

Thursday, 23 September 1971



PROFESSOR DELL'AMORE

Ladies and gentlemen, the meeting is called to order. I give the floor to the author of the first report on our agenda this morning, Professor Mottura who will speak to us on personnel training for African banks.

PROFESSOR MOTTURA

PERSONNEL TRAINING FOR AFRICAN BANKS: PRINCIPLES AND ORGANIZATION

The report (original French) will be found on p. 181

PROFESSOR DELL'AMORE

Professor Mottura, whom I thank very much for his interesting report, has told us about some of the paramount conditions for the development of African banking systems, that is, those connected with the need for well trained personnel. You have heard him speak about the Africanization of bank staffs. This is a difficult thing to do, but he has suggested ways and means. He has also told us, and this is a point I want to stress, that the instructors who teach banking in the various courses organized in other countries, including the one at Milan, must in the first place Africanize themselves. This is precisely what we have been trying to do at Milan. The instructors of our Training Course in the Economics of Banking all come from the University "L. Bocconi", and you know I am rector there, and I make a point of encouraging them to go out to Africa, so that they gain first-hand knowledge of the problems essential for an understanding of the African mentality, and also of the institutions which have developed in various countries; I feel that it is only on the basis of such experience that they can make a useful contribution to our Training Course.

Thank you again, Professor Mottura, and I now give the floor to Mr. Sherwood, senior financial adviser to the United Nations Development Program at New York. Please try to make do with twenty minutes at most, Mr. Sherwood.

MR. SHERWOOD, WHOSE REPORT "TECHNIQUES FOR THE MOBILIZATION OF DOMESTIC SAVINGS: WHY AND HOW UNITED NATIONS BODIES OFFER ASSISTANCE" (*original English*) will be found on p. 197, makes other remarks.

(E.) Mr. Chairman, Your Excellencies, distinguished delegates, ladies and gentlemen, I first of all want to thank and compliment Professor Dell'Amore and the International Savings Banks Institute for having arranged this very stimulating Conference. And I also want to compliment the delegates from the African countries, who have made such a significant contribution to make this Conference worth while. The discussion has been reciprocal. We have learnt a great deal from it.

In the light of that, with the permission of the Chairman and the indulgence of the audience, I am going to depart from my formal introductory remarks, and discuss some of the highlights that I think have been particularly significant in our discussion here.

I feel that there is a sense of wanting to know just what steps to take, how to get on with the job, and my remarks will be so directed.

The international agencies, by and large, have done a great deal of interesting and valuable background work and research, and economic studies on capital flows and the like. But generally speaking, they have had very few direct action programmes. That is why we want to find out how we can get on with that.

The experience of the United Nations Development Programme has been that one of the most effective and long-range steps that can be taken in the field of assistance to developing countries in institution-building, and the establishment of savings institutions is certainly particularly significant in this respect, because with the savings institutions the people of developing countries become involved, and hopefully develop the habit of thrift which can have long-range effects.

The potential of domestic savings has traditionally been underestimated, but I think Mr. Pearson in his report two years ago put an end to that, when he brought out the fact that the 85 per cent of the investment input in the developing countries during the sixties came from domestic resources.

There has been a tendency by some economists to underestimate the value of household savings, of personal savings. I think those who reach that conclusion make the mistake of judging the value of household savings

by the volume of the deposits, whereas it is the number of savers that is important. The real value of mobilizing domestic savings is determined by the number of people who become involved in their own development by getting idle savings into productive enterprises.

In the savings banks and many other private institutions there is a vast reservoir of expertise. There is the International Savings Banks Institute, the World Council of Credit Unions, the International Union of Building Societies and Savings and Loan Associations. Now, these experts in developed countries must be made available to the developing countries. And we want to see how the international agencies can provide the facilities for doing just that. That gets us down to basic operational matters.

First I would like to talk about the various types of savings institutions, just for a moment. You are familiar with most of them. The savings banks, because of the differences in operations which exist among them from country to country, have an in-built flexibility perhaps more than many other savings institutions. They can play a very useful part in the developing countries. Answering a certain question that was brought up "how can existing institutions be made more effective in the developing countries", I think they can for one thing work out an operating relationship with the co-operatives and credit unions which may be working in the rural areas. Also there might be a department in the savings banks perhaps, I would like to toss that out for consideration, for liason and collaboration, and for backstopping of local co-operatives or credit societies.

I think one thing has been wrong in the whole movement, namely, that many organizations have operated in isolation. Institutions have not collaborated to the extent they can. Private institutions have not collaborated with international agencies to the extent which is possible. So we have not exploited the potential of working together on what is a global problem, and something which can make a greater contribution perhaps than almost anything else in getting on with the development process is assisting the developing countries to attain economic self-sufficiency.

Credit Unions are co-operative thrift associations. They have great value, and there has been some discussion here about the credit facilities, the institutions for mobilizing savings in the rural communities. There is much to be said for the co-operative finance agencies, the credit unions, in this respect, because in the villages of many of the developing countries

the credit union may consist of a small group, the members of which are known to each other. This tends to ensure sound credit. Such institutions can be most successful.

Very often the savings bank is considered a rather forbidding and austere institution and the villager hesitates to approach it, and sometimes cannot do so because of lack of transportation. So that there have to be smaller institutions in some rural areas. The postal savings system perhaps has one real advantage in this kind of situation, where there are many remote villages, because the post office is more accessible. It has two virtues, as I see it: security and accessibility, both of which are very important. The savings banks cannot possibly establish their branches in all the outlying districts. So they must carry on liaison with credit unions, etc.

One point which has been mentioned here several times is very very important to keep in mind: an institution which has been successful in the developed countries cannot be transplanted intact and unchanged to the developing countries, particularly those countries that are in earlier stages of development. Too often in the developed countries we think: "Well, this has worked here, it will work there". But it must be adapted, and I want to underline this point which has been made by many delegates here, that it must be adapted to local conditions, to the pattern of education, of literacy, and the stage of development and transportation facilities. These are all important and must be taken into account. That brings me to the necessity for pre-investment studies, which the United Nations Development Programme can provide. In other words, an expert, or a group of experts, must go in first, people who have had experience in savings institutions, and have been appropriately briefed on the conditions in the country to which they are going; and in the light of the social and economic conditions, they must reach conclusions and make recommendations as to the type or types of savings institutions which are most appropriate.

As an example, the Zambian government approached the UNDP, they wanted a savings expert to come to Zambia to have a look and make with recommendations as to what could be done and what kind of savings institutions would be appropriate. First, the UNDP assigned this project to the United Nations itself, as the executing agency, and the International Savings Banks Institute made available Dr. Greisinger, who is participating in this Conference here, to go to Zambia and make a six-month study to

determine what type of savings institutions would be appropriate. He did just that, and has come up with a very interesting report, which I believe is available to all of you. He has worked out a chart which I commend to your attention: "Steps to Savings". It is available here, and it illustrates in a flow-chart form the steps that can be taken to utilize the facilities of the United Nations, the UNDP and the specialized agencies in bringing experts to the developing countries to take this first step in the pre-investment feasibility study.

However, experts are needed in other phases too, because after this determination as to what kind of institution or institutions should be established, experts are needed to train local personnel, to establish the institution itself, and perhaps to supervise early operations. Of course another thing that experts can do is to advise on sources of seed capital, because that is the essential input. The UNDP cannot supply the seed capital, it can only underwrite the experts who go there to help establish and get the institutions going.

There are other institutions which I would like to mention in passing: the Mutual Funds and the Unit Trusts. However, they are useful only at a later stage of development. They are more sophisticated institutions for countries where a capital market exists. They have proved themselves, not only in the developed, but in the developing countries too, to be extremely useful instruments in collecting savings and channelling them into productive investment. They have a great advantage because the small investor achieves a degree of diversification which he could not possibly do were he to invest in the capital market on his own; in India a unit trust was established some years ago and it has proved most successful, and other countries have done likewise, but this can come at a later stage when a capital market has developed.

I should mention that I am very pleased to see that the International Finance Corporation is exploring the possibility of establishing a capital market. Mr. Gill, who is here today, is working on that particular thing, because the World Bank and F.C. are anxious to get into a direct action programme in this field.

The various institutions for savings, which you are aware of, have been briefly described in this brochure entitled "Techniques for mobilization of domestic savings" which has been distributed to you. Mr. Paul Hoffman, the

Administrator of the United Nations Development Programme, who by the way I should have mentioned at the outset, sends his greetings, Professor Dell'Amore, to this brilliant Conference, wishes to expand the operations of the UNDP in this whole area of mobilization of domestic savings. He sent this brochure, which I prepared, describing the various institutions, to all of the resident representatives of the UN, with instructions to bring it to the attention of the governments to which they are accredited in order to stimulate their interest in establishing savings institutions, because the governments have to take the first step in requesting UNDP experts to help in establishing savings institutions. The government of the developing countries have to concur in the establishment of these institutions, they have to take the first step, and if they want the assistance of the international agencies they have to make their request.

The present system is for the developing countries to take a greater part in formulating their own economic development programme.

They present these country programmes to the United Nations Development Programme for approval by the Governing Council of the UNDP. Then the government requests specific projects within the programme, and the UNDP, after approving them, generally assigns them to executing agencies, usually the specialized agencies of the UN system. For instance in the agricultural field a project would go to the Food and Agriculture Organization, and so on.

However, the UNDP does have authority to contract directly, with non-governmental organizations. As an example the Universal Postal Union is presently doing a pre-investment study in Ethiopia under a UNDP contract, in connection with expanding and developing the postal savings banks in that country.

The non-governmental organization might take the initiative in offering to supply experts to UNDP. The International Savings Banks Institute and others who can supply expertise should take the initiative in approaching the international organizations to negotiate working arrangements, a memorandum of understanding with the executing agencies or with the UNDP itself, whereby they agree to make experts available who may be underwritten by the UNDP and sent to the developing countries.

I was glad to note that the distinguished delegate from Nigeria, suggested that the private organizations can take the initiative in the field, in the

developing countries themselves, by suggesting to the governments of those countries to make requests for assistance from the United Nations Development Programme. The private institutions can advise and influence their governments to do this particular thing. And they should take the step and not wait for the government or the international agency to come to them.

I attended four Conferences this year representing UNDP and the UN in this general area. One was in Panama, the Inter-American Savings and Loan Association, the other in Stockholm, which meeting has been referred to frequently in our discussion here, then last week in Berlin, the International Union of Building Societies and Savings and Loan Association. There are certain common conclusions, which have been confirmed in this Conference, and are very interesting to note. Some of them are rather elementary, but one is that no single institution will suffice in this field of mobilizing domestic savings, because different institutions serve different income levels. For instance the savings and loan association serves the middle and lower-middle income group in a country, it does not get to the lower income group which usually requires some government subsidy.

The credit union can serve the lower income group, however, and a country probably very often needs to have several types of institutions to really exploit the full potential of domestic savings.

A second conclusion at these Conferences was that confidence is essential to success. And absolute integrity in the handling of the depositors' funds and in the investing of them is essential. It is of great importance that the institution be set up by experts and managed with integrity.

There was some discussion here about the single-purpose lending institution and the multiple-purpose lending institution. There is room for both. You have the savings and loan associations which are single-purpose institutions for providing house mortgages for financing the building of houses. They have a definite role to play.

On the other hand the development banks should have a multiple-purpose lending programme, because this diminishes risk and matches the needs of a developing country. The argument about the government sector versus the private sector is one that goes on and on, and the champions of each are apt to become too doctrinaire. To illustrate let me recall an experience when I was in India. An American businessman came there and

said: "I don't suppose that a country with socialist concepts, such as India, will be a proper place to invest any money". And I spent some time describing that the Indian concept of socialism was to try to raise the level of the existence of the majority of the population. I said "The trouble is that the champions of the public and private sector both become too doctrinaire, and a doctrinaire approach is never very productive". When I got through and I thought I had succeeded in making my point, he said "Mr. Sherwood, who is this Doctor Nair? Is he in charge of the public sector?".

Again I want to suggest that the existing institutions should reach out and explore ways and means of contacting, establishing a collaborating relationship with the other savings institutions. I think this is of extreme importance.

But the main purpose of my argument is that this is a universal problem throughout the developing world, and the developed world is also very much involved, in its own interest, as well as in the interest of the developing countries.

And this means that our private and public, our national and international agencies must work together. And I think that Conferences such as this are very useful, where delegates come from many countries and pool their information, their experiences, and learn new ways and new approaches to solve this very basic problem of getting the people involved, so that the developing countries are in partnership with the developed countries, and we get away from the situation of aid being given by the rich countries to the less rich countries. When you develop this partnership you lay the basis for an understanding in many areas and eliminate many bad side-effects of grant aid. Thank you Mr. Chairman.

PROFESSOR DELL'AMORE

I thank Mr. Sherwood very much for his report, and especially his personal observations and recommendations. I am sure you all know Mr. Sherwood as a most distinguished international expert. He is an adviser to the United Nations, and as such he has given us a truly international viewpoint, for which I am grateful. Special attention should be paid to his suggestions for collaboration among the various institutions concerned with saving, and I want to say at once that for our part, that is,

speaking for the International Savings Banks Institute, we shall be only too happy to follow his suggestions.

We now have a third report on our agenda, but I have to tell the Conference that I also have a good many speakers still on my list, and unless every one of us is as brief as possible, I shall not be able to call all of them. Immediately after Mr. Sadleder's report, I propose to give the floor to His Excellency Asafa Demissie, Minister of State of Ethiopia, and then we shall have a very short coffee break and continue the discussion afterwards.

This afternoon, I would remind the Conference, the statement prepared by our Drafting Committee will be put before us. But we shall have a backlog of speakers from this morning, who shall have to be heard in the afternoon before we can take up this statement.

I ask you all, therefore, to be here punctually at 3 this afternoon to hear the last of the participants who have asked for the floor — they have a right to speak and we shall be happy to hear them. After that the statement will be read, and finally there will be a brief closing address by the Chairman.

Now I call on Mr. Sadleder, secretary general of the Association of Austrian Savings Banks. Please, Mr. Sadleder, remember you have only twenty minutes for your report.

MR. SADLEDER

HOW CAN THE SAVINGS BANKS OF INDUSTRIAL COUNTRIES HELP THEIR COUNTERPARTS IN DEVELOPING COUNTRIES?

The report (original English) will be found on p. 217

PROFESSOR DELL'AMORE

I thank Mr. Sadleder in the name of the Conference for his exposition of the various ways in which the rest of us can help in the development of savings in African countries.

I should like to remind the Conference that Mr. Sadleder is not only a distinguished member of the International Savings Banks Institute, but a member of the Institute's committee for developing countries, and in

this capacity he worked together with an Austrian team of experts in organizing a new savings bank in Zambia. I hope that we shall soon be in a position to announce officially that a new savings bank has been set up in Zambia.

PROFESSOR DELL'AMORE

The meeting is called to order. Ladies and gentlemen, I give the floor to His Excellency Asafa Demissie, Minister of State of Ethiopia.

MR. DEMISSIE

(E.) Mr. Chairman, ladies and gentlemen, I would like first of all thank Professor Dell'Amore for having invited me to participate in this Conference. I had hoped to go in some detailing into the fine paper that was presented by Professor Dell'Amore himself, and Professor Mauri, and Professor Ruozzi. But unfortunately I shall not have time to examine them in detail. So I am going to speak in some detail about the new bank of which I am managing director, and then comment on these three papers.

Ethiopia's general effort in the mobilization of savings has been adequately dealt with by my distinguished friend Dr. Taffara Deguefe who is general manager of the Commercial Bank of Ethiopia, so there is no need for me to go into that. My own bank, the Agricultural and Industrial Development Bank, was created about a year ago, but it was not created out of the blue. Two previous institutions, the Development Bank of Ethiopia, and the Investment Corporation of Ethiopia, were amalgamated. The new bank inherited not only the liabilities and assets of these two institutions; previously, until the creation of this bank, the government was directly involved in the productive sectors of the economy, either by providing loans or by equity participation, and most of these investments by the government have also been transferred to the new bank. Our sources of finance, therefore, are interests and dividends on these investments, and also government allocations under the budget law (50 per cent of the national bank's annual profit which used to go to the Ministry of Finance), and of course loans from donor countries, the World Bank and other sources. All directly productive loans coming from the World Bank or from bilateral sources

are now channelled through this bank. We are also acting as agents for the government in handling funds which the government obtains directly from various sources.

