

EBS/83/200

CONFIDENTIAL

September 14, 1983

To: Members of the Executive Board  
From: The Secretary  
Subject: Zaire - Exchange Arrangements

The attached paper on a change in the exchange rate of the zaire is circulated for the information of the Executive Directors.

Att: (1)

INTERNATIONAL MONETARY FUND

ZAIRE

Exchange Arrangements

Prepared by the African Department and the Exchange  
and Trade Relations Department

(In consultation with the Legal Department)

Approved by Oumar B. Makalou and W.A. Beveridge

September 14, 1983

In a communication to the Managing Director, the Zairian authorities have informed the Fund that, effective September 10, 1983, the exchange rate of the zaire in terms of the SDR has been changed to Z 1 = SDR 0.03542. The new rate represents a devaluation of 77.5 percent with respect to the previous rate of Z 1 = SDR 0.15750. The fixed parity of the zaire vis-à-vis the SDR, introduced on March 12, 1976, has been abolished and the official rate will henceforth be managed flexibly; it will be adjusted on a weekly basis. The authorities have introduced a transitional dual exchange rate regime in which the official exchange rate will be kept within 10 percent of the free market rate. Sales of foreign exchange for official debt servicing, petroleum imports, and certain priority government transactions will take place at the official rate. All other transactions will take place at the free rate.

Effective September 12, 1983, the authorities have also taken several measures to liberalize the exchange and trade system. The requirement that commercial banks surrender 30 percent of export earnings to the Bank of Zaire has been abolished. The foreign exchange allocation system applicable to commercial banks has been modified, with the banks being allowed to freely sell 75 percent of their foreign exchange resources and a maximum of 25 percent will continue to be allocated for invisibles. Resident foreign currency accounts have also been abolished. On the trade regime, the system of imports financed without recourse to the foreign exchange resources of the banking system has been eliminated. Import licensing regulations have been liberalized with the introduction of a negative list of nonessential imports subject to prior authorization, with all other imports subject only to a simple declaration.

The measures described above have been taken in the context of a program of economic and financial adjustment for 1983-84, in support of which the Zairian authorities have requested a stand-by arrangement with the Fund. As a result of the actions, Zaire has eliminated several exchange restrictions and a multiple currency practice subject to Fund approval; these were described in the staff report for the 1981

Article IV consultation (SM/81/241, 12/15/81, and supplement 1, 1/19/82), and had been unapproved since December 31, 1982. The introduction of the dual exchange rate arrangement gives rise to a new multiple currency practice which will be discussed in detail in the forthcoming paper on the stand-by request. Consequently, no action by the Executive Board is proposed at this time.