THE PROCESS OF MONETARY DECOLONIZATION IN AFRICA

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Africa is split up into many different monetary zones which have been undergoing one process of transformation or the other. The main aim of this essay is to trace the process and examine the mechanics of monetary decolonization from the time when many African countries became politicallv independent up to 1977

1. THE EVOLUTION AND CHARACTERISTICS OF THE MONETARY ZONES

Before the colonial subjugation of Africa[1] there was, apart from barter, monetary economy in various parts of the continent[2]. With the physical balkanization[3] of Africa during the colonial era the colonial powers found it equally expedient to effect a monetary fragmentation of the continent. Thus they introduced their own currencies or varieties of them into their areas of influence or colonies[4], so that during the colonial period the following major foreign monetary zones emerged on the African continent: the French Franc zone, the Sterling zone, the Escudo zone, the Peseta zone, the Dollar zone, the Lira zone and the Belgian Franc zone[5]

The foreign monetary zones in Africa had and still have certain common characteristics. Four such features are[6]:

i. they have a colonial origin,

ii. their ultimate decision making organs are situated outside Africa[7].

iii. the currencies of the African territories which belong to any of the foreign monetary areas are tied to the currencies of the metropolitan powers and

iv. the currencies of the foreign powers play a decisive role and serve as the ultimate means of payment in their appropriate areas of activity in Africa

The two most important foreign monetary zones in Africa are the franc zone and the sterling zone[8]. Neither of the two zones in Africa is monolithic; in fact each of them is further divided into sub-zones which virtually have no direct connections with one another but are all directly linked with the metropolitan headquarters. To illustrate this point it should be remembered that prior to independence of many African territories the sterling area in Africa consisted of the following subdivisions:

i. territories of the West African Currency Board (i.e. Ghana[9], Nigeria Sierra Leone and Gambia),

ii. territories of the Central African Currency Board (i.e. Malawi, Zambia and Zimbabwe[10]),

iii. territories of the East African Currency Board (i.e. Kenya, Tanzania and Uganda[11]),

iv. territories of the rand currency (i.e. Republic of South Africa, Namibia, Botswana, Lesotho and Swaziland),

v. Libya and

vi. Mauritius and Seychelles.

These subregions of the sterling zone had each currency and institutional arrangements which, though similar were not directly interrelated.

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The West African Currency Board, for example, issued the West African pound which had no validity anywhere else in the sterling zone in Africa except in the territories under the said Board. The same situation applied to other subregional monetary institutions and their currencies. At the same time all the currencies of the various subdivisions of the sterling zone were pegged to the metropolitan currency, the pound sterling. These subzonal monetary institutions were further subjected to the British Treasury and the Bank of England through the common "dollar pool", currency reserve policy and the foreign exchange control stipulations of the sterling system[12].

Similarly, the franc zone in Africa was made up of the following subregions:

i. territories of the Maghreb (i.e. Morocco, Algeria and Tunisia),

ii. territories of the CFA-Franc Groups, the West African Monetary Union [Union Monetaire Ouest Africaine (i.e. the Republic of Benin, Ivory Coast, Mauritania, Niger, Senegal, Togo and Upper Volta)],
–the Equatorial African Monetary Union (i.e. Chad, Central African Republic, People's Republic of the Congo, Gabon and Cameroon),

iii. the Malagasy Republic,

iv. the Republic of Mali,

v. the Republic of Djibouti[13].

The currencies of these subdivisions of the franc zone in Africa were, as in the case of the sterling area, bound to the French franc. The "operations account", currency reserve policy and foreign exchange allotment arrangements of the franc system linked further the currencies and monetary institutions of these African subregions to the French Treasury and La Banque de France[14].

Besides the foreign monetary zones there exist national monetary areas in Africa. Originally, the territories concerned belonged to one or other of the foreign monetary regions in Africa[15]. Prior to 1960, there were three such zones (the Ethiopian, the Egyptian and the Sudanese) but by 1964, with the attainment of political independence by many former colonies and the attendant gradual disintegration of the foreign monetary zones in Africa, five more emerged. The national monetary zones as at 1972 were[16]: Ethiopia, Egypt, The Sudan, Guinea, Somalia, Republic of Zaire, Rwanda and Burundi.

The national monetary zones in Africa have four main formal characteristics:

i. The countries concerned are not in any way legally bound to accord preferential treatment to any European country in their foreign exchange and commercial transactions.

ii. They are not compelled by any legal agreement to hold their currency reserves in any particular foreign currency.

iii. They have the tendency of signing bilateral payment agreements with their trading partners[17].

iv. Their monetary institutions are situated in their own territories unlike in the case of African members of foreign currency regions whose ultimate policy making organs are often quartered in Europe[18].

In the second half of the 1950s the struggle for political independence in the colonial territories in Africa began to yield fruit. Between 1956 and 1957 Morocco, Tunisia, the Sudan and Ghana became sovereign states. The process of formal political decolonisation gathered momentum at the beginning of the 1960s so that by 1964 most African territories had attained independent status[19]. With the attainment of formal political sovereignty it gradually became unacceptable to many of the ruling elites in the new African states that their economies, and with them their monetary institutions, were mere appendages of those of appropriate metropolitan powers. This situation led to the demand on their part for some economic freedom and consequently to changes which, among others, also affected the monetary and financial sphere. As the various colonial empires of Europe in Africa crumbled away the corresponding foreign monetary zones in Africa and their subdivisions disintegrated.

2. THE PROCESS OF MONETARY DECOLONIZATION

The process of modification and/or disintegration of the foreign monetary areas in Africa took several forms.