Now, I would like to speak briefly about the policy of the bank, its lending policy which has changed somewhat from the practice of the two previous institutions. For example, in the field of agriculture we have distinguished various types of borrowers and classified them. We have non-resident farmers, who for example live in the cities but own land in various parts of the country, and we want their savings or their money to be channelled into the countryside. How do we do it? For example, if a non-resident farmer wants to invest and to this end to borrow from us, and supposing he needs 100 dollars, we only give him 30 dollars and the remaining 70 dollars have to come from another source. Resident farmers are treated more liberally. They get 40 per cent of the direct investment cost and three times their contribution in the form of working capital. Then we have a third category of special resident farmers. These special resident farmers are people who have been trained in various universities and have been working in the agricultural field say for five or six years. Now they want to go into farming, and they do not have the capital. What we do here is to go up to 60 per cent in direct investment, and also they have to form a company in which we'll be holding 70 per cent of the shares. We hold this equity share until they are able to buy it back from us. And finally we have of course the co-operatives, which are financed directly, and then we have government programmes for most of the provinces; these were initiated last year and are called "Minimum Package Programmes".

There we provide the input, we finance the input, but we do not directly control the manner in which they conduct their business. This is done in co-operation with the Extension Agency of the Ministry of Agriculture. As our agents they give expert advice, collect the money, and select the borrowers.

In these cases, where we provide finance for input, each farmer has to pay 25 per cent as a down-payment, and when this is collected by the Ministry of Agriculture it is credited into our account.

Industry of course is treated in a very different way. We cannot, either in direct investment or in equity participation, go beyond 50 per cent. If we did go beyond 50 per cent, this would mean that that particular investment is owned by the bank, which we don't want to do.

Now, I want briefly to comment, in the time available to me, on the papers of these three distinguished authors.

First, on the question of specialization. I think it was Professor Dell'Amore who emphasized in his paper and also during his interventions that we should be specializing, that for agriculture — if I understand it correctly — there should be savings banks, and we, the development banks, should concentrate only on long- and medium-term financing. But here I think, as has been said by previous speakers, that quite apart from the problem of personnel, experts, the availability of domestic experts and also expatriates, in my view it is difficult, if not impossible, to start specialization now.

My own bank is authorized by law to accept deposits, to collect and to have access to savings as well. Some are not allowed to do this, but in the case of our bank it is allowed to do it.

I think specialization should come at a later stage, and not right now, in particular in the case of my own country.

Secondly, it was mentioned several times that the savings banks, being in the rural areas, are near to the farmers and to their customers and so on, and the money which is collected by the savings branches should not be taken to develop other areas, but it should develop that particular area. But I don't know if this is possible in most of the African countries, and particularly in mine. When we say this we assume a number of things as given: that there is a market for that particular product, that infrastructures are available, and also a sufficient level of funds is available. A lot of assumptions, I think, are made, many things are taken to exist, which is not, in my opinion, the case.

Of course, some developing countries have started savings banks, but we must ask what was the situation there, what was the economic situation. For example, I would like to ask: what was the *per caput* income at that time in that particular area? What was the state of capital formation in that area, and the state of savings? And what was the state of knowledge, I mean what was the spread of education at that time?

If we had this type of information, we would compare it with our own situation and decide whether we are ready to have savings banks in the rural areas. It was said that commercial banks cannot go to the rural areas, only to the cities. They cannot do it because the infrastructure

is not there. Now, I am sure my friend Taffara Deguefe would go to the rural areas if he were convinced that there are savings to taps there. But his manager, who has to go to these rural areas, he would like to give his children a better education than he had, and he could not get this education in the rural areas, and so he would not go. We have this difficulty. I think if not an hospital, a clinic must be available before these persons are willing and prepared to go to those areas.

So, what I'd like to ask is: wouldn't it be better to assess the existing institutions in various parts of Africa, and to improve these institutions rather than suggest a proliferation of savings institutions? To most of us the cost of such a proliferation of institutions would most probably be immense. As all of you know, we have to take into consideration the opportunity cost of any expenditure we make, and in this case it might be too high.

Take for example my own bank. We could say we are going to develop branches at least in six growth centre areas, economic growth centre areas, and in these areas our branches will be able to collect savings, and accept deposits, particularly from our own customers, people such as small farmers, all the co-operatives, all the medium-size farmers. If they know that they can get loans from us, as our loan officers are very close to them, they will deposit their money with us and we would stimulate them to do so or to keep a savings account in our bank. If the volume of these savings or these deposits grows in time, say in the next ten years, then there may be a case for having a special savings bank, but not at this stage.

Before concluding, I would like to mention another point. I understand from your paper Mr. Chairman, and also from what you said, that you intend, in co-operation with FAO, to send study teams to various parts of Africa, to study agricultural credit in particular.

I would like to draw your attention to the fact that various agencies, various international agencies, have made such studies several times. I speak for my own country. FAO, the World Bank have made them, various other agencies have made them. In fact, in about a month's time the World Bank is going to send one of its strongest and largest missions for this very purpose. I hope there is going to be some co-ordination. But what I wanted to say here is that the development banks or the savings

banks that exist already in Africa should be requested to make these studies themselves. It will then be for other people, for people who are far more expert than we are, to comment on that; not to send a huge delegation, whose members in any case have to come to us for various information.

I mean, what do you want to know about agricultural credit? You want to find out whether there is a gap; but your experts could give us the terms of reference for the study, and this would be much less expensive. That is what I wished to say in particular to you, Professor Dell'Amore.

Thank you very much.

PROFESSOR DELL'AMORE

Thank you very much, Your Excellency. I listened to your remarks with all the more interest as we have been concerned with setting up a savings bank in your country, as you mentioned; this savings bank is already in operation and its first results are very encouraging. You are so very right in stressing the need to take account of institutions already in place and working more especially in the field of agricultural credit. You have also spoken of the necessary collaboration between different institutions concerned with agricultural credit.

Now, you mentioned that your development bank handles medium- and long-term agricultural credit. Here I see a chance of fruitful collaboration between the development bank and the new savings bank, because, as I see it, the latter should restrict itself to short-term farm loans. This would leave a wide field for the development bank's medium- and long-term credit, and there would be no conflict. Naturally, there should be close collaboration among all credit institutes, preferably under the auspices of the central bank which should organize such collaboration.

I now give the floor to Mr. Obel, deputy governor of the Bank of Uganda.

MR. OBEL

(E.) Thank you very much Professor Dell'Amore. Distinguished guests, ladies and gentlemen, I'll be very brief considering time is very pressing. In fact it is good that time is pressing, because after so much has been said and discussed it is not likely that one can at this stage of the discussion

or of the Conference come with completely new ideas. However, I do want to say thank you to your organization and all the organization that have been committed and concerned with this Conference.

I have only one or two points to make, if only in the form of emphasis on what has been already been mentioned since Monday.

Different views have been expressed on what the Conference can or should accomplish. I say, and I believe I speak for the four different institutions in Uganda represented here, that we have come to learn from the vast experience of yourself, Mr. Chairman, and your organisation, and that of the experts that have given us very useful talks, and to learn as well from each other from Africa, how we can help ourselves: the Chinese, brilliant as they are, say that you can give a man a fish, and even if necessary teach him how to eat it, but you do him a better service if you teach him how to catch the fish, for then you make him independent and less reliant on his friends.

I believe a lot of us have not understood the reasons why my country, after having tried different methods of mobilizing savings, has not done at all well.

Commercial banks in Uganda and in East Africa have had a long existence. The first commercial bank, British, opened its doors in Uganda in 1906. True, these banks and those which followed were initially concerned only with the marketing of agricultural crops and with financing import trade. Those few Ugandans who had funds to save did so at post office savings banks which fortunately had offices in the remotest parts of the country. Our experience — and I stand to be disagreed with here — our experience in Uganda showed that the post office as an instrument of mobilization has not worked as well as could be. A fully fledged savings bank came into existence in Uganda hardly twenty years ago, and it did so solely through the efforts of the government.

We have also tried another technique of savings, which is through the provident fund, and more lately we introduced social security fund contributions, life insurance and some housing finance companies.

With all these various savings institutions one would think and expect that Ugandans should be able to save and should have saved a great deal of their money. During the last five years figures showed that in 1966

the country saved 12.7 per cent of its gross domestic product, or 11.9 per cent of its gross national product. In 1967, 15.9 per cent of GDP, or 14.6 per cent of GNP. In 1968, 16.4 per cent of GDP or 15.2 per cent of GNP. Last year, we saved 18.6 per cent of GDP or 15.8 per cent of GNP.

The methods we have used so far to get these percentages are a mixture of financial and fiscal methods, to some extent. Some of the savings difficulties, Mr. Chairman, have been enumerated here since Monday, such as small incomes uncertainty about incomes from agricultural crops because they are subject to violent changes, attachment to traditional methods of holding wealth, investment in real property in preference to investing in some financial form, and taxation necessitated by the revenue needs of the government. All this is true and applies to Uganda. But I believe despite the reasonably good percentages that I have cited, I believe the biggest problem and one that applies to the whole of East Africa, is that the country's resources are in the hands of a minority population of Asian origin, who do not identify and have not identified themselves with the aspirations and future of the country. Lacking in aspirations, they are bent on exporting capital at every opportunity to other countries where they consider their funds to be safer.

This brings me to the question of confidence already mentioned by several speakers. I only mention it here, as I said before, in the form of an emphasis. We know that to save, Mr. Chairman, people must be certain of a safe future. Confidence in the future must be considered a serious factor in their ability and willingness to save. Lack of confidence with its adverse effect on savings need not, of course, be attributed only to any Asian minority in a country like Uganda. I think we have all heard of presidents, cabinet ministers and politicians who have started talking about socialism and the promotion of the common well-being only after putting away huge sums of money in bank accounts in Switzerland. If leaders in the African countries do not have confidence in their own country, enough confidence to keep their savings in their own country, how much more or how much less confidence can the ordinary man in the village have? I remember a friend of mine from Malawi asked one question: "Saving? Saving for what?" That is the crucial point. Why do the leaders save their money and take it away to Switzerland?

Mention has been made of the various methods that should be used to promote savings in African countries. I would say that we have tried most, if not all, of them, Mr. Chairman, but I have come to appreciate one above all in the context of Uganda, and that is the compulsory method. I think saving should be compulsory for all, including the leaders, all those who are salaried. I see this as the most practical method among all the incentives to saving. And as for the peasants and workers, some monetary incentives would do the trick, I think. We are lucky that in Uganda the co-operative movement has deep roots in every part of the country. We have recently organized a Co-operative Development Bank which deals with most of the farmers in the entire country. There is a rural savings scheme, which is conducted through existing selected co-operative marketing societies where individual farmers deposit their savings, and where they can withdraw them. The farmer sells his crop through the society; he obtains production credit through the same society and he saves through the society.

The co-operative society becomes the centre of rural life, and by making it the depository of savings we are bringing the means of savings to the farmers' door steps.

The society issues a passbook in which a member's photograph is embossed and stamped with the society's official stamp. The co-operative society opens two accounts in the Uganda Co-operative Development Bank; one account, called account No. A, is for the society's own funds, and account No. B is for member's savings accepted by the society. All member's deposits are banked intact in account No. B. Each depositor's account number in the society, and the amount of his deposits are transmitted to the Co-operative Bank, together with the amount of deposit.

Mr. Chairman, we have found this to be a very good start, and we hope that through it we shall be able to mobilize savings in the rural areas, while at the same time concerning ourselves with a compulsory savings method in the case of the salaried workers. I would advocate the compulsory technique because the experiences of the mature economies can hardly be repeated in Africa.

Let us speak of a model worker, an intelligent man, forward-looking and considering the future of his family. A thrifty man, he wants to save but he must save for a purpose. But unfortunately, a worker in Africa and in Uganda is faced with far too many good things shown to him in

shop-windows, on television, and on the radio. He's bound to be confused and diverted away from his good intentions to save. He sees his friends riding bicycles, and even driving cars, and the salesmen at his door all the time, with the result that I think he is in a difficult position. I think this man should be protected from the salesmen, from radio and television and newspapers and assisted compulsorily to save.

We have done this and we are trying to do it. I mentioned the social security fund contributions. We have tried Premium Development Bond schemes, and we are getting somewhere. I think that this method of compulsion should remain a key one, at least in the experience of Uganda. And finally, Mr. Chairman, I would like to say, to hope rather, that this will not be the last conference of this kind, but that another will be organized either here or elsewhere, and I assure you that wherever that conference is, if Uganda is invited, Uganda will be represented in full strength. Thank you Mr. Chairman.

PROFESSOR DELL'AMORE

It was most interesting to hear from Mr. Obel about the particular method organized in Uganda for the development of savings. His suggestion to hold further conferences like this one is very welcome indeed, and it is good to know that representatives of Uganda will take part in any conference organized in the future here or elsewhere.

As your chairman, ladies and gentlemen, I now have the unpleasant task of asking future speakers not to exceed five minutes each. We want to hear everyone who has asked for the floor, and I shall have to cut off all speakers once their five minutes are up.

I call on Mr. Addo.

MR. ADDO

(E.) Thank you very much indeed, Mr. Chairman, for everything and particularly for the kind invitation to Ghana to participate in this very interesting Conference, and I am saying this on behalf of the fairly large delegation from Ghana.

Mr. Chairman, I would like to thank you also for reminding me about the time available to me. In fact, I have made up my mind already to be very brief. I am leaving out the first thing I meant to say, because the subject has been exhaustively discussed by experts, but I would like to comment briefly on several aspects of saving, though only by way of emphasis, not as a new contribution.

I consider the mobilization of savings as a means to an end, not as an end in itself, and it is in relation to economic development that we have to mobilize savings. Mr. Chairman, our experience in recent months is worth commenting upon, even though it is too early to see results for purposes of analysis. We have started an experiment, and I would like to describe briefly this experiment to the distinguished delegates, and also promise that in the very near future we hope to share our experience in this experiment with them through the publications of the Bank of Ghana or the economic survey of the Bureau of Statistics in Ghana.

I need not at this stage bore the distinguished delegates with a detailed account of the economic circumstances of Ghana during the past decades. Suffice it to say that our economy is characterized by price inflation and balance of payments deficits.

After the introduction of certain fiscal and monetary measures over the past four years, the situation has been brought under some control. The most recent measures include particularly an interest rate reform. Under this policy, the borrowing and lending rates of financial institutions have been raised in order to give an adequate rate of return to savers and to allocate more efficiently the financial resources that are mobilized. In order, for instance to give a real rate of return of 2.5 per cent to the savings account holder in a situation where the annual rate of inflation is not less than 5 per cent, the nominal rate of interest on savings accounts was increased in July of this year from 3 to 7.5 per cent per annum.

Consequently, the lending rates of the commercial banks went up from about 9.5 to more than 11 per cent per annum. The lending rates were not increased proportionally because the average cost of loanable funds to the lending institutions is much lower than the rate payable on savings accounts. This shows the low content of savings in loanable funds.

Rates of interest on other financial assets have been re-aligned. The objects of this interest rate reform are clear, Mr. Chairman; it should

contribute towards correcting the adverse trend in the balance of payments, and also bring the inflationary situation under better control, as people will be attracted to save more and consume less.

We hope that the reform will produce the following changes. First, that financial asset holders will substitute assets paying high rates for those that do not. Secondly that some of the money thought to be invested on the clandestine, the unorganized capital market, and this is a fairly large market in my country, will, we hope, be deposited in institutions. Thirdly, that some of the savings which now go into such investments as dowries etc. will be deposited in the banks and other savings institutions. Fourthly, we hope that people attracted by the high rates will forgo some consumption.

Mr. Chairman, I have drawn attention to this interest-rate aspect of economic development programmes, because there is a tendency to pursue cheap money policies in developing countries, the argument being that the cost of economic development should be as low as possible.

In such circumstances, interest on savings must of necessity be low. In some cases the return on savings becomes negative. Savings therefore stagnate.

