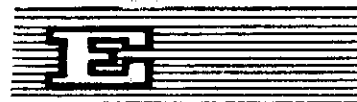




46171



Distr.  
LIMITED

E/CN.14/AMA/WA/7  
8 August 1977

Original: English

UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMISSION FOR AFRICA  
ASSOCIATION OF AFRICAN CENTRAL BANKS

REPORT OF THE SEVENTH ANNUAL MEETING OF THE WEST AFRICAN  
SUBREGIONAL COMMITTEE OF THE ASSOCIATION OF AFRICAN  
CENTRAL BANKS/COMMITTEE OF THE WEST AFRICAN CLEARING HOUSE  
(Monrovia, 9 and 10 May 1977)

INTRODUCTION

Organization and Attendance

1. The seventh annual meeting of the West African Subregional Committee of the Association of African Central Banks and the third meeting of the Exchange and Clearing Committee of the West African Clearing House were held in the E.J. Roye Building, Monrovia, Liberia, on 9 and 10 May 1977.
2. All member banks were represented. Also present were representatives of the West African Clearing House, the International Monetary Fund representing countries in the subregion, and a representative of the Economic Commission for Africa.

Opening addresses

3. The meeting was formally opened by Mr. James T. Phillips, Jr., Minister of Finance, the Republic of Liberia.
4. In his opening remarks, Mr. Charles A. Greene, Governor of the National Bank of Liberia and current Chairman of the West African Subregional Committee of the Association of African Central Banks, welcomed the Governors and other participants to Liberia. He said that Liberia, under the administration of President William R. Tolbert, Jr., was totally committed to transforming the West African Community into a tightly-knit unit. The country had consistently followed an open-door policy both through its economic policy and through the friendliness and cordiality of its people.
5. He concluded by congratulating the West African Subregional Committee of the Association of African Central Banks on its achievements so far and urged that the Association should strive for more achievements in the future.
6. In his address, Mr. James T. Phillips, Jr., Minister of Finance of the Republic of Liberia speaking on behalf of the President and people of Liberia, welcomed the participants and hoped that their deliberations would enhance the efforts to find meaningful and lasting solutions to the problems of African development.

7. He added that the meeting came at a time when, as Africa searched for solutions, there were growing demands for a restructuring of the world economic order. Africa must, however, approach the restructuring realistically and with full comprehension and recognition of the interrelationships and interdependence of the different world economies. The demands for restructuring were a result of the iniquities of the existing system brought forcibly into focus in the past three years by economic disequilibrium in the major industrial countries reverberating into economic convulsions in developing countries.
8. Until the 1970s, the world economy had remained comparatively calm, experiencing an overall average annual growth rate of not less than 5 per cent. For the developing countries, the overall annual average was 5.5 per cent with an export growth rate of around 6 per cent. Stable prices and stable exchange rates provided an economic environment which allowed developing countries to prepare ambitious long-range development plans with a high degree of confidence in their ability to be implemented.
9. The design of a new international economic order required that all the participants in the existing order should reorientate their policies and strategies, the objectives being not the abandonment of growth and capital accumulation but a more equitable distribution of the benefits of growth. That implied an improvement in the per capita income levels of many of those in the African region who existed at poverty levels, and that there be an improvement in overall economic activity and the mobilization of monopoly capital.
10. He stated that the African Group had a major role to play in the design of the new order and that efforts at effecting the loans necessary to promote the development of the region were vital. Africa's initiatives in encouraging and facilitating the liberalization of trade among the members of the group were important. The plans to establish an international exchange market within the region were long over due. Yet, it was not possible to revise strategies and policies only within the scope of the African region because the causes and remedies of the existing imbalances demanded concentrated international action. Forums such as the present one must, therefore, help to design a new set of rules to minimize the disruption of the world economy and the regression that could follow.
11. Those who influenced the local economic situation recognized that the success of the new order would depend on their determination to redefine national objectives and reorientate policies, bearing in mind that a change in foreign economic relationships implied an equivalent redirection and conformity in domestic economic policy. His Government had pursued a policy of harmonization and reconciliation as opposed to confrontation, and it was that policy which influenced its approach to the restructuring of the world economic order.
12. In his vote of thanks, the Governor from the Central Bank of Mali expressed appreciation to the Minister of Finance of Liberia for opening the Conference and, on behalf of the Governors, thanked the President and people of Liberia for the warm welcome accorded them since their arrival in Liberia.

