given this a low priority; but what is a better way of beginning to help ourselves, than to start now to pay attention to the question of mobilizing additional resources? I would also like to urge that those of us who are here should likewise draw this to the attention of the World Bank, because this would be a new approach and a new direction for the World Bank. I have mentioned the past changes in attitude of the World Bank towards development banks and towards the African development banks.

Many of us go on to Washington from here: I believe this is an opportune time for us to get our governors, who will be present at the next meeting in Washington of the World Bank, to go to the Bank and say: in the African caucus, we have identified a new area of opportunity for development in Africa, and we are soliciting the co-operation of the World Bank and its affiliates. And I believe, if we start now by drawing the attention of that great institution to this particular possibility, we might achieve much more rapid success.

And finally, Professor Dell'Amore, ladies and gentlemen, what in my opinion should be our next step? We have met here, under the best circumstances, in Europe; I have seen the role of the Economic Commission for Africa in promoting many things in our continent; I would strongly recommend that this be used as a forum through which, from the African side, there could be co-operation with the International Savings Banks

Institute. And if I may suggest that perhaps the next time a meeting of this nature is convened it should be in Africa, and that we invite the co-operation of the Economic Commission for Africa. I thank you.

PROFESSOR DELL'AMORE

In thanking Mr. Parker for his interesting remarks, I note especially that he has expressed the wish for co-operation by the International Savings Banks Institute in setting up a new savings bank in his country, and more generally in a systematic effort of co-ordination among new and already existing savings banks. I can assure Mr. Parker that the Institute will do all that is necessary to follow up this Conference, the very purpose of which is to pave the way for the development of savings banks in Africa.

I now give the floor to His Excellency Kalilou Singhateh, Minister of Labour and Communications of Gambia.

MR. SINGHATEH

(E.) Mr. Chairman, fellow participants, ladies and gentlemen, I should like first of all to thank the Conference organizers, most particularly Professor Dell'Amore, of the Lombardy Savings Bank, and also Mr. Sinnwell of the International Savings Banks Institute based in Geneva, for extending their invitation to the Gambia government to attend this important meeting.

Since we are the youngest member of the central bank world, I think we have an opportunity to learn a lot from what has been said by various participants and experts at this meeting. And again it is my feeling that this will also give us ideas on how to go about in setting up our savings institutions with modern methods and practices, as we have heard from distinguished experts and delegates from various savings institutions.

My role this morning, Mr. Chairman, will be to give you and my colleagues participating at this Conference an idea of how we operate our savings institutions in our country. I should like also, if time is available, to make one or two observations on the seminar on the mobilization of savings in African countries held recently in Stockholm and also on the booklet on *Banking Systems in Africa* edited by Professor Dell'Amore which, on the Gambian aspect of things, is not very accurate. So, what I actually

intend to do right now is to give an idea of the savings institutions we have and of how we operate them.

We are acutely aware in our country that effective mobilization of personal savings depends to a large extent on sound monetary management. The fiscal policies pursued by the government after independence in 1968 have been oriented towards the maintenance of reasonable monetary stability. A concerted effort has been made to restrain the growth in the non-development expenditures of the government and to increase revenue so as to enhance the availability of resources for development. Savings and credit facilities in the country are being provided by two commercial banks and the Co-operatives Union Ltd., which is an apex organization for co-operative societies in Gambia.

Apart from the offices of the commercial banks in the capital there is only one branch elsewhere in the country. However, the government proposes to set up a commercial bank, a commercial development bank in the near future which is expected to provide increased banking facilities in the interior of the country. Besides the commercial banks, saving facilities are also provided by the general Post Office. Soon after the establishment of the central bank, in March 1971, a study was carried out on the interest rate structure in the country and measures are currently under consideration for stepping up the deposit rates of the commercial banks to help the mobilization of savings.

The government has already increased the interest rate of post office savings banks from 3 to 3.5 per cent, which of course is still lower than the interest rate offered in Zambia, and I think in Egypt too.

The importance of increased mobilization of personal savings for development has been strongly emphasized in the latest budget speech of our Minister of Finance. If you permit me, Mr. Chairman, I would like to quote from this speech.

"The third development programme due to commence on 1 July 1971 envisages a considerable stepping up in the level of development expenditure. The programme is confined to public sector projects, but it is hoped that the tempo of development activity in the private sector will also rise significantly during the course of the third development period. A considerable stepping up in the savings rate of the economy will be required

to achieve the planned high rate of investment if credit creation is to be avoided and inflationary pressures are to be kept down to the minimum.