I think we from the developing countries should be very careful about the sort of interest rate structure we maintain in our countries if we want to mobilize savings, and in doing this we have to rationalize our fiscal and monetary policies. The methods to be adopted in such circumstances will of course be determined by and large by the political philosophy of the country concerned. Thank you very much.

PROFESSOR DELL'AMORE

You have raised an extremely interesting and important problem, Mr. Addo. I must give an example of brevity, so I must withhold comment, except for saying that I fully agree with you that the rate of interest must be different from one country to another, because of the different economic and social conditions of each country. I hope to say a few words about this in the afternoon, on the occasion of closing the Conference.

I now give the floor, for five minutes only, to Mr. Mascarenhas, of the Africa Co-operative Savings and Credit Association.

MR. MASCARENHAS

(E.) Mr. Chairman, honourable ministers, ladies and gentlemen, it is a great honour for me to be permitted to say a few words today on behalf of the Africa Co-operative Savings and Credit Association (ACOSCA), or *l'Association des Coopératives d'Épargne et de Crédit d'Afrique* (ACECA). I would like to say a big "thank you" to the Chairman Professor Dell'Amore, for allowing me this opportunity.

The programme of ACOSCA was initiated in 1968 in Nairobi, Kenya, when a resolution was passed that an association should be formed and a five-year educational programme should be developed. ACOSCA has set itself the task to bring human dignity to all the people of the free world. On many occasions in the past, I have made statements concerning my devotion to ACOSCA and the high hopes that I entertained for its relatively rapid progress towards playing a significant role in the development of human and financial resources. I am very happy to say that I have always seen these high hopes fulfilled.

Today, ACOSCA extends a helping hand to 26 African countries and adjacent islands who are working towards the mobilization of local savings at the base of the economic development programme in each country. The objectives of ACOSCA are:

- (a) to assist in the organization and the promotion of co-operative and credit societies either under existing laws or through new legislation;
- (b) to assist such societies in their operational and technical problems so as to ensure the establishment of successful organizations;
- (c) to assist in obtaining legal recognition for co-operative savings and credit societies either under existing laws or through new legislations;
- (d) to assist in the establishment of national associations of co-operative savings and credit societies and help them plan and carry out their programmes so as to enable them to attain self-sufficiency in the shortest time possible;
- (e) to co-ordinate and to promote the spirit of thrift in Africa and the adjacent islands.

The mobilization programme with which ACOSCA co-operates from the outset, secures the co-operation, the guidance and the direction of the

AFRICAN CREDIT UNION STATISTICS

Country	Number of legalized societies	Number of pre- societies	Number of members in legalized societies	Savings (U.S. \$)	Loans outstanding (U.S. \$)	Source and date of information
Tanzania	189	affiliated to SCULT				SCULT Manager, March 1971
	64	non-affiliates	30,000	714,000	815,000	
	253	Total				
Nigeria - Lagos	151	23	9,232	1,182,500	674,500	Report of Lagos Credit Union League, March 1971
Nigeria						Report to ACOSCA - 1969
Remainder of the Country	2,613	—	83,944	4,695,300	—	Conference of Lagos Credit Union League delegates (Pre-Civil War Information)
Cameroon	51	54	4,970	82,700	54,900	President, West Cameroon Credit Union League, June 1970
Botswana	24	—	2,360	25,300	—	Co-operative Registrar December, 1969
Congo	None known	—	—	—	—	—
Dahomey	None known	—	—	—	—	—
Ethiopia	6	—	1,862	140,400	—	Report to ACOSCA Conference August, 1970
Ghana	48	—	13,327	804,400	507,000	Senior Field Organizer March, 1970
Kenya	98	—	17,648	594,500	266,000	Senior Co-operative Officer, Credit and Finance December, 1969

Country	Number of legalized societies	Number of pre- societies	Number of members in legalized societies	Savings (U.S. \$)	Loans outstanding (U.S. \$)	Source and date of information
Lesotho	41	—	12,341	337,000	241,500	Manager, Lesotho Credit Union League - 30 June, 1970
Liberia	8	—	703	63,400	25,200	Father Daliel, Educational Advisor - 1970
Mauritius	11	—	778	11,800	6,300	Mr. Toinette, Credit Union League - June, 1970
Senegal	None known	—	—	—	—	Delegate to ACOSCA Conference - 1970
Seychelles	1	—	—	—	—	Delegate to ACOSCA Conference - 1970
Sierra Leone	700	—	32,000	—	—	Delegate to ACOSCA Conference - 1969
Swaziland	12	—	528	—	—	30 December, 1970 Registrar of Co-operatives
Togo	None known	—	—	—	—	—
Uganda	37	100	4,428	165,000	100,000	ACOSCA Field trip January, 1971
Upper Volta	None known	—	—	—	—	—
Zambia	10	18	6,151	642,300	—	1970 - Sr. Stapleton Zambia Credit Union Promotion Committee
Ivory Coast	None known	—	—	—	—	—
TOTALS	4,064	205	220,272	9,460,600	2,690,400	

government co-operative department, the federation of co-operatives, trade unions, voluntary agencies like the churches and community development groups and all kindred agencies within each country, devoted to the principle that the bedrock foundation of economic development and political independence for all of us is the mobilization of domestic savings. This is what a delegate at the recent ACOSCA Conference in Buea, Cameroon, said: "Education, education, and more education".

Today, ACOSCA can look with pride and satisfaction at having created movements in the following countries: Botswana, Lesotho, Swaziland, Malawi, Kenya, Tanzania, Uganda, Congo Kinshasa, Cameroon, Ivory Coast, Dahomey, Togo, Ethiopia, Ghana, Nigeria, Sierra Leone, Senegal, Rwanda, Zambia, Burundi, Upper Volta, Liberia, Madagascar, Mauritius and the Seychelles.

Attached to this report, as circulated, are the latest African credit union statistics.

For its Five-year Educational Programme, ACOSCA hopes to receive assistance in the amount of approximately US \$ 340,000 for scholarships, i.e. to pay for board, lodgings and transportation costs of participating students. Of this amount, ACOSCA has commitments from donor agencies for US \$ 66,000. This leaves a deficit of US \$ 270,000 which has to be obtained if this programme is to be carried out as originally planned. In addition, continued emphasis must be placed on fund-raising for assistance in providing field officers, local training courses, and publications for the National Credit Union Leagues in Africa which are just coming into existence.

At the Economic Commission for Africa symposium on rural development in Africa in the 70's, ACOSCA was indeed grateful to know that a recommendation was made that 0.3 per cent of the annual expenditure of non-governmental organizations financing projects in Africa should be made available to ACOSCA/ACECA to carry out its programme successfully.

I sincerely hope this short report will prove useful. However, ACOSCA Head Office will always be at hand to answer any questions that may arise, and your contribution will always be most welcome. I hope that the *Cassa di Risparmio delle Provincie Lombarde* will work in close collaboration with ACOSCA and will be ready to advise or contribute for the betterment of this African association. Thank you.

PROFESSOR DELL'AMORE

Your words will not be forgotten, Mr. Mascarenhas, you may be sure. Five minutes now for Mr. Gill, of the International Finance Corporation, Washington.

MR. GILL

(E.) Mr. Chairman, ladies and gentlemen. First, I would like to extend my thanks to our Chairman for inviting me to this Conference. It was suggested that I might make a few comments on the World Bank activities, which may relate to savings mobilization in the African nations.

My particular function is with the International Finance Corporation. The International Development Association, as you know, makes soft loans, the Bank itself more commercially orientated loans to governments, while IFC deals with the private sector in partnership with the nationals of the countries involved. The pertinent theme is, as it has been so well described by many delegates before, "helping the countries concerned to help themselves". That is, "helping them learn to fish, rather than just giving them fish".

My field is capital market development. What is a capital market? It is essentially the market for longer-term loans and equity investments. The relationship to savings institutions is obvious. What are the objectives of capital market development from the World Bank point of view? They are three. First, to assist countries to become financially as independent as they can be, in relation to their country's economic status. Secondly, to help broaden the ownership of industry, and thus broaden the participation of the citizens in the profits coming from industry. Thirdly, to assist in a more efficient allocation of resources and, indirectly through the improvement of analytical and financial management processes, to improve the efficiency of industry and thus improve the standards of living. How do we go about it? Advice and technical assistance, first, at the request of member governments and, secondly, assistance in the establishment of financial institutions. What types of financial institutions? Frankly, as I have been with the World Bank only five months, after having been an investment

banker in the private sector, we have not really had sufficient time yet to decide where our emphasis should be, whether it should be in the more primary areas of capital market development (such as savings banks) or in a more advanced area (such as investment banks, etc.).

I would hope it will be both. But, for the purposes of this meeting, and I am referring to some comments of other delegates as to the World Bank's evolutionary approach to changes of policies, it might be useful to comment on how changes come about. Policies change usually through three routes: one is the development of new ideas from the field missions, because they see changing developments in the countries they visit. Another is the suggestions of members of the countries visiting the World Bank and discussing things with us. Thirdly, the opinions of our shareholders are carefully considered. The governors of the member countries obviously influence the evolution of policies. Each country has its representatives on our Board of Directors. In terms of the changing attitude of the World Bank to the financing of financial institutions, we will be very much listening to what our shareholders suggest as particularly pertinent from their point of view. Thank you very much, Mr. Chairman.

PROFESSOR DELL'AMORE

Many thanks, Mr. Gill, for your remarks and for your suggestions on behalf of the International Finance Corporation.

Now Father Brossard will address us on behalf of the Vatican.

FR. BROSSARD

(F.) Mr. Chairman, distinguished delegates, I am here to bring you a message from AGRIMISSION, a new agency which owes its origins to the initiative of Monsignor Ligutti, then Permanent Vatican Observer at FAO, and the missionary institutes.

AGRIMISSION is intended as a liaison agent between the technicians of rural development and the religious missions in the field, working for human development. I should stress here that in line with the current

ecumenical movement the Catholic Church is anxious to collaborate with members of all faiths, because it knows that their inherent spiritual values are most important for the mobilization of savings.

By their content of prudence, honesty, perseverance, moderation, and above all brotherly love, these spiritual values contribute to the success of development projects. Professor Dell'Amore exemplifies my meaning by his very name and by his whole life, his devotion to that great spiritual value, brotherly love.

Internationally, AGRIMISSION works mainly with FAO, but at the national level the aim is to collaborate locally with all the technicians of rural development.

To give you the gist of my message, I would ask you to look at the magnificent bronze panel in this hall. It is the work of the sculptor Giacomo Manzù; he has called it "Family Saving" and has represented the dove of peace in it. We have here the same theme which Pope Paul VI stressed in his Encyclical *Populorum Progressio*, when he declared: "Development is the new name for peace". But peace, lest we forget, means also concord, collaboration at all levels towards the kind of social, economic and spiritual development which make up the full development of man, of all men including the most disinherited.

I should like to conclude with a recommendation: let us all try to promote such collaboration between technicians and religious leaders, because the competence of the former and the influence of the latter on the rural population are both necessary conditions for the success of development projects.

AGRIMISSION is at the service of all, trying to convince people of the need to mobilize their savings for higher productivity, and trying to guide co-operatives along this path at all levels, local, national and international.

As a matter of historical fact, missionaries have done much spadework for the credit unions, or their predecessors the *caisses populaires* which originated in Canada in 1900 and took the name of credit unions as they spread in English-speaking countries. But whatever they may be called, credit unions, *caisses populaires*, savings banks, it is here that we shall try to integrate our endeavours.

Yesterday, we had a meeting where a group from Lesotho got together with Professor Dell'Amore and some of his friends as well as some FAO experts, and proposed to them a pilot scheme in which we hope to arrange collaboration between the *Cassa di Risparmio delle Provincie Lombarde* and the credit unions of Lesotho. I trust that Manzu's Dove of Peace will take this project under its wings.

PROFESSOR DELL'AMORE

We really have no time at all, but I must just say a few words in reply to Father Brossard. His was the first voice in these four days to speak up for the religious values in saving. As you said, there are, of course, technical conditions, but there is also a religious foundation in saving, because saving means the sacrifice of present consumption for the sake of the future. And this bears witness to the kind of human solidarity which we need among the peoples of all continents, not only in underdeveloped or developing countries, but very much so also among the peoples of countries that have reached a high state of economic and social development.

I thank Father Brossard for having spoken to us of this great truth, and I can assure him that personally I am convinced of the ethical foundation of savings which he mentioned. I also thank him for having drawn the attention of the Conference to this sculpture, which in fact we have placed here precisely in order to remind all men and women that before we think of economic and technological progress we must think of moral values, and always of that great moral value represented by the family.

Now I call on M. Mankoubi, general manager of the Development Bank of Togo.

M. MANKOUBI

(F.) Thank you, Mr. Chairman, and I will try to be very brief. I want to say something mainly about technical assistance and aid offered by the savings banks of developed countries to those in developing ones. In one of the reports, by Mr. Sherwood I believe, I found a definition of the mobilization of savings that pleased me a good deal. First of all, he

says, we must go and look for idle capital and make it productive, and then we must offer facilities for stimulating that habit of saving. But at once certain questions come to mind. Is there really a lot of idle capital in our countries? And do we have productive projects? It seems to me that in Africa we should start with creating the facilities for stimulating the habit of saving, and to this end we need technical assistance. That is why I want to say something about technical assistance first.

As technical assistance works at present — and I hasten to add that we greatly appreciate the Training Centre of the *Cassa di Risparmio* — I wonder whether we should not make a distinction between technical assistance for training high-level staff and middle-level staff.

As regards high-level staff, those of us who studied in Europe know very well how valuable this was for us. But for the others, I wonder whether it would not be better to train intermediary staff in their own banks, surrounded by their local conditions and environment. First of all, middle-level staff cannot easily be spared by their bank; there are many of them and the problem of selection is invidious. Secondly, medium-grade employees cannot adapt as readily as senior staff to a situation that is novel to them. I feel, therefore, that training for intermediary staff should in the first place be geared to local conditions, and any institution willing to help development banks or savings banks in Africa by staff training, should, in the case of intermediary staff, do so on the spot.

As regards technical assistance in general, I can see a case for the establishment of an information and study centre attached, say, to an international institute of savings banks or development banks. This would help African countries by assembling a store of documentation and technical studies that could be consulted at any moment in connection with any particular project. Likewise, as other speakers have said, it would certainly be useful to have further conferences like this one from time to time.

But the information and study centre I have in mind can fulfil its purpose only if banks themselves try to create what might be called an information pool. This would enable banks from developing countries to help those in other developing countries, and, of course, all banks from developing countries could be helped by those from developed ones. It may be of interest, for example, for a bank in a developing country to learn

how another in a similar position has set about investigating and carrying out some particular project.

In conclusion, Mr. Chairman, I want to thank you on my own behalf and in the name of the delegation from Togo for your invitation to this Conference, and I hope that others like it will often be organized.

PROFESSOR DELL'AMORE

I was most interested in M. Mankoubi's distinction between training for high-level and medium-level bank staff. I do realize that the difficulties are different in the two cases. Here in Milan, we have tried to concentrate mainly on training for intermediate staff, because it is obviously very hard to keep together for eight months a number of African bank managers — whether they are from savings banks or other credit institutions.

I think we can claim some little success in organizing these training courses for middle-level staff, but I do not see how courses lasting any length of time can possibly be arranged for managerial personnel. On the other hand I accept M. Mankoubi's suggestion of organizing such courses in developing countries themselves, and there perhaps something new and useful could be set on foot.

As regards his idea of an information centre, I can say that our International Institute is organizing just that sort of thing at present, that is to say, we hope to make available to all who want it extensive documentation on the development of savings, etc.

I now give the floor to M. Dia, of Senegal.

M. DIA

(F.) Mr. Chairman, honourable delegates, ladies and gentlemen, although I have little time at my disposal, I will try to avoid expressing myself in telegraphic style.

When I left Dakar, Mr. Chairman, the management of the Senegal Post Office Savings Bank gave me a double message of thanks to deliver to you, and it is a pleasant duty for me to do so. I thank you first of all for

having had the idea of calling this Conference, together with the International Savings Banks Institute; and I thank you for the way you have organized it, which certainly would have been beyond the means of developing countries, as another delegate said yesterday.