#### Agenda

13. The following agenda was adopted:
  1. Remarks by Mr. S. L. Bangura, Governor, Bank of Sierra Leone, and out-going Chairman

2. Remarks by Mr. Charles A. Greene, Governor, National Bank of Liberia and Chairman, West African Subregional Committee
3. Admission of the Central Bank of the Republic of Guinea to the West African Clearing House
4. Report of the meeting of the Exchange and Clearing Committee of the West African Clearing House
5. Report of the meeting of commercial banks
6. Summary of economic conditions
7. Executive directors' reports
8. General
9. Adoption of reports and press release

#### SUMMARY OF PROCEEDINGS

##### Remarks by Mr. S.L. Bangura, Governor, Bank of Sierra Leone, and Out-going Chairman

14. Mr. S.L. Bangura, Governor of the Bank of Sierra Leone and Chairman of the West African Subregional Committee during the period 1975 - 1976, congratulated Mr. Charles A. Greene on assuming the chairmanship of the Committee. He thanked the Governors for their co-operation during his tenure as Chairman. He also thanked the current Chairman for the warm reception accorded to all delegations and the excellent arrangements made for the meeting. He concluded that he was pleased at the achievements of the Committee which had culminated in the commencement of the operations of the Clearing House.

##### Remarks by Mr. Charles A. Greene, Governor, National Bank of Liberia, and Current Chairman, West African Subregional Committee of the Association of African Central Banks

15. The Chairman, Mr. Charles A. Greene, thanked the out-going Chairman for his remarks and for the assistance and guidance he had given him since he had assumed the chairmanship of the Committee.

##### Admission of the Central Bank of Guinea to the West African Clearing House

16. The Chairman informed the Committee that the Central Bank of Guinea had applied to become a member of the West African Clearing House. He said that the Governor of the Central Bank of Guinea had been invited to the meeting, but that he was unable to be present owing to other engagements in Mauritius.

17. The Committee unanimously approved the admission of the Central Bank of Guinea into the West African Clearing House.

Report of the meeting of the Exchange and Clearing Committee

18. The Executive Secretary introduced the report of the third meeting of the Sub-Committee of the Exchange and Clearing Committee of the West African Clearing House held on 3 and 4 May, 1977 in Monrovia, Liberia.

19. After some discussions, the Committee adopted the report with the following amendments:

(a) Annual report and audited accounts

20. The Committee agreed that, in order to comply with the provisions of article IV (4) (1) that the annual report and audited accounts of the Clearing House should be submitted to the Exchange and Clearing Committee not later than three months after the end of each financial year, since the Committee would not meet during the three months' period after the end of the financial year:

- (a) the financial year of the Clearing House should be changed from 1 July - 30 June to 1 September - 31 August.
- (b) the draft annual report and accounts be sent not later than 15 November to members of the Sub-Committee who would discuss the report with their respective Governors and be empowered to approve the report and accounts on their behalf at the Sub-Committee meeting in November. The report could then be published by the Clearing House after the Sub-Committee meeting.

(b) Staffing

21. The Committee noted that the entire staff complement of the Clearing House had been recruited except for two junior staff.

(c) Accommodation

22. The Committee was informed that efforts were still being made by the Bank of Sierra Leone to provide adequate accommodation for the Clearing House. It was explained that the difficulty was due mainly to the fact that a tenant of the Bank of Sierra Leone was occupying the office accommodation which was earmarked for the Clearing House and it had been difficult to get the tenant to leave notwithstanding repeated requests to that effect. After some discussions, the following conclusions were adopted.