2.1. STERLING ZONE

Initially, some African countries of the British sterling area, notably Ghana and Nigeria, proposed several times the establishment of their own central banks and currencies as distinct from the West African Currency Board and the West African pound[20]. Each time the United Kingdom turned down their proposals and, as a compromise as well as delaying tactic, appointed each time a British expert, usually an official of the Bank of England, to examine and report on the matter[21]. Predictably, these experts advised strongly against the creation of central banks and currencies, so to say, in the "interest of the colonies"[22]. In the course of time, however, the United Kingdom in the face of protracted agitation in both colonies, gave up its opposition. Ghana and Nigeria established their central banks and introduced their own currencies in 1957 and 1958 respectively and left the West African Currency Board subregion[23]. In 1963 Sierra Leone erected its own central bank, which in 1964 replaced the West African pound with a new currency, the Leone[24]. With the creation of the Gambia Currency Board in 1964 which was replaced in 1978 by the Central Bank of Gambia, and the issue of a Gambian currency, the West African Currency Board or what was left of it was wound up.

In the territories of the Central African Currency Board Africans were vehemently opposed to the white minority dominated Central African Federation[25]. With the breakdown of the Federation and subsequent attainment of formal political sovereignty by Malawi and Zambia the Bank of Rhodesia and Nyasaland which replaced the Central African Currency Board also disintegrated. Its place was taken in 1965 by the newly created central banks of Zambia, Malawi and Rhodesia[26].

In East Africa official discussion over the creation of a central bank or central banks opened in 1960[27]. Primarily in order to forestall a similar dissolution of the East African Currency Board the United Kingdom in 1960-1961 made the following relatively substantial concessions to the African countries concerned[28]:

i. the Board was transferred from London to Nairobi and representatives from member states were appointed to it;
ii. the Board was granted the power to include a "fiduciary issue" in the cover up to a maximum amount (cost price) of £20 million;
iii. the Board could lend up to £5 million at any one time to the banking system for the purpose of crop finance;
iv. the Board was allowed to commence activities as banker to the other banks;
v. the number of currency sub-centres was increased to enable more adequate money supply and reduce costs and risks.

Inspite of these concessions the discussion persisted. Specifically, Tanganyika in 1962 invited an official of the West German Deutsche Bundesbank to report on "whether it is possible or desirable to establish a Central Bank—either on a territorial or on a regional basis"[29]. Bluementhal, the West German expert, rejected the idea of a new currency and central bank for Tanganyika alone but advised the establishment of a central bank of East Africa [30]. By mid-February 1965 it became clear that the member states of the East African Currency Board could not reach a consensus on this matter despite the mediation of the International Monetary Fund[31]. Accordingly, three central banking institutions emerged in East Africa in 1966, namely the Bank of Tanzania, the Bank of Uganda and the Central Bank of Kenya. They issued new national currencies and put them in circulation; at the same time they demonetized the East African pound. The East African Currency Board had to fold up.

Mauritius has also erected its own central bank known as the Bank of Mauritius.

Within the rand currency subzone of the sterling area there were also some developments. Lesotho and Swaziland signed a new monetary agreement with South Africa in December, 1974. Thereby they reaffirmed their membership of the rand subregion. While the rand remains the common currency Lesotho and Swaziland are now allowed to issue their own local currencies and to have a say in exchange control and fiscal policy matters, hitherto vested in the South African Reserve Bank[32]. The new currency of Swaziland, the lilangeli, was introduced in September, 1974[33]. Botswana, on the other hand, withdrew from the talks which led to the above mentioned agreement and decided to create its own central bank and monetary unit. Her new currency, the pula, was introduced in 1976[34] when the Bank of Botswana commenced business.

2·2. FRANC ZONE

In the *French franc zone* in Africa the modifications were less dramatic and less far-reaching. Although separate local currencies were introduced in 1948, no African member state of this zone had central banking institutions until 1955[35], when two currency issuing authorities were established. These were L'Institut d'Emission de l'Afrique Occidentale Francaise et du Togo and L'Institut d'Emission de l'Afrique Equatoriale Francaise et du Cameroun, which were transformed in 1959 into the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and the Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun (BCEAEC) respectively[36]. Furthermore, in 1962 the Institut d'Emission Malgache (IEM) was established to issue currency for the island of Madagascar. There the CFA – franc was with effect from 1st July, 1962 redesignated "franc Malgache"[37].

Although these central banking arrangements could not from the onset be said to be in the national interest of the African countries concerned, it took more than a decade before African opposition to them became considerable enough to force France to make some concessions. Members of the European Economic Community, to which the Francophil African countries were associated, had, however, earlier criticised Frace because the franc zone functioned to their detriment and virtually to the exclusive advantage of France[38]. In July 1967 France, therefore, introduced financial regulations which permitted:

i. the free convertibility of the CFA franc outside the fanc zone,
ii. the issue and sale in the franc zone of foreign stocks and shares.
iii. borrowing of funds from outside the franc area.
iv. the importation and exportation of gold,
v. direct investments by the citizens of the franc zone in countries outside it.

By this adjustment of the franc zone to the needs of the partner states of the European Economic Community France simply extended some of the privileges she enjoyed in the African countries concerned without basically altering the system[39].

By 1969 African member states of the franc zone had begun to articulate their desire for modifications of their monetary arrangements with France. In that year Niger requested a revision of her agreements but France ignored the request[40]. By 1972 many others, including Mauritania, Malagasy Republic, Togo and Benin, had suggested and pressed for some freedom in monetary policy for the African countires or, seen from another perspective, for a reduction of France's suffocating influence over monetary and other matters of the African member countries[41]. In the same year the states of the West African Monetary Union (UMOA), for example, set up a Ministerial Reform Committee which, after its meeting in Ouagadougou (Upper Volta) in 1973, called for:

i. the transfer of the headquarters of the common central bank to an African capital,
ii. the Africanization of the same bank and
iii. reforms in the rules of the franc zone to permit increased participation by the bank in development projects[42].

The general discontent with and disillusionment over France's dominance led to Zaire's, the Congo's and the Malagasy Republic's withdrawal from the Organisation Commune Africaine et Malgache (OCAM), an institution of Francophil African states[43]. At the same time Benin, Niger and Togo began to intensify their relationships with Ghana and Nigeria, their English-speaking neighbours, a move detested by France[44]. Under these circumstances France found it expedient to introduce measures to modify the French franc zone as it applies to Africa.