I want to put some stress on our gratitude, not only because I have been instructed by the Post Office Savings Bank to do so, but because I have seen personally here in Milan how splendid your reception and organization are.

The Post Office Savings Bank of Senegal has been in existence for 50 years and is thus of mature age. Its origins, of course, go back to colonial times. It was founded by the French, and when our country gained its independence we neglected it rather. We had other pressing concerns at the time, structural problems, problems of replacing foreign personnel and problems of development in other fields.

This is why we are still at the beginning, only just learning to walk and talk, as it were. And here I want to take up a point that M. Benoit made in his second intervention: that we should first think about the mobilization of savings, before we start worrying about how to use the funds raised from the population. In Senegal, our problem is exclusively one of the methods for mobilizing national savings. Once we have got any money from savers, we entrust it to the government, which, as things are at present, is the irreplaceable agent of housing and agricultural credit. All the funds mobilized, or raised, by the P.O. Savings Bank are handed over to the state for its housing programme, its agricultural credit programme, its real estate credit programme — all of which are financed not only by state funds but also by the savings accruing to the P.O. Savings Bank. I repeat that in present conditions, when there is virtually no private enterprise in the economy, the government's action in this field is quite irreplaceable.

The methods of mobilizing savings are well known, or at least those applicable in developed countries. There is the press, there are cinemas, radio, television, publicity vans — but all these presuppose a minimum of education and we, in the developing countries, are still battling with the problem of illiteracy. So we have to look for other, more suitable methods.

The international experts sent to our countries often rely on published literature on savings and the banking system, on statistics and other documentation. But beyond this literature and these statistics there is the problem of real people in their rural or suburban surroundings. And this is something about which everything is still to learn, the whole psychology of the African; yet the experts, who often visit only the capital cities and other major towns, regrettably have no time to acquire this knowledge. It is here that the problem of confidence comes in, which has been mentioned by many previous speakers. Our fundamental problem, I believe, is to create confidence among the savers.

The Institute which you, Mr. Chairman, have told us you are setting up, no less than assistance from the International Savings Banks Institute or from other countries, should in my opinion mainly concentrate on appropriate ways and means of mobilizing savings in African countries — at any rate this applies, I think, to most French-speaking countries in Africa and certainly to those in West Africa.

My time must surely be up, Mr. Chairman, but before concluding I once more thank you on behalf of my delegation.

PROFESSOR DELL'AMORE

Thank you very much, M. Dia. I noticed you mentioned television among the methods of mobilizing savings. With your permission, I would point out that television is a method of consumption, not of mobilizing savings. I think your country should be warned to go very carefully with television, for television destroys savings, it represents consumption.

M. DIA

We don't have television yet in Senegal...

PROFESSOR DELL'AMORE

You don't have it yet? Ah, that's much better for saving, obviously. I call on M. Effoudou-Mezy of Cameroon.

M. EFFOUDOU-MEZY

(F.) Mr. Chairman, Your Excellencies, ladies and gentlemen, after hearing the many interesting speeches here at this Conference, I asked myself whether I would need to change the tenor of my own, which I had prepared in advance. I decided to make no change, and this is why.

The very fact that this Conference is taking place and the participation in it of so many of the men responsible for economic affairs in the developing world underscore the importance attached nowadays to the complex problems of saving.

Developing countries have, above all, become acutely aware of the need to mobilize what are called household savings, as a necessary condition for raising the standard of living of the great mass of workers.

To be sure, the first concern of the newly independent countries, and they can hardly be blamed for it, was to solicit foreign aid for economic development, which means for the time being shelving the study of the ways and means to promote saving.

I cannot, of course, in the few minutes at my disposal, list all the benefits of saving; but I think we all agree that it is a strict discipline of willpower which, for those who accept it, becomes the very condition of the nation's economic development, this term to be understood in the particular sense of

(a) articulation and introversion of the economy and

(b) its integration into the regional economy of which it is part together with other nations.

To do this, implies

(c) upgrading human resources, by adapting the people's mentality, their customs and the country's institutions, to the necessary changes.

In short, we need to create a genuine circular flow of resources both internal and external, and this means that the people must be made to understand what it takes to make a viable economic space — domestically, the organization of production, the distribution of income and resource allocation, and externally, close economic and financial co-operation among the countries of any given region.

To arouse the broad masses of the people to the need for saving will require a large-scale education programme, for without a modicum of education

people's mentalities and customs cannot be adapted to change. The level of savings depends directly on the level of education which, among other things, conditions the very value of the people itself and of its economy.

But to make people save, we must create facilities for saving. Initially, the low levels of income, production and exports make it extremely hard to save, and hence to find funds for productive investment by which to transform agriculture, step up industrialization and speed up the pace of local economic progress. Yet, so long as people do not really understand why they should save, cannot appreciate the advantages of saving and simply do not know what benefits can be derived from it, there certainly is no encouragement to save.

The problem of developing countries, and not theirs alone, is that where people rely for everything on the state and where democracy stands in need of consolidation not so much in institutional as in behavioural terms, citizens must be made aware of their social duties. They must be made to understand that liberty rests on an adequate degree of economic independence, which can be acquired by voluntary saving.

Given these premises this Conference cannot and must not fail to be welcomed by all who take part in it, nor to lead subsequently to beneficial results in the developing countries. For, among other ways and means to promote saving, and as a useful supplement to banking as such, savings banks in some appropriate form have the great advantage that they can teach the great mass of the people the habit of thrift and familiarize them with the use of banking facilities. For the working population, the formation of savings and their flow, in great seasonal waves, into production are the prime movers of the modern economy. The very principle of the circulation of savings and credits creates an uninterrupted dynamic movement. In this mechanism private savings are invested and thereby, in their turn, create new sources of wealth; any reduction in income available for immediate consumption can be set against a more than proportional increase in income for future consumption, and it is not only the income of the community that is raised by saving, but certainly also the saver's own personal income.

The mere fact of putting a savings bank into an area where people are not yet used to saving, could induce them to do so more and more frequently, because everyone can see that the money he puts into his own

"local bank" is invested locally, on the spot, in the area's own agriculture trade and industry.

In this way it should become possible to create the essential infrastructure of industrial development in the smallest townships and to strengthen production in small towns and villages alike, and this should indirectly counteract both the fatal trend of rural folks migrating to the towns and the habit of hoarding, that well known feature of underdeveloped economies. Hoarding, of course, is not harmful as such, but the re-entry of hoarded wealth into circulation can give rise to dangers that are not easily foreseeable, especially by the uninformed masses.

The presence of a savings bank might well set off a chain of reaction, for while it is true that the channels by which saved resources flow back into the economy are conditioned by the structural environment, this environment itself can be modified by the intervention of savings banks in the direction of improvement, enrichment and stimulation of the economic forces. In this way, savings banks can, in developing countries, become not only an extension of the banking system but its valuable helpmate. If I may say so, savings banks are a means towards the end of banking.

Clearly, in the Third World acceptance of these conclusions, or rather these observations, implies agreement with Charles Rist's argument that "in order to sacrifice something for the future, the future must appear better than the present". In other words, if saving is to take place, there must be a justification for it.

The mere fact that the Third World is so strongly represented at a Conference like this is in itself a justification for saving, and hence of the need to mobilize savings.

It goes without saying that in this race against time in which the developing countries are engaged, we cannot go on groping for the ways and means by which the now developed countries have set up their present savings systems; instead, we should try to take the shortcut of taking advantage of their experience.

The conclusion might be put in the following terms, which I hope express the convictions of all parties concerned.

The developing countries should take advantage of any help, both in the form of funds and of trained personnel, which enables them to play

an efficient part in launching the mobilization of savings; and on the other side, the International Savings Banks Institute, true to its vocation (so brilliantly illustrated by its President's felicitous move of organizing this Conference), should find moral satisfaction in this gigantic enterprise. Saving knows no frontiers, and can help to bring the peoples of the world closer together — surely a lofty aspiration. Thank you, Professor Dell'Amore, for having opened up this prospect before us.

PROFESSOR DELL'AMORE

Thank you very much, M. Effoudou-Mezy. And now for this morning's last speaker, I call on Sig. Rossignoli, one of my assistants at the University "L. Bocconi" and a distinguished expert who has spent several weeks in Algeria in order to learn about the country and more particularly the *Caisse d'Epargne et de Prévoyance d'Alger*. This bank, you will remember, has the good fortune of having our colleague M. Imalhayène as its general manager.

Five minutes, Sig. Rossignoli.

SIG. ROSSIGNOLI

(F.) Mr. Chairman, ladies and gentlemen, in the report given to you by M. Imalhayène, chairman and general manager of the *Caisse Nationale d'Epargne et de Prévoyance d'Alger*, there was no mention of commercial banks. This omission is obviously not the fault of the author of the report, but of the Algerian system of financial intermediation as such, in which certainly the commercial banks do little to mobilize monetary savings.

The reasons for this situation must be looked for in the structural and functional characteristics of the banking system prior to and immediately after the events of 1962, as well as in the strict specialization introduced by the authorities when the foreign banks were nationalized. There are now three commercial banks, the *Banque Nationale d'Algérie*, the *Banque Extérieure d'Algérie* and the *Crédit Populaire d'Algérie*; the first of these finances farming and the major Algerian companies, the second companies mainly engaged in imports or exports, and the third specializes on credit

to medium-sized firms especially in the tourist industry, hotels and tertiary activities generally. The CNEP, on the other hand, was assigned the task of collecting monetary savings and handling certain categories of credit already mentioned by M. Imalhayène — mainly credits for construction and housing, social credit and credit to local authorities.

However, as a result of a law passed in 1971, several of these credit categories are in abeyance for the moment. On the other hand, that law also introduced a new system for financing planned investment, and it deals with savings under the three headings of public, corporate and household savings.

Under the Four-Year Plan 1970-1973, public savings are to be accumulated in the amounts needed to finance infrastructural as well as non-productive or slowly maturing investment, while directly productive investment is to be financed by corporate and household savings.

Leaving aside public saving, consideration is given to the problems of corporate and household saving. The relevant provisions are as follows. As regards corporate saving, it was made compulsory to subscribe the Treasury's *bons d'équipement* in an amount of 5 per cent of the reserves of pension funds, savings institutions, insurance companies and social insurance funds, as well as of the depreciation reserves of public enterprises.

In the matter of mobilizing household savings, increased responsibilities fall upon the banking system in so far as, in the absence of a sufficiently diversified range of financial liabilities, bank deposits are the only interest-bearing investment for voluntary savings in the form of money. Moreover, at the present level of economic education among certain social classes, especially the rural ones, there remains the problem of choice between hoarding and bank deposits.

The government and the management of the National Savings Bank decided to raise the rate of interest payable on deposits, and this certainly should help to reduce hoarding. Another way of getting households to save more might be a very simple "save-for-your-own-home" formula, but it really would have to be very much simpler than the savings schemes for housing current in other countries.

However, as regards the efficiency of the financial intermediary system in the mobilization of savings, it must be said that the commercial banks

are not particularly interested in small savings, which are precisely those that the National Savings Bank seeks to attract. The commercial banks do not compete for these; they issue certificates of deposit in fairly high denomination, largely as a haven for the monetary savings of family businesses and high-income social groups.

In this connection I should like to ask M. Imalhayène a question or two, if he will permit me.

First of all, I'd like to ask whether and to what extent it is, in his view, possible to work out a comprehensive policy to promote the formation and mobilization of savings at the level of the banking system — for instance, by assigning to the commercial banks on the one hand, and to the National Savings Bank on the other, different spheres of competence in accordance with the characteristics of their clients. Generally speaking, the clients of commercial banks are well versed in the economic facts of life and have incomes well above primary needs, leaving a certain margin for saving. Factors militating against saving on their part are the imitation effect in consumption, and the narrow range of financial liabilities offered in exchange of savings by the banks.

My second question is: to what extent does M. Imalhayène think that in the particular economic and social conditions of Algeria the formation and mobilization of savings can be promoted by the adoption of such incentives as have been proposed at this Conference. I have in mind such things as prize draws for certain categories of deposits in relation either to their amount or to other characteristics, or else the offer of collateral services, such as certain forms of insurance.

Finally, what savings policy does the CNEP intend to pursue in the immediate future? I apologize for all these questions.

PROFESSOR DELL'AMORE

Thank you, Sig. Rossignoli. This is the end of our meeting for this morning, we shall reassemble at 3 o'clock sharp to hear several more speakers, who will no doubt have some very interesting things to tell us.

The meeting is adjourned.

AFTERNOON MEETING

PROFESSOR DELL'AMORE

Now, ladies and gentlemen, following the programme I announced to you this morning we shall first hear a few more speakers in the discussion.

M. Audet of Canada... He has left? I am so sorry, I apologize for not having called him this morning, I did not have time.

Mr. Owen, of Swaziland... I understand he too has left. I am so sorry. Mr. Rakhetla, of Lesotho.

MR. RAKHETLA

(E.) Mr. Chairman, Your Excellencies, ladies and gentlemen, allow me to express the gratitude of the Lesotho delegation to Professor Dell'Amore and the other organizers for the great efforts they have made to make this Conference the success it has been.

We are aware that it has cost you money and time to prepare this Conference. We believe, therefore, that you must have been motivated by a strong sense of world-wide economic and social development. We thank you, and the people of Italy, for this generous approach.

Lesotho is a small country situated in the deep south of the continent of Africa. We are a little over 1 million in number and we occupy 11,760 square miles. Lesotho is the southernmost country in Africa to be under the control of its African population and to fly the flag of the Organization of African Unity.

Lesotho is also known for the fact that this small country is completely surrounded by the Republic of South Africa. There is no access to Lesotho except through the Republic of South Africa. Vice versa, there is no access from Lesotho to the rest of the world except through the Republic of South Africa. To get in touch with the rest of the world, we in Lesotho have to use South African sea ports, we have to use South African airports, we have to use the South African postal and telecommunications system.

At present, we also use the South African currency. In general the economy is so interwoven with that of the powerful Republic of South Africa that we have to be particularly careful and cautious in handling the many delicate and difficult economic problems confronting us. This situation

is particularly relevant to the subject of this Conference, namely the mobilization of savings. When the Republic of South Africa was founded in 1910, Lesotho, Botswana and Swaziland opted against joining the union. Nevertheless the British government passed legislation which indicated the intention of the British that at some later date Lesotho, Botswana and Swaziland should be incorporated in the Republic of South Africa. Successive British ministers indicated in the British Parliament that these territories must eventually be incorporated in South Africa, but that the process must be gradual and unnoticeable. Indeed, the process was simple. Lesotho's economy was not developed, so that our people had to seek employment in South Africa. Consequently, we have 45 per cent of our labour force working in the Republic of South Africa. Lesotho had to use the same currency as that of South Africa, and we still do so today. South African banks operate in Lesotho and transfer their deposits, that is Lesotho deposits, to South Africa. And these amount to approximately 16.8 million American Dollars.

South African building societies and insurance companies collect savings in Lesotho, but do not invest these in my country. Until the later part of 1966 the Lesotho post office was an extension of the South African post office, hence Lesotho post office savings deposits were transferred to and controlled by the Republic of South Africa. These are the conditions as far as the deposits of Lesotho are concerned.

After independence in 1966 Lesotho established an independent postal savings bank, which in the five years since its inception has mobilized some 1.5 million U.S. Dollars. Insurance companies and building societies are now compelled by legislation to establish head offices in Lesotho and invest their deposits in the country.

Legislation has been passed to establish a Lesotho development and savings bank; it is hoped that the bank will be in operation next year. Assistance has been sought from the United Nations Development Programme to get the institution going. At the grass-root level voluntary co-operative societies have been formed for the mobilization of savings in the rural areas in particular. 45 credit unions have been established, 133 co-operative societies have been registered and one national co-operative savings society is in operation. It is now intended to form a national co-operative federation.

Every society has absolute control over its funds. The funds of the co-operative movement total 900,000 U.S. Dollars. These are invested largely in short-term credit and about 20 per cent of these funds are invested in housing. There is, Mr. Chairman, tremendous public response to local savings. Some societies have been so successful that they now have surplus funds of their own and do not need credit any further.