23. The Bank of Sierra Leone would continue to provide office accommodation for the Clearing House until such a time as the Clearing House would be able to erect its own premises in Freetown.

24. The Government of Sierra Leone was to be approached to provide land both for the erection of the office accommodation for the Clearing House and housing accommodation for its international staff.

25. A headquarter's agreement should be entered into with the Government of Sierra Leone setting out clearly the status, immunities and privileges granted to the West African Clearing House and its international staff.

(d) 1976/77 budget

26. The Committee noted that no additional contributions to the 1976/77 budget were requested for the period January to June 1977 as the Clearing House had enough funds to cover its expenses for that period.

(e) Publications

27. The Committee noted that member banks which had not submitted the information required by the West African Clearing House on export products had been requested to submit available statistics as soon as possible.

(f) Crest

28. The Committee examined the four sketches proposed for the crest which the Clearing House presented.

29. After some discussions, it was agreed that it was necessary to have more designs from which the Committee could make its selection. Therefore an international competition among African artists should be organized and publicized through advertisements by member banks. The text of the advertisement would be supplied by the Clearing House and prizes would be given for the first three winning entries. Each member bank would pay the cost of advertisement in its own country while the Clearing House would be responsible for the prizes.

(g) Operations

30. The Committee noted that there was a need for each Central Bank to apply strictly the articles establishing the Clearing House. In that respect it pointed out that, in conformity with article 8 of the Clearing House Agreement government and all capital transfers could be channelled through the West African Clearing House by mutual agreement among the banks concerned.

31. It also noted that oil transactions, being current account transactions, should be channelled through the West African Clearing House and an appeal should be made to the Governor of the Central Bank of Nigeria to take up the matter with the Government of Niberia so that contracts for oil sold to countries in the subregion could be denominated in naira. This would not only be in the spirit of co-operation which was being nurtured in the subregion but also a fulfilment of the obligation of the Central Bank of Nigeria under the Articles of Agreement that all trade transactions in the subregion should be denominated in national currencies and channelled through the Clearing House.

32. The Governor of the Bank of Nigeria said he had noted the request and would transmit it to the appropriate authorities in Nigeria. He added that the oil issue was rather complex involving agreements among OPEC countries and long-term contracts with producing companies. He advised that, since payments for oil could be made only in accordance with existing contracts, oil buyers within the subregion should take up the issue of denominating oil contracts in naira when renegotiating their contracts with the suppliers or under the appropriate review clauses in existing contracts.

33. The Committee noted that the Executive Secretary had appealed that prompt attention be given to all payment instructions and that the respective banks and the West African Clearing House should be notified of transactions that had taken place promptly.

34. The Committee noted that the issue of communications bottleneck which had delayed some transactions had been discussed and each bank was requested to appeal to its external telecommunications authorities for co-operation.

(h) Interim audit report

35. The Committee noted the interim audit report and approved the following recommendations made by the auditors which the Sub-Committee had endorsed:

36. The budget of the Clearing House should be denominated in leones and contributions by member banks be paid through the Clearing House mechanism.

37. Residential accommodation for the Executive Secretary and the Administrative Assistant should be build in view of the enormous rents being paid at present.

38. The Sierra Leone authorities should be requested to provide two suitable plots of land free of charge for the erection of the residence of the Executive Secretary and his Administrative Assistant. The funds needed for the construction should be provided for in the 1978/79 budget.

(i) Draft 1977/78 budget

39. The Committee approved the 1977/78 budget as recommended by the Sub-Committee subject to the following adjustments as a result of some decisions that had been taken at the current meeting which would affect a number of figures in the budget:

- a) the change in the financial year from July/June to September/August;
- b) the award of prizes for the design for the West African Clearing House crest;
- c) the printing of a Bankers' Almanac;
- d) the offer by the Bank of Sierra Leone to continue to provide office accommodation free of charge until the Clearing House erected its own building.