There are two fundamental methods of increasing domestic savings, that is, to raise more resources for development through fiscal policy, and to increase the mobilization of savings through financial institutions. It is rather disconcerting to note that the flow of savings to financial institutions has not been rising at the desired rate in the recent past. The decline in deposits at savings banks is particularly disturbing. To stimulate the mobilization of savings through the post office savings banks the government has decided to raise the interest rate on post office savings deposits from 3 to 3.5 per cent.

The Central Bank of Gambia is contemplating suitable steps to bring about a rise in interest rates on savings and time deposits in commercial banks. It is hoped that the higher interest rate structure will assist the drive for increasing savings and augment the flow of resources for development purposes".

Saving facilities, as I said earlier, are provided in my country by commercial banks, post office savings banks and co-operatives. There has been a steady increase in the time and savings deposits of commercial banks in the Gambia. Time and savings deposits of the commercial banks have increased from 2,120,000 dollars, which is about 424,000 British pounds, in December 1967, to 3,165,000 dollars, which is about 633,000 British pounds, in December 1970. In the rural areas, saving facilities are provided mainly by the post office savings banks and the co-operative societies. The amount outstanding in the post office savings banks on 30 June 1971 was 1,135,000 dollars, or 227,066 British pounds.

It is hoped that the steps taken to increase the flow of personal savings deposits will have the desired effect of increasing the mobilization of savings.

Mobilization of savings in less developed countries presents a number of problems. No single measure can be sufficient to bring about an adequate increase in the flow of savings. It is necessary to take measures on a broad front to step up the mobilization of savings in the direction suggested by most of our colleagues here. Ways of increasing the mobilization of savings are kept under constant review at the Central Bank and by the Minister of Finance, and measures are taken according to the need of the situation.

If I am permitted, Mr. Chairman, I would like to say that the seminar that took place in Stockholm last month on the mobilization of personal savings in developing countries was, I think, a very successful one. But I find it difficult to agree with one or two of its recommendations. I should like, with your permission, Mr. Chairman, and also that of my colleagues, to refer to this report, more particularly recommendation 5 of this report which says:

"The seminar recommended that wherever there was a concentration of individuals who received payments at regular intervals (personnel of local enterprises, members of co-operatives), arrangements should be made for the units which make the payments to withhold certain sums on the instructions of the individual concerned and transfer them to the individual's account in a savings institution. Where this is impossible, savings collection facilities should be made available close to the point where the payments are made.

The seminar also noted that, broadly speaking, savings mobilizing institutions could be classified into several types: commercial banks, savings mobilizing institutions, insurance provident institutions etc."

If it was the feeling of the seminar that savings institutions in Africa should be operated in this manner, then I would say that this system would be unsuitable, because our conditions in Africa do not permit of such a centralized system of mobilization of savings. In Africa, Mr. Chairman, as you know, there is a terrible shortage of human resources, we have not got the personnel, nor the expertise, and the necessary funds are not available. We are actually unprepared, at this particular moment, to indulge in specialization with regard to mobilization of savings.

What most African countries are doing, and I think this is in the right direction, is to have savings mobilization institutions or central banks dealing with a number of things. It is not unusual in Africa to have central banks where we have economic research units or banking departments or audit departments, so that the governor of the bank can supervise the banking system. But to set up a system like that suggested by the Stockholm seminar would, I think, be impracticable and I doubt very much if we can apply it in the circumstances of Africa.

I said earlier, Mr. Chairman, that I should like to amend certain inaccuracies in the description of my country's banking system in the booklet

on *Banking Systems in Africa*. It is said there that Gambia has no central bank. This is no longer correct. We established a central bank in March 1971, and it works satisfactorily. It is also said that the only bank in the country, in fact, is a London bank, the Standard Bank of West Africa. Again, this is not accurate. We have got the *Banque Internationale pour le Commerce et l'Industrie*, which is a Senegalese bank, and, in addition to the Standard Bank of West Africa which is a British bank, we also have co-operative banks. Thank you very much.

PROFESSOR DELL'AMORE

In answer to the last point raised by His Excellency, the Minister of Labour and Communications of Gambia, I hasten to point out to him that since the publication of this book on Banking Systems in Africa, an addendum has been circulated with new information about Gambia. It is a leaflet called Revision Sheet No. 1, and it records the establishment of a central bank in Gambia in March 1971, and even gives a few details. There is also some information on it about Gambia's new currency.