The basic reason for this favourable public response is the fact that there is visible evidence of the use to which these savings are now put.

In addition, the association of savings with national development has had tremendous psychological impact. A broad sense of nationalism has had some beneficial implications concerning savings. Mr. Chairman, allow me to say very briefly that we have had this very promising development in spite of the fact that Lesotho embarked on very severe austerity measures, which are designed to free Lesotho from the indignities of foreign support for regular government current expenditure. When Lesotho became independent in October 1966, the British government gave Lesotho financial support to the level of 55 per cent of the current expenditure estimates.

To date that support has been reduced, over a period of 5 years, to 9 per cent. We foresee the possibility of balancing our current budget with our own internal resources at the latest in two years. Our next target will be to raise development capital from within the country. There is a fair hope that with the implementation of our first Five-Year Development Plan, 1970-1975, the potential for increased savings by both the private and the public sector will be greater.

However, I would like to say a word of warning in this regard. We have had bitter experience in Lesotho. Developing countries need savings for investment. We would prefer our own hard-earned savings, but other people unfortunately are as keen to lay their hands on these savings as ourselves. A few societies have fallen victim to very sophisticated salesmen, who have dumped certain unsaleable stocks or machines on the simple, unsophisticated authorities of the societies.

Sometimes we wish some of the members of the advanced countries would refrain from committing acts which are to the detriment of the developing countries. An honest deal is what Africa needs for the advancement of African countries.

This highlights the importance of training the personnel involved in the handling of public finances. The mismanagement of public funds and savings, whether intentional or accidental, always weakens the foundation of the delicate savings structures, which were built over many years under difficult and challenging circumstances.

Mr. Chairman, the road to development is not easy. In my view it is even more difficult than the road to political independence. It is a great fight, we must be prepared to sacrifice if we hope to win. Mobilization of savings is a form of necessary sacrifice. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

You have said something so true, Mr. Rakhetsla, at the end of your speech, namely, that there can be no political independence in the absence of sufficient capital. Now, capital is formed by saving, and so we must develop saving.

Mr. Owen of Swaziland is with us now — I give him the floor for five minutes.

MR. OWEN

(E.) Mr. Chairman, honourable ministers, ladies and gentlemen, I took the floor briefly yesterday, and I am going to try to be as brief, maybe not quite this afternoon. I have been a banker all my life. For the last six years I have been running a development bank in Swaziland, the Swaziland Credit and Savings Bank. I have been gratified, although this does not mean I am going to rest on my laurels, to be told by a number of people that this bank is one of the most successful and fastest developing of its kind.

Speaking from my own experience, there are a few points in what has been said already which I would like to try to simplify by some very brief comments.

First, there has been discussion on the structure of banks: should they be public or private? Should they have widespread networks or branches? In my opinion no development bank can get down to the grass-root level. This must be left to savings and loan societies, credit unions, etc. Widespread networks are very expensive; one must draw the line somewhere between

one central organization and a reasonable number of branches. But this question of private and public to me is not a problem at all. I cannot see that in any developing country in Africa one will ever raise purely from savings anything like the money needed to do what one has to do. Therefore, to my mind, there is no problem: you must bring in government. You must have government support if you are to make any impact.

Secondly, there has been stress on one-channel lending as opposed to multi-channel. Again to me this does not make very much sense; I would admit that there are priorities, one should lend more perhaps to agriculture than to other things. But when you start collecting savings from the people, I feel one has a moral obligation to consider all the requirements of the people, not only those of one sector. So this to my mind again is not a problem. One must diversify one's lending with perhaps stress from time to time on whatever aspect one considers most important at the moment.

There has been some talk of education for saving. This is excellent in theory, but in practice I am sure it is an extremely difficult problem. If you think of the number of schools and the number of teachers you need, and when you are to find time to teach them so that they can teach the pupils, this is a major task and will take years.

Agricultural lending is one of the major points that have been discussed. I can tell you from my experience that lending in small amounts to individual small farmers is an extremely costly business. I would say that the costs can be as high as 25 per cent per annum of the amount lent. Now obviously one cannot lend at a loss. So one must find the means of meeting these costs. Well, in my experience there are two ways: you can get subsidies from the government, if the government can afford them and is willing to give them; or alternatively you must spend a considerable amount of your funds in large-scale lending, where the administrative costs are much lower, and use the profit you make there to subsidize small farm lending. And we must have small farm lending, we cannot have only big farms straight away, nor can we put in vast schemes immediately.

Yet another problem, and here I cannot say my experience is helping as yet, is communication with the individuals, the small farmers etc., the small depositors. You have a language difficulty in many cases between those who know what needs to be done and those who can do it if only they can be taught. This does create difficulties which must be overcome, this hiatus

- (1) that it is too early in a country like Tunisia to make the boards of directors of local funds responsible for the distribution of credit to members, without providing at least some training first;
- (2) that credit to small farmers should be in the form of supervised credit, as was so well explained by another speaker;
- (3) that supervised credit, in its turn, must be closely linked with extension, each person in charge of credit supervision being at the same time an extension worker — which of course requires close collaboration between the bank and the Ministry of Agriculture.

By way of general conclusion, it can be stated that the problem of credit to small farmers is above all a problem of education among the rural population, and hence a problem of training personnel to handle agricultural credit as part of extension work. Given the scarcity of such personnel, it is extremely difficult, if not impossible, to deal satisfactorily with the problem of credit to small farmers. As with all other problems, the successful solution lies not in setting up institutions copied from here, there and everywhere, but in getting the human resources ready first. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you, M. Ghenima. We agree with you that savers need to be educated; but, to judge from what you have told us about experiences in your country, maybe bank managers too need to be educated.

Mr. Egbukole, of Nigeria.

MR. EGBUKOLE

(E.) Mr. Chairman, ladies and gentlemen, pardon me if I make a few additions to what my colleague said yesterday. He vividly illustrated the savings potentiality of Nigeria and the working of savings institutions in Nigeria. I only want to add that in certain areas of Nigeria, because of their peculiar problems at the moment, that is the East Central State, savings institutions are still facing teething problems.

The institutions for savings in the East Central State of Nigeria include:

- (i) Commercial banks
- (ii) Post Office savings banks

- (iii) Other savings institutions such as
 - (a) the National Provident Fund
 - (b) Housing corporations *
 - (c) Life assurance companies
 - (d) Building societies
 - (e) Credit co-operatives
 - (f) Thrift societies or "Esusu"
 - (g) the Government lottery scheme.

These institutions were very much affected by the last Nigerian civil war, and consequently the reactivation of these savings institutions has not gone beyond one or two major cities. Thus, at the moment, they are still inadequate for the needs of the economy. Their inaccessibility to villagers leads to leakage in the savings potential of the economy. The government encourages the various savings institutions to cover larger geographical areas, especially the commercial banks. The Federal Ministry of Communications is extending post office savings facilities to many places. Availability of these savings institutions at the village level will save time and energy for small savers in the village, who normally prefer hoarding their money to walking twenty miles or more for banking services.

Another obstacle in mobilizing savings in the East Central State of Nigeria since the Nigerian civil war is the general apathy and the distrust in banks of so many people following the currency crisis in the State during the war. The effect of this is psychological, and many people have lost faith in the good intentions of commercial banks. Tied up with this is the abject poverty of many people resulting from the staggering proportion of unemployment. Many people lost their means of livelihood and thus are unable now to live without government assistance.

It is gratifying to note that both the government of the East Central State and the Federal Government are co-operating effectively not only to alleviate sufferings and clear away mistrust and lack of confidence in public institutions, but to restore the economy to its prewar level. This they do by:

- (i) creation of new jobs and reabsorption of federal employees who left their job during the war, thus increasing their capacity for saving;
- (ii) giving assurances regarding the security of savings and the political dedication to economic development;

- (iii) operating loan schemes for small-scale industries, traders and farmers and one of the pre-requisites to qualify for a loan is to have a bank account;
- (iv) maintaining the purchasing power of money by stabilizing prices;
- (v) emphasising the importance of savings to the improvement of individual welfare as well as to the economic development of the country in general;
- (vi) campaigning against ostentatious living, squandermania and costly ceremonies especially in burial, and imposing high taxation on consumption goods considered as luxury;
- (vii) negotiating with financial intermediaries in order to channel funds to development purposes by giving credits to small-scale industries and to agriculture.

The commercial banks themselves, realising the baneful effect of the last war on their operations, use all available media such as posters, press and radio to increase their publicity for saving.

These are positive steps taken to mobilize savings. I have no doubt that with the co-operation of the Federal Government, the Central Bank, the fellow African countries and European friends the problems of the East Central State of Nigeria will be solved in the not too distant future.

Before I conclude may I seize this chance on behalf of my government to thank the Chairman, Professor Giordano Dell'Amore, and the organizers and sponsors of this Conference, which apart from its primary objective augurs well for international co-operation in the field of economic development. I believe there may be need for technical assistance in the form of sending experts to African countries to help in the establishment and development of savings institutions and training of native personnel. When the time comes please remember the East Central State of Nigeria. My government, being a dynamic government in Africa, will, I have no doubt, co-operate with any body or organisation to resuscitate the economy of the East Central State to its pre-war level. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you very much. General Vecchi has the floor.

GENERAL VECCHI

(F.) Mr. Chairman, I merely want to say a few words on behalf of the old Africa hands in Italy, among whom I certainly count myself. I want to say what a great satisfaction it is to us to see here, in Milan, the largest assembly of African representatives that ever met in Italy, or for that matter perhaps in Europe.

This Conference on saving is of immense, really immense importance, for it looks to the future. Those of us who love Africa, and, I think, our Africa friends too, owe great admiration and gratitude to Professor Dell'Amore for all he has done and is doing to help Africa. This is to his lasting credit as an Italian, indeed as a European. The Vittorio Bottego Group, whose spokesman I have the honour to be here, was founded in 1964 and can claim to have been first in Italy to concern itself with the problem of new relations with the New Africa, and also first in organizing an African economic congress, which for the last twenty years has met annually in April, on the occasion of the Milan Fair.

The next congress will surely take up again the themes treated here at this highly important Conference, I am tempted to say this world Conference, and treated so competently by such distinguished scholars and experts. They have told us things that are very valuable for the future of Africa and its collaboration with Europe. I hope that at our 21st Congress, next April, we shall see many of our African friends; I hope you will come so that you can see how Italy, a poor country but one that really loves Africa, does its best to build up its relations with Africa with no motive other than sincere collaboration and friendship. In conclusion, I say from the bottom of my heart: 'Long live Africa'.

PROFESSOR DELL'AMORE

I am profoundly grateful to General Vecchi for the kind words he addressed to me. He describes himself as an old Africa hand — well, I can bear witness to his truly sincere purposes in presiding for twenty five years over the Gruppo Bottego, which is famous throughout Italy for its love of Africa.

I give the floor to M. Rakotopare, Chairman of the *Banque d'Escompte et de Crédit de Madagascar*.

M. RAKOTOPARE

(F.) Mr. Chairman, Your Excellencies, fellow delegates, we have a proverb in Madagascar which says: "The day when you meet friends is as good as a hundred days", and this is why I thank you, Mr. Chairman, in the name of my country for the reception you have given us, and even more so for your willingness to share with us not only your financial and material wealth, but, most important of all, your intellectual wealth. Thank you for that, Mr. Chairman.

Turning to more technical matters, there are just two points I wish to take up. First of all, I note M. Benoit's remark that while saving and credit must go hand in hand, we should perhaps think first of making arrangements for the mobilization of savings before we set up credit institutions. I think this is important because when we strive for economic independence, we must give precedence to a domestic effort, lest our economic independence be without dignity. And in our domestic effort, the mobilization of national savings is of primary importance. It is a necessary condition, though not a sufficient one.

My second point has to do with savings banks. Although they go by the same name, there is a vast difference between the sort of savings banks we have and what is currently meant here by this term. We have a long way to go yet, and this is why this Conference holds a great hope for us, because of its generous promise not only of financial but of technical assistance at the level of the United Nations and of your own institute, Mr. Chairman. In this connection, we have been most gratified to hear that in your plans for giving efficient training to those Africans who come to your institute, you propose to send your instructors to African countries. I trust that in this programme you will not forget our little island of Madagascar, for I can assure you of a warm welcome and I should think that however small we are, we may have something to contribute. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

Thank you, M. Rakotopare. You can be quite sure that Madagascar will never be forgotten in any of our programmes.

I call on Sig. Arcucci, an Italian university lecturer.

SIG. ARCUCCI

(F.) Mr. Chairman, Your Excellencies, ladies and gentlemen, the reports and discussions I have heard at this Conference prompt me to make a few brief remarks. The history of savings banks in Europe goes back almost 200 years, and at that time they answered certain requirements of an economic, political and social order. We have to find out, therefore, whether the problems of economic development in African countries are susceptible to the same type of solution, or whether they call for entirely different ones. To do that, we first have to identify the requirements met by the European savings banks at the time of their inception.

The transformation of a society based on agriculture into an industrial one at the time gave dramatic prominence to the problem of security. It was a matter of guarding against the new risks associated with the development of the apparatus of production, notably accidents, occupational diseases and unemployment. The principle of human dignity, which is the foundation of our civilization, demanded new solutions. This was the origin of savings banks, on the one hand, and on the other of the large-scale social reforms in European countries. While the protection of the individual in a difficult era was the original reason for setting up savings banks, it was found later that they could serve very well for the promotion of economic development. Once every individual member of a community decides not to hoard his savings, however modest they may be, but to pool them with those of others by placing them in an institute of financial intermediation set up to this end under public auspices he can contribute to the development of the whole of society.

This is the profound significance of the model which Europe is now proposing to Africa. The African continent is at present undergoing large-scale transformations which have destroyed the old certainties on which people's lives rested until a few decades ago. It is no doubt a very difficult period. If the African peoples are at present introducing savings banks or strengthening those they have, this testifies to their determination to work for their own development by the proven means of mobilizing their own capacities and resources.

But to think in terms of savings banks, as Professor Mauri has pointed out, does not mean displacing other institutions which in certain cases may be even more suitable to the very varied needs of different countries. The

problem is, rather, to widen the area of the organized market. It is not a question of having several credit institutions compete in financing a few large and credit-worthy firms, which would bring down interest rates, but to enlarge the group of firms which have access to genuine financial backing. This is the right approach and one that deserves perseverance, even if for sometime to come the proportion of defaults remains high.

This may, incidentally, mean very much higher interest rates than are current in developed countries. But the only alternative is to leave the bulk of small firms, which constitute the essential connecting tissue in the economy, without any source of finance at all, or else at the mercy of usurers who exploit them and inevitably cause them to go out of business. Yet so long as the mortality rate of new enterprises remains as high as it is at present in Africa, the process of economic development cannot gain real impetus.

It follows that the banking system needs to be so reorganized that it concentrates on lending to small farmers and at the same time promotes the solution of their economic and technical problems so as to enable them to earn higher profits.

Savings banks already have a tradition in this respect. Their establishment in African countries may thus bring about that fusion of human and financial capital which is the key to economic and social progress. Thank you.

PROFESSOR DELL'AMORE

Thank you, Sig. Arcucci. I should have called now Sig. Dematté, but he has kindly ceded his right to speak to M. Ikinda, of Libreville. He will be our last speaker, and then we shall hear from the Chairman of the Drafting Committee the statement which the Committee has prepared.

M. IKINDA

(F.) Mr. Chairman, I shall be very brief, since so many distinguished personalities have spoken before me. I should simply like to thank you for having convened this Conference on savings here in Milan, and for having arranged for such extremely valuable documentation. I hope that we shall see you some day in Africa, and more particularly in Gabon, my country, with which Italy maintains diplomatic relations. Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

My answer is very simple, M. Ikinda: Thank you, I accept your invitation with great pleasure.

And now I ask the Chairman of the Drafting Committee, M. Benoit, to read out the statement prepared by the committee.

M. BENOIT

(E.) Mr. Chairman, Your Excellencies, distinguished participants, the members of the Drafting Committee have asked me to convey to you their appreciation for the confidence you placed in them. The Committee has done its best to perform the task you entrusted to it. We are not sure that we have succeeded. A draft statement has just been distributed to you, and it is our hope that thanks to your comments and amendments we shall be able to arrive at a text acceptable to all.