As far as the Equatorial African countries and the Cameroon were concerned the following reforms were worked out for their central bank[45]:

i. the name of the bank was changed from 'Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun (BCEAEC) to "Banque des Etats de l'Afrique Centrale" (BEAC);
ii. its main office was to be moved from Paris (Europe) to Yaounde in Cameroun (Africa);
iii. the number of French representatives in the Board of the bank was reduced from eight to four[46],
iv. instead of the permanent chairman appointed by France, chairmanship of the bank was to rotate among the members; France was to hand over ~~the~~ management of the bank to African member states;
v. French representatives were to be excluded from the National Monetary Committees; besides, three of the members of each National Monetary Committee, who must be citizens of the country concerned, were to be appointed by the Government of that country;
vi. the bank could hold up to 35% of its foreign exchange reserves in currencies other than the French franc;
vii. the bank could grant medium - and long-term loans to member states and specialized institutions[47].

Similarly, the constitution of the central bank of the states of the West African Monetary Union (UMOA), the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), was amended as follows[48]:

i. the main office of the bank was to be transferred from Paris (Europe) to Dakar in Senegal (Africa);
ii. the number of French representatives in the Board of the bank was to be reduced from six to two [49],
iii. the bank was no longer to be headed by a French man but by an African;
iv. the bank could make use of the reserves of African member states for meeting short-terms obligations;
v. the bank could float loans and issue treasury bills;
vi. 35% of the external holdings of the bank could be used to finance trade with countries other than France.

2.3. ESCUDO ZONE:

With the dramatic collapse of Portugal's empire in Africa an equally dramatic liquidation of *the Portuguese escudo zone* in Africa set in. The government of Guinea-Bissau decided to take over the National Bank of Guinea in 1975 and introduce a new currency, the peso, to replace the escudo[50]. To mark the first anniversary of her independence, Angola in 1976, nationalised the Banco de Angola (the issuing bank) as well as the Banco Commercial de Angola and in January 1977 introduced a new currency called Kwanza[51]. In 1975 Mozambique worked out an agreement with Portugal for the transfer to the Banco de Mozambique of the Banco Nacional Ultramarino, the Portuguese-owned issuing bank. In 1977 Mozambique nationalised this bank[52]. Mozambique's monetary unit remains the Mozambican escudo. Finally, Cape Verde in 1977 created its own national currency, the escudo, which is now issued by the Cape Verde National Bank[53].

3. THE MECHANICS OF MONETARY DECOLONIZATION

In general the process of monetary decolonization in Africa has been and is still a gradual one. When some of the African coutries just before or after attaining formal political independence decided to introduce their own national currencies they not only made such currencies usually equal in value and otherwise chained to the metropolitan ones but also gave them names reminiscent of their colonial origin and past. The names of the currencies of the metropolitan countries were adopted and qualifying adjectives derived from the names of the African countries concerned were placed before or after them[54]. In the course of time it was however, found expedient and necessary to adopt new names and new denominations for the satellite currencies as well as to decimalize them [55] since such measures appear to connote a higher level of independence. In other words, a process of "Africanization" and decimalization of African monetary units set in without the more fundamental question of their dependent nature being tackled although the Americans, the British and the French etc. have in the past never left the African countries concerned in doubt about their absolute sovereignty and utter arbitrariness in monetary matters[56]. It needed the severe crisis of the international capitalist world of the last few years with the attendant arbitrary floating and/or devaluation of its "leading" currencies, the unwillingness of the British to guarantee further the dollar value of the sterling assets of some African members of the sterling zone[57] and France's almost total and suffocating control of African members of the franc zone for the African countries to reconsider their position in their different monetary zones. A number of the English-speaking countries freed their currencies from attachment to the pound sterling but neutralized the effect of this measure at the same time by pegging them to the US dollar[58]. Lately, with the persistent, generally downward fluctuation of the value of the US dollar, African countries[59] had begun a shift from the dollar to the special drawing rights of the International Monetary Fund. The African members of the franc zone on the other hand agitated for reforms; France then made some superficial concessions[60] which apparently were considered satisfactory by most of her African satellite nations. These notwithstanding Mauritania and the Malagasy Republic left the franc zone in 1973 and the former created its own monetary unit, which is not attached to the French franc.

Another aspect of monetary decolonization is the establishment of central banks in many African countries. As already mentioned the metropolitan countries were vehemently opposed to the idea of colonial territories in Africa and elsewhere having their own monetary institutions. However, in the face of mounting pressure of the African ruling elites the imperial powers had to make concessions. While they agreed to give up their opposition they undertook to design the nature of the emergent issuing banks and the legal framework within which they must function[61]. Furthermore, since Africans scarcely had training in monetary and financial management and the African countries, therefore, could not provide the necessary expertise immediately the colonial powers "on request" agreed to supply the high-level manpower to run the African central banks[62]. In some cases the United States of America, the International Monetary Fund and the International Bank for Reconstruction and Development made additional technical "aid" available. Consequently, the strategic and top posts in these monetary institutions were occupied by Europeans seconded by or acceptable to the imperial powers[63]. France went further; it had financial participation in the multinational central banks of the French-speaking African countries and obtained preponderant representation in their Boards of Directors[64]. Finally, France and Portugal, as colonial masters, practically seized the central banks of the African members of their respective monetary zones; these institutions were located in Paris and Lisbon respectively. In these ways these central banks were made to function primarily in accordance with the needs of the imperial powers and not necessarily in the interest of the dependent African countries. Indeed, they were largely ineffective in their African context because of their legal constraints and their orthodox nature[65].

