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UNITED NATIONS ECONOMIC and SOCIAL COUNCIL

Distr.
LIMITED

E/CN.14/AMA/EA/1
1 July 1971

Original: ENGLISH



ECONOMIC COMMISSION FOR AFRICA

Second Regular Meeting
of the Association of African
Central Banks

Rabat, 13 - 17 September 1971

REPORT OF THE EAST AFRICAN SUB-REGIONAL COMMITTEE
OF THE ASSOCIATION OF AFRICAN CENTRAL BANKS HELD IN NAIROBI ON
14 May 1970

1. Governor Ndegwa welcomed the delegates to Kenya and wished them a happy stay.

Item 1 - Adoption of the agenda

2. The provisional agenda was adopted after a re-arrangement of items 2 to 4, 3 to 2 and 4 to 3.

Item 2 (i) - The first African Central Banking Course

3. Governor Menasse Lemma, in his capacity as Chairman of the Association of African Central Banks, addressed the meeting on the latest position regarding the course which is being organized by the Central Bank of Nigeria in conjunction with the Economic Commission for Africa. As agreed at the inaugural meeting of the Association, that Course will be held during October and November and would be bilingual if a reasonable number of French-speaking participants were nominated. The total estimated cost of the Course was N£29,000 and invitations for nominations had already been issued.

4. The meeting then sought information as to what assistance was required from participating central banks and the items of cost to be borne by them. As the exact details were not yet known it was agreed that the ECA representative should ascertain the particulars and circulate them to all members of the Association. The meeting also noted that among the disadvantages inherent in a bilingual course was that participants will be unable to exchange experiences amongst themselves and will not therefore be able to learn from each other.

(ii) - Exchange of visits by departmental heads

5. Dr. Zulu proposed that in order to promote general understanding, pooling and sharing of experiences, exchange of visits by departmental heads and senior officers of central banks in the sub-region should be fostered and encouraged. Governor Thompson supported the suggestion adding that publications tended to confuse simple issues and that very often personal contact was the only way of getting at the truth. The educational value of visiting countries other than one's own was stressed by everybody and an assurance was given that visiting officials of one central bank would always be welcome in any other bank in the sub-region.

Item 3 (a) - Exchange of information on domestic situations

6. (1) Ethiopia: Governor Menasse Lemma reported that the Ethiopian economy which had been under inflationary pressures in the recent past had been brought under control. The banking system was expanding with a fourth commercial bank having just been licensed. On the whole 1969 had been a good year in that export earnings were higher due mainly to coffee and prospects for 1970 were also good.
- (2) Kenya: Mr. Abdallah, Deputy Governor, reported that the country's economy was developing satisfactorily although owing to the vagaries of the weather, agricultural production had been lower in 1969 than expected. So far as banking was concerned, the volume of money had gone up due to substantial rises in deposits held by the public with the commercial banks and to rises in foreign exchange reserves. Credit had not expanded in the same proportion as the growth in deposits and the banking system was therefore extremely liquid. The Bank and the Government were unhappy about this situation and were therefore considering ways and means of putting the accumulating savings in the economy into productive use.
- (3) Malawi: Governor Thompson reported that 1969 had been a good one for Malawi, with the GNP in current prices, growing at 5 per cent and prices rising at 3 - 4 per cent. The main impetus for growth during the year came from exports which went up by 9 per cent compared with a marginal fall in 1968. However, the foreign exchange position needed watching and in view of this credit to foreign controlled enterprises was being subjected to greater control.

- (4) Rwanda: Governor Hattori reported that the basic policy of the Republic of Rwanda was geared at achieving economic self-reliance as far as possible. The country has two commercial banks and a free market for currencies primarily intended to stabilise internal prices. Recent evidence had however indicated that the free market was being used for export of capital from the East African States and measures were therefore being taken to regulate it more closely. Credit policy was the main instrument in promoting manufacturing industries but the main constraint was the size of the market not availability of finance. The National Bank of Rwanda was alive to problems of the country and endeavoured to tackle them in an enterprising spirit fully realising that failure to act positively on its part may mean no development takes place at all.
- (5) Somalia: Governor Herzi referred to the nationalisation policy which had been announced by his country only a week before and explained that the true name for them was "rationalisation" as in practically every case the measure taken had been dictated by "economic logic". The Somali economy as a whole was developing satisfactorily and the Government was about to take steps to further mobilise the savings of the people.
- (6) Tanzania: Governor Mtei said that the Tanzanian economy had been very buoyant in 1969. The fourth quarter of the year experienced strong expansion in credit which was financed mainly from local funds. So far as international trade was concerned, imports had registered a decline partly because of import substitution, whilst export earnings had been higher largely due to higher prices obtained for cloves and cashew nuts. The country's reserves covered more than six months imports and because of this greater reliance was being placed on domestic financing for development projects.
- (7) Uganda: Governor Mubiru referred briefly to the measures announced by the Uganda Government on May Day concerning Government take-over of 60 per cent interests in a number of private commercial and industrial undertakings. As a result of these measures exchange control had been imposed against Kenya and Tanzania but this will not be continued longer than necessary. 1969 had been a good year for Uganda with GDP being 12 per cent higher than in 1968. The same quarter saw an expansion in the money supply and the volume of credit.