40. The Committee also approved a ten percent salary increase for all staff of the West African Clearing House..

41. Contributions by member banks would be computed in accordance with the provisions of article 10 of the Agreement. Cleared transactions were defined as the total of all debit and credit transactions excluding capital transactions among Governments and contributions to the budget of the West African Clearing House.

(j) ECA/UNCTAD Programme

42. The Committee noted that the Executive Secretary had reported that the secretariat of the West African Clearing House had been in correspondence with the Economic Commission for Africa over the study tour programme.

43. The representative of ECA congratulated the central banks in West Africa on their achievement in setting up the first clearing system in Africa. He said that the first study tour scheduled for early 1977 could not take place because of the liquidity problem in UNDP, which was to have financed it. ECA had now taken over the programme and would finance the first study tour from funds to be provided by USAID in July.

44. In order to work out the details of the tour programme, it would be necessary for the Executive Secretary to visit ECA headquarters and the UNCTAD Office in Geneva. After the details had been worked out, member banks would be given at least a month's notice before the commencement of the tour.

45. As regards the second study tour, funds for touring the Socialist countries would be provided by UNDP. Details of that tour would also be worked out during the Executive Secretary's visit and communicated to all member banks in due course.

46. The ECA representative added that the Executive Secretary had been invited to the next meeting of the Association of African Central Banks in Lusaka, Zambia, to present a paper on the organization and functioning of the West African Clearing House so that other subregions could learn from the experience of West African Central Banks as there were moves to set up clearing systems in other subregions.

(k) General

47. The committee requested BCEAO to contact the Central Bank of Mauritania on the possibility of the latter's joining the West African Clearing House.

Report of the meeting of commercial banks

48. The report of the meeting of Commercial Banks in the subregion held on 5 and 6 May 1977 in Monrovia was adopted. The following conclusions and recommendations were contained in the report.

- (a) Arrangements should be made to ensure that remittances through the Clearing House were not delayed.
- (b) Commercial banks should assist in educating and publicizing the advantages of the Clearing House mechanism.
- (c) Under the umbrella of ECOWAS, arrangements should be made at an early date to remove all trade and exchange restrictions in respect of travel, personal remittances, educational expenses, cash gifts and direct investment.
- (d) It was desirable to introduce West African travellers' cheques denominated in West African units of account in the subregion.
- (e) Banks should take more initiative in promoting trade in the subregion.
- (f) A West African Confirming House should be established.
- (g) Commercial banks should strengthen links among themselves by establishing correspondents' relationships and arranging staff exchange programmes.

- (h) A Bankers' Almanac should be published by the West African Clearing House.
- (i) A West African Bankers Association should be established.
- (j) Arrangements should be made to have faster communication links between the banks in the subregion.
- (k) Information should be disseminated through national chambers of commerce and the holding of West African trade fairs.
- (l) There was a need to create a common external exchange control wall for the subregion.
- (m) There was a need for a capital market in the subregion.
- (n) There should be co-ordination and harmonization of economic development efforts on the principle of complementarity to avoid duplication and/or waste of scarce resources in the subregion.
- (o) A task force should be set up to deal with the implementation of recommendations c,d,f,i and j.

49. The Governors expressed their satisfaction that the first meeting of commercial banks in the subregion had been convened in Monrovia and directed that the sub-committee in conjunction with representatives of the Bankers Associations of the countries in the subregion which had attended the meeting, should carry out a detailed study of the conclusions and recommendations with the aim of implementing them and strengthening monetary co-operation in the subregion.

#### Summary of economic conditions

50. The representative of BCEAO said that the year 1976 had showed a strong recovery in world demand and caused a marked increase in the volume of international trade and prices of raw materials. As a result, the economic and financial performance of the countries of the West African Monetary Union was quite satisfactory. The policies followed by the authorities had contributed greatly to that performance. Salary increases had been limited in most countries and the rates of inflation were less pronounced than in previous years.