A few years' operating experience with these banks of issue revealed even to the most docile African countries by way of their ineffectiveness the inevitability of change. Gradually, the central bank laws were amended or completely replaced by new ones. Five aspects of this process of change are of interest here:

i. Some of those central banks that had no clearly defined objectives but were merely required to perform certain functions were given more specific aims to accord with or take partly into account the overall economic aspirations of their people[66].

ii. A number of the central banks that were constructed to be completely autonomous of the governments of the African countries but subordinate to governments outside Africa were brought under the control of the respective African governments[67].

iii. Some of the central banks that were legally denied the rights and the powers they needed in order to effectively control the other banks - most of them were foreign banks[68] with headquarters in the metropoles - were provided with those powers[69].

iv. The leaderships of the central banks were progressively Africanized, although some of the displaced European "experts" reappeared as Advisers to the African Governors etc[70].

v. **The French-speaking countries of Western and Central Africa achieved**, after prolonged agitation, the concessions mentioned earlier including the transfer of their central banks to Africa. Mauritania and the Malagasy Republic, which were not satisfied with the concessions, established their own central banks.

The third aspect of monetary decolonization revolves round the pegging of satellite currencies to the metropolitan ones, the formation of monolithic exchange control areas and the free and "unlimited" convertibility of dependent currencies into ruling currencies and vice-versa.

Initially, once the parties of the subordinate currencies of African member states were fixed to the "leading" currencies of the respective foreign monetary zones they functioned on the principle of automaticity. The African countries in question had, on the one hand, no right whatsoever to alter the fixed parity of their currencies[71]. On the other hand, the possessors of the "hard currencies were free at all times to raise or lower the value of their currencies unilateraly. As soon as they unilaterally altered the value of their own currencies the values of the subordinate African currencies were automatically altered in the same direction and proportion so that the initially fixed parities remained unchanged [72].

In addition to fixed parity each of the dependent currencies was in "unlimited" amounts freely convertible into the ruling currency of its foreign monetary zone even though dependent currencies within the same foreign monetary area were not directly interchangeable. Such a provision made, however, little or no sense of a satellite member of a monetary zone could, even if in "enlightened" selfinterest, impose exchange control against other members. While, therefore, there was no hindrance to financial transactions within the zones, each foreign monetary zone embracing the territories of all member states, nevertheless, constituted a monolithic exchange control area vis-avis the rest of the world[73]. All foreign exchange earnings (that is, primarily gold and dollar earnings) of the subordinate African states had to be surrendered to the monetary institutions of the imperial powers in exchange for metropolitan (i.e. sterling, French fanc etc.) assets[74]. Members states which required foreign exchange were then allocated such on the basis of "need" and "urgency" from the common pools[75].

Whatever theoretically propagated mutual advantages these arrangements were supposed to have, their real effects on the satellite territories can be shown by reference to a typical example, namely the pooling system of the sterling zone with the attendant acquisition of sterling assets for the period 1945 to 1957

From the Table 1 above it can be seen that the sterling assets of the colonies[76] of the United Kingdom rose consecutively from a comparatively small amount of £St 411 million to £St 1 281 million in the period between 1945 and 1956. In 1957 their assets fell by £St 12 million down to £St 1 269 million[76]. On the other hand, the other countries[77] of the sterling zone possessed at the beginning of the period a substantial amount of sterling assets. These, however, fell from £St 1 986 million in 1945 to £St 1 430 million in 1957 although the tendency was a fluctuating one, in which there were also a few rises.

The second Table, which contains the operations of the "dollar pool" of the sterling area, mirrors the role the United Kingdom, the colonies and the independent member countries[78] played from 1946 to 1954. The net contribution of the United Kingdom to the pooling system amounted to US$ 739 million (1946–52) or US$ 687 million (1946–54). But as footnote of the table explains the United Kingdom actually had a total deficit of US$7,527 million during the period but was able to borrow funds in the U.S.A., Canada and South Africa and to draw on the International Monetary Fund etc. to compensate the deficit and achieve a surplus. The colonies of the United Kingdom were clearly the main contributors of the pool. From year to year during the whole period they made their gold and dolar "surpluses" available to the pool. From 1946 to 1954 they made a net contribution of US $ 2,586 million. Finally, the third group of countries, the independent sterling countries, also contributed to the pool. Nevertheless these countries were mainly preoccupied with withdrawing resources from it. On the whole they effected a total net withdrawal of US $ 1,347 million (1946–52) or US $ 1,013 million (1946–54).

With the attainment of independence, the establishment of central banks, the introduction of new currencies and the attendant need to formulated economic and monetary policies which are consistent with their class aspirations it became obvious to many of the ruling African groups that the above arrangements could and should continue unmodified.

First of all, the 100 per cent backing in sterling, franc etc. demanded of the colonised currencies was done away with by many African countries so that they were able to undertake varied percentages of fiduciary issue of their monetary units[79].

Second the periodic manipulation of the "leading" currencies by the metropolitan powers, which usually resulted in the loss in value of the dollar, sterling and franc assets etc. held by the monetary institutions of the subordinate countries, forced some of them to seek ways of preserving the value of and diversifying their foreign exchange holdings. Some negotiated and signed agreements with their imperial powers to guarantee the dollar value of the assets they held, for example, in sterling[80]. Some others decided to acquire assets of various industrial countries of the Western world instead of being stuck to only those of a particular European country[81]. In the course of time some African countries have become bold enough to reject the principle of automaticity; when their metropolitan powers devalued their ruling currencies they refused to have the value of their subordinate currencies automatically altered so that the principle of fixed parity was concurrently abandoned[82]. Finally, there were African countries which served the connection of their currencies to that of the former colonial ruler only to peg them to the other "leading" currency of the West, namely the US dollar, or to the special drawing rights of the International monetary Fund[83].

Third, as the newly independent African countries stumbled into and grappled with the problems of national economic development it dawned on some of them what the mere accumulation of foreign reserves means. They realized that they were not only tying up excessive real resources which they could have utilized to foster their own economic development but also and more importantly that they were simultaneously making substantial financial resources available to the metropolitan powers which these also made use of to further increase their economic lead which they established partly through slave trade and colonialism[84]. Consequently, the governments of some of the satellite African states ordered and effected the repatriation of funds tied up in the metropolitan countries by banks, insurance companies, marketing boards etc[86]. Besides, they imposed exchange control not only against their imperial powers but often against all other members (including African ones) of their respective currency zones or subzones in order to control the in-and outflow of funds[87]. Finally, a number of African states opted out of the pooling system and some even left the foreign monetary zones in order to establish their own national monetary systems[88].