For the rest, I thank the Minister very much for his remarks, and now give the floor to His Excellency the Minister of Posts and Telecommunications of Cameroon, Mr. Egbe.

MR. EGBE

(E.) Mr. Chairman, Your Excellencies, distinguished participants, it is always difficult to free oneself from the grip of tradition, and accordingly I associate myself with those who have preceded me on this rostrum in expressing our sincere thanks to the organizers of this Conference. It is most helpful, as previous speakers have said, and it fulfils a very definite need and purpose at this moment of time.

Particular thanks should go to Professor Dell'Amore and his organization and to Dr. Sinnwell of the International Savings Banks Institute for their personal contribution to this Conference.

Now, speaking as a politician, I won't get deeply involved in technicalities; I think that I would rather take up points which are practical

and meet the eye of every politician using mere sound common sense. I intend to give you first a broad outline of the institutions which are concerned with the mobilization of savings in Cameroon, and then discuss the problems connected therewith. Now, as regards institutions, Mr. Chairman, we have first of all commercial banks, and we need not go again into the defects of commercial banks so far as the mobilization of capital is concerned. The economists who have spoken here before me have clearly indicated that these banks are concentrated in the townships, that they fail in the main objective of the idea of savings, that is, satisfying the needs of the local, remote and rural areas. Even in Cameroon, where they do try to make some sort of effort to get to the local areas and remote rural groups, it is impossible because they can still only reach the people within a radius of a few miles around the townships. And what is more, the question of confidence raised here by one speaker is very important. The people in the rural areas, watching somebody coming with a van once a month, spending a day or two, naturally do not feel much inclined to give their money to somebody who leaves them a piece of paper and takes their money away. This does not inspire confidence. In this respect, too, the commercial banks fail in the ideal which the savings banks fulfil by having an office in the locality, to which the people can go for depositing their savings.

Now, the next step may be to argue that it is therefore necessary in a context like that of Cameroon to establish the sort of ordinary savings banks that are the main theme of this Conference. In this connection I would say that sound common sense teaches us that a savings bank, an ordinary type of savings bank, needs two essential factors in order to operate: first, it must be able to collect money from a particular area; and secondly, it must be able to use that money for the development of that particular area. Now, the question is whether this can easily be done within the context of Cameroon.

General population surveys in Africa show that the population is dispersed, very far distant, with villages with over a thousand people in the most remote areas. If a savings bank is established in such a context, it will have to cover a very wide area in order to muster enough depositors to provide even a basic little capital with which to meet current expenses. Even that is very difficult. Why? Because the income of these people

in the most remote areas is so small that the area covered would have to be tremendously large.

Consequently, at the present stage of development, such a plan would not be feasible, according to sound common sense, because savings banks will not be able to bear the cost of establishing offices, of employing staff, of getting the equipment to operate these offices. Things are not the same as in Europe, where the rural areas have a high density of population and a high level of income per head. Consequently, it seems that the establishment of savings banks in the most remote areas is not to be recommended at the present stage of development in my country.

But savings are necessary and we all agree that we must mobilize them. What then do we do? In Cameroon we have other organizations that go right down to the people to collect savings. I refer to the credit unions which are a new feature in the continent, which are developing very fast, and also to the traditional savings groups which the delegate from Nigeria mentioned. These exist in various African countries and have a tremendous impact in the rural areas for the mobilization of savings.

The important point at this stage is to see how we can gather these savings from little men who can only save about 10,000 francs a year, and how we can put these savings to good use. In this respect it seems to me that these credit unions and traditional savings groups are the things that we must encourage if we are to inculcate the habit of saving in the people living in remote areas.

Another problem, as I said, is that in the most remote areas it is almost impossible to go and see a bank, particularly a commercial bank that collects savings. The distance of these local village groups from the township is almost prohibitive in terms of transport cost. Some of the areas are so remote that in some seasons communication by road to the township is very difficult, and so the commercial banks in the township cannot be used at all. Now, I don't want to speak as an advocate for the post office savings banks just because I am Minister of Posts and Telecommunications; but, facing the reality of the situation and the practical experience of my people, I suggest that only post office savings banks can reach the remotest areas of the country. In all administrative divisions, beginning from regions down to districts, it is the government's policy that even the smallest administrative units are to have postal services.

Since the post offices have attached to them a savings bank section, all in the same premises, they are the nearest savings points that offer security and certainty to the ordinary saver in the village.