51. Total domestic credit in the six countries of the Union had risen by about 32 per cent during 1976 resulting from a decline in the Governments' net creditor positions and a sharp expansion in credit to the private sector. In an effort to dampen this trend, rediscounting by BCEAO as a share of total domestic credit had been sharply reduced.

52. Money supply had recorded a vigorous expansion reaching nearly 37 per cent compared to a growth rate of about 13 per cent in 1975. Bank deposits in the private sector had developed faster than cash in circulation, and their share in money supply had risen to nearly 25 per cent.

53. Despite the favourable developments in foreign trade and the inflow of official grants, the balance of payments, as shown in the external position of the banking system, had generated only a slight surplus owing to payments of services and capital, mainly on account of the external debt.



54. The official international reserves of BCEAO had climbed to 106.6. billion CFA francs (\$US426.4 million) at the end of 1976 covering nearly 45 per cent of the bank's sight liabilities.

55. The prospects for the present year continued to be favourable and the bank was pursuing a flexible monetary policy, particularly in the land-locked countries.

56. The representative of the Central Bank of the Gambia, mentioned that whereas the two years preceding 1976 had portrayed a steady growth, 1976 had brought in a certain anti-climax. The year had been characterised by a stagnation in agricultural production, falling export prices for the country's main exports, groundnuts and groundnuts products; and persistent inflationary pressures in the economy. Also there had been considerable pressure on the country's balance of payments and the external value of the dalasi had suffered considerable depreciation.

57. However, the situation had been improving steadily since the beginning of 1977. A nominal growth of 19 per cent in the gross domestic product had been registered in 1975/76. The percentage rise in consumer prices had gone down from 26 per cent in 1975 to about 14 per cent in 1976. Export prices had also started to improve towards the end of 1976 and the drain on the country's external reserves had somehow stabilised. Monetary policy measures adopted had kept the increase in money supply at 18 per cent below the rate of increase experienced by the end of 1975 and early 1976. Persistent efforts at diversification in both agriculture and industry had succeeded in bringing about an expansion in cotton production, fisheries and tourism. The implementation of the 1975-1980 national development plan was now under way and a number of the projects envisaged were now operational.

58. The Ghanaian representative said that the major problems which had faced Ghana in 1976 were severe inflation, unemployment, a widening Government budget deficit and a weak balance-of-payments structure characterized by over-dependence on a few export products and the inability to effect a reduction in the rising level of imports without slowing down the rate of economic growth. One outcome of the balance-of-payments problem was the periodic shortage of essential human and industrial inputs with unfavourable consequences for total output, employment and the general price level.

59. Provisional statistical data on output and production indicated that after registering increases of about 5 per cent in 1974, gross domestic product had declined in 1975 and in 1976 in real terms. The decline had been mainly attributable to the failure of the non-cocoa agricultural sector, the largest contributor to GDP, to sustain the remarkable successes of 1973 and 1974.

60. In agriculture, performance had been disappointing and, as in 1975, agricultural production had declined, largely as a result of lack of adequate and timely rainfall. The cocoa sector, which contributed 60 per cent of export earnings, however, had increased its output by 20,000 tons during the 1975/76 cocoa season despite the unfavourable weather conditions and other constraints.

61. The industrial sector had continued in 1976 to operate below capacity, mainly as a result of inadequate foreign exchange resources to finance imports of raw materials, spare parts and other essential inputs.

62. With regard to public finance, the relative stagnation in the economy had continued in 1976 accompanied by a deterioration in public finances, which had been characterized by growing expenditure and a low elasticity of revenues with respect to GDP. One consequence of the situation had been an increasing resort to bank borrowing to finance the deficit. The annual national budgets had continued in 1976 to be operated as sub-sets of the overall five-year development plan (1975/76 to 1979/80) which had been formally launched in April 1977. The Plan was based on the conviction that emphasis placed on agricultural production would help in attaining the requisite economic objectives in the medium term.