- (8) Zambia: Governor Zulu reported that the economy performed satisfactorily in 1969 despite some internal problems. Like Kenya, the Zambian economy was highly liquid as manifested by the Treasury Bill rate which currently stood at 2.8 per cent, and the continuing unsatisfied demand for Government securities. The foreign exchange holdings of the country registered a 90 per cent increase in 1969 largely due to a substantial rise in the price of copper and a fall in imports which occurred for the first time since independence.
- (9) Burundi: Mr. Nsababaganwa, Administrator of the Bank of Burundi, reported that like other developing countries, Burundi's mainstay was agriculture with coffee and cotton comprising about 85 per cent of its exports. The year 1969 had not been very good for these crops, but present indications were that 1970 was likely to be better. The main constraint on the development of manufacturing in his country was the size of the domestic market and because of this most of the consumer goods were imported from outside.

(b) - International monetary developments

(i) Special Drawing Rights

7. The meeting noted that with the exception of Ethiopia all the countries of the sub-region had accepted the Special Drawing Rights. Governor Menasse Lemma explained the reasons which led his country not to accept SDRs for the time being and these were noted. The meeting was also informed that Zambia and Kenya had been "designated" under the "First and Second Designation Plans" to receive SDRs from Fund members in balance of payments difficulties in exchange for hard currency.

(ii) Flexible exchange rates

8. Next the meeting considered the possible effects of flexible exchange rates on the international trade of developing countries and agreed that members of the Association should endeavour to develop a common stand on the issue. Governor Menasse Lemma, explaining Ethiopian experience, stated that fixed exchange rates conferred great benefits on developing countries and should, for this reason, be strongly defended by them. The meeting fully endorsed this and similar views expressed.

Item 4 - Sub-regional trade flows and the opening of reciprocal accounts

9. (a) Kenya, Tanzania, Ethiopia, Burundi, Somalia and Malawi tabled trade statistics showing the flow of trade between them and the various countries in the sub-region whilst the ECA representative presented statistics showing the trading relationships in the sub-region as a whole.

With the exception of the East African Common Market the meeting noted that trade flows in the sub-region were still insignificant and in considering ways of how the position could be improved the meeting sought information on the workings of the payment mechanism within the East African Community and this was explained at some length.

10. Next the meeting considered it highly desirable that member banks in the sub-region should open accounts with each other but agreed that the timing and terms of the accounts be determined on a bilateral basis.

11. (b) The meeting also considered the possibility of a credit balance accumulated by one country in the domestic currency of another being transferable to a third party in the sub-region in settlement of a debt. In view of the complexity of the subject involving such issues as the unit of account, exchange guarantee etc. discussion was not concluded.

Item 5 - Any other business

12. (a) Governor Ndegwa advised the meeting that only a very brief record would be issued of the discussions that had taken place and no objection was raised to this suggestion.

13. (b) Governor Menasse Lemma appealed to his colleagues to assist the first African Central Banking Course with provision of lecturers if so requested by the Central Bank of Nigeria. The plea was noted sympathetically but Governor Mubiru suggested that Nigeria should provide most of the lecturers itself and resort to outside experts only on specialised subjects, as was being done in the East African Central Banking Course currently being held in Kampala, Uganda.

Item 6 - Date and place of next meeting

14. It was agreed that the next meeting be held two to three months before the next general meeting of the Association with May 1971 being provisionally selected subject to the above proviso. The Committee then accepted Governor Mtei's invitation to hold the next meeting in Dar-es-Salaam.

LIST OF PARTICIPANTS

Present:

Central Bank of Kenya	Mr. D.N. Ndegwa, Governor Mr. A. Abdallah, Deputy Governor Mr. W. Muriithi Mr. A. Komora
Banque de la Republique du Burundi	Mr. P. Nsababaganwa Director
National Bank of Ethiopia	H.E. Mr. Menasse Lemma Governor
Reserve Bank of Malawi	Mr. D.E. Thompson Governor
Banque Nationale du Rwanda	Mr. M. Hattori Governor
Somali National Bank	Mr. A.N. Herzi, Governor Mr. S.M. Ali Mr. O.H. Yusuf
Bank of Tanzania	Mr. E.I.M. Mtei, Governor Mr. E.A.K. Mwanjisi
Bank of Uganda	Mr. J.M. Mubiru, Governor Mr. O. Obel, Deputy Governor Mr. T.M. Mutagamba
Bank of Zambia	Mr. J.B. Zulu Governor
Observer:	
Economic Commission for Africa	Mr. W. Katabi
Absent with apologies:	
Institut d'omission malgache	Mr. Jean Kients Director General
Bank of Mauritius	Mr. A. Beejadhur Governor