I shall now read out the provisional text, of our draft for an agreed statement by this Conference.

(F.) The Conference emphasizes the fact that African governments are acutely conscious of the urgent need to mobilize an increased volume of domestic financing in order to achieve self-sustained economic growth and promote the well-being of their populations. The Conference notes that the International Development Strategy adopted by the General Assembly of the United Nations on the occasion of its 25th anniversary states in paragraph 41 that developing countries should continue to adopt vigorous measures for a fuller mobilization of the whole range of their domestic financial resources and for ensuring the most effective use of available resources both internal and external.

The Conference notes with great interest that within the framework of the International Development Strategy the First Inter-regional Seminar on the Mobilization of Personal Savings in Developing Countries was convened in Stockholm in August 1971 by the United Nations in close co-operation with the Swedish International Development Authority and the Swedish Savings Banks Association. The Conference further notes that the Stockholm Seminar stressed the need for close co-operation among international organizations, national associations of savings organizations and individual savings mobilization institutions to achieve the goal mentioned in paragraph 41 of the Strategy.

The Conference recognizes the timely initiative of the International Savings Banks Institute (ISBI) and the *Cassa di Risparmio delle Provincie Lombarde* in bringing together ministers and high-level officials of African governments and representatives of the United Nations and its specialized agencies, the African Development Bank as well as representatives of national associations of savings banks to discuss the problems and issues involved in the mobilization of domestic savings.

The Conference expresses its appreciation to the *Cassa di Risparmio delle Provincie Lombarde* for its generous hospitality and host facilities. It also expresses appreciation to its Chairman, Professor Dell'Amore, for the stimulating leadership he displayed during the Conference.

The Conference recognizes that in view of the fact that a considerable proportion of domestic savings could be generated by households, African governments should, within the framework of their development programmes, devote special attention to the promotion and mobilization of personal savings.

The Conference recommends that African governments should endeavour to encourage through appropriate means the establishment and development of savings mobilization institutions adapted to the socio-economic conditions of their countries. The Conference expresses the hope that the United Nations and its specialized agencies, the ISBI and national associations of savings banks, preferably in close co-operation, will make efforts to assist African governments in setting up or strengthening their own savings mobilization systems. The Conference also expresses the hope that governments of developed countries, international financial institutions and national associations of savings banks might find it possible to provide initial financial support to such systems.

The Conference stresses that savings mobilization institutions should be allowed considerable freedom in their operations and investment activities within the framework of the governments' general economic policy.

The Conference is of the view that the experience of developed countries and of some developing countries has proved that savings banks can be an effective institutional means for mobilizing personal savings and channelling them into investment deemed in the national interest. The Conference observes that there are different types of savings banks but that certain essential characteristics are common to all, the most important of these being their ability to cater to the needs of small savers without any profit motive,

in addition to their flexible investment policy which makes them an effective tool for the implementation of national policies.

The Conference endorses the recommendation of the Stockholm Seminar that the United Nations Secretariat, in close co-operation with the International Savings Banks Institute and other interested bodies, should study the feasibility of working out effective arrangements at the international level for research and training in the field of saving in developing countries. In that connection the Conference welcomes the generous initiative of the *Cassa di Risparmio delle Provincie Lombarde* to set aside 1,000 million Lire for the construction of a centre to be known as the Italo-African Centre for Financial Assistance. The Conference expresses great interest in the proposal of the *Cassa's* Chairman, Professor Dell'Amore, to set up a consultative monetary and savings committee as a first step which may lead to the institutionalized co-operation between African and developed countries. The major functions of this committee would be to promote collaboration among financial institutions in Africa and those outside Africa.

The Conference recognizes the high value of this gathering which has provided a forum for the exchange of constructive views among those officially concerned with the formulation and implementation of savings mobilization policies in African countries. The Conference expresses the wish that ISBI will organize similar gatherings in the future in co-operation with national associations of savings banks.

PROFESSOR DELL'AMORE

Does anyone wish to speak? Any comments on the statement? If not, we can accept it as our recommendation. I see Mr. Mascarenhas is asking for the floor — please, Mr. Mascarenhas.

MR. MASCARENHAS

(E.) Mr. Chairman, African brothers, some of the credit union experts here held a separate meeting yesterday and presented recommendations to the Drafting Committee, but owing to circumstances this was not mentioned in the statement. I still want to put them forward and so I will read to you what we in the credit union field feel should be recommended on our behalf.

As credit union representatives taking part in this Conference, we should like to make the following statement, which stresses the need of co-operation in development work, especially at the grass-roots level.

(1) Considering that both credit unions and savings banks are active in the field of mobilizing savings for development, that both groups of institutions have a worldwide membership, that both groups of institutions represent a large potential of expertise and technical assistance, we recommend that both groups of institutions should investigate the possibilities of working together on a voluntary basis in the field of development work.

(2) Such co-operation should be particularly useful at grass-root levels where in fact in developing countries the main potential for future saving is to be found.

Such co-operation could possibly consist of the following: (a) in remote areas credit unions could use their educational influence for assisting their members in using better methods in agriculture, management and savings; (b) savings and credit banks in the nearby centres could offer their services so that the co-operative units could deposit surplus funds and could borrow from the savings and credit banks in case they were short of cash for seasonal reasons; (c) on the basis and for the benefit of the countries concerned further methods of co-operation between credit unions and savings banks should be considered and, if suitable, implemented.

We have offered this statement to the Conference so that perhaps it can be used in drawing up a general recommendation.

Thank you, Mr. Chairman.

PROFESSOR DELL'AMORE

I have to ask M. Benoit whether the Committee accepts this suggestion. I think it is not in conflict with the statement read out to us just now.

M. BENOIT

(E.) Mr. Chairman, I think that the work of the Committee is now ended. Since our draft statement is before the Conference, it is up to the Conference to adopt this statement as it is, or to introduce amendments to the text, as the Conference deems right.

PROFESSOR DELL'AMORE

Well, clearly there is no conflict at all between this suggestion and the text of the final statement. Only this new suggestion should be so drafted that it is an invitation to savings banks to collaborate with all other relevant institutions, not only with the credit unions.

Someone else is asking for the floor? Please.

(VOICE IN THE CONFERENCE HALL)

(E.) Mr. Chairman, what I would like to recommend as an amendment to this statement is very simple.

I did not myself attend the Addis Ababa Conference and I am not quite aware of the details, but I noticed that in the course of these proceedings mention was made from time to time that a similar Conference or one of a similar nature in scope and content was held in Addis Ababa some time this year. In paragraph two: "The Conference notes with great interest that within the framework of the international development strategy the first inter-regional seminar on the mobilization of personal savings in developing countries was convened in Stockholm in August 1971", I would like an addition to be made almost immediately after: "and another in Addis Ababa". Thank you, Mr. Chairman.

M. BENOIT

(E). Mr. Chairman, I am from the United Nations and I know exactly what happened not only in Addis Ababa, but also in Chile and at the headquarters of the other commissions.

The Stockholm seminar was indeed the first seminar ever convened by the United Nations to deal with the problem of the mobilization of savings. The previous meetings did not deal with the question of mobilization of savings; they dealt rather with the question of housing finance, which is a very specific subject, in quite a narrow field. They did not discuss only the question of saving for housing, but also how to get finance, external and internal finance for housing in developing countries.

This is quite a narrow field.

The point is that in Stockholm and also here we are, as I said at the beginning of this Conference, concerned with the question of the mobilization

of savings, and after that it is up to the governments to use these savings according to their priorities as defined in the development plans. If housing is the priority sector in any country, the government will use the savings for housing; but if it is agriculture, the savings will be used for agricultural purposes. I do not think that now our objective concerns the specific field of housing. This is the reason why in Stockholm we insisted on this point, we put great emphasis on the point that what we were concerned with was the mobilization of savings which, according to the last line of paragraph 41 of the Strategy, should be used by the countries according to the priorities defined by the governments. This is the reason why I do not think we can now limit the scope of this Conference to the specific question of housing.

PROFESSOR DELL'AMORE

Someone points out that there is a slight difference between the French and the English text of the provisional text. We shall have to take the French text as official and the English text will be adjusted accordingly. Agreed. Does anyone else wish to speak? M. Eklun-Natey, you have the floor.

M. EKLUN-NATEY

(F.) On a point of form, I would suggest an amendment in the French text of the statement; I think it will better express the intentions of its authors. Where it speaks in the first sentence of the urgent need to mobilize an increased volume of domestic financing, the French text defines the purpose as "croissance économique soutenue". I think the intention probably was to say "aux taux entretenus", since after all growth can be "sustained" also by foreign savings; the English wording "self-sustained growth", as I understand it, corresponds better to what the statement intends to say. It is simply a question of a textual amendment to the French version.

PROFESSOR DELL'AMORE

M. Eklun-Natey prefers the term "self-sustained growth" in the English text. This is purely a question of form, we shall take care of that.

Thank you very much. If there are no other speakers, can I take it that the statement is unanimously agreed? I hear some objections — no, that is quite a different matter. That is a suggestion, a recommendation, for collaboration between credit unions and savings banks. I accept that in my capacity as chairman of the International Savings Banks Institute. The official final statement of the Conference is the one read out to us by M. Benoit. Can I take it as agreed? No objections? The statement is adopted.

Mr. Boolell is asking for the floor, the Minister of Agriculture of Mauritius. You have the floor, Your Excellency.

MR. BOOLELL

(E.) Mr. Chairman and distinguished fellow delegates, I have been asked to perform a very pleasant task and I am doing it with great pleasure. I feel extremely privileged to move a vote of thanks to the organizers of this highly important and informative Conference. I wish particularly, on behalf of my African fellow delegates, to thank the *Cassa di Risparmio delle Provincie Lombarde* and the International Savings Banks Institute, and in particular you, Mr. Chairman, who has been not only the soul behind this Conference, but also the person who has, with the manner in which you have conducted this Conference, kept it at a very high level.

I am sure that everybody present here will agree with me that from the very first contact we have had with you we have been very much impressed by the warmth of your feelings towards us, and we feel sure that a man of your learning, of your understanding, at the head of such an organization, can do a lot for the people of Africa in the effort to mobilize their savings to get out of the stage of underdevelopment and to get in to the stage of development.

I do not wish to be too long. Compliments have already been paid to you by each and every delegate. I only wish to add that we are most grateful to you and to your colleagues for arranging this Conference in this beautiful, historical and industrious city of Milan.

We know that no effort has been spared to make our stay in your country as comfortable as possible.

We have no complaint at all; we simply want to express all our thanks to you and to the Secretariat, the people of the hotel and the two charming hostesses who not only worried about our taking the bus in time, so as not to be late for meetings of the Conference, but also kept reminding us of social engagements.

Mr. Chairman, this Conference will have a far-reaching importance. The United Nations have declared this decade a decade of development. We, in the African countries, have been inclined so far to rely too much on external assistance for our economic development. I hope that when we go back, after this Conference, we will develop a spirit of self-reliance and try to tap the resources which are in our own country and supplement them with the resources from elsewhere.

I am sure that those of us who have had the privilege and the opportunity of attending this Conference will go back to their respective countries with a rich store of information and with a feeling that, although we live far away, although we belong to different nations, we have got at least one thing in common, that we have got the solidarity to go forward.

Mr. Chairman, a parting is always a sad event. We are leaving your country tomorrow. It is with a heavy heart that we leave this place because for the four days we have been together, we have enjoyed one another's company, we have come to understand one another's problems much better than before, and we have come to appreciate the hospitality of the Italian people. We do not want to say "adieu" or farewell; I would like rather say "arrivederci".

PROFESSOR DELL'AMORE

Thank you Mr. Boolell. Messrs Audet and Wieczorek could not have the floor during the meetings of the Conference and have, therefore, produced written communications. I thank them and assure that their communications will be included in the Proceedings of the Conference.

M. AUDET

(F.) Mr. Chairman, Your Excellencies, ladies and gentlemen, I first want to express my gratitude to you, Mr. Chairman, to the *Cassa di Risparmio*

delle Provincie Lombarde and to the International Savings Banks Institute for having invited me to take part in this interesting Conference.

Some of you, and especially you, Mr. Chaiman, are familiar with the *caisses populaires Desjardins*, savings banks built up by small deposits, which have flourished in a remarkable way in the Province of Quebec. They were the origin of the whole movement of savings and credit co-operatives in North America. The Desjardins Funds certainly did more for the economic development of Quebec than any other institution; their success is due to their having established and developed a financial institution owned and managed by the self-same people who provide it with funds through their savings and turn to it when they need credit for production purposes.

Desjardins, who drew heavily on the principles of existing savings banks in Italy and Germany, created an institution peculiarly well suited to the needs of his compatriots.

Today, the *caisses populaires Desjardins* constitute a matchless economic force in our country, and as such have received many requests for assistance from developing countries.

The first problem in this connection was the assessment of requests. On what criteria should a request be granted or refused? In the absence of better methods of appraisal, we have no doubt sometimes simply yielded to the eloquence of whoever championed any particular project. But arbitrariness cannot be set up as a standard, and eventually we decided to make a detailed study of the problem of effective assistance to the developing countries.

I will not bore you with the details of our analysis, but would like to tell you briefly what attitude the Desjardins Funds have adopted in the matter of assistance to the Third World.

In no case do we ever agree to export, as it were, our institutional set-up on the argument that it has proved successful in our country. Our techniques and our ideology are, of course, at the disposal of developing countries. But we believe that the creation of savings and credit co-operatives cannot be improvised, that it constitutes a stage in a comprehensive development plan. But with this view we got into new difficulties. If we say that the establishment of a savings and credit co-operative corresponds to a stage in development plan, we imply automatically that there were earlier stages which now become a prerequisite for the creation of Desjardins Funds.

But our co-operative banks were not equipped for such spadework elsewhere than in our own rural environment, and we did not want to get involved with improvising in their sectors. After much thought, we decided that the best solution was to set up a Canadian development company. Accordingly I was seconded for the purpose of setting up the CIDR Ltd., which is affiliated to a European group of the same name and specializing on basic development in the rural world. When the European group has done the spadework, when the farmers have learnt how to improve their techniques and raise their productivity, and when they start looking for solutions to community problems, then the Canadian company steps in and, in collaboration with the original team, helps to set up institutions which the farmers themselves have proposed and by which it is hoped to ease the transition from a subsistence to a market economy. At present, we are working on projects in five countries, of which three are in Africa, one is in the Middle East and one in Latin America.

What this amounts to, in practice, is doing for the developing countries what Desjardins did for us seventy years ago.

We know, Mr. Chairman, that there is more than one way to do good and we are not pretending that ours is better than others, but I did think it was pertinent to inform this Conference about the approach adopted by the Canadian Desjardins Funds and our development company CIDR.

We believe in economic development, but especially when the people concerned take part in their own development. From this point of view we are happy to contribute our mite to this great effort of which you, Mr. Chairman, and the institutions over which you preside give such a magnificent example.

PROFESSOR WIECZOREK

(E.) Mr. Chairman, the accumulation of savings can be carried out by the budget method (mainly through collection of taxes and customs duties) and by the system of banks and savings banks.

I will speak about the latter on the basis of experiences gained mainly in Ethiopia and some other African countries.

Banking activity in collecting all kinds of private deposits has increased significantly. In Ethiopia the public and the business firms can put their

financial resources into the banks as deposits (time and demand deposits), or on savings accounts, or they can buy government bonds or shares in different enterprises. The banks' chief means of inducing the population and the institutions to deposit their temporarily unwanted funds is the rate of interest paid, which was established on 1 February, 1967.

Maximum annual rates of interest on deposit and savings accounts are:

1. Savings deposits 5 per cent
2. Time deposits
 - (a) over twelve months 5 per cent
 - (b) six to twelve months 4 per cent
 - (c) thirty days to six months 3 per cent

When the savings amount exceeds Eth. \$ 10,000, the rate of interest is $2\frac{1}{2}$ per cent p.a. But it is worth noting that the Imperial Savings and Home Ownership Public Association grant "an increase in the dividend rate by half a point and have paid, at the rate of $4\frac{1}{2}$ per cent for deposits up to Eth. \$ 25,000 and $3\frac{1}{2}$ per cent for deposits over Eth. \$ 25,000".