Let us not be blind to the very valid and logical criticism of post offices which has been mentioned here. First, it has been said that the post office savings bank is not commercial in attitude, and therefore is very hesitant about investment; this is very valid and true, and amounts to failure to fulfil the direct need of investment which a savings bank does meet in practice. Secondly, as Dr. Sinnwell pointed out, it adopts some antiquated methods and therefore is not up-to-date with modern administrative and managerial concepts, particularly those of scientific management. These are valid criticisms, but we are trying to improve matters. As a result of these criticisms which are valid and which have come up, a law was passed in Cameroon by which a board of directors was set up for the Post Office Savings Bank. This board of directors has members from various organizations, including the Chamber of Agriculture, the Chamber of Commerce etc. Quite recently the board of directors of the Post Office Savings Bank took a direct step to break this tradition of being afraid of investment. As a result, the Post Office Savings Bank now invests in houses; and it is interesting to know that it has built houses which are rented to the government and big companies and thereby earn good returns for the savers. Furthermore, the Post Office Savings Bank now provides loans to building societies in order to promote the building of houses. Thirdly, it has even gone a step further to take part in industrial investment; it does not do this directly, but through the development bank of the country under the conditions which I shall elucidate.

What happens is this. The development bank studies a project, and thinks that it is feasible for profitable investment; it then submits this project to the board of directors of the Post Office Savings Bank; if, after further scrutiny, the board agrees, it approves a loan to the development bank subject to its using the loan only for investment in that particular project. So you see that somehow the Post Office Savings Bank is meeting to some extent the valid criticisms which have been levelled against it.

Now, what conclusion should we draw from all this? Looking at everything together, the commercial banks and all the rest, the most effective method of mobilizing savings in the country, the method which taps the

resources of savings in the most remote areas, is that of the Post Office Savings Bank. But this can be improved; listening to all the speeches made here, I feel that there is tremendous room for improvement. Someone here spoke of legislation to promote savings. I fully agree that this is necessary, and I should say that in Cameroon it would be feasible, and in fact right, to adopt legislation to help the Post Office Savings Bank. What I have in mind is a law making it possible for the Post Office Savings Bank to invest on a sound economic basis. Furthermore, the law should make provision for the traditional savings groups and the credit unions to have some sort of legal personality, which means that they can be registered at a nominal cost; if this is done, it would be quite easy and possible for savers to open post office savings accounts not as individuals but as members of the unions or groups, each of which would have its registration number and could open an account with the Post Office Bank. This would meet the purpose which Professor Dell'Amore stressed, that the money invested by savers must be controlled by the savers themselves. How can we do this? In this way: the credit unions will have complete control of their funds; their own books will show the money collected by members, but in the post office there will be only one account. Since the credit union has an executive body, that executive body logically considers applications for loans from its members, and the moment it takes the decision to grant a loan to A, B or C, all that it needs to do is to authorize the lawful representative to go to the Post Office Bank and withdraw the money; so this money is available to the savers to be used for investment or for trade, as the case may be. Yet, at the same time, this gives them security, they avoid the risk of loss by white ants eating the papers and that kind of thing, and also get interest for their members. I think it is in this regard that the Post Office Savings Bank, through legislation, can have a complete and proper legal marriage among itself, the credit unions and the traditional unions for saving.

Well, what are the advantages of that? Economically it is very good, because the Post Office Savings Bank will have records to which in the future organization like the International Savings Bank Institute or like yours, Mr. Chairman, will have easy access, and which will give accurate statistics of savings. And from these records it will then be seen in due course how much money has been saved in each area and whether it is enough to warrant the establishment of a savings bank as such. And I think it is in this

respect, Sir, that we need the assistance of organizations like yours and like that Dr. Sinnwell represents. What assistance then do we need? It is assistance in studies on the way of improving the organization and functioning of the Post Office Savings Bank. It is assistance in offering fellowships for its personnel who at present, as you said, are not trained in the art of banking, they are in fact basically postmen and telegraphists. And therefore, if they have the opportunity to be given some sound banking training, then the efficiency of commercial banking will be introduced in the Post Office Savings Bank, and yet the overhead cost, which would make it impossible to set up a savings bank in the area, will be avoided because these officials will be paid by government. I think that in this field, Sir, we can have a very valuable co-operation and understanding.