4. CONCLUDING REMARKS

There is no doubt that within the last fifteen years some changes have taken place in the sphere of monetary organizations on the African continent. The relevant colonial institutions have undergone a process of restructuring, the main effect of which has been to erode the smothering power of the metropoles and to reduce the financial bleeding of the peripheries.

In particular, African elites have secured for themselves the top posts of their central banks. Thus, they have been able, to some degree, to introduce policies which make financial resources, previously usually carted away by the colonial masters, now largely available to their class. The imperial powers, on the other hand, have long devised other, less direct means (e.g. various forms of "aid", multinational corporations, daughter companies etc.) of removing more funds from the territories concerned than allowed by the investment laws of the latter. In this process of decolonization the African members of the French franc zone (to be more correct CFA francsub-zones) may be said to have made much less progress than their sterling zone counterparts. Indeed, as things stand, it is questionable to still reckon many of the English-speaking colonies strictly to the sterling system.

Seen from the background of the old colonial order the present stand of things in this field could be said to represent a substantial change, especially with the emergence of national monetary systems and the inherent tendency towards their formation[89]. Viewed from the perspective of the fundamental problems which have beset and still beset African countries since their attainment of formal sovereignty the present stand does not represent a very important step towards the solution of these problems. There is still a proliferation of foreign monetary zones in Africa, a situation of foreign monetary zones in Africa, a situation made more complex by the emergence of many national monetary systems; currencies of numerous African countries are still tied to currencies of countries outside Africa;foreign assets (e.g. sterling, French franc etc. assets) still made up the reserves and form the main backing for African currencies; Africa still has no continental monetary institutions which can assist in the formulation and co-ordination of comprehensive monetary policies and facilitate trading and financial transactions among Africans. These are the challenges which Africa has to face up to.

These challenges point, in our own view, clearly to a fundamental restructuring of the monetary and banking systems in the various countries as well as the formation of certain continental institutions.

At the national level an end must be put to the satellization of the currencies by severing he existing links to metropolitan currencies; also the banking sector must be rid of foreign-domination through nationalisation. This would enable decentralized banking as well as de-emphasizing the profit motive in banking. Monetary policy and the activities of the banks should then be oriented to serve primarily national developmental priorities.

At the continental level the following institutions should be established without further delay:

i. an African clearing and payments union to facilitate multilateral clearing and paying among African countries.
ii. an African central bank to issue and manage an African currency to which national or regional currencies, as far as they still exist, should be linked,
iii. an African institute for pan-African monetary studies, whose main job will be to conduct relevant research in the field of money and banking, and
vi. an African monetary council to consider and take binding decisions on matters concerned with money and banking.

A detailed discussion of these proposals as well as of the rather feeble efforts that have already been made in these directions belongs appropriately to the subject matter of another exposition.

Table 1 — Sterling Assets of the Overseas Sterling Countries at the end of the 1945—1957
(£Million)

Sterling Area	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Colonies of the United Kingdom	411	461	470	519	546	719	919	1 024	1 093	1 221	1 280	1 281	1 269
Other Countries of the Sterling Area	1 986	1 906	1 780	1 636	1 612	1 830	1 717	1 518	1 705	1 703	1 599	1 575	1 430
Total	2 397	2 367	2 250	2 155	2 158	2 549	2 636	2 542	2 798	2 924	2 879	2 856	2 699

Source: Adapted from: *Conan. A.R.* The Rationale of the Sterling Area. Texts and Commentary, London 1961. p. 50

Table 2 The Dollar Pool 1946 — 1954 (Million US$)

Changes vis–a–vis the Dollar Pool	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1946–52	1946–54
United Kingdom	•	5	+1276	+136	+151	+872	–1 303	–388	+27	–79	+739	+687 [b]
British Colonies	•	+158	+ 62	+233	+229	+436	+ 488	+389	+384	+307	+1995	+2586
1. Surplus (+) or Deficit (–) [a]	•	(+134)	(+40)	(+206)	(+202)	(+408)	(+463)	(+382)	(+283)	(+283)	(+1835)	(+2401)
2. Gold sales to the United Kingdom	•	(+24)	(+22)	(+27)	(+27)	(+28)	(+25)	(+7)	(+1)	(+24)	(+160)	(+185)
Independent Sterling Countries	•	–177	–952	–274	–254	+318	+16	–84	+178	+156	–1347	–1013

[a] + = Surplus, – = Deficit.

[b] Actually, the United Kingdom had a total deficit of $ 7,527 million during the period. By borrowing in the U.S.A., Canada and South Africa and by drawing on the International Monetary Fund etc. she was able to compensate the deficit and achieve a surplus.

Source: Adapted from: *Maas, G.*, Die Rolle des Pfund Sterling in der Weltwirtschaft seit dem Zweiten Weltkrieg. Tubingen 1968, pp. 62—63.

1 The basis for the military occupation of Africa was the Berlin Conference of 1884-1885 which West Germans of late would prefer to call Congo Conference. See, for example, *Green, R.H.*, and *Seidman A.*, Unity or Poverty? The Economics of Pan-Africanism (Penguin African Library). Aylesburg, Bucks 1968, p. 28.

2 See for example, *Hopkins, A.G..*, An Economic History of West Africa, Longman Group Ltd., pp. 67-70.

3 This does not mean that Africa was politically united prior to it. However, there were large empires without rigid frontiers and "an evident trend towards the construction of larger and more effectively centralized states" (Hodgkin), a process halted by colonialist intrusion. Cf. *Hodgkin, T.*, Foreword to *Green, R.H.* and *Seidman, A.*, op. cit., pp. 13-14

4 This seems quite different thing from the contention of Abdel-Salam that: "It was the colonial traders who originally introduced the use of money, in place of barter arrangements, in most of the African countries". Cf. *Abdel-Salam, O.H.*, The Evolution of African Monetary Institutions. "The Journal of Modern African Studies". London, Vol. 8 No. 3 (1970), p. 339.