63. In the field of money and banking, in 1976, the great dependence of the Government upon bank credit, especially from the Central Bank to finance the widening budget deficits, was the dominant feature in monetary development. The average level of money supply in 1976 consequently increased by 46 per cent.

64. The deterioration in Government finances, coupled with the rapid expansion in money supply, set-backs in agriculture, and the stagnation of the industrial sector had led to an acceleration in the rate of inflation, which, as measured by the national consumer price index, had risen by about 18 per cent in 1974, by about 30 per cent in 1975, and rather steeply by about 56 per cent in 1976. The prices of local foodstuffs alone had showed an increase of 70 per cent in 1976.

65. With respect to the balance-of-payments, provisional figures indicated that the deficit on current account had increased from £2.1 million in 1975 to £102.2 million in 1976. The alarming deterioration was accounted for by the worsened position in both the visible and invisible trade accounts.

66. The Bank of Ghana had continued to pursue its development-oriented activities without impairing its orthodox functions. It had participated in private sector projects such as maize and cotton cultivation, cattle breeding, and brick and tile production. In 1976, the Bank had established the Grains Warehousing Company Ltd., to purchase, store and distribute maize, rice and other grains. The year had also witnessed the establishment of two rural banks based on the Philippine experience in an effort to bring banks to the people in the rural farming areas to mobilize savings in the community for the development of the particular areas.

67. The representative of Liberia said that the slow pace of investment activities and the depressed level of steel production in most developed countries had had a marked effect on Liberia's main export commodity namely, iron ore. The level of economic activity had continued to be profoundly influenced by the performance of the iron mining sector which accounted for approximately 37 per cent of gross domestic product (GDP) and nearly three quarters of Liberia's export.

68. After a decline in real gross domestic product in 1975, the economic activity had picked up slightly in 1976 and Liberia had experienced a moderate economic growth. Real gross domestic product at factor cost had increased in 1976 by some 2.4 per cent.

69. The principal problem facing natural rubber was the large fluctuation in price, given the inelastic supply and demand conditions and the shift in demand emanating from the business cycles in the industrial countries.

70. Liberia's foreign trade in recent years had been characterised by a trade surplus of a declining magnitude from \$131 million in 1973 to \$60 million in 1976 and the terms of trade with the outside world had deteriorated during 1976.
71. Against those externally imputed difficulties, the Government had continued to check the budgetary expenditure and it had been able to check inflation; the consumer prices in 1976 were estimated to have increased at a moderate rate of 6 per cent.
72. In 1976 the comprehensive four-year national social-economic development plan had been officially launched on 1 July. Budgetary investment expenditure was being undertaken within the framework of the plan. Total estimated budgetary expenditure over the four-year period July 1976 - June 1980 was about \$415 million.
73. The Government of Liberia had continued its efforts to strengthen its co-operation with neighbouring countries in the areas of trade, industry, transportation, agriculture, education and banking.
74. In Mali, it was reported that the year 1976 had been marked by the continued improvement of the economy, a trend which had started in 1975.
75. Cereal production had increased from 1.1 million tons to 1.3 million tons, an increase of 18 per cent. The increase was not only sufficient to satisfy the food needs of the population after several years of shortage, but it also made it possible to export rice and millet. The 1976/77 campaign which was still going on with forecasts for up to 1.5 million tons still looked favourable.
76. The production of cotton seed had risen to 113,500 from 71,000 tons in 1975, an increase of about 60 per cent whereas that of groundnuts had risen to 205,000 tons as against 160,000 an increase of 28 per cent. That recovery had meant that domestic industry could be fully provided for and a substantial quantity left over for export.
77. With the upward trend in prices on the world market, particularly with regard to cotton fibre, foreign exchange earnings had considerably increased.
78. In the field of cattle breeding, particular attention was being given to the reconstitution and the rational exploitation of cattle.
79. Production in the fishing industry had shown satisfactory improvement. However, some difficulties had been encountered as countries which were traditional importers of smoked and dried fish had reduced the volume of imports.
80. Industrial production, mainly geared to the manufacture of local products, had kept pace with increase in agricultural production, particularly with regard to cotton, groundnuts and rice.
81. In the field of public finance, the search for new taxable goods, and better assessment of taxes and the speeding up of tax collection had all contributed in no small measure to offsetting the budget deficit.
82. With regard to monetary policy, the readjustment of the discount rate for the central banks as well as the fixing of a ceiling for a substantial part of bank credits had resulted in slowing down monetary aggregates: domestic credits, external liabilities and money supply.