Now, what about credit unions? Here too I think we need help and assistance. I refer to the speech of Mr. Alphonse and agree with him that the World Council of Credit Unions can be very useful in this case. It could send representatives to the country, hold meetings with credit unions or their representatives, arrange seminars for training them, and advise them on the art of keeping records for their unions. I think that if all this were done, it would provide valuable sources for statistical research and for the feasibility studies necessary and advisable prior to the establishment of ordinary savings banks, as we understand them here.

Mr. Chairman, I think that we see that the idea of having savings banks is very, very good; but, as the honourable Minister of Agriculture of Mauritius said yesterday, it is essential that the factors particular to each country should be taken into consideration. It is only then that we can pursue the course recommended by our friend from Swaziland yesterday, when he said that we should not swallow the idea, but analyse it objectively and patiently before coming to a decision. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you very much, Your Excellency, and let me assure you that your observations will of course be taken account of in the further work of our International Institute.

Next we shall hear Mr. Newman, of the United Nations. I am sorry, Mr. Newman, I can allow you no more than ten minutes.

MR. NEWMAN

(E.) Mr. Chairman, on behalf of United Nations Industrial Development Organization, I would like to express our appreciation to you and the organizers of this Conference for the opportunity to attend this important meeting.

Domestic financing of the industrial sector continues to depend on the volume of national savings. Although external capital plays an important role in the financing of industrial development, it itself depends very significantly for its effectiveness on the availability of local financial resources in sufficient amounts.

The experience of developing countries has shown, however, that even when savings have been fully mobilized, they often tend to flow into non-industrial investments, so that the claim of the industrial sector for personal savings must compete with the claim of other economic sectors.

In response to the Industrial Development Board's request for an intensified mobilization of domestic savings for industrial projects, UNIDO has recently launched a programme which aims at developing new methods and techniques to activate and channel personal savings into the industrial sector.

The programme is conceived in three phases as follows:

(1) In the initial stage, UNIDO, with the assistance of the International Savings Banks Institute and its members, will collect data on existing savings campaigns and similar efforts to study the implications and gauge the effectiveness of various approaches already taken in both developed and developing countries. We consider this Conference an important step in that direction.

The purpose of this "background" study will be to delineate the complex factors which determine the volume of savings that can be made available to industry. As a result, it should indicate a number of potential avenues which under varying conditions could be taken to overcome the many problems inherent to savings campaigns.

(2) Following this preparatory phase, UNIDO will undertake on request of interested governments in-depth studies which will incorporate the findings of the aforementioned research and the specific circumstances prevailing in a given country by taking its particular stage of development into account.

The study will include estimates of the potential level of savings that can be anticipated and will concentrate on factors which strongly influence savings and investment motivation to arrive at an imaginative savings strategy, even if it deviates from traditional concepts of such endeavours.

Campaigns could be conceived, for example, which would appeal to the public either through their progressive image or the increased employment opportunity offered in a given community as a result of funneling savings into industrial development.

(3) Finally UNIDO will provide assistance in the implementation of suitable campaigns to attract personal savings in developing countries. Through our experts we will advise public authorities on the necessary publicity campaigns and on the establishment of appropriate financial intermediaries to effectively collect and transfer small savings to the industrial sector.

Particular attention will be given to the development of a training programme which concentrates on the major aspects of conducting savings campaigns and on banking techniques. This programme will be designed to upgrade existing skills in developing countries and to prepare participants for increased responsibility in the administration and management of savings entrusted to them.

As in other UNIDO training programmes, modern techniques and methods will be stressed and the application of these techniques to specific cases and conditions in developing countries.

The training will therefore be action-oriented, it includes problem-solving and decision-making, closely related to the real problems and responsibilities the participants will face on return to their respective tasks.

To be somewhat more specific: A training workshop on banking techniques will have a duration of about four weeks, during which international and regional experts will guide participants through a sequence of case studies, demonstration exercises, group discussions and formal lectures.

This programme will be conducted in the country requesting technical assistance. Developing countries can avail themselves of UNIDO's assistance by presenting an official request through the Resident Representative of the United Nations Development Programme in their country or by writing directly to UNIDO.

Mr. Chairman, we hope that in organizing this programme we may draw on your vast experience in this field and we certainly welcome the establishment of the Training Centre which you have announced at the opening of this Conference.

PROFESSOR DELL'AMORE

Thank you very much Mr. Newman. This was the last speech for today — I was going to call Mr. Obel this morning, but he was not here, and so he will be the first to be called tomorrow, after the reports on our agenda. The meeting is adjourned.