5 The last two zones have since been superseded by national monetary areas.

6 See *Mensah, A.*, Panafrikanismus oder wirtschaftliche Unterentwicklung. Ein wahrungs-und bankwirtschaftlicher Beitrag zum Problem der wirtschaftlichen Entwicklung und Unterentwicklung Afrikas unter besonderer Berücksichtigung von Ghana, Nigeria, Tanzania, Uganda und Kenya. Verlag Udo Breger, Göttingen 1974, p. 6.

7 In this respect the United Kingdom had already made substantial concessions during the colonial period to the Rand Currency area and to Southern Rhodesia, both of which were and are stilldominated by white minorities. The Southern Rhodesian CurrencyBoard which became the Central African Currency Board, for example, was allowed a fiduciary issue of 20% and its headquarters were sited in Salisbury. Cf. *Abdel-Salam, I.H.*, op. cit., p. 346.

8 For a detailed overview of all the foreign monetary zones in Africa see *Mensag, A.*, op. cit., pp. 7-14. - *Abdel-Salam, O.H.*, op. cit.

9 Formerly known as the Gold Coast.

10 Malawi and Zambia were formerly the colonies of Nyasaland and Northern Rhodesia, Zimbabwe (Southern Rhodesia) still has to become independent.

11 For some time Aden, Somalia and Ethiopia belonged to this subregion.

12 For further information on this see *Mensah, A.*, op. cit., pp. 31-36.

13 This territory, formerly known as the territory of the Afars and the Issas recently became independent.

14 Cf. *Abdel-Salam, O.H.*, op. cit., pp. 340-341. - *Engberg, H.L.*, The Operations Account System in French Speaking Africa. "The Journal of Modern African Studies". Vol. 11 No. 4 (1973), pp. 538-540.

15 The only exception was Ethiopia.

16 See *Mensah, A.*, op. cit., pp. 14-17. - *Abdel-Salam. O. H.*, op. cit., pp. 352-358.

17 Mladek mentions only the first three. See *Mladek, J. V.*, Evolution of African Currencies. Part II: The Sterling Area and Unattached Currencies. In: "Finance and Development". Washington D.C., Vol. 1 No. 3, (Dec. 1964), p. 1. *Mensah, A.*, op. cit., p. 15.

18 As already mentioned exceptions were white-dominated South Africa and Southern Rhodesia to which the United Kingdom made concessions.

19 The struggle for the liberation of the remaining colonial territories, however, still continues and is yielding substantial results.

20 Cf. *Brown, C. V.*, The Nigerian Banking System. G. Allen ad Unwin Ltd., London 1966, pp. 126-135 - *Mensah, A.*, op. cit., pp. 56-58 and 125-128.

21 Ibid.

22 Ibid.

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23 The Central Bank of Nigeria, however, commenced business in1959. Cf. *Brown, C. V.*, op. cit., p. 144. - *Mensah, A.*, op. cit., p. 11. - *Abdel-Salam, O.H.* , cit., p. 348.

24 Ibid.

25 Cf. *Hazlewood, A.*, The Economics of Federation and Dissolution in Central Africa. In: *Hazlewood, A.* (ed.), African Integration and Disintegration. Case Studies in Economic and Political Union. Oxford University Press, London/New York/Toronto 1967, pp. 223-228.

26 Cf. *Mensah, A.*, op. cit., pp. 11-12. - *Abdel-Salam, O.H.*, op. cit., pp. 347-348.

27 Cf. *Mensah, A.*, op. cit., p. 209. - *Bomani, P.* A Central Bank of Tanzania. In *Smith, H.E.* (Ed.) Readings on Economic Development and Administration in Tanzania. Nairobi/London 1966, p. 120.

28 Cf. *Blumenthal, E.*, The East African Monetary System. In: *Smith, H.E.*, (Ed.), Readings, on Economic Development and Administration in Tanzania, op. cit., p. 86.

29 *Blumenthal, E.*, The Present System and Its Future. Dar es Salaam 1963, p. 1 quoted by *Robson, P.*, Economic Integration in Africa. Allen and Unwin, London 1968, p. 116.

30 Cf. *Robson, P.*, op. cit., pp. 116–117.-*Ridley, R.G.*, Eastern Africa. In: *Crick, W.F.*, (Ed.), Commonwealth Banking Systems. Oxford University Press. London 1965, p. 404.

31 For details see *Mensah, A.*, op. cit., pp. 211-212. - *East African Currency Board*, The End of the Currency Union. In: *Smith, H.E.*, (Ed.) Readings on Economic Development and Administration in Tanzania, op. cit., pp. 125–131.

32 Cf. *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1972......, p. 1973. - *The Economist Intelligence Unit*, Quarterly Economic Review: Southern Africa: Republic of South Africa, South West Africa, Botswana, Swaziland. London No. 1 - 1975, p. 20.

33 One lilangeli is equal to one rand; it is backed by the rand. Cf. Ibid.

34 Cf. Daily Times, Wednesday, January 5, 1977, p. 7.

35 The only exception was Morocco. See *Abdel-Salam, O.H.*, op. cit., p. 341.

36 Ibid., p. 342. - *Mensah*, A., op. cit., p. 9.

37 *Abdel-Salam, O.H.*, op. cit., p. 345. - *Mensah, A.*, op. cit., p. 10.

38 Cf. *The Economist Intelligence Unit*, Quarterly Economic Review. Former French West Africa, Togo: Annual Supplement 1973. London 1973, p. 5.

39 *The Economist Intelligence Unit*, Quarterly Economic Review Gabon, Congo, Cameroun, C.A.R., Chad, Madagascar: Annual Supplement 1976. London 1976, pp. 3–4.

40 Cf. *The Economist Intelligence Unit*, Quarterly Economic Review: Former French West Africa, Togo. London No. 4 - 1972, p. 13.