83. With regard to external finance, the strict control of imports and the enactment of a new law governing external trade, combined with an increase in export earnings, had resulted in a substantial reduction of the trade deficit and an improvement in the country's external position.
84. The setting of major development projects within the framework of the five-year plan 1974 - 1978 would enable the country to have a more substantial growth in the long term and also favour the rapid industrialization of the national economy.
85. The encouraging results obtained in the management of the national economy in 1976 should be followed up by a vigorous campaign in agriculture with particular regard to export products such as cotton and groundnuts whose prices on the international market continued to increase.
86. The improvement in Mali's foreign trade was partly conditioned by the economic policies applied by its main trading partners within the West African subregion. It was for that reason that the Malian delegation appreciated the efforts being made by those countries with a view to strengthening co-operation within the subregion.
87. Major developments in the Nigerian economy in 1976 related to the continued high level of inflation and the significant deterioration in the balance-of-payments position. Inflation, as measured by the cost of living index, averaged about 22 per cent compared with upwards of 30 per cent in 1975. The country's external reserves had fallen by about \$242 million, probably marking a turning point in the persistent increase of recent years.
88. Although inflation continued to be at a high level by historical standards, the rate in 1976 represented a substantial improvement on 1975. Factors which had contributed to the deceleration of prices included: (a) a slower growth in the money supply; (b) an improvement in the goods supply situation associated with higher domestic output (especially food) and increased imports facilitated by some alleviation of the congestion at the ports; (c) the effectiveness of the income policy which slowed down the rate of increase in wages and dividends; and (d) the lower rates of inflation in most of the industrialized countries trading with Nigeria.
89. The exchange rate policy pursued might also have been a contributing factor although it was widely believed that most of the benefits had not been passed on to consumers. The contribution of monetary policy in the circumstances of excess liquidity that existed in the banking system, had to be, as in 1975, through credit guidelines. In 1976, however, its impact was strengthened by the reintroduction of overall credit ceilings for the commercial banking system as a whole, thus attacking inflation on both the supply and the demand management fronts.
90. As in the recent past, the greatest single factor influencing the growth in money continued to be government expenditure financed largely from petro-naira. The growth and direction of government expenditure was therefore a vital factor in the fight against inflation. The Government had, partly in recognition of that, ordered a review of the third national development plan with a view to re-ordering its priorities and possibly cutting down its size.
91. After the very substantial reduction in the overall surplus that occurred in 1975, Nigeria's balance-of-payments moved into a deficit in 1976. Although there was a substantial increase in export earnings with the recovery in oil production, the rate of increase in imports was higher still, which led to a reduced surplus on the

trade account. As was expected, the invisible account was in deficit. The back-wash of the indigenization programme as well as some aid outlays, however, had pushed the capital account (which had traditionally been insurplus) into deficit also, resulting in a net draw-down of reserves of the order of N242 million.

92. Those developments might be entirely transitory or they might well represent advance notice that the balance-of-payments projections of the third national development plan period (1975-80) were unrealistic. The Government had indicated its concern in the 1977/78 budget by banning a number of "unessential" import items and putting some others under licence. An indication had also been given that the Government might enter the world capital markets as a borrower to ensure that external finance would not be the major constraint on the execution of the third national development plan.