Time deposits as well as savings accounts show continuing growth (in million Eth. \$):

Items	1964	1965	1966	1967
Savings Deposits (*)	35.0	43.0	53.9	61.6
Time Deposits (**)	33.2	28.2	31.8	29.2
Deposits in other banks	0.6	4.0	6.2	6.6
Total	68.8	75.2	91.9	97.4
Index numbers (1964 = 100)				
Total savings and time deposits	100.0	109.3	133.6	141.6
Savings	100.0	122.9	154.0	176.0

(*) On 30 June. - (**) In all commercial banks.

In addition, demand deposits with commercial banks were Eth. \$ 108 million in 1964; Eth. \$ 140 million in 1965 and Eth. \$ 135 million in 1966.

The above figures show a steady increase in all kind of deposits with the exception of demand deposits. As mentioned before, time deposits earn interest of 3-5 per cent p.a. No interest is paid on demand deposits. Owing to these economic incentives, a slow but steady change in the structure of deposits can be observed. Savings are growing most quickly, both in absolute amount and proportionately. The share of savings in the total amount of deposits increased from 50.9 per cent in 1964 to 63.3 per cent in 1967.

This suggests that the economic incentives have an influence upon people's behaviour. The population prefers a form of deposit which brings it more benefits.

It is easy to calculate that the increase in total savings and time deposits between 1964 and 1965 was Eth. \$ 6.4 million, and between 1965 and 1966 Eth. \$ 16.7 million: we know that in the same period the value of the gross domestic product at market prices was about Eth. \$ 2,692 million in 1962-63, Eth. \$ 3,085 million in 1963-64, Eth. \$ 3,523 million in 1964-65 and Eth. \$ 3,724 million in 1965-66. This means that the

Country	1964	1965	1966
Ethiopia	22.7	21.5	25.3
Cameroon	12.9	14.4	12.5
Congo Brazzaville	17.8	19.2	10.2
Dahomey	11.5	9.1	9.5
East African Community	35.0	40.1	42.8
Gabon	5.0	9.9	11.3
Ghana	29.4	33.3	—
Ivory Coast	25.1	18.8	19.2
Libya	22.4	21.2	18.2
Morocco	56.5	53.8	55.5
Niger	8.9	5.8	10.8
Nigeria	37.7	44.9	47.3
Somalia	11.5	12.1	—
Sudan	15.4	16.9	19.2
United Arab Republic	40.2	41.6	37.7

increase in savings amounts to about 0.20 to 0.40 per cent of the gross domestic product. It follows that in macro-economic terms savings so far are economically of virtually no account. For example, in advanced countries the population saves about 7-10 per cent of the gross domestic product. In France the figure is 8 per cent, in socialist countries between 3-6 per cent of the G.D.P., e.g. in Poland $3\frac{1}{2}$ per cent.

Now, let us compare the ratio of the amount of savings (including time deposits) to the amount of money in circulation in some African countries.

We can observe a relationship between the ratio of savings to the amount of money in circulation and the total wealth of the respective country. The very high ratios we note in Morocco, United Arab Republic, Nigeria and partly in Ghana occur in countries where the value of the gross domestic product is relatively high. Ethiopia has about 22,600,000 inhabitants. This means that on average savings per head amount to Eth. \$ 2.46 (1966). In Ethiopia only banks may accept savings and deposits; therefore, the population must and can deposit their financial reserves only in these banks and their branches. There are about 55 banks (including branches), and assuming that the area of Ethiopia is about 1,221,900 sq km, this results in one banking office for every 22,216 sq km; if we exclude those in Addis Ababa and in Asmara, we see that on average there is one banking office for every 45,000 sq km. Practically speaking this means that the population is devoid of the physical possibilities to deposit their savings into a bank.

After this analysis, we can venture the opinion that in Ethiopia saving in organized (institutional) forms is at a very early stage. The average *per caput* amount of monetary savings in Ethiopia is about Eth. \$ 2.46 (1966). The population saves annually about 0.20-0.40 per cent of the value of the GDP. There is about one banking office for 440,000 people and for 22,216 sq km. What are the causes of this situation?

At the base of a successful saving system are the economic, organizational and political conditions. To save it is necessary to have something; it is necessary to dispose of some funds, some possibilities to set aside, to save something. As we know, the *per caput* value of the gross domestic product in Ethiopia is one of the lowest in Africa, about Eth. \$ 165, at an estimate. This is really a very small income, and from this point of view there will be big difficulties in overcoming these very hard economic

conditions and creating a satisfactory situation for saving. The second economic factor which hampers an increase in savings is the subsistence economy in the rural provinces.

The amount of money in circulation in Ethiopia amounts to about Eth. \$ 365 million, which gives us an average of about Eth. \$ 16.15 per head. Thus economic conditions in Ethiopia are not favourable and they do not foster savings. A very important economic element of the "savings climate" is the stability of the economic situation, the stability of the monetary system. From this point of view, conditions in Ethiopia are very good.

So long as money maintains its value, people do not need to accumulate savings by acquiring goods. But when there are inflationary symptoms the population is nervous of money and buys goods. Ethiopia has, generally speaking, for many years enjoyed economic stability, a relatively moderate rise of prices and a solid, strong monetary system. All these factors call forth and strengthen confidence to save in institutional forms. Political conditions have also been stable for many years. There remain, however, the organizational factors. These are very weak. One may say that there is up to now no savings organization. The existing 55 banking offices are situated in the biggest towns. The mass of the population is practically excluded from access to savings facilities.

Moreover, economic incentives are very inadequate and inflexible. The only economic factor influencing the population's propensity to save in financial institutions is, practically speaking, the rate of interest. Recently there have been some attempts to extend incentives and to co-ordinate the savings system with the insurance system. Instead of obtaining interest, the saver can be insured for Eth. \$ 5,000 or Eth. \$ 10,000 according to the amount of the deposit up to or above Eth. \$ 5,000.

The saver can withdraw his savings up to Eth. \$ 300 a day, but any excess over Eth. \$ 300 requires 30 days notice in advance. As regards government bonds, the first issue, with 4 per cent interest and premiums, can be repaid with interest after 5 years, and the second issue, with interest at 6½ per cent, after 10 years. This means that the savers cannot at all easily dispose of their money. These facts explain why only Eth. \$ 105,525 of government bonds have been bought by the private sector, both firms and individuals. For many years the saving slogans in France have been:

"Simplicité, Sécurité, Disponibilité et Rentabilité"; but in Ethiopia, anyone who entrusts his financial resources to the banks, limits their disposability very seriously.

As we have seen, economic incentives are confined practically only to interest. Modern practice attempts to encourage all population groups to increase their willingness to save in institutional forms. Different incentives influence different sections of the population. It is well known e.g. that young people like to travel. So, instead of interest, they may prefer to participate in a system with prize drawings, where they can win e.g. a motor-car or a trip abroad. To satisfy all these preferences, modern saving systems enlarge the scope and the range of incentives. At present it is not the lender who looks for opportunities to place his funds, but the investor, and the banks are seeking financial sources. This means that the bank must come to the public, not the public to the bank. To meet this challenge, savings institutions have opened pay desks, agencies, etc. in all the biggest factories, in all townships, in all ministries, etc. Savings clubs are organized in all types of schools — primary, secondary as well as high schools.

This kind of organization allows people at any time to deposit or to withdraw their financial resources.

It is known to me that recently savings banks attached to post offices have been put into operation. In the years to come this will somewhat improve the situation, but the problem of reaching the population remains unsolved.

An important means for the promotion of saving are co-operatives of various types, such as credit and marketing co-operatives, credit and agricultural co-operatives and the like. They facilitate the accumulation of financial means and, what is important, they involve wide population strata in the money economy and in handling money; they also promote the habit to make use of a savings bank or of a co-operative, and this is of considerable significance for savings promotion.

Finally, I would like to submit a table illustrating the composition of savings in Kenya, Uganda, Tanzania and Ethiopia in relation to the gross domestic product of these countries. It is evident from the table that the proportion of savings in relation to GDP is relatively highest in Kenya, fairly good in Tanzania, somewhat weaker in Uganda and leaving much room for increase in Ethiopia.

DEMAND, TIME AND SAVINGS DEPOSITS

Items	1961	1962	1963	1964	1965	1966	1967	Percent- age	Rate of Growth 1961 = 100
KENYA									
Demand Deposits	642	637	639	651	830	934	898	54.3	5.8
Time and Savings Deposits	222	272	294	306	370	537	658	39.8	19.8
Post Office Savings Deposits	130	126	112	100	94	96	98	5.9	- 4.6
Total	994	1,035	1,045	1,057	1,294	1,567	1,654	100.0	8.9
GDP (at current factor cost)	4,494	4,882	6,093	6,511	6,666	7,365			10.4
Total Deposits:									
GDP (per cent)	22.1	21.2	17.2	16.2	19.4	21.3			
UGANDA									
Demand Deposits	179	180	206	208	266	327	361	48.4	12.4
Time and Savings Deposits	104	115	126	182	199	337	365	48.9	23.3
Post Office Savings Deposits	30	28	24	24	24	24	20	2.7	27.2
Total	313	323	356	414	489	688	746	100.0	15.6
GDP (at current factor cost)	3,128	3,134	3,516	3,900	4,460	4,860			9.2
Total Deposits:									
GDP (per cent)	10.0	10.3	10.2	10.6	11.0	14.2			

Items	1961	1962	1963	1964	1965	1966	1967	Percent- age	Rate of Growth 1961=100
TANZANIA									
Demand Deposits	345	318	388	196	473	592	612	68.5	10.0
Time and Savings Deposits	138	168	212	113	236	285	242	27.1	9.8
Post Office Savings Deposits	30	30	32	32	32	40	40	4.4	4.9
Total	513	516	632	341	741	917	894	100.0	9.7
GDP (at current factor cost)	3,870	4,189	4,547	4,837	4,880	5,455			7.1
Total Deposits:									
GDP (per cent)	13.3	12.3	14.0	7.0	15.2	16.8			
ETHIOPIA									
Demand Deposits	152	158	67.6	81.6	96.2	96.2	105.3	51.2	38.1
Time and Savings Deposits	30.0	38.0	47.0	68.6	71.4	85.7	100.3	48.8	4.3
Post Office Savings Deposits	—	—	—	—	—	—	—	—	—
Total	45.2	53.8	114.6	150.2	167.6	181.9	205.6	100.0	28.7
GDP (at current factor cost)	2,307.2	2,439.9	2,552.4	2,907.3	3,305.7	3,484.9	3,595.1		7.6
Total Deposits:									
GDP (per cent)	2.0	2.2	4.5	5.2	5.1	5.2	5.7		

CLOSURE OF THE CONFERENCE: PROFESSOR GIORDANO DELL'AMORE

Thank you very much.

Ladies and gentlemen, we now have on our agenda the closing address. As chairman of the International Institute, I should like to say a few words. I shall not make a speech, but in some way would like to draw a conclusion from our discussion.

First of all, let me thank all those who have contributed to the success of the Conference — I say deliberately "the success", because I really do feel that this is the right word. But if the Conference was a success, it was so thanks to your collaboration, ladies and gentlemen. I have often had occasion to be chairman of international conferences, in Italy and abroad; but this is the first time it has ever happened that after four working days there are still so many participants who would like to speak, and have still some contribution to make to the solution of the problems with which we are concerned. My first thanks, then, must go to yourselves. It has been a most heartening experience to see your response to this Conference organized by the International Savings Banks Institute and the *Cassa di Risparmio delle Provincie Lombarde*.

Other thanks are due. We have had the honour to have with us quite a number of ministers, central bank governors, chairmen and deputy chairmen of banks, several ambassadors of African countries to Italy and Italian ambassadors in Africa — they have broadened the range and lent distinction to our gathering, and I am truly grateful to them all.

I am sure of your agreement when I address special thanks to the general manager of the International Institute, who not only contributed an excellent report, but also did much for the success of the Conference by helping to organize it in collaboration with the management of the *Cassa di Risparmio delle Provincie Lombarde*.

I congratulate all the organizers of the Conference — I mention no names, because there are many of them and I would not wish to run the risk of omitting one or the other.

And now, as chairman of the International Institute, allow me to comment briefly on the work of the Conference and on its final statement. First of all, I should like to make it clear that this Conference was not meant as propaganda for the savings bank. The savings bank needs no

propaganda. The Conference was called because we know that savings banks are very useful institutions, and because we regard it as our duty to help spread them throughout the world, especially throughout Africa where we are sure they are greatly needed.

Several speakers have pointed out that a number of countries already have a range of different institutions concerned with collecting savings. We know that, of course, and no one wishes to displace or replace them. But there is a case for investigating whether, in addition to the existing institutions, there is room for others of a different kind — that is, savings banks. I mean in this context ordinary savings banks. We certainly appreciate how much is done by post office savings banks, some of which indeed are represented at this Conference. But we argue that the action of post office savings banks can be supplemented and reinforced by ordinary savings banks, for these exercise one fundamental function which post office ones do not exercise: to invest money. And by that I mean, of course, to invest money according to a plan that fits into the economic policy of the respective governments.

In the developed countries, there are a number of quite different types of savings banks. Those in Europe differ in many respects from those in the United States, and in Europe itself there are profound differences between the savings banks, say, of Germany and Italy, and those of France. But they all have common features which bring them together in the International Institute and which enable them to collaborate very sincerely and very fruitfully in their sphere of action.

What are these common features? They have been mentioned more than once during these last four days. First and foremost, savings banks are public institutions, but not governmental ones, and their conduct is inspired not by the profit motive, but by a sense of social solidarity. Naturally, this does not imply that we should not balance our costs and prices, that is, our borrowing and our lending rates. We need to balance our accounts, but not to earn a profit. If there is an operating surplus, then this is donated for charitable purposes, or used for reducing lending rates to the benefit of the community, which means individual borrowers in industry, agriculture, etc.

Another common feature of savings banks is that they prefer lending to small- and medium-sized enterprises, whether in industry or farming, to

craftsmen, small traders, etc. We regard it as our mission to help small enterprises, and we do so for the very good reason that we are convinced that they are the source of savings spread throughout the country. And to have savings spread throughout the country is of more importance even than the total amount of national savings. I said that earlier in this Conference, and I say it again, because it is a conviction firmly rooted in my own mind and in that of all my colleagues and collaborators. Savings are necessary, but to promote broadly based saving throughout the country is more necessary still.

Saving must not be a privilege of certain population groups. This was so in past centuries, as you know, and some of us have indeed been brought up on the theory that it would be wrong to broaden the base of the formation of savings, because this would diminish their total amount.

This is a notion of classical economics. We were told not to aim at dispersed savings, because capital formation is easier where wealth is concentrated. Well, today we take a very different view of these matters. We are convinced, on the contrary, that not only for moral and social reasons, but for economic reasons too, it is much better to have widely dispersed savings and to promote the formation of savings among all population groups. That is why I said to one speaker here, I forget who it was, that I had been very pleased to hear him report a steady increase in the number of passbooks and depositors. For moral and social reasons, and certainly also for economic reasons, it is good to have a very wide spread of savings; each sum saved is protected by other sums saved, and it is easier to protect them all when they are widely dispersed.

Ladies and gentlemen, I said that we had no intention of suggesting the creation of savings banks in all countries, even where they are not needed. But I must add that we believe that in many countries, especially of Africa, there is a great need for more savings banks. I add, furthermore, that the International Savings Banks Institute stands ready to collaborate in the creation of new savings banks.

Naturally, these institutions must be adapted to local conditions. New savings banks can be organized in structurally different forms, according to the requirements of each case. But what must always be the same is the general approach common to all savings banks — and by that I mean that they forgo profits, invest on social principles, align their lending policy to

the country's economic policy, and, above all, help mainly small- and medium-sized enterprises.