41 Ibid., pp. 2-3.

42 See Africa Research Bulletin: Economic Financial and Technical Series. Exeter, Vol. 10 No. 3 (April 30, 1973), p. 2687.

43 Ibid., p. 2. - Ibid., Quarterly Economic Review; Former French West Africa, Togo. London No. 3-1973, p. 4.

44 Ibid., Quarterly Economic Review: Fomer French West Africa, Togo London No. 4–1972, pp. 2–3.

45 Cf. *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1972, op. cit., pp. 209-211. - *The Economist Intelligence Unit*, Quarterly Economic Review : Former Equatorial Africa, Cameroun, Malagasy Republic. No. 1–1973......, p. 2.

46 Cameroun has four; Gabon, Chad, Central African Empire and Congo one each.

47 A proper assessment of these reforms must take into account the fact that the Board of the bank is responsible for setting credit ceiling for each state and the National Monetary Committees are instruments for implementing the economic policy of the Board. Cf. *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1972, op cit., p. 211.

48 Cf. *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1973, op. cit., pp. 171-172.–*The Economist Intelligence Unit*, Quarterly Economic Review: Senegal, Mali Mauritania, Guinea. Annual Supplement 1975. London 1975, p. 3.– Ibid., Quarterly Economic Review. Former French West Africa, Togo. Annual Supplement 1973, pp. 5-6.

49 Each African member state has two representatives.

50 Cf. Africa Research Bulletin: Economic Technical and Financial Series. Exeter, Vol. 11 No. 12 (January 31, 1975), p. 3360.

51 Ibid., Vol. 13 No. 10 (November 30, 1976), p. 4069.

52 Although no further detail was found nationalisation would seem to suggest that Portugal did not transfer the bank as agreed. Cf. Ibid., Vol. 12 No. 4 (May 31, 1975), p. 3484. - Ibid., Vol. 14 No. 5 (June 30, 1977), p. 4295.

53 Cf. Ibid., Vol. 14 No. 6 (July 31, 1977), p. 4331.

54 Some examples are "franc malien", "franc Halgache", "Nigerian pound", "Zambian pound", "Egyptian pound", "Mozambique escudo", "Angolan escudo" etc. Exceptions are the rand and the rupee. For further details cf. *Mensah, A.*, op. cit., pp. 6–17.–*Abdel–Salam, O.H.*, op. cit., pp. 339–358

55 Countries that have taken such a step are Morocco (Dirham), Algeria (Dinar), Tunisia (Dinar), Libya (Dinar), Ghana (Cedi), Nigeria (Naira), Sierra Leone (Leone), Gambia (Dalasi), Malawi (Kwacha), Malagasy Republic (Ariary), Guinea (Syli), Mauritania (Ouguiya), Zaire (Zaire) and SoHa'ia (Shilling). Recently, Angola (Kwanza), Guinea-Bissau (Peso), Ethiopia (Birr), and Botwana (Pula) have joined this grouping.

56 This does not in anyway suggest that they may not have been acting in their own interest. Cf. *Engberg. H.L.*, op. cit., p. 545.–*Mensah, A.*, op. cit., pp. 28–34 and 533–535.– *Economic Commission for Africa* Survey of Economic Conditions in Africa, 1972, op cit., p. 170. – *Garrity, M.P.*, The 1969 Franc Devaluation and the Ivory Coast Economy. "The Journal of Modern African Studies". London, Vol. 10 No. 4 (1972), pp. 627–633.

57 In 1967 Uganda, for example, recorded a loss of about 20 million shillings as a result of the devaluation of the pound sterling. For August 1975 the Central Bank of Nigeria reported a loss of N 48·9 million "arising from revaluation adjustments in the Central Bank's holdings of external assets" after the abroagation of the Sterling Guarantee, Agreement by the United Kingdom. Cf. *Bank of Uganda*, Annual Report 1967–1968. Kampala 1968, p. 19. – *Cental Bank of Nigeria*, Monthly Report: October 1975. Lagos 1975, p. 4. – Business Times, Lagos, Vol. 1, No. 9 (November 25, 1975), p. 1.

58 Kenya, Tanzania, Uganda, Zambia, Libya and Nigeria are typical examples of African countries which did that. South Africa also did. Cf. *Mensah, A.*, op. cit., p. 536. - *Economic Commssion for Africa*, Survey of Economic Conditions in Africa, 1972..., p. 189. - Ibid., Survey of Economic Conditions in Africa, 1973..., p. 171.

59 As far back as 1975 Tanzania, Uganda, Kenya, Malawi and Mauritius, for example, reacted in this way. This shifting of ties is, as one can easily see, an exercise in futility.

60 Cf. *Economic Commssion for Africa*, Survey of Economic Conditions in Africa, 1973..., pp. 171-172 for the details

61 In some cases experts were drawn from other Western European countries and the International Monetary Fund. Cf. for example, *Brown, C.V.*, op. cit., pp. 136–150. – *Mensah, A.*, op. cit., pp. 389-390. *Scott, J.A.*, Western Africa: (C) Sierra Leone. In: *Crick, W.F.*, (Ed.), Commonwealth Banking Systems, op. cit., p. 383.

62 For details see for example *Mensah, A.*, op. cit., pp. 357-365. - *Brown, C. V.*, op. cit., p. 142.

63 Ibid.

64 Prior to the concessions made in 1972–1973, 50 per cent of the members of the Boards of Directors, of the BCEAEC and the Institut d'Emission Malgache and 331/3 per cent of the members of the Board of Directors of the BCEAO were appointees and representatives of France. Cf. *Engberg, H.L.*, op. cit., p. 540.–*Mensah, A.*, op.cit., p. 8. – *Abdel–Salam, O.H.*, op. cit., p. 345.

65 Cf. *Brown, C.V.*, op. cit., pp. 170.– *Mensah, A.*, op. cit., pp. 447–458.

66 Examples of such central banks are the Central Bank of Nigeria, the Bank of Ghana and to some extent the two multinational central banks of the French-speaking states of Western and Central Africa. Cf. *Brown, C. V.*, op. cit., pp. 140-141. - *Mensah, A.*, op. cit., pp. 61, 134 and 365-368. *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1973, op. cit., pp. 171-172.