93. The Governor of the Bank of Sierra Leone reviewed the performance of the Sierra Leone economy during 1975/76 and prospects for 1976/77. He observed that the balance of payments position had worsened in 1975/76 owing to a larger deficit on current account caused by a drop in exports and smaller surplus in capital account because of a fall in private long-term capital inflows and larger outflows in respect of contractor-financed projects. The resulting deficit had largely been financed through IMF resources.

94. On the domestic front, one consequence of the growing budget deficit and the liquidity difficulties of the Government had been substantial expansion in domestic credit. As a result of measures introduced to curb imports and increased export receipts from cocoa and coffee, the balance-of-payments should be in surplus by the end of 1977.

95. Considerable improvement was also expected in budgetary performance as a result of measures introduced to increase revenue and reduce expenditure.

96. On activities and policy directly related to the Bank, during 1975/76 the Development Fund Division of the Bank which operated the Bank's credit guarantee scheme had approved 106 new applications totalling Le0.25 million. During the year under review, efforts of the Division had been directed towards promotional activities with a view to improving the coverage of the scheme. A new interest rate structure had been introduced by the Bank with the objective of mobilizing more domestic resources. With that objective arrangements were far advanced for the introduction of a Premium Bond Scheme.

97. In conclusion, although the economy had performed badly during the 1974/75 and 1975/76 financial years, the provisional figures for the first half of 1976/77 indicated that the year ahead was likely to herald the turning point in Sierra Leone's fortune.

#### IMF Executive Directors' reports

98. Mr. W.D. Mungomba and Mr. S. Nana-Sinkan, Executive Directors of IMF representing the countries members of the subregional committee of the association of African Central Banks in the International Monetary Fund, gave a detailed review of general world economic conditions and the Third World countries' relationship with IMF.

99. The analysis revealed that although there had been a slight improvement in 1976 compared with 1975, the following problems still confronted the world's economy: (a) the uncomfortable combinations of recessionary economic conditions with persistent inflationary pressures, commonly referred to as staginations; (b) low level of production and employment; (c) failure to moderate wage pressures; (d) lack of adequate co-ordination of stimulative measures; (e) inadequacies of fiscal and monetary policies; (f) collapse of the Bretton Woods system which had led to the present regime of floating exchange rates; and (g) breakdown of traditional correlations between being an economically developed country and being in a basically strong balance-of-payments position.

100. The Executive Directors then enumerated the following efforts which had been made by IMF to alleviate the burden: (a) setting-up of oil facilities under which drawings were repayable within seven years including a four-year grace period; (b) extended fund facility under which drawings up to 140 per cent of the quota were permitted; (c) improvements of some characteristics of the compensatory financing facility to meet fluctuations in exports proceeds; (d) temporary increase in the size of the credit tranches by 45 per cent; (e) restitution of one-sixth of Fund gold to member countries at the official price and the setting up of a Trust Fund from the proceeds of the sale of gold by IMF for the benefit of the less developed countries members of IMF; (f) increase of members quotas under the Sixth General Review of Quotas; and (g) provision of technical assistance to the developing countries in the field of fiscal, monetary and exchange rate policies.

101. Despite the above-mentioned efforts, the developing countries were finding it difficult to have access to the resources of the Fund. In order to enlarge these resources and facilitate the access of those countries to such resources, the following proposals were under consideration by IMF for submission to future meetings of the Governors: (a) creation of new credit facilities to assist countries in balance-of-payments difficulties; (b) a new review of IMF quotas; (c) new allocations of SDRs; and (d) ratification of the second amendment of the Articles of IM.

#### General

102. The Governor of the Central Bank of Mali invited the Committee and the Commercial Banks to hold their 1978 meeting in Bamako, Mali. The invitation was accepted.

103. The Governor of BCEAO requested the Committee to support the application of the Government of Senegal and that of the BCEAO to host the meeting of the Association of African Central Banks in Dakar, Senegal, in 1979. The Committee agreed to support that request and the meeting in Lusaka.

#### Adoption of the report and press release

104. The Governors adopted the present report on 10 May 1977. After the adoption of the report, the Chairman read out a press release on the meeting, which was approved.