I have put much stress on agricultural credit. I have done so because, in the countries of Africa, agricultural credit is a prior condition of development. To be sure, African countries do have national or local credit institutes which finance farming; but unfortunately, these credits are not, in my view, sufficient for agriculture. African agriculture is a source of wealth not yet sufficiently tapped; and this is why no effort should be spared to develop agricultural credit. The rural areas of your countries are often deprived of financial backing simply because there are no local banks or facilities not only to collect savings, but to invest them.

Now, if new savings banks are set up in Africa, then I think that their first task must be to help the farmers, to create a dense network throughout the rural areas so as to make use of this great wealth that is yours.

Ladies and gentlemen, I must come to the end. I want to tell you that we have learnt very much in the course of this Conference, and that we shall collect all the interventions and all the reports and publish them in a volume of Conference Proceedings. This will be distributed throughout Africa, so as to let everyone know what was said here and what can be done towards achieving our aim of increasing savings. Our Conference was officially about the mobilization of savings, but of course savings that don't exist cannot be mobilized. The first step is to make it possible for people to save, and that is a matter for the government's economic and fiscal policy. But to make it possible to save is not enough; something must be done, too, to increase people's inclination, their propensity, to save. Clearly there are a lot of people for whom it would be quite possible to save, and who yet do not save. And so we need education, as has been stressed over and over again at this Conference, education — above all in rural areas. Something can be set aside even out of the smallest income. It is a sacrifice, certainly, as I said this morning in commenting on the remarks of Father Brossard. It is a sacrifice rooted in the moral conditions which it is the duty of savings banks to promote and develop by telling people that the act of saving is an intelligent one and a prudent one, and above all that it is an obligation — for even the smallest savings can eventually make big capital under good management.

We did our best, during this Conference, to stimulate discussion and, if I may say so, I think the real success of the Conference was that so many participants got up to speak — so many, in fact, that during the last two days I had to apply the guillotine. But there will be other occasions to say what it was not possible to say this time. The International Savings Banks Institute will not stop short at this one Conference, encouraging as it was. We have other schemes in mind, too, we want to explore other approaches. The one thing on which you can rely is that the International Institute will always stand ready to help.

And now I ask your indulgence if I say a few words in my capacity as chairman of the *Cassa di Risparmio delle Provincie Lombarde*. We rank today highest among the world's savings banks, we have reached the last rung on the ladder — or the first, depending on which way you look at it. I want to tell you why we were so glad to collaborate with the International Institute in organizing this Conference. We have behind us 150 years of fruitful work in our own region and in other regions of Italy — for we place our money not only in Lombardy, but large sums elsewhere too. Well, after these 150 years we are in a leading position. It is a position of which we are proud, of course, but also one which brings home to us our obligations. There is a parable in the Gospel which says we must give an account of our stewardship; we apply this parable in our everyday work. The position to which we have risen imposes upon us the obligation of international action. We are in first place; we must be the first, therefore, to give the example of solidarity on the international plane. And that is why we regard it as our duty to take the initiative. It is in this spirit that we have helped to set up new savings banks and propose to go on doing so, and it is in this same spirit that I say to you, our friends in Africa: we are here to help you. First and foremost we offer technical assistance, for we are sure that it is much needed in Africa. You are short of capital, to be sure; but you are also short of technical training, especially in banking. For this reason we have organized our annual training courses, which have proved very popular and which we hope in the near future to expand from their present 50 trainees to double that number, 100. This year, we already have 250 applications for the 50 vacancies; so we will have a problem of selection and we must try to allocate the 50 vacancies among different countries according to their known needs.

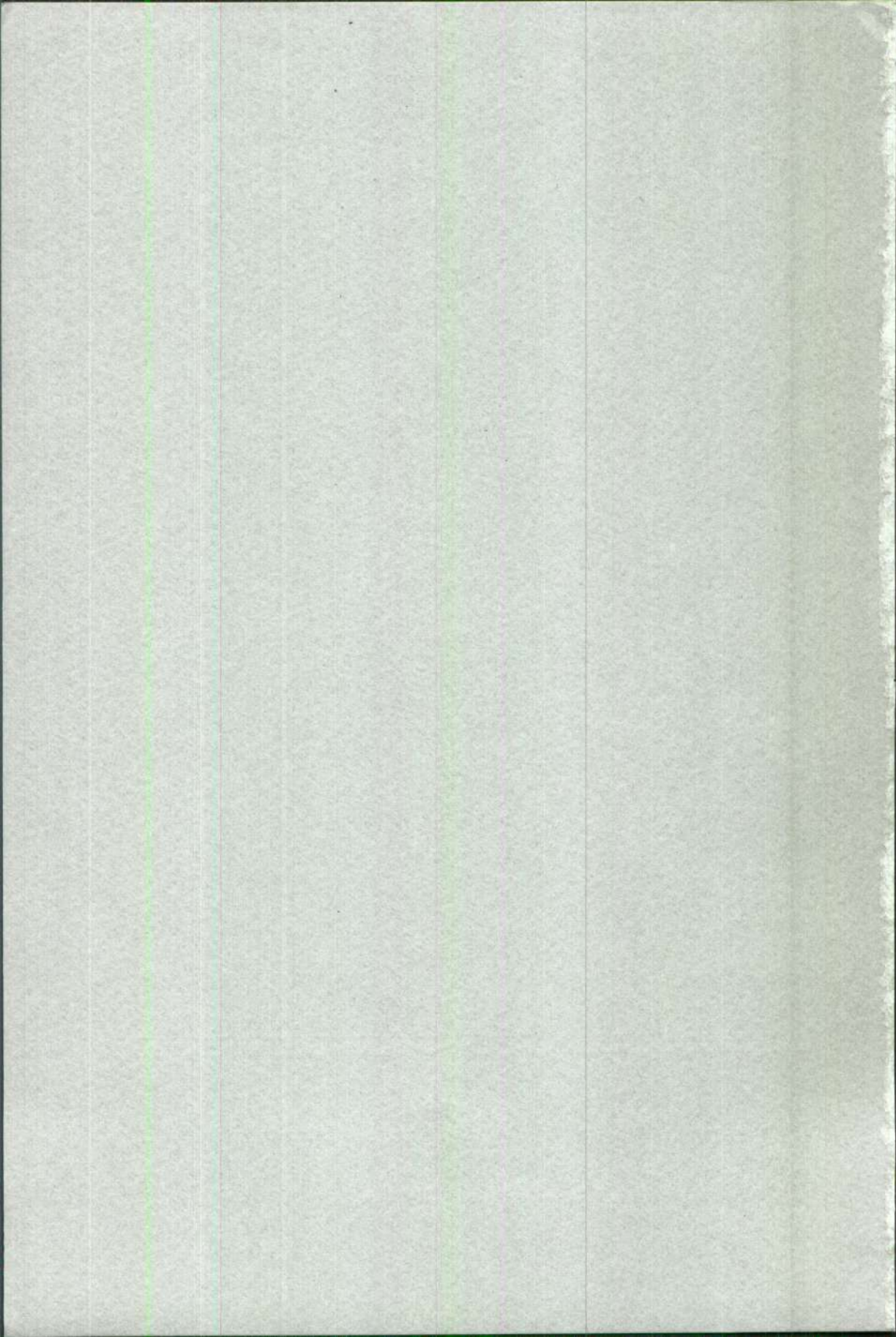
You all know that we are going to set up an Italo-African assistance centre, for technical and financial assistance the latter in the sense that I hope that thanks to this centre we should be able to arrange international financing operations. One thing we might do, for instance, is to take care of placing fixed-interest securities issued by African countries; we could place them internationally and so obtain medium- and long-term funds. This sort of thing would surely be welcomed to African countries. I think this is a useful scheme, but I cannot give you any details yet; I will do so later, as soon as I can.

This is all I have to say, ladies and gentlemen. Perhaps it was rather long for a closing address, but even so I still want to take advantage of this opportunity to recall to your minds a matter of great import, or a view, shall we say, that I personally regard as fundamental, and that I hope you all share.

We speak of mobilizing savings. We have made it clear that we have in mind especially household savings. Let me say to you that indeed we must champion the idea of private saving — saving by firms and by households, both closely linked of course. There is public savings, too, but we must spare no effort to reduce public savings to the minimum, because it inevitably leads to a collectivist organization of the life of society. And in a collectivist organization economic liberty disappears, and the loss of economic liberty often entails a loss of political liberty. Therefore, if we want to defend democracy, if we want to defend the individual personality, then we must stand up for private saving. This is not a mere duty, it is a right that we must defend against the attack of public saving. Public saving is necessary, of course, but it must be reduced more and more. In the early stages of economic and social development it is, naturally, necessary to draw on this source of capital formation. But we must never forget that it is a very dangerous, or potentially dangerous, source.

If, therefore, we want to defend our freedom, if we want to defend democracy, we must spread the habit of saving and turn savings into an instrument of individual and social betterment. This is my view, and I hope that you all share it.

AGREED STATEMENT OF THE CONFERENCE



The Conference emphasizes the fact that African governments are acutely conscious of the urgent need to mobilize an increased volume of domestic financing in order to achieve a sustained economic growth and promote the well-being of their population. The Conference notes that the International Development Strategy adopted by the General Assembly of the United Nations on the occasion of its 25th anniversary states in paragraph 41 that developing countries should continue to adopt vigorous measures for a fuller mobilization of the whole range of their domestic financial resources and for ensuring the most effective use of available resources both internal and external.

The Conference notes with great interest that within the framework of the International Development Strategy the First Inter-regional Seminar on the Mobilization of Personal Savings in Developing Countries was convened in Stockholm in August 1971 by the United Nations in close co-operation with the Swedish International Development Authority and the Swedish Savings Banks Association. The Conference further notes that the Stockholm Seminar stressed the need for close co-operation among international organizations, national associations of savings organizations and individual savings mobilization institutions to achieve the goal mentioned in paragraph 41 of the Strategy.

The Conference recognizes the timely initiative of the International Savings Banks Institute (ISBI) and the *Cassa di Risparmio delle Provincie Lombarde* in bringing together ministers and high-level officials of African governments and representatives of the United Nations and its specialized agencies, the African Development Bank as well as representatives of national associations of savings banks to discuss the problems and issues involved in the mobilization of domestic savings.

The Conference expresses its appreciation to the *Cassa di Risparmio delle Provincie Lombarde* for its generous hospitality and host facilities. It also expresses appreciation to its Chairman, Professor Dell'Amore, for the stimulating leadership he displayed during the Conference.

The Conference recognizes that in view of the fact that a considerable proportion of domestic savings could be generated by households, African governments should, within the framework of their development programmes, devote special attention to the promotion and mobilization of personal savings.

The Conference recommends that African governments should endeavour to encourage through appropriate means the establishment and development of savings mobilization institutions adapted to the socio-economic conditions of their countries. The Conference expresses the hope that the United Nations and its specialized agencies, the ISBI and national associations of savings banks, preferably in close co-operation, will make efforts to assist African governments in setting up or strengthening their own savings mobilization systems. The Conference also expresses the hope that governments of developed countries, international financial institutions and national associations of savings banks might find it possible to provide initial financial support to such systems.

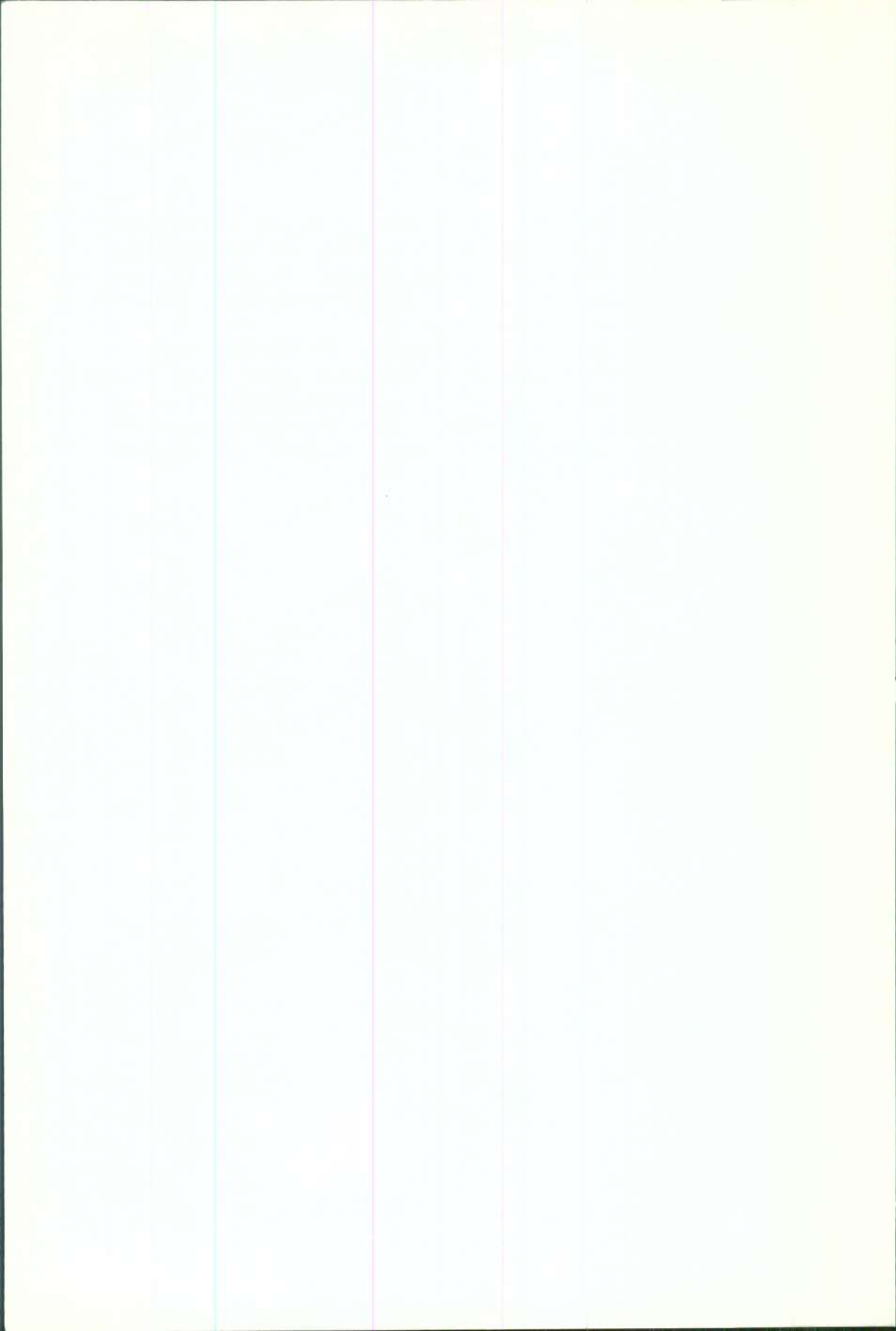
The Conference stresses that savings mobilization institutions should be allowed considerable freedom in their operations and investment activities within the framework of the governments general economic policy.

The Conference is of the view that the experience of developed countries and of some developing countries has proved that savings banks can be an effective institutional means for mobilizing personal savings and channelling them into investment deemed in the national interest. The Conference observes that there are different types of savings banks but that certain essential characteristics are common to all, the most important of these being their ability to cater to the needs of small savers without any profit motive, in addition to their flexible investment policy which makes them an effective tool for the implementation of national policies.

The Conference endorses the recommendation of the Stockholm Seminar that the United Nations Secretariat, in close co-operation with the International Savings Banks Institute and other interested bodies, should study the feasibility of working out effective arrangements at the international level for research and training in the field of saving in developing countries. In that connection the Conference welcomes the generous initiative of the *Cassa di Risparmio delle Provincie Lombarde* to set aside 1,000 million Lire for the construction of a centre to be known as the Italo-African Centre for Financial Assistance. The Conference expresses great interest in the proposal of the *Cassa's*

Chairman, Professor Dell'Amore, to set up a consultative monetary and savings committee as a first step which may lead to the institutionalized co-operation between African and developed countries. The major functions of this committee would be to promote collaboration among financial institutions in Africa and those outside Africa.

The Conference recognizes the high value of this gathering which has provided a forum for the exchange of constructive views among those officially concerned with the formulation and implementation of savings mobilization policies in African countries. The Conference expresses the wish that ISBI will organize similar gatherings in the future in co-operation with national associations of savings banks.



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