67 They include the Bank of Ghana, the Central Bank of Nigeria, the Bank of Uganda and to some extent the two multinational central banks of Francophil Western and Central Africa. For further information cf. *Mensah, A.*, op. cit., pp. 61–63, 132–133, 266, 268 and 367–368. – *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1972, op. cit., pp. 210-211.

68 Countries such as Egypt, Guinea, Mali, Libya, Tanzania, the Sudan and Algeria have fully or largely nationalised the foreign banks. Nigeria, on the other hand, has now raised her shareholding in the Barclays Bank, the Standard Bank and the United Bank for Africa from 40 to 60%. Cf. *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1973, op. cit., p. 174. - Ibid., Survey of Economic Conditions in Africa, 1972, op. cit., p. 209. - *Abdel-Salam, O.H.*, op. cit., pp. 358-359.

69 Examples are the Bank of Ghana, the Central Bank of Nigeria, and to some extent the two multinational banks of French–speaking states of Western and Central Africa. Those central banks which were established later were, apparently in the light of the shortcomings of the older ones, provided with the necessary powers from the onset. The Bank of Tanzania, the Bank of Uganda and the Central Bank of Kenya, for example, fall in this group. Cf. *Economic Commission for Africa*, op. cit., pp. 209-210. – *Mensah, A.*, op. cit., pp. 63–66, 124–125, 367–370. – *Brown, C.V.*, op. cit., p. 147.

70 Typical examples are the Bank of Ghana, the Central Bank of Nigeria, the Bank of Tanzania, the Bank of Uganda, the Central Bank of Kenya and to some extent the two multinational banks of Francophil Western and Central Africa. Cf. *Economic Commission for Africa*, Ibid., pp. 210–211.–*Mensah, A.*, op. cit., pp. 357-367. - *Brown, C. V.*, op. cit., p. 142.

71 Cf. *Mensah, A.*, op. cit., pp. 6, 8 and 31–32. –*Engberg, H, L.*, op. cit., p. 545.

72 In 1967, however, Nigeria, Tanzania Uganda and Kenya, for example, refused to accept an automatic devaluation of their currencies when the British devalued the pound sterling. Similarly, the Maghreb states also rejected the principle of automaticity in 1969 when France devalued the French franc. The other satellite African states met after the French announcement, criticized the unilateral French action and confirmed the devaluation of their subordinate currencies. Cf. *Abdel-Salam, O.H.*, op. cit., pp. 342, 345, 348 and 350. – *Engberg, H.L.*, op. cit., p. 543. – *Mensah, A.*, op. cit., p. 534.

73 Cf. *Mensah, A.*, op. cit., pp. 32–36. – *Engberg, H.L.*, pp. 538–542.

74 The main institutions for effecting this transaction are the "dollar pool" of the sterling system and the "operations account" of the franc system. Cf. *Engberg, H.L.*, op. cit., pp. 537-542– *Mensah, A.*, op.

75 It is self–evident that it is not the prerogative of satellite states to determine whether there is a need and how urgent such a need is.

76 Including all African colonies of the United Kingdom and those colonies there were becoming independent.

77 Evidence available shows that the sterling assets were not generally securities with high yields and that in some African territories then the interest rates were higher. Cf. for example *Mensah, A.*, op. cit., p. 415.

78 This group of countries comprised Australia, New Zealand, South Africa, India, Pakistan, Ceylon, Rhodesia, Irish Republic, Iceland and Burma.

79 They correspond to those mentioned in the above, immediately preceding footnote.

80 Cf. for example *Abdel-Salam, O.H.*, op. cit., p. 349. - *Mensah, A.*, op. cit., p. 132. - *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1973... p. 172.

81 Nigeria and Kenya are known to have signed such agreements with the United Kingdom in the past. Cf. *Central Bank of Kenya*, Third Annual Report for the year ended 30th June 1969. Nairobi 1969, p. 12. – Business Times. Lagos, Vol. 1, No. 9 (Nov. 25, 1975), p 1.

82 Algeria, Egypt, Libya and Zaire have besides acquired relatively substantial amounts of gold, while Nigeria, for example, in the main opted for a basket of various foreign assets. Cf. *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1973..., p. 165.

83 As mentioned earlier Morocco, Algeria, Tunisia, Nigeria, Tanzania, Uganda and Kenya did not follow France and the United Kingdom when the latter altered the value of the metropolitan currencies.

84 This was done mainly by some former) members of the sterling zone such as Nigeria, Zambia, Tanzania, Uganda and Kenya when the pound sterling was set floating. This was and is clearly no solution to their problems; as could be predicted the USA later had to devalue the US dollar as result of which these new satellites accordingly altered the values of their currencies in order to maintain the fixed parity with the US dollar. Cf. *Mensah, A.*, op. cit., p. 536. - *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1972, op. cit., pp. 188-189. - *The Economist Intelligence Unit*, Quarterly Economic Review. Uganda, Ethiopia, Somalia: Annual Supplement 1974. London 1974, p. 2.

85 Cf. for example, *Williams, E.*, Capitalism and Slavery. Capricorn Book Edition. New York 1966. *Rodney, W.*, How Europe Underdeveloped Africa. Tanzania Publishing House, Dar es Salaam 1972.

86 The arguments normally adduced in support of such build-up or syphoning of resources of the satellites by the metropoles have been found to be largely baseless, See for example *Mensah, A.*, op. cit., pp. 217 and 504 – 506.

87 Countries that have taken this measure in the recent past include Nigeria, Ghana, Uganda, Zambia, and Tanzania. Cf. *Mensah, A.*, op. cit., p. 140. - *Economic Commission for Africa*, Survey of Economic Conditions in Africa, 1972, ..., pp. 203-206.

88 Mauritania and the Malagasy Republic are the most recent examples.

89 It is the only way open to individual satellite states that have come to discover their national interests and reject metropolitan monetary and financial domination.